

# Will the Recent Strengthening of Relations between Taiwan and Europe Lead to a Comprehensive EU Taiwan-Friendly Policy?

**Yun-chen Lai**

*Associate Professor, Department of Public Administration;  
Executive Director, EU Research Center,  
National Dong Hwa University*

## **Abstract**

Europe-Taiwan relations have warmed substantially recently, leading to speculation that the EU could shift to a more Taiwan-friendly policy. However, this new amity comes from certain CEEC and specific EU institutions, chief among them Lithuania and the European Parliament. As the European Union is an aggregate of 27 member states and various institutions, EU-Taiwan relations rely not only on specific member states, but also on the union as whole. Furthermore, the positions and interests of the EU member states toward Taiwan and China are varied, making it difficult for the EU to find a united stance in dealing with Taiwan and China. In other words, support from a limited number of member states and institutions is not enough for the Union to change its policy dramatically. Due to the differences between EU actors and European states, even though there has been increasing engagement of Europe with Taiwan, it is unlikely that there will be a major shift within the EU such as the adoption of a EU-wide approach to Taiwan in the near future.

**Keywords:** EU-Taiwan Relations, Taiwan-Lithuanian Relations, Taiwan-CEEC Relations, 17+1 Forum, European Parliament

## **I. Basics of the EU-Taiwan Relationship**

Europe-Taiwan relations have warmed a lot recently. Among other things, there has been speculation surrounding a possible renaming of the EU's trade office in Taipei as the "European Union Office in Taiwan." Then came the first official European Parliament delegation to Taiwan. During that same period, the EU published its first

report on Taiwan, titled “EU-Taiwan Relations and Cooperation.” All of these signal a warming-up in EU-Taiwan relations. At the sub-EU level, i.e., among member states, Taiwan has strengthened its interactions with many Central and East European Countries (CEEC) such as Lithuania, Slovakia, the Czech Republic, Poland, and so on.

For the past decades, while discussing EU-Asian relations, the EU-Taiwanese relationship was largely neglected. Thus, the recent strengthening of relations between Taiwan and Europe has generated a great deal of attention. Lacking diplomatic recognition and constrained by a “one China” policy, the EU-Taiwan relationship was far from normal.<sup>1</sup> Taiwan and Europe began relations when Taiwan established liaison offices in European capitals in the 1980s. However, at the time they were only registered as non-governmental organizations or corporations. Only from the 1990s, when EU-Taiwan relations were further upgraded — largely due to trade considerations — were the Taiwanese missions in European capitals renamed “Taipei Economic and Cultural Office” or “Taipei Representative Office.”

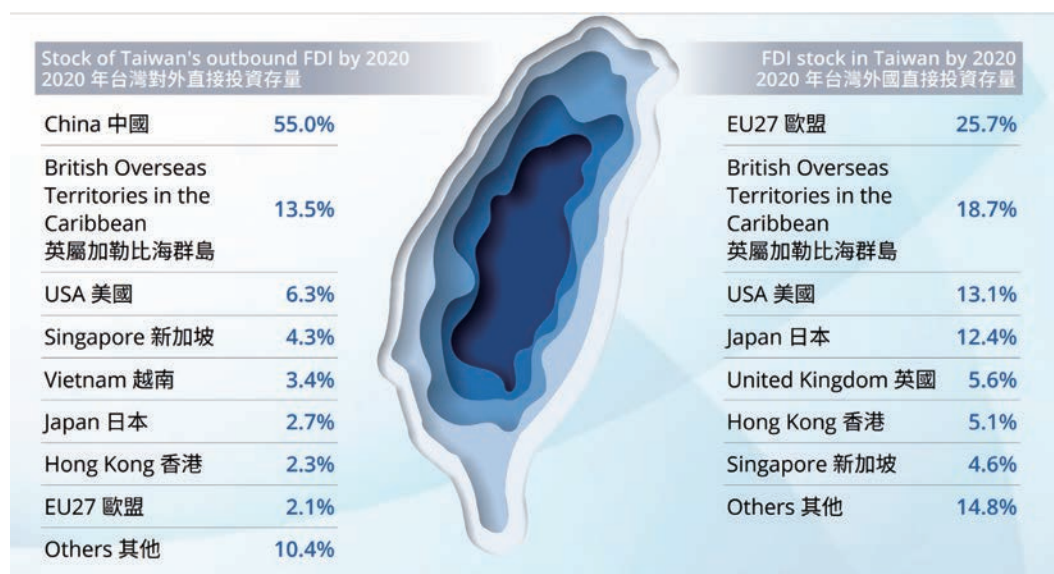
Taiwan-Europe relations largely rely on trade. Based on the necessities of trade, Taiwan’s Ministry of Economic Affairs and the European Commission agreed in 1981 to hold annual, closed-door consultations on trade and investment, marking the beginning of the formal contacts between Taiwan and the European Economic Community (EEC). In 1985, the European Parliament adopted a resolution on trade with Taiwan, advocating formalization of consultative conferences and establishing an EEC permanent delegation in Taiwan.

Trade relations between the EU and Taiwan have held firm since the establishment of mutual relations, even during the COVID-19 pandemic. The EU is Taiwan’s largest investor, accounting for around one quarter of all foreign direct investment in Taiwan. Taiwan is the EU’s 14<sup>th</sup> largest trading partner, while the EU is Taiwan’s fourth largest partner globally.<sup>2</sup>

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1. Hungdah Su, “EU-Taiwan Relationship since 1981,” in Thomas Christiansen, Emil Kirchner, & Philomena Murray, eds., *The Palgrave Handbook of EU-Asia Relations* (London: Palgrave Macmillan, 2013), pp. 538-553.

2. European Union Centre in Taiwan, 〈2021 歐盟-台灣雙邊關係概況〉, *European Union Centre in Taiwan Newsletter*, No. 292, September 30, 2021, *European Union Centre in Taiwan*, <[https://eeas.europa.eu/sites/default/files/2021eu-taiwan\\_relations\\_brochure.pdf](https://eeas.europa.eu/sites/default/files/2021eu-taiwan_relations_brochure.pdf)>.



