Conference Report

The 16th Asia Europe Economic Forum

EU-Asia trade and investment connectivity

The Asia-Europe Foundation (ASEF) is a founding partner of the AEEF. ASEF’s share is made possible with the financial support of the European Union.
This conference report is a joint effort of:

- Asian Development Bank Institute (ADBI)
- Asia-Europe Foundation (ASEF)
- Bertelsmann Stiftung
- Bruegel
- Centre d'Études Prospectives et d'Informations Internationales (CEPII)
- Korean Institute for International Economic Policy (KIEP)
- Shanghai Jiao Tong University
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1. Introducing the Asia Europe Economic Forum

Global economic trends over the last decades have steadily increased the links between Asia and Europe. For both regions, a growing economic interdependency represents an opportunity to build strong, fair and sustainable relations. Nonetheless, constant global economic disruptions, political uncertainty and a rapid change in economic dynamics make cooperation no easy task for policy makers.

With strong recognition of this challenge, the Asia Europe Economic Forum (AEEF) contributes to interregional cooperation with the diversification and consolidation of the links between Asia and Europe. The AEEF was established in 2006 by Jean Pisani-Ferry, the then-director of the Brussels-based think tank Bruegel, as a high-level forum to bring together Asian and European senior policy makers and experts. As such, the Forum is a platform for research-based exchange and discussion on global issues and mutual interests. It is here where Asian and European policy experts can learn from each other, thereby gaining a deeper understanding of the economic and political ties between Asia and Europe. The AEEF is all about bringing countries together and building partnerships with regard to shared interests—the AEEF is all about connectivity (see Box 1).

**BOX 1—DEFINING CONNECTIVITY**

"Connectivity is about bringing countries, people and societies closer together. It facilitates access and is a means to foster deeper economic and people-to-people ties. It encompasses the hard and soft aspects, including the physical and institutional social-cultural linkages that are the fundamental supportive means to enhance the economic, political-security, and socio-cultural ties between Asia and Europe which also contribute to the narrowing of the varying levels of development and capacities."

13th ASEM Foreign Ministers Meeting

As a joint effort from the:

- Asian Development Bank Institute (ADBI),
- Bertelsmann Stiftung,
- Bruegel,
- Centre d’Etudes Prospectives et d’Informations Internationales (CEPII),
- Korean Institute for International Economic Policy (KIEP),
- Shanghai Jiao Tong University,
- and the financial support of the Asia-Europe Foundation (ASEF),

the 16th AEEF brought together more than 50 policy experts, economists and scholars on November 28 and 29, 2019 in Berlin, Germany. Over the course of two days, the participants discussed the patterns of international trade and investment across Asia and Europe, the current drivers of the bilateral relation, and—more importantly—
about how improving connectivity between Asia and Europe can facilitate customs, trade and investment, and the delivery of economic prosperity to both regions.

The following report summarizes the central topics of discussion during the forum.¹ It provides an overview of the current trends in trade and investment connectivity between Asia and Europe. It highlights the challenges that the cooperation between both regions may face in the future and summarizes the main takeaways of the forum. The reminder of the paper is structured as follows: in the following chapter, we present the historical development of trade and investment across and between Europe and Asia. In this section, we also shed light on institutional cooperation—key for the economic integration of both regions. In the third chapter, we continue with an overview of four drivers of trade and investment connectivity: macroeconomic uncertainty, the Fourth Industrial Revolution, protectionism and demographic change. In chapter four we briefly discuss the state of multilateralism in the world and the role of Europe and China in a new political and economic international order. Finally, in chapter 5, we provide some concluding remarks.

