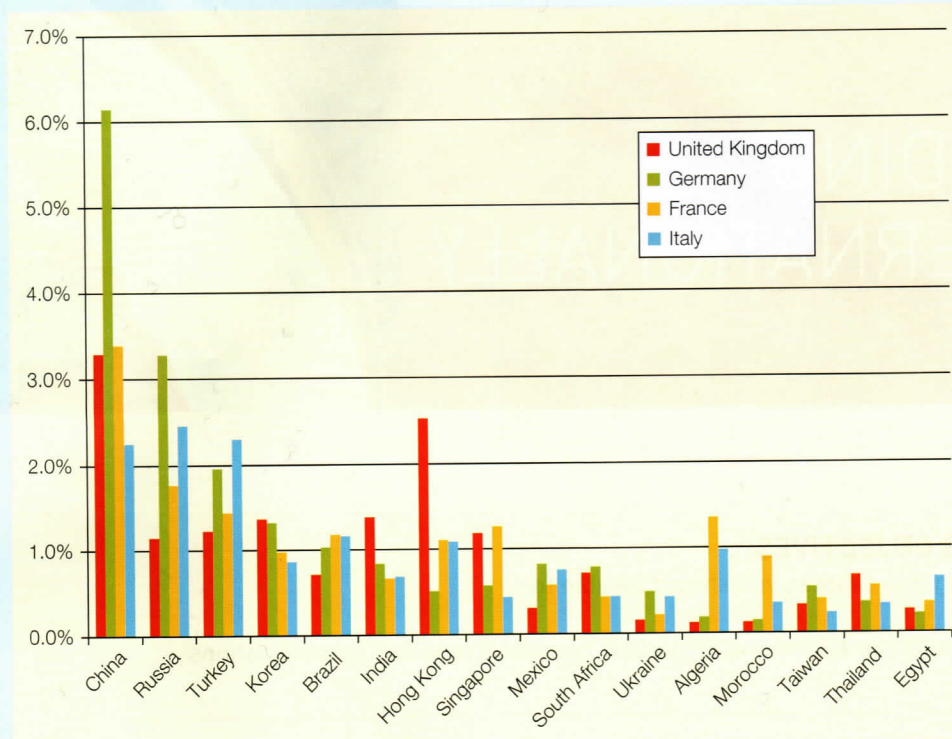


Figure 5.1 EU exports to emerging economies (in per cent of total exports)

Note: Destination countries are in order of their share in EU exports. Data refer to 2013.

Source: Authors' creation using Eurostat data.

Kong and South Africa, where they can build on shared language and historical ties that date back to colonial times. French exports are particularly strong in the western part of the Mediterranean (Algeria and Morocco), whereas Italian businesses focus more on the eastern Mediterranean (Turkey and Egypt). East European EU members, like Poland and Lithuania, have strong trade ties with Russia, Ukraine and Belarus. Clearly geography and history still matter a lot in international trade!

In contrast, China is a distant country, which did not enjoy a long continuous trade relationship with Europe. Yet its recent economic growth offers large trade opportunities. In only ten years, from 2005 to 2014, EU exports to China tripled(!) in volume, from €52 billion to €165 billion. Who has been taking advantage of the growth opportunities in China? The Chinese in fact hold strong views – or country-of-origin images – about some European countries. German products are believed to be of high quality and reliable, which explains why German products account

for a remarkable 45% of EU imports to China. French and Italian products are regarded as fashionable and luxurious; think of *L'Oreal* or *Gucci*. France and Italy thus account for 10% and 6% respectively. The second-largest volume of EU imports are from Britain, which has both high-tech brands like *Rolls-Royce* and fashionable brands like *Burberry*. The real European number 2, however, is not in the EU: Switzerland exports more than the UK or France, and its exports received another boost from a free-trade agreement with China in 2014.

Of course, in part, there are lots of German exports because Germany is big. To assess who is most savvy in the pursuit of the China market, we should look at how much China accounts for relative to all of a country's exports (Figure 5.2). In fact, German businesses are most China oriented; 6.4% of German exports go to China, which is almost twice the weighted average across all EU countries of 3.5%.

The Nordic countries and the UK have also been very active in the China market. In Finland, the rise and