



China-EU Economic Relations: What for next decade?

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Summary

- 1. General trends in bilateral investment relations
- 2. Relations between trade and investment
- 3. Will the China-EU Investment Agreement be a magic carpet?
- 4. What next?



1. General trends in bilateral investment relations



Investment becomes a lame leg of China-EU economic and trade relations

- Firstly, neither party considers the other party as main investment destination.
- Secondly, from the perspective of accumulated amount, the investment of EU in China is much higher than the investment of China in Europe.
- Thirdly, from the perspective of increment, China's investment in EU started late, but it grows fast.
- Besides, China-Europe mutual investment is in serious disproportion to China-Europe trade volume.

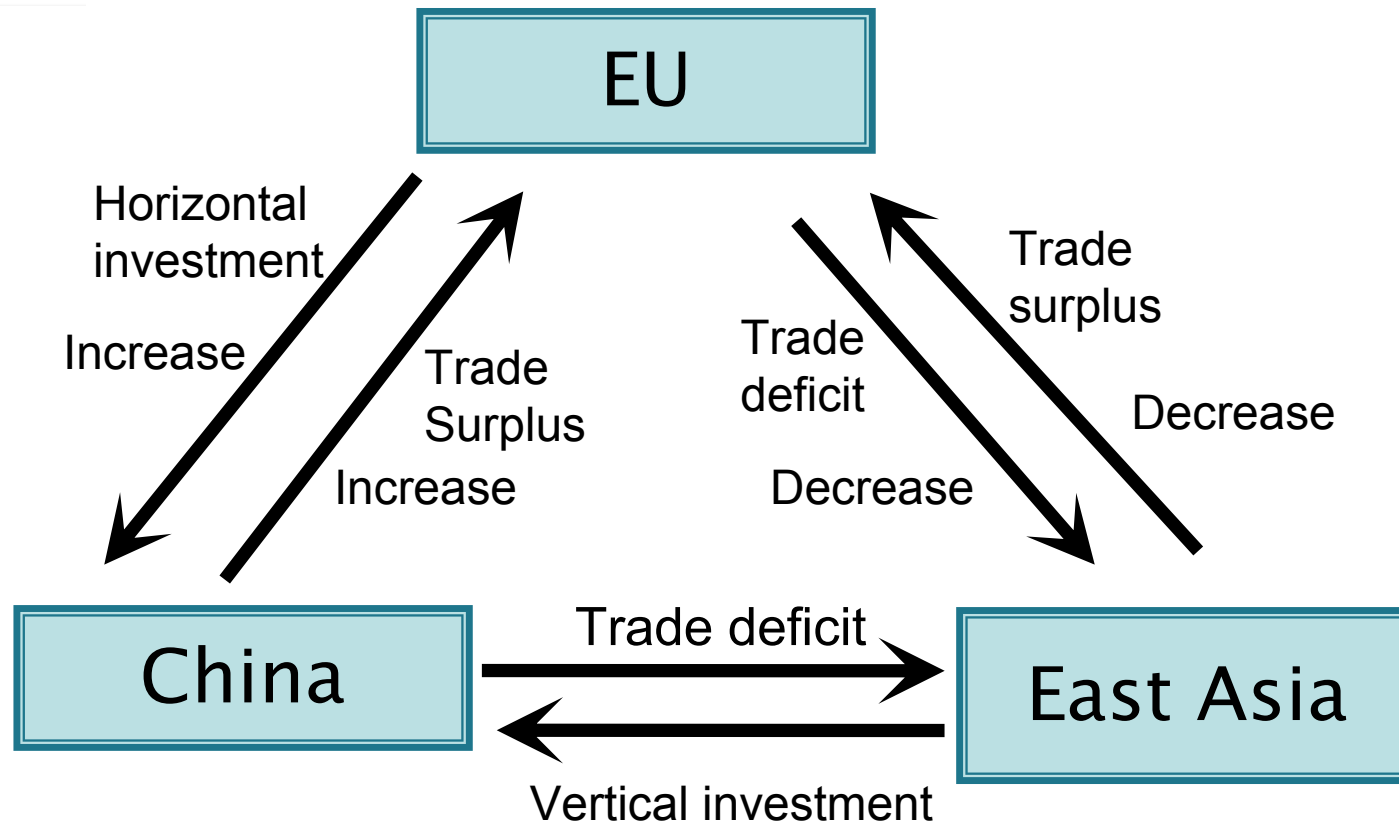


2. Relations between trade and investment



East Asia: Investment transferring trade

EU: Investment replacing trade

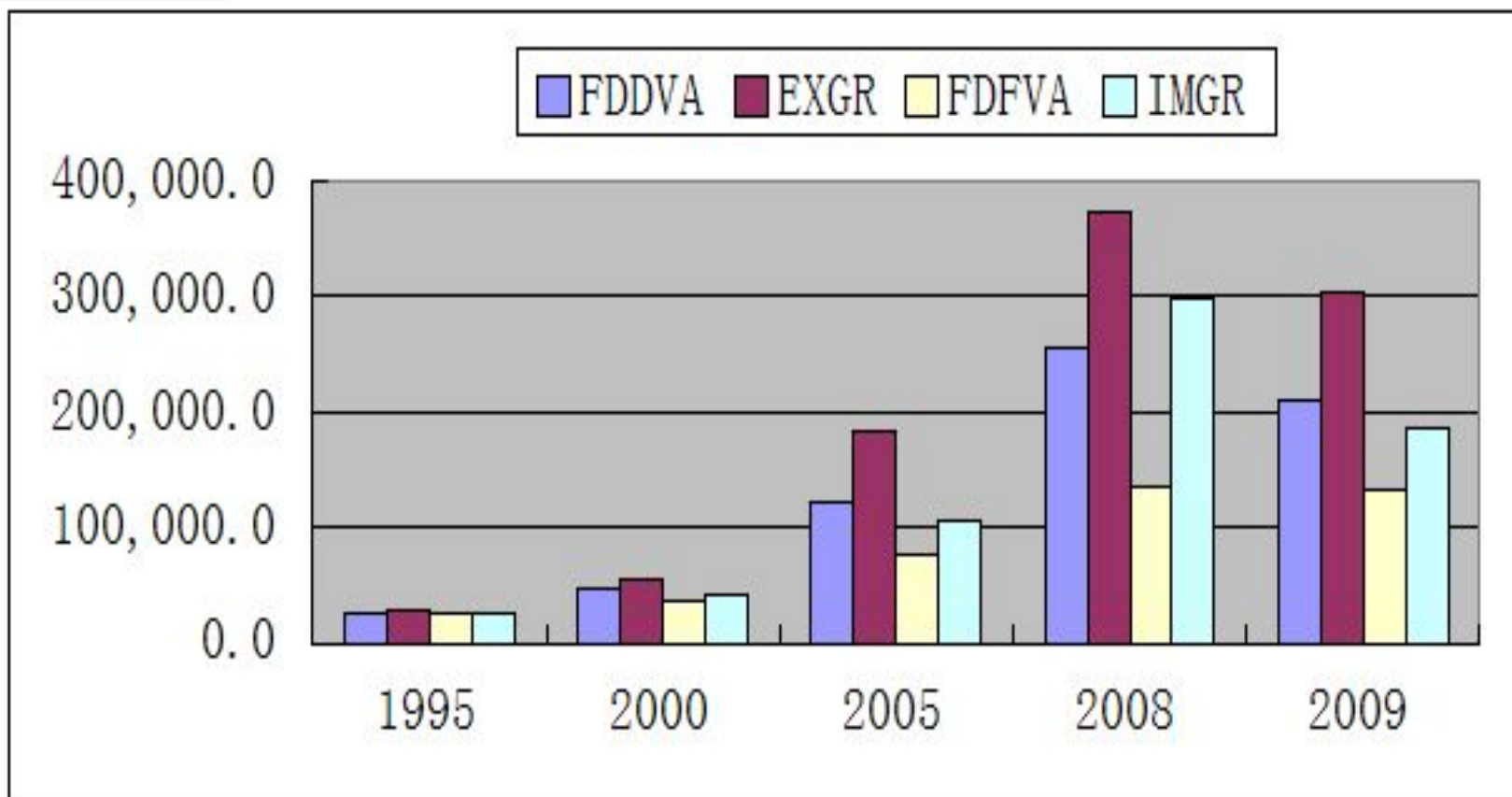


Resource: Drawing by author.

Note: China has surplus in processing trade with USD 381.6 billion, and deficit in general trade with USD 33.8 billion in 2012.



