EU – Asia Trade and Investment relations from the Perspective of China´s and Taiwan´s New Ecoomic Initiatives

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Ludmila Sterbova

University of Economics, Prague

Economic initiatives in Asia

China

- New Silk Road: „One Belt One Road“

Taiwan

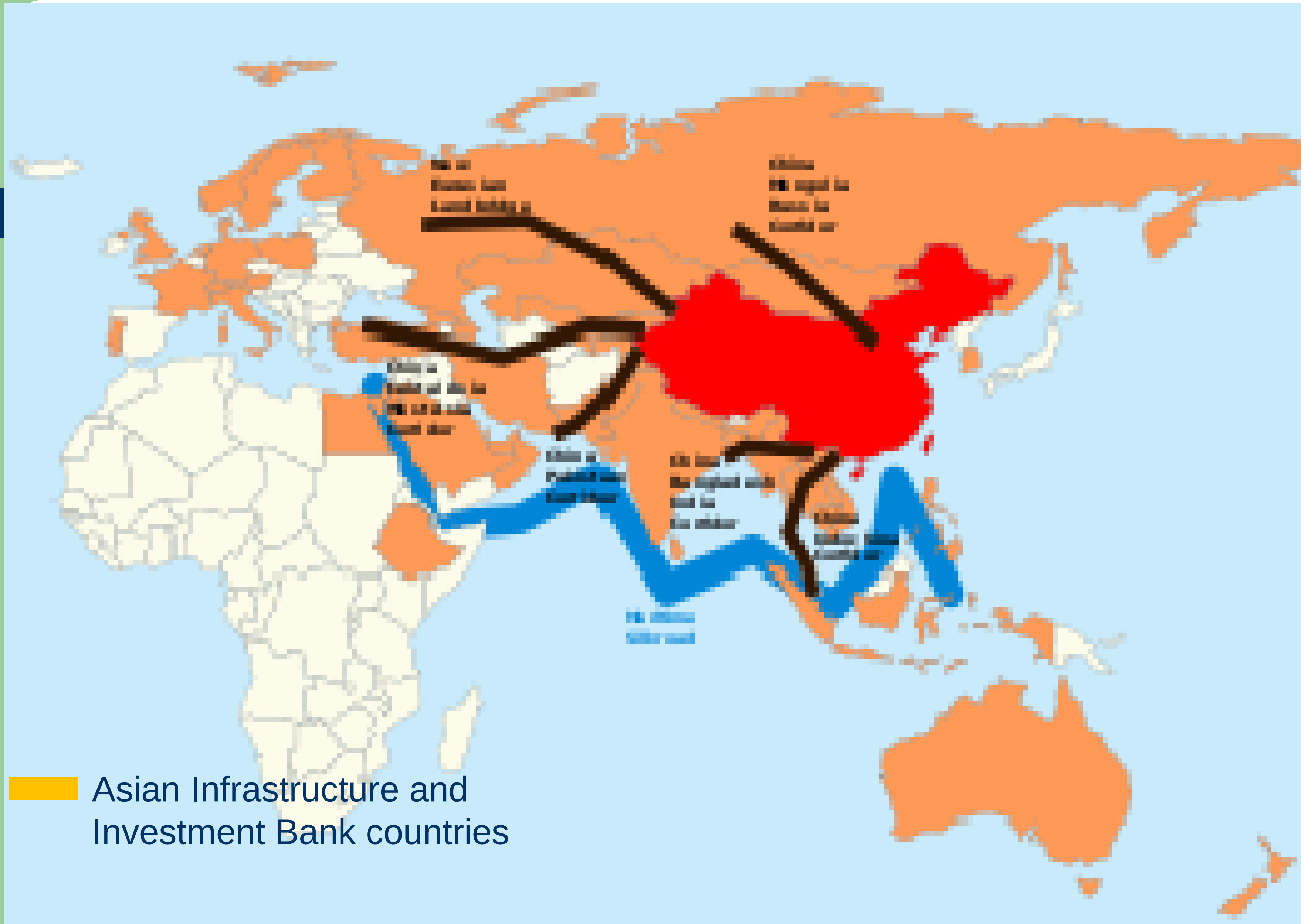
- New Southbound Policy: new model of economic development for Taiwan, reposition the country as an important player in Asia’s growth

China’s OBOR

- New Silk Road: President Xi Jinping´s response to new shifts in world power relationships (2013)
- contrasted with the two US-centric trading arrangements (TPP, TTIP)
- 6 corridors, 60 countries, huge investment

Goal:

- to shape new types of big power relationship
- reprioritizing China’s policy toward Northeast Asia and Korean peninsula, accelerate economic growth across the Asia Pacific and Central and Eastern Europe


Asian Infrastructure and
Investment Bank countries

Taiwan´s Southbound policy

Goal:

- to enhance cooperation and trade and investment exchanges between Taiwan and 18 Asian countries
- to decrease dependance of Taiwan on Mainland China (President Tsai Ing-wen, 2016)
- to establish bilateral partnerships and expand exchanges of personnel, capital, technology, culture and education with ASEAN (10), South Asian states (6), Australia and New Zealand.


