

EU-Taiwan Ties in a New Reality: Time for an Upgrade



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Introduction

“To preserve peace, stability, and the status quo in the Taiwan Strait is key, not just for the security and prosperity of the region, but also for ours”, the EU’s High Representative Josep Borrell said in his address to the European Parliament in September 2022.¹ This marked a year since the EP adopted its first stand-alone report on EU-Taiwan political relations and cooperation, raising key European concerns about the situation in the Taiwan Strait, including security, peace and stability, and threats to the rules-based international order.² The resolution urged the bloc to intensify bilateral relations and “pursue a comprehensive and enhanced partnership under the guidance of the EU’s One China Policy”.

These developments capture the **new reality in EU-Taiwan relations**, marked by an unprecedented level of European awareness of Taiwan’s strategic relevance to the bloc’s interests, seen in the context of efforts to rebalance relations with China. With the central balance of international power shifting from the Euro-Atlantic to the Indo-Pacific, and with the US-China rivalry intensifying, Taiwan’s relevance has recently increased. In light of China’s support for Russia’s aggression against Ukraine, Taiwan’s importance as a frontline democracy has also grown. Japan’s Prime Minister Fumio Kishida’s warning “Ukraine today may be East Asia tomorrow”, was a sign that regional states in the Indo-Pacific are reassessing their defence positions.

The Indo-Pacific accounts for more than 65 per cent of global GDP. More than one-third of Europe’s exports goes to the region, making the EU dependent on unimpeded sea lanes of communication. As a pivotal node in the global semiconductor supply chain, Taiwan has an indispensable place in the global economy, highly integrated into regional and global supply chains. Chips and related products dominate EU trade relations with the island, and European machinery has contributed to the success of Taiwan’s semiconductor industry. Taiwan has excelled in technology, becoming an important hub for European high-tech companies. As the US-China rivalry is reshaping the global tech landscape, the EU is concerned about economic competitiveness, a concern it shares with Taiwan.

¹ European External Action Service, Taiwan: Remarks by High Representative/Vice-President Josep Borrell at the EP debate on the recent developments, September 13, 2022, https://www.eeas.europa.eu/eeas/taiwan-remarks-high-representativevice-president-josep-borrell-ep-debate-recent-developments_en

² European Parliament, EU-Taiwan political relations and cooperation, P9_TA(2021)0431, https://www.europarl.europa.eu/doceo/document/TA-9-2021-0431_EN.pdf

EU member states have started to appreciate Taiwan's geostrategic relevance and have contributed to its internationalisation through trade, people-to-people contacts and cultural exchanges. Yet, they lack a common strategy to approach Taiwan in a way that advances the EU's geopolitical ambitions, contributes to the island's security, and helps maintain peace and stability in the Taiwan Strait. This is to a great extent due to the lack of adequate understanding of Taiwan's value and significance which extends beyond its relationship with China. At the same time, Taiwan lacks nuanced and thorough understanding of the EU's multi-layered governance and complex institutional setup.

Regarding Taiwan's positioning itself vis-à-vis China, the island's self-perception has changed in light of Beijing's growing assertiveness as displayed in its crackdown on Hong Kong in 2019 and the subsequent passing of its national security law in 2020. Beijing's violation of its commitment to the "one country, two systems" framework left the people of Taiwan with no illusion about what unification with China would entail. Equally, Russia's renewed aggression against Ukraine signalled authoritarian leaders' resolve to use force to pursue their territorial ambitions. These dynamics have shaped Taiwan's approach to Europe as a like-minded partner, binding them in a common effort against authoritarianism.

With its foreign policy growing more pragmatic and its approach to China more realist, the EU now sees Taiwan as a like-minded partner, on its own merit, as a robust democracy and technologically advanced economy. The two share a commitment to democracy, rule of law and fundamental freedoms, as they are both working on reinforcing their resilience. Contextualising the relationship in the larger geopolitical and geo-economic reality helps guide forward-looking reflections on how to consolidate the positive trend in the European discourse and how to build on it in a way that contributes to both Europe's and Taiwan's resilience.

The EU and Taiwan are in a learning process, a key moment in bilateral relations, a time when policymakers have an opportunity to work out how best to approach each other. It is during these times of policy flexibility that strategic consultations can have the greatest impact. This paper contributes with concrete policy recommendations to ongoing reflections on how to consolidate bilateral ties in ways that help turn the positive Taiwan-friendly discourse in Europe into concrete action. This research also aims to help Taiwan better understand the EU's ambitions, complexities and limitations and its difficult relationship with China, and appreciate the importance and value of having the EU as a close partner, that also represents the largest single source of foreign direct investment in the island. The research first elaborates on Taiwan's geostrategic relevance; second, it explores the factors that have enabled the EU to elevate Taiwan on its agenda, and finally, it assesses Taiwan's interest in expanding bilateral cooperation in the context of efforts to navigate cross-Strait tensions better.

The expansion of bilateral cooperation depends on the actions, ambitions, and political will of both sides. Only through a better understanding of Taiwan's complex relations with China can the EU ensure that expanding cooperation benefits its geostrategic adjustment and contributes to maintaining the status quo in the Taiwan Strait. **EU-Taiwan cooperation is a two-way street, where both parties can and should exercise agency to determine one's development path and to shape the development of the other.**

Why Taiwan Matters

Criticism has long persisted that while being the world's largest trade bloc, as an international actor, the EU punches below its weight, unable to adjust to a multipolar world ruled by power politics. Fragmentation, poor leadership, and dysfunctional institutional arrangements are some of the factors shaping external perceptions of the EU's actorness. Taiwan - and most of the Indo-Pacific - has for long perceived the EU as a complex political and economic entity, one that could fascinate and confuse at once, particularly concerning its global role.

