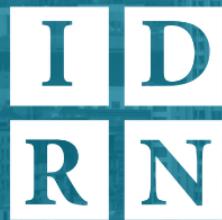




EU-TAIWAN RELATIONS: SMALL NATIONS, BIG IDEAS

RESEARCH PAPER

LANA PEDISIC



About the International Development Research Network.

IDRN was established to rethink Europe in a way that European development and democracy can be protected and advanced. As a think tank, our aim is to regenerate Europe for future generations. To achieve this, we strive to ensure that young people are involved in the mechanisms of political decision-making and are consulted about potential policy changes. IDRN supports, encourages and promotes participation, dialogue and debate to engage the public interest and stimulate new ideas. We believe that the future of Europe should be made by and for future generations.

This research paper is written by Lana Pedisic, a research fellow at IDRN. Lana recently finished a year of studying Chinese in Taiwan while also working with Doublethink Lab as part of the Global Research Team. Lana is particularly interested in EU-Taiwan, EU-China relations, BRI in Europe and Influence operations.

For more information on IDRN, visit our website at www.idrn.eu.

EU-Taiwan Relations: Small Nations, Big Ideas

Contents

Summary.....	02
Introduction.....	03
Background: Taiwan.....	04
EU-Taiwan.....	08
A. Importance of Taiwan.....	08
B. EU-Taiwan Policy.....	10
C. Member States' Individual Approaches to Taiwan.....	14
Small Nations, Big Ideas.....	17
A. Shortcomings of EU's policy toward Taiwan.....	17
B. Policy Recommendations.....	18
Conclusion.....	22
References.....	24

Summary

- Taiwan is in a very delicate geopolitical position. Under Xi's leadership, China views Taiwan as a threat. Taiwan is important for the world as it is a major producer of semiconductors, is involved in the production of future technologies such as AI, plays a crucial role in global economic supply chains, and serves as an example of a successful Chinese-speaking democracy. Any acts of aggression and sabotage towards Taiwan are against the interests of the global community and should be prevented.
- President Lai's administration seeks to advance Taiwan's relations with the EU, but the EU is hesitant due to fear of the People's Republic of China's (PRC) retaliation and lack of consensus among member states.
- The EU can play a significant role in discouraging China's efforts to change established policies by developing a clear strategy to deter the PRC in the event of an involuntary unification of Taiwan; member states that currently lead in relations with Taiwan should take the lead in shaping EU-Taiwan policies, and the EU and Taiwan should collaborate to address common challenges that threaten the strength of democratic nations.
- In order to dissuade the PRC from reunifying with Taiwan, the EU should create a clear deterrence strategy and policy toward the PRC in case of unwilling unification; follow the example of small Member States in developing EU-Taiwan relations; and work together on shared challenges that threaten the resilience of democratic nations.

Introduction

As the newly democratically elected Taiwanese President Lai Ching-te took a seat in the Executive Office in May, the Chinese People's Liberation Army (PLA) proceeded to enact large military exercises encircling Taiwan in a show of discontent. Taiwan finds itself in an increasingly precarious geopolitical position. The current world order is challenged by Russia and China's illiberal and expansionist visions. While Russia continues to wage war in Ukraine, China closely observes the United States and its allies' reactions. At the same time, it simultaneously schemes to enact its expansionist objectives in the Indo-Pacific. Although the US-China competition is at the helm over the security in the Indo-Pacific and navigating the cross-strait tensions, the EU has the responsibility to play a larger role, too. A potential conflict or coerced take-over of democratic Taiwan would spell out a major global conflict, disrupting imperative global supply chains, instigating further global instability, and undermining a well-functioning democracy.

It is in the EU's interest that stability and peace are maintained in the Taiwan Strait and that the EU exerts its value-based diplomacy by protecting the right of the Taiwanese people to decide their future relations with Mainland China free from aggression and coercion. The EU can play an important role in dissuading China's revisionist policies by forming a clear deterrence strategy and policy toward the PRC in case of unwilling unification of Taiwan; member states who are currently leading regarding relations with Taiwan should lead the EU-Taiwan policy making, and the EU and Taiwan should partner up to work together on shared challenges that threaten the resilience of democratic nations.

Background: Taiwan

Although very distant from the European continent, Taiwan with its 23 million inhabitants, is located in East Asia. It is an important island nation for the stability of the international world order, economy, global technological development, and preservation of democracy. Oftentimes, China and Taiwan are confused under one umbrella due to the ambiguous status of Taiwan. However, Taiwan is governed separately from Mainland China and has developed an identity that calls for the two to be analysed separately. After the Republic of China (ROC) headed by the Nationalist Party or Kuomintang under Chiang Kai Shek was defeated by the Communists headed by Mao Zedong in 1949, the ROC government, along with Chiang, fled to Taiwan, which was considered a Chinese province at the time, (Copper, 2020). Mao established the People's Republic of China (PRC) in 1949 which established a Marx-Lennist communist state. It is still in power and led by Xi Jinping today. At the time, Chiang viewed the ROC in Taiwan as a temporary displacement; however, reclaiming China under the ROC government has not come to fruition, and drastic changes in Taiwan and Mainland China have changed their respective objectives.

Present-day President Xi is adamant that the PRC must reclaim Taiwan to fulfil his vision of "the China Dream." Xi has publicly stated, and it is officially noted in PRC documents, that "reunification with Taiwan is critical to the rejuvenation of the Chinese nation in the new era" (Brinza et al., 2024, p 230). Unlike Xi's predecessors who have passed on their leadership passively, Xi's grandiose leadership style desires greater achievement during his tenure, and the "Taiwan question" is one of the ways in which he wants to 'solve' remarking that it "cannot be passed on from generation to generation" (Brinza et al., 2024, p. 231). After the Nationalists fled to Taiwan in 1949, China was still represented by the ROC government until 1971 at the United Nations.

