

# 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 2016. The EU is the fifth largest trading partner of Taiwan, behind mainland China, ASEAN6, the USA and Japan. Trade between Taiwan and the EU-28 reached US\$ 48.8 billion in 2016, an increase by 5,0 % in comparison to 2015, reflecting the modest pace of recovery of the European Union (the real GDP growth rate of the EU stood at 1.9 % in in 2016, and of the Euro Zone at 1.8 % in 2016).

Both Taiwan's exports to the EU and Taiwan's import from the EU showed positive growth rates in 2015, with imports increasing more rapidly (+6.6 %) than exports (+3.5%). As a result the trade deficit of the EU with Taiwan amounted to US\$ 317 million.

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

Year	Export	Import	Total trade	% change trade previous year
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
2016	24,58	24,26	48,84	5,08

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

2. Looking in more detail at the trade figures, apart from trade with ASEAN6, trade with the main partners of Taiwan followed a positive trend in 2016. Trade with Japan increased by 3.7 %, trade with the US by 2.4 %, and trade with Mainland China (which accounts for 23 % of global trade with Taiwan) grew by 2.1 %. The EU28, which commands a share of 9.6 % of global trade with Taiwan (in comparison with a 12.1 % trade share of the US and an 11.7 % trade share of Japan), showed the most pronounced growth of the trade partners with 5.0 %.

**Table 2: Most important trade partners of Taiwan – growth rates 2016**

	Export (Growth rate)	Import (Growth rate)	Total Trade (Growth rate)	Trade Surplus (Growth rate)
Global	-0.02	0.85	<b>0.37</b>	-3.89
Mainland China	3.74	-0.43	<b>2.14</b>	10.59
ASEAN6	0,80	-3,48	<b>-0,72</b>	6,20
United States	-2.11	8.28	<b>2.41</b>	-37.16
Japan	1.43	4.96	<b>3.79</b>	8.46
EU-28	3.59	6.63	<b>5.08</b>	-67.39

*Source: Bureau of Foreign Trade, Taiwan*

3. Machinery and transport equipment (SITC 7, Standard International Trade Classification) accounts for 60 % 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 30.5 % of total trade. Transport equipment (SITC 78, 79) accounts for a smaller part – 13.6 % of total trade - but is an important trading item: in 2016, 46.1 % of bicycles and 30.2 % 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 % 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 9.5 % of exports to the EU.

The imports from the EU into Taiwan exhibit a more diversified pattern. Only 14.1 % 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 24 % of imports from the EU, and chemical products (SITC 5) account for 18.7 % of European imports. Within the chemical group, organic chemicals (SITC 51) and medicinal and pharmaceutical products (SITC 54) claimed 4.3 % and 7.1 % respectively of total imports. Also road vehicles (SITC 78) are an important import category, accounting for 11.2 % of imports from the EU.

**Table 3: Trade between Taiwan and the EU according to product groups in 2016**

Product groups	% of total trade	% of imports	% of exports
Food and live animals (SITC 0)	1.62	3.40	0.29
Beverages and tobacco (SITC1)	1.39	3.04	0.16
Crude materials, inedible, except fuels (SITC 2)	1.21	1.51	0.98
Mineral fuels, lubricants and related materials (SITC 3)	0.21	0.31	0.13
Animal and vegetable oils, fats and waxes (SITC 4)	0.15	0.24	0.08
Chemicals and related products (SITC 5)	10.99	18.79	5.15
Manufactured goods classified chiefly by material (SITC 6)	11.93	6.06	16.32
Machinery and transport equipment (SITC 7)	60.05	55.78	63.24
Miscellaneous manufactured articles (SITC 8)	11.80	9.81	13.29
Commodities not elsewhere classified (SITC 9)	0.65	1.05	0.35

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 2016**

Machinery and transport equipment (SITC 7)	% of total trade	% of imports	% of exports
Machinery (SITC 70-74)	15.88	24.07	9.76
Office machinery and automatic data-processing machines (SITC 75)	5.22	1.24	8.20
Telecom equipment (SITC 76)	6.73	1.21	10.86
Electrical machinery, apparatus and appliances, and electrical parts thereof (SITC 77)	18.60	11.70	23.75
Total 75-76-77	30.55	14.15	42.80
Transport equipment (SITC 78 -79)	13.62	17.56	10.68
Manufactured goods classified chiefly by material (SITC 6)	% of total trade	% of imports	% of exports
Manufactures of metals (SITC 69)	5.92	1.06	9.55
Chemicals and related products (SITC 5)	% of total trade	% of imports	% of exports
Organic chemicals (SITC 51)	2.41	4.37	0.95
Medicinal and pharmaceutical products (SITC 54)	3.43	7.12	0.67

Source: EUROSTAT, SITC

4. According to EU's figures, the total trade in services stood at EUR 7.8 billion in 2015<sup>1</sup>: the exports of services from Taiwan to the EU increased by 1.8 % in 2015, while Taiwan's import of services from the EU grew by 0.2 %. Over the last five years, Taiwan's services exports to the EU grew by more than 31.7 % to EUR 3.2 billion in 2015.