A series of crises the EU has faced over the past decade has limited the EU's ability to project influence and made acting collectively difficult. The bloc is still recovering after a global financial and health crisis, grappling with migration, and facing growing authoritarian challenges, with Russia and China presenting often coordinated threats. Europe is also trying to secure its competitiveness and catch up with other major regions on key technologies, an area where Taiwan has built up unique expertise with strong financial support from the government and the private sector, particularly in semiconductors and artificial intelligence (AI). These are areas where China has also invested heavily, gaining significant headwind in the global tech race.

In addition to its outstanding performance in chips manufacturing, Taiwan's semiconductor industry has extended its reach to AI chip design. Its importance to global AI computing power has been widely recognised. In 2019, with the support of the Ministry of Economic Affairs (MOEA), the AI on Chip Taiwan Alliance (AITA) was established, gathering more than 80 local leading chips and ICT companies, universities, and R&D institutions, setting up an ecosystem connecting the AI semiconductor supply chain and downstream applications. Taiwan has effectively leveraged technology to tackle the pandemic by using AI and the Internet of Things (IoT). It invests in human-oriented AI and promotes data governance and AI ethics to build and implement trustworthy AI. Since its adoption in 2018, the Taiwan AI Action Plan has sought to propel the island into an innovation hub in the Asia-Pacific, developing AI core technologies for use in smart healthcare, smart manufacturing, and smart services.

In 2022, Taiwan established the Ministry of Digital Affairs with an AI Evaluation Center, and invested in developing AI, 5G and 6G. In 2023, domestic academic institutions started developing the Trustworthy AI Dialogue Engine, or TAIDE, an example of trustworthy AI application and the island's first large language model (LLM) in traditional, rather than simplified Chinese which is used in China, thus shielding the application from the PRC's political influence. These measures have supported Taiwan's shift in software development, given that its tech industry is traditionally dominated by hardware manufacturers like the Taiwan Semiconductor Manufacturing Company (TSMC/台灣積體電路製造股份有限公司).

Taiwan ranks first in market share for major ICT products, producing 60 per cent of the world's chips and over 90 per cent of the most advanced ones. The semiconductor supply chain being highly globalised, the Netherlands' ASML is the key and sole provider of crucial equipment necessary for advanced chip manufacturing. In contrast, China produces a little over 5 per cent of semiconductors and heavily depends on Taiwan's supplies but dominates the supply chain of crucial critical raw materials for the production of semiconductors. Chips produced in Europe meet just 9 per cent of European demand, and European companies have only about 10 per cent of the market across the chip value chain.

The EU has released a series of strategic plans to shape its digital future, including in data utilisation and AI. By circumventing Taiwan's diplomatic isolation but without going beyond existing boundaries, the EU has reinforced ties with Taiwan in order to strengthen security of supply, exploring ways to help the island participate in multilateral and bilateral economic cooperation. As such, at the second Taiwan-EU Dialogue on Digital Economy in 2022, the two sides agreed to expand cooperation on AI and promote the establishment of global technical standards for trustworthy AI.³

The EU and Taiwan share similar interests in the digital domain in terms of competence, competitiveness, and resilience. Seen from this perspective, partnering up serves both of their interests. The EU made **twin green and digital transition** a priority. Yet, Europe is facing significant challenges in its technological capabilities, which are not spread evenly across the bloc. At the same time, research shows that several European regions have a clear specialisation either on green or on digital technologies, which may limit their potential to develop twin transition technologies and contribute to the bloc's overall transition.⁴

When it comes to technology, Europe is overall in a rather weak position in **transversal technologies** across sectors, including AI, quantum computing, cloud, or cleantech. For example, 50 per cent of the top ten major companies investing in quantum computing are in the

³ National Development Council, the 2nd Taiwan-EU Dialogue on Digital Economy (DDE) successfully concluded; Taiwan-EU cooperation moving forward toward a new frontier, https://www.ndc.gov.tw/en/nc_8455_34617

⁴ Bertelsmann Stiftung, Technological capabilities and the twin transition in Europe, April 2023, <https://globaleurope.eu/technological-capabilities-and-the-twin-transition-in-europe/>

US, 40 per cent in China and none in the EU. In AI, in 2015-2020 the US captured 40 per cent of external funding, Europe 12, and Asia 32 per cent. In biotech, Europe has a strong science base and a robust pool of talent, but investment varies; in 2018-20 the US spent USD260 billion, Europe USD42 billion and China USD19 billion.⁵

In order to be able to leverage its collective strengths, ensure economic security, and lead in standard setting, Europe has some catching up to do in technology. In response to geopolitical shifts, Europe's awareness to secure strategic autonomy on critical technologies has intensified. China's support to Russia has shaped how the EU views its relationship with Russia, but also with China and Taiwan. In light of the strengthening of the China-Russia strategic alignment, EU Commission president Ursula von der Leyen said, "how China continues to interact with Putin's war will be a determining factor for EU-China relations going forward".⁶ The aggression has raised concerns, particularly in Taiwan, that a revanchist China would follow Russia's lead. Some have argued that successful Western support to Ukraine would serve as a deterrent for the Chinese leadership.

