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European Union

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COASI 160	ECOFIN 706
ASIE 63	ENER 288
POLGEN 90	COMPET 423
RELEX 641	RECH 252
CFSP/PESC 623	JAI 679
CSDP/PSDC 451	CYBER 87
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OUTCOME OF PROCEEDINGS

From:	General Secretariat of the Council
On:	18 July 2016
To:	Delegations

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Subject:	EU Strategy on China
	- Council conclusions (18 July 2016)

Delegations will find in the annex the Council conclusions EU Strategy on China, as adopted by the Council at its 3482nd meeting held on 18 July 2016.

Council conclusions EU Strategy on China

1. The Council welcomes the High Representative's and European Commission's Joint Communication "Elements for a new EU Strategy on China", which together with these conclusions, provides the policy framework for EU engagement with China over the coming years.
2. The Council sees major opportunities for cooperation with China, in particular contributing to creating jobs and growth in the European Union, engaging China in its reform process in a way which ensures openness, a level playing field, and genuine mutual benefits. These go hand-in-hand with important opportunities to work with China to promote global public goods, sustainable development and international security, and to address global and regional challenges within the multilateral system.
3. The EU-China 2020 Strategic Agenda for Cooperation fulfils an important role as the highest-level joint document guiding the EU-China Comprehensive Strategic Partnership. The EU's Strategy on China promotes the EU's own interests as well as universal values; it recognises the need for and helps to define an increased role for China in the international system; and is based on a positive agenda of partnership coupled with the constructive management of differences.
4. The Council expects the EU's relationship with China to be one of reciprocal benefit in all respects. The EU's engagement with China is principled, practical, and pragmatic, staying true to our values and interests. The EU also expects China to assume responsibilities in line with its global impact and to support the rules-based international order from which it, too, benefits.

5. The Council underlines that the promotion of human rights and the rule of law will continue to be a core part of the EU's engagement with China. The ongoing detention and harassment of human rights defenders, lawyers, journalists and labour rights defenders and their families remains a major concern. The EU will continue to urge China to fulfil its international obligations, to abide by international standards, and to respect its own constitutional safeguards and stated commitment to upholding the rule of law. The EU continues to call on China to ensure a safe and enabling environment for civil society – including foreign NGOs – and to protect the rights of people belonging to minorities, not least in Tibet and Xinjiang.
6. The Council confirms the EU's "One China" policy. The EU will continue to support the full application of the Basic Law and the "One Country, Two Systems" principle in both Hong Kong and Macao. The EU confirms its commitment to continuing to develop its relations with Taiwan and to supporting the shared values underpinning its system of governance. The EU will actively support the constructive development of cross-Strait relations as part of the peaceful development of the Asia-Pacific region.
7. A Comprehensive Agreement on Investment is the EU's main priority towards deepening and rebalancing its economic relationship with China. The Council believes that more ambitious reforms in China towards liberalising its economy, reducing the role of the state-owned sector, and creating a level-playing field for business would open new market opportunities. After the conclusion of an ambitious comprehensive agreement on investment, this could allow both sides to envisage, once the conditions are right, broader ambitions such as a Free Trade Agreement as a longer term perspective. Building on the investment provisions under negotiation with China, the EU will explore launching negotiations on investment with Hong Kong and Taiwan. The EU expects the swift conclusion of an agreement on geographical indications based on the highest international levels of protection.

8. The Council welcomes productive Chinese investment in Europe, provided it is in line with EU policies and legislation. New opportunities for co-operation on all aspects of investment should emerge through the Investment Plan for Europe. China should limit the scope of security-related reviews of EU investments in China solely to issues that constitute legitimate national security concerns. On the basis of reciprocity, the EU expects Chinese Overseas Direct Investment in Europe to be based on free market principles, and will pay particular attention to the potential market distortions and other risks of investment by enterprises which benefit from subsidies or other advantages provided by the state.
9. The Council is seriously concerned about over-capacity in a number of industrial sectors in China, notably steel production. The EU expects China to make significant and verifiable net cuts in industrial over-capacity based on a clear timeline of commitments and an independent monitoring mechanism, as recommended by the OECD. China's initiatives to upgrade its economy should be based on transparency, openness and equal treatment in line with market principles.
10. The Council encourages the strengthening of research and innovation cooperation with China. Co-operation on the digital economy should harness growth through open markets, common standards and joint research. Ensuring a level playing field, including reciprocal access to research programmes and financial resources, will remain a pre-requisite for continuing cooperation. The EU and its Member States will intensify co-operation with China on the protection and enforcement of intellectual property rights while reinforcing measures to counter cyber-enabled theft of intellectual property and trade secrets.