Value added in China-EU trade

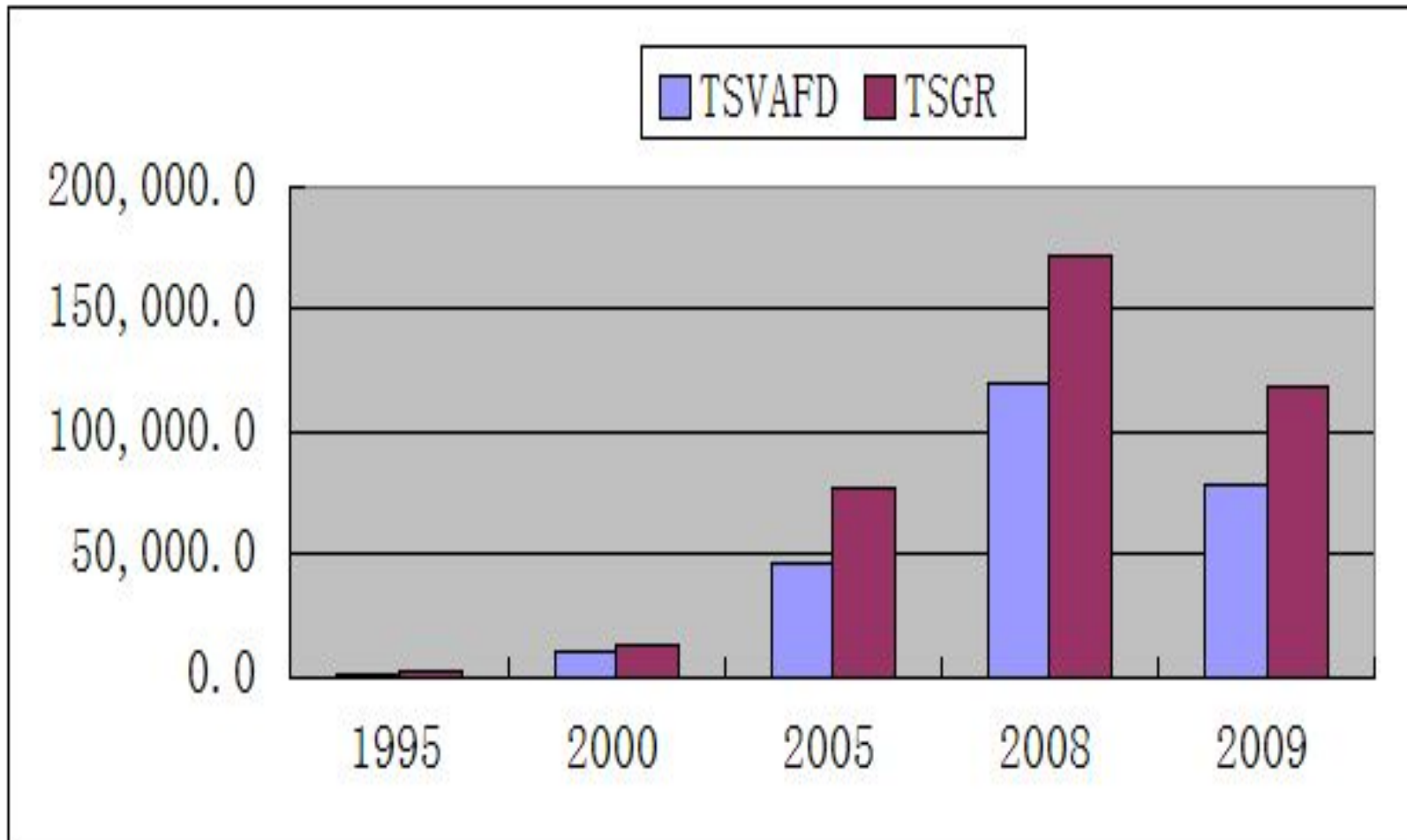


Resource: Calculation based on the OECD-WTO TiVA Database.

FDDVA means Domestic value added embodied in foreign final demand, EXGR means gross export, FDFVA means foreign value added in final domestic consumption, IMGR means gross import.



Domestic value added in China-EU trade surplus



Resource: Calculation based on the OECD-WTO TiVA Database.

TSVAFD means domestic value added in trade surplus, TSGR means gross trade surplus



3. Will the China-EU investment agreement be a magic carpet?



How is about EU-US investment

- US and EU have directly invested more than € 2.8 trillion on both sides of the Atlantic
- EU-US trade volume closing to € 50 billion in 2012
- EU-China trade volume more than to € 43 billion in 2012
- Does investment matter?



Some Chinese investment agreements

Country	Signed on	Effective from	Remarks
Sweden	September 27, 2004	September 27, 2004	Supplement
Germany	December 1, 2003	November 11, 2005	Resigned
France	November 26, 2007	August 20, 2010	Resigned
Portugal	December 9, 2005	July 26, 2008	Resigned
Spain	November 24, 2005	July 1, 2008	Resigned
Japan	August 27, 1988	May 14, 1989	
Korea	September 1, 2007	December 1, 2007	Resigned



China's Outflow FDI in 2010-2012

Region	Amount (billion dollars)			Annual growth (%)			Ratio (%)		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
Asia	44.89	45.49	64.79	11.1	1.3	42.4	65.3	60.9	73.8
Africa	2.11	3.17	2.52	46.8	50.4	-20.6	3.1	4.3	2.9
Europe	6.76	8.25	7.04	101.6	22.1	-14.7	9.8	11.1	8.0
Latin America	10.54	11.94	6.17	43.8	13.3	-48.3	15.3	16	7.0
North America	2.62	2.48	4.88	72.2	-5.3	96.9	3.8	3.3	5.6
Oceania	1.89	3.32	2.42	-23.8	75.6	-27.3	2.7	4.4	2.7
Total	68.81	74.65	87.82	21.7	8.5	17.6	100	100	100



What does the EU want?

- Dead-locked PCA negotiation
- Chapters between BIT and FTA
- Ambition or overregulation?



4. China-EU: what for next decade?



Population and export

Country	Population ratio of world population	Export percentage in the world export
China	20%	10%
Germany	1%	8%
US	4.5%	8%
Japan	2%	5%
Eurozone	5.3%	35%



China's export by ownership

Ownership	2010	2012
Private	25.2%	31.6%
State owned	20.9%	19.4%
FDI	53.8%	49.0%



China's Urbanization

- Urbanization ratio improving 1% per year, investment increasing RMB1400 billion, consumption demand increasing RMB 2200 billion (China Statistics)
- Urbanization ratio improving 1% per year, 3rd sector increasing 2%(CASS)



谢谢大家！
Thanks!

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