The bravery of the Ukrainian people and their organised resistance also inspired the people of Taiwan to prepare and its government to increase military spending and to reinstate mandatory one-year military service on the island.⁷ Learning from Ukraine's experience, Taiwan is also consolidating its satellite infrastructure to protect it from cyberattacks, including AI-driven ones. This may prove critical to safeguard its sovereignty. Inspired by the role that the Starlink constellation has played in Ukraine's defence, in December 2022, Taiwan's Space Agency unveiled its plan to initiate a dedicated low-Earth orbit (LEO) satellite communication project, part of broader efforts to build infrastructure that could survive an attack from China.⁸

NATO's message following Moscow's aggression was that the security of Europe and the security of Asia are joined, reflected by the presence of the leaders of Australia, Japan, New Zealand and South Korea at the 2022 NATO summit.⁹ Their participation at the 2023 summit suggested NATO has maintained its stance.¹⁰ As Japan's Prime Minister Kishida noted, "Ukraine today may

⁵ Sven Smit et al., Securing Europe's competitiveness: Addressing its technology gap, McKinsey Global Institute, September 22, 2022, <https://www.mckinsey.com/capabilities/strategy-and-corporate-finance/our-insights/securing-europes-competitiveness-addressing-its-technology-gap>

⁶ European Commission, Speech by President von der Leyen on EU-China relations to the Mercator Institute for China Studies and the European Policy Centre, March 30, 2023, https://ec.europa.eu/commission/presscorner/detail/en/speech_23_2063

⁷ CNBC, Taiwan proposes large rise in defence spending amid escalating China tensions, August 25, 2022, <https://www.cnbc.com/2022/08/25/taiwan-proposes-large-rise-in-defense-spending-amid-escalating-china-tensions.html>

⁸ Juliana Suess, Starlink Satellite Communications System, RUSI, January 20, 2023, <https://rusi.org/explore-our-research/publications/commentary/starlink-20-taiwans-plan-sovereign-satellite-communications-system>

⁹ NATO, Madrid Summit Declaration, June 29, 2022, https://www.nato.int/cps/en/natohq/official_texts_196951.htm

¹⁰ NATO, Vilnius Summit Communiqué, July 11, 2023, https://www.nato.int/cps/en/natohq/official_texts_217320.htm

be East Asia tomorrow”.¹¹ With its westernmost island less than 100 miles from Taiwan’s east coast, Japan’s alarm is justified, as is that of Australia and the Republic of Korea, both victims of China’s coercion in the Indo-Pacific.

The EU’s response to the invasion illustrates that Europe can leverage its collective weight and move rapidly when faced with a serious challenge. A similar approach will be necessary to address the EU’s competitiveness crisis and its efforts to address the technology gap. Working closely with Taiwan in this process will be indispensable. The EU made international partnerships a central pillar of its geostrategic thinking. It already has a solid cooperative framework in place with Taiwan. The two share the interest of reinforcing economic and democratic resilience. Taiwan has been exposed to China’s coercive operations for decades and continues to face millions of cyberattacks every month. Estimates are some 20 to 40 million per month, according to Chien Hung-wei (簡宏偉), head of Taiwan’s Department of Cyber Security of the executive branch of the government.¹²

For Europe, in the face of authoritarian threats, partnering up with Taiwan in the fight against disinformation and foreign interference is equally important, as they are both vulnerable to coercion. Russia and China have weaponised Europe’s strategic dependencies and supported their efforts with information manipulation and interference to shape local political debates, to polarise and undermine the public’s trust in democracy. Manipulating information has served both Xi’s and Putin’s political agenda to discredit democracy and sow divisions. Chinese state-media and official social media channels amplifying selected pro-Kremlin narratives and providing a platform for sanctioned Russian media outlets has provided evidence that the two state media ecosystems have started joint operations.¹³ They pursue a world order that better suits their agendas, with an alternative governance model that legitimatises their systems of control, driven by a shared fear of liberal democracy.¹⁴

For this reason, for the Chinese leadership, Taiwan’s democracy, consolidated with every free and fair election, is a threat, hence Beijing’s efforts to discredit democracy. On January 13, 2024, Taiwan held elections for its presidency and 113-seat legislature, the Legislative Yuan. Since Tsai Ing-wen (蔡英文) of the Democratic Progressive Party (DPP/民主進步黨) was elected President of the Republic of China (Taiwan) in 2016, Beijing has suspended official cross-Strait dialogue and has increased “grey zone” tactics. Ahead of the elections, compared to the previous year Taiwan faced a 3,370 per cent growth in cyberattacks against the government,

¹¹ James D.J. Brown, *The China Factor: Explaining Japan’s Stance on Russia’s Invasion of Ukraine*, Carnegie, February 28, 2023, <https://carnegieendowment.org/politika/89156>.

