

Trade and Investment Relations between Taiwan and the EU

A. Taiwan-EU Trade Relations

1. Taiwan and the EU are important economic partners. Taiwan was the EU's 18th largest trading partner in trade in goods and its seventh largest trading partner in Asia, after mainland China, Japan, South Korea, India, Hong Kong and Singapore in 2015. The EU is the fifth largest trading partner of Taiwan, behind mainland China, ASEAN, the USA and Japan. Trade between Taiwan and the EU-28 reached US\$ 46,4 billion in 2015, a decrease by 8.7 % in comparison to 2014, reflecting the weakening of the global economy and the modest pace of recovery of advanced economies such as the EU (the real GDP growth rate of the EU stood at 1.9 % in 2015, and of the Euro Zone at 1.6 % in 2015).

Both Taiwan's exports to the EU and Taiwan's import from the EU showed negative growth rates in 2015, with exports decreasing more rapidly (- 10.4 %) than imports (- 6.8 %). As a result the trade deficit of the EU with Taiwan amounted to US\$ 973 million.

Table 1: Recent trends in Taiwan's trade with the European Union - billion US\$

Year	Export	Import	Total trade	% change trade previous year
2005	22.51	17.64	40.15	1.26
2006	24.86	17.85	42.71	6.37
2007	27.06	19.94	47.00	10.04
2008	28.12	19.63	47.75	1.61
2009	21.39	15.69	37.08	-22.35
2010	27.36	21.34	48.70	31.32
2011	28.60	24.00	52.60	8.01
2012	26.23	22.49	48.72	-7.36
2013	25.26	23.87	49.14	0.84
2014	26.50	24.43	50.94	3.67
2015	23,72	22,75	46,48	-8,7

SOURCE: Bureau of Foreign Trade, trade of the EU-28 with Taiwan

2. Looking in more detail at the trade figures, the decrease in trade between Taiwan and the EU (-8,7 %) was less sharp than the overall downturn in trade (-13.3 %) but more pronounced than the decrease in trade with the major trade partners US (-2.6 %) and Japan (-5,8 %). Exports to the EU (-10,4 %) declined at the same pace as global exports (-10.6 %), while imports (-6,8 %) recorded better results than global imports (-16.5 %).

Table 2: Most important trade partners of Taiwan – growth rates 2015

	Export Growth rate (%)	Import Growth rate (%)	Total Trade Growth rate (%)	Trade Surplus Growth rate (%)
Global	-10.62	-16.57	-13.39	30.50
Mainland China	-13.29	-8.03	-11.34	-20.70
United States	-1.77	-3.69	-2.62	5.31
Japan	-3.16	-7.18	-5.88	-10.85
EU-28	-10.48	-6.89	-8.75	-52.91

Source: Bureau of Foreign Trade, Taiwan

3. Machinery and transport equipment (SITC 7, Standard International Trade Classification) accounts for 57.8 % of the total trade between Taiwan and the EU. Within this category, electrical machinery, telecom equipment and office machinery (SITC 75, 76, 77) are the main trading items, accounting for 30.2 % of total trade. Transport equipment (SITC 78, 79) accounts for a smaller part – 13.4 % of total trade - but is an important trading item: in 2014, 46.1 % of bicycles and 30.0 % of bicycle and motorcycle parts imported into the EU were of Taiwanese origin.

Reflecting this overall trend, also Taiwan's exports to the EU are highly concentrated on ICT products. Office machinery and telecom equipment (SITC 75, 76) capture 19.2 % of Taiwan's exports to the EU, whereas electrical machinery & electric parts (SITC 77) commands a share of 23.7 % of Taiwan's exports to the EU. Also manufactures of metals (mostly bolts, nails, screws and tools) (SITC 69) are an important export category, representing 9,8 % of exports to the EU.

The imports from the EU into Taiwan exhibit a more diversified pattern. Only 12.4 % of Taiwan's imports from the EU fall under the heading of electrical machinery, telecom or office equipment (SITC 75, 76, 77). Machinery (SITC 70-74) makes up 20.1 % of imports from the EU, and chemical products (SITC 5) account for 20.6 % of European imports. Within the chemical group, organic chemicals (SITC 51) and medicinal and pharmaceutical products (SITC 54) claimed 5.2 % and 7.5 % respectively of total imports. Also road vehicles (SITC 78) are an important import category, accounting for 12.6 % of imports from the EU.

