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CHINESE MAY IMPORT MORE THAN \$25 BILLION BY 1985

"There are great opportunities for increasing our exports to China... a market which will probably amount to about \$25 to \$30 billion by 1985" commented Roy Jenkins, President of the Commission of the European Communities, on his visit to China from February 27 - March 1, 1979.

Following is the text of Mr. Jenkins' opening remarks:

"I had long talks in Peking with Chairman Hua, with Vice-Premiers Deng and Gu, with Foreign Minister Huang and Foreign Trade Minister Li. There were five aspects to my visit, five main themes which I would like to touch on.

First, our discussions covered the general relationship between China and the European Community, a relationship which has developed steadily and I think successfully over the last few years. My visit was given point and purpose by the signature of the framework trade agreement last April. My extensive conversations gave me a very clear idea of how much the Chinese value their friendship with the European Community and its member states.

They value this, I believe, for both political and economic reasons. The political reasons are well-known and I do not think I need to go into them in depth. As for the economic reasons, the Chinese recognize that the European Community is the largest trading entity in the world, and look forward to doing at least as much business with us as with any one of their other major trading partners including Japan. There are great opportunities for increasing our exports to China, and our share of a market which will probably amount to about \$25-30 billion by 1985, an increase from the present rate of

imports of about \$10.5 billion. Naturally the Chinese hope and expect that there will also be opportunities for them in the Community, the more so as time goes on.

It is, I believe, greatly in our interest to pursue our economic relations with China in a way which contributes to the increase of the purchasing power of China as one of the major markets of the world. I have frequently stated that I feel the world economy needs a new historic impulse to growth on the scale of the post-war reconstruction in Europe, or the spread to the mass of the population of higher living standards in the 1950's and 1960's. The Chinese program of the 'four modernizations' will be perhaps the major economic event of the next two decades and could make a major contribution to this strategy and to our relationship on the basis of mutual interest. Second, and arising from this wider picture, was a discussion of a number of specific issues concerned with giving effect to the framework agreement. I will summarize these briefly:

- The first meeting of the joint committee envisaged by the agreement will begin on 3 May in Peking at high official level. Sir Roy Denman will lead for the Community, supported by representatives of member states.

- We agreed in principle on a business week in Brussels in 1980 bringing together about 100 Chinese heads of purchasing and selling agencies and European business executives concentrating on the main areas of our future trade. They will not merely have general discussions but will get down to detail. For example we could advise on marketing techniques .

- The Chinese informed us of their intention to construct a major trade center in Peking with accommodations and facilities for visiting businessmen within the next two years, where we will be given equal treatment with the Japanese.

- We explained the assistance which we could give in the field of science, technology and scholarships.

- On textiles we went into some detail in explaining the difficulties which must be overcome to enable a satisfactory agreement to be negotiated. We hope to reach agreement in the reasonably near future.

- Finally I explained to the Chinese authorities the Commission's disposition to recommend to the Council of Ministers that China should be included in its generalized scheme of preferences for 1980, subject to certain exceptions for sensitive products, of which textiles are obviously one.

Third, the Chinese showed great interest in developments in the Community itself. I was very struck by their interest and indeed by how well informed they were on what goes on in the Community, for example over direct elections to the European Parliament. They were particularly and favorably impressed by the prospects for the European Monetary System which they regard not merely as a positive element in the progress towards European unity, but as a stabilizing factor in their trade with the member states.

Fourth, we discussed the world political scene. To a large extent these discussions were taken up with the Chinese assessment of future developments. I was particularly struck by the detail of their grasp of

every problem, each individual events set in their overall strategic view of the world. But I think the Chinese view is sufficiently well known for me not to need to repeat in detail here. You will however expect me to say a word on Vietnam. Events there have moved on since I left Peking, but during my visit they pointed out that their decision to take action in Vietnam was limited in time and space, that they had calculated very carefully and soberly the risks of the operation, and that they did not seek territorial gains: as soon as the operation had fulfilled its purpose the troops would be withdrawn. They may now be finding somewhat greater difficulties than they expected about withdrawal at the moment of their own choice.