On the international stage, Taiwan, at this time, was in the ideal position, backed generously by the United States (US). However, as US President Richard Nixon took office, in the midst of the US' involvement in the Vietnam War and the Cold War with the Soviet Union, his National Security Advisor, Henry Kissinger, famously facilitated a strategic move that led to the US recognising the PRC as the official government representing China to deter the USSR and to end the war in Vietnam (Copper, 2020, p. 67).

The US rapprochement with China left Taiwan isolated, losing most of its formal diplomatic relations and leaving its status in disarray. However, the US, to the present, has adopted an ambiguous policy toward Taiwan, which can be interpreted in an amiable discretion, providing security and cooperating on all fronts short of official recognition. After losing most diplomatic recognition and displacement from international organisations, Taiwan went from an authoritarian governance system and flailing economy to one of the most successful democracies and technologically advanced, high-income economies (Hass et al., 2022). Given Taiwan's Western orientation, the Western sphere, including the EU and the US, has a natural tendency to cooperate within the limitations set under the 'One China Policy' late in the 1970s. Despite losing most of its diplomatic recognition, Taiwan's impressive turnaround has built relations with many nations through informal ties by setting up a 'Taipei Economic and Cultural Representative Office' (TECRO). Through TECRO, Taiwan cooperates with other countries through cultural, educational, and business exchanges.

The current ruling party, the Democratic Progressive Party (DPP), unlike the historical KMT party, has, over time, represented Taiwan's growing individual identity and distance from Mainland China. The PRC views unification with Taiwan as "critical to the rejuvenation of the Chinese nation in the new era" in which the preferable method of unification is through 'peaceful means'

(Brinza et al., 2024, p. 230). However, as time passes by and the more Taiwan moves away from Mainland China, inhabiting an identity of its own, which is represented by the DPP party winning a second term under the newly elected President Lai, the more the PRC wants to hurry and disseminate such sentiments as it previously has done in Hong Kong.

The inauguration of President Lai received congratulations from many delegations, particularly the US, South Korea, Japan, Australia, the European Parliament, and several individual European countries. The PRC found this particularly intimidatory as it proceeded to stage extensive military exercises encircling Taiwan days after the inauguration in the form of punishment for acts of perceived defiance. The PRC defence minister, Dong Jun, has gone as far as to threaten other states for supporting Taiwan. In the PRC's view perceived acts of Taiwan recognition by other states carries a risk, or in Dong Jun's own words, "whoever dares to split Taiwan from China will be crushed to pieces and suffer his own destruction." (Ratcliffe, 2024). The PRC's officials' increasingly aggressive and threatening remarks toward any external actors calling for easing tensions or showing the slightest support for Taiwan on the international stage indicate a loss of patience and uneasiness of the island's future.

The PRC views the Taiwan issue as a domestic issue and, therefore, is particularly annoyed when other states voice their opinion on the matter or bilaterally cooperate with Taiwan. Nevertheless, Taiwan has never been governed by the PRC. The stalemate between the Nationalists and Communists officially ended in 1991 and was followed by the 1992 Consensus in which both governments agreed to adhere to the 'One China' Principle, although respectively interpreting it differently. The PRC views Taiwan as an inalienable part of China. However, Taiwan, although made up of 95% Han Chinese ethnicity, has a different history and culture that make it distinctly

Taiwanese (Hille, 2024). Taiwan's original population was made of different aboriginal groups, which were colonised in parts by the Spanish, Portuguese, and Dutch under the Dutch East India Company in the early 17th century. The first time a Chinese leader ruled Taiwan was a pirate leader, Zheng Chenggong, better known as Koxinga, who only used Taiwan as a base to fight the Qing dynasty at the time, that was conquered by the previous ruling Ming Dynasty. It was not until 1887 that Taiwan became a province though was quickly colonised by the Japanese (Hille, 2024) following China's defeat in the first Sino-Japanese war of 1895. The Japanese contributed to a lot of Taiwan's infrastructure and other critical developments during their 50-year rule. After the Japanese, the Nationalists later regained control of Taiwan after losing in the Sino-Japanese War in 1945. Even when Taiwan was formally a part of China, it was under the Nationalist's control and never the Communists.

As the current world order faces increasingly hostile challenges from nations wishing to reclaim their past imperial prestige, Taiwan is in a precarious position that requires support from nations that share its values. The current status quo of Taiwan being in a state of diplomatic limbo is the preferred modus operandi for Taiwan and the international community. It is uncertain how the PRC plans to seize Taiwan, whether it be by direct military means, or the preferred method through a series of grey zone activities, such as conducting military exercises close to Taiwan or flying military aircraft in the Islands Air Defence Identification Zone (ADIZ). Such activities are ramping up and remind the Taiwanese people that the threat is real. The prospect of peaceful unification is highly unlikely over 80% of Taiwanese people stating that they do not want to be under PRC rule (Kardon & Kavanagh, 2024). However, it cannot be expected that the status quo will be sustained.

The EU is not to be expected to play guarantor of Taiwan's physical security. However, it has the responsibility to contribute to the stability of the strait by other means of cooperation and policy change to another like-minded nation that shares and exceeds most of the values of the EU. Due to the constraints of the EU's Foreign and Security Policy (CFSP) and large countries in the EU's ties to China's economy, it is difficult for the EU to play a more proactive role in regards to Taiwan. Moreover, Taiwan is not just ideologically aligned with Western values but is an important economic player, particularly in advanced semiconductors, which are imperative to the future technological era.

