

BDI – The Voice of German Industry

**Connected We Stand –
Disconnected We Fall**

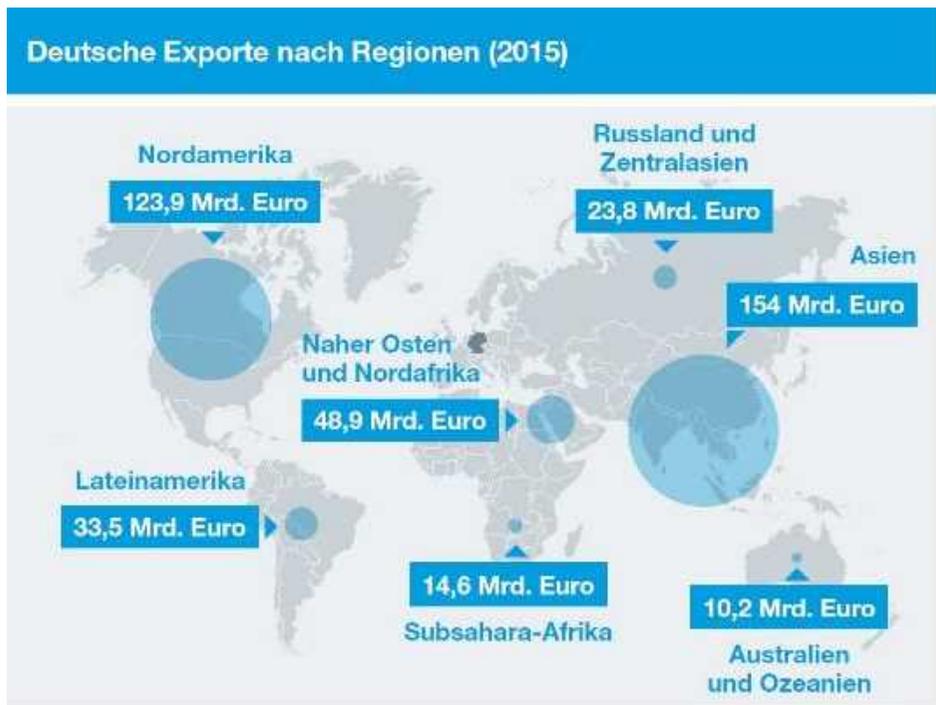
**On the Importance of
Soft Connectivity between Asia and Europe**

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Asia and Europe as Trade Partners: Status Quo

German Exports to World Regions



Source: WTO



Trade Links between Europe and Asia

- Asia is the most important destination for German exports (EUR 154 billion in value);
- FTA negotiations concluded between EU and South Korea (since 2011), EU and Japan (signed in 2018), EU and Vietnam, EU and Singapore (negotiations finalised in 2018)
- Additional FTAs and investment agreements between the EU and countries in Asia-Pacific under negotiation (e.g. China, several ASEAN members, Australia, New Zealand)

Benefits: Free Trade Agreements...

- ✓ ... stimulate economic growth and foster healthy competition *on the basis of commonly agreed upon regulations.*
- ✓ ... offering consumers a broader range of high-quality products
- ✓ ... create incentives for Foreign Direct Investment.
- ✓ ... create education and job opportunities as foreign businesses enter a country's market
- ✓ ... spread values and standardised regulations along with products and services

Example: Positive Impact of EU-Korea FTA (2011-2016)

Growth of Exports and Imports Between EU and South Korea (2011-2016)

	trade in goods	(partially) liberalised goods	trade in services
Exports from EU	55%	(51%) 71%	50%
Imports into EU	5%*)	(64%) 35%	35%

*) (as opposed to a 2% growth of imports from other countries)

- Elimination of 99% of tariffs
- Elimination of non tariff barriers (NTBs) through sectorial measures
- $\frac{3}{4}$ of SMEs have increased their scale of operation



Source: Global Trade Magazine

Foreign Direct Investment (FDI)

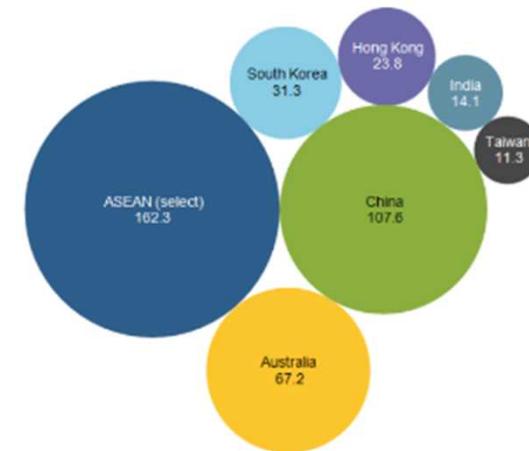
✓ In 2017, global FDI decreased by 23%. In Q1 2018, global FDI fell by 44%.