Pakistan
Nepal
Bhutan
Bangladesh
Laos
India
Vietnam
Myanmar
Thailand
Philippines
Cambodia
Sri Lanka
Malaysia
Brunei
Singapore
Indonesia
Australia
New Zealand

Asia: Essential Partner for the EU

The EU cannot expect to address seriously any of the major global challenges – from climate change to terrorism – without strong cooperation with its Asian partners. The EU has crucial interests in the region not only in trade, finance and energy but also in politics, human rights and security. Europe has significant leverage, and it is committed.

'Developing our relations with Asia across the board is a major strategic objective for the European Union. Put simply... Europe and Asia need each other.'

CATHERINE ASHTON

The Asia Pacific region has become central to world-wide prosperity and to the EU's growth prospects. The world's largest population buys almost a quarter of EU exports. It is among the fastest-growing export markets and is home to the fastest-growing economies.

Development of mutual relations – pursuing strategic interests

- 1996 – Asia Europe Meeting - ASEM: platform for policy dialogue on political, economic cultural and social issues
- 2001 – Strategy „Europe and Asia“: six objectives for cooperation (peace and security, mutual trade and investment, development, protection of HR, democracy and good governance, mutual awareness)
- 2003 – Security strategy (nuclear proliferation and terrorism)
- 2007 - EU policy guidelines „East Asia“, updated 2012: orientation for the EU´s policy across the full range of EU activities
- 2012 – EU acceded to the Treaty of Amity and Cooperation in Southeast Asia (TAC): interest in participation in East Asia Summit
- 2012 - “EU-Asia Dialogue”
- 2014-2020 – Development Cooperation Instrument: financing poverty eradication, disaster prevention, humanitarian assistance

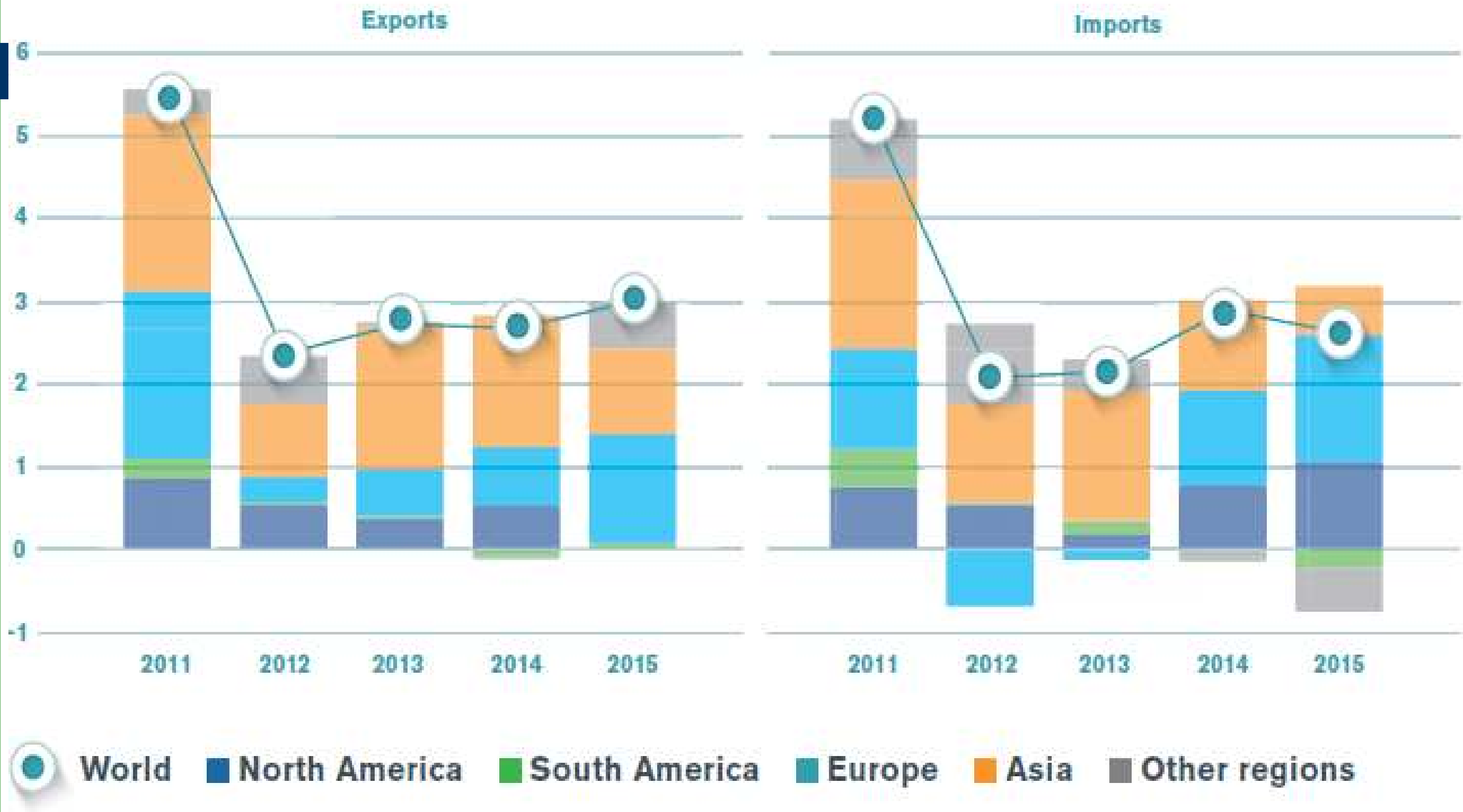
Trade for All – EU strategy for trade and investment

Trade policy: more responsible, effective, transparent, reflecting interests and values.

