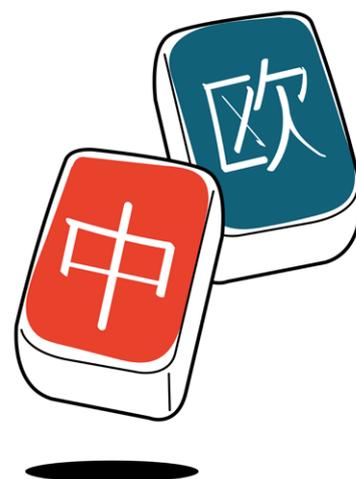


NOVEMBER 18, 2021

# MERICCS

## Europe China 360°



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## ANALYSIS

### The EU's Taiwan push - a reality check

By Grzegorz Stec

Multiple European actors have recently shown increased support for engagement with Taiwan. The European Parliament and national MPs held meetings with the Taiwanese Foreign Minister, a Taiwanese trade delegation toured Central and Eastern Europe, while the European Parliament and Commission released policy documents linked to EU-Taiwan relations. Increased engagement with Taiwan comes at a time of heightened tensions between Brussels and Beijing, and as many European stakeholders come to realize the importance of Taiwan in global semiconductor production.

Considering the differences between the range of EU actors, an increase in engagement is unlikely to constitute a strategic shift in an EU-wide approach to Taipei even if it brings new quality to EU-Taiwan relations (see Exhibit 1).

#### Legislators-led engagement

In practice, European legislators led many of the interactions. It is the MEPs that are requesting politically significant gestures of engagement and who called on the Commission and Council to explore a Bilateral Investment Agreement with Taiwan. It is also national MPs that met officially with Taiwan's Foreign Minister Joseph Wu and led delegations to Taipei. In contrast, the Commission and member states' capitals, with a notable exception of Lithuania, have been more reluctant to openly engage with Taipei in politically sensitive formats.

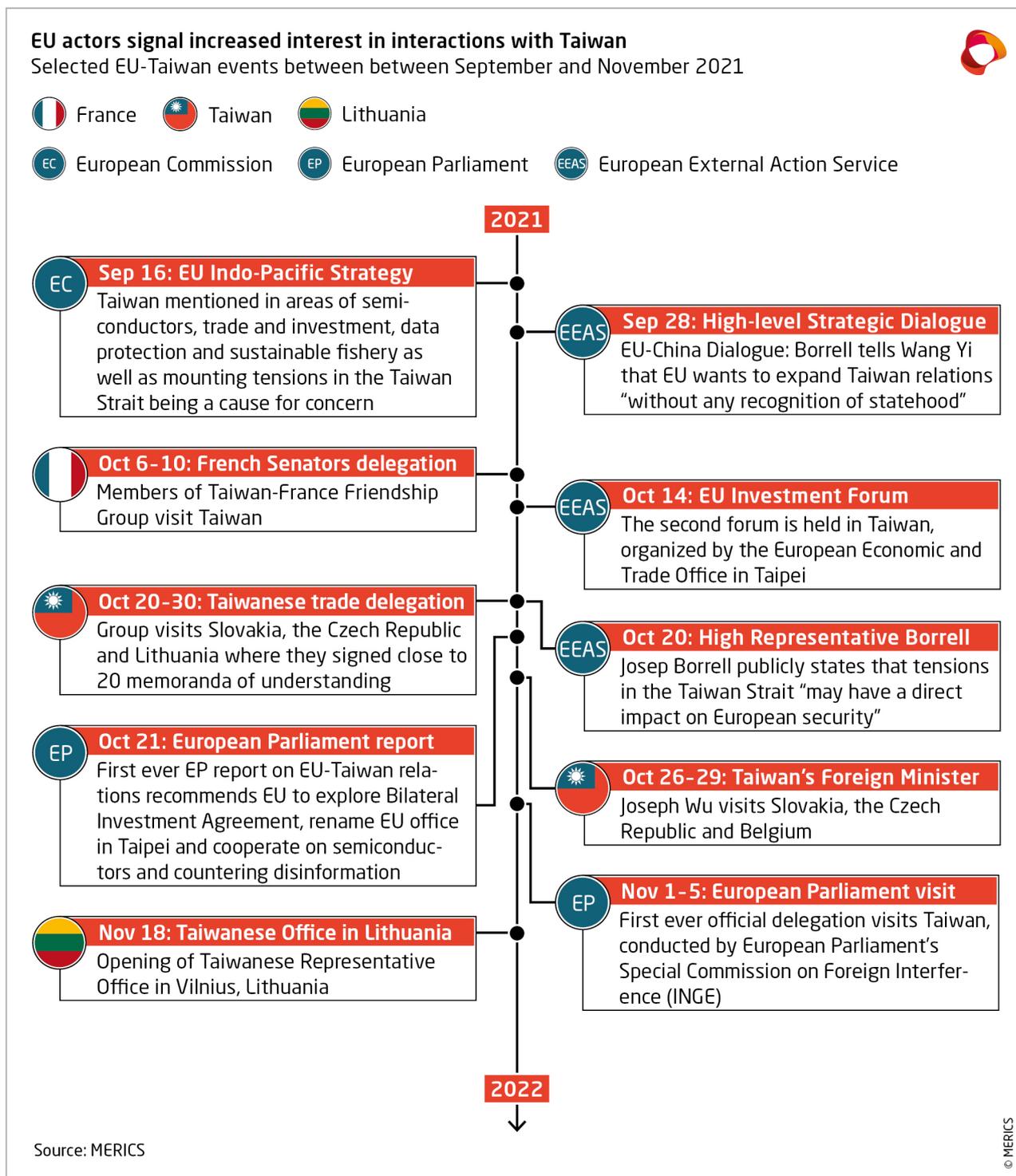
While the European Parliament and legislators play an important consultative role in the foreign policy making, ultimately it can only be shaped by a consensus of national governments and, to a certain degree, the European Commission.