¹² Eric Cheung, Will Ripley and Gladys Tsai, *How Taiwan is trying to defend against a cyber “World War III”*, CNN Business, July 23, 2021, <https://edition.cnn.com/2021/07/23/tech/taiwan-china-cybersecurity-intl-hnk/index.html>

¹³ Paul Mozur, Steven Lee Myers, and John Liu, *China’s Echoes of Russia’s Alternate Reality Intensify Around the World*, New York Times, April 11, 2022, <https://www.nytimes.com/2022/04/11/technology/china-russia-propaganda.html>

¹⁴ Patrick Quirk and David O. Shullman, *Putin and Xi are accelerating their push against democracy. Here’s how the US can fight back*, Atlantic Council, May 6, 2022, <https://www.atlanticcouncil.org/blogs/new-atlanticist/putin-and-xi-are-accelerating-their-push-against-democracy-heres-how-the-us-can-fight-back/>

technology, and critical infrastructure.¹⁵ The DPP's Lai Ching-te (賴清德) retained the DPP presidency in an unprecedented third term, without however winning a majority in the legislature, which could slow down policymaking. Taiwan has boosted its capacity to withstand threats by leveraging technology, investing in media literacy, and reinforcing cyber resilience. Beijing has failed to convince the people of Taiwan that their future is better if united with the PRC, rather than under their democratically elected government. Moreover, international sympathy for the island has strengthened.

The EU's turn toward Taiwan

EU-Taiwan relations have entered a new chapter; both sides have become more aware of each other and have started engaging in new thinking to reinforce their economic and democratic resilience. In European circles, discussions about Taiwan have been framed in the context of the EU's own one-China policy. Under its one-China principle, Beijing has insisted there is one China and Taiwan is part of China; Taiwan is therefore an internal affair. The Chinese government has stated "national reunification is the only way to avoid the risk of Taiwan being invaded and occupied again by foreign countries".¹⁶ Taiwan rejects these claims as false, arguing that the PRC never ruled the island. Taipei officially maintains that Taiwan is already independent as the Republic of China (Taiwan), whose jurisdiction covers Taiwan, Penghu, Kinmen, Matsu, and other outlying islands, therefore there is no need to declare independence.

The EU does not take a position on Taiwan's sovereignty. At the same time, as its ties with China have strengthened over the decades, the bloc has shown little resistance to Beijing's efforts to impose its sovereignty claims over Taiwan. The EU has continued to abide by its own one-China policy, in light of which it recognises the PRC as the sole legal government of China and maintains cooperation with Taiwan. It is noteworthy that the EU never subscribed to Beijing's one-China principle. Still, Beijing has falsely claimed that by cooperating with Taiwan the EU has violated Beijing's one-China principle. China has thus interfered in the bloc's sovereign policymaking and continues to undermine its right to engage Taiwan. The lack of European resistance to Beijing's growing assertiveness has supported China's efforts to ensure that Europeans perceive Taiwan strictly through a China lens.

The EU's one-China policy remains as a clear boundary to the bloc's cooperation with Taiwan. Yet, this has not been a limitation. As such, in 2022, EU HR Borrell explicitly said in a European Parliament debate that "the One China Policy does not prevent us - the European Union - from persisting and intensifying our cooperation with Taiwan".¹⁷ With changing perceptions across the

¹⁵ Omer Yoachimik and Jorge Pacheco, DDOs threat report for 2023 Q4, Cloudflare, January 9, 2024, <https://blog.cloudflare.com/ddos-threat-report-2023-q4/>

¹⁶ Embassy of the People's Republic of China in the United States of America, White Paper: The Taiwan Question and China's Reunification in the New Era, August 10, 2022, http://us.china-embassy.gov.cn/eng/zgyw/202208/t20220810_10740168.htm

¹⁷ European External Action Service, Taiwan: Remarks by High Representative/Vice-President Josep Borrell at the EP debate on the recent developments, September 13, 2022.

EU, the bloc and its member states started *seeing Taiwan also outside of the EU-China context*, on its own merit as a like-minded partner. This shift has encouraged EU institutions to pay more attention to cross-Strait relations, as the EU seeks to carve itself more strategic space to navigate the US-China strategic rivalry and gain relevance in the race for tech supremacy, and exercise more agency - and, finally, to punch above its weight.

Taiwan has been living under an existential threat from the PRC, with pressure growing especially following the 2016 presidential elections. Nonetheless, Beijing prefers winning a war without fighting a battle and would like to annex the island by avoiding an all-out war, instead staying in a constant “grey zone”. Beijing is focusing on hybrid warfare, covert influence operations, disinformation, information manipulation, and cyberattacks.

The response from the island’s leadership to growing **hybrid threats** has been calm but clear: “We do not provoke, we do not act rashly, and we will absolutely not bow to pressure”, adding that Taiwan has instead deepened cooperation with democracies around the globe, “acting as a force for good in the world”.¹⁸ Beijing’s priority remains to shape the narrative inside Taiwan, but also to influence global narratives about its relationship with the island, by imposing false sovereignty claims. It has pursued the same in its relations with Europe. For Beijing, although the military element is important to project power, manipulating the information space has become vital in its plans to take control over Taiwan.

In 2020, at the outset of the pandemic, HR Borrell spoke of a battle of narratives, fearing China’s interference attempts in the democratic space. Seeing China’s rhetorical alignment with Russia, Europe’s sense of alarm has increased. In her speech on EU-China relations before she visited Beijing in April 2023, Commission President von der Leyen laid out her **de-risking** approach to China in both diplomatic and economic ties, adding that there must be space for a discussion on a more ambitious partnership.¹⁹ The starting point would need to be having a clear-eyed picture on what the risks are, she explained.

