

EU-Taiwan Political and Economic Relations: Background and Recent Developments

By

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Abstract

In this paper we analyze recent issues in the relations between the European Union (EU) and Taiwan. We give some general background concerning the One China principle, which means that there are no diplomatic relations between the EU or its member states and Taiwan. On the other hand Taiwan is an important trading partner of the EU, so pragmatic means of communication about trade-related issues have been developed. The EU supported Taiwan's membership of the WTO and has opened a representative office in Taipei in 2003. The EU has a more formalized relationship with the People's Republic of China (PRC), which goes back to 1975. The EU has lately spoken out more often on cross-strait issues, occasionally criticizing both sides to the conflict. The EU has supported increased cross-straits communications and a reduction of tensions between Taiwan and China. In the economic area the EU has various complaints about non-tariff-barriers (NTBs) to trade in Taiwan.

Introduction¹

Relations between the EU and Taiwan are mainly economic relations. Given the One China policy adhered to by the EU and its member states there are no diplomatic relations between the EU and Taiwan.² But Taiwan is an important trade partner of the EU and the EU actively supported Taiwan's request for WTO membership as 'Chinese Taipei' through the 1990s until membership in 2002. Since March 2003 the EU Commission has a representative office in Taipei and a certain normalization of (non-diplomatic) relations has taken place.³ The name of the EU office in Taipei is European Economic and Trade Office (EETO).

Annual trade consultations have actually taken place between the European Community and Taiwan since the 1980s, starting in London in December 1981.⁴ For many years these consultations were kept extremely secret. The latest meeting took place in Brussels in the autumn of 2008.

In this paper we will look at the current state of affairs. What are the main issues in these relations? We will make a distinction between political and economic issues, even if the distinction can be difficult in practice. Concerning economic issues the

¹ This paper has benefited from a number of off-record interviews with officials in the European Commission's DG Relex and DG Trade, as well as the Council Secretariat and the European Parliament in Brussels in 2006 and 2008 as well as earlier talks with officials in Brussels and Taipei. Needless to say only the author is responsible for its content.

² Taiwan, still officially the Republic of China, is referred to as Taiwan in EU legislation and statements, a practice that will be followed in this paper.

³ *Agence Europe*, 14 March 2003.

⁴ Christopher M. Dent, *The European Union and East Asia: An Economic Relationship* (London: Routledge, 1999), p. 165.

European Commission is an important actor internationally and the so-called Community method is applied. When the Community method is applied the Commission takes initiative, negotiates with Third countries and some decisions in the Council of Ministers can be made by a qualified majority vote (QMV), even if in practice there is an effort to reach consensus. Political issues fall under the Union's second pillar, the Common Foreign and Security Policy (CFSP), which is intergovernmental cooperation between the member states. Unanimity is the norm under CFSP. CFSP is represented externally through the member state holding the rotating Presidency as well as the High Representative of CFSP, currently Javier Solana. Should the proposed Lisbon Treaty be fully ratified, which is uncertain at the moment given the 'no' vote in the referendum in Ireland in June 2008, this basic set-up will change somewhat but not radically. Even if the pillar structure of the Union will be abolished the CFSP will remain largely intergovernmental.

Political issues in relations with China/Taiwan are closely linked with the question of statehood. The People's Republic of China (PRC) sees Taiwan as a renegade province of China and resists any step that may take Taiwan towards independence, statehood or sovereignty. Although the PRC accepted Taiwan's membership of the WTO as a customs territory, the PRC has been strongly against UN membership of Taiwan as well as membership in specialized agencies of the UN which require statehood, such as the World Health Organization (WHO). Given the EU support for the One China principle, the EU member states have not been able to support Taiwan's membership of the UN, WHO and other international organization where members have to be states.

Concerning specific political issues between the EU and Taiwan the latter is the main *demandeur*. In recent years the three issues most frequently mentioned have been:

1. Weapons embargo against China
2. Taiwan's participation in the WHO
3. Schengen visa for Taiwanese.

However, overall the question of cross-straits relations has occupied the most important space in the EU's relations with Taiwan in recent years.

If we look at economic issues it is probably fair to say that it is the EU which is the main *demandeur*. A number of relatively technical issues concerning the perceived Taiwanese protectionism in the form of various Technical Barriers to Trade (TBTs) have stayed on the agenda over the years. Some were solved through the negotiations leading to Taiwan's membership in the WTO, but since Taiwan joined that organization it has been a question of implementation of the agreements as well as new issues emerging, where the perception in Brussels was that the Democratic Progressive Party (DPP) government in Taipei sometimes listened too much to lobbyists seeking protection against foreign competition. It remains to be seen whether this will change under the new Kuomintang (KMT) government of Ma Ying-jeou elected in March 2008.

The One China Policy and its implications⁵

⁵ The historical part of the following background relies on Finn Laursen, "EC Trade Policy, GATT and the ROC," in Cen-chu Shen and Yann-huei Song (eds.), *EC Integration and EC-ROC Relations* (Taipei: Institute of European and American Studies, Academia Sinica, 1995), pp. 177-232. Other sections partly

Background on Political Relations

The current situation goes back to 1975, when the European Community (EC) established official relations with the PRC. This happened on the occasion of a visit to Beijing by EC Commission Vice-President Sir Christopher Soames.⁶

Christopher Soames' trip to the PRC in May 1975 should be seen in the perspective of the EC's Common Commercial Policy, an important part of the original Treaty of Rome, forming the European Economic Community (EEC). As the EEC set out to develop commercial relations with the PRC the status of Taiwan (ROC) could not be kept off the agenda.⁷ The PRC insisted that the EC formally and publicly declare that Taiwan was an integral part of China, and Beijing the sole government entitled to represent China. Christopher Soames made the following statement at a press conference on 7 May 1975:

*I confirmed to the Minister that the Community ... does not entertain any official relations or enter any agreements with Taiwan. I explained that matters such as recognition of states did not enter into the responsibility of the Community. But I pointed out to the Minister that all the member states of the Community recognized the Government of the People's Republic of China as the sole legal government of China and have taken positions with regard to the Taiwan question acceptable to the People's Republic.*⁸

This position was confirmed by Sir Christopher Soames, when he answered an oral question on EC-PRC relations in the European Parliament on 18 June 1975.⁹

We shall not cover further the relations with the PRC.

As mentioned earlier, there have been regular informal consultations between the EC and Taiwan since 1981. At first they did not take place in Taipei or Brussels. But the 9th ROC-EC Consultation took place in Taipei, 22-23 October, 1992 and since then meetings have alternated between Taipei and Brussels.

Since the early 1990s pragmatic relations between the Commission and Taiwan continued to develop. Today the Commission does have officials responsible for relations with Taiwan in both DG Relex and DG Trade and there are regular contacts with the Taipei Representative Office in Brussels. Needless to say, there are also informal contacts between the Taipei Representative Office and the Council Secretariat.

rely on the author's paper "The Politics and Economics of EU-China/Taiwan Relations: A European Perspective," presented at the 23rd Taiwan-European Conference organized by the Institute of International Relations (IIR), National Chengchi University, Taipei, 19-20 December 2006.