#### Central and Eastern European countries - Taiwan's Trojan horse?

Among the member states, a few Central and Eastern European (CEE) countries have been at the forefront of engaging Taiwan, namely Lithuania, the Czech Republic, Slovakia and, to a lesser degree, Poland. Over the summer, they provided Taiwan with vaccine donations, more recently welcomed Joseph Wu during his European tour (albeit unofficially in the case of Poland) and signed memoranda of understanding on boosting economic cooperation with the Taiwanese trade delegation. Lithuania also moved forward with opening the Taiwanese Representative Office in Vilnius, a decision which has been a subject of major pushback by Beijing.

Such interest from member states to boost ties with Taipei stems from their position. Given the limited economic links with China, estimated to be a source of less than one percent of overall FDI in the region and a destination of less than two percent of CEE member states' exports, they face limited risk of Beijing's retaliation.

Exhibit 1



At the same time, some CEE states are drawn to Taiwan’s experience of overcoming a middle-income trap and consider Taiwan’s economic offers to be attractive; especially given the successful operations of Foxconn, Acer and Asus in the region. What’s more, CEE countries share the similar experience of being in the shadow of a larger authoritarian neighbor and of relying on the US for security.

The pro-Taiwan course may further intensify in some CEE countries in the coming months, for example elections in the Czech Republic brought a more Taiwan-friendly

Prague and the potential success of the opposition next year in Hungary may facilitate a shift in Budapest's policy.

### Major adjustments of Taiwan policies require broader EU consensus

While recent EU-Taiwan developments provide positive momentum for expanding relations, any major adjustment of the EU's Taiwan policy requires a broader consensus. It is unlikely that enthusiasm exhibited by the CEE states will be replicated by other EU members –including France and Germany. These actors have much more to lose from straining relations with Beijing and fewer potential rewards to reap.

The Commission is unlikely to emulate the European Parliament's approach of publicly engaging Taiwan to showcase international support for the island. Also, the current buzz in Brussels and several EU capitals around "re-engaging" China does not set a precedent to revise their position on Taiwan. An indication of a potential shift would be support from the Council and the Commission to explore the BIA with Taiwan.

The DG Trade has, however, consistently described BIA as lacking economic basis and just recently delayed the announcement of a new format for discussing economic and tech issues with Taipei. This could be motivated by Brussels' and several EU capitals' ambition to "re-engage" China. European Council President Charles Michel's recent public support for the Comprehensive Agreement on Investment and his ambition to organize EU-China Summit by the end of the year signaled a similar intention. Therefore, the circumstances do not create enough momentum to revise the EU's position on Taiwan.

For now, there appears to be EU-wide consensus outlined in the Indo-Pacific Strategy in which Taiwan is mentioned regarding semiconductors, trade and investment, data protection and sustainable fishery as well as a worrying increase of tensions in Taiwan Strait. We may expect targeted engagement with Taiwan, exploring the boundaries of the EU's "One China policy" through second tier initiatives such as the Indo-Pacific Strategy, Global Gateway or European Chips Act. In turn, this will elicit discussion on where European actors will draw the line on Taiwan, but this is bound to take place behind closed doors.

