The European Union and Taiwan: time to re-conceptualize and upgrade ties

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**FRS TAIWAN PROGRAM**
**ON SECURITY AND DIPLOMACY**

The Taiwan Program on Security and Diplomacy aims to provide a better understanding of the main issues in Taiwan and the Taiwan Strait, as well as the potential for cooperation between France, but also the European Union, and Taiwan, through the organization of conferences and the publication of articles, as well as interviews with policy makers and leading Taiwanese experts. This independent research program is supported by the Representative Office of Taipei in France.

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In its January 2021 resolution on the Council’s annual report on the Common Foreign and Security Policy of the European Union (EU), the European Parliament (EP) called “for the EU and its Member States to revisit their engagement policy with Taiwan and to cooperate with international partners in helping sustain democracy in Taiwan free from foreign threats”.¹ In March, Beijing imposed sanctions on several Members of the European Parliament (MEPs) and other entities, in retaliation for Brussels’ sanctions on four of its officials for China’s treatment of the Uyghur minority living in Xinjiang. In a statement of solidarity, leading MEPs firmly condemned the Chinese government’s attempts to undermine democracy inside the EU.

While this language captures the current mood in the EU’s most vocal institution, the big picture is far more complex. First, as this paper argues, it requires understanding both the context and the current dynamics in EU-China relations as the background against which EU-Taiwan relations are regularly addressed. However, as the paper maintains in the second part, there is a need to go beyond and pursue a new approach. This must be rooted in, on the one hand, the EU’s willingness to consider Taiwan on its own merit, and, on the other hand, the EU’s readiness to reassess its own interests as a “geopolitical” actor in the region. The paper maintains that an upgrade in EU-Taiwan relations will be sustainable and effective only if based on a re-conceptualization of the EU’s approach to Taiwan, into a positive policy.

The context: EU-China, from “strategic partners” to “systemic rivals”

The EU does not have diplomatic or formal political relations with Taiwan. China is the EU’s first largest trading partner, and the EU is China’s first.² Beijing, under the leadership of the Chinese Communist Party, claims that Taiwan is a province of China and only the PRC has the right to represent all of China in the UN.³ Exploiting this false claim, Beijing has for decades blocked Taiwan’s participation in international organizations, thus undermining the sovereign right of countries across the globe to conduct relations with countries of their choice. Beijing has sought to isolate Taiwan and to shrink its international space, using its “One China policy” to block all efforts of EU institutions to warm up ties with Taiwan.

Looking back, the creation of the EU-China Comprehensive Strategic Partnership in 2003 has made the EU and China highly interdependent. They jointly committed to seek the pursuit of common interests benefitting both sides.⁴ However, close cooperation has instead led to a glaring asymmetry between European market democracies and China’s party-state driven economy, at the expense of the former. In other words, China kept its market far less open to the EU, failing to reciprocate access and maintain a level playing field.

The lack of reciprocity has only increased as China has skillfully exploited Europe’s open markets – and societies – just as it failed to live up to its own commitments to open up, in line with its WTO obligations. While over a decade ago the EU – and most of its Member States, albeit to varying degrees – regarded China as an opportunity for economic exchange, they now increasingly recognize the risks related to engagement with China.

² For more see European Commission, Trade with China.
The EU and Taiwan: time to re-conceptualize and upgrade ties

A conceptual shift has become clear in Europe, with far-reaching implications affecting the business-as-usual dynamics in bilateral relations. Identifying the wider relevance of this change to EU-Taiwan relations is now crucial. In fact, Brussels and Member States should recognize that the shift in EU-China relations that they have undertaken also delivers them a strategic opportunity to re-conceptualize and update their relations with Taiwan, a thriving democracy and advanced economy run by a transparent government that Europe already considers a like-minded partner.

**China in Europe – from opportunity to threat**

There is wide agreement across Western democracies that China is posing a geo-economic challenge, which requires responses on two different levels: first, defensive measures to protect vital technology and critical infrastructure like 5G, and second, policies that ensure that Western countries are not unwittingly contributing to human rights violations and Chinese military advances through exports or scientific cooperation.\(^5\) There is an equally significant – and growing – agreement among democracies that China poses a threat to Taiwan’s security and causes anxiety in the region.

