

Robert Boardman:

## Guns or mushrooms - relations between the EC and China 1974 - 1980

Artiklen analyserer den proces, der førte til et formaliseret samarbejde mellem EF og Kina.

Relationen placeres først i den bredere politiske og strategiske kontekst, som kommer til udtryk i Vest-europas placering i det kinesiske verdenssyn. De gradvise tilnærmelser fra 1960 til 1975 ses som resultat af 5 hovedfaktorer: handelsudviklingen, støtten til europæisk integration, stærkere bilaterale forhold til enkeltstater, samt udviklingen i EFs forhold til dels ikke-europæiske, dels øst-europæiske lande. Forhandlingen af 78-aftalen viser, at mens politiske hensyn dominerede Kinas holdning, var det afgørende problem for EF at sikre sig mod uheldige virkninger af kinesisk eksport. Starten på denne EFs første større aftale med et socialistisk land har, viser tre case-studier, været præget af beskyttelsesproblemet genopdukken. Relationen er dog i stabil udvikling, og i et afsnit om den storpolitiske kontekst drøfter forfatteren virkningerne af Sovjets reaktion, USAs fortsatte tilnærmelse, Japans konkurrence og udsikterne til et forsvarssamarbejde.

Blandt konklusionerne er, at Kinas holdning til omverdenen kan ses som en løbende justeret respons på Sovjets politik, bruddet i 1960 indvarslede Europa-kon-

### 1. Introduction

China has become a fact of life in Western Europe. The last decade has witnessed a tumult of missions between the two regions. Not only government officials, but also businessmen, scholars, journalists and - to the evident satisfaction of the Chinese - senior officers of the armed forces, defence bureaucrats and conservative politicians sharing broadly similar concerns about the nature of the Soviet threat - have made the trek from Europe to China, or else met with representatives of Chinese bodies assiduously making this latest version of the grand tour. The mutually suspicious world of the 1950s seems long gone. Barriers to trade erected by both sides for different reasons have been steadily eroded. Chinese leaders have been candid about the needs of China for imported technology. The strengthening of ties with Western European countries has thus become an instrument of Chinese policies aimed at modernization and industrial growth in the final two decades of the century. The pursuit of such links, both for themselves and also as economic and strategic counterweights to the Soviet Union, has always been present, in some degree, in Chinese Communist thinking; but it was largely submerged by the force of Mao's criticism of such options in the late 1940s, and by later foreign policy visions

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of a Chinese leadership role among Third World nations. In the 1970s the road to Western Europe was reopened with a vengeance.<sup>1</sup>

The Soviet Union was the root cause of change. Indeed much of China's orientation to the outside world can be viewed as a continually adjusting response to the Soviet reality. In retrospect, the split of 1960 marks the first step on the road. Europe in the 1960s was more accessible than the United States. Even so, it was a dozen or more years before the cultivation of relations with Europeans could be given coherence as a major foreign policy goal. In the image that grew gradually more vivid for the Chinese in the early and middle 1970s, Western Europe - and the European Community - was not simply a grouping of capitalist states most of whom were allied militarily with the United States. The grouping was analytically distinct, part of a "second world" of countries with interests different from those of Washington. There was, further, ample evidence, if the internal bickerings and periodic setbacks were ignored, of growing economic integration among the Member States of the EEC. The Community could be seen, in a sense, as an economic counterpart to the North Atlantic alliance: and the two as twin facets of a larger historical trend of opposition and resistance to the Soviet imperialist design. Europeans, in a word,

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1) Early Chinese Communist perceptions of Western Europe appear to have been marked by a greater degree of flexibility than was the case for much of the 1950s and some of the 1960s. A number of party leaders, notably Zhou himself, sought out or reacted favourably to contacts with visiting Europeans as well as Americans during the later civil war period. For details on this see John Gittings, The World and China 1922-1972, London: Methen, 1974. By 1949, however, Mao had successfully put the case for China's "leaning to one side" in the emerging cold war tensions between the Soviet Union and Western powers. Internationalism, defined by Mao in the 1930s as the uniting of Chinese Communists with the proletariat of all the capitalist countries, then served as the conceptual basis for Chinese responses to western countries in the years following the establishment of the People's Republic. Even so, those within the party who were able to argue persuasively for closer state relations with West European countries continued to be heard at least until developments in the Korean War in the autumn and winter of 1950; and such views resurfaced at later dates, notably in Geneva in 1954. Chinese reactions to British recognition in 1950 are discussed in the present author's Britain and the People's Republic of China, 1949-1974, London: Macmillan, 1976, chapters 2 and 3. For reviews of China's relations with the leading West European countries in the period before that covered in the present article, see the contributions by Richard Harris (Britain), Heinrich Bechtoldt (West Germany), and Francois Fejtö (France) in A.M. Halpern (ed.), Policies toward China, New York: McGraw-Hill, 1965. See also Giovanni Bressi, "China and Western Europe", Asian Survey, XII, 10, Oct. 1972, pp. 819-45; and Oliver Lee, "Communist China and Western Europe", Current History, Sept. 1964, pp. 143-8.

were ideally placed as potential partners of China in her forward strategy against Moscow. They were, it is true, not totally reliable: apt to mumble about complexities, balancing and detente, some seemed astonishingly blind to realities even when the Soviets, in Africa or in Afghanistan, presented them with clear evidence of the true nature of social-imperialism. Time, however, was working against the sceptics.

## 2. Western Europe in the Chinese World-View

This is not to say that the Chinese have been naive about politics in Western Europe, or that they have been too eager to swallow Europropaganda. The dealings of Chinese officials in Brussels and elsewhere have shown a discerning appreciation of developments in the Community that does not usually surface in official commentary. As in other areas of Chinese foreign policy, ideology can provide inadequate guidelines for the observer. One historian noted in 1966 that "A great many contemporary realities in Peking are as puzzling to an expert on Marxism who argues from theoretical Marxist thought, as would be an explanation of current realities in Canada by a Tibetan who argues from a theoretical knowledge of Christian theology."<sup>2</sup>

Chinese statements and published analyses do, however, give a good indication of the increasing importance of Europe from the perspective of Peking. Whereas for much of the 1970s Chinese verbal attacks continued to focus on both super-powers - who were, in one 1977 account in Renmin Ribao, "locked in frenzied contention for hegemony on a world-wide scale"<sup>3</sup> - Peking's attention by the end of the decade was concentrated much more single-mindedly on the Soviet Union. Both super-powers had further ambitions in Europe, but it was Moscow that posed both the more immediate and the more serious threat. This shifting balance of emphasis is well represented in an article published in 1978. "Soviet-US contention for world hegemony extends to every corner of the globe," this reiterated, "but the focus is Europe because of its political, economic, and strategic

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2) W.A.C.H. Dobson, "China, Past and Present", Dalhousie Review, 46(2), 1966, p. 154.