EU-Taiwan

A. Importance of Taiwan

As noted previously, Taiwan is in a very delicate geopolitical position. It is clear that under Xi's leadership, the PRC views Taiwan as a threat. Economically, Taiwan is important for the world as it is a major producer of semiconductors, is involved in the production of future technologies such as AI, plays a crucial role in global economic supply chains, and serves as an example of a successful Chinese-speaking democracy. There are speculations about when an invasion might occur, whether it will be through physical means or via hybrid warfare. Hybrid warfare seems to be the more promising strategy that the PRC will gradually execute through cyberattacks, military patrols, assertive diplomacy, and disinformation campaigns (Frisch, 2024). Regardless of which route Xi chooses, Taiwan is not willing to participate in PRC's plans. Any acts of aggression and sabotage towards Taiwan are against the interests of the global community.

and should be prevented. The EU can play an important role in mitigating tensions in the Taiwan Strait through strategic means. Taiwanese President Lai has emphasised Taiwan's willingness to cooperate with the EU, stating that "Taiwan and Europe may be far apart geographically, but we both share common values such as democracy, freedom, and human rights" (Lau, 2024)."

The Taiwanese semiconductor industry is a very powerful one and most associated with being Taiwan's biggest shield against invasion. Semiconductors are used for modern technology such as smartphones, cars, and industrial machinery. The Taiwanese firm, TSMC, produces 60% of all common semiconductors and over 90% of the most advanced semiconductors, dominating the global market (Hmaidi & Chang, 2023). Despite the EU's goal of strategic autonomy (being less reliant on importing critical raw materials) Europe needs Taiwan's advanced semiconductors to keep up in the tech field, as building a single microchip plant can cost around 12 billion dollars, 6,000 workers, and three years (Hmaidi & Chang, 2023). Moreover, the AI industry in Taiwan is flourishing – the government has encouraged companies by offering 25% tax deductions for research and development on AI chips, with a goal of increasing the market share from 20% to 40% by 2023 (Ferenczy, 2024). Likewise, Taiwan is centred on developing AI that promotes data governance and AI ethics, tapping into smart services across industries that are essential for future technological progress. Therefore it can be said; the Taiwan Strait is not just a strait, but a focal point of trading routes in which around 40% of the EU's annual trade volume passes through, making it critical for global supply chains and unimpeded sea lanes of communication (Swanstrom et al., 2024).

Moreover, Taiwan holds a unique position in understanding Mainland China and the CCP. As countries grapple to understand the PRC and its growing

hostile actions aimed at undermining the current global order in favour of an authoritarian-friendly global arrangement, Taiwan, due to its proximity and historical ties, can offer valuable insights to like-minded partners seeking to understand the PRC. Lastly, Taiwan is one of the most successful democracies around the world and the most democratic nation in Asia. Taiwanese democracy was hard-won as the nation went through an arduous process to achieve democratic rule. In this, democracy is central to modern Taiwanese identity and its status as the 10th most democratic nation in the world is an achievement that Taiwan values greatly (Swanstrom et al., 2024). Democracies may foster a more open, stable, and a more peaceful global synergy however recently this is in decline (Karpova, 2024). Yet still the EU's core values of democracy, the rule of law, and human rights make Taiwan a natural partner in global affairs.

B. EU-Taiwan Policy

The EU's policy toward Taiwan is usually overshadowed by EU-China policy. It was not until recently that Taiwan began to be seen as separate from the PRC in the view of the EU. In 1971, when the UN seat was passed to the PRC to represent China in the world, European states broke relations with Taipei and exchanged ambassadors with Beijing in 1975 (Damm & Lim, 2012). At that time, the EU was still in its infancy with fewer member states (MS) under the European Economic Community (EEC). Mostly concerned on economic development and in the middle of its development, the EEC was grappling with its own intricacies on the continent and coming to peace with previous wars while also dealing with their counterparts across the Iron Curtain. With the EEC's intentions concerning most economic matters, there was no desire to be involved in the Indo-Pacific Region in political or military affairs.

Therefore, money talked, and the PRC took precedence over Taiwan. As the EEC developed, going beyond economic cooperation but tapping into foreign policy and a greater vision, it officially became the EU in 1993. However, in the 1990s and early 2000s, the EU was optimistic about the PRC's inclusion in the world, particularly when the PRC joined the World Trade Organisation (WTO) in 2001 (Brinza et al., 2024). Similarly to the US, the EU hoped that as the PRC engaged in international trade, it would democratise and pursue a market economy that was open to foreign trade and investment.

The EU subscribes to the One China Principle, meaning it has official ties with the PRC and unofficial ties with Taiwan, recognising that the PRC represents the Chinese people. As the EU has strived to keep away from the issue of Taiwan's sovereignty and as its relations kindled with the PRC, the EU avoided discussing Taiwan. However, the EU would publicly condemn the PRC on other issues, such as human rights violations. The first time the EU criticised the PRC over Taiwan was in 1996 when the PRC tested missiles in the Taiwan Strait in protest of statements made by then Taiwan president Lee Tenghui, but in recent years it has been largely passive (Damm & Lim, 2012, p. 180). Although abiding by the One China Principle, the EU cooperates with Taiwan mainly in economic and other limited forms of cooperation. Moreover in 2022, Josep Borell, the EU's foreign policy chief, stated that "the One China Policy does not prevent us – the European Union – from persisting and intensifying our cooperation with Taiwan" (EEAS, 2022). Provided that this kind of cooperation violates the CCP's definition of the One China Principle, viewing Taiwan as part of China and, therefore, an internal affair, the PRC has been diligently trying to undermine Taiwan's cooperation with the EU. Nevertheless, the EU and the EU's public opinion favours and sympathises with Taiwan as it is a like-minded democracy and is being threatened by a large autocratic state (Damm & Lim, 2012, p. 186). This is

particularly relevant in the last few years, as Russia continues to wage war against Ukraine and undermine its sovereignty. The European public opinion, represented through the European Parliament, leans in favour of Taiwan, and certain parties have formed parliamentary friendship groups with Taiwan in a consequence.