By de-risking through trade, the EU has focused on re-balancing trade with China which requires addressing dependencies, risks, and supply chain vulnerabilities. De-risking through diplomacy would equip the EU with the means to better protect its democracy. Going forward, the biggest challenge in pursuing de-risking remains the lack of unity of member states, as they still diverge on how to handle China. Beijing has for long refused to make concessions on structural issues and has shown no interest in playing a more constructive role regarding Russia. Instead, it has doubled down on efforts to promote its alternative governance model in the developing world, often referred to as the “Global South”. China has also invested extensively in its power

¹⁸ Focus Taiwan, Full text of President Tsai Ing-wen’s National Day address, October 10, 2023, <https://focustaiwan.tw/politics/202310100004>

¹⁹ European Commission, Speech by President von der Leyen on EU-China relations to the Mercator Institute for China Studies and the European Policy Centre, March 30, 2023, https://ec.europa.eu/commission/presscorner/detail/en/speech_23_2063

projection capacity in the Indo-Pacific region. Across much of the region, China has used military and economic coercion to intimidate its neighbours, advance unlawful maritime claims, threaten maritime shipping lanes, and destabilise territory along the periphery of the PRC. The impact of PRC militarisation has been most acute in the South China Sea, where China has built several bases, using these locations to expand its coercion of Southeast Asian coastal states, undermining their efforts to exercise their sovereign rights under international law. Concerning Taiwan, Beijing has continued to refuse to discuss cross-Strait relations with the EU, ignoring European concerns about potential escalation.

The EU's tripartite definition of China since 2019 - a partner, competitor, and systemic rival - reflects the bloc's awareness that an increasingly assertive China has significant implications concerning its prosperity and security. Beijing's frequent use of economic coercion as punishment for countries whose political actions it rejects have undermined the confidence of European governments and businesses in China as a partner that is willing to play by the rules. Since his first term, Xi Jinping has strengthened the state sector by using state-owned enterprises (SOEs) as tools to implement state policy, emphasising Party control.

Xi's economic reform path "with Chinese characteristics" has pushed European governments to in principle embrace the concept of de-risking. The lack of symmetry in trade relations, together with Beijing's assertive discourse on its alternative global governance, have contributed to a deterioration in views of China. In response, developing like-minded partnerships, including with Taiwan, is the core of the EU's Indo-Pacific Strategy adopted in 2021. In its 2023 Strategic Compass, the EU reconfirmed it would seek tailored partnerships that are mutually beneficial, serve EU interests and support its values, in particular when there is a shared commitment to an integrated approach to resilience.²⁰ In contrast with China's state-controlled economy and opaque, top-down political system, Europe has acknowledged the value of partnering with Taiwan as a democracy, with a vibrant civil society and technologically advanced economy. For Europe's prosperity and security, peace and stability in the Taiwan Strait remain essential.

Taiwan's turn toward the EU

Although diplomatically isolated as a result of Beijing's one-China principle, Taiwan has become a key player in high-tech supply chains that China also relies on. Living under the status quo has allowed the two sides to pursue divergent political trajectories and build solid trade ties, which have kept Taiwan deeply integrated into PRC supply chains. Taiwan is one of the biggest investors in China and China relies on Taiwan's semiconductors for its development. In 2022, the value of cross-Strait trade was USD205.11 billion. The Cross-Strait Economic Cooperation Framework Agreement (ECFA) concluded in 2010 aimed to institutionalise bilateral trade. It also

²⁰ European External Action Service, A Strategic Compass for Security and Defence, March 24, 2022, https://www.eeas.europa.eu/sites/default/files/documents/strategic_compass_en3_web.pdf

provoked societal discontent in Taiwan, concerned about the implications of growing economic dependence on China in terms of political leverage over the island, which culminated in the “Sunflower Movement”.

In response, Beijing has leveraged more economic incentives, such as the “26 Measures” in 2019, ahead of Taiwan’s 2020 presidential elections, aiming to forge more interconnections. The measures, which included providing “national treatment” to induce Taiwanese youth, enterprises, and start-ups in numerous sectors, were seen by many as another attempt by Beijing to interfere in the elections.²¹ At the same time, Beijing poached two more of Taiwan’s diplomatic allies, the Solomon Islands and Kiribati. Just two days after the victory of William Lai in the 2024 presidential elections, Nauru announced it would break diplomatic ties with Taiwan. This was the tenth ally Taiwan lost since the DPP came to power in 2016.

Since 2016, Beijing has portrayed its pressure on the island as merely resisting the aggressive behaviour of others, in particular the US. China therefore framed itself as a victim of the US set on containing China and unwilling to accept a diminished role in the Indo-Pacific. Beijing has sought to defend what it claimed to be its own interests and deny Taiwan’s agency to act. Following China’s crackdown on Hong Kong and Russia’s invasion of Ukraine, an important security consensus has emerged in Taiwan. The people of Taiwan do not want to become the next Hong Kong or suffer the same fate as the people of Ukraine. This has secured national convergence that Taiwan needs to strengthen its international partnerships.