### Read more:

- MERICS: [Taiwan's diplomatic and economic offensive in Europe](#)
- SCMP: [EU shelves Taiwan trade upgrade amid high-wire balancing act on China](#) -
- European Parliament: [EU-Taiwan relations: MEPs push for stronger partnership](#)

## China Debates: After COP26, what's next for EU-China climate cooperation?

By Thomas des Garets Geddes

Exhibit 2

### The EU's "green normative power" as viewed from China

Selected quotes by Chinese experts commenting on the European Green Deal, CBAM and EU-China environmental cooperation





**Kang Yanbing (康艳兵), Xiong Xiaoping (熊小平) and Zhao Meng (赵盟)**  
Researchers at China's Energy Research Institute (ERI) of the National Development and Reform Commission (NDRC)

"The European Green Deal's systematic approach to, and typical practices in, pushing forward [the EU's] green and low-carbon transition provide a useful reference for the acceleration of the green and low carbon transition of China's [own] economy and society."

"欧盟绿色新政推动绿色低碳转型的系统方案和典型做法，为我国加快推进经济社会绿色低碳转型 [...] 提供了有益借鉴。"



**Li Zuojun (李佐军)**  
Researcher at the Institute for Resources and Environmental Policies, Development Research Centre of China's State Council

**MAY 2020**



**Chen Xiaojing (陈晓径)**  
Assistant Researcher at the Institute of European Studies, China Institute of International Studies (CIIS)

"Scientific and technological "green" cooperation between the EU and China is likely to continue smoothly [...] but the "digital partnership" will face difficulties [...] [Brussels may] create obstacles to the normal technological exchanges between China and the EU. We should anticipate and try to preempt this."

"中欧环境气候领域的科技合作大概率仍将顺利进行 [...] 但“数字合作伙伴关系”将面临较大困难 [...] [欧方或许会]为中欧正常技术交流设置障碍。我方应充分预判并设法破局。"



**Qu Ruxiao (曲如晓) and Li Jing (李婧)**  
Researchers at Beijing Normal University

**SEPTEMBER 2020**



**Xu Yingming (许英明) and Li Xiaoyi (李晓依)**  
Researchers at the Chinese Academy of International Trade And Economic Cooperation (CAITEC), PRC Ministry of Commerce

"The EU is the world leader in energy conservation and emissions reduction. To ensure that China's emission reduction targets are achieved smoothly, it is important to focus on aligning ourselves with the EU's green policies."

"欧盟是世界上节能减排的领头羊，为确保中国减排目标的顺利实现，要注重与欧盟绿色政策的对接。"



**Yang Xiu (杨修)**  
Researcher at the China Science and Technology Exchange Center (CSTEC), PRC Ministry of Science and Technology

**MAY 2021**



**Xu Yingming (许英明) and Li Xiaoyi (李晓依)**  
Researchers at the Chinese Academy of International Trade And Economic Cooperation (CAITEC), PRC Ministry of Commerce

"[CBAM] will spur the transformation and upgrading of China's high-carbon industries [...] helping both to protect the environment domestically and enhance China's competitive edge in trade."

"[CBAM]会推动中国高碳产业转型升级，推动中国优化出口产品结构，有助于保护国内生态环境，提升贸易竞争优势。"



**Zhang Min (张敏)**  
Researcher at the Institute of European Studies, Chinese Academy of Social Sciences (CASS)

**SEPTEMBER 2021**



**Zhang Min (张敏)**  
Researcher at the Institute of European Studies, Chinese Academy of Social Sciences (CASS)

"The successful experience of the EU's carbon emissions trading system has been spread to all parts of the world. China has drawn on the EU's experience to establish its own carbon emissions trading market."

"欧盟碳排放交易体系的成功经验已推广到世界各地，中国借鉴了欧盟的经验建立了中国碳排放交易市场。"



**Zhang Min (张敏)**  
Researcher at the Institute of European Studies, Chinese Academy of Social Sciences (CASS)

**OCTOBER 2021**

Source: MERICS

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The lead up to the world climate conference COP26 was dominated by the question of whether President Xi was going to show up in person and whether China would make any major pledges: both can now be answered with a disappointing no. Back in the PRC, public intellectuals remain largely in line with official statements. They argue that any pledge that requires going beyond the 2015 Paris Agreement is currently unrealistic, China is used to under promising and over delivering and the West should do more to help the developing world. Some experts also expressed frustration that, even on environmental issues, Chinese efforts are criticized more than they are commended.