It was not until 2017 that the EU began reevaluating its relationship with the PRC. The EU's slow deterioration and dissolution with the PRC coincided with US President Donald Trump's rousing trade war with China. Paired with China's 'Wolf Warrior diplomacy,' which espoused a confrontational and punitive style of diplomacy toward states that were perceived to violate PRC's global objectives, exposed the EU's wariness; however, the EU was too economically entangled with China to jeopardise its relations. The EU has always taken a softer approach to dealing with the PRC, displaying dissatisfaction through public statements, usually taking the route of a passive global player, prioritising economic relations. Yet the COVID-19 pandemic exposed EU vulnerabilities, marking 2019 as the start of deteriorating relations. For the first time, a 2019 report on EU-China declared China a "partner for cooperation and negotiations on major global issues such as climate change, a technological and economic competitor as well as a systemic rival with its own set of values" (Brinza et al., 2024).

Exacerbated by the pandemic; economic discrepancies and lack of reciprocity; human rights violations in Xinjiang, Hong Kong, and Tibet; military threats toward Taiwan; 5G security issues; and China's support for Russia's war in Ukraine has placed the EU on a de-risking and a defensive trajectory toward the PRC. In recent years, the EU has employed various defensive strategies to protect itself from China dominating the European single market. In 2023, the EU adopted a foreign direct investment screening mechanism, an anti-coercion instrument, the 5G toolbox, and anti-foreign

subsidy regulations (Brintza et al., 2024). In 2024, armed with the set instruments, the EU was able to crack down on suspicious Chinese subsidiaries across Europe that posed national security risks (Williams, 2024). The EU also imposed tariffs on Chinese Electric Vehicles (EVs) at 38.1%, following the US decision to impose a 100% rate tariff on Chinese EVs in order to protect itself from China's unfair trading practices (Blenkinsop, 2024).

As it further reevaluated its relationship with the increasingly assertive PRC, the EU has taken a more proactive role toward Taiwan and reformulated its policy. In 2021, the European Parliament published the EU-Taiwan political relations and cooperation report for the first time, identifying Taiwan as an essential player in the global economy, key for security in the Indo-Pacific, and a like-minded democratic partner (Ferenczy, 2024). The EU was also considering implementing the Bilateral Investment Agreement with Taiwan which would have increased economic cooperation and political cooperation, although officials have since rejected the agreement, stating that it is unnecessary. Numerous EU lawmakers have spoken in support of the agreement, however the main driving force behind the rejection is due to fears of the PRC retaliating (Malinconi, 2023). However, in 2023, the EU publicly encouraged its members "to intensify cooperation and pursue a comprehensive enhanced partnership with Taiwan" within the EU's One China Principle (Delman, 2024, p. 54). At the end of 2023, the European Parliament took a supporting position toward Taiwan by establishing the European Parliament resolution on EU-Taiwan trade and investment relations, which are aimed at MS improving economic and political engagement with Taipei, followed in 2024 by two more resolutions in relation to the CFSP (Swanstrom et al., 2024). This report upgraded the EU's definition of the One China Principle by stating that "neither Taiwan nor China are subordinate to the other and that it is only the democratically elected government in Taiwan that has the right to represent the Taiwanese

population on the international stage”, and it further went to clarify that it opposed China’s unilateral actions to change the status quo (Stanicek, 2024). This was the EU’s strongest position ever taken regarding Taiwan. However, the EU has not adopted any long-term directions that could deter Beijing from taking over Taiwan, and Member States’ varying entanglements and relations with the PRC make it hard for the EU to implement a joint concrete action plan.

C. Member States’ Individual Approaches to Taiwan

The EU has initiated much progress on cooperation with Taiwan. However, tangible policies and actions are difficult to achieve when unanimity amongst all MS is required before a CFSP decision can be made. Hence, the prolonged time it took for the EU to recognise Beijing’s actions compromised the EU and the EU’s hesitancy in making bolder decisions in accordance with its core values and Taiwan. Nevertheless, individual MS do cooperate with Taiwan to varying degrees. Notable cooperation can be observed in Central Europe, the Baltic region, and other smaller MS. Russia’s war in Ukraine, especially, triggered former communist states that have had the threat of Russia in its eastern neighbourhood and reawakening fears of authoritarian threats to sympathise with Taiwan. However, Hungary is a significant outlier regarding close relations with Russia and China. At the same time, larger states such as France and Germany carry mixed messages. A considerable factor is determined by how much trade and dependency a state has with China.