**Figure 1. Sources of FDI to Taiwan**

Source: European Union Centre in Taiwan, 〈2021 歐盟-台灣雙邊關係概況〉, p. 3.

Besides trade relations, there are more stakes between Taiwan and the EU. A dominant view among Europeans today is of Taiwan as a vibrant democracy with a dynamic economy and society.<sup>3</sup> Taiwan is a democracy that has spearheaded the protection of LGBT rights in the region. The EU and Taiwan enjoy strong relations in several new policy areas, including human rights, gender equality, social issues, climate change, research and innovation, as well as education and culture.

In short, even if the diplomatic relationship is not officially normalized, EU-Taiwan relations are vibrant in various areas, especially in trade and norms. Moreover, with tensions between Brussels and Beijing increasing due to competition over technology, contradictions in human rights, and the deteriorating U.S.-China relations, Taiwan has become an alternative for the EU to enlarge its engagement in Asia, especially after many European stakeholders come to realize the importance of Taiwan

3. Jean-Pierre Cabestan, "European Views on EU-Taiwan Relations and Taiwan's Economic and Geostrategic Importance," November 10, 2011, p. 3, *American Enterprise Institute*, <[https://www.aei.org/wp-content/uploads/2012/06/-european-views-on-eutaiwan-relations-and-taiwans-economic-and-geostrategic-importance\\_123209122457.pdf](https://www.aei.org/wp-content/uploads/2012/06/-european-views-on-eutaiwan-relations-and-taiwans-economic-and-geostrategic-importance_123209122457.pdf)>.

in the global semiconductor production. All of this has created an opportunity for the EU and Taiwan to upgrade their relationship.

## **II. Evolving EU-Taiwan Relations**

During the pandemic era, Taiwan has improved its relations with Europe. Due to the special political design of the European Union, evolving EU-Taiwan relations should be observed from two levels: EU and member states. The international framework also has influence upon this relationship. This section looks at the changing EU-Taiwan relations from the perspective of these three aspects.

### **1. EU-Level: Support from the European Parliament**

At the EU level, the major deepening of EU-Taiwan relations started within European Parliament. In September 2021, when Lithuania was exploring the possibility of enhancing its relationship with Taiwan, which sparked Chinese threats, 62 members of the European Parliament (MEP) cosigned a letter to Lithuania condemning China's threats and bullying. The following month, the European Parliament passed a report on enhancing EU-Taiwan relations. The report earned great support among MEPs, approved by 580 votes in favor and only 26 against, with 66 abstentions. The report called on the EU to begin preparing for the possible signing of a Bilateral Investment Agreement (BIA) and to change the name of the EU representative office in Taipei.



**Figure 2. EU Lawmakers Pass a Report Backing Closer Ties with Taiwan**

Source: Lu Yi-hsuan & Jonathan Chin, “EU lawmakers pass report backing closer Taiwan ties,” *Taipei Times*, October 22, 2021, <<https://www.taipeitimes.com/News/front/archives/2021/10/22/2003766548>>.

The report emphasizes the shared values of the two sides. It encourages EU members to enhance trade, investment, and other exchanges with Taiwan and support Taiwan’s participation in international organizations. The report is regarded as a milestone that could lead to a domino effect among EU countries in establishing closer ties with Taiwan. In the report, Taiwan is considered a “key EU partner and a democratic ally” which contributes to maintaining a rules-based order in the Indo-Pacific, the hotspot of global politics.<sup>4</sup>

4. Tang Pei-chun & Joseph Yeh, “European Parliament passes report on enhancing Taiwan-EU

## 2. Member States Level: Enhancing Relations between Taiwan and the CEEC

Among EU member states, the CEEC, including Lithuania, the Czech Republic, Slovakia, and Poland, has been at the forefront of recent engagement with Taiwan.<sup>5</sup>

Taiwan and Lithuania are currently rapidly expanding ties. In 2020, Lithuanian politicians and citizens asked the government to support Taiwan's membership in the World Health Organization (WHO). In 2021, the Lithuanian-Taiwan forum was established. Amid growing discontent with China's 17+1 program, discussions began on the possibility of opening a Lithuanian trade office in Taiwan. In November 2021, Taiwan opened its de-facto embassy, the Taiwanese Representative Office, in Vilnius. The office is named after "Taiwan," rather than the often-used and less sensitive term "Taipei."

Besides the development of diplomatic relations were also more substantial interactions. In 2021, when Taiwan lacked sufficient doses of the COVID-19 vaccine due to diplomatic difficulties, Lithuania was the first European country to announce the donation of vaccines to Taiwan. In 2022, Taiwan announced that it was ready for invest US\$200 million into Lithuania's tech sector. Through what came to be known as vaccine diplomacy, more CEEC states also donated vaccines to Taiwan, including Slovakia, the Czech Republic, and Poland. This reflects the warming relationship between Taiwan and the CEEC.

## 3. International Level: Conclusion of the EU-China CAI

Another development that did not directly involve Europe and Taiwan but may have side effects on the EU-Taiwan relationship is the conclusion of the EU-China Comprehensive Agreement on Investment (CAI). The CAI negotiations started in 2013, and an agreement was reached in 2020. The agreement is expected to ensure

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relations," *Focus Taiwan - CNA English News*, October 21, 2021, <<https://focustaiwan.tw/politics/202110210012>>.

5. Grzegorz Stec, Francesca Ghiretti, & Thomas des Garets Geddes, "Taiwan + Climate cooperation + Global Gateway," November 18, 2021, *MERICs*, <<https://meric.org/en/meric-briefs/taiwan-climate-cooperation-global-gateway>>.



that EU investors obtain better access to the Chinese market and a better level playing field in China. Although Taiwan is not involved in the CAI, the conclusion of the CAI makes discussions of a EU-Taiwan BIA more relevant.

The conclusion of the CAI inspired discussions in Brussels on an investment deal with Taiwan, which has long been advocated by the European Parliament. The investment relationship between the EU and Taiwan is vibrant. With the EU as Taiwan's biggest investor, Taiwan is only the 14<sup>th</sup> source of FDI to the EU, which means that there is still room for Taiwan to increase investment in the bloc. Thus, a bilateral agreement on investment is expected to benefit both sides. Nevertheless, discussions on a EU-Taiwan BIA have been postponed in recent years, as China used the CAI negotiations to stifle discussions on EU-Taiwan investment.<sup>6</sup> After the conclusion of the CAI, the EU would have more space to deal with the economic agreement with Taiwan. It is therefore expected that talks on a EU-Taiwan BIA could accelerate after conclusion of the CAI.

