

EUROPEAN INTEGRATION IN 1990S
AND EC-CHINESE RELATIONS

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The European integration is one of the most important events in modern European history. Before we move to the 1990s, let's first take a brief look into it's developments in past years.

The European integration began in 1957 when France, West Germany, Italy, Netherlands, Belgium and Luxemborge signed the Treat of Rome. In 1973, Britain, Denmark and Ireland joined the Community . In 1977, Spain and Portugal joined the Community and finally in 1981, Greece became the 12th member state of European Community. In late 1991, European Community signed the Associate Treaty with three East European countries (Hungary, Poland and Czechoslovakia). In 1992, an agreement on European Economic Space (EES) was signed between 12 EC nations and 7 EFTA nations. Under this agr-ement, these 19 countries will work closely toward a more integrated Europe. So, by the end of this century we'll see the largest trade group in the world. In 1992, European Community was already the largest economic group in the world, with a total 7 thousand billion dollars of GNP and a population of 3.4 millions. European Community's imports have reached 1 thousand and 7 hundred billion dollars, while it's exports have reached 1 thousand and 6 hundred billion dollars. Both items were three times more than those of the United States.

EC integration has undergone several periods: In 1960s,

the common tariff against foreign goods was established ; in late 1960s, a Common Agricultural Policy (CAP) was followed by all EC member states. During 1970s, EC gave more importance to the establishment of political union as well as economic and monetary union, but with little success. From 1975 to 1985, the integration in European Community, especially the economic integration had been in great difficulties.

In 1985, Jacques Delors, the president of EC Commission proposed a new plan for further integration, which was widely called as " Single European Act ". According to this plan, EC will build a single market by January 1993. This means that all the non-tariff barricades must be removed to allow the free movement of " goods, capitals, peoples and services ". In 1990s, a new economic and monetary union proposal was put forward.

In the following dicussion, I'll focus on the developemnts since 1990 and the difficulties European Community will face in the coming years. I'll also pay more attention to it's economic aspects. In late 1991 and early 1992, more than 75% of the legal proposals on Single Market have been ratified by European Parliament and national parliaments, the rest will be ratified by the end of 1992. So, by the begining of 1993, the Single Market plan will come true at least on a legal term. As I just mentioned, this market first means theremoval of the obstacles for the free movement of " goods, capitals, peoples and services ". This will be very easy for some EC nations, such as France, Germany, Belgium, Netherlands and Luxemborge, because their economies were powerful and more integrated with each others. But it'll mean differently for some other EC nations. These nations usually have relatively weak economies. The economic disparity in the terms of development between EC nations is still very large. Compared with

the " Northern " countries the " Southern " countries are usually much poor. The following statistics may tell us how big the gap is. In 1992 the per capita GNP in Germany was about 20000 dollars; in France, Britain, Netherlands, Belgium and Luxemborge it was about 15000 dollars; but in Spain it was only 10000 dollars, in Greece and Portugal it was 5000 dollars. So, the gap is 3 to 4 times apart in the terms of per capita GNP. In addition, the unemployment and inflation rates were also much higher in the " Southern " countries than in the Northern " countries. This economic imbalance has become so important that it is blocking the Single Market plan simply because the " Northern " countries feared that following the abolishment of their economic borders, the poor and unemployed peoples in the " Southern " countries will flow into their lands, thus making their own unemployment situation much worse. At the same time, the investment will flow into the " Southern " countries, this development will negatively influence their economies. In the long term, the Single Market will surely benefit all the member states, but in the short term it may bring more benefits to some countries and losses to some other countries. Besides, when the integration threaten the national interests, some countries may not like the Single Market any more. They will say too much " No " to the EC integration policy. This is also a factor we must consider when discussing the EC integration.

In December 1991, the leaders from 12 EC nations met in Netherlands and signed the treaty on political union and the treaty on economic and monetary union. This should be seen as a great success for EC integration, although some countries may not ratify them , I'm quite sure that most member states will finally ratify the two treaties, even after some intense debates. I must say that the treaties don't necessarily mean European Community is able to realize the three targets set in it's economic and monetary union

plan (the fixed exchange rate; the central banking institution; the single European currency) in the remaining years of this century. The whole job may take much longer time and bigger efforts. What happened in European financial market in September 1992 is an example. It's a striking blow to EC's economic and monetary union plan. During the " black week ", the national currencies in Britain, Spain and Italy had gone down so substantially against Deutch marks that these three countries had to withdraw from EMR. British pound had devauled 10% against Deutch marks, although other national currencies were still with EMR, this financial system has been badly weakened.

The EMR has contributed greatly to the stability of European national currencies for last 15 years, but it failed to narrow the inflation gap between EC member states. In 1992 this gap remained great: the annual inflation rates in Germany, Belgium, Luxemborge and Netherlands were only 3%, while the annual inflation rate in Britain was 9%, it was 13% in Portugal, Greece's 22% annual inflation rate was probably the highest in European countries. If these countries comply with EC's pressure to crack down the inflation, they may face more unemployment, so this is a very hard choice for them. When Germany was also under inflation pressure, this became much harder.