¹ The forum took place under the Chatham House rule system, the information of this report summarizes, therefore, the overall discussion and main debate points. The information of this report is by no means linked neither to the identity nor the affiliation of the speaker(s), nor to that of any other participant of the forum.
2. Selected Trends and Characteristics of EU-Asia Connectivity

Europe and Asia are highly interconnected regions, with $1.5 trillion USD of annual merchandise trade and nearly $90 billion USD of annual foreign direct investment (FDI) between both economies. Together, Asia and Europe shape the global economy—see figure 1. Both regions account for more than 50% of the world’s GDP and 60% of the world’s population. Furthermore, Asia and Europe form over 70% of the global merchandise trade and global trade in services, as well as over 60% of FDI flows in the world.

However, these trends are highly dynamic at country level. Not only is economic performance across countries highly heterogeneous, but also their position in international trade in goods and services, as well as in FDI flows.

Figure 2 illustrates this heterogeneity by comparing GDP trends for a selection of Asian and European countries. Primarily it explains the trends in global GDP shares, as shown in figure 1, panel A. Over the past two decades, Asian countries have seen relatively stronger economic growth, resulting in this shifting balance. This trend is confirmed in the graph, as the Asian sample shows much stronger growth than that of Europe, on average 7.7% and 3.6% respectively over the past 10 years. While growth in European countries is relatively closely related, there is also a large divergence between Asian countries. Most noteworthy are Japan, which has seen almost three decades of low inflation and economic growth averaging 1.1% and China, which tops the rankings with a staggering 12.9% annual growth in GDP during the first two decades of this century.

When analyzing trade for the same sample, it becomes clear how closely the economies rely on each other through reciprocal trade flows. As depicted in figure 3, panel A, trade, the evolution of merchandise trade in terms of total volume (imports + exports), is strongly related. A similar conclusion applies for the trading of services—figure 3, panel B—although slightly more short-term variance can be observed. In both cases, China stands out with remarkable growth rates during the last 20 years. Despite these simultaneous trends, a lot of diversity hides underneath the surface—see figure 4. For example, the trade balances of the sample countries vary strongly, which implies that they also have very different effects on the global economy as well as on domestic outcomes. In 2018, China and Germany had notable trade surpluses, $351 billion USD and $275 billion USD respectively, whereas India closed the year with a USD 190 billion deficit. In comparison to trade, both inward and outward FDI flows at country level are highly volatile. Further, there is no clear trend for most countries. Exceptions though...
FIGURE 1  Regional Distribution of Economic Trends

A) World GDP (%)

B) Inward FDI (%)

C) World Merchandise Trade (%)

D) Outward FDI Flows (%)

E) World Trade Services (%)

Note: Oceania is excluded from panels B and D due to lack of data.
FIGURE 2 Economic Growth at Country Level

Gross Domestic Product (trillions)

FIGURE 3 Trade Imbalances

Trade Balance (billions)


<table>
<thead>
<tr>
<th>Year</th>
<th>Germany</th>
<th>Spain</th>
<th>China</th>
<th>Japan</th>
<th>Netherlands</th>
<th>South Korea</th>
<th>India</th>
<th>Sweden</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>-100</td>
<td>-200</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>2000</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>2010</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>2015</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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</tr>
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</table>
FIGURE 4 International Trade Flows

A) Total Merchandise Trade (trillions)

B) Total Trade in Services (billions)

Note: Trade flows for selected Asian and European countries in US dollars at current rates.
FIGURE 5  International Investment Flows

A) Inward FDI Flows (billions)

B) Outward FDI Flows (billions)

Note: FDI flows for selected Asian and European countries in US dollars at current rates.
are seen in the positive trends for China with regard to inward FDI flows as well as for China and Japan with regard to outward FDI flows.

Policymakers in Europe and Asia have recognized the importance of building strong relations with their counterpart. Hence, over the years, the mutual interest in cooperation has been translated into various formats that range from summits and conferences to other more complex cooperation instruments such as common investment strategies and trade agreements—see Table 1.