### **III. Reasons for the Changes**

Based on the above, it is clear that the relationship between the EU and Taiwan has undergone substantial change. What are the reasons behind those developments? Two principal drivers, at the structural and domestic level, deserve closer analysis.

#### **1. Structural Level: Variations in the International Framework**

The international structure is important when analyzing EU-Taiwan relations. Geographically, Taiwan is situated in east Asia, and therefore has long been closer economically and strategically to the United States than to Europe. Thus, neither European countries nor the European Union have huge strategic engagement in the region. However, with the rapid economic development of East Asia in the past two decades, Europe has gradually become aware of the growing economic, diplomatic and security interests in East Asia, and European companies have become much more important suppliers of dual technologies to the region.<sup>7</sup>

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6. Zsuzsa Anna Ferenczy, "EU-China CAI—strategic mistake?" *Taipei Times*, January 9, 2021, <<https://www.taipeitimes.com/News/editorials/archives/2021/01/09/2003750217>>.

In 2013, the U.S., led by president Barack Obama, announced the so-called “Pivot to Asia” policy, marking a shift in strategic focus for the U.S. In 2017, the Trump administration stressed “the Free and Open Indo-Pacific,” again raising the strategic importance of the region. With the shift of the world’s center of gravity to the Indo-Pacific, Europe as a traditional ally of the U.S inevitably found itself having to redefine its own Asia policy. In 2021, the EU launched its Strategy for Cooperation in the Indo-Pacific, recommitting the EU to the region with the aim of contributing to stability, security, prosperity and sustainable development.

Those aims are need to be reached through the promotion of democracy, the rule of law, human rights and international law.<sup>8</sup> Taiwan, as the most successful exemplar of similar values in implementing democracy, rule of law, human rights and international law, has become an important partner of the EU in the pursuit of such goals in its Indo-Pacific strategy. Furthermore, the EU can play a role for ensuring peace and stability in the Taiwan Strait,<sup>9</sup> which fits the EU’s Indo-Pacific strategy. But this requires close cooperation with both China and Taiwan. In short, Taiwan’s significance has increased due to structural changes.

Strategically, the major target of the U.S.’ Asia strategy is China. To counter China, the Taiwan factor in U.S. diplomacy has increased.<sup>10</sup> Thus, the U.S. has strengthened its relationship with Taiwan. The warming U.S.-Taiwan relationship in turn encourages allies of the U.S. to strengthen their relationship with Taiwan, especially those that rely heavily on the U.S. security umbrella against Russia, i.e., the CEEC. This creates an opportunity for Taiwan to improve its relationships with the CEEC.

The COVID-19 pandemic has also raised Taiwan’s significance within the

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7. Jean-Pierre Cabestan, “European Views on EU-Taiwan Relations and Taiwan’s Economic and Geostrategic Importance,” p. 3.

8. European Union Centre in Taiwan, 〈2021 歐盟-台灣雙邊關係概況〉, p. 9.

9. Masako Ikegami, “Taiwan’s Strategic Relations with its Neighbors: A Countervailing Force to Rising China,” in Jens Damm & Paul Lim, eds., *European Perspectives on Taiwan* (VS Verlag für Sozialwissenschaften, 2012), pp. 119-121.

10. Justyna Szczudlik, “Rising Tensions in China-Taiwan Relations” *Polski Instytut Spraw Międzynarodowych*, February 19, 2019, <<https://pism.pl/upload/images/artykuly/legacy/files/25423.pdf>>.



international community. Taiwan emerged as a country with one of the lowest COVID-19 number of cases in the world.<sup>11</sup> While the pandemic spread across continents and forced several world cities to lock down, Taiwan's businesses, schools, and public events continued with much normalcy.<sup>12</sup> Taiwan's successful experience in fighting COVID-19 has underscored its world-class healthcare infrastructure,<sup>13</sup> attracting the interest of many countries that wished to learn from its experience. Furthermore, Taiwan donated more than 10 million masks to countries hit by the virus,<sup>14</sup> including European countries. Taiwan further donated mask production lines to the Czech Republic. Many countries that received masks from Taiwan subsequently donated vaccines in return, creating an amiable atmosphere for cooperation. In short, the COVID-19 pandemic created an opportunity for Taiwan to show its significance on the international stage. Taiwan's friendly actions during the pandemic earned it a chance to develop friendships and to strengthen its relations with like-minded countries, including many countries in the EU.

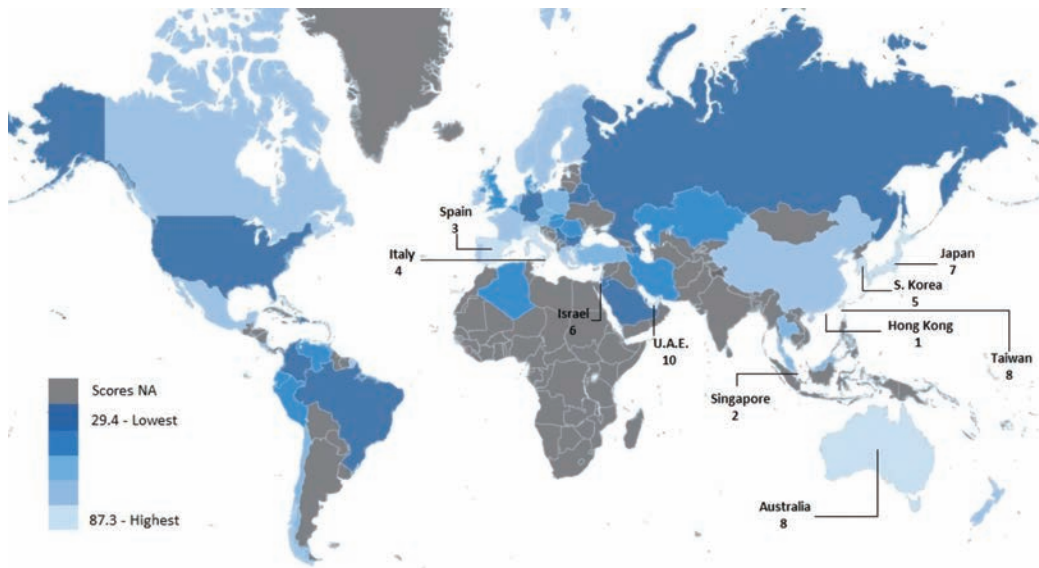
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11. Wayne Soon & Honghong Tinn, "Saving Taiwan's COVID-19 Success Story," *The Diplomat*, May 19, 2021, <<https://thediplomat.com/2021/05/saving-taiwans-covid-19-success-story/>>.