The financial event in September 1992 also showed that EMR may not function properly when there is a big inflation gap between member states. In my opinion, EC should first improve it's economic disparity and narrow the inflation gap before any steps could be taken to build a central banking institution and to issue single European currency.

Now, after some discussion of EC's integration, I'd like to turn to the relations between China and the European Community.

The relations began in 1975 when the European Community and the People's Republic of China established diplomatic relations. As we know, the European Community was established in late 1950s, but China didn't recognize the European Community as an independent entity until mid-1970s. In 1970s, Chinese government had come to know more about EC's important role in the world affairs. There were two major factors that changed Chinese government's minds: First, the good relations with European Community could help China to get rid of its political isolation in the world, this relations was especially important when there was a Soviet threat. Second, China urgently needed the economic aids from the West to improve its collapsing economy. But the real development didn't come until 1978 when China began the economic reconstruction and adopted an economic reform and open-door policy. In 1978, a 5-year trade agreement was signed between China and the European Community. Since 1980, this relations has developed very rapidly. In 1983, China and EC reached an agreement on economic co-operation; in 1986, Jacques Delors, the president of EC Commission made his first visit to the People's Republic of China, and then in 1988 a Commission's representative agency was established in Beijing. So, during the 10 years from 1978 to 1988, we saw a great expansion of their bilateral relations. But this relations met great difficulties after June 1989, when the European Community joined with the United States in a sanction against China. Because of this action, many co-operative programs had to be suspended. In June 27, 1989, EC summit issued a " seven points " statement denouncing the violent crack down on the pro-democracy movement in China. These hard days lasted one and half year until October 1990 when the European Community decided to lift the sanction against China and restored some important co-operative projects as well as the official visits. In 1991, the vice-president of EC Commission visited Beijing and two Chinese vice-premiers also made their trips to EC countries. In early 1992, Chinese

premier made his first visit to EC countries since what happened in Tian An Men Square in June 1989. In February 1992, EC foreign ministers expressed their support for Chinese economic reform, but they still think the human rights improvement is a precondition for the better relations between China and the European Community.

I must say that there were some differences in China-EC relations and China-U.S. relations. Although the European Community joined with the United States in the sanction against China, they pay more attention to what happened in Chinese economy. After June 1989, many foreigners thought China might return to Mao's time in 1960s and 1970s, this didn't happen, at least in the terms of economic reform. Besides, Chinese economy grew very fast in last few years and Chinese market had become increasingly one part of the world market. No one could ignore this fact. I think this is the most important reason for the European Community to continue it's economic co-operation with China.

From Chinese side, we can also see some reasons: China needs foreign investment and technical co-operation to modernize it's economy, but when the United States imposed an economic sanction against China, the only way is to transfer to other European countries and Japan. This was what China had been doing since 1989. The EC integration, particularly the Single Market, has impressed Chinese government very much, this is also one reason why China payed more attention to the EC-China relations.

Although no substantial progresses have been made in political aspect in last few years, the economic co-operation had progressed very fast in recent years.

In 1975 when China normalized it's relations with the

European Community, the trade between two sides were only 700 million dollars. By 1985, it reached 10 billion dollars and by the end of 1989, this figure had reached 15 billion dollars. Among EC countries, Germany and France are China's two major trade partners. According to the statistics in 1991, European Community has become China's third largest trade partner, just come after Hong Kong (50 billion dollars) and Japan (20 billion dollars) and come before the United States (14 billion dollars). The major obstacle for further expansion of bilateral trade between China and the European Community is the trade deficit. In 1990, Chinese side said it had 2.5 billion dollars trade deficit with the European Community. But according to the EC's statistics, the trade deficit was over 6 billion dollars. In my opinion, the deficit did exist but might not be so big, some deficits come from different ways in caculating.

Compared with the trade , the technical co-operation between both sides had made great progresses in the last 10 years. By the 1990s, the European Community has become China's largest partner in technical co-operation and technical trade. In 1987, with the financial aids from the European Community, China built the first bio-technical center; a joint training program for business management and translation was established in Beijing in 1984; in 1988, China and the European Community signed an agreement to improve China's milk production in more than 20 cities. According to the statistics in 1991, about 30%-40% of China's technical imports was from the European Community (compared with only 15% from the United States). This is because the European Community adopted a more open technical policy to China. The EC direct investment in China was relatively small, compared with those of Japan and the United States (only 5% - 5%).

The political relations will develop relatively slowly

in the coming years because it depends upon the political changes in China. I personally think it is impossible for such changes in a short time. But I'm absolutely optimistic about the economic relations, there are great potential for such development although it depends on the stability in China. So, in order to develop a successful economic co-operation, China needs to keep the social and political stability while continuing economic reform. The conclusion is apparent: without the stability, it'll be impossible for the further expansion of EC-China economic relations.

7:40 pm.

Blue Room.