- Strategic future engagement in Asia and Pacific region:
- ASEAN strategy based on individual agreements as building blocks towards a region-to-region EU-ASEAN framework;
- FTA negotiations with Australia and New Zealand
- Conclude investment negotiations with China (would facilitate Chinese participation in the Commission's investment plan for Europe and European participation in China's 'One Belt, One Road' project).
- Launch negotiations on investment with South Korea in the context of a possible revision of the FTA
- Explore launching investment negotiations with Hong Kong and Taiwan

Contribution to trade volume growth by regions

Annual growth in %



Source: WTO Secretariat.

EU Trade 2016

goods

- Among 10 top EU trading partners
  – 4 Asian countries
- Among 25 top EU trading partners
  – 10 Asian countries
- Share of 10 top Asian EU trade parters
  – 30 % (without China 15%)

		mio EUR	share %
1	USA	608,817	17.6
2	China	514,779	14.9
3	Switzerland	264,040	7.6
4	Russia	191,089	5.5
5	Turkey	144,681	4.2
6	Japan	124,519	3.6
7	Norway	111,306	3.2
8	South Korea	85,951	2.5
9	India	77,065	2.2
10	Canada	64,294	1.9
11	Brazil	60,243	1.7
12	United Arab Emirates	55,048	1.6
13	Mexico	53,728	1.6
14	Hong Kong	53,201	1.5
15	Saudi Arabia	52,935	1.5
16	Singapore	50,859	1.5
17	South Africa	45,839	1.3
18	Taiwan	45,688	1.3
19	Australia	45,507	1.3
20	Vietnam	42,396	1.2
21	Algeria	37,408	1.1
22	Malaysia	35,409	1.0
23	Morocco	34,599	1.0
24	Israel	34,339	1.0
25	Thailand	33,934	1.0

Source: Eurostat

EU Import 2016

goods

- 12 Asian countries among the first importers into EU
- negative trade balance with China, Japan, India, Taiwan, Malaysia, Indonesia, Vietnam, Thailand, Bangladesh

	mio EUR	share %
China	344,642	20.2
USA	246,774	14.5
Switzerland	121,608	7.1
Russia	118,661	7.0
Turkey	66,652	3.9
Japan	66,383	3.9
Norway	62,935	3.7
South Korea	41,433	2.4
India	39,265	2.3
Vietnam	33,064	1.9
Brazil	29,334	1.7
Canada	29,094	1.7
Taiwan	26,057	1.5
South Africa	22,853	1.3
Malaysia	22,177	1.3
Thailand	20,339	1.2
Mexico	19,800	1.2
Singapore	19,436	1.1
Saudi Arabia	19,010	1.1
Hong Kong	18,212	1.1
Not specified - Extra EU	17,977	1.1
Algeria	16,500	1.0
Bangladesh	16,272	1.0
Indonesia	14,618	0.9
Morocco	13,809	0.8