3) Renmin Ribao, July 21, 1977. See further R. Boardman, "Chinese Foreign Policy: Options for the 1980s", Yearbook of World Affairs, 34, 1980, pp. 135 ff.

importance." Each of the three dimensions was then taken in turn. Politically, Europe contained the heartland of the capitalist world, as well as the overwhelming majority of both Warsaw Pact and NATO members. Eastern Europe was thus "an important springboard for Soviet expansion abroad - for invading Western Europe to the west and for penetrating the Mediterranean and North Africa to the south." In economic terms, the Common Market was depicted as "a great political and economic force in the world." The Gross National Product of this group of states surpassed that of the Soviet Union, and almost equalled that of the United States. Thirdly, "bound on the west by the Atlantic, and on the south by the Mediterranean, across which lies Africa and the Middle East, and bordered on the east by the continent of Asia, Europe is of great strategic importance militarily." It was in this light that developments in other parts of the world should be viewed. "With the situation deadlocked in Europe, the Soviet Union has spearheaded its aggression and expansion against Africa and the Middle East. It is trying hard first to gain a foothold in these regions and then to push eastward to seize the Persian Gulf and control access to the Red Sea, southward to reach the Cape of Good Hope and westward to intercept the important Atlantic routes. The aim is to outflank Western Europe."<sup>4</sup>

"Three-world theory", with origins in formulations by Mao in the 1940s, is the cornerstone of such analyses. As set out in 1946, and revised in 1964, the first of two "intermediate zones" in the international system consisted of the developing countries of Asia, Africa, and Latin America; and the second of "the whole of Western Europe, Oceania, Canada, and other capitalist countries" which, because "subjected to US control, interference and bullying", had "something in common with the socialist countries and the peoples of various countries."<sup>5</sup> The crucial notion of a "second world", comprising primarily the states of Western Europe, but also those socialist states held to be under the domination of the Soviet Union, has been articulated by Chinese leaders at several key points during the 1970s, notably by Deng at the United Nations special

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4) "Three-world Theory: Europe - Focus of Soviet-US Contention", Peking Review, 26, June 30, 1978, pp. 23-4.

5) Renmin Ribao, Jan. 21, 1964; and Peking Review, 4, Jan. 24, 1964, p. 7.

session of April 1974 and by Hua at the Eleventh Party Congress in August 1977. This definition, while it offered a theoretical rationale for closer Sino-European relations, had some elements of conflict with earlier Chinese interpretations of world politics. In particular, the latent affinity which was implied between the interests of "second" and "third" world countries was at times incompatible with the Chinese self-image as a member of the latter

group. Peking was, for example, a warm admirer of the Lomé Convention, which was hailed in 1975 as a "big event ... against the superpowers and their hegemonistic practices."<sup>6</sup> The Chinese were running some risk of alienating opinion in developing countries, from the perspective of some of which the European Community's external trade relationships were more vulnerable to criticism.

Nevertheless, it was Europe that set the main barrier to Soviet expansionism: and West European unity against hegemonism was a "historical necessity."<sup>7</sup> Chinese press commentary in the latter part of the 1970s seized eagerly upon news items which could be fitted neatly into this emerging pattern. The European Commission's proposal of April 1978 to the Council of Ministers for greater Community monitoring of Soviet and East European vessels in European ports was taken as evidence of a greater commitment to defence measures. The complexities of the European Monetary System were pushed to one side: it was "of positive significance towards bolstering the West's power against Soviet hegemonist threats. People all wish to see a united and powerful Europe in the interests of world peace, security and holding back the outbreak of another world war."<sup>9</sup> This readiness on the part of Chinese observers to move back and forth between the economic and the military spheres, and to see powerful linkages where only the most tenuous connections might in fact exist, became gradually more pronounced. The Beijing Review's summary of the events of 1979 in Western Europe included not only such matters as elections to the European Parliament and other Community develop-

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6) "Third World Struggle against Hegemonism in Economic Sphere", Peking Review, 39, 1975, pp. 21-7.

7) "Western Unity against Hegemonism is a Historical Necessity", Renmin Ribao, Feb. 21, 1978.

8) Peking Review, 20, May 19, 1978, p. 26.

9) Ibid., 52, December 29, 1978, p. 31.

ments, but also NATO's new generation of theatre nuclear missiles in Europe - "one of the hardest and most important decisions made in NATO's thirty year history."<sup>10</sup> Europe entered the 1980s with a clear statement from Peking of its position as a target of Soviet plans for world domination.<sup>11</sup> And while the consequences of Soviet fears of encirclement were prompting some degree of caution on the part of Europeans responding to Chinese overtures, it was precisely these kinds of spreading geographic connections that Peking seemed keenest to promote.<sup>12</sup>

### 3. China and the Community: Approaching a Relationship

From the start, then, the Chinese approach to a more solid relationship with the Member States of the European Community could not be divorced from the broader political and strategic context. While the immediate stimulus to change came from the European side - with the expiry at the end of 1974 of the bilateral trade agreements then existing between Member States and state-trading countries, including China - the manner in which the Sino-European relationship has evolved since grew out of a number of earlier moves. Not much of a push came initially from the Community itself. Indeed no special position was envisaged in 1974 for China in the array of socialist states having in the future some formalised trading arrangement with Brussels. At least five main factors can be identified which played a part in bringing about a decisive shift in Community thinking about relations with China: the expansion of trade already taking place, Chinese expressions of support for European integration, a strengthening of bilateral ties between Member States and China, innovations in the EC's relations with non-European countries, and the interplay between the Community's relations on the one hand with China and on the other with East European states.

China's break with the Soviet Union in 1960 did not result quickly in a systematic search by Peking for alternative trading partners.

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10) "Western Europe Moving towards Integration", Beijing Review, 2, Jan. 14, 1980, pp. 14-15.

11) "Soviet Military Strategy for World Domination", Renmin Ribao, Jan. 1, 1980.

12) See for example comments on the spring 1980 Kuala Lumpur meeting between Asean and EC Foreign Ministers and the resulting statements and agreement: "Asean-EEC Cooperation Develops", Beijing Review, 12, March 24, 1980; and ibid., 11, March 17, 1980, pp. 11-12.

Trade with the Soviet Union dropped significantly, but by no means ceased. Though by 1968 Sino-Soviet trade was down to a fraction of its peak in 1958, and though in that year the Soviet Union accounted for less than 3 per cent of the total volume of China's overseas trade, it is significant that this trade, while small, did continue.<sup>13</sup> Even so, by 1963 Chinese trade with capitalist countries was already exceeding that with socialist states; and by the end of that decade China was conducting some four-fifths of her foreign trade with the West. A major expansion then followed in the early 1970s. Trade between Western Europe and China increased by 17 per cent in 1972 and by more than 25 per cent in 1974. The appealing features of this trend from the European point of view lay not so much in the absolute level of trade - at £765.8m in 1974, EEC trade with China was considerably outdistanced by the Common Market's trade with Comecon countries, which stood then at £9,122m<sup>14</sup> - but rather in the rate of increase of trade, and in the potential of the China market for European exporters in the future. This latter argument, that there was great scope for foreign businessmen in the China trade, had long been a familiar one in some countries, notably in Britain. But doubts had for just as long been raised but appreciation that trade was restricted on the western side by the strategic trade control machinery operated by NATO allies, and on the Chinese side by the overall political direction of China's foreign trade, by the insistence of Peking that trade with other countries should balance and should not be financed by credit, and by the limited and highly specific import needs of an in-drawn, non-consumer society. It was against this background, then, that Chinese support in the early 1970s for European integration - put to British officials and politicians, for example, in the context of negotiations leading to an exchange of ambassadors in 1972 - assumed particular significance. The argument that the China market existed no longer took place in a vacuum. Here was concrete evidence

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13) Figures from K.P. Broadbent, "China and the EEC: The Politics of a New Trade Relationship", The World Today, May 1976, pp. 190-8. See further Audrey Donnithorne, "China as a Trading Nation", Current Scene, Feb. 7, 1972; Mah Feng-hwa, The Foreign Trade of Mainland China, Chicago: Aldine Press, 1971; and A. Eckstein, Communist China's Economic Growth and Foreign Trade, New York: McGraw-Hill, 1966.