Table 3: Trade between Taiwan and the EU according to product groups in 2015

Product groups	% of total trade	% of imports	% of exports
Food and live animals (SITC 0)	1.50	3.21	0.27
Beverages and tobacco (SITC1)	1.41	3.20	0.11
Crude materials, inedible, except fuels (SITC 2)	1.50	1.66	1.38
Mineral fuels, lubricants and related materials (SITC 3)	0.92	1.49	0.50
Animal and vegetable oils, fats and waxes (SITC 4)	0.13	0.27	0.03
Chemicals and related products (SITC 5)	11.56	20.63	5.01
Manufactured goods classified chiefly by material (SITC 6)	12.20	7.00	15.95
Machinery and transport equipment (SITC 7)	57.81	50.59	63.03
Miscellaneous manufactured articles (SITC 8)	11.68	9.65	13.15
Commodities not elsewhere classified (SITC 9)	0.75	1.31	0.34

Source: EUROSTAT, SITC

Table 4: Trade between Taiwan and the EU: Machinery and transport equipment (SITC7), other manufactured goods (SITC 6+8), chemicals (SITC 5) in 2015

Machinery and transport equipment (SITC 7)	% of total trade	% of imports	% of exports
Machinery (SITC 70-74)	14.11	20.11	9.78
Office machinery and automatic data-processing machines (SITC 75)	5.26	1.10	8.27
Telecom equipment (SITC 76)	7.00	1.48	10.99
Electrical machinery, apparatus and appliances, and electrical parts thereof (SITC 77)	17.94	9.87	23.77
Total 75-76-77	30.20	12.44	43.03
Transport equipment (SITC 78 -79)	13.49	18.03	10.22
Manufactured goods classified chiefly by material (SITC 6)	% of total trade	% of imports	% of exports
Manufactures of metals (SITC 69)	6.16	1.07	9.84
Chemicals and related products (SITC 5)	% of total trade	% of imports	% of exports
Organic chemicals (SITC 51)	2.87	5.28	1.13
Medicinal and pharmaceutical products (SITC 54)	3.34	7.54	0.31

Source: EUROSTAT, SITC

3. According to EU's figures, the total trade in services stood at EUR 7.3 billion in 2014¹: the exports of services from Taiwan to the EU contracted slightly by 1.0 % in 2013, while Taiwan's import of services from the EU grew by 0.9 %. Over the last five years, Taiwan's services' exports to the EU grew by more than 20 % to EUR 3.05 billion in 2014.

¹ The compilation and publication of EU statistics on services trade usually lag behind by a year. The figures mentioned are the latest updated figures by Eurostat.

Table 5: Services trade between Taiwan and the EU-28 in billion EUR from 2010 to 2014

	2010	2011	2012	2013	2014	% Growth Rate 2013-2014
Import from EU	4.53	3.89	4.26	4.26	4.30	0.9 %
Export to EU	2.46	2.36	2.67	3.08	3.05	-1.0 %
Total trade	6.99	6.25	6.94	7.34	7.34	0.1 %
Net (trade surplus/deficit)	2.07	1.54	1.59	1.18	1.25	

Source: Eurostat

4. Within the EU, Germany has been Taiwan's first European trading partner for years, commanding a share of 31.3 % of total trade with the EU. The Netherlands and the United Kingdom are also important trading partners within the EU, representing 15.0 % and 12.0 % of trade respectively.

Table 6: Most important trade partners of Taiwan in EU-28 in 2015

	Total Trade (Mio USD)	Share (%)	Export (Mio USD)	Share (%)	Import (Mio USD)	Share (%)
EU-28	46,482	100.00	23,728	100.00	22,754	100.00
Germany	14,547	31.30	5,933	25.00	8,614	37.86
Netherlands	6,981	15.02	4,113	17.34	2,868	12.60
United Kingdom	5,580	12.00	3,779	15.93	1,800	7.91
France	4,028	8.67	1,366	5.76	2,662	11.70
Italy	3,710	7.98	1,695	7.15	2,015	8.86

Source: Bureau of Foreign Trade, Taiwan

When looking at the EU as a whole, trade with West-European countries² takes up the largest share of the bilateral trade between the EU and Taiwan – 70.9 % of exports to the EU and 76.7 % of imports from the EU in 2015. Moreover, trade with Western European countries is still expanding: exports went up by 7.5 % and imports by 24.9 % between 2005 and 2015. This is reflected in the investment figures, which indicate that Western Europe is indeed host to the largest amount of Taiwanese foreign investment stock within Europe (see hereunder for more information). Trade with Eastern Europe³ represents only 11.0 % of exports and 4.2 % of imports, but is rapidly growing: between 2005 and 2015, exports to Eastern European countries rose by 54.4 % and imports from Eastern European countries increased by 126.9 %.