⁶ Harish Kapur, *Distant Neighbours: China and Europe* (London: Pinter Publishers, 1990), p.123. Let us recall the the EC had nine members in 1975: France, Germany, Italy, Belgium, Netherlands, Luxembourg, United Kingdom, Denmark and Ireland. Greece joined in 1981, Spain and Portugal in 1986, Sweden, Finland and Austria in 1995. Then followed the big enlargement in May 2004 when eight Central and Eastern European Countries (Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Hungary and Slovenia) as well as Cyprus and Malta joined. From 1 January 2007, when Bulgaria and Romania joined, the EU has 27 member states.

⁷ Xiao Zhi Yue, *The EC and China* (London: Butterworths, 1993), pp. 6-7.

⁸ Quoted from Kapur, *China and the EEC*, p. 37 [the ref there: *FBIS Daily Report*, 9 May 1975, p. A-19.]. See also *Bull. EC 5-1975*, point 1201-1205.

⁹ *Official Journal of the European Communities*, No. C 157, 14 July 1975.

Taiwan's relations with the European Parliament are particularly good. Since the 1980s the Parliament has on a number of occasions spoken up for improved relations with Taiwan. A number of Members of the European Parliament have formed a Taiwan Friendship group in 1991. The group is currently chaired by Dr Georg Jarzembowski, a German Christian Democrat.¹⁰

Background on Economic Relations: WTO membership of Taiwan

China was one of the original contracting parties of the General Agreement on Tariffs and Trade (GATT) after the Second World War. China signed the GATT in 1947 and ratified the Protocol of Provisional Application in 1948. China also took part in the first two Rounds of multilateral tariff negotiations in Geneva in 1947 and in Annecy in 1949.¹¹

In October 1949 the PRC was founded on the mainland and the Chiang Kai-shek government fled to Taiwan, where it continued the Republic of China (ROC). Both the PRC and the ROC claimed to be the legitimate government of China. The ROC maintained China's seat in the UN until 1971, but decided to withdraw from GATT already on 6 March 1950. For many years the PRC showed no interest in GATT membership. In 1965 Taiwan requested observer status in GATT, which was granted despite objections from some contracting parties, which stated that the PRC was the sole lawful government of China. The objecting states included two EC member states at the time, namely France and the Netherlands, as well as two future EC member states, the UK and Denmark.¹²

Taiwan continued its observer status at GATT until 1971, when it was expelled following the UN General Assembly Resolution 2758 (XXVI), which discontinued ROC membership in the UN and restored the rights of the PRC.

Taiwan formally submitted its application for accession to GATT on 1 January 1990. It did so under the name of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu. Originally the PRC strongly opposed GATT membership of Taiwan as "utterly illegal," but gradually its position became less negative. In September 1992 the GATT Council decided to establish a Working Party to consider the request from Taiwan to accede to GATT under article XXXIII.¹³ The PRC argued that accession had to take place according to article XXVI(5) which implies the sponsorship of a responsible contracting party.

However, article XXXIII gave another possibility:

A government not party to this Agreement, or a government acting on behalf of a separate customs territory possessing full autonomy in the conduct of its external commercial relations and of the other matters provided for in the Agreement, may accede to this Agreement, on its own behalf or on behalf of that territory, on terms to

¹⁰ On the role of the European Parliament see also Yuchun Lan, "The European Parliament and the China-Taiwan Issue: An Empirical Approach," *European Foreign Affairs Review*, Vol. 9 (2004), pp. 115-140.

¹¹ For background, see for instance Hungdah Chiu, "Taiwan's Membership in the General Agreement on Tariffs and Trade," *Chinese Yearbook of International Law and Affairs* Vol. 10 (1990-91), pp. 198-205.

¹² See also Ya Qin, "GATT Membership for Taiwan: An Analysis in International Law," *New York University Journal of International Law and Politics* Vol 24 (Spring 1992), pp. 1059-1105, at p. 1070.

¹³ General Agreement on Tariffs and Trade, *GATT Activities 1992: An Annual Review of the work of GATT*, Geneva, June 1993, pp. 95-96.

*be agreed between such government and the CONTRACTING PARTIES. Decisions of the CONTRACTING PARTIES under this paragraph shall be taken by a two-thirds majority.*¹⁴

This article is flexible and facilitated Taiwan's membership. By applying as "The Customs Territory of Taiwan, Penghu, Kinmen and Matsu" Taiwan tried to avoid the issue of "two Chinas" or "One China, one Taiwan." that would complicate the matter politically.

Due to the PRC's original opposition to Taiwan's membership in GATT many GATT contracting parties hesitated to deal with the issue. However, in 1991 a group of US senators linked the renewal of the PRC's most-favoured-nation status to Taiwan's GATT membership. Despite opposition within the administration President George Bush sent a letter to Senator Max S. Baucus, Chairman of the Senate Subcommittee for International Trade on 19 July, 1991, in which he pledged his support for Taiwan's GATT membership.¹⁵

Subsequently the EC and some other GATT members also expressed their positive attitude to Taiwan's GATT membership.¹⁶

The EC Commission, which negotiated in the GATT on behalf of the EC, was in favour of Taiwan's membership in GATT on certain conditions.¹⁷ The timing of membership depended on accepting the obligations. The Commission welcomed the fact that Taiwan sought membership as a developed country, which meant that it could not claim the exemptions given to developing countries.

When negotiations started Taiwan was asking for derogations for certain sectors and transitional periods for some, including automobiles and civil aircraft. But the Commission noticed that the GDP per capita in Taiwan was higher than in three EC member countries at the time. So derogations were out of question. When Taiwan said that it had non-competitive sectors the Commission answered that GATT was about opening up and accepting competition.

The EU's bilateral negotiations with Taiwan about accession were concluded in July 1998. The EU was one of the last among 26 contracting parties to reach a bilateral agreement with Taiwan before multilateral negotiations could conclude the accession agreement for Taiwan. The last sticking points in the negotiations with the EU were cars and spirits. In the end an agreement was reached. These were the main points in the agreement:

1. Taiwan would gradually lower customs duties on EU car imports from 30% to 17.5% by 2008 after entering the WTO. Taiwan also agreed to an EU car import quota of 159,220 vehicles in the first year of WTO membership with annual 20% increase in subsequent years until complete liberalization.
2. Taiwan agreed to reduce import duties on EU trucks and busses from 42% to 25% by 2008.
3. Taiwan agreed to cut its tax on imported European cognac from ECU 26.4 per litre to ECU 12.9, and on whisky from ECU 11.6 to 9.2 from 1 August 1998 and abolish tax discrimination on alcohol on 1 January 1999. This, according to the

¹⁴ Quoted from Kenneth W. Dam, *The GATT: Law and the International Economic Organization* (Chicago and London: The University of Chicago Press, 1970), p. 441.

¹⁵ Quoted from Hungdah Chiu, "Taiwan's Membership," p. 204.

¹⁶ Ya Qin, "GATT Membership for Taiwan," p. 1060. [With ref. to "EC Supporting Taiwan for GATT," *Free China Journal*, July 26, 1991, at 1.]

¹⁷ This section is based on interview material.