China’s assertive behavior in Europe has manifested itself on several levels, with long-term strategic implications for the EU’s interests. First, China has increased its presence through high-profile acquisitions by Chinese state-owned enterprises (SOEs), including in European ports, through COSCO Shipping, the world’s largest overall shipping company.\(^4\) Second, Beijing is seeking to further exploit its presence in Europe by translating its economic weight into political influence. In China’s approach, according to some, bullying is the new normal.\(^7\) EU High Representative (HR) for Foreign Affairs and Security Policy Josep Borrell denounced Beijing’s attempts to discredit the EU by aggressively pushing the message that unlike western democracies, China is a responsible and reliable partner.\(^8\) Such attempts, that the HR described as a “battle of narratives”, have contributed to a toughening in the EU’s language on China.

Accordingly, in its 2016 Communication, “Elements for a new EU strategy on China”, the Commission demanded more reciprocity, at the same time noting that “China’s authoritarian response to domestic dissent is undermining efforts to establish the rule of law”.\(^9\) Three years later, the EU labeled China, its strategic partner since 2003, a “systemic rival promoting alternative models of governance”.\(^10\) This conceptual shift in EU-China ties nurtured hopes for a genuine change in the EU’s approach to China which would enable translating tough language into action. The EU has indeed taken measures to equip itself with defensive tools to protect its interests, such as the foreign investment screening mechanism.\(^11\) Yet, doubts intensified when in December 2020 the EU and China concluded negotiations for a Comprehensive Agreement on Investment (CAI).\(^12\)

CAI must still survive the scrutiny of the EP to enter into force, a process which promises to be cumbersome.\(^13\) In light of the sanctions imposed on the very MEPs whose support is vital for the agreement, the fate of the deal is very much in question now. Some have warned that the EU, by going it alone in dealing

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\(^7\) “Reinhard Bütkofer: We are Learning to Avoid being Enchanted by ‘Win-win’ Rhetoric”, MERICS, September 10, 2020.


The EU and Taiwan: time to re-conceptualize and upgrade ties

with China as it pursues its “strategic autonomy”, “risks disaster over interests, and irrelevance over values.”14 Others claim the deal is a mistake through which Europeans may have jeopardized their strategic goal, namely a united Western front to compel – or cajole – China to genuinely accept a liberal and rules-based international economic model.15

Overall, the future of EU-China relations remains unknown. Much will hang on China itself. For now, the widely shared concern among democracies is that China’s authoritarian and even totalitarian drive has never been so thorough since 1978, with wide implications for many; residents of Hong Kong, the Uyghurs of Xinjiang, two Canadian nationals taken hostage, the entrepreneurial class of China, and the official obfuscation of the coronavirus pandemic.16 For the future of EU-China relations, much will depend on Member States’ willingness to remain firm on their commitment to be tougher. It is also certain that the European Parliament will play a key role in both determining the future of EU-China relations and re-conceptualizing the EU’s relations with Taiwan.17

A new approach to Taiwan

As it has recently made it clear, the EP “will take into account human rights abuses in mainland China and Hong Kong when asked to endorse a comprehensive agreement on investment and any future trade deals with China”.18 In the same resolution, the EP noted that “the Union will remain vigilant regarding the situation in Taiwan and the upgrading of political and trade relations between the EU and the Republic of China (Taiwan)”. In the same spirit, the EP’s EU-Taiwan Friendship Group aims “to enhance cross-border support for Taiwan and to forge strong ties between Taiwan, the EU and like-minded European countries”. Its Chair, Michael Gahler, German member of the European People’s Party (EPP) Parliamentary Group, recently said that the situation in Taiwan is “a litmus test to determine the resilience of democracies around the world”.19

In September 2020, several European experts, including several MEPs, namely Reinhard Bütikofer and Petras Austrevicius, and Volker Stanzel, Germany’s former ambassador to China, jointly urged the EU to revisit its “One China policy” and to help Taiwan preserve democracy in the face of an aggressive and authoritarian China.20 In the short term, expressions of official support for Taiwan are encouraging. In the long term, however, for any upgrade in EU-Taiwan relations to materialize, the EU and its Member States must use the window of opportunity that has presently opened up on two fronts: one, internally, through the shift in perception in Brussels regarding China, two, externally, through the momentum of Taiwan’s successes and the recognition it has gained in the spheres of global health and technology.