12. Wayne Soon, "Why Taiwan Is Beating COVID-19 - Again," *The Diplomat*, July 29, 2021, <<https://thediplomat.com/2021/07/why-taiwan-is-beating-covid-19-again/>>.

13. "How Taiwan became a linchpin in the fight against Covid-19," *BBC Future*, January 29, 2022, accessed, <<https://www.bbc.com/storyworks/future/taiwan-the-worlds-tech-partner/how-taiwan-became-a-linchpin-in-the-fight-against-covid-19>>.

14. Stacy Chen, "Taiwan to donate 10 million masks to countries hit hardest by coronavirus," *ABC News*, April 2, 2020, <<https://abcnews.go.com/Health/taiwan-donate-10-million-masks-countries-hit-hardest/story?id=69918187>>.



**Figure 3. World Map of Health Care Efficiency**

Source: Lee Miller & Wei Lu, “These Are the Economies with the Most (and Least) Efficient Health Care,” *BloombergQuint*, September 19, 2018, <<https://www.bloombergquint.com/global-economics/u-s-near-bottom-of-health-index-hong-kong-and-singapore-at-top>>.

**Table 1. Bloomberg Health Care Efficiency Scores**

Rank	Rank 1Y Ago	Chg	Economy	Efficiency Score	Life Expectancy	Relative Cost %	Absolute Cost %
1	1	-	Hong Kong	87.3	84.3	5.7	2,222
2	2	-	Singapore	85.6	82.7	4.3	2,280
3	3	-	Spain	69.3	82.8	9.2	2,354
4	6	2	Italy	67.6	82.5	9.0	2,700
5	4	-1	S. Korea	67.4	82.0	7.4	2,013
6	7	1	Israel	67.0	82.0	7.4	2,756
7	5	-2	Japan	64.3	83.8	10.9	3,733
8	10	2	Australia	62.0	82.4	9.4	4,934
9	12	3	Taiwan	60.8	79.7	6.2	1,401
10	9	-1	U.A.E.	59.7	77.1	3.5	1,402
11	20	9	Norway	58.9	82.3	10.0	7,464
12	14	2	Switzerland	58.4	82.9	12.1	9,818
13	-	-	Ireland	58.2	81.5	7.8	4,757
14	13	-1	Greece	56.0	81.0	8.4	1,505
15	-	-	New Zealand	55.6	81.5	9.3	3,554

Source: Lee Miller & Wei Lu, “These Are the Economies with the Most (and Least) Efficient Health Care.”

## 2. Domestic Level: The EU

Besides the changes in the international framework, the reasons that have led to changes in EU-Taiwan relations can also be analyzed from the perspective of the policy concerns of EU member states — in other words, at the domestic level within the European Union.

The improvements in Taiwan's relations with Europe have primarily occurred with countries located in Central East Europe. Those countries share a number of similarities. Politically, they were former parts of the USSR or satellites of the USSR and joined the EU in the 2000s after the breakdown of the Soviet Union. Thus, they all used to live under the shadow of autocracy and communism. Those countries now rely on the security umbrella provided by the U.S. in countering the threat posed by Russia. Their economic development lags behind Western industrial European states, such as Germany, France and the UK. To improve their economies, they joined the so-called 17+1 economic forum led by China in the 2010s to increase foreign investment and seek cooperation opportunities in a rapidly growing Asia.



Figure 4. Former USSR and Its Satellite States

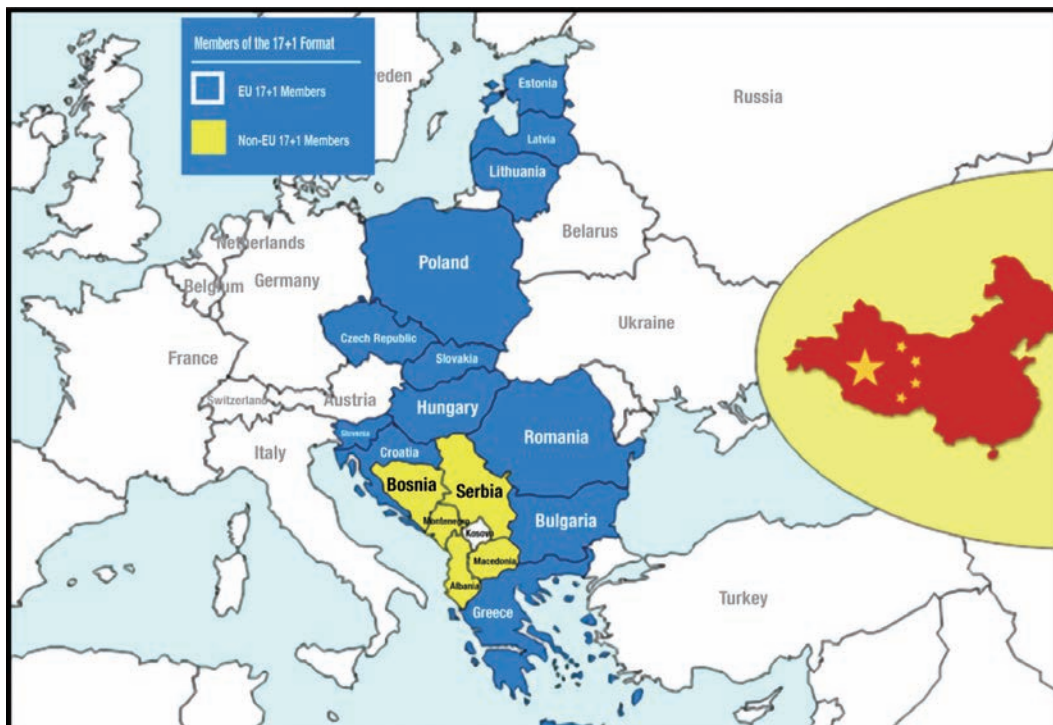
Source: Daniella Marinacci, "Soviet Satellite Nations Form," January 29, 2022, accessed, *Sutori*, <<https://www.sutori.com/en/story/soviet-satellite-nations-form--gTdQeyvSwBU5dyRWX11ktSoj>>.