The result of these cooperation efforts is a multidimensional relationship that includes people-to-people, institutional, political, and economic connectivity. According to recent calculations, 400,000 internationally mobile university students, more than 200,000 research collaborations, 13 million migrants (workers, professionals and academics moving between Asian and European countries), a large diplomatic exchange as well as high volumes of bilateral trade and investment flows have shaped the connectivity of Asia and Europe.

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### TABLE 1: Examples of Cooperation Instruments

<table>
<thead>
<tr>
<th>Conferences &amp; Summits</th>
<th>Asia-Europe Meeting (ASEM)</th>
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<tbody>
<tr>
<td></td>
<td>• Intergovernmental process established in 1996 to foster dialogue and cooperation between Asia and Europe.</td>
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<tr>
<td></td>
<td>• 53 Partners: 30 European and 21 Asian countries, the European Union and the ASEAN Secretariat.</td>
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<tr>
<td></td>
<td>• Addresses political, economic, financial, social, cultural, and educational issues of common interest in a spirit of mutual respect and equal partnership.</td>
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</tbody>
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<table>
<thead>
<tr>
<th>Common Institutions</th>
<th>Asia-Europe Foundation (ASEF)</th>
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<tbody>
<tr>
<td></td>
<td>• Institution of the ASEM that promotes greater mutual understanding between Asia and Europe through intellectual, cultural and people-to-people exchanges.</td>
</tr>
<tr>
<td></td>
<td>• ASEF was established in February 1997 by the participating governments and organizations of ASEM and has since implemented over 650 projects, engaging over 17,000 direct participants as well as reaching out to a much wider audience in Asia and Europe.</td>
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</tbody>
</table>

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<thead>
<tr>
<th>Common Initiatives</th>
<th>The Trans-Eurasia Information Network (TEIN)</th>
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<tbody>
<tr>
<td></td>
<td>• Provides a large-scale research and educational data-communications network for the Asia-Pacific region.</td>
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<tr>
<td></td>
<td>• Connects Asian researchers to each other and with their counterparts in Europe via direct links to Europe’s GÉANT network, providing the Asia-Pacific countries with a gateway for global research collaboration. Operating at speeds of up to 10 Gbps, it currently connects eighteen countries in the Asian and South Asian region.</td>
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<tr>
<th>Common Initiatives</th>
<th>Asia Investment Facility (AIF)</th>
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<td></td>
<td>AIF’s main purpose is to promote additional investments and key infrastructure with a priority focus on projects relevant to the climate change objective and “green” investments in areas of environment and energy, as well as investments in SMEs and social infrastructure.</td>
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</tbody>
</table>

<table>
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<tr>
<th>Trade and Cooperation Agreements</th>
<th>EU-Japan</th>
<th>In force since 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU-South Korea</td>
<td></td>
<td>In force since 2016</td>
</tr>
<tr>
<td>EU-Singapore</td>
<td>Pending</td>
<td>– The EU-Singapore trade and investment agreement was signed on October 19, 2018. Following the European Parliament’s consent to the agreements on February 13, 2019, the agreements will now continue their ratification process in line with the procedures foreseen in the EU Treaties to allow for their entry into force.</td>
</tr>
<tr>
<td>EU-Vietnam</td>
<td>Pending</td>
<td>– The European Union and Vietnam signed a trade agreement and an investment protection agreement on June 30, 2019. Following the signing, the agreements will be presented on the Vietnamese side to the National Assembly for ratification and on the EU side to the European Parliament for its consent.</td>
</tr>
</tbody>
</table>

Note: Examples of institutional cooperation efforts between Asia and Europe. Sources: ASEM, ASEF, European Commission (2019).
3. Current drivers of EU-Asia connectivity

The economic and political relations between Asia and Europe are developing in a rapidly changing global environment. Not only economic disruptions—such as the Fourth Industrial Revolution—affect the dynamics of trade and investment across Asia and Europe, but also political events that alter the nature of cooperation and diplomacy around the world. Thus, in order to understand the risks and opportunities that Europe and Asia might face in the future, it is important to identify and assess the most relevant international trends currently determining trade and investment around the world.