Germany’s automobile industry is heavily dependent on and intertwined with the Chinese market. Germany opposed the EU tariffs on electric

vehicles, primarily driven by fears of Chinese retaliation on German industry (Barkin, 2024). Taiwanese Vice President Hsiao Bi-khim toured several European countries this year in March but was denied a pass through Germany by Chancellor Olaf Scholz. Germany's heavy economic dependency on the Chinese market obstructs Germany from practicing a value-based foreign policy and, with the opposition of the new tariffs, has shown to impede the EU's retaliation on China's unfair trading practices and the EU's efforts to be more proactive in deterring a conflict in the Taiwan Strait. On the other hand, French President Emmanuel Macron is a stark supporter of the EU's 'Strategic Autonomy', meaning that he does not want the EU to follow the US in global affairs but rather be its own global player. This also means that his stance toward the PRC is less hawkish and more cooperative. In his last year's visit, in a failed attempt to steer Xi away from supporting Russia's war in Ukraine, he also stated that the "EU should avoid following the United States into a conflict over Taiwan" (Reid, 2023). In contrast, the business delegation that accompanied him during the visit was very successful.

Unlike France and Germany, Central European and Baltic countries have been taking the lead on the EU's value-based foreign policy. While Taiwanese Vice President Hsiao could not visit Germany, she made productive visits to Lithuania, Czechia, Poland, and Belgium. The central European and Baltic states have led the EU's value-based diplomacy in the bloc and have shown exemplary EU-Taiwan relations within the EU's One China Principle. As a consequence, Lithuania, for example, was a victim of Chinese economic coercion in 2021. After its intelligence agency labelled China a national security risk due to its close ties with Russia, Lithuania was the first to drop out of the 17+1 Initiative. The 17+1, now 14+1 Initiative, is the PRC's strategy to deepen cooperation with Central and Eastern European (CEE) states. However, all the Baltic states have withdrawn, and most others

remain inactive. This has led many to view the Initiative as a failed attempt to influence CEE states toward China, with some closer to China than others.

When Lithuania initiated dropping out of the 17+1 Initiative, China was already brewing to retaliate economically by preventing its market access. However, Beijing was seriously offended when Lithuania decided to open the Taiwanese Economic and Cultural Office (TECRO) under the name 'Taiwan' instead of 'Taipei' as is customary (Andrijauskas, 2022). In an effort to isolate Lithuania, distorting its trade and therefore impacting the rest of the bloc, the PRC hoped the EU would pressure Lithuania to retract its actions. However, the EU responded in support of its MS. Moreover, Lithuania gained economic support from the US, EU, and Taiwan. Czechia is another proactive MS that cooperates with Taiwan. Since 2021, the Czech government has realised the value of cooperating with Taiwan on multi-pronged fronts. Taiwan has been a significant investor in Czechia by opening the electronic manufacturing company Foxconn and planned cooperation with Taiwan's semiconductor industry (Sebok, 2023). Moreover, apart from economic, educational, and cultural exchanges, Czech policymakers have vied for the EU to progress the EU Bilateral Investment Treaty (BIT) with Taiwan. Although to no avail in Brussels, Czechia and Lithuania are taking steps to engage with Taiwan on a deeper level. Taiwan has likewise reciprocated by implementing an investment fund of \$82.58 billion for CEE and other economic and cultural exchange agreements (Yang, 2024).

Russia's war in Ukraine strikes the CEE MS on a personal level, making it easier for them to understand the comparable struggle that Taiwan faces regarding the PRC. Having dealt with breaking away from the Russia in the 1990s, knowing what authoritarian governance entails, and going through the democratisation process themselves to become fully integrated EU members, CEE MS can understand Taiwan better. China could be seen to

have attempted to sway CEE in the past in an effort to relate to their communist pasts. However, Taiwan represents what the CEE has become: democratic and free.

Small Nations, Big Ideas

A. Shortcomings of EU's policy toward Taiwan

Although the EU has made significant progress defining relations with Taiwan in recent years, it is still overshadowed by fears of the PRC retaliating. The lack of consensus within MS further impedes the EU to take a firmer stance over China and Taiwan. President Lai's administration is eager to advance Taiwan's relations with the EU which he considers to be a likeminded partner. Taiwan finds itself grappling with challenges to maintain the status quo with the PRC, whose provocations threaten Taiwan's status and diminish Taiwan on the international stage. As the EU is grappling with its own policies on how to deal with de-risking from China, there is progress in cooperating with Taiwan within smaller states that are willing to take bolder steps.

The Taiwanese officials tried to push for a Bilateral Investment Agreement with the EU in order to expand economic ties. However, over the years this agreement has been pushed back by the EU officials. An EU External Action Service official has stated that such an agreement is unnecessary, provided that economic cooperation already exists (Malinconi, 2023). Nevertheless, the Taiwanese officials have argued that this would provide meaningful commitment from the EU. It is evident the EU is hesitant to take meaningful strides to enhance cooperation with Taiwan because it has the overarching

fear of the PRC's retaliation in which major European economies are intertwined. In addition, the lack of MS consensus over how much the EU should be involved with Taiwan also raises an issue on making proactive policy positions to deter the PRC from aggression toward Taiwan.

B. Policy Recommendations

The PRC has consistently pressured the global community to accept its One China Principle, which most states have agreed to abide by. Nevertheless, Beijing is feeling particularly threatened by the newly elected Taiwanese President Lai and, since Lai's inauguration, began pressing states to issue statements of support for "achieving national reunification" (Moriyasu, 2024). Malaysian, Suranamese, Bahraini, Egyptian, and Equatorial Guinean leaders have made public statements concordance with China's wishes (Moriyasu, 2024). It is projected that rhetoric supporting reunification will be a new tactic the CCP utilises to make reunification more acceptable to the international community. The PRC tends to target individual countries in the EU to garner support and sway its influence. Therefore, it is imperative that the EU disseminates such rhetoric and protects Taiwan's status by establishing a clear message to the PRC of the consequences of reunifying with unwilling Taiwan.

