



## **European Politics and Society: Václav Havel Joint Master Programme**

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### **Europe's Incoherent Attitudes toward Taiwan: Does the Dragon's Shadow Still Linger?**

Master's Thesis

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## **Abstract**

EU-Taiwan relations have seen a leap forward in recent years, yet there are some “vanguards” among the EU member states taking more assertive stances on Taiwan than others. China's economic leverage is believed to be a key factor driving this variation. To test this assumption, this paper examines whether the EU member states’ relations with Taiwan are influenced by their economic dependencies on China. It employs a quantitative research design, conducting a statistical analysis with the event data derived from the EU-Taiwan Tracker, an online tool comprehensively recording each EU member state’s Taiwan-related activity. The results suggest that economic interdependence affects engagement with Taiwan differently for post-communist and non-post-communist EU member states. While non-post-communist countries with higher economic dependency levels on China tend to have less frequent and diverse engagements with Taiwan, post-communist states’ rapprochement with the island is driven by more intricate factors. Thus, the paper partly supports the hypothesis that economic dependencies play a crucial role in shaping EU-Taiwan relations and concludes with policy implications for the complex dynamics among the EU, Taiwan, and China.

*Keywords:* Taiwan-EU relations, China, foreign policy, interdependence theory

## Table of Content

<b>Abstract.....</b>	<b>2</b>
<b>Introduction.....</b>	<b>4</b>
<b>Literature Review .....</b>	<b>9</b>
Historical Background .....	9
Variance across Member States .....	11
Existing Literature on the EU-Taiwan-China Relations .....	14
Theoretical Framework – Interdependence Theory .....	15
<b>Research Design .....</b>	<b>20</b>
Variables and Operationalization .....	21
Dependent Variable: Relations with Taiwan.....	21
Independent Variable: Economic Interdependence.....	22
Control Variables.....	25
Method .....	28
<b>Results .....</b>	<b>29</b>
Sensitivity Analysis.....	29
Independent Effects of the Variables .....	31
Total and Interaction Effects.....	33
Subgroup Analysis .....	36
<b>Discussion .....</b>	<b>38</b>
<b>Conclusion .....</b>	<b>40</b>
<b>Bibliography .....</b>	<b>44</b>

## Introduction

Throughout decades, the European Union (EU), like most countries in the world, has constrained its official relations with Taiwan under the ‘One China Policy,’ which acknowledges The People’s Republic of China (PRC) as the sole legitimate representative of China, indirectly negating Taiwan’s sovereignty. However, in recent years, as the EU started to see China as a systematic rival (European Commission, 2019), it has increasingly inclined its diplomatic and economic policy toward Taiwan. Especially with the surge of tension in the Taiwan Strait during the last two years, when China openly threatened to crush the island’s existence, many member states and the Union itself have been more outspoken on the Taiwan issue. However, within the EU, there is a notable difference among the member states regarding their assertiveness in support of Taiwan. While the Czech Republic is taking a more daring step toward Taiwan through high-level official visits, the President of France, Emmanuel Macron, appears hesitant to affirm Europe’s interest in Taiwan. In fact, it is observable that some Central and Eastern European (CEE) countries are mainly at the forefront of increasing engagement with Taiwan. During the harsh times of the COVID-10 pandemic, the Czech Republic, Slovakia, Poland, and Lithuania’s generous vaccine donations to Taiwan (Wu, 2021) showcased their commitment to supporting Taiwan during a crucial period, symbolizing a deepening of diplomatic ties. These countries have also held high-ranking mutual parliamentary or governmental visits with Taiwan. Nonetheless, such friendly gestures remain unmatched from other EU member states.

The main body of the existing scholarly discussion around the EU-Taiwan-China triangle assesses the relations from the “Normative Power Europe (NPE)” angle, focusing on how the ideological common ground between the Union and the island in human rights and democracy is pulling the EU closer toward Taiwan. This narrative initially inferred that the EU’s policy has

grown more value- than material-driven. Nonetheless, later work following this NPE perspective notes the potential economic concerns behind EU member states' different levels of inclination to expand political ties with Taiwan. A few think tank analyses also highlight that besides ideological alignment and similar historical backgrounds, CEE countries are engaging with Taiwan more explicitly because they have less economic interest at risk vis à vis China. For the Czech case, since China has less economic leverage over the Czech Republic than other countries such as France, Germany, and the EU, it has less chance of facing China's punishment for showing support for Taiwan (Turcsányi, 2023). This assumption seems intuitive, but it has yet to be empirically proved. In a liberal view of international relations, Interdependence Theory (IT) posits that for countries with higher economic interdependence with each other, as the stakes at play become too high, there is less likelihood for conflicts to break out between them. Although IT has not been applied to analyze the EU-Taiwan-China dynamics, scholars have implemented it in a similar scenario to the US-Taiwan-China triad and concluded that a high level of economic interdependence has indeed led to the United States' ambiguous strategy toward Taiwan.