3.1. Trump & Brexit: Increasing economic uncertainty

Institutional and economic stability are fundamental for connectivity between Asia and Europe, as it facilitates and fosters commercial and financial exchange. However, over the last few years several political events have introduced new uncertainties at the international level that could have an effect on the relations between both regions. Certainly, the current administration of the United States and Brexit are two of these disruptive events.

Still being the largest economy in the world, the United States is an important economic and political partner for many countries in Europe and Asia. However, the current administration, with its "America first" policies, has made bilateral and international cooperation with the United States particularly difficult. One of the main reasons for these developments has been President Trump’s skepticism of globalization, which has led the United States to rely on a series of protectionist measures with the attempt to safeguard its economic sovereignty.

Another event that has brought uncertainty to the international landscape is Brexit. The results of the British referendum and the unresolved Brexit deal has also shed light on rising doubts about the benefits of global integration. Moreover, it has led to large speculation about the possible economic effects of Brexit on the UK, Europe and the global economy.

According to economists and policy experts, both events are holding back global economic growth. On the one hand, the economic policy approach of the United States has introduced trade and geopolitical tensions to the global economy, which are resulting in the slowdown of the manufacturing sector, a weakened confidence in markets, declining investments and decreasing international demand, especially from China. On the other hand, although the effects of Brexit are largely dependent on the terms of its deal with the European Union, estimates predict annual losses for the UK between of €32 and €57 billion euros and around €40 billion euros for European countries. In addition to this,
Brexit is likely to have a short-term effect on the financial markets and lead to a dislocation of local supply chains, which might also have a negative impact on economies outside the European Union.\(^{10}\)

European and Asian economies are highly heterogeneous. Thus, the macroeconomic consequences of Brexit and the current administration of the United States will largely differ across countries. Nevertheless, the high degree of economic interlinkages in the global market—and especially between Europe and Asia—requires a comprehensive approach on the possible strategies and countermeasures against downturns in the global economy. For Asia and Europe, it represents the possibility to consider multilateral solutions and common strategies to face global economic challenges together. Nonetheless, Asian and European countries will have to reach multilateral solutions in a changed international environment. On the one hand, social and economic disruptions over the course of the last number of years have changed the nature of leadership around the world. On the other hand, the global economy has suffered a structural change through the shift of political and economic power towards the Eastern Hemisphere. Hence, the process of reaching multilateral decisions will require the reconsideration of the current global economic and political order as well as a redistribution of obligations and responsibilities across the main actors at an international level.


3.2. Between cooperation and competition: The fourth industrial revolution

The global economy is currently facing a slowdown.\(^{11}\) Nonetheless, innovation is thriving around the world. Both the private and public sector recognize the importance of automation, digitalization and artificial intelligence for the modern economy. Thus, it is not surprising that private and public expenditure for R&D has been rising for decades,\(^{12}\) that increasingly more sectors of our economies are either becoming digitalized or automated,\(^{13}\) or that technology and innovation are targets for national industrial and structural policymaking.\(^{14}\)

The effects of the Fourth Industrial Revolution on Asian and European countries are manifold. However, two particularly important factors should be considered when understanding its role for EU-Asia trade and investment connectivity. On the one hand, the role that the digital economy plays in changing the nature of international trade and investment, and on the other, the geopolitical and economic implications of newcomers to the international innovation and technology market.

\(^{11}\) Ibid.


\(^{14}\) Compare, for instance, the strategic plan of China “Made in China 2025” or Germany’s “National Industrial Strategy 2030”.