- Commission, would mean a tax of ECU 5.2 per litre on cognac and Scottish and Irish whisky.
4. Taiwan agreed to remove foreign equity restrictions in all services sectors, opening the financial services market, allowing foreign shipping companies to set up wholly-owned subsidiaries, and joining the WTO Agreement on trade in civil aircraft.
 5. Taiwan agreed to agriculture concessions in areas like pig meat, poultry, apples and citrus fruits. Import tariffs on 1,450 items of agricultural goods would be reduced. Average tariffs on agricultural products would be reduced from 21.19% to 19.48%.
 6. Import tariffs of 6,814 items of industrial tariffs would be reduced. Average tariffs on industrial products would be reduced from 6.39% to 6.34%.¹⁸

Taiwan eventually joined the WTO just after the PRC in January 2002. Had the linkage with the PRC not been established Taiwan could have joined earlier. The WTO regimes for trade in goods, services and intellectual property rights now constitute the framework for economic relations between the EU and Taiwan.

Current Political Issues

The current issues, which will be discussed in the following, fall under CFSP on the EU side, with the exception of the Schengen visa question, which will briefly be mentioned. The Schengen cooperation among EU member states started outside the EC treaties. The Maastricht Treaty on European Union created a third pillar dealing with Justice and Home Affairs (JHA), including question relating to external border control. The Maastricht Treaty, however, already included visa questions under the first Community pillar and since the Amsterdam Treaty of 1997 (in force since 1999) the Schengen *acquis* has gradually been integrated in the EU.

EU's policy on Cross-Straits Relations

The EU has so-called strategic dialogues with the USA, Japan and China. Although the United States is a much more important actor in East Asia than the EU it is obvious that the EU is concerned about developments in East Asia. In a Joint Action Plan from an EU-USA meeting in 1995 the two actors talked about sharing responsibility in other regions of the world and said that they would “work together to reduce the risk of regional conflict over the Korean peninsula, Taiwan and the South China Sea.”¹⁹

Over the last few years the EU has clarified its strategic interests in East Asia. This has allowed the EU to respond a little more concretely and a little faster to issues of cross-straits relations. This clarification especially happened during the UK Presidency in the second half of 2005. The details of the new strategic guidelines were kept confidential at the time.²⁰ But various statements issued in recent years give us a good picture of the

¹⁸ *Agence Europe*, 24 July 1998; “Taiwan agrees WTO pact with EU”, *European Report*, July 25, 1998.

¹⁹ http://www.eu2006.at/en/The_Council_Presidency/EU-USSummit/ImportantDocuments/ActionPlan.pdf

²⁰ Interview material.

EU's perceived interests in East Asia. Eventually in December 2007 the Council approved a document on "Guidelines on the EU's Foreign and Security Policy,"²¹

In the Guidelines document we find a section on Cross-Strait Relations, in which it is said that the EU has "a significant stake in the maintenance of cross-strait peace and stability." Referring to the One China Policy the EU should "Encourage initiatives aimed at promoting dialogue, practical cooperation and confidence building."

In the following we will look at recent EU Presidency statements as well as statements from the High Representative for CFSP, Javier Solana. These declarations are the most authoritative statements of EU policy.

The EU favours increased cross-straits communications, hoping these will help produce trust and confidence. This includes support for direct cross-straits flights. When such flights were established for the Lunar New Year the Luxembourg Presidency issued a declaration on 3 February 2005:

*The EU welcomes the agreement to cross-strait direct charter flights over the Lunar New Year. It considers that this type of practical cooperation will help to promote dialogue and understanding between the parties and hopes that ways can be found to build upon it. The EU attaches indeed great importance to peace and stability in the Taiwan Strait, which are of utmost importance for the whole region and beyond. Within its One China Policy, the EU continues to take the view that the Taiwan question should be settled peacefully through cross strait negotiations. We welcome any efforts by both sides to lower tensions and to find a mutually acceptable basis for a resumption of peaceful dialogue. We would appeal on both sides to avoid unilateral measures which might heighten tensions.*²²

The EU and its member states criticize both sides of the straits when they see behaviour they consider likely to increase tensions. When China passed the anti-secession law in the spring of 2005 this was criticized in a Declaration by the EU issued through the Luxembourg Presidency:

The European Union has taken note of the adoption of an "anti-secession law" by the National People's Congress of the People's Republic of China. In this context, the European Union wishes to recall the constant principles guiding its policy, i.e. its attachment to "One China" and to the peaceful resolution of disputes, which is the only means of maintaining stability in the Taiwan Straits, and its opposition to any use of force. The European Union asks all parties to avoid any unilateral action which might rekindle tensions. It would be concerned if this adoption of legislation referring to the use of non-peaceful means were to invalidate the recent signs of reconciliation between the two shores. The European Union encourages them to develop initiatives which contribute to dialogue and to mutual understanding in the spirit of the agreement on the direct air links established at the time of the Chinese New Year.

²¹ For text see: http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/en/misc/97842.pdf
Oddly enough it was the Environment Council on 20 December 2007 that approved the document, see Press Release 16183/07:

http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/en/envir/97858.pdf

²² <http://www.eu2005.lu/en/actualites/pesc/2005/02/03taiwan/index.html?highlight=Taiwan>

*The European Union considers that relations between the two shores must be based on constructive dialogue and the pursuit of concrete progress, and reiterates its conviction that this is the only approach likely to benefit both parties and to lead to a peaceful resolution of the Taiwan question.*²³

During the UK Presidency in the second part of 2005 there was a debate in the European Parliament on relations between the EU, China and Taiwan and Security in the Far East. The debate was introduced by the President-in-Office, Douglas Alexander. On Taiwan he said inter alia:

*The last 30 years have seen tremendous change in Taiwan too. Taiwan is one of the most successful Asian tigers, experiencing an enviable 5.9 % economic growth just last year. GDP per capita in real terms is considered to be on a par with Japan and Hong Kong. But change there has not just been economic, but also political. Thirty years ago Chiang Kai-Shek died and his son Chiang Ching-kuo continued in power thereafter. It was not until 1996 that Taiwan had its first democratic presidential election. Now Taiwan is a full democracy.*²⁴

During the Austrian Presidency on 20 January 2006 a declaration on direct cross-strait flights over the Chinese New Year was issued. It welcomed “the resumption of direct cross-straits flights over the Chinese New Year.”²⁵

On 1 March 2006 the Presidency on behalf of the EU criticized President Chen Shui-bian’s abolishment of the National Unification Council.²⁶

On June 15, 2006 the Austrian Presidency issued a declaration on behalf of the EU on additional cross-straits passenger flights during holiday periods.²⁷

The interpretation we can give of these declarations is that the EU’s cross-straits policy tries to encourage confidence building across the straits. The EU opposes steps that can lead to increased tensions. The EU is willing to criticize both sides, the PRC and Taiwan. It is also clear that the EU policy is *status quo* oriented. Change in *status quo* can only come through agreement between the PRC and Taiwan. It cannot be imposed by external powers.