Through parliamentary diplomacy and cooperation in non-traditional security, such as health security and AI, Taiwan has reinforced exchanges with Japan, building on the momentum the fight against the pandemic has brought in bilateral ties. Japan has supplied much needed COVID-19 vaccines to Taiwan, signalling Tokyo’s readiness to work together to address common challenges, while projecting a role of quiet but effective leadership in the region. Taiwan has proactively strengthened ties with regional states via people-to-people contacts, through cooperation in law enforcement, women’s empowerment, energy efficiency or cybersecurity. Within the Global Cooperation & Training Framework (GCTF), Taiwan, the US, Japan, and Australia have coordinated in capacity building through training programs for officials and experts, while enhancing Taiwan’s multilateral cooperation.²²

Through its New Southbound Policy (NSP), Taiwan has strengthened cooperation with Southeast Asian countries. Launched in 2016, the NSP has focused on the ten ASEAN countries, plus six South Asian countries, Australia, and New Zealand. In one such bilateral outreach and with capacity building as a core NSP pillar, for decades Taiwan has been hosting Indonesian agriculture workers in Taiwan on yearlong internships. Given that Taiwan and Indonesia share

²¹ Syrena Lin, China’s 26 Measures: ‘Wan Wan’ Is Already at Home, The News Lens, November 12, 2019, <https://international.thenewslens.com/article/127366>

²² For more on GCTF, see <https://www.gctf.tw/en/IdeaPurpose.htm>

the same climate, they face similar challenges to sustainable farming.²³ This has contributed to developing the partnership and benefit the entire region. Their total trade volume in 2022 exceeded USD180 billion, with Taiwanese exports to the region reflecting a growth of 64 per cent since 2016.²⁴

Beyond the region, Taiwan has *reinforced cooperation with Europe*, as part of efforts to diversify trade. In 2021, the EU was Taiwan's biggest foreign investor accounting for 25.4% (USD50.1bn) of its total FDI. In 2022, EU imports from Taiwan amounted to EUR 49,2 billion in goods and EUR 6,4 billion in services, and EU exports to Taiwan totalled EUR 35,1 billion in goods and EUR 6,9 billion in services. In 2022, Taiwan was the EU's 12st biggest trading partner, while the EU was Taiwan's fourth largest trading partner after China, US, and Japan.²⁵ Taiwan's most important export goods to the EU are in electronic data processing, telecommunications equipment, and electronic components. In 2021, EU merchandise exports to Taiwan consisted primarily of machinery and transport equipment and chemicals including pharmaceuticals. The EU's exports of power-generating machinery to Taiwan doubled the amount in 2021. Among EU27, Austria, Denmark, Finland, and the Netherlands had a trade surplus with Taiwan.

Following the COVID outbreak, mask diplomacy and vaccine diplomacy have brought Taiwan and some Central Eastern European EU member states closer. This has enabled all sides to exercise agency and gain political clout, bringing more nuanced views concerning the role they can play in global affairs.²⁶ As such, by reinforcing cooperation with Taiwan after its departure from the 17+1 cooperation framework with China, Lithuania stood up to China's coercion and increased its weight in shaping the EU's China policy. By reciprocating and expanding cooperation with the Baltic state, Taiwan has strengthened its international profile, which it further expanded by continuing its outreach to the Baltic region, with Taiwan's Foreign Minister Joseph Wu praising Lithuania as "a moral superpower despite its small size" on his Baltic tour in November 2023.²⁷

Taiwan has elevated Europe on its agenda, by engaging member states bilaterally and also the EU institutions, in particular the European Parliament through parliamentary diplomacy. Although bilateral discussions have enabled both sides to raise concerns and expectations,

²³ Taiwan Today, Taiwan Review. Human Connection, September 1, 2023, <https://www.taiwantoday.tw/news.php?unit=4&post=242260&unitname=Politics-Taiwan-Review&postname=Human-Connection>

²⁴ Taiwan Today, President Tsai vows to strengthen ties with NSP countries, October 12, 2023, <https://taiwantoday.tw/news.php?unit=2,6,10,15,18&post=243147#:~:text=In%202022%2C%20total%20trade%20volume,percent%20since%202016%2C%20she%20said>.

²⁵ European Parliament, EU-Taiwan trade and investment relations, December 13, 2023, https://www.europarl.europa.eu/doceo/document/TA-9-2023-0472_EN.html

²⁶ Alicja Bachulska, Taiwan and Central and Eastern Europe Are More Than Just Pawns in Bigger Players' Game, China Observers, September 6, 2022, <https://chinaobservers.eu/taiwan-and-central-eastern-europe-are-more-than-just-pawns-in-bigger-players-game%EF%BF%BC/>

²⁷ Taiwan Today, Foreign Minister Wu delivers speech at Lithuania forum, November 13, 2023, <https://www.taiwantoday.tw/news.php?unit=&post=244642&unitname=&postname=Foreign-Minister-Wu-delivers-speech-at-Lithuanian-forum#:~:text=Minister%20of%20Foreign%20Affairs%20Jaushieh,in%20unity%20to%20defend%20democracy>.

several issues remain unresolved particularly in trade and investment, and human rights. While a process of maturing cooperation has started, facilitated through regular consultations, in terms of mutual expectations, there is room for improvement. This is why this is the right time to run a reality check and manage expectations as to what form increased cooperation may take.²⁸

For example, Taiwan has for years advocated for a bilateral investment agreement (BIA) with the EU, in hopes that this would further institutionalise ties with Brussels. While the EP has repeatedly urged the European Commission to consider an impact assessment, public consultation and a scoping exercise for a BIA, the Commission has not acted, arguing that economic relations are well-addressed under the current framework. With discussions stalled but still open, it is noteworthy that both sides have shown interest, to varying degrees, in refocusing attention to strengthening ties through sectoral cooperation, including a resilient supply chains dialogue. Amid a turbulent geopolitical environment, this would serve the interests of both.