Russia's war in Ukraine exposed the EU's unpreparedness toward Russia's expansionist plans that came to fruition and continue to pose a challenge. Russia's confidence to invade Ukraine in 2022 unveiled the EU's unpreparedness toward conflict deterrence and forecasting and was only able to respond after conflict ensued. Likewise, confidence in the PRC should be pre-emptively quashed. The economic interdependence larger MS

states have formed with the PRC should not be a reason for the EU to hold back on making clear policy decisions regarding the PRC's aggression toward Taiwan. In order to dissuade the PRC from reunifying with Taiwan, the EU should:

- 1. Create a clear deterrence strategy and policy toward the PRC in case of unwilling unification.** The EU publicly decries unilateral change of the status quo in the Taiwan Strait. Moreover, this year, the EU made statements in support of Taiwan and encouraged MS to pursue cooperation with Taiwan. Nevertheless, these statements do not provide meaningful deterrence from the PRC's vision of unification. Likewise, the EU's adoption of the Anti-Coercion instrument and de-risking from China are valuable defensive strategies to protect itself from Chinese economic coercion. Nevertheless, the EU lacks an offensive strategy that safeguards not only the Union but also its democratic values beyond the Union, in this case protecting a like-minded democracy. The EU must make it clear to the PRC that if they do pursue unilaterally altering the status quo, there will be consequences. The EU is not expected to take a military role, but it can leverage access to its single market and impose sanctions. Learning from past experiences, the PRC would retaliate; however, forecasting such scenarios should be on top of the EU's agenda. The EU needs to be more proactive to be regarded as a true geopolitical power that safeguards its values abroad, particularly against authoritarian ideals.

- 2. Smaller MS should take the lead in developing EU-Taiwan relations.**

There is no consensus in the EU on Taiwan and the issue is less divisive in some states than others. In addition to the EU parliament groups' support for closer relations with Taiwan, smaller MS, particularly those in the CEE region, have been proactive throughout the years. Having experienced

Russia as a threat in the East, the CEE countries have a deeper understanding of what it means to be under a repressive regime. Consequently, Lithuania quickly labelled China as a security threat as early as 2015 due to its relations with Russia (Pinelyte, 2024). In a domino effect, other CEE states caught on and have been distancing away from China, which can also be exemplified by many leaving the 14+1 initiative and instead forging closer ties with Taiwan. Presently, Lithuania and Czechia are leading in progressing ties with Taiwan and, as a result, are actively helping Taiwan maintain its status quo against a revisionist power. Due to the EU ambiguously defining the One China Principle, individual MS have the advantage of pursuing relations with Taiwan as they see fit short of official recognition.

The fear of retaliation by the PRC should not be the grounds for EU MS not to pursue tangible relations with like-minded Taiwan. It is in the EU's geopolitical interest to ensure successful and like-minded democracies thrive without fear of conflict. Besides, appeasing the PRC for economic reasons relinquishes the EU's power and independence. Pursuing normative economic relations with like-minded nations is effective as it secures long-term stability and cooperation. Lithuania was ready to challenge the PRC and put values and security interests first, while other small states followed, and the EU must have the courage to do so as well. The war in Ukraine further exacerbated CEE countries to further vary of China, as China and Russia have continued to forge closer ties amid Russia's war that destabilises global order and encourages revisionism. Taiwan has likewise recognised that engaging with the CEE region is where a small nation in Asia can gain affinity with small nations in Europe, with a common challenge of rising revisionism.

Therefore, the small MS should lead in propelling more debate on the benefits and importance of cooperating with Taiwan to individual MS and the EU. On the basis of normative economic cooperation, the Bilateral Investment Agreement that was dropped last year should be reconsidered. The adoption of the investment agreement could further help the EU achieve goals to enhance chip-making and develop a better high-tech supply chain, in effect reducing dependence on autocratic regimes. Moreover, enhancing Taiwan's competence among EU institutions and universities across EU MS can help citizens learn more about the East Asian country, which is far away but shares many commonalities with the EU. Small nations in the European Union can act as an important balancer in case China's aggression toward Taiwan comes to fruition by encouraging the EU's collective response to be harsher toward China.

3. Work together on shared challenges that threaten the resilience of democratic nations. The EU, along with other democracies, faces challenges of disinformation campaigns from states with malign intentions to undermine free societies. Taiwan deals with cyber attacks and disinformation emanating from the PRC daily. The EU is similarly facing the same dilemma from Russia and China. Working together on cyber competency and combatting disinformation can benefit both societies and help them learn from each other's experiences, mainly because the majority of MS are also part of NATO, which means they have strong cyber capability. For instance, the EU Business Hub, which was recently launched in 2024, should also include Taiwan. The initiative was intended to forge deeper B2B cooperation between European businesses and Japan and South Korea. To strengthen the EU-Asia connectivity and support small and medium enterprises, East Asia is a very attractive FDI region. This initiative could also expand to include Taiwan, provided that

Taiwan remains deeply embedded in global supply chains and a producer of high-tech components. The EU is falling back on producing high-tech components, and strategy has prompted the EU to develop the EU Chip Act, which was curated to encourage the resilience of high-tech components. With its leading semiconductor production, Taiwan can be a valuable normative economic partner. Therefore, the Bilateral Investment Agreement with Taiwan can ensure Taiwanese counterparts that the EU is serious about establishing closer economic relations and supporting Taiwan's status quo.