Source: Eurostat

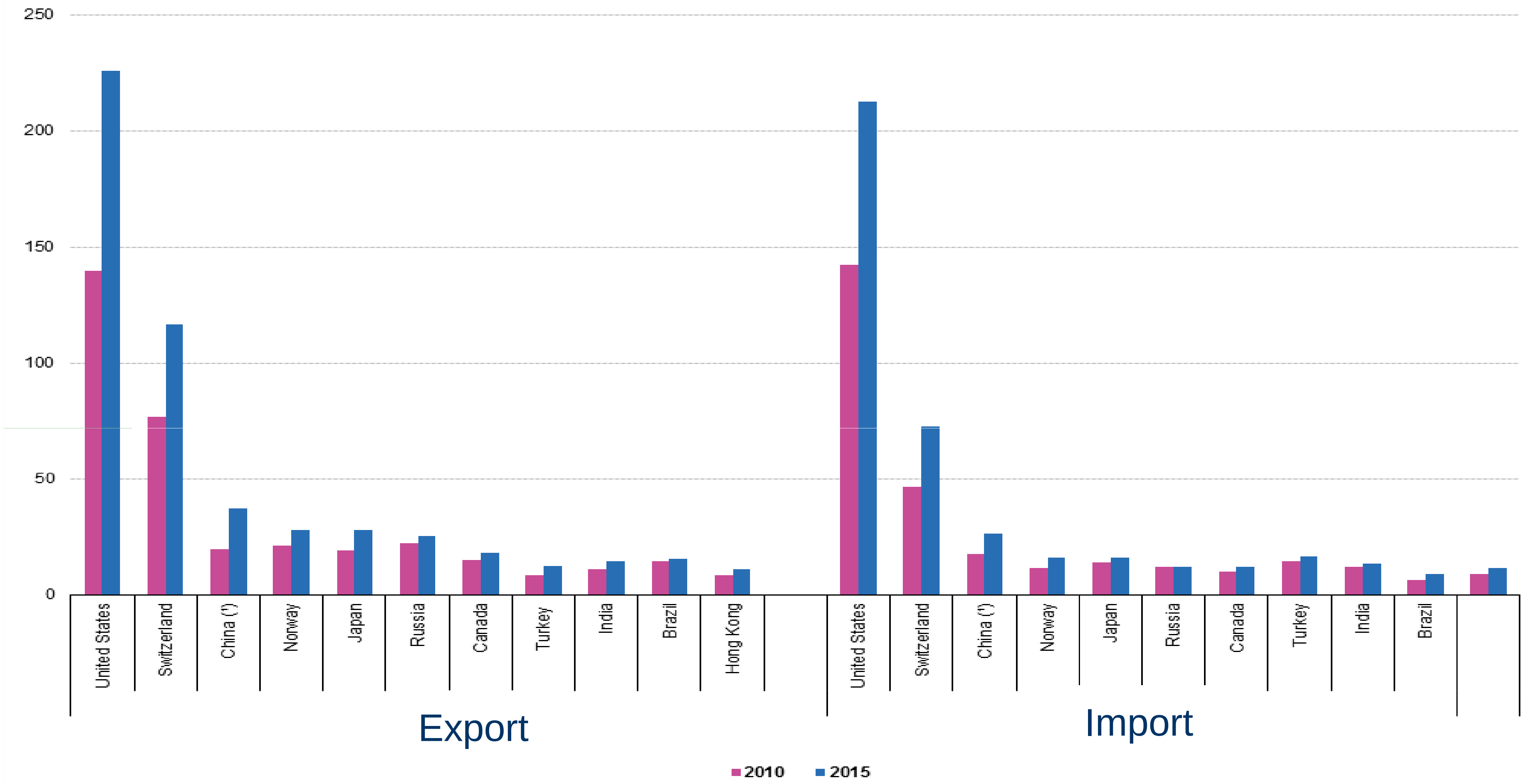
EU Export 2016

goods

- 7 Asian countries among top 25 export markets (+ 3 other among 30 top export markets)
- Positive trade balance with South Korea, Hong Kong, Singapore

	mio EUR	share %
USA	362,043	20.7
China	170,136	9.7
Switzerland	142,432	8.2
Turkey	78,030	4.5
Russia	72,428	4.1
Japan	58,136	3.3
Norway	48,371	2.8
United Arab Emirates	45,847	2.6
South Korea	44,518	2.6
India	37,800	2.2
Canada	35,200	2.0
Hong Kong	34,989	2.0
Mexico	33,928	1.9
Saudi Arabia	33,925	1.9
Australia	32,437	1.9
Singapore	31,423	1.8
Brazil	30,909	1.8
South Africa	22,986	1.3
Israel	21,142	1.2
Algeria	20,908	1.2
Morocco	20,791	1.2
Egypt	20,644	1.2
Taiwan	19,631	1.1
Ukraine	16,505	0.9
Not specified - Extra EU	14,686	0.8
Thailand	13,595	0.8
Malaysia	13,232	0.8
Serbia	11,698	0.7
Indonesia	10,462	0.6
Tunisia	10,455	0.6

Source: Eurostat



- Among 10 largest export markets are 4 from Asia (China, Japan, India, HK)
- Among 10 largest services importers are 3 from Asia (China, Japan, India)

Source: Eurostat

	Outward					Inward				
	Value (billion EUR)				Share (%)	Value (billion EUR)				Share (%)
	2012	2013 (¹)	2014 (¹)	2015 (¹)	2015 (¹)	2012	2013 (¹)	2014 (¹)	2015 (¹)	2015 (¹)
Extra EU-28	5 112.0	5 456.2	6 000.2	6 891.6	100.0	3 905.9	4 130.3	4 758.5	5 744.9	100.0
United States	1 627.8	1 835.6	2 059.4	2 559.8	37.1	1 543.9	1 676.0	1 784.9	2 380.9	41.4
Switzerland	664.8	676.8	691.8	821.8	11.9	500.6	491.5	501.6	619.3	10.8
Bermuda	:	276.2	304.5	362.6	5.3	:	310.8	426.8	495.0	8.6
Brazil	257.1	276.8	331.6	329.9	4.8	81.1	101.1	116.6	127.6	2.2
Canada	247.1	227.5	273.5	248.8	3.6	135.5	131.4	199.4	219.2	3.8
China	120.7	126.0	143.2	167.9	2.4	27.4	36.0	23.5	34.9	0.6
Russia	193.5	192.1	162.7	162.2	2.4	75.3	52.6	56.4	61.0	1.1
Mexico	82.4	111.8	135.1	161.6	2.3	21.4	25.3	31.1	36.5	0.6
Singapore	92.6	98.5	116.4	153.2	2.2	47.7	36.8	52.7	57.0	1.0
Hong Kong	132.1	112.6	127.6	119.2	1.7	50.7	57.5	89.8	79.0	1.4