Consequently, this study seeks to empirically analyze the critical factors behind the noticeable inconsistency in EU member states' engagement with Taiwan, utilizing IT as the theoretical framework. Specifically, this research examines the extent to which Chinese FDI, largely government-controlled, influences these relations. The study uses the absence of economic effects as an indirect inference of the prevalence of normative motivations. This approach facilitates a nuanced exploration of the factors driving Europe's distinguished policy decisions toward Taiwan under the standard "One-China Framework." As such, this paper aims to address the following research question: *To what extent does economic interdependence with*

*China impact EU member states' relations with Taiwan?* This question explores whether economic factors drive variations in support for Taiwan among EU members or if they are fundamentally value-based. The study aims to shed light on the influence of economic considerations on diplomatic decisions, assessing China's leverage over the EU's economy and its impact on diplomatic strategies, which may also be generalizable to other geopolitical contexts. Through this analysis, the research aspires to contribute to the broader understanding of the intricate dynamics behind the EU member states' foreign policy, especially as the Union preaches its ambition to become a "strategic autonomy." This study provides valuable insights into the interplay between economic interests and ethical considerations in shaping foreign policy by discerning the motivations for EU member states' engagement with Taiwan.

This study employs a robust quantitative research design to examine the influence of economic interdependence on the diplomatic stances of EU member states toward Taiwan. It delves into the EU-Taiwan Tracker event data provided by the Slovak think tank Central European Institute of Asian Studies (CEIAS). This comprehensive dataset captures a wide range of interactions and engagements between EU member states and Taiwan, offering a rich foundation for analysis. To ensure the data's relevance to the core research problem, the study employs exhaustive discourse analysis, meticulously filtering the entries to focus on significant events that reflect diplomatic stances and finally counting the frequency of each state's interactions with Taiwan as the dependent variable. Economic interdependence in this study is measured by the Chinese FDI positions in the hosting EU member states to capture the politicized nature of such interdependence fully. Given the count outcome of the dependent variable, this paper conducts a negative binomial regression to assess the relationship between the presence of FDI from China and the member states' frequency of diplomatic engagements

with Taiwan. By incorporating interaction terms and controlling for critical variables like economic size and historical background, the research design aims to depict a holistic picture of the mechanism of the EU member states' relations with Taiwan. The analysis is further strengthened by a subgroup analysis, comparing the responses of post-communist and non-post-communist EU member states to uncover potential variations in their diplomatic strategies. Additionally, robustness checks exclude outliers and re-estimate the models to ensure the findings' validity and reliability.

The main finding of this study reveals that Chinese FDI has a differential impact on post-communist and non-post-communist EU countries. For the post-communist group, the regression analysis indicates that as the ratio of Chinese FDI increases, the frequency of interaction with Taiwan also shows an upward trend. However, this relationship is not statistically significant. This suggests that despite economic interdependence with China, post-communist countries continue to engage with Taiwan. In other words, their diplomatic interactions with Taiwan are not significantly influenced by the extent of Chinese FDI they receive. This lack of a significant economic influence suggests that other factors, particularly ideological ones, may play a more pivotal role in shaping their diplomatic stances.

On the other hand, a significant negative relationship indicates that non-post-communist EU member states with higher Chinese FDI display less eagerness to engage with Taiwan, which verifies the assumption of IT. The claim that economic factors drive the variance in the EU member states' engagement with Taiwan is only partly corroborated, as this study indicates that the economic effect should be assessed separately across member states with different backgrounds. Overall, these findings underscore the importance of economic factors in shaping diplomatic behaviors while highlighting that normative and political considerations also play a

crucial role. The differentiated impacts between post-communist and non-post-communist EU member states point to the need for tailored diplomatic strategies for Taiwan if it intends to enhance its significance in Europe.

This paper's scholarly contribution is manifold. First, it fills the quantitative empirical absence in both theories' existing literature on EU-Taiwan-China relations. Second, it addresses the methodological issue of the IT literature that relies almost only on trade to measure economic exchanges (Mansfield and Pollins, 2001) by utilizing capital flow data, which will be detailed in the next chapter. Finally, instead of only focusing on direct conflicts, it extends the application of IT to a broader context. The findings of this study are also highly relevant socially and politically, particularly in the current climate of global economic uncertainty and shifting alliances. This research provides a timely exploration of the evolving dynamics of cultural and economic conflicts between China and the West. It examines how EU member states navigate these challenges while the Union strives to maintain its 'strategic autonomy.'

