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Why the EU should pay more attention to Taiwan

Norms, technological supremacy and elections



President Tsai Ing-wen (DPP) attended the "People's Republic of China New Year's Day Flag Raising Ceremony, by Wang Yu Ching / Office of the President, Flickr

As Sino-American rivalry starts to shift from a trade war to full-fledged competition for technological leadership and geopolitical hegemony, tensions are manifesting themselves in various ways. Taiwan, considered a renegade province by the Chinese government, is increasingly affected by this rivalry as it prepares for

its presidential and legislative elections on 11 January. The 2020 elections will most likely be a three-way race between the incumbent Tsai Ing-Wen of the ruling Democratic Progressive Party (DPP), Han Kuo-yu of the Kuomintang (KMT) and James Soong of the minority People First Party (PFP).

The DPP and KMT increasingly portray themselves respectively as Washington and Beijing-friendly. This trend is the result of increased Chinese influence globally, especially diplomatically, at the expense of Taiwan. Persuaded by China's (financial) promises and opportunities under the Belt and Road Initiative, seven countries have recently switched their diplomatic allegiance from Taipei to Beijing.¹ This has been a huge setback for the international stature of the Taiwanese government, making Taiwan's future relationship with China a prominent subject for the 2020 elections.

Mainland China's diplomatic victories also raised eyebrows in Brussels and Washington, especially amid increasing Sino-American rivalry. Beijing is a global power and an important economic partner to both the United States and the European Union. At the same time, it has become apparent that China is not willing to change its political system. Still, neither the EU nor the US have formal diplomatic ties with Taiwan, although the island has been a close economic partner (the EU is Taiwan's biggest source of foreign investments) and a like-minded partner on values such as human rights, democracy and the rule of law. As the trade war shifts towards a more ideological and high-tech race, questions are being raised about whether growing European and US criticism of China will translate into strengthened ties connecting Brussels, Washington and Taipei; and about how the outcome of the Taiwanese election will influence China's relationship with the West.

Asian Tiger Taiwan and its elections

Taiwan has been a prototype for fast economic growth, modernisation and digitalisation during the last two decades and it holds a strong position in the world

economy. It controls a 74 per cent market share in chip manufacturing.² Amid the fourth industrial revolution – focused on digitalisation, emerging technologies and technology hubs – this is a quite extraordinary position, which sparks the interest of other economies such as the EU, the US and China. Simultaneously, a Taiwanese national identity has been slowly but steadily taking root since the 1980s. The electoral victory of the DPP in the first fully free Taiwanese elections in 2000, and again in 2004, amplified this process and pushed the KMT to cooperate more closely with the Chinese Communist Party (CCP) to counter the DPP's rise. This proved to be successful, as the KMT won the 2008 elections and stayed in power until 2016.

This cooperation, however, is now backfiring amid the trade war. The KMT, once 'pro-American', has emphasised its Beijing-friendly orientation by choosing the pro-China populist Han Kuo-yu as its frontman in the elections. The DPP and KMT both reject the 'One Country, Two Systems' concept that is currently applied to Hong Kong. However, the KMT emphasises restoring the cross-strait relationship and rejects the idea of a fully independent Taiwan. Han Kuo-yu also triggered controversy and emphasised the KMT's China-friendly approach by meeting with Hong Kong's leader Carrie Lam and other high-level Chinese officials in 2019. The DPP has made use of the KMT's China-focused campaign to strengthen its relationship with the Western world, especially against the backdrop of the Hong Kong protests, emphasising the DPP's democratic, anti-communist credentials and its focus on human rights and environmental issues. The Taiwanese elections are hence increasingly characterised by Western-Chinese rivalry, labelling parties as either pro-Washington or pro-Beijing, and while the origins of the US, EU and Chinese interests in Taiwan differ greatly, they all coalesce in the 2020 elections.

1 *South China Morning Post*, 'Taipei down to 15 allies as Kiribati announces switch of diplomatic ties to Beijing', September 2019.

