

# POLICY BRIEF

## Strengthening economic cooperation while defending the status quo: the deepening of relations between Europe and Taiwan

There is a growing awareness in Europe of the importance of Taiwan and the island is no longer invisible in the current political debate. This is evidenced by the inclusion of Taiwan in the European Union's Indo-Pacific Cooperation Strategy in September 2021 and the adoption the following month by the European Parliament, for the first time and by a very large majority, of a resolution on Taiwan-related issues

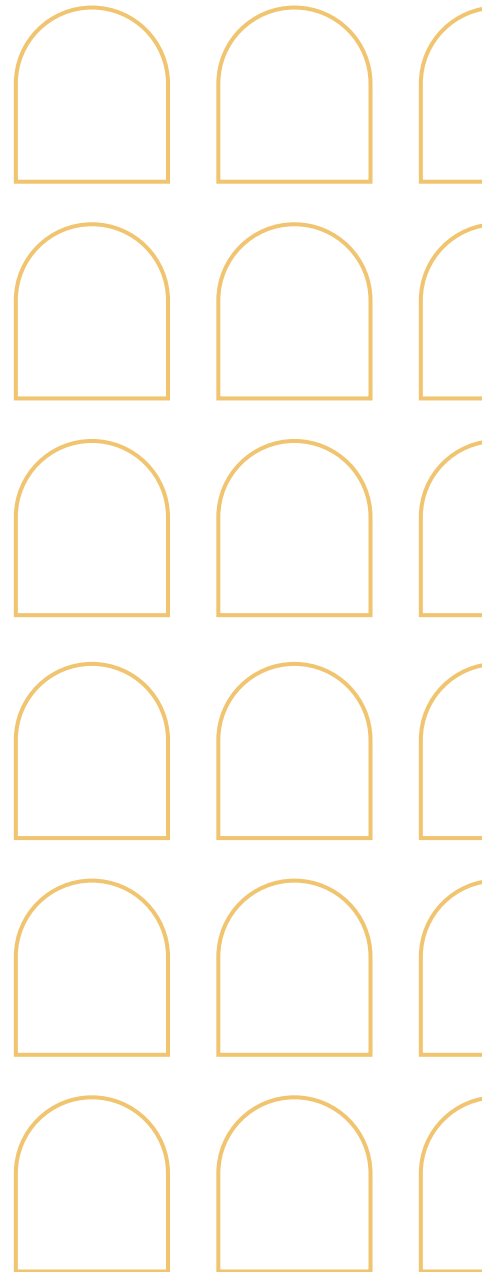
The recent media coverage about Taiwan in Europe and in the United States has also been unprecedented. If we analyze press articles mentioning the island, the increase in media coverage in 2020 exceeded by 50% the coverage in 2019, and rose to over 131% in the French daily "Le Figaro" alone. Between 2017 and 2020, the increase was even more considerable (especially for selected French networks ) measuring over 149% for AFP, over 464% for Le Figaro, and over 54% for The New York Times, and 146% for CNN<sup>1</sup>.

Taiwan is attracting the attention of the world for many reasons. The country offers an example, even acts as a model, in the handling of the COVID-19 pandemic, in the maintenance of its growth model, in the promotion of democratic values, in the fight against digital interference and in investment in emerging technologies, including semiconductors.

<sup>1</sup> Factiva. Mentioned in Antoine Bondaz, « [Taiwan, une puissance diplomatique à part entière](#) », *Fondation pour la recherche stratégique (FRS)*, Mar. 2021

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Over the period that media coverage has skyrocketed and since Taiwanese President Tsai Ing-wen came to power in 2016, Chinese political, economic and military pressure on Taiwan has increased. While the risk of conflict between China and Taiwan must be considered, it is in the European Union's (EU) interest to stick to its One-China Policy yet continue to strengthen ties and cooperation with the island. This effort will help maintain the status quo in the Taiwan Strait.