Faced with the problems discussed above, there are several benefits for the CEEC to improve its relationship with Taiwan. Politically, improvements in the relationship with Taiwan are welcomed by the United States, their strongest ally. Culturally, due to the shadow of autocracy, a majority of citizens in the region are sympathetic to a country that faces a similar situation. Taiwan, which has a sovereignty problem with China, arouses the sympathy of citizens within the CEEC. Especially during the pandemic era, when Taiwan's successful handling of the virus could not be shared with international partners due to pressure from China, the historical shadow of persecution by the USSR revived many memories among the public in the CEEC. Thus the growing public support to collaborate more closely with, and to assist, Taiwan.

Last but not least are economic concerns. Participation in the 17+1 forum did not bring the expected economic opportunities for the CEEC. The 17+1 has been criticized as a tool of China to take over the strategic infrastructure in various countries, which poses a serious national security risk. China has invested in local infrastructure, such as ports, roads and industries in Central East Europe. However, more and more countries complained that China did not meet its investment promises, but only took over key infrastructures.<sup>15</sup> Consequently, in May 2020 Lithuania announced its withdrawal from the 17+1 and called on other EU countries to follow suit.

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<sup>15</sup>“Lithuania mulls leaving China’s 17+1 forum, expanding links with Taiwan,” *LRT*, March 2, 2021, <<https://www.lrt.lt/en/news-in-english/19/1356107/lithuania-mulls-leaving-china-s-17plus1-forum-expanding-links-with-taiwan>>.



**Figure 5. Members of the 17+1 forum**

Source: EUCNC ALBANIA, “THE 17+1 INITIATIVE,” January 29, 2022, accessed. *EUCNC ALBANIA*, <<https://eu-cnc.org/business/the-17-1-initiative>>.

After the failure of 17+1, the CEEC turned its eyes to Taiwan. In the COVID-19 chaos, Taiwan demonstrated its ability to combat the virus. Moreover, the high demand for semiconductors became a hot issue during the pandemic, as demand by certain industries such as smartphones and PCs skyrocketed. It soon triggered an unprecedented global shortage of chips. Taiwan has long been one of the major designers and manufacturers of chips. When most global manufacturers shut down their operations due to the pandemic, Taiwan’s performance in controlling the disease enabled its manufacturers to operate as usual. Taiwan’s excellence as a semiconductor superpower has received broad international attention, including that of Europe. For the CEEC, the success of Taiwan in semiconductors is a strong attraction. It demonstrates a way for a small-to-medium country to gain international space. Thus, the CEEC has been eager to learn from Taiwan’s experience and attract FDI in the semiconductor sector. Taiwan’s success in the semiconductor industry has created a strong incentive for the CEEC to improve its relations with Taiwan.

#### **IV. The Coming of a Pro-Taiwan EU Foreign Policy?**

Relations between Taiwan and several EU member states has occurred at the national level, while at the supranational level, the European Parliament has deepened its interactions with Taiwan. However, do these developments imply a bright future for Taiwan-EU relations? Do they signal the coming of a critical juncture in EU foreign policy, one where it will turn its focus from China to Taiwan, as Lithuania did? Those questions need to be further explored. As the European Union is an aggregate of 27 member states and various EU institutions, EU-Taiwan relations rely not only on specific member states, but also on the union as whole. This section looks at the future of EU foreign policy at the EU-level.

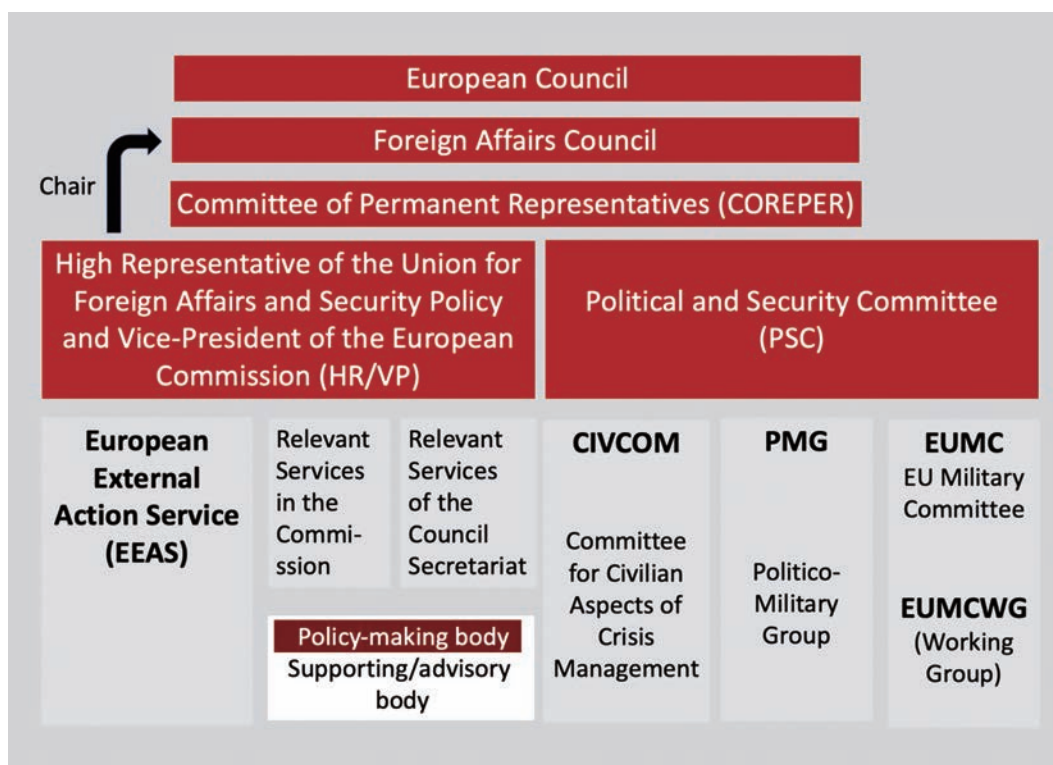
The EU is an atypical, complex, and partly post-Westphalian political system.<sup>16</sup> The EU's competence is shared by several institutions. In the areas of foreign policy, it is carried out by three top officials and services that sometimes compete with one another, including the president of the European Council, the president of the European Commission, as well as the high representative of the union for foreign affairs and security policy. Besides the European Council and European Commission, the European Parliament also expresses its opinions. Furthermore, the EU Common Foreign and Security Policy (CFSP) relies on the consensus of the 27 EU countries, while each member state retains a large degree of foreign and security policy autonomy and initiative, meaning that the CFSP often only reflects the smallest common denominator of the member states.<sup>17</sup> To explore the direction of EU's foreign policy, the positions of various actors, including the European Parliament, the European Council, the European Commission, as well as member states, must all be taken into consideration.

