



24 October 2011

### **PROSPECTS OF INDUSTRIAL COOPERATION BETWEEN TAIWAN AND EUROPE**

### **CNAIC INTERNATIONAL BUSINESS FORUM TAIPEI, 27 OCTOBER 2011**

### **PHILIPPE DE BUCK DIRECTOR GENERAL, BUSINESSEUROPE**

Political Leaders, Excellencies,  
Fellow Business Leaders,  
Ladies and Gentlemen.

I am very happy to be back in Taiwan. I have been here many times during my professional life. And every time I have been impressed by the strength and innovativeness of the Taiwanese economy, the quality of Taiwanese products and services, and the friendliness and hospitality of the people. Thank you very much for having invited me again!

A special thank goes to Chairman Kenneth Lo and Secretary General Fritz Jang from the Chinese National Association of Industry and Commerce. You welcomed me with a wonderful reception yesterday and I am very grateful that I can address such a large audience today. The topic of our discussion is very much of interest to us business people: how can we enhance industrial and regulatory cooperation between Taiwan and the European Union?

Most of you know probably know BUSINESSEUROPE very well. Our organisation represents more than 22 million companies comprising 35 European countries through our 41 national members. Our main mission is to advocate for business friendly and pro-competitive policies not only in the EU but also globally.

This is the reason why we create worldwide networks with partners like the CNAIC or the European Chamber of Commerce Taipei. As European business we defend the principles of open and free trade. Our offices are located in Brussels – close to the EU institutions but increasingly we need to reach out more at the global level – including our Asian partners like Taiwan.



Ladies and Gentlemen, today's subject is the future bilateral relations between our two economies. But before I would like to touch upon an issue we are all very much concerned: how can we effectively overcome the global economic crisis? How is the situation in Europe? What has been done to solve the problem?

Europe's economic situation has worsened during the summer. Economic activity has slowed markedly, but given strong growth momentum early in the year, we still expect growth to be around 1.8% in 2011.

This is certainly low compared to your country [2010 growth: 10.9%], or to Mainland China [2010 growth: 10.3%]. Taking into account where we come from, this is not too bad. And there are countries like Germany [2011 growth estimate: 2.9%] or Poland [2011 growth estimate: 4.0%] which have grown strongly this year. The main element has been robust investments and exports. This gives us some hope for the future. However, uncertainty about the sustainability of the recovery has increased. This raised concerns over growth in 2012.

Last Sunday and Wednesday there were very important meetings of the EU Heads of State and Governments. What did we expect from the EU to deliver:

- First, and above all, safeguarding the Euro! This is an absolute must. There is no other option but to secure the Euro. The Euro is a major currency. The Euro is a fantastic tool for European integration. And European integration is a strength for our companies.
- Second, and related to this, the economic governance of the EU must be strengthened. We have a common currency. We also have 27 sovereign EU member states. And 17 sovereign Euro members.
- Third, government leaders should focus on how they can help drive growth. Because the Euro crisis is a debt crisis.

We welcome the Council conclusions that identified a number of priorities to be pursued in the short term to boost growth in Europe: Single Market Act, Services Directive, Digital Agenda, Better Regulation, Energy Efficiency, and implementation of country-specific recommendations at national level.

We also welcome its commitment to implement the new tools that have been created at EU level in recent months. Overall, we think the new steps taken on Wednesday will contribute to lift Europe out of the crisis.

Everybody agrees that we will need more growth in the future. This must be the main aim of EU policies. But this cannot only be achieved domestically. A real growth strategy for Europe includes an open approach to its major trade partners in the world. Here we need to work together with our trade partners around the world – like Taiwan.

Taiwan is a dynamic market of 23 million consumers and an interesting economy for EU business. It is the EU's 15<sup>th</sup> trade partner – not far behind Singapore [12<sup>th</sup>, 1.5%] or Canada [11<sup>th</sup>, 1.6%].



There are a number of European companies that are successful in Taiwan. And in Europe we know of course some of the highly competitive Taiwanese products: Taiwanese firms comprise roughly 80% of global laptop production!

In addition, Taiwan is an interesting market to improve EU-China business ties. Much of what Taiwanese companies produce is made in Mainland China. Many EU companies are working closely with Taiwanese partners to develop this economic relationship further. We appreciate very much the political efforts of Taiwan and Mainland China to improve trade relations. This brings greater stability and prosperity to the region.

Normally I should have just arrived from China. Due to the discussions in Europe about the Euro, however, the EU-China Political and Business Summits were postponed. But I would like to share with you nevertheless some thoughts about how we see current EU-China relations. We see great benefits. But we also see serious challenges European companies face when doing business in China.

European companies – similar as yours – have clearly benefited from China's industrial development. We have outsourced parts of our manufacturing to China. We have re-imported finished products. So European companies have taken advantage of significantly lower production costs. They have benefits like increase productivity. And European companies are well-positioned. We have international experience, we have strong presence on the Chinese market, we have cutting-edge technology, and we have the high quality of our products and services.