Although such discussions set an unfavorable tone, the prospects for EU-China cooperation on climate change are brighter than often expected. As the experts' quotes show, there are still areas in which political breakthroughs remain possible and EU-China environmental cooperation is certainly one of them.

### Chinese experts describe EU environmental policies as models

One striking feature of these discussions is the extent to which experts in China openly describe many of the EU's environmental policies as models. Climate governance is an area in which the EU's global leadership is acknowledged and even desired. Key to such feelings appears to be a relatively high degree of trust vis-à-vis Brussels. The EU is regularly credited with having consistently provided the PRC with assistance in addressing energy efficiency and environmental issues. Moreover, Chinese experts believe that the EU will maintain a long-term commitment towards tackling climate change.

Climate change is certainly one area in which the EU's normative power appears to have a tangible effect on Chinese policy stakeholders. The European Green Deal, announced almost two years ago, is a case in point. Analyst Li Zuojun highlights the "increased pressure" (更大压力) that the EU's revised pledges have exerted on his country and the challenges they pose to "China's international profile" (中国的国际形象). Several experts even imply that China's unexpected climate pledges from September last year were at least partly driven by the European Green Deal.

### Some even see EU's carbon border tax as incentive to inspire changes in China

In contrast to China's official statement that the EU's Carbon Border Adjustment Mechanism (CBAM) is "a unilateral measure ... [which] violates WTO principles ... and seriously undermines mutual trust," Chinese experts provide a more nuanced assessment. Like researchers Qu Ruxiao, Li Jing, Yang Xiu, most agree that CBAM "will certainly have an impact on China's exports to the EU," but just how much of an impact will depend on CBAM's scope. They worry that CBAM might encourage new global "green trade barriers" (绿色贸易壁垒). However, many also see CBAM as a further incentive for their country to accelerate the development of the PRC's carbon market, the restructuring of its carbon-intensive industries or China's turn towards green trade.

Experts say that the EU's Green Deal presents many opportunities to foster environmental cooperation. Qu, Li and Xiu suggest three areas for effective cooperation by: capitalizing on European green tech expertise and Chinese know-how in digital technologies,

developing a sustainable financial system and facilitating green investments as well as creating more opportunities for dialogue and research on green tech and international standards.

Such discussions remind us that climate change remains an area of potential constructive engagement. The EU should be aware of the influence it still has over such policy stakeholders in China and use it wisely.

**Read more:**

- Kang Yanbing, Xiong Xiaoping and Zhao Meng [CN]: [Key points of the European Green Deal and its implications for China](#)
- Li Zuojun [CN]: [Learning from the EU's Green Deal and accelerating China's green revitalization](#)
- Chen Xiaojing [CN]: [The 2060 "Carbon Neutral" target and EU-China cooperation in science and technology](#)
- Qu Ruxiao, Li Jing and Yang Xiu [CN]: [Building a Green Partnership – Opportunities and challenges for EU-China green trade](#)
- Xu Yingming and Li Xiaoyi [CN]: [The impact of CBAM on China-EU trade and China's Response](#)
- Opinion piece by Zhang Min [CN]: [Why should China and the EU strengthen climate cooperation and build a green partnership?](#)

**BUZZWORD OF THE WEEK**

# DOWN AND NOT OUT

Despite opposition by the EU and the US, China and India succeeded in introducing a last-minute amendment to the COP26 Glasgow Climate Pact. The new text changed the wording of a pledge to “phase out” coal to a weaker promise to “phase down.” While the pact was ultimately agreed upon, the experience highlights the challenges ahead of the EU in cooperation with China on climate.

**Read more:**

- FT: [COP26 agrees new climate rules but India and China weaken coal pledge](#)
- SCMP: [COP26 summit: China's climate commitments in the spotlight after coal pledge is watered down](#)

## REVIEW

### EU's Strategic Compass can offer new assertive tools on China

The EU Foreign Affairs Council recently discussed the draft proposal of the EU Strategic Compass prepared by the EEAS.

#### What you need to know:

- **What is it:** The document is an attempt to strengthen the bloc's Common Security and Defense Policy through aligning member states foreign policy priorities over the next five to ten years. A more united approach would help the EU to prevent strategic shrinkage, a lack of the bloc's geopolitical relevance due to decreasing comparative economic weight, hybrid threats and a global "battle of narratives."
- **What's new:** The draft proposes multiple new security-oriented mechanisms including an EU rapid deployment military force created ad hoc from armies of member states that could be deployed without the need for unanimity. It also seeks to boost the bloc's resilience through the development of toolboxes on hybrid threats, cyber diplomacy and foreign information manipulation and interference as well as map out strategic dependencies over the next year.
- **China context:** China is mentioned 10 times in the document. While the proposal maintains the EU's multifaceted approach in relations with Beijing, China is primarily featured as a challenge in the section on "a contested multipolar world" alongside Russia. The document assesses that "China's development and integration into its region, and the world at large, will mark the rest of this century," calling for unity among member states and cooperation with global partners to manage this process.