Another source on EU policy is joint statements and press releases from meetings between the EU and the PRC. In a press release dated 3 February 2006 issued after the meeting of the EU Troika, Austrian Foreign Minister Ursula Plassnik, CFSP High Representative Javier Solana and Commissioner for External Relations Benito Ferrero-Waldner with PRC foreign minister Li Zhaoxing, we find this section, which fit in with the above mentioned declarations:

*Another topic of the discussions was the situation in Taiwan. The EU repeated its position that all questions ought to be resolved peacefully and that both sides should renounce unilateral actions and declarations that might increase tensions.*²⁸

²³ <http://www.eu2005.lu/en/actualites/pesc/2005/03/14taiwan/index.html?highlight=Taiwan>

²⁴ <http://www.europarl.europa.eu/sides/getDoc.do?jsessionid=10C5D8599412327EC157F5F3EFFB9B8D.node2?pubRef=-//EP//TEXT+CRE+20050706+ITEM-027+DOC+XML+V0//EN&language=EN>

²⁵ http://www.eu2006.at/en/News/CFSP_Statements/January/2001TaiwanChina.html

²⁶ http://www.eu2006.at/en/News/CFSP_Statements/March/0101TaiwanStraits.html

²⁷ http://www.eu2006.at/en/News/CFSP_Statements/June/1506TaiwanStrait.html

During 2007 the German and Portuguese Presidencies do not seem to have issued Taiwan related statements. But Javier Solana did issue a couple of statements. In comments on 6 March 2007 Solana talked about the importance of stability across the Taiwan Straits.²⁹

The question of Taiwanese UN Membership and proposed referenda produced a statement by Javier Solana on 25 October 2007, where he said inter alia:

*The EU supports and shares Taiwan's democratic values. But we have concerns about the current policy of Taiwan's authorities to pursue a referendum on the question of UN membership in the name of Taiwan. This concern flows from the EU's conviction that both sides of the Strait should refrain from statements or actions which might raise tension across the Strait and which might be perceived as a unilateral change in the status quo. The proposed referendum risks making it harder for Taiwan to enjoy the pragmatic participation - which we support - in the activities of specialized multilateral fora, when there are clear public interests for this and when statehood is not required. I therefore want to encourage both sides to take further initiatives aimed at promoting dialogue, practical cooperation and confidence-building.*³⁰

During 2008 various events led to statements being issued by the Presidency or the High Representative for CFSP.

The proposed referenda on UN membership had the EU worried. The issue produced a statement from the Slovene Presidency on 6 March 2008, which included the following:

*While recognizing the general value of referenda as democratic instruments, the EU is, nevertheless, concerned by the decision in Taiwan to proceed with the proposed referendum on joining the UN in the name of Taiwan. The proposed referendum would risk increasing cross-straits tension, to the potential detriment of all concerned, including the people of Taiwan. The EU continues to encourage both sides to work to promote dialogue, practical cooperation and confidence-building.*³¹

The DPP government was criticised by the EU on various occasions.

After the elections on 22 March 2008 the EU Presidency expressed the hope that the new administration of President Ma Ying-jeou would make progress in cross-straits relations:

The European Union welcomes the elections held in Taiwan on March 22 and reiterates its support for Taiwan's democratic values. The EU hopes that the arrival of the new administration in Taiwan will provide a welcome opportunity for both sides of the strait to make further progress in cross-strait relations, to the benefit of people on each side. The EU reiterates its One China Policy and its firm support for a peaceful resolution of the Taiwan question.

²⁸ http://www.eu2006.at/en/News/Press_Releases/February/0302TroikaChina.html

²⁹ http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/en/declarations/93110.pdf

³⁰ http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/EN/declarations/96850.pdf

³¹ http://www.eu2008.si/en/News_and_Documents/CFSP_Statements/March/0306MZZtaiwan.html

*The EU recalls that it does not support Taiwan's formal membership of international organisations where statehood is required. In the framework of its One China Policy, the EU will continue to support Taiwan's practical participation in specialized multilateral fora where statehood is not a requirement, especially where Taiwan's participation directly affects its people and is important to the EU and global interests. The EU looks forward to both sides taking concrete steps, including confidence building measures, to agree and implement strategies allowing Taiwan's meaningful participation in such fora.*³²

After Ma Ying-jeou's inaugural speech the Presidency again stated its hope for improved cross-strait relations on 26 May 2008:

The EU welcomes the positive momentum given to the development of cross-strait relations in the inaugural speech by Taiwan's new leader, Ma Ying-jeou, and in the statement by Chen Yunlin, Director of the Taiwan Affairs Office of the Chinese State Council.

The EU believes that the establishment of a new administration in Taiwan provides a unique opportunity for the two sides to make further progress in their practical relations and opens the possibility for them to take positive steps towards the resumption of a meaningful dialogue which will be of benefit to the people on both sides of the Strait and would enhance regional peace and stability.

The EU welcomes the willingness of both sides to take up these opportunities.

*The EU reiterates its One China Policy and its firm support for a peaceful resolution of the Taiwan question.*³³

On June 13, 2008 the Presidency issued a statement on the re-establishment dialogue across the Taiwan Strait:

The EU Presidency warmly welcomes the re-established dialogue between the China mainland's Association for Relations Across the Taiwan Strait and the Taiwan-based Strait Exchange Foundation in Beijing on 12 June. The talks, revived after almost ten years, represent a significant step towards closer relations and the establishment of trust between both sides.

The Presidency is also pleased to note the arrangement on direct charter flights and on the exchange of tourist visits at weekends, which will contribute significantly to the strengthening of friendly ties between the people of mainland China and Taiwan, and to the development of economic, cultural and social ties.

*The Presidency hopes that these steps will encourage all concerned to pursue a vision for long-term peaceful political and economic development of the region.*³⁴

On 4 November 2008 Javier Solana issued the following statement on the agreement signed on 4 November between Chen Yunlin, Director of the Taiwan Affairs Office of the Chinese State Council, and Chiang Pin-king, Chairman of the Straits Exchange Foundation:

I welcome the agreement signed today between the authorities of China and Taiwan to improve direct transport and trade links across the Taiwan Straits.

³² http://www.eu2008.si/en/News_and_Documents/CFSP_Statements/March/0322MZZ_Tajvan.html

³³ http://www.eu2008.si/en/News_and_Documents/CFSP_Statements/May/0526MZZcross-strait.html

³⁴ <http://www.deltwn.ec.europa.eu/modules.php?op=modload&name=News&file=article&sid=91>

The European Union has always taken the firm view that the Taiwan question must be resolved peacefully through constructive dialogue between all concerned parties. Today's agreement represents a significant positive step towards finding pragmatic solutions that benefit people on both sides of the Straits. I therefore commend the determination of both sides to take up these opportunities that contribute to reinforcing stability and security in East Asia.

*The European Union will continue to adhere to its One China Policy and will provide firm support to future initiatives that advance meaningful dialogue across the Straits.*³⁵

On 7 November 2008 the Presidency also issued a statement on the new cross-strait talks:

1. The European Union welcomes the continued efforts by both sides to improve relations across the Taiwan Strait, which contribute significantly to stability and security in East Asia.

2. The EU commends in this respect the holding of the second round of unofficial negotiations between the two sides, on the occasion of the visit to Taiwan of the Chairman of ARATS, Mr CHEN Yunlin, and his talks with the Chairman of SEF, Mr CHIANG Pinkung. It welcomes the success of these talks, which enabled a number of specific agreements to be signed in the areas of transport, postal links and food security, further high-level contacts to be established and a timetable for future discussions to be fixed.

3. The European Union welcomes in particular the fact that these talks contribute to developing the mutual confidence and understanding between the two sides which are essential for better cooperation in the Taiwan Strait.

*4. The EU hopes that this process of dialogue will continue over the coming months and years, in accordance with the timetable set by the two sides.*³⁶

Clearly, the EU was happy about the new tone in cross-straits relations that followed the early initiatives of the new government of President Ma.