## Strengthening economic and technical cooperation with Taiwan

The EU remains Taiwan's largest foreign investor. In 2020, the Union ranked first in both total stock (25.7%) and flow (38.8%) of foreign direct investment in Taiwan. Taiwan's investment in the EU also doubled in one year, reaching a flow of US\$ 1.5 billion in 2020. Taiwan has become the EU's 14th largest trading partner in the world, the fifth largest in Asia, with trade worth € 49.3 billion. The EU is Taiwan's fourth largest trading partner, behind China, the US and Japan<sup>2</sup>.

Despite pandemic-related restrictions, the EU and Taiwan have carried out a number of bilateral projects over the past two years, including the second EU Investment Forum, held virtually on October 14, which promoted investment opportunities in Europe, including the EU's flagship programmes: the European Green Deal and Digital Europe Programme. It brought together, among others, President Tsai Ing-wen, Minister of Economic Affairs, Wang Mei-hua, Head of the European Economic and Trade Office Filip Grzegorzewski and Director General of the European Commission's DG TRADE, Sabine Weyand.

The European Union and Taiwan continue to cooperate in various areas, such as industrial and digital policies, human rights, gender equality, social issues, climate change, education and culture. Among the dialogues that the European Union wishes to develop are the dialogue on industrial policy, the digital dialogue on the economy and the EU-Taiwan judicial exchange of 2020, which allowed for a sharing of views on the respective legislation and practices in the field of human rights.

Among the priority topics, the resilience of supply chains and critical value chains and the fight against foreign digital interference are prominent

for 2022. First, Executive Vice President for a Digital Age Europe, Margarethe Vestager, recalled on October 19 2021 that the European Union hopes to see Taiwan as an important partner in achieving the goals of the European Chips Act, the expected new European regulation on semiconductors<sup>3</sup>. The Commissioner for the Internal Market, Thierry Breton, recently conducted meetings with the CEO of TSMC (Taiwan Semiconductor Manufacturing Company), but did not visit the island. He had visited Washington, Tokyo and Seoul as part of a «Tech & Chips Tour» in October 2021. Taiwan must be included in this broadbased economic and industrial strategy.

Second, our societies share the same objective: to protect the democratic debate by detecting digital interferences in connection with the platforms, in order to provide an effective legal and/or diplomatic response. After facing major interference during the campaign for the presidential elections in January 2020, the Taiwanese authorities are multiplying initiatives to accelerate their detection by involving civil society in the responses to be provided, and benefit from a unique experience in this area. The creation of Viginum in France by decree in July 2021 and the Commission's desire to broaden the mandate of the East StratCom Task Force (ESCTF), part of the EEAS in Brussels, also allow for the exchange of best practices.

Beyond that, all forms of cooperation must be explored. While the EU already participates in the EU-Taiwan Gender Equality Cooperation and Training Framework (GECTF), it would be in the Union's interest to become a full partner in the Global Cooperation and Training Framework (GCTF) — a platform for using Taiwanese expertise to address global issues of common concern<sup>4</sup>. The United States co-launched this initiative in 2015 with Taiwan; Japan joined as a full partner in 2019, and Australia joined in 2021. Many member states are already participating in workshops on a variety of topics, from public health to media literacy, from energy efficiency to cyber security.

## Facing China's economic coercion of member states

In less than a year, the Republic of China's international network has expanded to include two new posts in Europe, one in Aix-en-Provence in 2020

2 European Economic and Trade Office in Taiwan, "EU-Taiwan Relations 2021", Sept. 27, 2021.

3 "EU-Taiwan political relations and cooperation: Speech on behalf of High Representative/Vice-President Josep Borrell at the EP plenary", Strasbourg, Oct. 19, 2021.

4 [Global Cooperation and Training Framework \(GCTF\)](#)

and another in Vilnius in 2021. It now has representative offices in 20 EU member states<sup>5</sup>. Lithuania also announced in the spring 2021 that it would open a representative office in Taiwan, joining the 16 EU member states that already have a diplomatic post there. Taiwan took the unilateral decision to name the diplomatic post in Vilnius: «Taiwanese Representative Office », while the term used in other European countries is: «Taipei Representative Office». While this in no way challenges the EU's One-China Policy and while Beijing is seen as completely over-reacting, the announcement upset China's strategy of isolating Taiwan internationally and stopping the dynamics that currently allow the island to gain international space.