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**Asia Europe Economic Forum**
In regard to the first aspect, it is important to acknowledge that globalization is in transition. Flows of services and data have both increasingly gained more importance for trade and global value chains (GVC)—see figure 6. Data flows have not only lowered cross-border transaction costs through the increasing use of digital platforms, logistics technologies and data processing, but also have changed the way firms interact among themselves, with suppliers, and consumers. In addition, the increasing use of new technologies for the faster automation of tasks and the implementation of artificial intelligence to process services are reshaping global production chains. Thus, globalization is becoming a more knowledge- and capital-intensive process, making labor less relevant for trade and its global value chains.


Considering this second aspect, the innovation landscape of the world has been determined mainly by North America, Europe and high-income countries from Asia. However, middle-income countries have increasingly gained importance with respect to technology and innovation in recent years. This has been especially the case of Asian countries such as China, Malaysia, India and Vietnam, which are nowadays innovation leaders either by region or income group.\(^{17}\)

The new composition of the global innovation landscape offers new opportunities for European and Asian countries, while at the same time it poses some challenges for established leaders in innovation of both regions. On the one hand, a larger and more diverse innovation market can lead to an increase in international technology transfers. This is particularly important as knowledge is—and will be—an increasingly more relevant determinant of economic growth. On the other hand, the entry of new suppliers to the technology and innovation market puts at risk the competitiveness of old established leaders.

Although digitalization, automation and artificial intelligence are altering the nature of Asian-European relations, there is a chance for both regions to learn from each other and to use cooperation as a force for healthy and sustainable competition within new technology markets. Hence, cooperation and competition are not mutually exclusive terms. Therefore, Asian and European countries will have to find a way to strengthen their cooperation in innovation activities while—at the same time—maintaining their comparative advantage in the creation and development of new technologies.

### 3.3. Economic benefits vs. political concerns: investment and protectionism

Foreign direct investment (FDI) helps to increase economic interconnectedness between countries and people in the EU and Asia. It may also bring about a range of economic benefits to both the home and host country, such as positive employment effects, contribution to GDP, knowledge, management skills, and technology transfer. Both regions have become increasingly important investment partners for each other: the Asian share in extra-EU outward FDI stock was 15\% in 2017, up from 14\% in 2015; the Asian share in extra-EU inward FDI stock amounted to about 13\%, up from 10\% in only two years.\(^{18}\) In relative terms, past asymmetries in investment relations appear to be leveling off. However, in absolute terms, the EU’s FDI stock in Asia still is 30\% higher than vice versa. This is partly attributable to European companies outsourcing production activities to low-cost countries in Asia in the last decades. Therefore, the growing economic significance of both regions for each other is not yet fully reflected in reciprocal FDI.\(^{19}\)

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FIGURE 7 European and Asian International Investment Flows

A) FDI Outflows: World, Asia and EU 1990–2018 (millions of dollars)

B) FDI Inflows: World, Asia and EU 1990–2018 (millions of dollars)

CURRENT DRIVERS OF EU-ASIA CONNECTIVITY

Having said that, there is—of course—a great diversity in bilateral investment relations between individual EU and Asian countries. It is nevertheless safe to assume that there is room for growth in FDI between the EU and Asia and it would potentially benefit both regions to place more importance on strengthening their investment connectivity.

Circumstances might be difficult, though, since recent numbers from the United Nations Conference on Trade and Development (UNCTAD) show that investment—just as is the case with trade—has been negatively impacted by the current unhealthy condition of the global economic order: in 2018, global FDI flows declined for the third year in a row. This development was mainly driven by a decline in inward and outward FDI in developed countries. Among the reasons for this, are increasingly protectionist attitudes—not only in trade but also investment policies—as well as concerns about foreign investors, which appear to be more pronounced in developed countries rather than in developing countries.