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*16.* Jean-Pierre Cabestan, "European Views on EU-Taiwan Relations and Taiwan's Economic and Geostrategic Importance," p. 2.

*17.* Jean-Pierre Cabestan, "European Views on EU-Taiwan Relations and Taiwan's Economic and Geostrategic Importance," p. 3.





**Figure 6. Structure in the Field of CFSP/CSDP of the European Union**

Source: Jozef Batora, Steven Blockmans, Enver Ferhatovic, Ingo Peters, Pernille Rieker, & Eva Stambøl, “Understanding the EU’s crisis response toolbox and decision-making processes,” September 30, 2016, *EUNPACK*, <<http://www.eunpack.eu/sites/default/files/publications/Deliverable%204.1.pdf>>.

## 1. Different Positions of EU Institutions

### A. Pro-Taiwan Institution: European Parliament

In the foreign policy arena, the European Parliament does not have official decision-making power, as the CFSP is led by the High Representative of the Union for Foreign Affairs and Security Policy who acts as Vice President of the Commission, head of the European External Action Service (EEAS) and the chairperson of Foreign Affairs Council. However, in practice, MEPs can exert their influence through other interactions. For example, MEPs can pass resolutions to express their policy wishes. Furthermore, even though the European Parliament does not have official power over foreign policy, it enjoys official decision-making powers in trade policy, which constitutes a powerful leverage for European foreign policy, because the EU does not



have hard power. In the trade and investment area, the European Parliament enjoys co-decision powers with the Council of the Ministers via an ordinary decision-making process.

The European Parliament has adopted a pro-Taiwan stance. It has passed a report on EU-Taiwan relations, referred to Taiwan as “a key partner and democratic ally,” and requested the Commission and the Council to explore a BIA with Taiwan. In November 2021, the European Parliament sent its first official delegation to Taiwan to explore Taiwan’s innovative system to combat disinformation campaigns and other types of hybrid attacks. During the visit, the delegation expressed solidarity with Taiwan for its efforts to deal with unprecedented pressure from China, and agreed to explore possibilities of partnership.

With regards to pressure from China, the recent tensions between the European Parliament and China have become serious due to human rights issues in Xinjiang. The European Parliament has passed a resolution to oppose China, and condemned sanctions imposed by Chinese authorities on European individuals and entities, frozen the ratification talks in the European Parliament, and urged the necessity to re-balance EU-China relations.<sup>18</sup> In short, the European Parliament has become much more friendly to Taiwan than to China.

### **B. Pro-China Institutions: European Council and European Commission**

While the European Parliament has questioned the legitimacy of the CAI, the President of the European Council, Charles Michel, expressed his support for the investment deal. He considered the EU-China investment deal “a huge step in the right direction” even as it aroused democratic debate in Europe.<sup>19</sup> Michel considered the agreement as a step to facilitate investment by European companies and pushed China to make commitments on social rights. Though the role that Michel plays as

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<sup>18</sup> European Parliament, “MEPs refuse any agreement with China whilst sanctions are in place,” *European Parliament News*, May 20, 2021, <<https://www.europarl.europa.eu/news/en/press-room/20210517IPR04123/meps-refuse-any-agreement-with-china-whilst-sanctions-are-in-place>>.

<sup>19</sup> “EU chief defends China deal ahead of US summit,” *EURACTIV*, June 8, 2021, <<https://www.euractiv.com/section/eu-china/news/eu-chief-defends-china-deal-ahead-of-us-summit/>>.

President of the European Council is more symbolic than substantial, the opinion of the President reflects the Union's position to some extent. Thus, this suggests that the Union is still hoping to upgrade EU-China relations.

Different from the European Council setting the direction of the Union but holding less substantial powers, the European Commission is the institution with substantial administration power. Since the *Lisbon Treaty*, the new Article 207 of the Treaty on the Functioning of the EU (TFEU) entitles the EU to gain exclusive competence on "foreign direct investment" as part of the EU's common commercial policy. Negotiations and implementation of BIAs thus fall within the EU rather than member states.<sup>20</sup> After China was irritated by the EP resolution condemning China, the Commission has sought to repair EU-China relations. It is therefore unlikely that the Commission will follow the European Parliament's approach of publicly engaging Taiwan. It is also unlikely that the Commission will revise its position on Taiwan under the "re-engaging China" strategy. A more possible development for the Council and the Commission to shift their Taiwan policy is to explore the BIA with Taiwan.<sup>21</sup>

Nevertheless, the responsible sector for trade policy in the European Commission, the DG Trade, is not enthusiastic in exploring a BIA with Taiwan. The DG Trade has consistently described the BIA as lacking economic basis. Thus, the DG Trade delayed the announcement of a new format for discussing economic and technology issues with Taiwan.<sup>22</sup> In short, from the public support for the CAI of the President of European Council to the coldness of pushing for a EU-Taiwan BIA at European Commission, it is clear that there is little consensus within European institutions at the moment to revise their position on Taiwan.