² Western Europe : Germany, Netherlands, UK, France, Belgium, Austria, Ireland, Luxembourg

³ Eastern Europe: Poland, Hungary, Czech Republic, Slovakia, Lithuania, Estonia, Latvia, Bulgaria, Romania, Slovenia

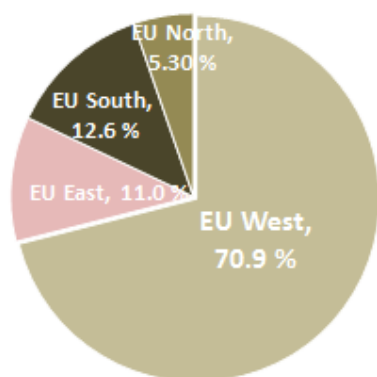
Southern Europe⁴, although still accounting for 12.6 % of exports and 14.4 % of imports, shows a more mixed picture with declining exports between 2005 and 2015 (-12.6%) but increasing imports (+ 64.6 %). Northern Europe⁵ has the smallest share of trade between Taiwan and the EU - 4.9 %-, with declining levels of both exports and imports.

Table 7: Evolution of trade between Taiwan and EU-28 regions, growth rate between 2005 and 2015

	Trade growth rate (%, 2005-2015)	Export growth rate (%, 2005-2015)	Import growth rate (%, 2005-2015)
EU-28	15.77	5.39	29.00
Western Europe	15.76	7.56	24.94
Eastern Europe	68.99	54.44	126.99
Southern Europe	15.79	-12.62	64.65
Northern Europe	-22.33	-26.47	-16.49

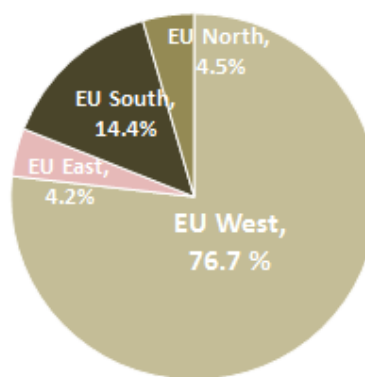
Source: Bureau of Foreign Trade, Taiwan

Table 8 : Share of European regions in export from Taiwan to the EU, 2015



■ EU West ■ EU East
■ EU South ■ EU North

Table 9 : Share of European regions in imports from Taiwan to the EU, 2015



■ EU West ■ EU East
■ EU South ■ EU North

⁴ Southern Europe : Italy, Spain, Portugal, Greece, Malta, Croatia, Cyprus

⁵ Northern Europe: Sweden, Finland and Denmark

B. Taiwan-EU Investment Relations

1. In 2015, the EU was the second most important investor into Taiwan with a total amount of 1.0 billion USD, claiming 21.2 % of incoming investments, after the Caribbean Islands (30.5 %). The UK and the Netherlands were responsible for the lion's share of EU's investments into Taiwan: 41.5 % of the EU's FDI was invested by British companies, and 30.1 % was invested by Dutch companies.

As a result, the total accumulated direct investment of EU in Taiwan from 1952 to 2015 amounted to US\$ 34.0 billion, accounting for 24.9 % of all foreign accumulated investment into Taiwan, ahead of the Caribbean Islands (18.7 %) and the USA (17.2 %). For this period (1952-2015), the Netherlands were the biggest investors with a share of 61.6 % of all incoming EU investments into Taiwan, followed by the United Kingdom which commands a share of 22.3 % of accumulated investment into Taiwan.

Table 10: Investment of the world and of EU countries into Taiwan in 2015

World	Amount (USD 1000)	% of total	EU	Amount (USD 1000)	% of total
Total	4,796,847		EU total	1,018,523	
Caribbean Islands	1,466,298	30.57	UK	422,651	41.50
EU	1,018,523	21.23	Netherlands	307,417	30.18
Japan	453,397	9.45	Germany	101,954	10.01

Source: Taiwan Investment Commission, USD 1000

Table 11: Accumulated investment of the world and of EU countries into Taiwan (1952 - 2015)

World	Amount (USD 1000)	% of total	EU	Amount (USD 1000)	% of total
Total	136,944,689	100	EU total	34,093,736	100
EU	34,093,736	24.90	Netherlands	21,010,898	61.63
Caribbean Islands	25,688,315	18.76	United Kingdom	7,634,464	22.39
US	23,630,636	17.26	Germany	2,703,578	7.93
Japan	18,722,349	13.67	France	993,122	2.91

Source: Taiwan Investment Commission, USD 1000

2. In 2015, Taiwan's investment into the EU increased to US\$ 1.9 billion, which accounted for 18.1 % of its total outward investments. Within the EU, the United Kingdom was the major recipient of Taiwanese investments with a share of 87.0 % of investments into the EU, followed by Germany and the Netherlands that accounted for 3.9 % and 2.2 % respectively. In 2015, most of the Taiwanese investments in EU were concentrated in the financial and insurance sector (52.5 %) and the real estate sector (39.9 %). In recent years however, Taiwan has also invested considerably in the manufacturing of computers, electronics and optical products. Foxconn, TPV, HTC, Delta electronics, Giant, Asus, Acer and Tatung are among the bid-league Taiwanese companies with manufacturing or service bases in central or Eastern Europe.