- But: Global FDI flow to Asia remained stable. Asia was the largest recipient of FDI in 2017.

Example: Inflow of Japanese FDI into Southeast Asia

- Japan is one of Southeast Asia's main sources of FDI, ASEAN is one of Japan's main FDI destination
- Main area of Japanese FDI in Southeast Asia are the manufacturing industries
- More than 81% of occupants in industrial parks KIIC, GIIC in Jakarta are Japanese-affiliated companies

Figure 2: Japan's Foreign Direct Investment in the Asia-Pacific (\$ billions)



Source: Organisation for Economic Co-operation and Development
ASEAN data reported for Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam

Source: Federal Reserve Bank of San Francisco

Foreign Direct Investment (FDI)

FDI in Germany – Inwards

- Approx. 2.6 million jobs in Germany and 7.6 million jobs in total in the EU are provided by foreign owned enterprises.
- UNCTAD lists Germany as 11th top economy in terms of investment inflow.
- However, in recent years public concern over the risks of foreign investment in Germany has grown.
 - Example: Acquisition of German company KUKA by Chinese enterprise MIDEA in 2016
 - Fear of loss of competitive advantage through (un)intentional disclosure of crucial business information

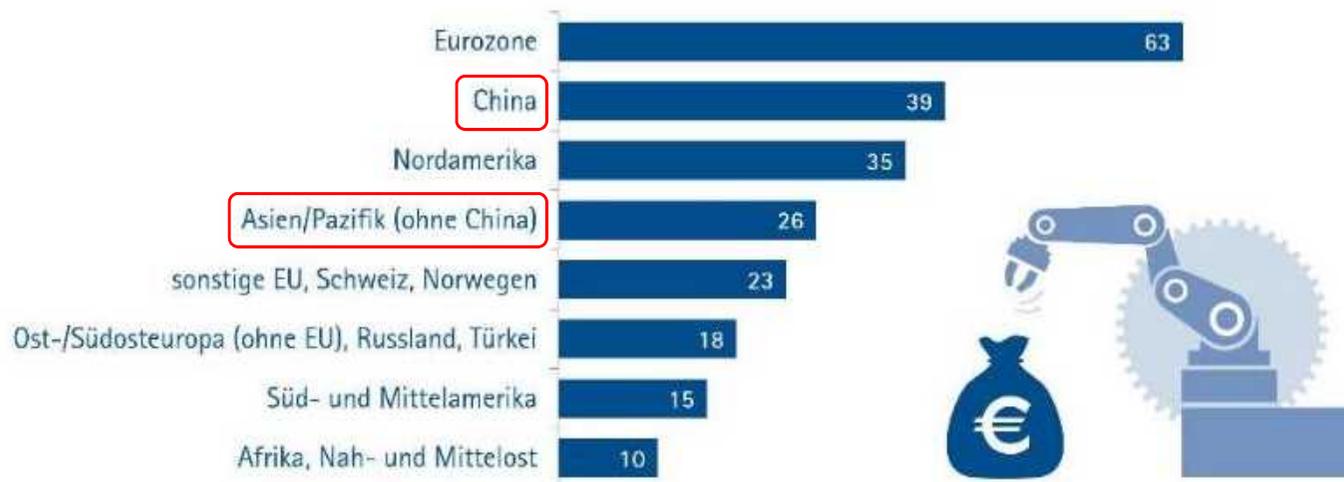


Source: The Robot Report

Foreign Direct Investment (FDI)