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20. Pasha L. Hsieh, "Rethinking non-recognition: The EU's Investment Agreement with Taiwan under the One-China Policy," *Leiden Journal of International Law*, Vol. 33, No. 3, September 2020, pp. 689-712.

21. Grzegorz Stec, Francesca Ghiretti, & Thomas des Garets Geddes, "Taiwan + Climate cooperation + Global Gateway."

22. Grzegorz Stec, Francesca Ghiretti & Thomas des Garets Geddes, "Taiwan + Climate cooperation + Global Gateway."

## 2. Different Interests of Member States

The improvement in the relationship between European countries and Taiwan has mostly occurred within the CEEC. However, not all EU member states share the same interests as the CEEC.

Politically and culturally, the CEEC lives under the security umbrella provided by the United States against Russia; all remember and understand the threats posed by autocratic neighbors. However, for western European countries, even though they also lived under the shadow of the Cold War, the threat they faced still differed markedly from that of the CEEC. Moreover, the Western European countries do not rely as heavily on the security umbrella provided by the U.S. as the CEEC. In fact, Western European states are even inclined to become more independent militarily to alleviate their security dependence on the U.S. This was demonstrated by the policy focus of the French presidency of the council in the first half of 2022.

In the 2022 French presidency agenda, France announced it would seek a more sovereign Europe by building a stronger Europe that is more capable of action in the fields of security and defense.<sup>23</sup> The meeting of Defense Ministers was chosen as the first informal ministerial meeting of the French Presidency,<sup>24</sup> suggesting the importance of defense to the presidency. This shows that the strategic interests of the CEEC and Western European states are quite different. In this situation, the improvement of the relationship with Taiwan to please the U.S. is not the concern of Western European countries as for members of the CEEC bloc.

For economic concerns, the CEEC is eager to learn from Taiwan's successful experience in developing its semiconductor industry. Moreover, given their limited economic links with China, they are less afraid of facing economic retaliation from Beijing. China's FDI in the CEEC is less than 1%, and exports by the CEEC to China

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23. "Programme of the Presidency," January 11, 2022, *French Presidency of the Council of the European Union 2022*, <<https://presidence-francaise.consilium.europa.eu/en/programme/programme-of-the-presidency/>>.

24. "Informal Meeting of Defense Ministers," January 10, 2022, *French Presidency of the Council of the European Union 2022*, <<https://presidence-francaise.consilium.europa.eu/en/news/informal-meeting-of-defence-ministers/>>.

account for less than 2% of total volume.

This is not the case for Western Europe. While the cumulative value of Chinese FDI from 2000 to 2020 in Lithuania and Slovakia was less than US\$1 billion, that for the Czech Republic was US\$1.2 billion and Poland US\$2.2 billion, the FDI in Germany was around US\$25 billion and France US\$15 billion.<sup>25</sup> This shows the different economic dependence on China between Western Europe and Central East Europe.

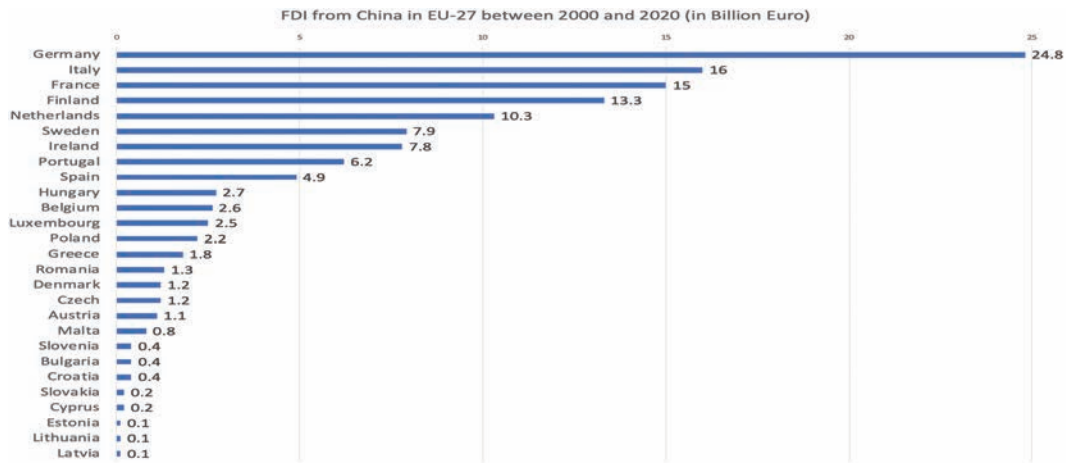
**Table 2. FDI to the EU-27 in Euro and in Percentage**

	Billion Euro	Percentage		Billion Euro	Percentage
Germany	24.8	19.76%	Greece	1.8	1.43%
Italy	16	12.75%	Romania	1.3	1.04%
France	15	11.95%	Denmark	1.2	1.04%
Finland	13.3	10.60%	Czech	1.2	0.96%
Netherlands	10.3	8.21%	Austria	1.1	0.88%
Sweden	7.9	6.29%	Malta	0.8	0.64%
Ireland	7.8	6.22%	Slovenia	0.4	0.32%
Portugal	6.2	4.94	Bulgaria	0.4	0.32%
Spain	4.9	3.90%	Croatia	0.4	0.32%
Hungary	2.7	2.15%	Slovakia	0.2	0.16%
Belgium	2.6	2.07%	Cyprus	0.2	0.16%
Luxembourg	2.5	1.99%	Estonia	0.1	0.08%
Poland	2.2	1.75%	Lithuania	0.1	0.08%
			Latvia	0.1	0.08%

Source: Compiled by the author; “Cumulative value of completed foreign direct investment (FDI) transactions from China in EU-27 and UK between 2000 and 2020, by country,” June 17 2021, *Statista*, <<https://www.statista.com/statistics/1244460/china-cumulative-foreign-direct-investment-to-eu-by-country/>>.