More engagement from Member States

Internally, EU Member States must take ownership of Brussels’ toughening stance on China. As they are the main drivers of the EU’s common foreign policy, ultimately it is their political will, or lack thereof, that will shape the EU’s ability to turn tougher language into action. Brussels committed to pursuing a new, “principled, practical and pragmatic engagement with China”.21 For this to work, Member States must give it

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16 GODEMENT François, op. cit.
17 Since the Lisbon Treaty, the EP has joint powers with the Council to adopt trade and investment legislation. While it does not have the power to engage directly in the negotiations or set their objectives, its oversight role is significant. For more see https://eur-lex.europa.eu/summary/glossary/assent_procedure.html and FERENCZY Zsuzsa Anna, op. cit.
19 BANKS Martin, “Senior MEP Calls for EU to ‘Step up the Pressure’ on China over Attempts to Bring Taiwan under its Control!”, The Parliament Magazine, October 11, 2019.
their full backing. They must also recognize that in order to be able to compete with other geopolitical actors in the digital realm, they must protect their digital sovereignty. This must be an integral part of the EU’s ambition to seek strategic autonomy.22 Partnering with Taiwan in this regard is therefore timely.

Covid-19 has shed light on Taiwan’s key, even indispensable, role in semiconductors and in the reconfiguration of the global supply chains.23 Digital technology is now central to the ongoing geopolitical competition, whereby technological know-how and foreign policy are closely intertwined. While for years China has dominated the debate on the future of supply chains, with the pandemic Taiwan has attracted more attention, with its successful handling of the crisis and being home to the world’s largest contract chipmaker, the Taiwan Semiconductor Manufacturing Company (TSMC). As a result of its advanced technological prowess, Taiwan has become a geostrategic stake in the ICT industry. Europe should now work with Taiwan and support it to use the leverage it has acquired in the industry. This could improve Taiwan’s position as a partner of the EU in the global reconfiguration of supply chains.

Taiwan as a partner on its own merit

Therefore, externally, Member States must use the momentum to consider Taiwan as a partner on its own merit. This would require a shift away from seeing Taiwan through the lens of China. The EU and Taiwan are natural partners, sharing a commitment to international norms and values. They already cooperate in many fields.24 In 2018, Taiwan was the EU’s 15th trading partner, while the EU is Taiwan’s 4th trade partner after China, the United States and Japan. Trade is part of the EU’s overall political and economic relations with Taiwan. The EU is also an important industrial supplier for Taiwan’s industry seen through the EU’s exports of semi-finished products, machinery and transport equipment to Taiwan.25 Areas of cooperation include innovation, research and development, ICT, smart industries, 5G or the circular economy. Cooperation has occurred through joint business and technological endeavors, such as the collaboration sealed in a MoU between Silicon Europe Worldwide and the Taiwan External Trade Development Council (TAITRA).26

More such forward-looking partnerships will be mutually reinforcing in a post-pandemic world; they will support the EU’s own innovation agenda as it pursues its digital and green transition, while also helping Taiwan to address the challenges to its own technological advantage, including those related to the internationalization of its innovation firms, in the face of growing pressure from Beijing.27 In addition to technology partnerships, the Taiwan European Film Festival (since 2005), or the European Education Fair in Taiwan are all ongoing partnerships the two sides should build on.28

Time to boost cooperation

It is also important to note that EU Member States’ representations on the ground have well-established partnerships with Taiwan in a variety of fields. For example, Germany has experience in cooperating in the field of offshore wind, which could inspire other Member States.29 The Netherlands, the

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25 For more information on EU-Taiwan trade relations, see https://ec.europa.eu/trade/policy/countries-and-regions/countries/taiwan/
28 For more information on Taiwan European Film Festival, see https://www.teff.tw/about; on European Education Fair Taiwan, see https://www.eef-taiwan.org.tw/
29 For more, see German Institute Taipei: https://taipei.diplo.de/tw-en
The EU and Taiwan: time to re-conceptualize and upgrade ties

largest European investor in Taiwan, has a bilateral agreement in place to avoid double taxation with Taiwan, facilitating mutual cooperation.30 Since 1996, the Taiwan-France Cultural Award has encouraged art and cultural exchanges between Taiwan and Europe, contributing to public diplomacy and warming bilateral ties.31 Over 1,000 Taiwanese citizens study at Polish universities and colleges, mostly in the fields of medicine and dentistry.32

The fact that all of this — and more — is already happening in spite of Taiwan’s abnormal international status and of China’s efforts to isolate it further, suggests that in practice EU Member States can successfully engage Taipei and continue their relations with Beijing. Nevertheless, the China factor has turned Taiwan into a “sensitive” issue in EU-China relations, along the same lines as Tiananmen, Tibet or Xinjiang.