An important factor here is the increasingly prominent link between FDI—especially acquisitions by foreign investors, fear of distorted competition and national security. This development has been mainly driven by fast-growing FDI from China into developed countries. This has triggered heated discussions about non-existing reciprocity, state-subsidized investment and the role of the government in FDI activities. Many countries have therefore started to revise their investment policies on these grounds in recent years: the United States has strengthened the remit of the Committee on Foreign Investment in the United States (CFIUS); the Netherlands and Hungary have recently introduced screening measures for foreign investment; Germany has changed its foreign trade law twice already since 2016; and the EU has agreed on establishing a common framework for investment screening for the first time. Since all these measures are—and must be—of a non-discriminatory character, any foreign investor may be subject to newly introduced investment procedures.

Although these protectionist trends could alter the investment relations of Asia and Europe in the future, both regions remain target investment markets for each other. Hence, if the EU and Asia want to increase mutual FDI under these difficult circumstances, they will have to find a balanced approach between maintaining or even increasing their openness for foreign investors on the one hand and the legitimate protection of national interests on the other.


3.4. Demographic change: challenge for the EU and Asia

Demographic aging affects key macroeconomic variables, long-term economic growth and therefore the material prosperity of a society. In all heavily aging developed economies, the number of persons at working age is stagnating or even falling while, simultaneously, the number of pensioners is rising. The overall employment rate—defined as the proportion of the working population in the total population—is thus on the decline. Under otherwise unchanged economic conditions, material prosperity, as measured by gross domestic product per capita, is at risk of declining.23 Latest estimations show, for instance, that this demographic change could lead to a decrease of per capita GDP of 3,716 Euros in Germany, 3,368 Euros in France, and even 6,467 in Japan by 2040.24

Asian and European economies are affected very differently by demographic change, with some countries, such as Germany or Japan, facing an aging society, while other countries, such as India, may still expect a demographic dividend due to their relatively young population. In the future, these developments will not only have an impact on economic and social development in these countries, but also on EU-Asia trade and investment connectivity, for example regarding labor division in individual bilateral relations. Economies in both regions will have to find their individual strategies in dealing with the implications of demographic change, but also could find, in their bilateral relations, a means to overcome some of the challenges that this trend may pose. Fostering good investment partnerships could be beneficial for developed countries in Asia and Europe alike, as investments—especially in high-productive sectors—could help in counteracting the negative aggregate economic effect of demographic aging.25


25 Idem.
4. The EU and Multilateralism—Implications for EU-Asia connectivity

The ongoing tensions between the US and China have introduced great political and economic uncertainty into the world. Due to their size and high interconnectedness with Asian and European countries, developments in the US and China can trigger significant effects in both regions and unavoidably affect Asia-Europe trade and investment connectivity.

Over the last year, different scenarios have been considered in order to prepare European and Asian economies against possible negative consequences. However, it is as important to evaluate de-escalation possibilities that might help solve long-term frictions between China and the US and hence long-term negative effects on the global economy. In the process of evaluating different options, it is important to consider the role that the EU could play in alleviating this conflict, since as a political and economic construct, the EU has enough weight to serve as a counteracting force on a global scale. The EU could play a strategic role in determining global issues, such as the current crisis of multilateralism. However, whether the EU’s role could be effective, will depend to a large extent on its current and future relationship with China.

Partner and competitor? The role of EU-China relations in global multilateralism

The EU and China established their formal political and economic ties in the late 1970s. Since then, their interlinkages have steadily grown over the years, resulting in the second largest trade and investment partnerships of the world after that of the US—see figure 8.

According to the European Commission, trade in goods between China and the EU accounts for over €1.7 billion euros per day. In 2018, the EU had exports of around €210 billion euros to China and imports worth €395 billion euros from China. In terms of investments, the European stock of FDI to China reached €176 billion euros in 2017, while Europe received a stock of around €59.7 billion euros from China. These values are expected to increase if China and the EU move forward with their negotiations for an agreement on investment, which will enable a better framework and conditions for Sino-European investment connectivity.26

The rapid economic growth of China and its increasing presence in the world—including Europe—has shown the EU that China is a key global actor. Consequently, this has changed the nature of the Sino-European relationship, as China has moved from being a “strategic partner” to becoming a “negotiating partner”.27