**Quick take:** If implemented, the initiatives proposed would not amount to a change in the EU's China policy, but they would broaden the EU's toolbox on managing risks in relations with China. New assertive tools can prompt the EU to new assertive actions, as witnessed when the EU deployed its human rights sanctions mechanism just few months after it was created last December.

Implementation of the Strategic Compass can also be a step towards EU's more flexible decision making on foreign policy at large, introducing coalitions of the willing or constructive abstentions. Such improved flexibility is a precondition of achieving meaningful increase of the bloc's unity on China, which is at current limited by unanimity requirements.

**Read more:**

- Josep Borrell for Project Syndicate: [A Strategic Compass for Europe](#)
- Euractiv: [What the EU's future military strategy could look like](#)
- Club de B2/Council of the EU: [Draft of a Strategic Compass for Security and Defence proposal](#)

## **Waiting for Global Gateway, the EU's answer to China's Belt & Road Initiative**

The European Commission's postponed its official launch this week of the EU connectivity project Global Gateway at the last minute.

**What you need to know:**

- **What is Global Gateway:** In September, Commission President, Ursula von der Leyen, announced in her State of the Union plans for a new EU connectivity project. The aim of the project is to promote sustainability, European values and quality infrastructure across the globe.
- **Expected outline:** According to the draft outline, Brussels plans to pledge more than EUR 40 billion for the development of the initiative. The draft defines areas of interest as digital, transport, energy and trade projects. Global Gateway will impact areas across the world: from Eastern and Southern Europe to the Indo-Pacific, passing through the Western Balkans, Central Asia, the Arctic region as well as Africa and Latin America. How the initiative will materialize remains largely unclear as the outline does not describe any specific pilot project.
- **Connectivity projects:** Global Gateway joined the American-led Built Back Better World (B3W) in the ranks of global connectivity projects aimed at proposing an alternative to China's Belt and Road Initiative. B3W and GG are supposed to be complementary, however so far, the two appear to be separate.

**Quick take:** Analysts are speculating over the reasons why the launch was postponed at such short notice. Some say it was due to dissatisfaction over the content of the proposal, which was still apparently vague. The lack of pilot projects is another case in point. Others say the rescheduling was to better coordinate with B3W, which is expected to release a list of pilot projects in January. If that is the case, praise goes to Brussels for realizing, albeit a little late, that collaboration requires coordination. Maybe they are beginning to see that scattering multiple connectivity projects around the world without a cohesive plan could be counterproductive.

**Read more:**

- Bloomberg. [EU to Unveil \\$46 billion Strategy to counter China's Belt and Road Strategy](#)
- MERICS. [Global Gateway - the European Union's new connectivity strategy](#)

## SHORT TAKES

Details of Italian military-drone maker acquisition by China Railway Rolling Stock emerge - The acquisition of Alpi Aviation in 2018 was not registered by Italian authorities, but now faces scrutiny

- WSJ: [China Bought Italian Military-Drone Maker Without Authorities' Knowledge](#)

European Parliament's Special Committee on Foreign Interference releases draft report - MEPs urge additional action on Beijing's alleged interference

- EU Observer - [MEP's disinformation report spotlights China's universities](#)
- European Parliament: [Draft Report on foreign interference in all democratic processes in the European Union, including disinformation](#)

Chinese Ambassador accuses EU of threatening global trade - Zhang Ming criticizes efforts to broaden economic security toolbox and recent EU-US steel and aluminum tariffs deal

- FT: [China accuses EU of threatening global trade](#)

Hungarian joint opposition leader pledges change in China policy - Péter Márki-Zay vows to review Orbán's China policy, should he win next year's elections

- SCMP: [Hungarian opposition candidate vows full review of Orbán's close ties with China](#)

Italian city of Brescia runs art show despite Chinese pressure - The embassy attempted to prevent the launch of an exhibition of dissident artist Badiucao, allegedly hinting at repercussions for mutual trade relations

- DW: [Italian city opens Chinese dissident art show despite pressure from Beijing](#)

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