FDI in Germany – Outwards

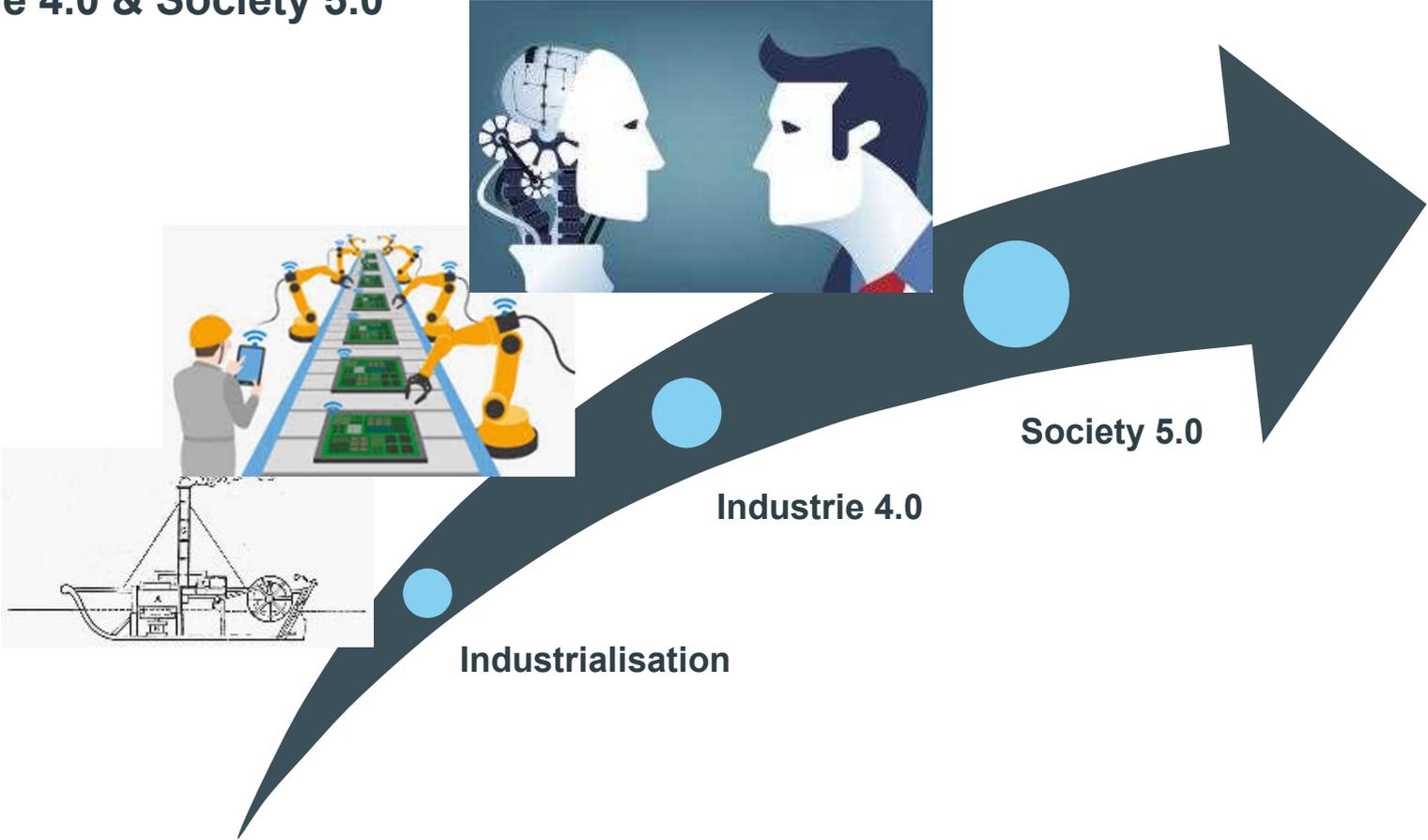
Foreign Investment of German Industrial Companies, by Region of Destination
(in percent, multiple answers possible)



Source: DIHK survey on foreign investments of German industry in 2018

Innovation → Cooperation

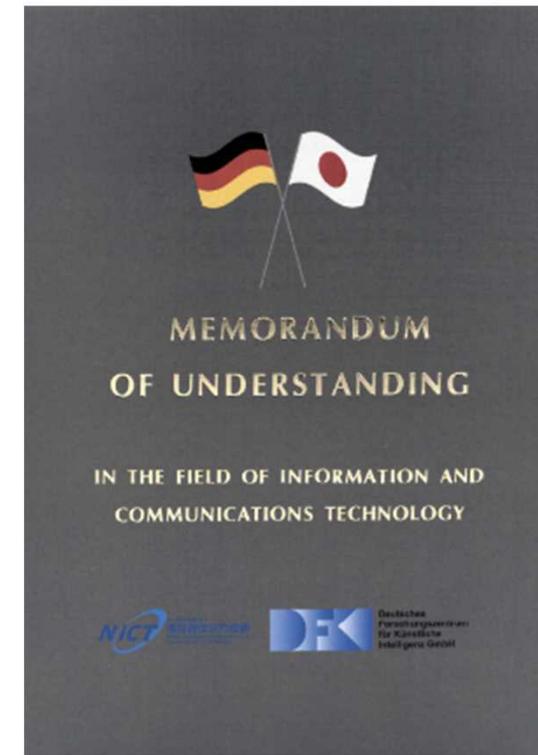
Industrie 4.0 & Society 5.0



Innovation → Cooperation

Industrie 4.0 & Society 5.0

- Memorandum of Understanding: setting outlines for future collaborations
- „Hannover Declaration“ between BMWi (Germany), METI and MIC (Japan), 2017: MoU regarding cooperation in standardisation, IT security, qualification and SME support
- DFKI (Germany) and AIST (Japan), 2017: MoU in the Field of Information and Communications Technology