14) Broadbent, op.cit.



that the Chinese Government was actively seeking out some form of link with Western Europe.

Thirdly, Member States of the Community were already in the early 1970s developing bilateral relations with the PRC. In the 1950s only Denmark, Britain, and the Netherlands had enjoyed diplomatic representation in Peking, though even then the two latter only at chargé d'affaires level. And this was hardly a close relationship: it was often difficult for western officials in Peking to make contact with representatives of the Chinese Government, with the result that many observers in Western Europe drew the conclusion that Britain had gained little if anything from its early recognition of the Communist regime in 1950. For its part, Peking's response to the Treaty of Rome was to view the EEC simply as a capitalist grouping of states. No significant change in this pattern followed French recognition in 1964. It was not until the early 1970s that relations began to blossom. Diplomatic relations were established with Italy in 1970, Belgium the following year (from which base Chinese informal contacts with the Community grew, though the accreditation of a separate ambassador did not come until 1975), and Luxembourg, the Federal Republic of Germany, and Britain in 1972 (the last case involving a raising of official links to the level of ambassador). It was in the course of these exchanges that officials of Western European governments were made aware of the growing importance that the Chinese were placing, even at that time, on European unity. Britain's Conservative Government, under Edward Heath, was praised for its "sound" attitude towards the Soviet Union. Heath's commitment to the cause of European integration clearly impressed the Chinese. One Chinese official observed in 1972 that Heath and Mao had a lot in common in their fears of both the United States and the Soviet Union, and when the former Prime Minister finally arrived in Peking in May 1974 he was applauded by Deng not only for developing Sino-British relations, but also for standing for the unity of Western Europe.<sup>15</sup>

Fourthly, changes were afoot in the EC's external relations in the mid-1970s that had ramifications for the China Question. By 1975 the European Commission was engaged in planning both the en-

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15) See further R. Boardman, Britain and the People's Republic of China, 1949-74, London: Macmillan, 1976, pp. 150-2.

visaged accord with the PRC, and also the economic cooperation agreement with Canada signed the following May.<sup>16</sup> This framework agreement had a number of controversial aspects to it, not the least of which had to do with the competence of the Commission to move in this kind of direction. The issue of what was to be the Community's future relationship with China, arose at a time when, for a variety of reasons, the Commission was especially receptive to ideas which would expand the external role of the Community. Speaking on behalf of the Conservative group in a European Parliament debate of July 1977, Lord Bessborough drew particular attention to the Canadian precedent in arguing for a strong and effective agreement with China: "The past pattern of framework agreements is not altogether happy. Despite the existence of an agreement there have been uranium supply difficulties with Canada. The framework agreement with the PRC must contemplate a more substantial relationship ..."<sup>17</sup> Finally, the Community's continuing problems in reaching common ground on outstanding issues with Comecon ultimately acted in China's interests. Officials rightly denied any effort to "play off" the two communist super-powers against each other; but Sino-Soviet rivalry was something that could not be ignored, and there is some evidence that officials in Brussels in 1977 saw the two separate processes as helping to accelerate each other.<sup>18</sup>

In anticipation of the expiry at the end of 1974 of existing bilateral trade agreements between Member States and socialist countries, the Council in May of that year declared its readiness to open negotiations with these countries with a view to replacing these with Community-wide agreements; and the Commission transmitted an outline agreement to the government concerned indicating the kinds of lines that such an arrangement could take in November. (The Council of Ministers decided in May 1975 on an import scheme in relation to state-trading countries to allow trade to continue in the interim before these agreements were reached).<sup>19</sup> At this time, how-

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16) R. Boardman, "Initiatives and Outcomes: The European Community and Canada's 'Third Option'", *Revue d'Intégration européenne*, III(1), 1979, pp. 5-28.

17) EC, OJ. *Debates of the European Parliament, Sitting of 5 July, 1977*, p. 96.

18) *Financial Times*, January 20, 1978.

19) EC L 99, April 21, 1975. The message to Peking was transmitted through the Chinese Embassy to Belgium.

ever, no distinction was being made between these states; the proposal for the most part covered technical customs and administrative matters, and bore little relation to the spirit of trade promotion that animated the eventual agreement with the Chinese.

During the latter part of 1974, however, it was increasingly apparent that the Chinese were seriously intent on cultivating links with Europeans. Informal contacts in Brussels continued; Chinese statements became more outspoken in their advocacy of European integration; and bilateral exchanges between Member States and China were breaking new ground. The reception accorded Franz-Josef Strauss in Peking at the beginning of 1975 epitomised more than any other single event the bonds of common interest that were developing between the forces of Chinese Communism and European Conservatism. Early in the year the Chinese People's Institute of Foreign Affairs formally invited Commissioner, Sir Christopher Soames to Peking.<sup>20</sup> Soames' approach to the China question was unequivocally to stress the political. He clearly did not see his role as being to tie together on behalf of the Commission the loose ends of a trade administration agreement with Peking. Formal diplomatic relations between the Community and China were essential if a future agreement was to be a productive one. The Chinese readiness to take this step was announced during the meetings in Peking from May 4-11, 1975. As well as the Chinese Foreign Minister, Soames met also with Zhou, Vice Premier Li Xiannian, and Li Qiang, who as Minister of Foreign Trade signed the agreement with the Community on its conclusion in April 1978. The background of bilateral relations emerged as a useful building block of Brussels-Peking ties, since no Member State retained diplomatic relations with the Nationalist Government on Taiwan. The Taiwan question did arise, but was overcome with no difficulty. Soames was able to argue that matters such as recognition of states did not come within the responsibility of the Community; but that all Member States had in any case recognized the Government of the PRC as the sole Government of China and had taken positions with regard to Taiwan acceptable to Peking; and that, in conformity with these positions, the Community

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20) The invitation could not come from the Foreign Trade or Foreign Ministries in Peking because of the absence of official relations with the Community.

did not entertain any official relations with Taiwan.<sup>21</sup> Li Lianbi became China's first head of mission to the Community in September.<sup>22</sup>

An initial round of talks on a trade agreement between the EC and China took place during the Soames visit. Succeeding rounds went more slowly, but in some ways surprisingly quickly given China's immersion in internal political strife during 1976-77. Altogether eight sessions of exploratory talks were held in Brussels between Community and Chinese officials from July 1975 (before Peking's mission to the Community had been established) and June 1977 (shortly before an EC delegation was due to leave for Peking to bring together the various threads of this exploratory stage). The "framework" character of the agreement became clearer during these sessions. It was to be, according to the Commission in April 1977, "a framework agreement defining relations between the two parties with a view to developing their trade." Specific products were not subjects for discussion at that stage.<sup>23</sup>

The Brussels talks took place amid an atmosphere of growing European interest in China. The European Parliament, which has had a long record of tabling questions about the Community's relations with China, lent support to the Commission's efforts, though, given the nature of Community institutions, with little impact on the talks themselves. The Parliament's debate on China policy, held in July 1977, was attended by observers from the Chinese mission. In a report prepared earlier the Committee on External Economic Relations reviewed trends in Chinese foreign policy in recent years, including Peking's policy of encouraging closer ties with "second world" countries. Trade patterns between the Community and China were summarized: about 90 per cent of Community exports to China consisted of chemical products, transportation equipment, and finished light and heavy industrial products, while about one-half of Chinese exports to the Community fell under the headings of foodstuffs and commodities.<sup>24</sup> But it is the debate on this report that

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21) EC Bulletin, 5 (1975), p. 18.

