Parliamentary Assembly
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COUNCIL OF EUROPE
CONSEIL DE L'EUROPE

Resolution 1485 (2006)[1]

Implications for Europe of the economic resurgence of China

Parliamentary Assembly

1. The economic resurgence of the People's Republic of China to become a major player in the world economy presents an opportunity to be seized by Europe in the form of increased trade, cross-investment, human contact and political co-operation. It is vital that Europe – whether in the European Union or in the larger Council of Europe area – adapt in time to this new realignment of the world's economic, and eventually political forces, of which other rising powers such as Brazil and India also form a part. In adapting, Europe stands to benefit economically, whereas refusing to do so would not only jeopardise its own growth but also leave it increasingly isolated from the most dynamic regions in the world.

2. When considering China's spectacular economic rise to the world's third largest economy, it is worth recalling, however, the many pitfalls threatening to cap the country's long-term growth prospects. These include: yawning and widening gaps between rich and poor, between coastal and inland regions, and between young and old, leading to recurrent social unrest; serious water and air pollution, affecting the health and lives of millions; the loss of already scarce agricultural land to urban and industrial expansion; a fragile financial sector in urgent need of reform, burdened by "bad loans" awarded to bloated and inefficient state-owned companies ripe with corruption; a rapid ageing of the population expected soon to lead to serious demographic imbalances and a shortage of pension funds for the elderly; and a one-party rule, far from the Council of Europe's principles and increasingly ill-adapted to the requirements of a modernising economy.

3. The Parliamentary Assembly welcomes the growing recognition of these ills in the Chinese public debate and the new determination of the Chinese Government to pay greater attention to social, environmental and participatory concerns. The Assembly states its readiness to engage in further contacts with China's National People's Congress to share with it Europe's own experiences and possible solutions in these domains. It also looks forward to progress in China as regards the upholding of human rights, democracy and the rule of law – all areas of vital importance to lasting economic development. Introducing democratic government and respect for human rights would improve prospects for a balanced, rapid and undisturbed economic development.

4. The Assembly welcomes China's determination to undertake fundamental reform of its financial sector, aiming at better governance, a reduction in the number of bad loans, a larger presence of foreign capital and financial institutions, the opening-up of domestic markets and a level playing field for foreign and domestic companies. It sees this as a natural consequence of China's membership since 2001 of the World Trade Organization and hopes that further progress may soon lead to the European Union's granting market economy status to China, with a resulting further increase in trade and investment between the two.

5. The Assembly also welcomes China's recent steps to permit its currency to adjust more freely vis-à-vis other currencies. It recalls Resolution 1467 (2005) on the OECD and the world economy adopted in October 2005 by the Council of Europe's Enlarged Assembly, in which it states its belief that "countries all over the world should adopt a more flexible exchange rate regime in order to gradually improve global imbalances".

6. The Assembly is aware of the widespread apprehension in Europe over intensifying penetration by Chinese companies in markets such as textiles and manufactured goods – in trade but increasingly also through investment in Europe-based production and retailing. It draws attention, however, to the enormous

1. Assembly debate on 27 January 2006 (8th Sitting) (see Doc. 10756, report of the Committee on Economic Affairs and Development, rapporteur: Mr Wille). Text adopted by the Assembly on 27 January 2006 (8th Sitting).

investment needs of China where European exports could excel. These include environmental facilities, education, health care, social and pension models, services, infrastructure, energy production, vehicles, housing, quality brands and luxury commodities – all areas where European companies have already made major inroads. Chinese tourism to Europe provides another important opportunity.

7. Finally, the Assembly calls on Council of Europe member states to take on board the positive and negative consequences for Europe of China's economic resurgence, such as the intensifying competition at world level for increasingly scarce energy, especially from oil and gas. In this context, it welcomes the European Union's growing contacts with China and the recent work of the Organisation for Economic Co-operation and Development (OECD) – for which the Assembly serves as a parliamentary forum via its Enlarged Assembly – on the Chinese economy and governance, and resolves to ask member states to pay much greater attention to developments in the situation when taking decisions at economic and financial levels. There is also the need to ensure adequate protection of intellectual property rights in China, an area where major shortcomings can be observed and have to be corrected.