Fifth, I had the opportunity to make a brief visit to two Chinese provinces, Sichuan and Hobei, including the cities of Chengdu, Chongqing and Wuhan. In this way I was able to see something of remoter China than I was able to on my last visit in 1973, the nature of the problems with which the country is confronted, the progress which is being made in areas as diverse as irrigation and machine tools, and the discipline and dedication of those who, whether in agriculture or industry are endeavoring to push forward Chinese economic development. For me all this was a clear confirmation of the tremendous opportunities which exist in China for our traders and industrialists to supply the equipment which will be necessary for China's program of modernization.

In conclusion, I pick out three qualities which seem to me to be dominant at the moment in the Chinese attitude towards Europe: first the enormous interest of the Chinese in the Community and in developing closer relations with us, second the detailed information which the Chinese authorities have on Community developments, and third their considerable openness to Europe in all senses - political, educational, technological and commercial. All of this is in great contrast to traditional Chinese attitudes both before the first revolution in 1911 and, after the second revolution in 1949. I believe the opportunities for widening and deepening our relationship are very promising."

Summary of the President's answers to questions:

1. Vietnam: He was not carrying any message from the Nine beyond the statement issued on the day before his departure. (see Declaration in Annex) nor was he asked to relay any specific message from the Chinese to the Nine. His response to the Chinese explanation of their operation was to urge the need for caution on the grounds that the unhappy country of Vietnam had already contributed enough to world instability in the past, and he hoped it would not contribute more in the future. He had told the Chinese that in the context of their desire for a front against hegemony they should be careful about the impact of their actions on the third and indeed industrialized world. For their part, the Chinese had not given an impression of sensitivity to international isolation as a result of their action. He felt they were more influenced in their decision to attack Vietnam by the signature of the Soviet-Vietnam treaty and by Soviet behavior in Southeast Asia than by the Vietnamese invasion of Cambodia as such.

2. Relations with the Community: He did not believe that Chinese attitudes economically to the Community were primarily dictated by their view of the Soviet Union, but by the fact that it is a major trading bloc, although their strategic view was of course a factor.
3. Evolution of the Chinese strategic view: The President found no basic change since his 1973 visit, but changes in the way of expressing their view. For example, one no longer heard the strong criticism of the internal Soviet regime or the same degree of verbal abuse.
4. Internal freedom: He found some relaxation in the cultural field, but above all an openness of approach to foreigners.
5. Energy: There had not been discussions in great detail, though there might be possibilities in the future for imports of Chinese oil. At the moment it was not of a suitable type and quality. Coal gave rise to transport problems.
6. Balance of payments: The Chinese are concerned to build up their future exports in order to service the deficit on their balance of payments which will be caused by their modernization. They are now prepared to take a longer term view about debt, but are still anxious to see how they can pay and are fairly cautious about borrowing.

* ANNEX

An unofficial translation of the Declaration of the Nine on the situation in Southeast Asia.

"The Nine member states of the Community consider that the situation which is developing in Southeast Asia could have serious repercussions on international relations. They express in this regard their concern. They deplore the growing rise in tensions in that area. They call for the establishment of an order ensuring the independence, territorial integrity and free disposition of each of the states concerned, in particular of Cambodia and Vietnam."

SCHEDULE OF EVENTS -- MARCH, 1979

(All events are in Brussels unless otherwise noted)

March 8- 9	Consultative Committee of the European Coal and Steel in Luxembourg
March 12	Foreign Affairs Council (Paris)
March 12-13	European Council (Paris)
March 12-16	European Parliament (Strasbourg)
March 19	Council on Economics and Finance
March 22-23	EEC/ACP Conference and Negotiations Lome II (Bahamas)
March 26-27	Council on Agriculture
March 27	Council on Energy
March 28-29	High level consultations EEC/Canada