22) EC Bulletin, 9 (1975), p. 64; and EC, OJ C 224, Oct. 1, 1975. The Chinese commentary is in "China and EEC establish Official Relations", Peking Review, 20, 1975, p. 5. Li was replaced by Huan Xiang on June 1, 1976.

23) EC Bulletin, 7/8 (1977), p. 9; EC, OJ C 180, July 28, 1977.

24) Mr. Nyborg, EC, OJ. Debates of the European Parliament, Sitting of 5 July, 1977, pp. 93-6.

is more revealing of the state of West European opinion on China at this time. Representatives of the Conservative, Socialist, Christian Democrat, and Communist and Allies Groups all spoke in favour of the projected agreement with China. The degree of enthusiasm varied, however, with the political affiliation of the speaker. Peking's strongest allies were in the first group. Bessborough placed considerable emphasis on the wider political and strategic significance of the agreement, but also commented on the benefits to European firms if they were able to take a role in Chinese economic plans; in return, Community companies had need of particular raw materials, notably ferro-manganese, antimony, platinum and tungsten.<sup>25</sup> It was concluded that it was "desirable for the future agreement to go beyond the customs administration provisions laid down in the draft outline agreement addressed by the Community to the state trading countries" - this was in fact already the case - "and contain a framework and instruments for closer and more diversified economic relations between the two parties."<sup>26</sup>

The final round of talks in Brussels was held in June 1977; a Commission delegation went to Peking for the first two weeks of July to mark the end of what Commission officials were describing as the "contact phase". A number of issues remained to be resolved in formal negotiations between the two sides, but it was by now clear that no obstacle existed that would justify halting the process.

#### 4. Negotiating the 1978 Agreements: Issues and Provisions

These issues reflected the different objectives of the two parties. The Commission could not view the agreement in a predominantly political light. Certainly it would be politically valuable for the Community to be able successfully to negotiate a framework agreement on trade promotion with the Chinese. Two main points, however, had to be dealt with satisfactorily. As far as possible European firms ought to be guaranteed a certain degree of access to the Chi-

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25) Ibid., pp. 96-9.

26) EC, OJ C 183, August 1, 1977. This and other European Parliament developments were closely followed by the Chinese. See for example the coverage of Bessborough's speech on Soviet threats in Africa and the need for European unity, at Xinhua, Oct. 19, 1978.

nese market, especially for high technology products; and European markets needed a measure of protection against the possibility of dumping from low-cost Chinese exports. On the other side of the table, the Chinese tried to insist that trade between Europe and China in the future follow a more balanced route, particularly since the trend in trading patterns in the late 1960s and early 1970s was working against Peking; and also that Europe undertake a significant liberalisation of trade and allow the Chinese to sell more goods there and thus help to achieve their goal of greater balance. Implied in this, too, was Chinese pressure to be put on a different footing to that of the Soviet Union or the East European countries.

Following a preparatory meeting held on December 24, 1977, between officials of the Commission's Directorate-General I and members of the Chinese mission to the Community, the negotiations themselves took place during a five-day period from January 30 to February 3, 1978. The agreement was initialled at 7 p.m. on the last day. It will be useful to group the various questions that were raised under four main headings. Though the remaining difficulties were described by one Commission official as being "of a drafting nature" as early as the first week of January,<sup>27</sup> they were not in fact so slight that they could be resolved quickly. On the other hand, both delegations<sup>28</sup> were negotiating with an awareness of the political will to reach an agreement present in the Council of Ministers and in the Chinese Government.

First, the European demand for some form of "safeguards" clause in the agreement was objected to strongly by the Chinese. The Commission sought this provision as China was not a signatory of the GATT; and concern about the threat of dumping, with its consequent dislocations for certain sectors of the European economy, was one that was prominent in the Community's relations with a number of developing - and non-Community European - countries. In the preliminary rounds of talks before the actual negotiations the Chinese

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27) Agence Europe Bulletin, 2362, 9/10 January, 1978, p. 5; and ibid., 2360, January 6, 1978, p. 5.

28) The Chinese side was led by Sun Sou-chang, the Director heading the Third Department, Ministry of Foreign Trade, responsible for relations with Western Europe, North America, Latin America, and Oceania (Agence Europe Bulletin, 2372, Jan. 24, 1978, p. 6).

delegation took particular exception to this proposal. In any agreement between friendly countries, it was argued, a terminology which included words like "safeguards" was quite out of place.<sup>29</sup> Neither side should have the right of unilateral action. The main ingredients of a possible compromise were worked out before the negotiating sessions. The Commission agreed to withdraw its call for a safeguards arrangement, and a provision for friendly consultation in the event of undue market disturbances took its place. But it was still able to retain in the final wording of the agreement the right to take unilateral steps as a last resort. According to Article 5, the two parties undertook to "exchange information on any problems that may arise with regard to their trade" and to "open friendly consultations, with the intention of promoting trade, for the purpose of seeking mutually satisfactory solutions to those problems."<sup>30</sup> Further, each would "ensure that no action is taken before consultations are held." However, "in an exceptional case" - not further defined - "where the situation does not admit any delay, either Contracting Party may take measures, but must endeavour as far as possible to hold friendly consultations before doing so." In addition, each would "ensure that, when taking [these] measures ... the general objectives of this Agreement are not prejudiced." In the narrowest interpretation of the provision, then, the Community was not actually barred from taking action to stem the flow of unwanted Chinese goods in any particular sector; the obligation was not even that of engaging in talks, but simply of giving evidence that an attempt to engage in such talks had first been made.

Secondly, and closely related to this question, the Commission secured recognition of a principle that European officials had insisted upon in the Brussels rounds of 1975-7, namely that European markets be secured against the possibility of disruption by abnormally low priced Chinese products. Article 7 thus complemented the emergency measures system sketched out in Article 5: "Trade in goods and the provision of services between the two Contracting Parties shall be effected at market-related prices and rates."

Thirdly, the most-favoured-nation clause and provisions for trade

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29) Agence Europe Bulletin, 2360, Jan. 6, 1978, p. 5.

30) The text is at EC, OJ L 123, May 11, 1978, pp. 2-5.

liberalisation lay at the heart of the agreement, not least so far as Soviet critics were concerned. The initial Chinese position proved unacceptable to the Community side: it was proposed that the most-favoured-nation clauses cover not only the usual questions of customs duties and other taxes, but also deal directly with questions of trade restrictions themselves. Such a degree of trade liberalisation between China and the EC would have been tantamount to putting China on a par with GATT countries. However, the Community team was prepared to commit itself to a significant expansion of the liberalisation list, and to the assumption, therefore, that this would in future not be identical to that applied by the Community to other state-trading countries.<sup>31</sup> The parties undertook to accord each other most-favoured-nation treatment in customs, taxes, administrative and related matters;<sup>32</sup> with exceptions for internal EC and other international trade agreement obligations. Of greater political significance was Article 4(2): the EEC would "strive for an increasing liberalisation of imports from the PRC. To this end it will endeavour progressively to introduce measures extending the list of products for which imports from China have liberalized and to increase the amounts of quotas." Procedures for implementing this provision were to be examined in the continuing Joint Committee machinery established later in the agreement.