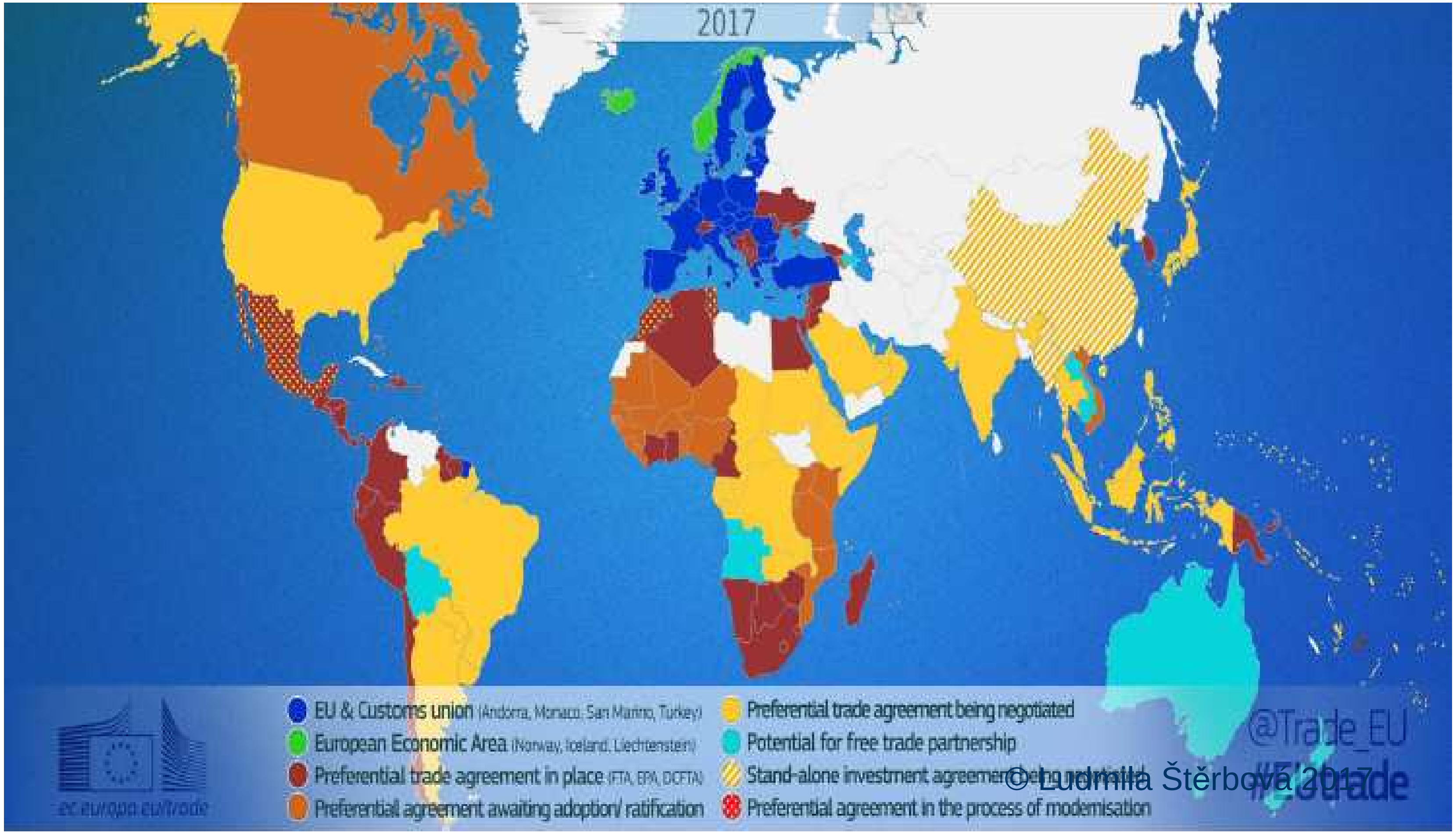
Among ten first FDI partners are China, Singapore and Hong Kong

Source: Eurostat

Global framework for EU – Asia trade and investment relations

- Multilateral Trading System (WTO)
- Multilateral negotiations (???)
- Trade Facilitation Agreement
- Plurilateral agreements: TiSA, EGA, ITA
- Bilateral Preferential Agreements
  - supporting WTO return to the center of trade negotiations
  - high level of ambitions: beyond the scope of multilateral trading agreements: goods, services, investments, regulations of technical barriers to trade, sanitary and phytosanitary measures, rules of origin, public procurement, intellectual property rights, fair and ethical trade, anti-corruption rules
  - allowing cumulation of origin (reflecting global value chains)
  - open for others to join

EU Trade Agreements



Bilateral and regional agreements

Main types of EU bilateral trade and investment agreements

- Customs Unions
  eliminate customs duties in bilateral trade and establish a joint customs tariff for foreign importers.
- Association Agreements, Stabilization Agreements, (Deep and Comprehensive) Free Trade Agreements and Economic Partnership Agreements.
  remove or reduce customs tariffs in bilateral trade.
- Investment agreements
  establish investment environment - rules and disputes
- Partnership and Cooperation Agreements
  provide a general framework for bilateral economic relations (no trade preferencies)