The Voice of the European Parliament

To put the declarations from the Presidencies into perspective we will refer to a report from the European Parliament, the Bastian Belder report, adopted on 7 September 2006. This report is clearly more pro-Taiwan than the declarations issued by successive Presidencies. On cross-strait relations the report included the following two sections:

Observes that China's Anti-Secession Law of 14 March 2005 and the present stationing of more than 800 missiles on the south-east coast of the PRC facing Taiwan belie the principle of peaceful reunification; calls on China and Taiwan to establish mutual trust and respect and to seek common ground while setting aside differences, to put in place the necessary political basis for a peaceful and steady development of cross-Straits relations, to resume dialogue on those relations and to strengthen economic exchanges and cooperation, making progress in particular on the "three direct links" across the Taiwan Strait (mail, transport and trade);

³⁵ http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/EN/declarations/103731.pdf

³⁶ http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/cfsp/103861.pdf

*Takes the view that, with regard to the possible option of a peaceful reunification process with the Chinese mainland, the will and approval of the 23 million citizens of Taiwan must surely be respected and taken into account, as must Taiwan's territorial sovereignty and integrity, in negotiations with China on Taiwan's status; points out that the beginning of a genuine democratic process in the PRC would help to ease tensions and pave the way for the resumption of a substantive dialogue between the two sides.*³⁷

Talking about “the will and approval of the 23 million citizens of Taiwan” and “Taiwan’s territorial sovereignty and integrity” was a little too much for some socialist MEPs. But the resolution was adopted with three-fourths majority, with Socialists voting against. We notice also the explicit criticism of China’s 800 missiles facing Taiwan.³⁸

EU Policy on the Lifting of the Arms Embargo against the PRC

The EU arms embargo against China was part of the sanctions against China introduced by the EC after the Tiananmen Square protests in 1989.³⁹

Up through the 1990s China kept asking for a lifting of the ban. The Presidency Conclusions from the European Council meeting in December 2003 had a relatively brief entry: “The European Council invites the General Affairs and External Relations Council to re-examine the question of the embargo on the sale of arms to China.”⁴⁰ The issue was now on the EU agenda.

In early 2004 the French President Jacques Chirac, with support by German Chancellor Gerhard Schröder, started pressing for a lifting of the ban, surprising some other European leaders as well as officials in Brussels. The issue became a hot potato in EU politics because a number of member states and the European Parliament were skeptical or opposed to the lifting. So did the United States – especially the US Congress - and Taiwan.

The issue was on the agenda of the 7th EU-China summit on 8 December 2004. In the joint statement issued by the summit “The EU side confirmed its political will to continue to work towards lifting the embargo. The Chinese side welcomed the positive signal, and considered it beneficial to the sound development of the comprehensive strategic partnership between China and the EU.” Further, we read that “China reaffirmed that political discrimination on this issue was not acceptable and should be immediately removed. The EU reaffirmed that work on strengthening the application of the European Union Code of Conduct on arms exports was continuing.”⁴¹

³⁷ <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+TA+P6-TA-2006-0346+0+DOC+WORD+V0//EN&language=EN>

³⁸ On the question of sovereignty Dr Georg Jarzembowski, MEP and chairman of the Taiwan Friendship Group in the EP, wrote in a forthcoming book chapter: “Aus meiner völkerrechtlichen Sicht ist die R.O.C auf Taiwan ein souveräner Staat (siehe die geltende Drei Elemente-Lehre: Staatsgebiet, Staatsvolk und Staatsmacht). Taiwan ist zudem – im Gegensatz zur Volksrepublik China – ein demokratischer Rechtsstaat mit Mehrparteiensystem. Das EP ist offen für eine Wiedervereinigung, unterstützt aber gleichzeitig die Auffassung, dass diese nur unter den Bedingungen einer pluralistischen Demokratie, eines Rechtsstaats und der Anwendung der Menschenrechte sinnvoll wäre.”

³⁹ http://en.wikipedia.org/wiki/Tiananmen_Square_protests_of_1989

⁴⁰ http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ec/78364.pdf

⁴¹ http://ec.europa.eu/comm/external_relations/china/docs/js_081204.pdf

By the time of the December 2004 meeting of the European Council, about a week later than the EU-China summit, the Heads of State and Government had this to say:

... the European Council reaffirmed the political will to continue to work towards lifting the arms embargo. It invited the next Presidency to finalise the well-advanced work in order to allow for a decision. It underlined that the result of any decision should not be an increase of arms exports from EU Member States to China, neither in quantitative nor qualitative terms. In this regard the European Council recalled the importance of the criteria of the Code of Conduct on arms exports, in particular criteria regarding human rights, stability and security in the region and the national security of friendly and allied countries. The European Council also stressed the importance in this context of the early adoption of the revised Code of Conduct and the new instrument on measures pertaining to arms exports to post-embargo countries ('Toolbox').⁴²

Was the 'well-advanced work' really well advanced? Or did some of the member states start getting cold feet?

The creative part of the internal politics of the EC was a linking of the lifting of the ban with an upgrading of the Code of Conduct on arms exports. Such upgrading should avoid an increase of arms exports 'in quantitative (or) qualitative terms.' The lifting was further linked with human rights, stability and security in the region.

China's anti-secession law in the spring of 2005 did not help the Chinese case. Then Britain took over the Presidency in the second half of 2005, and Britain had reservations about lifting the embargo, especially Prime Minister Tony Blair, who was known to listen to Washington. Other member states with reservations included Sweden, Denmark, Poland and the Czech Republic.

The issue of the arms embargo was discussed in the European Parliament in July 2005. President-in-Office Douglas Alexander said on that occasion in his closing statement:

No decision has yet been taken on lifting the EU arms embargo in China. The review launched in December 2003 is ... ongoing. In its conclusions in December 2004, the Council recalled the importance of the criteria of the code of conduct, which have been referred to by a number of Members today, including the provisions regarding human rights, stability and security in the region and the national security of friendly and allied countries.⁴³

Chancellor Schröder lost the federal elections in Germany in the fall of 2005. Angela Merkel, the new chancellor from November 2005 is against lifting the ban. President Chirac was weakened politically when he lost the referendum on the Constitutional Treaty on 29 May 2005. So the coalition in favour of lifting the embargo was weakened in 2005.

⁴² http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/ec/83201.pdf

⁴³

<http://www.eu2005.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1079979819948&a=KArticle&aid=1122477608160>

The meeting between the EU Troika and the PRC foreign minister in February 2006 also discussed the issue of lifting the EU arms embargo against China. On this we read in the press statement:

On the question of the arms embargo, Plassnik recalled the instruction of the European Council to work toward lifting the embargo, as well as the EU code of conduct on arms export controls in effect since last year. At the same time she pointed out that there was no consensus yet on this topic within the EU. Plassnik also referred to the feelings with regard to this topic in European parliaments⁴⁴.