At the same time, Brussels would like to see more Taiwanese investment in Europe; by 2021 EU FDI in Taiwan is USD50.1 billion, while Taiwan's FDI in the EU stands at USD0.8 billion.²⁹ It is noteworthy however that over the last four years Taiwanese investment in the EU exceeded their investment during the previous four decades. For Brussels, further issues pose challenges, including localisation requirements in Taiwan's offshore wind sector, an industry that had previously attracted significant European foreign investment along the whole supply chain. While Taiwan has adopted international standards and best practices in most industry sectors, some areas remain (cosmetics, food, logistics) where it deviates, limiting its internationalisation. Finally, areas where Europe would like to see progress is the death penalty, with regular calls to pursue efforts toward its abolition, as well as the rights of migrant workers, especially in the fishing industry and domestic workers.

Finally, over the years Taiwan and the EU have intensified their cooperation across several fields. With Moscow and Beijing reinforcing tools to undermine the liberal rules-based order, Taiwan and Europe agree that implications for democracy would affect them both. In terms of democratic resilience, the EU said it wants to learn from Taiwan. In November 2021, a cross-party delegation of the EP's Special Committee on Foreign Interference and Disinformation (INGE) visited Taiwan. In their meeting with Taiwan's president, French lawmaker Raphaël Glucksmann stressed: "We came here to learn from you". In their mission report, the delegation advocated the establishment of an EU strategic communication hub in Taipei to bring together expertise on disinformation.³⁰ The threat of foreign information manipulation and interference,

²⁸ Grzegorz Stec and Zsuzsa Anna Ferenczy, EU-Taiwan ties: Between expectations and reality, MERICS, January 17, 2022, <https://merics.org/en/comment/eu-taiwan-ties-between-expectations-and-reality>

²⁹ European External Action Service, EU-Taiwan Relations, 2022, https://www.eeas.europa.eu/sites/default/files/documents/%E6%AD%90%E7%9B%9F%E5%8F%B0%E7%81%A3%E9%9B%99%E9%82%8A%E9%97%9C%E4%BF%82%E6%A6%82%E6%B3%81%EF%BC%BFfinal_%E5%96%AE%E9%A0%81221213_0.pdf

³⁰ European Parliament, Mission Report following the mission to Taipei (Taiwan) from 3 to 5 November 2021, December 6, 2021, <https://www.europarl.europa.eu/cmsdata/254873/1243263EN.pdf>

or **FIMI** as framed by the Strategic Communication Task Force of the European External Action Service (EEAS), has strengthened mutual awareness in EU-Taiwan cooperation, understanding that both sides are vulnerable to foreign interference.

Policy recommendations to EU institutions

The following policy-recommendations are designed to contribute to consolidating the emerging Taiwan narrative in Europe, guide internal discussions and, ultimately, inspire a more strategic learning process.

1. Enhance **Taiwan competence** in EU institutions;
2. Launch internal and bilateral consultations on setting up a **Strategic Communication Hub** in Taipei;
3. Launch internal and bilateral consultations on setting up an **EU-Taiwan Strategic Consultation on AI**;
4. Launch internal and bilateral consultations on setting up an **EU-Taiwan Strategic Consultation on Maritime Security**;
5. Launch internal discussion for the **EU to join** Global Cooperation Training Framework (**GCTF**).

1. Enhance Taiwan Competence in EU institutions

Taiwan's complex relationship with China remains little understood in the EU. Europe's tendency to see Taiwan through the China lens over the years has limited its ability to understand the many layers of its identity. It is welcome that a shift has taken place in the EU's perception and the bloc has started seeing the island on its own merit. At the same time, while Europe's scepticism of China has grown, its understanding of China still needs improvement. Better understanding Taiwan's internal complexities, and the factors and dynamics shaping cross-Strait relations can help Europe to better navigate a changing China and better leverage its weight in international debates on security in the Taiwan Strait, commensurate with its interests in the region. The EU can benefit from Taiwan's inside knowledge and reinforce its own understanding of China through Taiwan.

Investing in Taiwan competence should be undertaken across EU institutions, with the engagement and contribution of Taiwanese counterparts. This could include, but should not be limited to, dedicated focus on Taiwan within the EU institutions' research centres, namely the European Parliament Research Center (EPRS) or the European Commission's Joint Research Centre. Their activities could also include increased **bilateral consultations on social, cultural, and political issues**, **jointly organised awareness-raising campaigns on EU-Taiwan relations**

in Brussels, with the involvement of civil society organisations and academic institutions, making better use of the EU's Visitors Program (EUVP) as a strategic people-to-people tool. The European Parliament, with the support of its Taiwan Friendship Group, in collaboration with European and Taiwanese universities and research institutions, could consider organising a Taiwan Day to help raise Taiwan's profile in Europe and attract more Taiwanese academics and professionals. Education and academic exchange are key to deepening mutual understanding. These activities should build on ongoing bilateral cooperation in areas such as trade (with technology, digital and R&D focus), human rights consultations or academic exchange agreements.

2. Set up an EU Strategic Communication Hub in Taiwan

Following up on the recommendation of the EP's INGE Committee's 2023 report on foreign interference in all democratic processes in the EU, including disinformation, the EU should launch internal consultations on setting up a strategic communication hub in Taipei. This would contribute to boosting its regional visibility and to better access regional discussions. With the facilitation of the European Economic and Trade Office (EETO) in Taipei, the EU and Taiwan should consult on the feasibility of such an initiative. The hub could operate within the EETO, to ensure clarity about its purpose. Taiwan has vast experience with digital democracy; it pursues bottom-up collaboration with civil society that enables citizens to participate in policymaking. The hub would function as a regional focal point for the EU and leverage Taiwan's expertise.