But there also some very pressing challenges:

- Chinese companies in many sectors, enjoy preferential treatment;
- access to government procurement is restricted;
- market access and foreign ownership are conditional or even impossible;
- transfer of technology on non-commercial terms is obligatory;
- intellectual property legislation is insufficiently enforced;
- China conducts an aggressive raw materials strategy;
- a market distorted through subsidies.

BUSINESSEUROPE just presented a report on the evolution of the EU-China bilateral relationship. It contains clear recommendations on how to improve EU-China relations. I invite all of you to read this in depth analysis which is available on our website.

Why do I expand on Mainland China? Because the more we have a smooth and open economic relation, the more the world economy will be better.

But let me come back to Taiwan. What are the opportunities that we could seize from strengthened cooperation?

When making and trading manufactured goods, both our economies are important partners in global supply chains. And they both have low tariffs – on average the applied rates are 4.0% in the EU [in 2010] and 4.5% in Taiwan [in 2010].



Our respective services markets offer huge opportunities for further expansion. We could also gain a lot from reducing barriers to investments: the total stock of all EU's investments into Taiwan is about one third of the amount of European investments in South Korea.

Let me give a specific example: There are tremendous opportunities in the procurement field – especially for infrastructure development. Notably, Taiwan has adopted an ambitious climate and energy policy. This will require substantial investment in cleaner and more efficient energy production and consumption. European companies could certainly contribute to those objectives as they are technology leaders in the field.

But there are also several challenges for European businesses.

First, diverging standards are a particular problem: Double testing requirements or Taiwan-specific standards can often block or significantly increase the cost for exports into the Taiwanese market. This concerns electrical equipment, automobiles, pharmaceuticals, cosmetics and medical equipment. Movement toward the recognition of international standards and EU testing is certainly an area for future cooperation.

Second, European companies cannot fully benefit from the close China-Taiwan trade relationship. Mainland China and Taiwan have significantly liberalised trade recently – we applaud this. But there are still problems exporting some goods produced in China by European firms to Taiwan. This concerns automotive and electrical engineering. This hinders the ability of EU firms to develop a region-wide approach to the market. We hope that this relationship will evolve toward freer trade in the future.

Third, services markets. Albeit generally open, they are often regulated out of line with best international practice. This adds costs and hinders efficiencies for customers in sectors like retail, telecommunications or financial services.

Forth, open procurement markets: Taiwan's accession to the WTO Government Procurement Agreement was a substantial and positive step. By opening this market to competition, Taiwan will not only benefit from reciprocal opening to procurement markets. This will also improve efficiencies on its home market. We know that the implementation of the procurement agreement can be challenging, so the EU and Taiwan should work together in order to address outstanding issues.

There are several areas where we could increase our cooperation. I am aware that there is some thinking in Taiwan to go a step further and launch EU-Taiwan free trade negotiations. I can understand that you look at Europe's policy in Asia. You see that we have engaged in several negotiations:

- With Korea, a bilateral deal has been concluded.
- Negotiations are progressing with India, Singapore and Malaysia.
- A negotiating mandate exists for ASEAN [although negotiations are suspended].



- New negotiations might be launched with Japan and Indonesia.
- Specific trade agreements [so called Economic Partnership Agreements - EPA] exist with Pacific islands.
- The EU might start negotiations of an investment agreement with China. We will know more at the next EU-China Political Summit.

What do we expect from those FTA? We expect them to be comprehensive. They have to cover tariff elimination, which is a classical market access issues. But they also need to tackle new areas like competition policy, regulatory divergence or investment rules or access to procurement markets.

But it's an open question how to further expand trade and investment between the EU and Taiwan. Several studies have shown the potential economic benefits of stronger EU-Taiwan economic ties. This is a question which needs to be addressed: how to move on with the EU-Taiwan trade and economic relationship?

Until recently, it would have been hard even to imagine the possibility of a bilateral trade agreement due to political and diplomatic issues. With the much improved relations between Taiwan and China, new avenues of cooperation are open to us. The Economic Cooperation Framework Agreement was a sea change in that perspective. Not only for business, but also for politics.

Let me also add that the constructive political relations between the EU and China helped to facilitate this.

China would be a direct beneficiary of increased trade and investment between Taiwan and the EU due to the close economic interlinkage between Taiwan and China.

On the other hand, there is of course the impact on the Taiwan – China political relationships. And that is an issue that the business community cannot solve.

From our perspective, the course of action should be to examine and study the EU-Taiwan relationship. This should be done thoroughly and constructively. We should find a pathway that would enable us to engage in deeper, more binding negotiations on trade and investment. Our respective governments could start this process by examining the potential benefits and possible hurdles of further integration.

In the meantime, the EU and Taiwan should accelerate work on the issues that I have raised above. Promote mutual investments, cooperate on technology, further open up services markets and invest into people – future opportunities are vast and open. In my view, the time for a step-change in our relations has come.

Thank you for your attention.

\*\*\*\*\*