FTA

BIT

PCA

Appropriate for Asian partners

South Korea FTA

- First FTA of a new generation (deep and comprehensive free trade agreement) according to the EU strategy Global Europe – Competing in the World (2006)
- Extended scope of liberalization: goods, services, competition policy, government procurement, intellectual property rights, transparency in regulation and sustainable development (not investment).
- Increasing predictability of trade policy of South Korea (for EU subjects)
- Impacts:
    - EU exports to South Korea of goods increased by 55% from EUR 30.6 billion to EUR 47.3 billion (EU exports of fully liberalised goods increased by 57% and those partially liberalised by 70%).
    - Imports of fully and partially liberalised goods from South Korea increased by 35% and 64% respectively
    - Negative trade balance converted into positive one

Impact of FTA: EU - South Korea

Trade in goods 2014-2016, € billions			
Year	EU imports	EU exports	Balance
2014	38.8	43.2	4.4
2015	42.4	47.8	5.4
2016	41.4	44.5	3.1

Trade in services 2013-2015, € billions			
Year	EU imports	EU exports	Balance
2013	5.6	10.8	5.1
2014	5.9	11.9	6.1
2015	6.3	11.1	4.8

Foreign direct investment 2015, € billions			
Year	Inward stocks	Outward stocks	Balance
2015	20.9	49.8	28.8

India - FTA negotiations

- negotiations since 2007
- in standstill, assessment of possible progress before resuming negotiations (this year)
- different ambitious at both sides:
  - market access for goods, services and public procurement, investment, intellectual property and competition, sustainable development, environment, social and labour rights

EU - India

Trade in goods 2014-2016, € billions			
Year	EU imports	EU exports	Balance
2014	37.1	35.6	-1.5
2015	39.5	38.1	-1.3
2016	39.3	37.8	-1.5

Trade in services 2013-2015, € billions			
Year	EU imports	EU exports	Balance
2013	12.6	11.7	-0.9
2014	11.7	12.5	0.7
2015	13.7	14.4	0.8

Foreign direct investment 2015, € billions			
Year	Inward stocks	Outward stocks	Balance
2015	15.9	51.2	35.3

Japan - FTA negotiations

- since 2013, progressing quickly – in April 2017: 18th round of negotiations, conclusion: 2017
- impact: increased bilateral trade and investment and business cooperation, greater economic integration, closer cooperation in international regulatory and standardisation bodies
- ambitious scope: goods, services, investment, public procurement (market access in the railway procurement market), intellectual property, sustainable development, trade facilitation
- non tariff barriers in 10 areas of trade in goods: parallelism between the elimination of non-tariff barriers by Japan and the elimination of EU tariffs.

Reasons for Japan FTA

- Huge market potential
- Serious non-tariff barriers in the form of discriminatory regulations, unique standards, anti-competitive behaviour, weak corporate governance and discriminatory public procurement practice.
- Very low import penetration rates and low level of FDI inward from EU
- Little increase of mutual exportation and importation in the last period

EU - Japan

Trade in goods 2014-2016, € billions			
Year	EU imports	EU exports	Balance
2014	56.6	53.3	-3.3
2015	59.9	56.5	-3.3
2016	66.4	58.1	-8.2

Trade in services 2013-2015, € billions			
Year	EU imports	EU exports	Balance
2013	14.8	24.3	9.6
2014	15.0	26.1	11.1
2015	15.8	28.0	12.1

Foreign direct investment 2015, € billions			
Year	Inward stocks	Outward stocks	Balance
2015	175.8	87.7	-88.1

China – investment negotiations

- Comprehensive Investment Agreement (negotiations from 2013)
- Aim: to remove market access barriers to investment and provide a high level of protection to investors and investments
- It would facilitate Chinese participation in the EU investment plan for Europe and European participation in China's 'One belt, one road' projects
- Consensus on ambitions achieved, text drafting in progress -it will replace existing BITs by one single comprehensive agreement

Besides:

- 1985 Partnership and Cooperation Agreement, updating negotiations stalled since 2011 (different expectations of the parties)
- Agreement on Protection of Geographical Indications
- EU–China 2020 strategic agenda for cooperation

China - why investment only

- China is the biggest importer to EU, and second export market
- EU is the biggest trading partner for China

- China already proposed FTA to EU
- EU agenda only: investment, procurement, intellectual property rights protection and enforcement
- Reason:
  - The negotiation agenda should be broad (deep and comprehensive)
  - Right conditions should be met = successful implementation of a range of domestic economic reforms in China

EU - China

Trade in goods 2014-2016, € billions			
Year	EU imports	EU exports	Balance
2014	302.1	164.6	-137.5
2015	350.6	170.4	-180.3
2016	344.6	170.1	-174.5

Trade in services 2013-2015, € billions			
Year	EU imports	EU exports	Balance
2013	21.0	27.5	6.4
2014	22.9	29.6	6.8
2015	26.4	37.3	10.9

Foreign direct investment 2015, € billions			
Year	Inward stocks	Outward stocks	Balance
2015	34.9	168.4	133.5