Beyond the official criticism, Beijing recalled its ambassador and later reduced the level of its diplomatic relations with Lithuania to below ambassador level<sup>6</sup>. Chinese state media, such as the *Global Times*, also claimed that Lithuania should « pay the price for openly playing the «Taiwan card», adding « we also suggest that Chinese trade authorities carefully examine China's imports and exports with Lithuania»<sup>7</sup>, calling for economic sanctions. These sanctions have since become a reality, targeting in particular, Lithuanian agricultural products exported to China. The country has thus chosen to manage a political dispute through economic coercion, thereby turning a bilateral dispute with Lithuania into a dispute with the European Union.

The European Union and member states reacted quickly: the Commission spokesperson « regretted China's action' and affirmed that it was « not a breach of the EU's One-China Policy»<sup>8</sup>. At the same time, 13 foreign affairs committee chairmen from 11 European countries gave Lithuania explicit support<sup>9</sup>. As Margarethe Vestager recently pointed out, member states that are being coerced by China into making decisions that China finds offensive « need our support and solidarity ».

It is essential for the European Union to continue to oppose this coercion while developing appropriate tools. Some people talk about the need to develop a kind of Article 5 against economic coercion, proclaiming that « an attack on the economy of one democracy would be an attack on all»<sup>10</sup>. However, such measures would risk encouraging an escalation without any guarantee of real coordination. It seems more appropriate to dissuade China from resorting to economic coercion while seeking to soften the blow by spreading the cost of sanctions among member states<sup>11</sup>.

In this context, the consultations initiated by the European Commission in early 2021 on the creation of an anti-coercion instrument are obviously a good thing. If the initial reflections focused mainly on American extraterritorial sanctions, the effects of which have been felt to a large extent by French and European companies, it is necessary to take fully into account the risks associated with Chinese economic coercion by examining the consequences of the South Korean and Australian precedents, as well as the Lithuanian ones. In this context, the reminder made in November 2021 by the French Ministry of Europe and Foreign Affairs that « the European Union is fully mobilised to strengthen its instruments to fight against unfair or coercive practices» is welcome<sup>12</sup>.

In a complementary way, the European Union should develop a «sponge strategy» aimed at collectively absorbing the cost of economic sanctions in order to render them politically useless, also helping to dissuade China or any other country from taking measures that will have almost no impact anyway. This would include a European coordination mechanism to ensure the ability of the targeted country to continue importing, while adding strong political will at the European level to compensate for the losses associated with the fall in exports<sup>13</sup>.

5 Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Poland, Portugal, Slovakia, Spain and Sweden. In addition to these diplomatic posts, there is also that of the European Union.

6 «China downgrades Lithuania's diplomatic status over Taiwan row», *Politico*, Nov. 21, 2021

7 «GT Voice: Lithuania must pay price for openly playing «Taiwan card»», *Global Times*, Aug 22, 2021.

8 «Beijing's spat with Lithuania could affect EU-China ties: spokeswoman», *Focus Taiwan*, Nov. 8, 2021.

9 «14 EU, US foreign affairs leaders back Lithuania against Chinese bullying», *Taiwan News*, Aug. 28, 2021.

10 Jonas Parelo-Plesner, «An «Economic Article 5» to Counter China», *Wall Street Journal*, Feb. 11, 2021; Franklin D. Kramer and Hans Benedijk, «The China-Lithuania Rift Is a Wake-Up Call for Europe», *Foreign Policy*, Sept. 22, 2021.

11 Lindsay Gorman, «Pineapple War Shows Taiwan Won't Be Bullied by Beijing», *Foreign Affairs*, Mar. 16, 2021.

12 «Lituanie - Q&R - Extrait du point de presse», *France Diplomatie*, Nov. 25, 2021.