Conclusion

If the EU is to learn from the Russian experience that when economic interests guide foreign policy, it will lead to more outbreaks of war by nondemocratic actors, it must promote strength and democratic values around the world. In the global rise of conflict, Europe is bound to face further threats to the existing world order by undemocratic actors. In light of these insurgencies, the EU should enact its standing as a promoter and protector of democratic values and actors that adhere to them. The Russian experience should be a learning point from which to pivot away from solely seeking economic interests without value-based strategies in cooperation. If the weight of economic interests over values-based diplomacy is continued, China's potential aggression toward Taiwan will be another failure of the EU's foreign policy and weaken democracies around the world.

Smaller nations within the EU carry a particular weight due to their lack of dependence on the Chinese economy, and therefore, they should lead in building stronger economic value-based links with Taiwan and insist in

global forums against military aggression toward Taiwan. Simultaneously, the EU can continue to have balanced policies toward China on the precondition that China doesn't militarily invade Taiwan. The EU does not necessarily have to be against the unification of China and Taiwan. However, if circumstances without guaranteed protection of maintaining the liberal democracy and free market in Taiwan are not followed, the EU's responsibility as a democratic actor should favour Taiwan over China. Croatia's first president, Franjo Tuđman, in his book, "Big Ideas and Small Nations," argued that small nations should avoid pursuing big ideas because that would lead to their collapse.

On the contrary, small nations, particularly those that overcame their undemocratic past to become successful members of the EU, can and should pursue big ideas. Similarly, Taiwan has also gone through an undemocratic political system for 40 years, yet when the Taiwanese people, by their own will, have elected to adopt the big ideas of liberty and democracy, they proved such ideas transcend borders, culture, and time. Such a way of life that Taiwan enjoys to this day is one born out of the hardship of those who give their lives to end one part of rule on their island home. In sum, Taiwan has become a small nation married to big ideas; it is part of modern-day Taiwanese identity and proves that size and scale do not matter regarding universal values of freedom and democracy.

References

Andrijauskas, K. (2022) *An analysis of China's economic coercion against Lithuania*. Available at: <https://www.cfr.org/blog/analysis-chinas-economic-coercion-against-lithuania> [Accessed: 05/09/2024].

Bachulská, A. (2024) *In the same boat: Why Taiwan is strengthening ties with Central and Eastern Europe*, ECFR. Available at: <https://ecfr.eu/article/in-the-same-boat-why-taiwan-is-strengthening-ties-with-central-and-eastern-europe/> [Accessed: 05/09/2024].

Barkin, N. (2024) *Watching China in Europe*–May 2024, GMFUS. Available at: <https://www.gmfus.org/news/watching-china-europe-may-2024> [Accessed: 05/09/2024].

Blablová, V. (2023b) *Tracking EU visits to Taiwan*, chinaobservers. Available at: <https://chinaobservers.eu/tracking-eu-visits-to-taiwan/> [Accessed: 05/09/2024].

Blenkinsop, P. (2024) *EU hits Chinese evs with tariffs, drawing rebuke from Beijing*, Reuters. Available at: <https://www.reuters.com/business/autos-transportation/eu-impose-multi-billion-euro-tariffs-chinese-evs-ft-reports-2024-06-12/> [Accessed: 05/09/2024].

BRINZA, A., Bērzina-Čerenkova, A., Le Corre, P., Seaman, J., Turcsányi, R., Vladisavljev, S. (2024) *EU-China relations: De-risking or de-coupling – the future of the EU strategy towards China*. Available at: [https://www.europarl.europa.eu/RegData/etudes/STUD/2024/754446/EXPO_STU\(2024\)754446_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2024/754446/EXPO_STU(2024)754446_EN.pdf) [Accessed: 05/09/2024].

Dams, T. (2024) *Taiwan and a European doctrine of deterrence*, Clingendael. Available at: <https://www.clingendael.org/publication/taiwan-and-european-doctrine-deterrence> [Accessed: 05/09/2024].

Delman, J. (2024) *Does Soft Power Have Any Value for Taiwan?*, Focus Asia: Perspective and Analysis. Available at: <https://www.isdp.eu/wp-content/uploads/2024/05/Special-Taiwan-Europe-May-2024-final.pdf> [Accessed: 05/09/2024].

Ferenczy, Z. A. (2024) *Why Taiwan Matters to Europe*. Available at: <https://www.isdp.eu/wp-content/uploads/2024/05/Special-Taiwan-Europe-May-2024-final.pdf> [Accessed: 05/09/2024].

Ferenczy, Z. A. (2023) *Democratic resilience – why Taiwan and Europe must be more ambitious in 2024*, 9DASHLINE. Available at: <https://www.9dashline.com/article/democratic-resilience-why-taiwan-and-europe-must-be-more-ambitious-in-2024> [Accessed: 05/09/2024].

Frisch, N. (2024) *How will Taiwan's new president handle china?*, Foreign Affairs. Available at: https://www.foreignaffairs.com/taiwan/how-will-taiwans-new-president-handle-china?utm_source=dailybrief&utm_medium=email&utm_campaign=DailyBrief2024May20&utm_term=DailyNewsBrief [Accessed: 05/09/2024].

Grady, J. (2023) *China undergoing 'build-up in every warfare area,' says Oni commander*, USNI News. Available at: https://news.usni.org/2023/01/16/china-undergoing-build-up-in-every-warfare-area-says-oni-commander?utm_content=bufferb9069&utm_medium=social&utm_source=linkedin.com&utm_campaign=buffer [Accessed: 05/09/2024].

Hass, R. (2022) *Taiwan's continued success requires economic diversification of products and Markets*, Brookings. Available at: <https://www.brookings.edu/articles/taiwans-continued-success-requires-economic-diversification-of-products-and-markets/> [Accessed: 05/09/2024].