For Brussels, as it is shifting its tone on China, not seizing the momentum to re-conceptualize its approach to Taiwan would be a missed opportunity. Both Member States and the EU as a whole, as well as Taiwan, must recognize that much value lies in amplifying existing cooperation to leverage strengths, and in boosting ties in further areas to enable new synergies to flourish. Brussels should encourage increasing cooperation with Taiwan, first by building on the economic and cultural connections already in place between Member States and Taiwan, and second, by encouraging cooperation in new areas of strategic importance to its own interests. The latter should be inspired by Taiwan’s successful record in global health and its key role in technology.

Thinking ahead, more exchange within Europe’s ambitious ‘Horizon Europe’ (2021-2027) research and innovation program would enhance mutually beneficial ties through two-way knowledge transfer.33 As was previously emphasized, Taiwan has the world’s most technologically advanced semiconductor production base.34 Yet, as in the 2000s mobile device manufacturing moved across the Taiwan Strait to mainland China, Taiwan must now reinforce its ability to reorient from semiconductor and chipset design and fabrication toward new industries.35 Better leveraging partnerships in Europe will be key to tackling the internationalization challenge that Taiwan-based firms face, in particular given the EU’s growing political pushback on Chinese technology firms, fueled by concerns related to privacy, security, trade and human rights.36 In a post-pandemic world, Europe should encourage Taiwan to increase investment in its territory, which would also help Brussels in its aims to bolster its technological and digital sovereignty, including in computing power, control over data and secure connectivity.37

Time to embrace the Taiwan Model

The effectiveness of the Taiwan Model and all the goodwill it has generated only makes the need tomeaningfully engage Taiwan more evident.38 “The European Union thanks Taiwan for its donation of 5.6 million masks to help fight the #coronavirus”, European Commission President Ursula von der Leyen tweeted on 2 April 2020.39 Through its successful response to the Covid-19 pandemic, based on transparency, trust and a collaborative approach to the public, Taiwan has shown that it can bring an original contribution to the security and stability of the Indo-Pacific, and beyond, to the international community. Its success enabled a

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30 For more see Netherlands Office Taipei: [http://www.ntio.org.tw/economic.html#trade](http://www.ntio.org.tw/economic.html#trade)
31 “MOC Minister Honors Winners of Taiwan-France Cultural Award in Paris”, Taiwan Today, February 5, 2020.
32 For more see Polish Office Taipei: [https://poland.tw/web/taiwan/taiwan](https://poland.tw/web/taiwan/taiwan)
33 For more information on Horizon Europe, its strategic planning, missions and partnerships, see [https://ec.europa.eu/info/horizon-europe_en](https://ec.europa.eu/info/horizon-europe_en)
34 For more see Ministry of Economic Affairs, Department of Investment Services, [https://www.roc-taiwan.org/uploads/sites/30/2018/03/Semiconductors.pdf](https://www.roc-taiwan.org/uploads/sites/30/2018/03/Semiconductors.pdf)
35 FEIGENBAUM Evan A., op. cit.
38 Ministry of Foreign Affairs Republic of China (Taiwan), “The Taiwan Model for Combating COVID-19”.
visible campaign of international outreach including information-sharing on disease prevention and aid packages. This led to an unprecedented level of support for Taiwan's participation in international efforts to fight the virus. Europe must build on this momentum.

Given its normative and geopolitical ambitions, as well as its investment in Taiwan and interests in the region, the European Union and its Member States must protect their economic interests in the region. The Indo-Pacific brings together radically opposing views and interests, most notably those of the United States and China, in a region where Europe, increasingly aware of the risks of getting tangled up in the US-China rivalry, is also an important stakeholder. As it has recently signaled, the EU seeks to become a security actor in Asia, while some of its Member States, namely France, Germany and the Netherlands, are increasingly refining their own Indo-Pacific visions to engage with the region more actively. Protecting its regional interests will require stronger cooperation with like-minded countries in the region, including Taiwan. As it has voiced its ambition to become more "geopolitical", Europe must therefore consider Taiwan's growing relevance in the Indo-Pacific and the added value it brings as it develops its own approach to the region.