This has a number of implications for the future of their relationship, as both parties will have to find the right balance between partner and competitor. On the one hand, China is now a leading global power, which has given the country new responsibilities on a global scale, as developments within its economy will unavoidably have a global impact. Nevertheless, these new responsibilities

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ThE EU AnD mUlTIlATErALISM—ImPlICATIonS For EU-ASIA ConnECTIvITy

future productivity growth, such as automation, artificial intelligence and digitalization. The strategic approach of China to the Fourth Industrial Revolution builds up pressure for European countries that have recognized their necessity to improve their innovation landscape to be able to keep up with new competitors in the future. Furthermore, China is constantly seeking access to new international markets, thereby expanding its influence and economic ties in larger parts of the world, for instance, through the far-reaching Belt and Road.

On the other hand, China is now becoming a global leader in sectors that are crucial for
go beyond the economic sphere. It also implies that China will acquire a greater role in global issues such as peace, climate and multilateralism, which offers the possibility for the EU to find a new ally in China. This could be essential for the future of different international institutions such as the WTO that needs—now more than ever—strong members with common goals.

FIGURE 8 EU-China Bilateral Trade and Investment

<table>
<thead>
<tr>
<th>EU-China: Trade in Goods (Billion Euros)</th>
<th>EU-China: Trade in Services (Billion Euros)</th>
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<tbody>
<tr>
<td>EU Imports</td>
<td>EU Exports</td>
</tr>
<tr>
<td>0</td>
<td>0</td>
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<tr>
<td>-100</td>
<td>-100</td>
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<td>-200</td>
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Initiative, which might pose greater challenges for the EU in the future.

From a European perspective, the new global political and economic order that results from the developments in China leads to reconsiderations of the bilateral relations. The EU and China require a strategic relationship based on clearly defined interests and principles, especially to promote common interest for the benefit of the globe (e.g. fighting climate change or promoting peace). Nonetheless, looking to the future, this relationship should be based on the principle of reciprocity and fair conditions for both parties—two aspects that have been lacking in the past.
EU-Asia trade and investment connectivity has steadily risen over the years. Not only has the rapid economic growth of Asian countries played an important role but so too has the common effort of European and Asian policymakers to strengthen the relationship between the two regions. Europe and Asia are highly interconnected regions that have the potential to reinforce each other and face together the current challenges of the global economy. Ensuring good economic and political ties between Asian and European countries in the future is not only fundamental for countries in both regions, but also on a global scale. Therefore, it should be a priority for policymakers to find mechanisms to continuously foster cooperation in the future.

Regarding economic integration, fostering trade and investment connectivity requires a comprehensive approach: one that creates an adequate framework for both parties, facilitating economic exchange while ensuring fair and transparent practices at the same time. Preserving the existing multilateral trading system is fundamental for achieving this goal. This requires, however, reforming its rules, in particular to establish conditions that enable fair competition, despite the differences in economic systems across countries. Furthermore, changes in the world-economic and political order imply that international relations will take place in a multipolar world. The EU needs to pivot more towards Asia while not forgetting old allies. The cooperation of like-minded countries from Asia and Europe will enable both regions to tackle pressing global issues such as digitization, protectionism, migration, and climate change.

### Key Points

1. Fostering good economic and political ties between Asia and Europe in the future is fundamental for the development of the global economy.

2. Facilitating trade and investment integration between both regions requires a comprehensive approach that enables an adequate framework for Asia and Europe while ensuring fair and transparent practices.

3. A rules-based system should be the basis for facilitating fair, transparent, and mutual beneficial relations between Asia and Europe.

4. The global economy is developing in a multipolar world. The EU needs to pivot more towards Asia while not forgetting old allies.

5. Cooperation of like-minded countries from Asia and Europe can facilitate the tackling of pressing global issues.
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