

Webinar Report



‘Taiwan’s Role in the EU’s Strategic Autonomy and Diversification of its Supply Chains’

December 10, 2020

The discussion was chaired by Mr Erik Famaey, EIAS Senior Associate. Speakers included H.E. Dr Ming-Yen-Tsai, Taipei Representative to the EU and Belgium; Mr Chen Chern-Chyi, Deputy Minister of Economic Affairs of Taiwan; Mr Giuseppe Izzo, Chairman of the European Chamber of Commerce in Taiwan; Mr Christophe Hansen, Member of the European Parliament; Mr Pascal Kerneis, Managing Director of the European Services Forum, and Mr Sean Kelly, Member of the European Parliament.

Initiating the discussion, H.E. Dr Ming-Yen-Tsai stressed the need and importance of establishing a Bilateral Investment Agreement (BIA) to foster closer cooperation between the EU and Taiwan. As a like-minded partner sharing common values such as openness, transparency, and democracy, the Taipei Representative to the EU affirmed that Taiwan could become a reliable partner for the EU, able to strengthen both its strategic autonomy and supply chain security. In this context, specific sectors of Taiwanese expertise include Information and Communications Technology, Artificial Intelligence, Internet of Things, medical equipment, and the semi-conductor industry. Building upon the recent agreement signed between Washington and Taipei about semi-conductors, he proffered this newly founded collaboration as a potential reference for future EU-Taiwan relations. Indeed, concluding a similar deal would bring three major benefits for both partners in 1) building a more reliable supply chain, (2) becoming a driving force in global semi-conductors industries, and (3) promoting mutual investments between the two sides. The opportunity for greater cooperation is therefore promising. However, new impetus is needed to push the partnership forward, while difficult political decisions and concrete actions may be required.

In his speech, Mr Chen Chern-Chyi noted that the COVID-19 pandemic has highlighted an over-reliance on China from countries around the world, which accounts for about one third of global production. Competing with Beijing represents a challenging task, and to maintain global competitiveness and resilience, the EU needs to strengthen its alliances with like-minded partners in the Asia-Pacific. Accordingly, the recent conclusion of free trade agreements with South Korea, Singapore, Japan, and Vietnam underlines the political and economic significance of the region. With regard to Taiwan, the EU represents its largest FDI investor (mostly in green energy, semiconductors, manufacturing, and retail), while the volume of its investments has greatly increased in the last six years. Taipei sees Brussels as one of its most important partners and would like to invest more actively in green energy, digital transitions, semi-conductors and telecommunications. However, Mr Chen called attention to Taiwanese investment in the Old Continent remaining low. The EU profile needs to be raised, and an official framework (such as a BIA) would constitute a great starting point for stronger relations.

According to Mr Giuseppe Izzo, the pandemic revealed the vulnerability of business models, particularly supply chains, to disruptions. However, Taiwan is considered to have benefited economically from the recent Sino-American trade tensions. Moreover, investment in factories and fixed assets have reached an all-time high in 2019 (US 150 billion) and are on a similar track for 2020. On the downside, Mr Izzo identified 5 shortages about Taiwan: land, water, power, workers, and talents. In particular, he argued that Taipei suffers from a lack of diversification regarding the localisation of its foreign investments since most of them are based in China. Taiwan should therefore lessen its overreliance on the Middle Kingdom, notably by entering new markets such as Southeast Asia and the EU. He also noted that although Brussels and Taipei are natural partners, investments are largely one-sided. Mr Izzo identified geographical distance, language difference, red tape, high taxes and strict labour laws as the main barriers. In addition, the Chairman of the European Chamber of Commerce agrees that a BIA represents an essential step for closer relations as well as for the creation of jobs. Last but not least, he emphasised that most businesses tend to ignore 'the elephant in the room': that is, the existential threat of climate change. According to Mr Izzo, the greatest challenge ahead will be to change from a linear to a circular economy, by revolutionizing the current supply chain and by reducing the use of natural resources and carbon footprint. Tough regulations will thus be needed to move beyond planned obsolescence, as businesses remain relatively slow to adapt to the concept of a circular reality.

As for MEP Christophe Hansen, Taiwan has remained a blind spot in EU trade policy. While most of the European Parliament seems to support a BIA with Taiwan and pushes for the 'scoping exercise' to be initiated, the Commission and the Council remain reluctant over fear of retaliation from Beijing. Moreover, Mr Hansen identified two main priorities for the European Parliament, notably speaking with one voice vis-à-vis China (as is currently the case with the UK) and engaging more actively with the wider Asian region. He also underlined the need to get back on track with our transatlantic partner in Washington as well as to engage more on our multilateral agenda.

Next, Mr Pascal Kerneis, Managing director of the European Services Forum, highlighted two main characteristics of the Taiwanese economy. Firstly, Taipei does not export many services in comparison to other developed nations (around 13 percent vs 30 percent on average), despite its overall value share of services remaining important. Secondly, Taiwanese outward FDI are mostly going to China, representing a lack of diversification. This, along with low investment in the European market, puts the Taiwanese economy at risk. As a result, EU businesses should keep pushing for an agreement with Taiwan as it could increase opportunities in all sectors, including services. Besides increasing market access in services

and public procurement opportunities, the move will constitute a crucial signal for the business community in Taiwan that it is safe and welcomed to invest in the EU. According to Mr Kerneis, this next step represents the best way to increase the visibility of the EU in Taiwan.

As the last speaker, MEP Mr Sean Kelly also emphasised the mutual benefits and opportunities that closer EU-Taiwan relations would bring. Similarly to Mr Hansen, Mr Kelly recommended the European Commission to begin the 'scoping exercise' with Taiwan to pave the way toward a potential BIA. It would also be desirable for Taipei to be included in the broader EU-Asia connectivity framework to foster greater mutual investment and people to people exchanges. Eventually, the discussion concluded by stressing both the importance and benefits that Taiwanese investments, particularly in the digital sector, would bring to the European market.

European Institute for Asian Studies – EIAS a.s.b.l.
26 Rue de la Loi, 10th Floor
B-1040 Brussels

Tel.: +32 2 230 81 22
E-mail: eias@eias.org
Website: www.eias.org

LinkedIn: European Institute for Asian Studies
Facebook: EiasBrussels
Twitter: @EIASBrussels