With the European Parliamentary elections coming up in June 2024, learning from Taiwan's experience in dealing with Beijing's hybrid warfare will help boost Europe's resilience. Taiwan is a testing ground for Beijing's hybrid threat tactics; tactics used in Taiwan may eventually be used internationally. All EU institutions should identify avenues to pull Taiwan's expertise in, as the EP has done through the INGE committee, or the EEAS through the StratCom's Task Force responsible for Policy, Strategy and Global Priority Issues. The Task Force has already acquired expertise and capacity on information manipulation and interference activities by state and non-state actors in China. The work of the Task Force in Foreign Information Manipulation and Interference (FIMI) is of great value and should be further promoted in consultations with Taiwan. Expanding the work of the Task Force with a special focus on understanding the threat of FIMI in cross-Strait relations will help increase the EU's Taiwan competence. The hub in Taipei would help guide these efforts on the ground and could collaborate with organisations, such as Doublethink Lab (DTL) or Taiwan FactCheck Center, with vast expertise researching China's malign interference and information operations.³¹

³¹ For more see: <https://doublethinklab.org/>; <https://tfc-taiwan.org.tw/>

3. Set up Strategic Consultation on AI

Taiwan offers key lessons for the interplay between democracy and technology. The EU committed to trustworthy AI, by proposing the Artificial Intelligence Act (AI Act), with the aim to classify and regulate AI applications based on their risk of causing harm, but also to identify and leverage AI's potential for productivity. Taiwan has advanced AI expertise and knowledge. The EU-Taiwan Digital Economy Dialogue covers AI-related issues, but given the importance of AI globally, having a dedicated AI Strategic Consultation would give adequate weight to the issue and contribute to build a resilient Europe for the Digital Decade. On the European side, the European Commission's DG Connect could lead the consultation, involving the AI Office within the Commission, include the European Parliament's Special Committee on Artificial Intelligence in a Digital Age (AIDA), and on Taiwan's side, it could include the Ministry of Digital Affairs (MODA) and Ministry of Education (MOE), Academia Sinica, and representatives of Taiwan's AI expert community, including research organisations, such as Taiwan AI Labs.

Taiwan AI Labs is a research organisation based in Taipei aiming to help strengthen AI expertise and innovation-based growth in line with state investments in digital infrastructure. The organisation focuses on smart city, healthcare, and human interaction, as well as develops large language models (LLM) through generative AI to be used against information manipulation on social media. Ahead of the 2024 elections, Taiwan AI Labs observed and analysed coordinated behaviour on social media, researching narrative manipulation and implications for democratic processes.³² Establishing exchange with Taiwan's AI expert community will contribute to Europe's own challenges with FIMI.

4. Set up Strategic Consultation on Maritime Security

The value of goods passing through the South China Sea is USD 5.3 trillion per year. Increased Chinese aggression has put more stress on trade routes. A blockade of Taiwan could shut down trade through the Taiwan Strait, increase critical raw mineral (CRM) and shipping costs, and prevent exports of chips. In its Indo-Pacific Strategy, the EU committed to continue the bilateral maritime transport and security dialogues with strategic partners. It is obvious the EU should speed up efforts to consult Taiwan on these issues, as the EU aims to play a key role as a global maritime security provider. This is also echoed in its Maritime Security Strategy in 2023.³³ On the European side, the consultation should be led by the European Commission's DG Maritime Affairs and Fisheries (DG MARE), involving the European Parliament's Subcommittee on Security and Defence (SEDE), Committee of Foreign Affairs (AFET), International Trade Committee (INTA), Committee on Fisheries (PECH) and on Taiwan's side, the Ministry of Economic Affairs,

³² Taiwan AI Labs, 2024 Taiwan Presidential Election Information Manipulation AI Observation Report, January 2024, <https://ailabs.tw/wp-content/uploads/2024/01/2024-Taiwan-Presidential-Election-Information-Manipulation-AI-Observation-Report-2.pdf>

³³ Council of the European Union, Council Conclusions on the Revised EU Maritime Security Strategy (EUMSS) and its Action Plan, October 24, 2023, <https://www.consilium.europa.eu/media/67499/st14280-en23.pdf>

Taiwan's Fisheries Agency, Academia Sinica, and representatives of Taiwan's maritime security expert community.

5. EU to join the **Global Cooperation Training Framework (GCTF)**.

Consolidating international partnerships is at the heart of the EU's Indo-Pacific Strategy. With the US as its closest security partner, there are ways to expand ongoing dialogues that allow the EU to participate in Indo-Pacific discussions alongside Japan, India, and Southeast Asia. This would enhance Europe's regional visibility and boost its capacity to protect its economic interests. In an interconnected world, Europe has become more present in Taiwan through digital connections, trade, and people-to-people contacts. The EU should therefore initiate discussions to join GCTF, build on ongoing cooperation and help structure collaboration. Founded in 2015 between Taiwan and the US, later joined by Japan in 2019 and Australia in 2021, GCTF is a platform to utilise Taiwan's strengths and expertise to address global issues of mutual concern. Given the FIMI challenge that all GCTF partners face, the EU should propose setting up a permanent working group on disinformation within GCTF, and thus build on its work on FIMI.

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