<sup>1</sup> 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 2015**

	2010	2011	2012	2013	2014	2015
Import from EU	4.53	3.89	4.26	4.22	4.56	4.57
Export to EU	2.46	2.36	2.70	3.20	3.19	3.25
Total trade	6.99	6.25	6.96	7.42	7.75	7.83
Net (trade surplus/deficit)	2.06	1.53	1.56	1.02	1.37	1.32

Source: Eurostat

5. Within the EU, Germany has been Taiwan's first European trading partner for years, commanding a share of 29.6 % of total trade with the EU. The Netherlands and the United Kingdom are also important trading partners within the EU, representing 17.6 % and 11.2 % of trade respectively.

**Table 6: Most important trade partners of Taiwan in EU-28 in 2016**

	Total Trade (Mio USD)	Share (%)	Export (Mio USD)	Share (%)	Import (Mio USD)	Share (%)
<b>EU-28</b>	<b>48,843</b>	<b>100</b>	<b>24,580</b>	<b>100</b>	<b>24,263</b>	<b>100</b>
Germany	14,501	29.69	5,928	24.12	8,573	35.33
Netherlands	8,614	17.64	4,469	18.18	4,145	17.08
United Kingdom	5,487	11.23	3,642	14.82	1,844	7.60
France	4,596	9.41	1,542	6.27	3,054	12.59
Italy	4,065	8.32	1,860	7.57	2,204	9.09

Source: Bureau of Foreign Trade, Taiwan

Looking at the distribution of trade within Europe, trade with West-European countries<sup>2</sup> takes up the 74,9 % of trade with the EU, followed by trade with Southern European countries<sup>3</sup> (12.8 %). 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). Eastern European countries<sup>4</sup> and Northern European countries<sup>5</sup> take up a relative smaller share of trade (although Eastern Europe is a relative important exporting partner for Taiwan, as 11.4 % of exports to the EU went to this area).

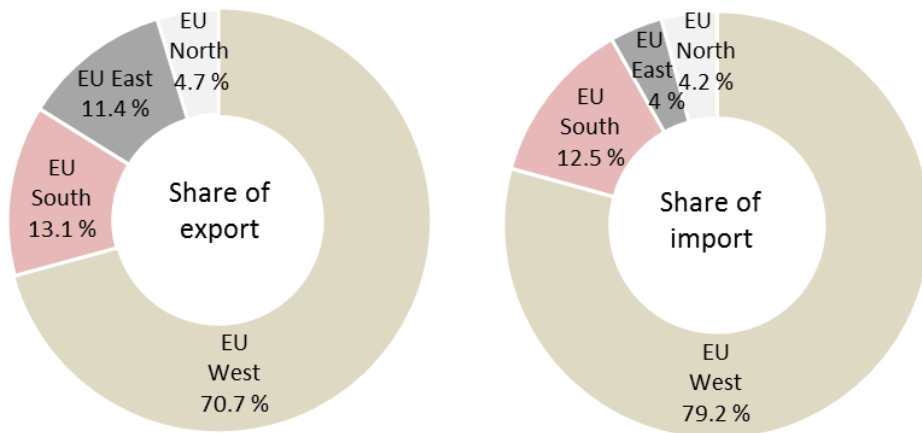
<sup>2</sup> Western Europe : Germany, Netherlands, UK, France, Belgium, Austria, Ireland, Luxembourg

<sup>3</sup> Southern Europe : Italy, Spain, Portugal, Greece, Malta, Croatia, Cyprus

<sup>4</sup> Eastern Europe: Poland, Hungary, Czech Republic, Slovakia, Lithuania, Estonia, Latvia, Bulgaria, Romania, Slovenia

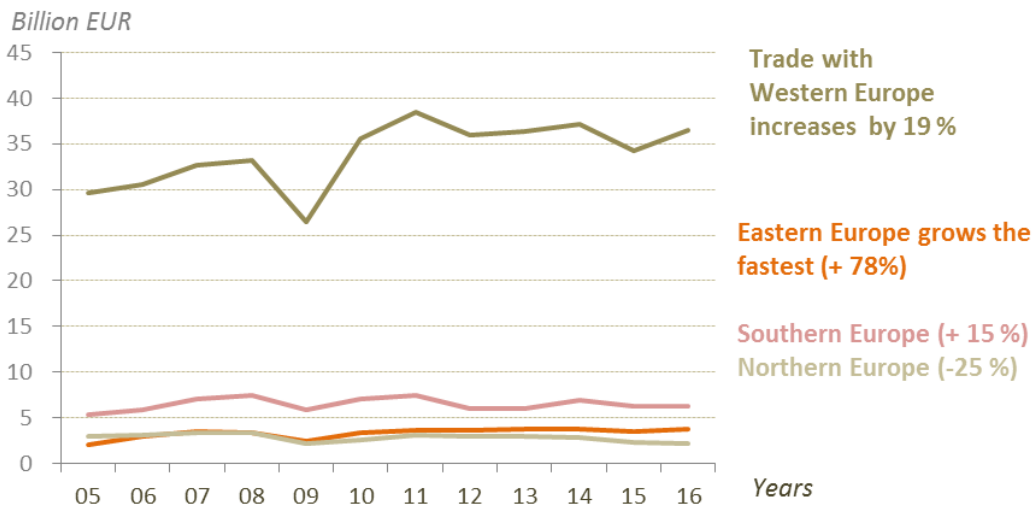
<sup>5</sup> Northern Europe: Sweden, Finland and Denmark