2 Austin Carr, 'What chipmakers tell us about the great global unwinding', *Bloomberg BusinessWeek*, 21 October 2019.



City center of Taipei

The European Union's economic interests

The EU's interests in Taiwan are mainly informed by the island's liberal democratic credentials. In its search for like-minded ideological and economic partners as China's global power increases, European Commissioner Christos Stylianides – on behalf of High Representative/Vice-President Federica Mogherini – stated in January 2019 that cooperation and dialogue between Taiwan and the EU are intensifying.³ Without disdaining the 'One China' policy, economic ties between the EU and Taiwan

are growing and EU exports to Taiwan hit a historic high of €51.9 billion in 2018.⁴ The intensified economic relationship might be a response to growing dissatisfaction with the EU's terms of trade with China. Frustrations over the limited reciprocity in terms of market access, China's use of state-backed enterprises to gain a competitive advantage and disappointment about the false expectation that Beijing would adopt a liberal social path similar to the West might push the EU closer to like-minded ideological and economic partners such as Taiwan. For Brussels, China is still a partner in some specific areas, such as combating climate

³ Speech on behalf of High Representative/Vice-President Federica Mogherini at the Plenary debate on the latest developments in cross-strait relations between mainland China and Taiwan, Strasbourg, 30 January 2019, available [online](#).

⁴ EEAS report, July 2019, available [online](#).

change and strengthening the multilateral rules-based order. However, the need to engage with normative, like-minded powers, such as Taiwan, is growing if the EU wants to profile itself as a normative power globally.

The US security dimension

The US underwrites Taiwan's security not only to ensure its own geopolitical influence in the region but also to protect its eleventh largest trading partner and crucial link in Silicon Valley's supply chain. Historically, the US has always been consistent in using strategic ambiguity and sending mixed signals to both Beijing and Taipei. The ultimate goal is to deter both sides from upsetting the rather vague status quo, characterised by both sides interpreting the 'One China' policy to their liking. The Trump administration, however, has been more favourable towards Taiwan and more sceptical of China. The most remarkable example was the telephone call between Taiwan's President Tsai and US President Trump – the first such conversation since Washington broke its diplomatic relations with Taiwan in 1979. This new tactic may be a response to Beijing's successful campaign to persuade countries to drop diplomatic support for Taiwan at the UN in favour of China. Among them, Kiribati and the Solomon Islands are the latest countries to switch. While this action might be aimed at influencing the Taiwanese elections, signalling Taiwan's growing diplomatic isolation, Washington was not light-hearted about these developments.⁵ Both Kiribati and the Solomon Islands are located in strategic waters that have been dominated by the US and its allies since the Second World War.⁶ 'Losing' these islands, even when the US does not officially recognise Taiwan, means a success for China's influence in US strategic territory.

5 Kathrin Hille, 'Taiwan loses second diplomatic ally in a week', *Financial Times*, 20 September 2019.

6 Michael Martina and Ben Blanchard, 'China sees Kiribati ties soon, no word on space tracking station', 23 September 2019.

The cross-strait relationship

Cross-strait relations are characterised by intertwined economic and security issues. Both sides of the Taiwan Strait are economically dependent on each other, as 40 per cent of Taiwanese investments go to mainland China and many high-tech Chinese companies rely on chips produced by Taiwanese firms. Taiwan's dependence on China is now also dominating the election campaign. The DPP government has strongly promoted its New Southbound Policy, which encourages high-tech companies to move from China to Taiwan but also aims to expand ties with South and Southeast Asia to diversify its economic base.⁷ However, with elections looming, discussions on the policy have been deliberately muted by the DPP. The KMT has raised concerns about Southeast Asian migration to Taiwan and supports moderate ties with China to expand Taiwanese exports to China. The deliberate silence on the New Southbound Policy during the election season therefore seems to be an opportunistic move by incumbent President Tsai.⁸

In November 2019, China responded to Taiwan's desire for decreased economic dependence by publishing 26 incentives to lure Taiwanese businesses and people to mainland China.⁹ In order to retain peace – especially as the centenary celebration of the CCP's foundation is coming up in 2021 – Beijing thus embarked on a charm offensive to persuade Taiwan to stop pressuring companies to return to Taiwan. Not surprisingly, Beijing supports Han Kuo-yu – as his KMT party strongly supports

7 Debby Wu and Miaojung Lin, 'Taiwan bid to lure firms from China paying off, government says', *Bloomberg*, 18 November 2019.

8 Jeremy Huai-Che Chiang, 'Taiwan's New Southbound Policy and the looming elections', *The Diplomat*, 25 October 2019.

9 These include equal participation in investment in and construction of China's major technical equipment, 5G, circular economy, civil aviation, theme parks and new types of financial institutions for Taiwan-funded companies and support for cross-strait youth employment and 'entrepreneurship' hubs.

peaceful cooperation with China. In order to promote Han during his election campaign, the CCP has spread misinformation in his favour and pro-China tycoons have bought Taiwanese media outlets, which are collaborating with the CCP and the Chinese government's Taiwan Affairs Office.¹⁰

What should Europe do?