Fourthly, the agreement went some way towards meeting Chinese demands for a more balanced trade relationship with Europe. One part of this was the liberalisation provisions just noted. Article 3 set out the working principle specifically requested by Peking: the two parties would "make every effort to foster the harmonious expansion of their reciprocal trade and to help, each by its own means, to attain a balance in such trade." In the case of an "obvious imbalance" the matter was to be examined in the Joint Committee "so that measures can be recommended in order to improve the situation." And to complete the picture, Europe's move towards liberalization of Chinese imports was matched by a clause stating that

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31) Agence Europe Bulletin, 2381, Febr. 4, 1978, p. 5.

32) Customs duties and charges on the import, export, re-export or transit of products; regulations on customs clearance, transit, warehousing and transshipment of products; taxes and other charges levied on products or services; and administrative formalities connected with the issue of import or export licences (Article 2[1]).



the PRC would "give favourable consideration to imports from the EEC." To this end the Chinese authorities would "ensure that Community exporters have the possibility of participating fully in opportunities for trade with China" (Article 4[1]).<sup>33</sup>

The other aspects of the final agreement were less controversial and can be summarized quickly. Its aim was set out in Article 1, according to which Europe and China would "endeavour, within the framework of their respective existing laws and regulations, to promote and intensify trade between them." Some methods were suggested in Article 6: each side was to promote visits by persons, groups and delegations from economic, trade and industrial circles, to facilitate industrial and technical exchanges and contacts connected with trade, and to foster the organisation of fairs and exhibitions and the relevant provision of services. (There was, however, no entrenched right to stage such events: the parties would "as far as possible" grant each other facilities). The setting up of continuing machinery was crucial to the agreement. This had been accepted as a feature of the accord since the first exchanges in Peking in May 1974, and had been reaffirmed by the Commission following the European Parliament's debate on China policy some three years later. Article 9 provided for an EEC-China Joint Committee, consisting of representatives of both sides. It was to meet once a year in Brussels and Peking alternately, with provision for extraordinary meetings; the Committee could (as had happened in the case of the economic and trade cooperation agreement with Canada) establish its own working parties. More specifically, the Joint Committee was tasked to monitor and examine the functioning of the agreement; examine any questions that might arise in its implementation; examine problems that could hinder the development of trade between the Community and China; examine means and new opportunities of developing trade; and make recommendations that might help to attain the objectives of the agreement.

#### 5. Developing the link: 1978-80

Sino-European relations have not developed in a trouble-free way

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33) For reports on the course of the negotiations see also Agence Europe Bulletin, 2382, 6/7 Febr. 1978, p. 6; Financial Times, Jan. 20, 1978; The Times, Jan. 31 and Febr. 4, 1978; and The Guardian, Febr. 3, 1978.

since 1978. The agreement did not so much resolve problems in the relationship, as set up working procedures through which the Community and China might try to ameliorate some of their more serious consequences in the future. Brussels has had to take action on several occasions against some Chinese products held to be having adverse effects on European industries. But the process of liberalization agreed to in 1978 has been set under way; and the administrative mechanism of yearly meetings in the Joint Committee has in itself served to highlight the political importance attached by both sides to the agreement. Developments in China-EC trade relations are discussed first, and the setting of the link in the broader perspective of world politics and East-West relations examined in the next section of the paper.

The agreement, which entered into force on 1 June, 1978,<sup>34</sup> represented a new departure in the EC's relations with socialist states. It was the Community's first major agreement with a state-trading country - there had been an earlier agreement with Yugoslavia, a special case in the communist world, and a sectoral agreement covering textiles with Romania. The joint communique issued at the end of the negotiations at the beginning of February affirmed that "In addition to its favourable implications for trade, the conclusion of this first trade agreement between the Community and the PRC is of profound political significance since in the eyes of public opinion it represents one of the most striking proofs of the excellent relations between the PRC and the Community."<sup>35</sup> Satisfaction was also expressed at the "very cordial atmosphere" in which the negotiations were conducted and there was talk of opening up "a new era, given the hitherto unexploited opportunities for trade between China and the EEC."<sup>36</sup> By the time of the signing of the agreement in April, Soviet displeasure, while fully predictable,

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34) It was signed in Brussels by Li, Anderson and Haferkamp on April 3. The Commission had formally recommended adoption of the relevant Regulation by the Council on February 22, and its entry into force followed an exchange of instruments of notification completed in Brussels on May 25 (EC Bulletin, 4 (1978), pp. 24-5; ibid., 2 (1978), p. 73; EC, OJ L 143, May 31, 1978, p. 28).

35) EC Bulletin, 1 (1978), p. 11. The Chinese account gives a slightly different wording, and, significantly, appears to attribute this statement primarily to Denman. (Xinhua, Febr. 6, 1978).

36) Ibid.

had become well known. Moscow protested that the agreement was "opening the way for China to NATO arsenals, with the Common Market as go-between" and that it would "create opposition between the western countries and the USSR."<sup>37</sup> Community statements made some effort to play down this construction. The agreement was, in Haferkamp's words, "directed against no one."<sup>38</sup> Li Qiang, however, was naturally not so constrained, and seized with obvious enthusiasm on the point. "The social system of our country is different from that of the States of Western Europe," he said, "but we are all faced with a common task, which is to safeguard our independence and sovereignty. We have much in common and should provide each other with mutual support. We support Western Europe in its union for strength and in its struggle against hegemonism. We want to see a united and powerful Europe, and the countries of Europe, for their part, we are sure, want to see a prosperous and powerful China."<sup>39</sup>

The expansion of Sino-European trade of the early 1970s continued during the rest of the decade, as did the weight of the trade in the Community's favour. In 1977, EC exports stood at \$1.24b., chiefly consisting of machinery, industrial equipment, transport equipment and chemicals. China's exports to the Community, as before primarily foodstuffs and raw materials, totalled \$907m. This was part of a more general growth in China's foreign trade in the late 1970s. In the first six months of 1978 Chinese exports increased by 28.5 per cent over the same period the previous year; and despite an increase in imports of 60 per cent there was a small trade surplus. A trade surplus was also recorded for the first quarter of 1980. In comparison with the EC's trade with other countries outside Europe, however, the level of trade with China still remained relatively small - particularly when it was contrasted with the scenarios painted by some optimists in the early 1970s. The

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37) Ibid.

38) EC Bulletin, 4 (1978), p. 24.

39) Ibid., p. 25. Again, a slightly different wording of Li's statement appeared in Chinese press accounts (see Xinhua, April 5, 1978). Interestingly the Community version published in the EC Bulletin made some attempt to distance itself from the remarks by putting the central Chinese notion of "hegemonism" in quotes. Cf. the remarks by Hua during the course of talks in Peking later in the year with Haferkamp: "There is no conflict of fundamental interests between us. Our views are identical on many issues" (Financial Times, Sept. 28, 1978).