**Figure 7: Distribution of trade between Taiwan and EU-28 in 2016**



Although Western Europe is the most important area in terms of share, trade with Eastern Europe has grown the fastest in the last 10 years, from the accession of the Eastern European countries into the EU in 2004. Quite a number of Taiwanese companies have a presence in this area.

**Table 8: Evolution of trade between Taiwan and EU-28 regions, growth rate between 2006 and 2016**



## B. Taiwan-EU Investment Relations

1. 2016 saw a surge of investment from the EU into Taiwan. Investment from the EU reached pre-crisis levels with an amount of 7,2 billion USD, **ranking the EU as the most important investor into Taiwan in 2016**. 93 % of the incoming investment from the EU originated in the Netherlands, which is the largest source of investment within the EU historically.

As a result, the **total accumulated direct investment of EU in Taiwan from 1952 to 2016 amounted to US\$ 41,3 billion, accounting for 28 % of all foreign accumulated investment into Taiwan**, ahead of the Caribbean Islands (18 %) and the USA (16 %). For this period (1952-2016), the Netherlands were the biggest investors with a share of 67 % of all incoming EU investments into Taiwan, followed by the United Kingdom which commands a share of 19 % of accumulated investment into Taiwan.

**Table 9: Investment of the world and of EU countries into Taiwan in 2016**

World	Amount (USD MIO)	% of total	EU	Amount (USD MIO)	% of total
Total	11,037	100	<b>EU28</b>	<b>7,236</b>	100
<b>EU28</b>	<b>7,236</b>	<b>65</b>	Netherlands	6,708	93
Caribbean Islands	1,541	14	UK	407	6
Hong Kong	596	5	France	33	0.45

Source: Taiwan Investment Commission, USD MIO

**Table 10: Accumulated investment of the world and of EU countries into Taiwan (1952 - 2016)**

World	Amount (USD MIO)	% of total	EU	Amount (USD MIO)	% of total
Total	147,982	100	<b>EU28</b>	<b>41,329</b>	<b>100</b>
<b>EU28</b>	<b>41,329</b>	<b>28</b>	Netherlands	27,719	67
Caribbean Islands	27,230	18	UK	8,042	19
USA	23,772	16	Germany	2,735	6

Source: Taiwan Investment Commission, USD MIO

2. In 2016, Taiwan's investment into the EU was US\$ 1.1 billion, which accounted for 9 % of its total outward investments. Within the EU, the Netherlands were the major recipient of Taiwanese investments with a share of 71 % of investments into the EU, followed by UK that accounted for 10 % of investments into the EU. In 2016, most of the Taiwanese investments in EU were concentrated in the real estate sector (55 %) and electronic parts and components

manufacturing (21 %). 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 big-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 46 % of all investments from Taiwan into the EU within the period 1952-2016, while the Netherlands took 37 % of investments into the EU.

**Table 11: Investment of Taiwan into the world and into the EU in 2016 (excluding China)**

World	Amount (USD MIO)	% of total	EU	Amount (USD MIO)	% of total
Total	12,123	100	<b>EU28</b>	1,127	100
Japan	4,504	37	Netherlands	800	71
Caribbean Islands	2,718	22	UK	115	10
Singapore	1,553	13	Germany	26	2
<b>EU28</b>	<b>1,127</b>	<b>9</b>	France	5	0.42

Source: Taiwan Investment Commission, USD MIO

**Table 12: Accumulated investment of Taiwan into the world and into the EU (1952-2016)**

World	Amount (USD MIO)	% of total	EU	Amount (USD MIO)	% of total
Total	112,787	100	<b>EU28</b>	<b>6,550</b>	<b>100</b>
Caribbean Islands	32,981	29	UK	3,035	46
USA	14,528	13	Netherlands	2,421	37
Singapore	12,535	11	Germany	346	5
Vietnam	8,480	7.			
Japan	8,325	7			
<b>EU28</b>	<b>6,550</b>	<b>6</b>			

Source: Taiwan Investment Commission, USD MIO

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.”*