Arguments favouring or opposing less dependence on China are hence dominating Taiwan's election campaign. As such, it has all the features of being a 'US versus China' election and Taiwan's politics seem to be yet another theatre of Sino-American geopolitical and economic competition. For the EU, the election outcome will likely influence its relationship with Taiwan in the years to come. As a normative, like-minded partner with a strong high-tech industry, Taiwan might be a crucial player in the global race for technological supremacy and in writing the norms and values underpinning this technology.

If the DPP remains in power, as the latest polls suggest, the relationship between China and Taiwan will most likely deteriorate and the United States' military influence in Taiwan will probably be strengthened to protect Taiwan as well as American strategic access in the region. The Trump administration has already made some bold gestures, such as frequent manoeuvres by US ships in the Taiwan Strait. Ultimately, China's increased pressure on Taiwan could push the EU – as a defender of human rights and democratic values – to make a statement about the status of Taiwan. It will most likely not lead to the EU's 'One China' policy being revisited, but it could include more outspoken international support for Taiwan's system and values.

If the KMT regains power, cross-strait relations may improve, which might trigger US action if it feels that its influence in a strategic part of the Indo-Pacific is eroding. This could be reflected in either a strengthened US military presence in the area or favourable economic incentives to strengthen the Taiwanese economy – and to secure the high-tech supply chain. For the EU, a KMT government could be positive, as it would likely avert a dichotomous choice between China and Taiwan as trading partners. One condition for fruitful future EU-Taiwan cooperation would be that the KMT can maintain its distance from the CCP, even if the CCP tries to gain more influence over the KMT. It might otherwise impact debates on technological cooperation with Taiwan, decoupling, intellectual property rights (IPR) and forced technology transfers, which would be detrimental to EU-Taiwan trade relations.

Taiwan has long been a political chess piece in the ongoing political game between the US and China. This time, however, more is at stake. In the last 40 years, Taiwan has adopted a crucial place in the world economy as a high-tech *powerhouse*. Taiwan, it seems, is now also a theatre for ideological competition between the West and China. Hence, for the EU, a strictly business-focused relationship will likely not suffice in the coming years.

The US has already taken crucial steps by organising a high-level visit to Taiwan to open the updated US representation in the American Institute of Taiwan (AIT), from a low-key military structure to a new \$250m building, and hailing the new building as 'a symbol of strength and vibrancy of the US-Taiwanese relationship'.¹¹ The EU took a first step by formally acknowledging Taiwan as a 'like-minded partner' in January 2019. Now, the EU's new 'geopolitical Commission' has to continue this line if it is serious about presenting itself as a normative and economic power globally. Practical initiatives

10 Joshua Kurlantzich, 'How China is interfering in Taiwan's elections', *Council on Foreign Relations*, 7 November 2019.

11 Nick Aspinwall, 'High-level US visits to Taiwan mark 40 years of unofficial ties', *The Diplomat*, 13 April 2019.





are needed, such as support for Taiwanese participation, albeit in an observatory role, in international organisations. Geopolitically, the EU and Taiwan are in the same boat – both should maintain their impartiality as the big giants face off. Picking a side, especially in the context of technological spheres of influence, would eventually mean losing access to the resources of either the US or China. Therefore, the EU can also opt to focus on a strategic economic partnership with Taiwan in the long run. This might entail carving out a neutral space between the US and China, and thereby not missing out on

technological innovations or market access from both sides. This is feasible regardless of the Taiwanese government in power, can be underpinned by the norms and values the shared by the EU and Taiwan share and will mainly be established through existing economic ties between the EU and Taiwan. By developing policies that seek neutrality and encouraging strategic partnerships between industries, Taiwan might have an opportunity to be an innovation hub in the Asia-Pacific, where partners can make the most of Taiwan's position to interact and trade in the region.

About the Clingendael Institute

Clingendael – the Netherlands Institute of International Relations – is a leading think tank and academy on international affairs. Through our analyses, training and public debate we aim to inspire and equip governments, businesses, and civil society in order to contribute to a secure, sustainable and just world.

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