Historically Taiwan has been mostly investing in the Netherlands and in the UK. The latter commanded a share of 53.8 % of all investments from Taiwan into the EU within the period 1952-2015, while the Netherlands took 29.9 % of investments into the EU.

Table 12: Investment of Taiwan into the world and into the EU in 2015 (excluding China)

World	Amount (USD 1000)	% of total	EU	Amount (USD 1000)	% of total
Total	10,745,195	100	EU Total	1,952,185	100
Caribbean Islands	2,897,505	26.97	United Kingdom	1,699,756	87.07
EU	1,952,185	18.17	Germany	76,976	3.94
Vietnam	1,227,521	11.42	Netherlands	43,836	2.25

Source: Taiwan Investment Commission, USD 1000

Table 13: Accumulated investment of Taiwan into the world and into the EU (1952-2015)

World	Amount (USD 1000)	% of total	EU	Amount (USD 1000)	% of total
Total	100,664,197	100.00	EU Total	5,422,662	100
Caribbean Islands	30,262,672	30.06	United Kingdom	2,920,152	53.85
US	14,208,710	14.11	Netherlands	1,621,335	29.90
Singapore	10,981,180	10.91	Germany	320,312	5.91
Vietnam	8,028,251	7.98	France	39331	0.73
EU	5,422,662	5.39			

Source: Taiwan Investment Commission, USD 1000

Although investments from Taiwan in the EU continue to increase, it was pointed by the European Economic and Trade Office that the EU is still underexploited by the Taiwanese businesses as a place for good investment opportunities. Both sides are working on further

improving the cooperation and the investment environment for Taiwanese investors, for example the UK, France, Belgium, the Netherlands, Denmark, Sweden and Hungary have already concluded agreements for the avoidance of double taxation with Taiwan

C. Relation between Taiwan and the European Commission

As a consequence of the solid economic relations between Taiwan and the EU, regular contacts take place between Taiwanese officials and officials of the European Commission. Cooperation between Taiwan and the EU has been established in among others the areas of research and technology, information society, fisheries, environment, intellectual property rights and standards and norms. In order to ensure coordination of these activities and to step up bilateral cooperation, Taiwan and the European Commission have been holding regular consultations.

In 2003, the Commission opened the 'European Economic and Trade Office' (EETO) in Taiwan which has regular contacts with Taiwanese officials to promote commercial relations and to deal with obstacles in bilateral trade and investment. The European Chamber of Commerce Taipei (ECCT) is the principle organization in Taiwan representing companies with European interests. The ECCT currently has about 400 member companies and 700 individual members. In a position paper of 2009-2010, the ECCT suggested that Taiwan and the EU should sign an agreement on Trade Enhancement Measures (TEM). According to a 2012 study by Copenhagen Economics, this could result in a combined increase of EUR 22 billion for EU and Taiwan exports per year, and a yearly GDP increase of EUR 2 billion for the EU, and EUR 4 billion for Taiwan. Also the European Center for International and Political Economy (ECIPE) published a paper in 2012 stating that FTA with Taiwan would boost some of Europe's most competitive sectors in ICT, automotives, pharmaceutical products, telecommunications, financial, business, transport and environmental services. In 2014, the European Institute for Asian Studies (EIAS) published a study on Taiwan's Outward Foreign Direct Investment into the EU and its member states, concluding that a Bilateral Investment Agreement (BIA) between the EU and Taiwan would allow the two parties to solidify their already positive relations.

In its resolution of 11 May 2011 on Common Foreign and Security Policy, the European Parliament expressed its willingness to strongly support the signing of a EU-Taiwan economic cooperation agreement: *"The European parliament (...) welcomes the steps taken by the parties on both sides of the Taiwan Strait which resulted in the signing of some 15 agreements, including the Economic Cooperation Framework Agreement (ECFA) and an agreement on intellectual property rights, in June 2010; given that the expansion of cross-strait economic relations is in the interest of both sides and of the EU, strongly supports the enhancement of EU-Taiwan economic ties and the signing of an EU-Taiwan economic cooperation agreement; reiterates its support for Taiwan's meaningful participation as an observer in relevant international organisations and activities, such as the United Nations Framework Convention on Climate Change (UNFCCC), the World Health Organisation (WHO) and the International Civil Aviation Organisation (ICAO); commends the EU's decision to grant*

a visa exemption to Taiwan citizens, which will contribute towards strengthening trade and investment relations between the EU and Taiwan as well as people-to-people contacts.”