ASEAN – FTAs negotiations

- 2007: FTA negotiations with 7 ASEAN Members
- 2009: interrupted – changed in bilateral format
- 2010: Singapore, Malaysia: FTA negotiations
- 2012: Vietnam: FTA negotiations, Malaysia: negotiations frozen
- 2013: Thailand: FTA negotiations frozen in 2014
- 2014: Singapore – Comprehensive Free Trade Agreement, pending approval and ratification
- 2015: Vietnam – Comprehensive Free Trade Agreement, relations to HR, pending approval and ratification (2018)
- 2016: Philippines, Indonesia: FTA negotiations

- Investment protection agreement: Myanmar, 2014

Trade and Investment Cooperation

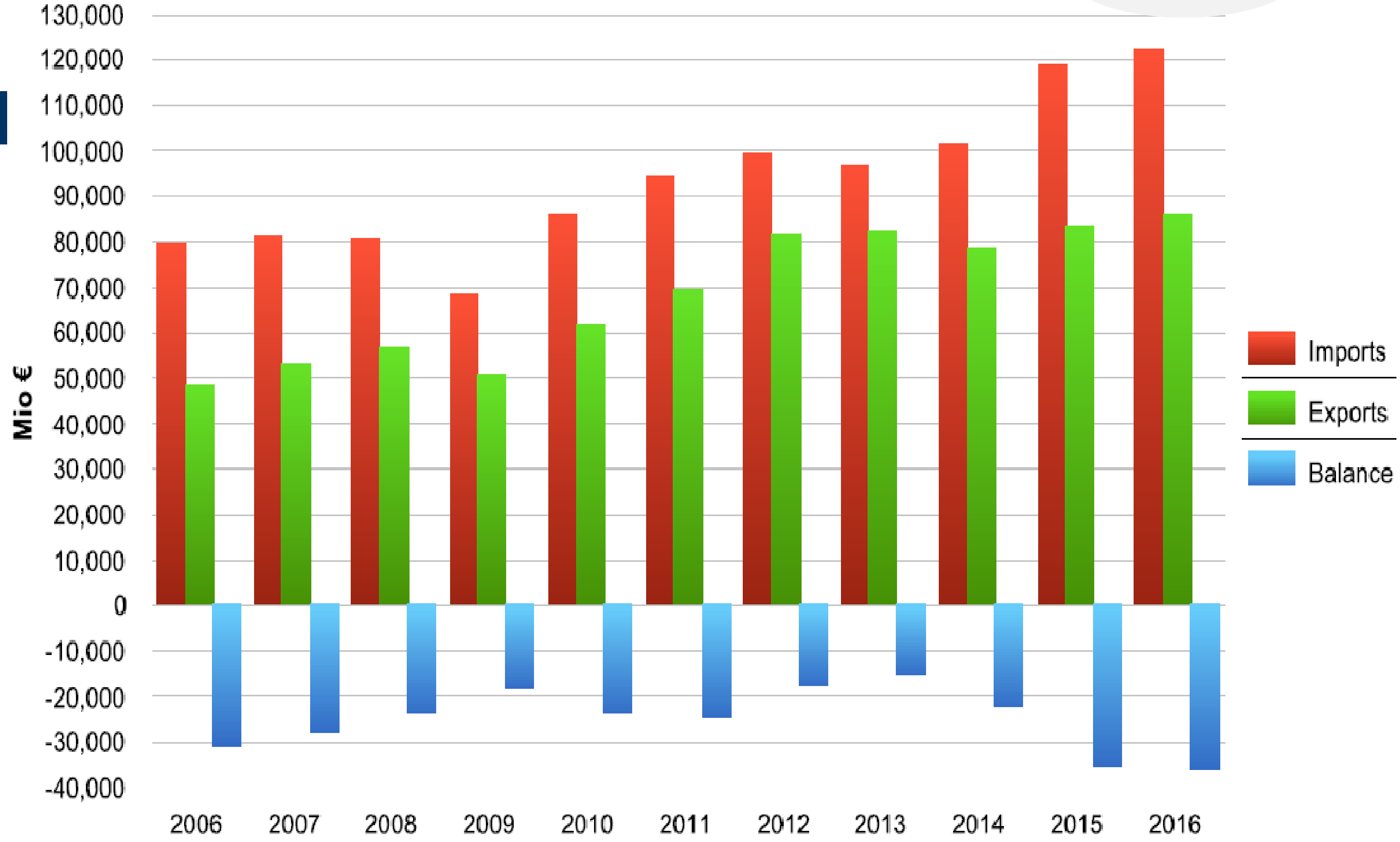
- **ASEAN-EU Trade and Investment Work Program, activities:**
- EU-ASEAN dialogue - trade and investment issues discussion;
- bi-regional expert dialogue groups;
- cooperation activities;
- regular organization of ASEAN-EU Business Summits.
- **EU Trade Assistance to ASEAN, projects**:
- ARISE Plus: Regional Integration Support from the EU;
- COMPASS (Statistics and integration monitoring);
- ECAP III -Project on the Protection of Intellectual Property Rights;
- AATIP - Air Transport Integration Project;
- Enhanced Regional EU-ASEAN Dialogue Instrument (e-READI);

Reasons for ASEAN FTA

- ASEAN is for EU's 3rd largest trading partner outside Europe (after the US and China), trade represents about EUR 210 billion annually – over 7% share in EU trade.
- For ASEAN, the EU is 2nd largest trading partner after China (about 13% of ASEAN trade).
- The EU is the largest investor in ASEAN countries (22% of total FDI inflows). EU investment - €19 billion annually, FDI stock EUR 160 billion.
- ASEAN investment stock in the EU is about EUR 60 billion.
- The EU's main exports to ASEAN are chemical products, machinery and transport equipment.
- The main imports from ASEAN to the EU are machinery and transport equipment, agricultural products as well as textiles and clothing.