11. The EU-China Connectivity Platform should be fully operationalised soon and used to create synergies between EU and Chinese initiatives and to pursue opportunities to improve transport, services and infrastructure links between Europe and Asia, not least by working as a priority together towards an agreement on the list of pilot projects and identification of priority actions. Sub-regional cooperation frameworks, such as China-CEEC, will also aim at generating such synergies in line with EU policies and legislation. The Council supports co-operation with China on its "One Belt, One Road" initiative on the basis of China fulfilling its declared aim of making it an open platform which adheres to market rules, EU and international requirements and standards, and complements EU policies and projects, in order to deliver benefits for all parties concerned and in all the countries along the planned routes.
12. People-to-people relations in science, education, culture, health, youth, sports and other areas should be mainstreamed throughout EU-China relations in order to contribute to the development of civil society in China and support China's transition to a more sustainable and inclusive social and economic model. Once the first steps to facilitate mobility, combat illegal migration and facilitate the return of irregular migrants have successfully been taken, the EU and China should move ahead with negotiating agreements on visa facilitation and co-operation against illegal migration, including readmission.
13. The EU will seek a broader foreign policy agenda for cooperation with China, encouraging China's constructive and active participation in providing security as a global public good. The Council calls upon China to participate in a consistent way in international conflict resolution processes in fulfilment of its responsibilities as a permanent member of the UN Security Council. Building on the constructive engagement between China and the EU during the negotiation of the Iran deal, the EU will seek active co-operation with China, notably on Afghanistan, Myanmar, Syria, Libya, DPRK, the migration challenge, and the Middle East.

14. The EU should work with China to ensure that its involvement in the EU's Eastern and Southern neighbourhoods as well as in Central Asia reinforces rules-based governance, sustainable development and regional security.
15. EU policy on China shall form part of a rounded policy approach to the Asia-Pacific region, taking full advantage, and full account of the EU's close relations with partners such as the United States, Japan, Korea, the ASEAN countries, Australia, New Zealand and others, as well as the EU's stake in Asia's security.
16. The European Union and its Member States, as contracting parties to the United Nations Convention on the Law of the Sea (UNCLOS), acknowledge the Award rendered by the Arbitral Tribunal, being committed to maintaining a legal order of the seas and oceans based upon the principles of international law, UNCLOS, and to the peaceful settlement of disputes.

The EU does not take a position on sovereignty aspects relating to claims. It expresses the need for the parties to the dispute to resolve it through peaceful means, to clarify their claims and pursue them in respect and in accordance with international law, including the work in the framework of UNCLOS.

The EU recalls that the dispute settlement mechanisms as provided under UNCLOS contribute to the maintenance and furthering of the international order based upon the Rule of Law and are essential to settle disputes.

The EU also underlines the fundamental importance of upholding the freedoms, rights and duties established in UNCLOS, in particular the freedoms of navigation and overflight.

The EU supports the swift conclusion of talks aiming at an effective Code of Conduct between ASEAN and China implementing the 2002 Declaration on the Conduct of Parties in the South China Sea.

Recalling its Statement of 11 March 2016, the EU calls upon the parties concerned to address remaining and further related issues through negotiations and other peaceful means and refrain from activities likely to raise tensions. As a member of the ASEAN Regional Forum (ARF) and as a High Contracting Party to the 1976 Treaty of Amity and Cooperation in South East Asia, the EU also wishes to "foster cooperation in the furtherance of the cause of peace, harmony, and stability in the region". The EU therefore stands ready to facilitate activities which help to build confidence between the parties concerned.

While underlining the importance of all States working together to protect the marine ecosystem already endangered by the intensification of maritime traffic and dredging, the EU and its Member States will continue to organise High Level Dialogues on Maritime Security Cooperation and the exchange of best practices on joint management and development of shared resources, such as fisheries, as well as on capacity-building measures.

17. The Council supports the establishment of regular and substantial EU dialogue with China to seek, in conjunction with Member States, greater common ground on disarmament, non-proliferation, counter-terrorism, migration, and, cyber-security. The EU's position on the arms embargo remains unchanged.
18. The Council agrees that there is further potential to extend EU security and defence co-operation with China and supports further work in this regard, not least in Africa, including extending the successful EU-China offshore co-operation on counter-piracy to peacekeeping and capacity-building onshore.

19. The Council welcomes the increasing contribution China is making to tackling global challenges such as sustainable development, climate change, energy security, the environment and health, and endorses the proposals made in the Joint Communication to strengthen EU-China co-operation in these areas. The Council underlines that the 2030 Agenda for Sustainable Development gives the EU and China a common stake in delivering poverty eradication and sustainable development for all through effective institutions, good governance, the rule of law and peaceful societies. The EU underlines that for the effective implementation of the Agenda, a collaborative partnership with all relevant stakeholders is essential.
20. The EU will encourage China to increase its contribution to international efforts to tackle the refugee and migration crisis, including facilitating the return of irregular migrants.
21. Building on the results of China's G20 Presidency, the EU will work together with China in such areas as implementation of the G20 growth strategies, ensuring strong, sustainable and balanced growth and resilient global financial markets, advancing international tax policy coordination, investment in interconnected infrastructure, addressing climate change/finance, refugees and migration, health, and global anti-corruption commitments. The EU encourages China to play a more engaged and active part at the World Trade Organisation and in multilateral and plurilateral trade and investment initiatives, assuming responsibilities in line with the benefits it draws from an open trading system and strengthening the ambition of these initiatives.
22. The EU will project a strong, clear and unified voice in its approach to China. In conducting their relations with China, Member States, the High Representative and the Commission will co-operate to ensure consistency with EU law, rules and policies, and that the overall outcome is beneficial for the EU as a whole.

23. The Council invites the High Representative and the Commission to take forward work on the implementation of the priorities identified in the Joint Communication and these Council conclusions, in close cooperation with Member States. Implementation of the EU strategy on China will be reviewed as regularly as required in the Foreign Affairs Council and other appropriate Council formations.
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