The issue was on the agenda of the 9th EU-China Summit in Helsinki, 9 September 2006. In the Joint Statement from the meeting we read:

Leaders also discussed the EU arms embargo. The Chinese side reiterated its view that lifting the arms embargo would be conducive to the sound development of the EU-China relations and urged the EU to lift the arms embargo at an early date. The EU side recognized the importance of this issue and confirmed its willingness to carry forward work towards lifting the embargo on the basis of the Joint Statement of the 2004 EU-China Summit and subsequent European Council Conclusions.⁴⁵

The statement from the 10th China-EU Summit in Beijing on 28 November 2007 also briefly mentioned the EU arms embargo, reiterating verbatim what had been said the year before.⁴⁶

The December 2007 Guidelines on EU's Foreign and Security Policy in East Asia mentioned above also had a section of relevance for the arms embargo, without mentioning it by name:

The EU should also, in consultation with all partners, deepen its understanding of the military balance affecting the cross-strait situation; of the technologies and capabilities which, if transferred to the region, could disturb that balance; of the related risks to stability including the risk of miscalculation; and factor that assessment into the way that Member States apply the Code of Conduct in relation to their exports to the region of strategic and military items.⁴⁷

So this is where we are. In principle the arms embargo will be lifted. But there are a number of conditions: (1) Upgrading of the Code of Conduct on arms exports, (2) improvements in the human rights situation in China, and (3) security in the region (read improved cross-straits relations). The Communication of 24 October 2006 from the Commission also mentioned "improving the transparency of [China's] military expenditure" as a condition.⁴⁸ So it could take quite some time before the embargo is lifted.

⁴⁴ http://www.eu2006.at/en/News/Press_Releases/February/0302TroikaChina.html

⁴⁵ http://www.eu2006.fi/news_and_documents/other_documents/vko36/en_GB/1157828673423/

⁴⁶ http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressData/en/er/97355.pdf

⁴⁷ http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/en/misc/97842.pdf

⁴⁸ Commission of the European Communities, "Communication from the Commission to the Council and the European Parliament. EU – China: Closer partners, growing responsibilities," COM(2006)631 final, Brussels, 24 October 2006.

EU Policy on Taiwan's Participation in the WHO

After being expelled from the UN in 1971 Taiwan also had to leave the World Health Organization (WHO) in 1972.

Taiwan's participation in the WHO makes sense from a medical perspective, when the world confronts SARS, Avian Flu and other diseases.⁴⁹ But what makes sense from a pragmatic, functional perspective may not make sense politically for some actors. Since Taiwan started trying to join the WHO as an observer in 1997 the PRC has opposed such representation, arguing basically that Taiwan has a hidden political agenda.

In a resolution of 14 March 2002 the European Parliament came out in support of observer status for Taiwan at the forthcoming May 2002 annual meeting of the World Health Assembly (WHA) in Geneva. It called on "the Commission and the Member States to support the application for observer status to be granted to Taiwan at the forthcoming WHA."⁵⁰ On March 19 a spokeswoman for the Chinese Foreign Ministry opposed the EP's resolution saying that "Taiwan's 'entry' to the WHO, for any reason or in any way" would be "an infringement of Chinese sovereignty and territorial integrity, and an interference in China's internal affairs."⁵¹

Again, in another resolution of 15 May 2003 the EP called for observer status for Taiwan at the 56th WHA.⁵²

During the 57th World Health Assembly (Geneva, 17 -22 May, 2004) the Irish Presidency gave the following Explanation of Vote on the request for the addition of a supplementary agenda item on "inviting the health authorities of Taiwan to participate in the World Health Assembly as an observer":

Mr. President,

I am speaking on behalf of the European Union.

The European Union maintains a 'One China' policy. We have voted against the inclusion of this item on the agenda.

However, the European Union strongly supports the principle enshrined in the WHO Constitution that the enjoyment of the highest attainable standard of health is one of the fundamental rights of every human being.

To that end, the European Union welcomes the access by WHO experts to Taiwan during the SARS crisis. We hope to see this co-operation strengthened and deepened to ensure that the health concerns of the people of Taiwan are met and that proper account is taken of global efforts to safeguard public health.

We hope that the Secretariat, and others organising technical meetings and working groups under the WHO auspices, will show flexibility in finding mechanisms to allow Taiwanese medical and public health officials to participate in these activities.⁵³

⁴⁹ <http://www.asiamedia.ucla.edu/article.asp?parentid=11216>

⁵⁰ <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P5-TA-2002-0130+0+DOC+XML+V0//EN&language=EN>

⁵¹ <http://ca.china-embassy.org/eng/xwdt/t37380.htm>

⁵² <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//TEXT+TA+P5-TA-2003-0224+0+DOC+XML+V0//EN&language=EN>

⁵³ Statement kindly provided by the European Commission.

The issue also came up in the debate in the European Parliament in July 2005. In his closing statement President-in-Office Douglas Alexander stated:

There are difficulties over Taiwanese membership of the World Health Organisation. The WHO is a United Nations specialised agency where statehood is therefore a prerequisite of membership. The public health benefits to Taiwan from observer status appear limited, since the World Health Organisation and Taiwan already share information on an informal basis. The European Union made its position public on Taiwanese participation at the 2004 World Health Assembly. Ireland issued an EU Presidency statement that strongly supported the principle enshrined in the WHO Constitution that the enjoyment of the highest attainable standard of health is one of the fundamental rights of every human being. It also expressed hopes that all parties will show flexibility in finding mechanisms to allow Taiwanese medical and public health officials to participate in these activities. At this year's World Health Assembly, the issue did not come up for vote in the General Committee, but we understand that the WHO secretariat and China recently signed a memorandum of understanding on WHO technical exchanges with Taiwan.⁵⁴

The situation then is that Taiwan has been able to take part in some technical meetings. The WHO also sent a team to Taiwan in 2003 supporting health officials in combating the SARS outbreak.⁵⁵ But observer status at the WHA has remained out of reach for Taiwan.

According to interview material, we understand that the Austrian Presidency sent a letter to Dr Lee Jong-wook, the Director-General of WHO, in February 2005 urging a pragmatic solution allowing Taiwanese participation in technical meetings. Since the answer was not very clear the Troika (Austria, Finland and the Commission) went and saw Dr Lee on 2 May. Dr Lee promised to try to improve Taiwan's possibilities of participation. However, Dr Lee died soon afterwards.

Prior to the 2006 meetings of the WHA Taiwan's President Chen Shui-bian stated: "We are taking a most pragmatic approach this year by seeking meaningful participation."⁵⁶ *Financial Times* had obtained a copy of a secret memorandum of understanding between the WHO and the PRC according to which the PRC agreed to limited participation of Taiwanese technical experts in some WHO meetings. Under the terms of the accord the WHO must seek PRC approval well in advance, which could impede a swift response in the case of a pandemic.⁵⁷

The European Parliament keeps supporting Taiwan in its quest for better representation in the WHO. In its report from September 7, 2006 it:

Calls on China to support the possibility of observer status for Taiwan within the World Health Assembly of the World Health Organization, in order to protect the health of the

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<http://www.eu2005.gov.uk/servlet/Front?pagename=OpenMarket/Xcelerate/ShowPage&c=Page&cid=1079979819948&a=KArticle&aid=1122477608160>

⁵⁵ http://www.who.int/csr/sars/archive/2003_05_03/en/index.html

⁵⁶ Quoted in Kathrin Hille, Andrew Jack and Frances Williams, "Taiwan seeks 'meaningful participation' in WHO," *Financial Times*, May 22, 2006.

⁵⁷ *Ibid.* See also "Tenth bid to join WHA commences," *Taipei Times* May 17, 2006. <http://www.taipeitimes.com/News/front/archives/2006/05/17/2003308570>.