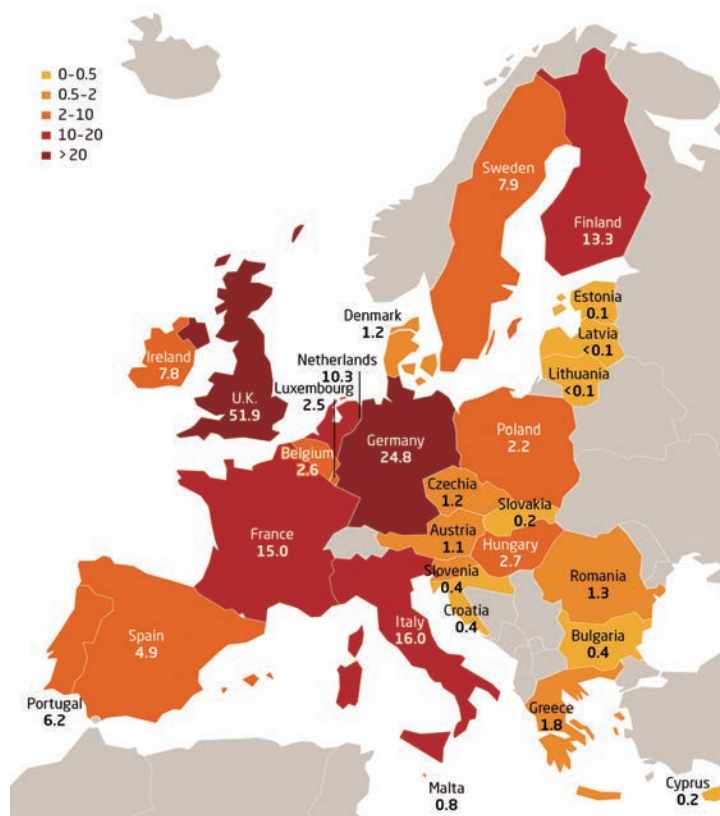
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<sup>25</sup>“Cumulative value of completed foreign direct investment (FDI) transactions from China in EU-27 and UK between 2000 and 2020, by country.”



**Figure 7. Chinese FDI to the European States (Statistic)**

Source: Compiled by the author; “Cumulative value of completed foreign direct investment (FDI) transactions from China in EU-27 and UK between 2000 and 2020, by country.”



**Figure 8. Chinese FDI to the European States (map)**

Source: Agatha Kratz, Max J. Zenglein, & Gregor Sebastian, “Chinese FDI in Europe: 2020 Update,” *MERICs*, June 16, 2021, <<https://merics.org/en/report/chinese-fdi-europe-2020-update>>.

The high economic dependence of Western Europe has made Western European members hesitant to adopt a tough stance toward China. Western European countries tend to engage with China instead of confronting it. For example, in German's Presidency in 2020, Germany actively pushed for negotiations of a CAI. Germany's sustained efforts made the conclusion of the CAI possible. This shows Germany's interest in engaging with China.

### **3. Difficulties in Finding a United Position**

From the various stances of EU institutions and different national interests of various member states, it is not difficult to imagine the difficulties that the Union is facing in seeking a united position in dealing with Taiwan.

At the EU level, the major actor supporting Taiwan is the European Parliament. MEPs visited Taiwan and passed a pro-Taiwan report. However, even though the European Parliament enjoys co-decision legislative powers with the Council, the European Parliament is still far from the core of EU decision-making. The power to decide whether a policy can go into decision-making channels lies in the hand of the Commission; as to the direction of the Union, it is the European Council that sets the course. And the Council of the Union, which carries out the interests of member states, also co-decides whether a policy can be adopted or not. Therefore, to change a policy course, only support from the European Parliament is not enough. Support from the European Council, the European Commission as well as Council of Ministers is indispensable.

The positions of the institutions mentioned above depend to a large extent on the "consensus" of all member states, especially on the stances of the big members. However, as we have seen, there is so far no consensus regarding the Taiwan and China issue. Member states in different regions have their own historical backgrounds, different strategic concerns and various economic situations, making consensus difficult to achieve.

Even though the strategic importance of the Indo-Pacific has been noticed, generally speaking Europe does not have as much at stake in the region as the U.S. Among EU members, France is the only country with the status of a resident power

in the Indo-Pacific. Other European countries are still struggling to find a rationale for the strategic shift to the Indo-Pacific. Thus, the EU's Indo-Pacific strategy is much more about cooperation and less about confrontation.<sup>26</sup> Under such logic, China becomes a partner with which the EU seeks cooperation. The Taiwan's issue, which can "anger" China, is therefore not mentioned in the EU's recent Strategic Compass. This suggests that the EU still remains conservative in its Taiwan policy.

### **V. Conclusion: Can a Shift in the EU's Taiwan Policy Be Expected in the Near Future?**

In view of the differences between EU actors and European states, even though we have seen increasing European engagement with Taiwan, a major shift in the EU-wide approach to Taiwan remains unlikely in the near future. The major actors supporting Taiwan, such as the European Parliament and legislators, play an important consultative role, but actual policy decisions can only be shaped by a consensus among national governments and the European Commission. While it is true that the development of the EU-Taiwan relationship provides positive momentum for expanding relations, it still requires broader consensus. The support of the CEEC is unlikely to change the full course of the EU's Taiwan policy. And the enthusiasm of the CEEC is unlikely to be replicated by other EU members, especially for the big states like France and Germany.<sup>27</sup>

Currently, the most accepted EU-wide consensus regarding Taiwan is Taiwan's significance in the semiconductor sector, trade and investment, and data protection. If Taiwan wants to increase its relationship and hopes for a shift to a more pro-Taiwan policy within the EU, Taiwan will have to even further strengthen its role in those areas.

\* The article is part of the research project of the Ministry of Science and Technology, R.O.C., "The construction of the role of power of international actors: from the case of the EU" (110-2410-H-259-010-MY2).

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26. Grzegorz Stec, Francesca Ghiretti & Thomas des Garets Geddes, "Taiwan + Climate cooperation + Global Gateway."

27. Grzegorz Stec, Francesca Ghiretti, & Thomas des Garets Geddes, "Taiwan + Climate cooperation + Global Gateway."