EC's trade with China in 1978, for example, stood at an overall level roughly comparable with the Community's trade with Kuwait, and somewhat less than that with Israel.<sup>40</sup> The Commission thus faced a similar dilemma to that of governments developing their own bilateral ties with the PRC: where to draw the line between a realistic emphasis on the constraints limiting the future development of trade, and a euphoric dwelling on the potential of the China market. Though in October 1978 Haferkamp warned against such euphoria,<sup>41</sup> he also went on record as saying that China would become one of the Community's most important trading partners in the next twenty years, and that China's development plans to the year 2000 offered European industry spectacular possibilities.<sup>42</sup>

It is difficult to assess the role of the 1978 agreement itself in fostering this continued expansion. The steps towards liberalisation foreshadowed in Article 4(2) of the agreement, however, were certainly a factor. In July 1978 the Commission proposed a reduction of import tariffs for twenty Chinese products over and above the list of items normally granted to state-trading countries.<sup>43</sup> There had already been an easing, a few weeks earlier, of import restrictions in the case of Italian imports of certain Chinese textiles.<sup>44</sup> As a result of negotiations in the Tokyo round of tariff reductions, the EC tariff on Chinese exports to Europe was cut a year later by just over 30 per cent, bringing the average tariff down to 6.7 per cent from 1981 onwards.<sup>45</sup>

On the other hand, this progress towards a closer trading relationship has to be weighed against difficulties that continued to arise in connection with several categories of Chinese exports to Europe. Three examples, two of them not so important in themselves, were in a sense test cases of the working of the argument and,

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40) Figures from reports in the Financial Times, Jan. 20 and Sept. 25, 1978, and Febr. 5, 1979; The Daily Telegraph, Sept. 29, 1978; The Times, April 16, 1980; and "Record Half-Yearly Foreign Trade Volume", Peking Review, 32, Aug. 11, 1978, p. 4.

41) International Herald Tribune, Oct. 7, 1978.

42) Financial Times, Febr. 5, 1979.

43) The Times, Aug. 1, 1978.

44) EC Bulletin, 6 (1978), p. 73.

45) Japan Times, July 20, 1979.

from the Chinese side, of the Community's readiness to treat Chinese products fairly and not automatically institute restrictions when minor market disruptions seemed to be threatened. In May 1978 the Commission suspended import licences for tinned mushrooms from China, as well as from Korea and Taiwan. Imports in 1977 had totalled 34,000 tonnes; thus far during 1978 they had soared to 41,000 tonnes.<sup>46</sup> Though this move was made by the Commission before the agreement was technically in force, the fact that the agreement already existed gave the Chinese mission access to Community decision-making processes and a means of presenting its case. The question hinged on the willingness of China to impose restraints on tinned mushroom exports to the Community. The Chinese - and the South Koreans - proved amenable: and later gave assurances that their exports to the EC during 1980 would be kept within reasonable limits, whereupon import licences were again issued. (Taiwan was unable to give such assurances, and in that case the temporary import ban was extended.)<sup>47</sup> A second case also arose in the interval between the conclusion of negotiations on the China-EC agreement and its entry into force. In April 1978, the French Government was authorised by the Commission not to apply Community treatment to tableware and various items of porcelain and pottery originating in the PRC. Serious difficulties were being encountered in France in this particular sector, involving a considerable drop in production and employment and a progressive decline in the market share for comparable French products. These problems, the Commission maintained, were caused largely by unequal conditions of competition from China, whereby exports could be effected at prices appreciably lower than those of Community goods.<sup>48</sup>

A third case had wider ramifications. Concern about competition from Chinese textile goods brought pressure from the industry on the British Government at the beginning of 1979. Representatives of British textile manufacturers held that the level of Chinese imports was threatening to breach the total import ceilings set by

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46) Daily Telegraph, May 30, 1978.

47) The Commission regulation adopting these provisions was issued in March 1980. See further Agence Europe Bulletin, 2864, March 7, 1980, p. 8.

48) EC, OJ L 116, April 28, 1978, p. 51.

the EC in its trading arrangements with low-wage textile suppliers. The problem was compounded by the hopes the Chinese were placing on this sector as a means of moving the trade balance with Europe more in their favour. Peking was anticipating a tripling of textile exports during the early 1980s, and had plans to expand production considerably, including production of man-made fibres and polyester/cotton cloth.<sup>49</sup> For a time Commission and Chinese officials appeared near deadlock on the question of cotton cloth exports. France took a particularly strong stand on the need for tighter controls. At the April 3 Council of Ministers meeting the French demanded that Chinese imports be held at 14,000 tonnes per annum, a long way from the figure of 60,000 tonnes being sought by China. In July a compromise figure of 40,000 tonnes was finally reached: less than the Chinese wanted, but still near to double the existing level. The arrangement was part of a wider package under which China retained its access to European markets, but at the same time tight new rules were arrived at to ensure that overall quota levels would not be broken. These went a long way towards reassuring European textile manufacturers, who had earlier expressed doubt about the will or ability of governments and the Commission to monitor and regulate the trade.<sup>50</sup>

China, as we have seen, approached Brussels in part with a view to enlisting European corporations in the process of modernisation and industrial development. As one further element in this strategy, the Chinese Government in 1979 promulgated a law on joint ventures using Chinese and foreign investment. A number of specific decrees or regulations followed or were studied in order to implement this programme. Peking's interest in both attracting foreign imports to fill specific needs and in actively collaborating with foreign firms on particular development projects inside China was emphasized in Chinese exchanges with European officials and businessmen in the late 1970s. The Chinese outlook was summarized by Yang Bo, of the Chinese

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49) Financial Times, Febr. 7, 1979; and Le Monde, March 6, 1979.

50) For the sequence of events on this question, see the reports published in the Financial Times, May 1, June 28, July 19, and Aug. 16, 1979; and in the Japan Times, July 20, 1979. On details of the EEC scheme applicable to imported textiles from the PRC, see EC, OJ L 345, Dec. 31, 1979. Annex.

State Planning Commission, at a European management forum held at Davos, Switzerland, early in 1980. While relying mainly on its own resources to finance capital construction, Yang said, China must also seek more economic cooperation with other countries. China's absorption and use of foreign funds focused on the exploitation of coal, oil and non-ferrous metals, and the construction of power stations, and transportation and communications facilities. Arrangements had also to be made for the import of advanced technology and key equipment to meet the requirements of agriculture, forestry, animal husbandry, light industry, the textile industry, and the machine-building and chemical industries. "Foreign business", he emphasized, "particularly the smaller enterprises in Western Europe, are welcome to enter into various forms of economic and technological cooperation with Chinese enterprises." China would fully protect their rights and interests: indeed, "preferential treatment will be accorded to foreign investors in joint ventures with regard to profits so that they will have good prospects of gain."<sup>51</sup>

Yet Chinese activities inside Europe, as missions from different foreign trade, planning, industrial, agricultural and scientific bodies travelled to Brussels and other centres, were what really drove home the message. The 1970s as a whole saw an unprecedented increase in the numbers of such contacts. In May 1978, for example, a high-level State Planning Commission delegation visited several European countries. A wider range of capital needs was indicated; while in Britain the delegation toured the nuclear power station at Hinckley Point, and sought detailed information on North Sea oil technology, motorway construction techniques, retailing methods, the building and organisation of new towns, and the steel expansion programme under way at Redcar.<sup>52</sup> The extent to which European companies were in competition with Japanese firms was also revealed during such visits. Several missions representing the British steel industry visited China in 1977-8 with a view to securing steel plant orders; during Li's trip to Europe for the signing of the China-EC

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51) Xinhua, Febr. 9, 1980. The Chinese authorities had earlier announced that European companies would be allowed to open representation offices in Peking. Financial Times, Oct. 7, 1978.