Source: DFKI

International Relations

✓ **Protectionism negatively impacts the global system of free trading networks.**

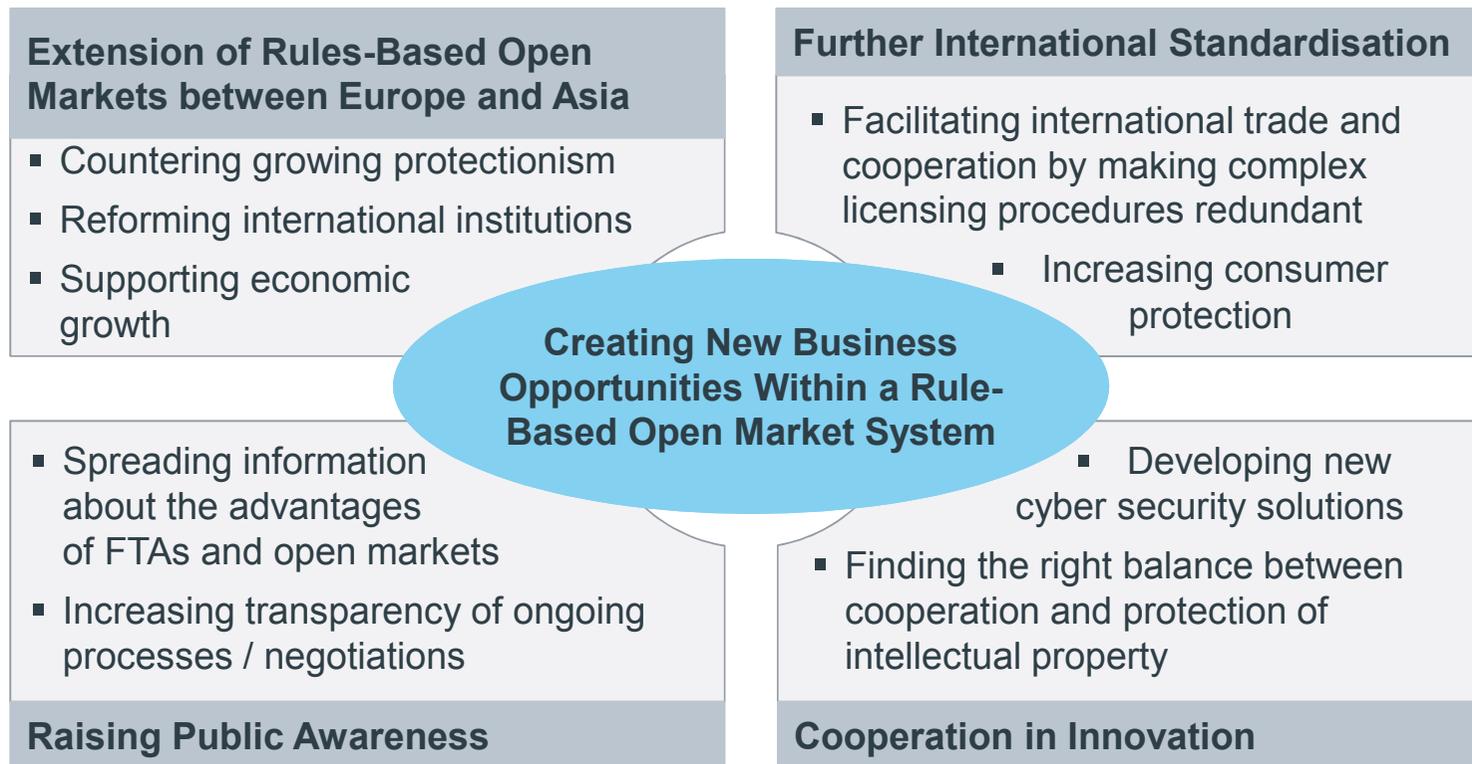
- Imposition of extensive tariffs on foreign goods and services by the US administration under President Trump
- Brexit after the referendum in June 2016
- China's reluctance to open its market and to establish a level playing field → *looming trade war China – USA – other liberal democracies*

✓ **The strengthening of economic ties between two of the economically most vibrant and prosperous world regions can also strengthen political cooperation.**



Source: Shutterstock

Future Challenges



Thank you!

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