EU - ASEAN

goods



Source: Eurostat

One third of EU trade with ASEAN
Two thirds of FDI with ASEAN
16th EU trade partner

EU - Singapore

Trade in goods 2014-2016, € billions			
Year	EU imports	EU exports	Balance
2014	16.9	28.3	11.4
2015	19.0	29.7	10.7
2016	19.4	31.4	12.0

Trade in services 2013-2015, € billions			
Year	EU imports	EU exports	Balance
2013	14.7	17.0	2.2
2014	16.2	20.6	4.4
2015	21.5	25.6	4.2

Foreign direct investment 2015, € billions			
Year	Inward stocks	Outward stocks	Balance
2015	58.6	154.1	95.5

EU - Vietnam

Trade in goods 2014-2016, € billions			
Year	EU imports	EU exports	Balance
2014	22.2	6.2	-16.0
2015	30.0	8.4	-21.6
2016	33.1	9.3	-23.7

Trade in services 2013-2015, € billions			
Year	EU imports	EU exports	Balance
2013	1.5	1.6	0.1
2014	1.7	1.6	-0.1
2015	1.8	1.7	-0.1

Foreign direct investment 2015, € billions			
Year	Inward stocks	Outward stocks	Balance
2015	-0.2	5.7	5.9

33rd EU trade partner

EU - Thailand

Trade in goods 2014-2016, € billions			
Year	EU imports	EU exports	Balance
2014	18.5	12.4	-6.1
2015	19.6	13.4	-6.2
2016	20.3	13.6	-6.7

Trade in services 2013-2015, € billions			
Year	EU imports	EU exports	Balance
2013	5.8	3.5	-2.4
2014	5.3	3.4	-2.0
2015	5.7	3.7	-2.0

Foreign direct investment 2015, € billions			
Year	Inward stocks	Outward stocks	Balance
2015	-0.3	14.9	15.2

22nd EU trade partner

EU - Malaysia

Trade in goods 2014-2016, € billions			
Year	EU imports	EU exports	Balance
2014	19.7	14.0	-5.7
2015	22.8	13.4	-9.4
2016	22.2	13.2	-8.9
Trade in services 2013-2015, € billions			
Year	EU imports	EU exports	Balance
2013	3.1	4.7	1.6
2014	3.2	4.7	1.4
2015	3.3	4.4	1.1
Foreign direct investment 2015, € billions			
Year	Inward stocks	Outward stocks	Balance
2015	10.7	19.0	8.3

EU - Indonesia

Trade in goods 2014-2016, € billions			
Year	EU imports	EU exports	Balance
2014	14.4	9.5	-4.9
2015	15.3	10.0	-5.4
2016	14.6	10.5	-4.2

Trade in services 2013-2015, € billions			
Year	EU imports	EU exports	Balance
2013	2.2	4.1	1.9
2014	1.8	3.8	1.9
2015	2.1	4.0	1.9

Foreign direct investment 2015, € billions			
Year	Inward stocks	Outward stocks	Balance
2015	-3.8	30.4	34.1

EU - Philippines

Trade in goods 2014-2016, € billions			
Year	EU imports	EU exports	Balance
2014	5.7	6.8	1.1
2015	7.0	6.1	-0.8
2016	6.6	6.2	-0.4

Trade in services 2013-2015, € billions			
Year	EU imports	EU exports	Balance
2013	1.7	1.4	-0.3
2014	2.0	1.5	-0.5
2015	2.2	2.0	-0.2

Foreign direct investment 2015, € billions			
Year	Inward stocks	Outward stocks	Balance
2015	0.7	6.1	5.4

EU - Taiwan

- In last 20 years, trade increased more than 8 times.
- The EU is Taiwan's fourth trade partner after China, the USA and Japan.
- Taiwan is the EU's 18th largest trading partner, and the 7th in Asia

Trade in goods 2014-2016, € billions			
Year	EU imports	EU exports	Balance
2014	23.2	17.0	-6.2
2015	25.6	18.4	-7.2
2016	26.1	19.6	-6.4
Trade in services 2013-2015, € billions			
Year	EU imports	EU exports	Balance
2013	3.2	4.2	1.0
2014	3.2	4.6	1.4
2015	3.3	4.6	1.3
Foreign direct investment 2015, € billions			
Year	Inward stocks	Outward stocks	Balance
2015	1.5	12.0	10.4

Conclusion

Potential of EU – Asia economic relations –important opportunities in

- Trade liberalization, trade expansion, investment liberalization
- Exploration of global value chains
- With impact on security and fight against terrorism and development and poverty eradication

Supportiveness or rivalty in China´s OBOR and Taiwan´s Southbound Policy?

Thank you for your attention!