*people of Taiwan, of international representatives and foreign employees on the island, and of the entire population of the globe; recalls in this context that infectious diseases such as HIV/AIDS, tuberculosis, malaria, SARS and, recently, avian influenza know no borders and require world-wide cooperation – also, and especially, with Taiwan as one of the most important international hubs in the Western Pacific; reiterates its call for Taiwan to be better represented in international fora and organisations, so as to put an end to the on-going unfair exclusion of 23 million people from the international community.*⁵⁸

On 11 December 2006, the Council published conclusions on the EU-China Strategic Partnership. It included this sentence: “The Council encourages both sides to jointly pursue pragmatic solutions related to expert participation in technical work in specialized multilateral fora.”⁵⁹ This presumably referred first of all to the WHO.

The Guidelines document from the Council in December 2007 included a very similar reference to the issue. The EU should “Encourage both sides to pursue pragmatic solutions to questions regarding the position of Taiwan with regard to specialised multilateral fora, especially where Taiwan’s practical participation is important to EU and global interests.”⁶⁰

On 19 September 2008 the French Presidency issued a declaration dealing with Taiwan and international organisations:

1. The European Union reiterates its policy of One China. It does not support Taiwan membership in international organizations which require statehood.

(...)

3. The European Union takes note that the Taiwanese authorities have adopted a new approach, in promoting the "meaningful participation" of Taiwan in international activities. It reiterates its support to Taiwan's participation in specialized multilateral fora, especially where Taiwan's participation is important to the EU and global interests, and it encourages both sides to solve this issue through dialogue.

*4. The European Union especially hopes that concrete steps could be taken, through dialogue between both sides, in order to enable the meaningful participation of the people in Taiwan in the implementation of the International Health Regulations.*⁶¹

So ‘meaningful participation’ is now the key phrase – which of course is open to interpretation.

*EU Policy on Schengen visa for Taiwan*⁶²

A Schengen visa is valid for the following 15 countries in Europe: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Italy, Luxembourg, the

⁵⁸ <http://www.europarl.europa.eu/sides/getDoc.do?pubRef=-//EP//NONSGML+TA+P6-TA-2006-0346+0+DOC+WORD+V0//EN&language=EN>

⁵⁹ http://www.eu2006.fi/news_and_documents/conclusions/vko50/en_GB/1165865390817/

⁶⁰ http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/en/misc/97842.pdf

⁶¹ http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/en/cfsp/102836.pdf

⁶² This issue seems not to have been covered by the written press. A search on ProQuest at Dalhousie University found no documents on “Taiwan AND Schengen visa”.

Netherlands, Norway, Portugal, Spain and Sweden. People from Taiwan require such visa to visit a Schengen country. Taiwan now allows citizens from these countries a visa exempt stay in Taiwan up to 30 days. So there is a lack of reciprocity.

Further, getting a Schengen visa is rather cumbersome. According to the web site of the Belgian Office in Taipei the applicant must not only submit an application form, photo, and original passport. The application must also include copy of ID card, itinerary and flight booking, confirmed return ticket when collecting the visa and copy of medical insurance. Depending on the purpose of the trip (business, family visit, tourism) there are other requirements. Tourists, for instance must have proof of financial resources (bank statement, traveler's cheques etc.) and hotel booking confirmation (sent directly from the hotel to the office).⁶³

In August 2003 a KMT legislator, Sun Kuo-wha, was surprised about the requirements when he wanted to go to Austria for a holiday. He decided to lodge a protest against what he considered "unfair and discriminate against Taiwanese tourists." He called a press conference, where he stated: "Based on principles of equality and reciprocity, and for the purpose of promoting people-to-people exchanges, I, as a convener of the legislature's Foreign and Overseas Chinese Affairs Committee, solemnly lodge this protest."⁶⁴ On the same occasion a spokesman from the Foreign Ministry, Richard Shih, said that it had long been the ministry's goal to simplify the visa-application process for Taiwanese. "The ministry has been trying," Shih said. "The ultimate goal of the ministry is to gain visa-exempt stays for Taiwanese tourists in other countries."⁶⁵

According to officials in Brussels this question of Schengen visa for Taiwanese has become a political problem. Basically, what will the PRC say, if Taiwanese people will be visa-exempt in the Schengen countries? Technically it should not be a problem to abolish visas for Taiwanese. Taiwanese people are not trying to migrate illegally to Europe.⁶⁶

Recently Taiwan has extended its visa waivers to include citizens of Poland and Slovakia (October 1) and Hungary (November 1) for a maximum stay of 30 days. Taiwan hopes that the EU will eventually make a reciprocal offer. When announcing the decision Anne Hung, director-general of MOFA's Department of European Affairs, said: "... its is our goal to have our citizens enjoy similar visa exemption when they travel to Europe, and we are working very hard to achieve this."⁶⁷ 20 of the 27 EU member states are now included in Taiwan's visa waiver programme.

Current Trade Policy Issues

Taiwan's membership of the WTO since 2002 has not solved all trade-related issues. As student of political economy expects, there will be pressures for protection from some

⁶³ <http://www.beltrade.org.tw/english/schengen.php>

⁶⁴ <http://www.taipeitimes.com/News/front/archives/2003/08/21/2003064570>

⁶⁵ Ibid.

⁶⁶ Interview material.

⁶⁷ "Taiwan broadens visa waiver program to include more EU countries," <http://www.taiwanheadlines.gov.tw/ct.asp?xItem=136033&CtNode=39>

economic actors, both in Taiwan and the EU. In the past such pressures in the EU have for instance led to a number on anti-dumping cases against Taiwan, and there are still anti-dumping cases.

The EU has a number of recurrent demands to Taiwan, which has remained on the agenda for some time. The EU has not made this list public. Nor can the public get copies of the reports from the annual consultations with Taiwan. But EU officials point to the published Position Papers by the European Chamber of Commerce in Taipei (ECCT). The ECCT has given a detailed analysis of a number of NTBs that are said to affect trade and investments negatively. The 2006-2007 priority issues were:

1. Speed up Cross-Strait business normalization

“Major restrictions remain in place and obstruct the free flow of persons, goods and capital across the Taiwan Strait...

... apart from the holiday flights, no regular cross-Strait charter cargo and passenger are yet in operation.”

2. Eliminate overregulation

“... long and non-transparent product approval procedures in banking services; Taiwan-only safety type approval regulations for cars; multi-licensing requirements for mass retail stores; the necessity for double testing to certify products due to a lack of recognition of international standards and new auto parts marking requirements, are just some examples of over-regulation or Taiwan-only standards.”

3. Comply with WTO commitments

“Little progress has been made in resolving outstanding WTO non-compliance issues.... Key issues such as Taiwan’s accession to the Government Procurement Agreement, the import ban on products from the PRC, the restrictions on PRC visitors of foreign companies with no presence in Taiwan, as well as a number of issues related to automotive and pharmaceutical relations remain unresolved.”

The ECCT also mentioned concern about “unnecessary sanitary and phytosanitary standards controls for the importing of food products, [and the ECCT is] monitoring the civil remedies and enforcement in criminal IPR cases ...”

4. Accelerate the development of the service industry

“The upgrading of key service sectors is lagging behind plans: the restructuring and consolidation of the banking sector has been slow and so far has attracted only a limited number of new foreign investors.”

5. Taxation

“... in the past year Taiwan has introduced more restrictive tax regulations and reduced certain tax incentives.”⁶⁸

In 2006 the ECCT carried out a cross-strait business normalization impact study, trying to quantify some of the costs of restrictions on economic contacts with China. Four such major restrictions were mentioned: 1) No direct transport links; 2) No easy access for

⁶⁸ The European Chamber of Commerce Taipei, *2006-2007 Position Papers* (Taipei, 2006), pp. 14-16.