Hille, K. (2024b) *Becoming Taiwan: In China's Shadow, an island asserts its identity*. Available at: <https://www.ft.com/content/6e9a0243-87f2-445e-b563-e8f67082b3da?shareType=nongift> [Accessed: 05/09/2024].

Hmaidi, A. and Chang, W. (2023) *The risks of european de-risking from Taiwanese semiconductors*, Merics. Available at: <https://merics.org/en/comment/risks-european-de-risking-taiwanese-semiconductors> [Accessed: 05/09/2024].

Kardon, I., Kavanagh, J. (2024a) *How China will squeeze, not seize, Taiwan*, Foreign Affairs. Available at: https://www.foreignaffairs.com/china/how-china-will-squeeze-not-seize-taiwan?utm_medium [Accessed: 05/09/2024].

Karpova, K. (2024) *2024: Navigating the decline of Global Democracy*, The Oslo Desk. Available at: <https://oslodesk.com/2024-navigating-the-decline-of-global-democracy/> [Accessed: 05/09/2024].

Lau, S. (2024) *Taiwan presidential hopeful eyes closer ties with Europe*. Available at: <https://www.politico.eu/article/taiwan-presidential-hopeful-seeks-closer-ties-with-europe/> [Accessed: 05/09/2024].

Magnier, M. (2024) *US, Eu and other democracies slam mainland China for Taiwan military drills*, South China Morning Post. Available at: <https://www.scmp.com/news/china/military/article/3263871/us-eu-and-other-democracies-slam-mainland-china-military-drills-around-taiwan-urge-restraint> [Accessed: 05/09/2024].

Malinconi, M. (2023) *The European Union crushes Taiwan's hopes for a bilateral investment agreement*, Global Taiwan Institute. Available at: <https://globaltaiwan.org/2023/04/the-european-union-crushes-taiwans-hopes-for-a-bilateral-investment-agreement/> [Accessed: 05/09/2024].

Moriyasu, K. (2024) *China presses Global South leaders to support Taiwan 'reunification'*, Nikkei Asia. Available at: <https://asia.nikkei.com/Politics/International-relations/China-presses-Global-South-leaders-to-support-Taiwan-reunification> [Accessed: 05/09/2024].

Panda, J. (2023) *Denmark and Taiwan – edging closer?*, Institute for Security and Development Policy. Available at: <https://www.isdp.eu/denmark-and-taiwan-edging-closer/> [Accessed: 05/09/2024].

Pinelytė, E. (2024) *Revisiting threat perceptions of China: A perspective from Lithuania*, chinaobservers. Available at: <https://chinaobservers.eu/revisiting-threat-perceptions-of-china-a-perspective-from-lithuania/> [Accessed: 05/09/2024].

Ratcliffe, R. (2024) *China's defence chief repeats threat of force against Taiwanese independence*, The Guardian. Available at: <https://www.theguardian.com/world/article/2024/jun/02/chinas-defence-chief-repeats-threat-of-force-against-taiwanese-independence> [Accessed: 05/09/2024].

Reid, M. (2023) *Macron distances Europe from Taiwan, yet faces broad pushback*, Global Taiwan Institute. Available at: <https://globaltaiwan.org/2023/04/macron-distances-europe-from-taiwan-yet-faces-broad-pushback/> [Accessed: 05/09/2024].

Šebok, F. (2023) *How czechia engages Taiwan*, chinaobservers. Available at: <https://chinaobservers.eu/how-czechia-engages-taiwan/> [Accessed: 05/09/2024].

Stanicek, B. (2024) *Annual report on implementation of the CFSP*, 2023. Available at: [https://www.europarl.europa.eu/RegData/etudes/ATAG/2024/757598/EPRS_ATA\(2024\)757598_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/ATAG/2024/757598/EPRS_ATA(2024)757598_EN.pdf) [Accessed: 05/09/2024].

Swanström, N., Börjesson, A., Chen, Y. C. (2024) *Why Taiwan Matters to Europe*. Available at: <https://www.isdp.eu/wp-content/uploads/2024/05/Special-Taiwan-Europe-May-2024-final.pdf> [Accessed: 05/09/2024].

EU External Action. (2022) *Taiwan: Remarks by high representative/vice-president Josep Borrell at the EP debate on the recent developments EEAS*. Available at: https://www.eeas.europa.eu/eeas/taiwan-remarks-high-representativevice-president-josep-borrell-ep-debate-recent-developments_en [Accessed: 05/09/2024].

Williams, I. (2024) *Why the EU is raiding Chinese companies*, *The Spectator*. Available at: <https://www.spectator.co.uk/article/why-the-eu-is-raiding-chinese-companies/> [Accessed: 05/09/2024].

Wright, L., Kratz, A., Vest, C., Mingey, M. (2024) *How China could respond to US sanctions in a Taiwan crisis*, *Atlantic Council*. Available at: <https://www.atlanticcouncil.org/in-depth-research-reports/report/retaliation-and-resilience-chinas-economic-statecraft-in-a-taiwan-crisis/> [Accessed: 05/09/2024].

Yang, W. (2024) *Taiwan's VP-elect reaffirms ties with Europe in Diplomatic Tour*, *Voice of America*. Available at: <https://www.voanews.com/a/taiwan-s-vp-elect-reaffirms-ties-with-europe-in-diplomatic-tour/7545708.html> [Accessed: 05/09/2024].



International
Development
Research
Network

Small Nations, Big Ideas

International Development Research Network

30 Rue Vauvenargues
Paris, 75018
+33 6 78 66 56 26

www.idrn.eu.
info@idrn.eu.
 twitter.com/idrn_eu