13 Antoine Bondaz, «L'expérience australienne des sanctions commerciales chinoises : une leçon pour l'Europe ?», *FRS, DEFENSE & Industries*, No.15, Apr. 2021

## Acknowledging the role played by parliamentary activities and diplomacy

Awareness of the importance of Taiwan to Europe and the need to strengthen bilateral ties has been particularly strong among European MEPs and national MPs. They have played a key role since the beginning of the year. In January 2021, a resolution on EU foreign and security policy included, for the first time, an entire paragraph on Taiwan<sup>14</sup>. In February, a meeting of the Delegation for Relations with the People's Republic of China (D-CN) in association with the Subcommittee on Security and Defense (SEDE) jointly with the Committee on Foreign Affairs (AFET) took place with an exchange of views on Chinese military territorial provocations in the Indo-Pacific, including in the Taiwan Strait. Most importantly, in September 2021, an unprecedented report was adopted in the Committee on Foreign Affairs<sup>15</sup>.

This report is the first devoted solely to Taiwan and calls on the HR/VP to :

- Intensify EU-Taiwan political relations and pursue a comprehensive and enhanced partnership under the guidance of the EU's One-China Policy ;
- Urgently begin an impact assessment, public consultation and scoping exercise on a Bilateral Investment Agreement (BIA) ;
- Strongly advocate for Taiwan's meaningful participation as an observer in meetings, mechanisms and activities of international bodies ;
- Change the name of the European Economic and Trade Office in Taiwan to «European Union Office in Taiwan» in order to reflect the broad scope of our ties;
- Encourage increased economic, scientific, cultural, political and people-to-people exchanges, meetings and cooperation between the EU and Taiwan.

Parliamentary diplomacy has also played a very important role, complementary to these parliamen-

tary activities. In November 2021, for the first time, MEPs who are not part of the European Parliament -Taiwan Friendship Group visited Taiwan, led by French MEP Raphael Glucksmann. The chairman of the European Parliament's special committee on foreign interference said that Taiwan is « a laboratory and a hub for the fight against foreign interference and the preservation of democracy» during his meeting with President Tsai Ing-wen<sup>16</sup>. This type of parliamentary visit on specific topics highlights the importance of bilateral cooperation, as mentioned above.

National parliamentarians have also been quite active. In August 2020, the president of the Czech Republic's Senate, Milos Vystrcil, travelled to Taiwan and addressed the island's legislature<sup>17</sup>. He was threatened by Chinese minister of Foreign Affairs Wang Yi while in a tour in Europe that he would « pay a heavy price» for what he called « political opportunism». These remarks were denounced by many European leaders, including the Slovak president and the German foreign minister<sup>18</sup>. In February 2021, the Chinese Ambassador in Paris expressed his «serious concern» to Alain Richard, Senator of Val-d'Oise and former Minister of Defense, and «firmly opposed» a planned visit to the island by the French Senate - Taiwan Group for Exchanges and Studies to discuss health cooperation in the fight against the Covid-19 pandemic. In March 2021, the Embassy spokesperson added that « French senators [...] should [...] refrain from any form of official contact with the Taiwanese authorities»<sup>19</sup>.

These remarks as well as the insults of the Embassy and Chinese state-owned media aimed at me, calling me a « little hoodlum », a « crazy hyena », a « villain » and an « ideological troll »<sup>20</sup>, and led to the summoning of Ambassador Lu Shaye by the Ministry of Europe and Foreign Affairs. I had simply recalled that beyond unacceptable injunctions to elected representatives, who do not have to follow the instructions of another country, these parliamentary visits are frequent, regardless of the political majority in both France and Taiwan, and do not call into question France's foreign policy, as

14 [“European Parliament resolution of 20 January 2021 on the implementation of the Common Foreign and Security Policy – annual report 2020 \(2020/2206\(INI\)\)”, European Parliament, Jan. 20, 2021.](#)

15 [“Report a European Parliament recommendation to the Vice-President of the Commission / High Representative of the Union for Foreign Affairs and Security Policy on EU-Taiwan political relations and cooperation\(2021/2041\(INI\)\)”, European Parliament, Sept. 9, 2021.](#)

16 [“MEPs in Taiwan: 'You are not alone' against China”, EU Observer, Nov. 4, 2021](#)