52) Financial Times, May 4, 1978.

agreement in April 1978, a contract was signed with the German companies Thyssen and Mannesmann for the supply of rolled steel products.<sup>53</sup> At the same time, however, a deal with Japan was under way for the supply of a 6m. ton output steel complex near Shanghai to be completed in 1981, supplied initially with Australian iron ore. When completed, this would equal production levels at the Anshan plant, China's largest.<sup>54</sup> Furthermore, the Chinese Government appeared to be anxious to spread its eggs among several European baskets. Thus while the Federal Republic of Germany had for some years been China's main trading partner in the Community, some efforts were made to build up relations with other Members States - particularly with France from the time of the visit of a major trade delegation there in May 1978. Political factors entered into the choice too. Bonn was much cooler than were either London or Paris on the question of sales of military equipment to the Chinese; and it was in the context of a British Government decision in January 1979 to approve the sale to Peking of fighter aircraft that a major six-year trade and economic cooperation agreement was signed shortly afterwards.<sup>55</sup>

One other development of 1978 had long-term significance. During the summer there were a growing number of indications that Peking was altering its position on the question of credit financing. It was estimated that, because of deferred payments for capital goods imports, the Chinese authorities needed in 1977 an additional \$1000m. to meet their foreign currency requirements although it is likely that China's expanded foreign buying during 1978 was the key factor to convincing doubting policy-makers in the autumn of that year.<sup>56</sup> In September 1978 it was reliably reported that China was to start raising loans in the Eurodollar market. The European Commission was informed that the Chinese Government was prepared to relax its then stringent controls on the use of Western credit.

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53) Frankfurter Allgemeine Zeitung, April 6, 1978. On contracts signed with British and West German firms for development of the Chinese coal industry, see The Times, Sept. 9, 1978, and Sept. 23, 1978.

54) Xinhua, May 30, 1978.

55) Daily Telegraph, March 5, 1979.

56) The Times, Aug. 18, 1977; Sunday Times, Aug. 21, 1977.



Loans on a government-to-government basis were still unacceptable; but the Chinese indicated that they were interested in borrowing provided, first, that there was a good chance of their being able to repay reasonably promptly, and, second, that the Chinese Government itself - as opposed to industrial and trading organs in different sectors - was not directly involved in the transactions. By the end of the year banks in Britain were preparing to put up funds to finance Chinese contracts for goods from British firms.<sup>57</sup> This change in the Chinese approach to the financing of international trade thus raised the possibility of a dramatic expansion of the flow of European capital goods to China in the 1980s.

#### 6. Sino-European Relations and World Politics

It would be myopic to see relations between Peking and Brussels solely in terms of the politics of trade. Both Chinese and Community officials were from the outset acutely aware of the repercussions their dealings were having on the currents of international politics. The Soviet reaction to the 1978 accord has already been noted. Up to a point the Commission was justified in regarding Moscow's declared concern as a fact that could be accommodated. No rupture of EC-Comecon relations was precipitated. Nevertheless the Commission was anxious to demonstrate to the Soviet Union that the agreement, its most-favoured-nation and liberalisation provisions notwithstanding, was not indicative of a new favouritism in the Community's external relations. In May 1978, shortly after the agreement with Peking had been signed in Brussels, Haferkamp went to Moscow to finalise negotiations on an agreement to establish working relations between the EC and CMEA.<sup>58</sup> European responses to the problems of implementation of the China-EC accord were also partly shaped by extraneous events. While the Soviet incursion into Afghanistan in December 1979 did not act to throw the Community still further into the arms of the Chinese, it did serve to vindicate the arguments of those in various Members States, notably Britain, who had argued earlier for stronger ties with Peking, even of a mili-

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57) Financial Times, Oct. 7, 1978; and Daily Telegraph, Dec. 7, 1978. For a further discussion see also Clemens Stubbe Østergaard in this issue.

58) EC Bulletin, 5 (1978), p. 11.

tary nature, as part of an encircling informal alliance against the Soviet Union. And the Chinese, for their part, were pleased by some at least of the first European responses, notably the Nine's condemnation of the Soviet action expressed by the Foreign Ministers' Council in January 1980.

Events in Afghanistan also prompted an intensification of Sino-American relations, and thus had another more indirect effect on the link between the Community and the PRC. The anticipated reactions of Washington were never very far from Community deliberations. The Carter Administration, not wholly unambiguously, was in 1977-8 playing down the significance of its links with Peking. Yet the European move to put their own "China card" on the table, even in the muffled form of a framework agreement to promote trade, was tolerated and cautiously welcomed. Changing assessments of the Western security interest in the Sino-Soviet confrontation were prominent in Washington during this period. Morton Kaplan, for example, spoke of the link between European defence questions on the one hand, and the mutual hostility between Peking and Moscow on the other, in testimony to a Congressional committee in 1977. "If one adds to this" - the world-wide Soviet military build-up - "the overwhelming advantage that the Soviet Union has built up in ground forces in the WTO area, the vulnerability of NATO bases, and the vulnerability of its small number of entrance points ... the military picture looks so threatening that only political, economic, and technological factors, in addition to the Chinese flank, prevent the sheer weight of the Soviet presence in Europe from Finlandizing Western Europe through voluntary accommodation and without excessive use of overt threat."<sup>59</sup>

The acceleration of moves to strengthen Sino-American relations in 1979-80, however, brought too the possibility of the EC facing increasingly tough competition from the United States business community in the 1980s. In March 1979, the United States liaison office in Peking was upgraded to an Embassy; in July a major trade agree-

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59) Western Europe in 1977: Security, Economic and Political Issues. Hearings before the Subcommittee on Europe and the Middle East of the Committee on International Relations, House of Representatives. 95th Congress, 1st Session. Washington, D.C.: U.S. Government Printing Office, 1977, pp. 150-151. (emphasis added).

ment with the PRC was signed. But it was the Soviet action at the end of the year that gave these developments the sense of urgency that had until then been lacking. Congress rapidly pushed through a bill giving China most-favoured-nation status: the 1979 trade agreement would come into force as the primary vehicle for expansion; it was announced that United States customs duties on Chinese goods would be reduced by up to 20 per cent; official trade representatives would be exchanged between Peking and Washington; China would have access to Eximbank; and a broader range of facilities were to be provided to assist American businessmen and Chinese officials. By the middle of 1980, then, the EC faced a substantially different situation to that which had ushered in its 1978 agreement with China. Its full implications had still to be seen; but complacency was obviously now a wholly inappropriate outlook with which to size up the China market.

Competition from Japan already existed. In this case, however, there were complicating political factors which tended to work in the Community's favour. Peking let it be known in the late 1970s that in practice it foresaw some kind of balancing of its relations with Japan and Europe. The EC represented for China not only an immediate instrument for countering the Soviet threat and meeting the challenge of modernisation, but also perhaps the beginnings of a longer-term insurance against dependence on the Japanese economy. Hua told Haferkamp during their talks in Peking in 1970 that Japan's exports to China in the period to 1990 had been ceilinged at \$60b.; the implication, European observers felt, was that EC participation in China's economic development could rise to equal that of Japan.<sup>60</sup> Jenkins returned from the Chinese capital with much the same message in March 1979. He was informed that the Chinese believed that the value of imports as a whole would more than double by 1985 to \$25-30b. (the 1978 figure was \$10.5b.), and, further, that they expected trade with EC countries to keep pace with that of their industrialised neighbour.<sup>61</sup>

Finally, China made a few more steps in 1978-80 towards her goal of consolidating a defence tie with EC Member States. Officials

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60) International Herald Tribune, Oct. 7, 1978.

