

# Facts and figures on EU-China trade

## *Did you know?*

- o **China is the second largest economy and now also the world's biggest trading nation**  
China's growth in 2013 was 7.7 %, and international estimates predict China may be on track to become the world's biggest economy within the next 10 years, with an internal market of 1.39 billion potential consumers by the end of 2015. China's rise as a major global economy was boosted by its WTO membership in 2001, which made it reform and open up its economy. This provided a platform for China to establish itself as a major global trader - becoming the world's biggest exporter in 2009 and the world's biggest trading nation (sum of exports and imports) in 2013.
- o **China and the EU are trading more than €1 billion every day**  
Just two decades ago, China and the EU traded almost nothing. Today, we form the second-largest economic cooperation in the world. In a remarkably short timeframe, our economies have integrated to a point where it is difficult to imagine one without the other. Our bilateral trade in goods reached €428.1 billion in 2013. Trade in services, however, is still about ten times lower at €49.9 billion (2012 data) and remains an area full of potential if China were to open its market more.
- o **China has become one of the fastest growing markets for European exports**  
In 2013 our exports to China increased by 2.9% to reach a record € 148.1 billion. EU exports have nearly doubled in the past five years, contributing to rebalancing the relationship. China is the EU's biggest supplier, with € 279.9 billion worth of imported goods in 2013 (down by 4% or 11.7 billion compared to 2012). This produced a trade deficit of €131.8 billion with China in the same year, down by 10.7% compared to 2012, and down by 22.5% compared to the 2010 record of €170.1 billion. Europe's trade deficit with China is mainly caused by sectors like office and telecommunication equipment, shoes and textiles, iron and steel.
- o **In the long term, China's importance as a strategic market can only increase**  
Every year, 20 million Chinese households pass the threshold of household income of USD13,500 (a threshold at which middle class families become able to afford key consumer goods and services, like cars). This translates into extraordinary growth opportunities for European businesses. Even if China's GDP growth rate is gradually slowing down, China continues to generate an impressive amount of additional output year after year. 90 % of global economic growth over the next years is expected to be generated outside Europe, a third of it in China alone.
- o **Reducing the bilateral trade deficit is not about importing less, but exporting more**  
Through better market access, European exporters should be well placed to increasingly sell their products on the rapidly expanding Chinese consumer market. By way of comparison, the EU still exports more than 2.5 times more services to Switzerland (€82.9 billion) than to China (€29.8 billion). As a result, the EU still exports more goods and services to Switzerland (€216.3 billion) than to China (€173.7 billion). With the USA, our number 1 trading partner, the difference is even more apparent: the EU exports double as much goods, and 5 times more services to the USA than to China (2012 data).
- o **The EU's trade defence instruments cover only a tiny share of the EU's total imports from China**  
Trade defence measures are not protectionist tools; they are legal procedures in accordance with international rules and aim to address unfair trading practices. The EU bases its trade defence instruments on strict and non-political procedures. On 20 March 2014 the EU had 52 anti-dumping measures and three anti-subsidy measures in force against Chinese imports. The combined measures affect less than 2% of total imports from China.

o **About half of China's exports are produced by foreign invested companies**

Companies from Japan, Taiwan, Hong-Kong and South Korea play a dominant role in China's so-called "processing trade" process, where imported components are assembled in China and then exported as finished products. The role of European enterprises in China's processing trade regime, however, is relatively limited. European companies mainly invest in China to serve the Chinese market. On the other hand, companies in Europe do source part of their intermediate goods and input from China. In a world of global value chains, we need to import in order to be competitive and able to export.

o **Only 2.6 % of the total 2012 flow of foreign direct investment (FDI) into Europe came from China**

According to Eurostat data, in 2012 Chinese investments into the EU accounted for 2.6 % of total foreign direct investment flows into the EU (up from 1.0 % the year before). By contrast, the share of total EU flows of FDI into China stays at a steady 20% of all inward FDI, which makes the EU's 28 Member States together one of the top 5 FDI providers to China along with Taiwan, Hong Kong, the USA and Japan. EU companies invested € 15.5 billion in China in 2012, with Chinese FDI into the EU amounting to € 7.6 billion in 2012. Although Chinese investment into the EU is rising, it starts from a very low base: total FDI stocks only amounted to 0.7% of total foreign direct investment in the EU. Part of the Chinese outward investment may however be routed via Hong Kong or other third countries.

o **At the end of 2012, foreign banks in China held a market share of only 1.82%**

European services companies continue to find it difficult to access the Chinese market. Red tape and lengthy procedures are often the main reason. China maintains investment and ownership caps in many sectors such as banking, construction and telecommunications. Foreign law firms in China are currently not allowed to employ Chinese lawyers and are not permitted to participate in bar exams to gain Chinese qualifications.

o **64% of all fake goods seized at European borders in 2012 came from China**

Intellectual property rights infringement remains a serious problem for European businesses in China. In 2012, four out of every five European businesses operating in China rated Beijing's enforcement of IPR laws and regulations as inadequate.

o **China's public procurement market is very difficult to access for foreign companies**

It is difficult for European companies to access the Chinese market in the area of public procurement. A recent study from the European Chamber of Commerce in China points out problems regarding lack of transparency, unfair implementation of public procurement awards, and unsatisfactory appeals procedures.

o **Foreign companies face a number of trade barriers in China**

China increasingly uses country specific standards which foreign competitors find hard to meet. China also applies export restrictions on raw materials. Other issues that concern international business in China are the lack of a level playing field for foreigners, subsidies and financing issues, transparency and predictability in government and rulemaking. According to a recent survey, 45% of EU companies operating in China reported missed business opportunities owing to market access and regulatory barriers.

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