EU HR Borrell recognized that given the rise in authoritarian powers, the EU and the United States should establish stronger cooperation with like-minded democracies, working closely with Japan, India, South Korea, Australia, New Zealand, Canada, and others.

The EU is the largest trade and investment partner for most Indo-Pacific economies. More than 35 per cent of all European exports go to the region, and a majority of these transit through the sea lanes of the Indian and Pacific Oceans. This means that the EU is highly dependent on unimpeded sea lines of communication that pass through this region. Including Taiwan into efforts to strengthen regional cooperation should not be neglected. Europe is already Taiwan's top foreign investor, amounting to nearly 45 EUR billion or 31.6 per cent of Taiwan's total inward FDI. Organizing the first Taiwan-EU Investment Forum in September 2020 in Taipei was the right step forward. This is also an important step to help address the low level of Taiwanese investment in the EU, which over the past years represented only some 2 per cent of Taiwan's global FDI stocks. By officially establishing a platform for bilateral investment, the Forum set a strong precedent. Now that the EU and China have concluded negotiations on a CAI, and in light of the sanctions, Brussels should feel more confident to withstand pressure coming from Beijing and initiate an official impact assessment to prepare for the launch of negotiations of an investment agreement with Taiwan. The structural constraints within the EU's multi-layered governance system and Member States' individual dealings with Beijing will nevertheless remain.

Therefore, it is crucial that Member States recognize that a BIA with Taiwan would be mutually beneficial. It would help both sides “thrive in the digital age”, as President of Taiwan Tsai Ing-wen stressed. The European Economic and Trade Office Representative in Taiwan, Filip Grzegorzewski, also noted that the EU and Taiwan should work together and “embrace new opportunities” because they speak the common

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40 BLANCHARD Ben, “Taiwan to Spend 35 USD billion Fighting Virus, to Donate 10 million Masks”, Reuters, April 1, 2020.
45 MOHAN Garima, op. cit.
46 For more see Taipei Representative Office in EU and Belgium, 2018.
language of human rights, democracy and rule of law, share the values of an open, transparent and fair international trading system and both aspire to create a sustainable, green and digital society.  

Conclusion

The people of Taiwan are ready for and deserve a new approach to their country, a positive EU policy. The EU must see Taiwan as a thriving economy with a legally reliable investment climate, an indispensable actor in developing its own technological sovereignty, a like-minded partner with a robust democracy and a burgeoning national identity. In the words of EU Representative Grzegorzewski, the time has come for Taiwan and the EU to “change…before we have to”. Both sides now must embrace change. Brussels should stop framing cooperation with China and Taiwan as an “either / or” approach. Instead, the EU must be pragmatic, inclusive and reassess its interests in the Indo-Pacific. It must also continue working with China to address global challenges, but at the same time lead international efforts that consider Taiwan as a reliable partner and a technologically advanced economy run by a democratic government.

Policy recommendations:

Strategic debate. As Brussels is in the process of toughening the EU’s stance on China, it should initiate a dedicated strategic debate with Member States on the future of EU-Taiwan ties, to identify practical solutions to strengthen existing cooperation and identify new areas to work together.

Investment. The European Commission should initiate an official impact assessment to prepare for the launch of negotiations of an investment agreement with Taiwan.

EP standing rapporteurship on Taiwan. The European Parliament should create a standing rapporteur position on EU-Taiwan relations, as this is already an established practice with partners such as the United States, China, Russia or India.

Strategic exchange. With the participation of Member States and the European Commission in charge of technical cooperation, Brussels should propose two high-level exchanges with Taiwan: one with representatives of Taiwan’s health science community to contribute to Europe’s response to infectious diseases, and to embrace Taiwan’s expertise in international efforts; and another exchange with representatives of Taiwan’s tech experts community, including semiconductors, to explore ways to build partnerships to help Europe’s digital transition and technological sovereignty, and support Taiwan to use its leverage.

Awareness of Taiwan. The EU should invest in improving understanding of Taiwan with dedicated research, with the active participation of Member States, encouraging them to establish their own research programs, such as the Taiwan Program of the Foundation for Strategic Research.

49 OUNG Angelica, op. cit.
50 Ibid.
The EU and Taiwan: time to re-conceptualize and upgrade ties