

CHINA.ACTION.MONEY.

Trade with the EU



PACIFIC TYCOON

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Economic relations between the largest economies in the world will dictate trade patterns and the health of the global shipping industry. To that end, partnerships between China (the second largest economy in the world) and the 28 countries belonging to the EU are of vital importance. In addition to generating global wealth, these relations are driving the long-term growth of the shipping industry – which transports 90% of goods around the world.

Since the reforms to the Chinese economy, the government has been increasingly focused on increasing trade and investment into the economy. As one of the largest economies in the world, it is now exerting global influence by deepening economic relations and supplying funds to developed and developing economies alike. This edition of *China. Action. Money.* will analyse the phenomena driving the growth in trade that has allowed China to reach such a position in the global economy.

The Growth of Trade between the EU and China

Since the 1980s, China's integration into the global trade economy has been the most prominent economic phenomenon of this period. Trade, investment, tourism and partnerships between the EU and China have all rapidly grown over this period. The results are phenomenal. China is the EU's biggest source of imports, and has also become one of the EU's fastest growing export markets. The EU has also become China's biggest source of imports. Staggeringly, China and Europe's trade is worth more than €1 billion a day.

China is now the number one source of merchandise imports into the EU, with a share of 16.6% of imports from non-EU markets. China is also the EU's third largest export market after the US and Switzerland with a share of 8.5% of total exports. From China's perspective, the EU has been its biggest trading partner for ten years in a row (ranking first as a source of imports and second as a market for exports).

The dominant trends will see these two powerhouses become significantly more integrated and dependant on the economic health of the other. EU trade with non-EU partners has become more China-centric, at the expense of traditional partners such as the US and Japan. Trade in goods between China and the EU reached €428 billion in 2013, almost double the value recorded in 2005.

The world economy has become more globalised, with greater trade and improved economic ties. Relations between China and the EU have vastly improved, resulting in the EU becoming China's most valuable trade partner over the last ten years. As China – EU trade continues to grow, it will not only boost their respective economies but also the shipping industry that transports 90% of all goods between the two regional powers.

China – EU trade agreement

As outlined above, trade between the EU and China is rapidly increasing and is now worth more than €1 billion a day. Despite this, a trade deal is currently in negotiation that will see the further removal of barriers to trade and will benefit both the EU and China by ensuring that markets are open to investment in both directions. In addition to supporting trade, any agreement, once reached, will also stimulate investment flows between these two economic powers. Currently, just 2.1% of overall EU Foreign Direct Investment (FDI) is directed into China and even a modest increase would have a significant impact on the economic performance of both China and the EU.

The negotiations were announced in 2013 and talks began at the beginning of 2014. The deal will provide access to the European market for Chinese firms and to the Chinese market for European firms. The results of a successful conclusion to the negotiations will be substantial. Trade between the Dragon Economy and the EU is already worth more than €1 billion a day, and a reduction in barriers and greater investment flows will provide further support and impetus to this trade; boosting the Chinese economy and the global shipping industry.

The Future of China – EU Trade

With trade exponentially rising, the future of these trade patterns is only positive. As China and the EU's economies become more integrated and relations improve, the amount of investment directed and trade conducted between the two will continue to grow. Furthermore, the successful conclusion of such a trade deal will only improve these relations; providing a further boost to trade, investment and tourism.

China is already the second largest economy in the world and the number one trading nation. This relationship with Europe will allow it to flourish and grow, enhancing its global importance. For the shipping industry, China's rise and increased trade with the EU will ensure that demand for containers grows – benefitting the entire industry.

Pacific Tycoon's head office is based in Hong Kong, at the heart of the booming East Asian economy. Benefiting from our proximity to the industrial and business-led projects transforming China, we endeavour to monitor and understand each one closely. For further details on the trillion dollar projects shown on this map, visit our website: www.pacifictycoon.com



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