PRC passport holders to get a visa or to work in Taiwan; 3) Limits on Taiwanese investment in China and Chinese investment in Taiwan; 4) Restrictions on the imports of goods from China.⁶⁹

Talking with officials in Brussels one senses a certain feeling that Taiwan is becoming more protectionist and that the business climate in Taiwan has deteriorated. A number of regulatory concerns are mentioned: Intellectual Property Rights (IPR), health, environment and consumer protection. The mix of regulations in these and other areas make it difficult for European exporters to operate in Taiwan. There is a feeling that Taiwan has become very creative in creating new rules. An example is new anti-theft measures introduced for cars that European exporters do not consider manageable. There is a feeling that Taiwan is not doing enough about IPR. There are licensing issues, for instance for medicines. The way the reimbursement system works in clinics also favours domestic producers. When it comes to agricultural products there is a feeling that the US gets better treatment than the EU. Finally, the accession of Taiwan to the Government Procurement Agreement (GPA) under the WTO was also a problem for Brussels until December 2008, when Taiwan finally acceded to the GPA. When Taiwan joined the WTO in 2002 it was committed to join the GPA “as soon as possible.” But during 2002-2006 a battle of nomenclature took place between Taiwan and the PRC. Some clarification was finally found in the GPA committee, and in December 2008 Taiwan finally signed the agreement.⁷⁰ Taiwan’s accession to the GPA was welcomed by the European Commission.⁷¹

The latest position paper from the ECCT, produced just prior to the new government taking office in May 2008 included 10 suggested remedies to reinvigorate the sluggish Taiwan economy:

1. *Normalize cross-straits economic relations*
2. *Deregulate the financial services sector*
3. *Develop a competitive taxation and tax incentive climate*
4. *Deregulate public procurement and upgrade infrastructure*
5. *Accelerate the development of services and other industries*
6. *Secure a sufficient supply of skilled labor for high-tech and service industries*
7. *Provide clear direction and leadership in development policies for new industries*
8. *Step up Intellectual Property Rights protection*
9. *Create a sustainable healthcare environment*
10. *Develop a market based system for energy pricing*⁷²

The new government seems to have started on some of these points, but how far can it go? The fact that Taiwan is falling behind the other ‘Asian tigers’, Hong Kong, Singapore and South Korea, should provide stimulus for action.

⁶⁹ *Cross-Strait Business Normalisation Impact Study*. Conducted by CLSA Asia-Pacific Markets in cooperation with the European Chamber of Commerce Taipei (Taipei, 2006).

⁷⁰ Ellen Ko, “Government to ink procurement pact,” *Taiwan Journal*, Vol. 25, No. 48 (December 5, 2008), p.1.

⁷¹ “European Commission welcomes the accession of Chinese Taipei to WTO Government Procurement Agreement,” http://trade.ec.europa.eu/doclib/docs/2008/december/tradoc_141665.pdf

⁷² ECCT, *Time to Act! Roadmap to renewed prosperity. The ECCT’s suggested actions for the new government.*, http://www.ecct.com.tw/index.php?option=com_content&task=view&id=28&Itemid=48

President Ma Ying-jeou took part in the ECCT's Europe Day dinner in June 2008. On this occasion the Chairman of the ECCT, Philippe Pellegrin, called upon the EU and Taiwan to "start a dialogue on what could be called competitiveness-driven enhancement talks which we hope could lead eventually to a mutually beneficial full agreement." On the same occasion Chairman Pellegrin also congratulated President Ma on "steps already taken to normalize business relations with the People's Republic of China (PRC)."⁷³

In September 2008 the Taiwan government responded favourably. Minister of Economic Affairs, Yiin Chii-ming, said that a Free Trade Agreement (FTA) between the EU and Taiwan would "serve the investment and trade interests of both sides." The minister said that the new administration is placing 'high priority' on negotiating bilateral trade deals with major trading partners including the EU and the United States.⁷⁴

Whether a bilateral FTA can eventually be negotiated, remains to be seen. In the meantime the WTO remains the overall framework for economic relations. Interestingly enough Taiwan has recently joined the USA and Japan in a complaint to the WTO about IT tariffs for some new products. The issue is a question of how to interpret the Information Technology Agreement from 1996.⁷⁵

Concluding Remarks

EU relations with Taiwan are not likely to change substantially in the near or medium term. The One China principle clearly limits the possibilities of mobility. The EU's interest in the Far East is mainly commercial. The spectacular rise of China has made the EU member states unwilling to upset China. Taiwan's interests can only be defended at the margin. Taiwan has friends in the European Parliament and national parliaments in Europe, who have been impressed by the process of democratization in Taiwan. These politicians believe in national self-determination and the importance of human rights and the rule of law. On that account sympathy naturally goes to Taiwan. But it is probably fair to say that even these friends of Taiwan do advise against Taiwan seeking independence by unilateral steps. Such strategy is considered too risky. So *Realpolitik* trumps.

The EU hopes that China will also gradually become more democratic and start respecting human rights more. But some officials in Brussels are not too optimistic on this. But the dialogue with the PRC continues.

In the EU system the national governments remain the main actors within CFSP. And no consensus can be created for major departures from the current policy. Occasionally this can be an advantage for Taiwan, as when we see that no consensus can be created for lifting the arms embargo against China.

The Commission, while not going as far as the European Parliament in helping Taiwan internationally, has worked to avoid isolating Taiwan too much internationally.

⁷³ "ECCT calls for EU-Taiwan trade enhancement talks,"

http://www.ecct.com.tw/index.php?option=com_content&task=view&id=163&Itemid=162

⁷⁴ "MoEA Minister says Taiwan wants an FTA with the EU,"

http://www.ecct.com.tw/index.php?option=com_content&task=view&id=253&Itemid=162

⁷⁵ "Taiwan proceeds with WTO litigation," <http://www.chinapost.com.tw/taiwan/t-business/2008/09/17/174995/Taiwan-proceeds.htm>

This also includes behind the scenes work to improve Taiwan's possibility for taking part in the technical work in the WHO. The Commission does want to develop pragmatic relations with Taiwan.

The main EU actors also feel that Taiwan can contribute to stability in the area by normalizing its cross-strait relations. This clearly would help both economically and politically. That this is now the policy of the new administration of President Ma has been welcomed by the EU.

The PRC can of course also contribute. The EU actors have all taken the view that China's anti-secession law and threats of the use of force were counterproductive and have cautioned against these.

The truth is that Taiwan's security today mainly depends on the United States. The EU, despite some progress in the area of the European Defence and Security Policy (EDSP) in recent years, cannot project power in the Far East. It does not have the military hard-ware. Nor does it have the decision-making capacity or political will. The EU remains very much a civilian power. It finds it easier to act in economic areas than areas of high politics. This being said, we should also say that the Council secretariat has upgraded its capacity to think strategically about East Asia after the arrival of Javier Solana as High Representative of CFSP in 1999 and the creation of a Policy Planning and Early Warning Unit.

There is now a realization in Brussels that East Asia is increasingly important for the EU. The situation there is based on a security balance to which the EU does not contribute. But EU actions could contribute to upsetting the balance. Thus it is not unimportant what the EU says and does.