17 [Katrin Hille, “‘I am a Taiwanese’: Czech Senate president addresses parliament in Taipei”, Financial Times, Sept. 1, 2020.](#)

18 [Compte twitter de Zuzana Čaputová \(@ZuzanaCaputova\), 7:02 pm, Sept. 1, 2020.](#)

19 [« Déclaration du porte-parole de l'Ambassade de Chine en France sur le tapage de certains médias français autour d'une lettre adressée par l'Ambassadeur LU Shaye au Président du Groupe d'échanges et d'études Sénat-Taiwan au sujet de l'intention dudit Groupe de se rendre en visite à Taïwan », Ambassade de la République populaire de Chine en France, Mar. 16, 2021.](#)

20 [John Irish, “France summons Chinese envoy over 'unacceptable' insults”, Reuters, Mar. 23, 2021](#)



MPs do not represent the French government<sup>21</sup>. In October 2021, the Senators did visit Taiwan and met President Tsai Ing-wen.

Parliamentarians play an important role here, both in setting the agenda and in raising awareness. In May 2021, the French Senate unanimously voted for a resolution calling for Taiwan's participation in certain international organisations<sup>22</sup>, including an observer status in the United Nations Framework Convention on Climate Change (UNFCCC), the International Civil Aviation Organization (ICAO), the World Health Organization (WHO) and Interpol. They have also increased interactions among themselves, to the point of institutionalising them, as evidenced by the October 2019 launch of the Formosa Club, a platform for cross-party European legislators working to strengthen Europe-Taiwan relations. The question may now arise of increased coordination between the European and national levels. In this regard joint parliamentary delegations of the European Parliament and national parliaments should be considered. This would send a message of unity and firmness, while also raising awareness among European constituencies of Taiwan-related issues.

### **Taking into account the importance of ensuring stability in the Taiwan Strait**

At the political level, it is also worth noting that the invisibility of Taiwan has come to an end and that, step by step, European governments officially take into account the importance of ensuring stability in the Taiwan Strait. The case of France was emblematic. For many years, Paris tried not to make waves to the point of counter-productivity. In January 2020, the Quai d'Orsay, the Ministry for Europe and Foreign Affairs, posted a welcome announcement as elections were held in Taiwan<sup>23</sup>. The brief announcement tip-toed around the bolder implications of democracy in Taiwan by saying that the elections «demonstrated the commitment of the Taiwanese people to local democracy, the rule of law and human rights ». The use of the word « local », was intended as a reminder that Taiwan was not a country, was rather a clumsy and faint-

hearted choice<sup>24</sup>. Mentioning Taiwan at the highest level was a de facto taboo and partly remains so. For example, neither the 2021 France's Indo-Pacific Strategy» nor the « 2021 Strategic Update » of the Ministry of Armed forces makes any mention of Taiwan – not even as an economic partner.

Yet, a major change is underway. Since this year, the European Union and several member states fully and above all publicly recognise « the importance of peace and stability in the Taiwan Strait », and « encourage the peaceful resolution of cross-strait issues ». This was the case for the European Union with Japan in May 2021, and for France, Germany and Italy in the G7 declaration<sup>25</sup>, but also for the European Union in a declaration with the United States in June 2021, for France during its political and military dialogue with Australia in August 2021<sup>26</sup>, and in the joint communication of the European Commission on the European Union's Strategy for Cooperation in the Indo-Pacific in September 2021<sup>27</sup>. In it, not only are tensions in the Taiwan Strait explicitly mentioned, but the island is presented as an economic partner, especially in the field of semiconductors, and an actor with whom to further deepen the trade and investment relationship.