61) Financial Times, March 7, 1979.

probed a number of potential weak links in European defences. As has been noted, Chinese interest in Europe has by no means been restricted to the Community. Switzerland was one country that evidently intrigued members of the delegation from the State Planning Commission in 1978. First, there was the appeal of technology, reflected in a visit to the offices of Ciba-Geigy. But secondly, there was the intellectual puzzle of European neutrals. Judging by the press commentary that accompanied the tour, which drew particular attention to Swiss defence measures, the Chinese were, however, reasonably satisfied that Switzerland knew of the dangers posed by the Soviet Union.<sup>62</sup> China's attitude towards Eurocommunism underwent a measure of change in the late 1970s. Because of the close relations that some European Communist Parties, such as the British, enjoyed with Moscow, or the readiness of others, such as the French, to adopt a pro-Soviet line on many issues, Peking had earlier tended to cast them in the role of Trojan horses. Hua, however, came to refer to Eurocommunism as a "complex question". The Communist group in the European Parliament, for example, expressed its support for the Community's accord with China, while admitting its reservations about some of China's motives for seeking the agreement.<sup>63</sup> A turning-point in this reevaluation was the visit of the Italian Communist leader to Peking in April 1980. Formal relations were resumed between the two parties, though Berlinguer hastened to point out that this was "not against any third party." "Divergences and differences" between the two were acknowledged. The Chinese made reference, however, to the "historic significance" of the talks.<sup>64</sup>

The issue of arms sales dominated discussion of the feasibility and desirability of cooperation between Europe and China in the defence field. Peking had from the beginning of the 1970s expressed interest in the purchase of military aircraft from Britain, particularly of the Harrier jump-jet. As modernisation of the armed

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62) Xinhua, May 18, 1978.

63) EC, OJ. Debates of the European Parliament, Sitting of 5 July, 1977, pp. 97-98.

64) Beijing Review, 18, May 5, 1980, pp. 23-24. See further Carol Bargmann, "Peking erwärmt sich für die Eurokommunisten", Frankfurter Allgemeine Zeitung, April 3, 1980.

forces emerged as a central goal of the post-Mao leadership, these overtures were renewed with greater vigour. Britain's Conservative Government was less perturbed by the impact of such sales on Anglo-Soviet relations than had been the Labour Party earlier.<sup>65</sup> Several factors, however, delayed progress on this front. Moscow's vehement denunciations of the idea of Britain supplying China with military hardware could not simply be ignored.<sup>66</sup> Further, given the importance of the question, some degree of inter-allied and intra-Community harmony was seen to be required. Reservations were expressed by some of Britain's allies during extensive consultations; Bonn confirmed in January 1979, that, despite the British willingness to do so, it would not itself be authorising the sale of armaments to the PRC. Washington initially had doubts, including fears that the Harrier's sophisticated electronic gadgetry might somehow fall into Soviet hands either in Sino-Soviet border clashes or through a widening of the conflict between Vietnam and China. By the end of 1978, however, the United States revealed that it had no fundamental objection to the kind of deal; and by January 1980, after Afghanistan, Washington announced that it was willing itself to sell to the PRC selected items of military equipment.<sup>67</sup> For a time, too, the cost of the aircraft surfaced as a factor likely to check sales. Significantly, though, China's attack on Vietnam in 1979 was not held by the British Government to be sufficient cause for changing its policy of selling the fighter to Peking; high-level exchanges between defence officials continued, culminating in the visit to China of the British Defence Secretary, Francis Pym, in March 1980.<sup>68</sup>

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65) Former Prime Minister Wilson denied in 1977 a report that he had promised the Soviet Government in 1975 that there would be no question of Harrier sales to China. The Times, Dec. 8, 1977. Consideration of likely Soviet reactions, however, was unquestionably a factor in British policy-making at that time, though the balance of opinion in favour of arms sales to China swelled later.

66) These came particularly at the beginning of 1979. See The Daily Telegraph, Jan. 25, 1979, for the published text of Brezhnev's letter to the British Prime Minister on the question. Shortly afterwards Moscow cancelled the visit of a Soviet trade delegation to Britain. Ibid., Febr. 15, 1978.

67) The Times, Jan. 25, 1980. Approval for the sale of various kinds of military support equipment came in March, 1980, and of more substantial items in May.

68) On his meeting with the Chinese Minister of National Defence, Xu Xiangqian, see Beijing Review, 14, April 7, 1980, p. 7.

## 7. Conclusions

Yet clearly the changes of the 1970s have not brought into being a Sino-European axis. Approached on the Chinese side with a political will to forge links from alleged common interests in defence against the Soviet Union, the relationship has nonetheless been tarnished by a series of minor irritants. No real consensus has emerged on the part of European actors that the Chinese analysis of the nature of Soviet foreign policy is fundamentally correct, or that the prescription drawn from it by Peking represents the only strategic option available to them. On the other hand, a substantial amount of progress was made in the relationship in the period 1974-80. Trade links have expanded; a machinery of administrative and political contact between Brussels and Peking has been set in motion; the Community has committed itself to a goal of actively promoting trade with China, while Peking has demonstrated its keenness to attract European capital; talks on common defence matters and the beginnings of an arms supply route emerged for some Member States. While the overall levels of trade between the Community and the PRC have remained relatively small when set against other external trading relationships of the Nine, the China-EC tie is a significant one: first, because of the potential for further development during the present decade, so long as China remains bent on its existing route of economic development, and, second, because of the perceived centrality of the relationship in the Soviet worldview, and the seriousness with which Moscow has viewed the slightest glimmerings of economic or political cooperation between Brussels and Peking. There has been significant change, too, in China's outlook on Europe. Chinese foreign trade in general has altered from the pattern of the 1950s and 1960s, when imports were used in large part as a device to relieve local or provincial bottlenecks. Foreign trade - especially the import of foreign capital and the promotion of exports aimed at trade balance - has become a pivotal strategy in China's path towards modernisation. Western methods of doing business, including the use of credit, have been viewed as a necessary concomitant of this revision.

Further, China has retained a greater stake than the EC in fostering the relationship. This does not mean that Chinese missions have been ready to sacrifice points in negotiations with European

firms because of higher economic or political criteria; indeed an intriguing picture of relative autonomy has occasionally surfaced in the different approaches of Chinese delegations representing the various sectors of Chinese industry or agriculture. More divergent responses have been present, though, on the European side. Some actors in Britain, for example, have been outspoken in their calls for deepening ties of a military nature with the PRC, and this argument has found support in the European Parliament. Opinion in some countries, for example in the Federal Republic, has been somewhat more cautious. Businessmen excited by the prospects of export growth have to be weighed against those in other sectors, for example textiles, who have faced a tightening screw of competition from low-cost Chinese products and an EC liberalisation scheme which, some critics maintain, holds out the prospect of periodic floods of imports in the future. On balance, however, the link with China has enjoyed broad political support among groups and parties in the Nine. It has a special cachet, politically exploitable nearer home, that is lacking in deals with either socialist states in Europe or non-Communist states in Asia.

The European interest, nevertheless, is likely to intensify. This is particularly so if we look at Sino-European relations less in cold war, East-West or Sino-Soviet terms, and more in the context of North-South relations and the world politics of resource exploitation and the pursuit of markets. By the end of the 1970s, a recessionary Western economy had made overseas markets especially desirable. While competition between Member States of the Community in the China market dates back at least to the 1960s, the broader pattern of competition between the EC, Japan and the United States has assumed greater prominence. All three signed and implemented major trade promotion agreements with Peking in the period 1978-80. China, for its part, has identified a need for building upon the existing relationship with the EC in order to avoid too close a dependence on Japan; and the traditional constraints against trade expansion between Western Europe and the PRC have weakened considerably. As in previous decades, though, much will depend on the state of political debate and the manoeuvrings of groups and factions inside China.