This end to the invisibility of Taiwan in the public expression of the European Union and its member states has allowed Europeans to assert themselves and to identify their interests as best they can. This affirmation of European declaratory diplomacy is fundamental at a time when tensions in the Taiwan Strait continue to grow. Since the election of President Tsai Ing-wen in 2016, Chinese pressure on the island, whether diplomatic, economic or military, has continued to increase. In October 2021 alone, an unprecedented 196 Chinese military aircraft, including H-6 bombers, entered Taiwan's Air Defense Identification Zone, or ADIZ. While the scenarios for conflict in the Taiwan Strait do not point to a massive Chinese invasion of Taiwan, (a scenario that remains unlikely in the short term)<sup>28</sup>, they could involve a range of actions on the part of Beijing, including the takeover of the Dongsha Islands, the violation of Taiwanese airspace or even

21 Antoine Bondaz, « [Taiwan, une puissance diplomatique à part entière](#) », *Fondation pour la recherche stratégique (FRS)*, Mar. 2021

22 « [Résolution en faveur de l'association de Taiwan aux travaux de plusieurs organisations internationales](#) », *Sénat*, May 6, 2021.

23 « [Taiwan – Election](#) », *Ministry of Europe and Foreign Affairs*, Jan. 11, 2020.

24 Antoine Bondaz, « [Searching for a Bolder China Policy](#) », *Echowall*, Nov. 2020.

25 [Carbis Bay G7 Summit Communiqué : Our Shared Agenda for Global Action to Build Back Better](#), G7, Jun. 2021.

26 « [Inaugural France-Australia 2+2 Ministerial Consultations](#) », *Ministry of Europe and Foreign Affairs*, Aug. 30, 2021.

27 [The EU strategy for cooperation in the Indo-Pacific](#), Joint Communication to the European Parliament and the Council, Sept. 16, 2021.

28 Antoine Bondaz and Bruno Tertrais, « [Europe Can Play a Role in a Conflict Over Taiwan. Will It?](#) », *World Politics Review*, Mar. 23, 2021

the organisation of a maritime blockade around the island<sup>29</sup>.

In my opinion, many Europeans have still not realised that a unilateral change of the status quo by force would have considerable consequences. It would endanger the lives of more than 15,000 European citizens residing in Taiwan. Yet, far from remaining local, any conflict would take on more global scale. It would cause enormous disruptions in global value chains and threaten European foreign direct investment on the island. It would involve at least the United States and potentially Japan, as well as other conventional allies of the U.S. in the region — countries that are key economic and security partners for Europe. And while the NATO Treaty does not cover the Indo-Pacific region, European solidarity would be sorely tested if China were to threaten the U.S. mainland.

There is also a huge discrepancy between the demonstrated European interest in the Indo-Pacific and Europe's readiness to think about what its role would be in a crisis scenario. In the event of such a contingency, Europe would be without a defined role and without leverage to defend its interests. European countries could support friends and allies politically, including the Security Council, as well as militarily, by sharing intelligence. European countries and the EU could also impose political and economic sanctions on China, setting up a partial embargo on any dual-use technologies, putting an end to major cooperation projects with Beijing and applying pressure on China within international organisations to impose reputational costs. Yet, as Europeans policymakers prepare for responding to and intervening in such conflict scenarios, they must understand that they have an even bigger role to play in preventing them from happening in the first place.

It is critical for the European Union and its member states to understand that they have an important function in preventing a sharp rise in cross-strait tensions or even conflict, while avoiding instrumentalisation by either party. The Europeans should adopt a visible strategy to deter any side from unilaterally or forcibly changing the status quo. This could be achieved by pointing out that such an initiative would be too risky, and, above all, too costly. In this regard, and as part of that preventive diplomacy, Europeans should draw up contingency plans for conflict scenarios, especially given the

slow pace of discussions and decision-making on crisis response at the European level. This coordination effort should include Europe's partners in the region, including the United States and Japan. It also requires that we take better account of the views expressed in Taiwan in order to formulate policies. Without questioning our One-China policy, it is important to give civil society its full role, including think tanks, which can create more informal spaces for discussion and exchange. An annual Europe-Taiwan forum between researchers and policy experts would be a welcome development in this context.

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29 Chen-wei Lin, "[Taiwan is dealing with an adversary that is fighting a war on the physical, psychological and cyber fronts with much bigger resources](#)", *Fondation pour la recherche stratégique (FRS), FRS Taiwan Program on Security and Diplomacy*, Apr. 2021.

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