Additionally, the study offers valuable insights for Taiwanese policymakers, helping them better understand EU member states' policy priorities. The investigation into the diplomatic engagement metrics between the EU Member States and Taiwan is meaningful, given Taiwan's unique status in international society. Unlike engagements with fully recognized sovereign states, interactions with Taiwan occur within a complex framework of diplomatic non-recognition and imply strategic calculations that extend beyond conventional diplomatic gestures. This unique context makes Taiwan an intriguing case for studying the interplay of economic and normative factors within EU foreign policy. Ultimately, in an era marked by escalating regional conflicts around the globe, the insights it offers regarding the EU and its member states' foreign policy decision-making may be applied to other geopolitical contexts.



## Literature Review

### Historical Background

Understanding the origins of the Taiwan-China conflict is critical to analyzing the current dynamics between the EU, Taiwan, and China. The Chinese Civil War, which concluded in 1949, began this longstanding contention. The nationalist Kuomintang (KMT) government of the Republic of China (ROC) relocated to Taiwan after being overthrown by the Chinese Communist Party (CCP) (Pepper, 1993). The CCP formed the People's Republic of China (PRC) after taking control of mainland China. Since its establishment, the PRC has claimed Taiwan as a part of its "sacred territory" (Constitution of the People's Republic of China, 1982) and continues to pursue the unification of Taiwan while not ruling out the possibility of using force (Kan, 2011). Since then, the PRC has insisted on the "One China Principle," which claims it is the only legitimate government in the world representing China.

As China consolidated its power and geopolitical tensions escalated during the Cold War, Taiwan's diplomatic situation reached its nadir. Following the United Nations General Assembly's Resolution (1972) to declare the PRC as "the only legitimate representative of China to the United Nations, the ROC was expelled from the UN, with its seat replaced by the PRC. Later, during a visit to China, the Nixon administration issued the Shanghai Communiqué (1972), recognizing the legitimacy of the PRC being the only China, thereby cementing the One China Framework in international relations. Most states followed the US' decision, making Taiwan a *sui generis* entity without recognition in the global community (Hsieh, 2009). As of 2024, it maintains official diplomatic ties with only 12 countries.

The EU, without exception, continues to adhere to a "One China Policy" (European External Action Service, 2021) to secure a partnership with China, which has confined its official

diplomatic interaction with Taiwan. Activities including high-level official visits or signing of bilateral treaties are thus impossible under the One China Policy (Krumbein, 2024). Yet, it leaves ambiguity in interpreting Taiwan's sovereignty and maintains close economic and cultural ties with Taiwan (Brown, 2022).

More recently, China's emergence as a potential superpower has threatened the balance of the international system and has mainly led to its extensive clash with the USA, posing challenges also to its relations with the EU. More specifically, by portraying itself as a "normative power" advocating democracy, human rights, and the rule of law, the EU expresses skepticism towards the PRC's repressive actions in Uyghurs, Xinjiang, and Hong Kong, finding that Taiwan's democratic nature aligns more closely with its core values (Brown, 2022). In the 2019 "EU-China Strategic Outlook," the EU identifies China as a "systemic rival" for the first time (European Commission, 2019). Since then, Taiwan has been more saliently ascribed as a like-minded partner in the EU's policy discourses (Krumbein, 2024). The 2021 EU Strategy for Cooperation in the Indo-Pacific (European Commission, 2021) marks the first official EU document to explicitly include Taiwan, emphasizing the EU's recognition of Taiwan's importance and the significance of peace across the Taiwan Strait, particularly concerning supply chain stability. As tensions across the Taiwan Strait escalated in 2022, with China's People's Liberation Army conducting a series of military drills around Taiwan in response to Nancy Pelosi's visit to the island during her tenure as Speaker of the United States House of Representatives, this trend further intensified amidst the backdrop of Russia's invasion of Ukraine (Krumbein, 2024).

Among the EU bodies, the European Parliament (EP) is the primary promoter of developing friendly relations with Taiwan, with the motive mostly coming from the EP-Taiwan

Friendship Group, an unofficial cross-party group founded in 1991 (Lan, 2004). The group has collaborated with similar groups within national parliaments across the EU (Hsieh, P. L, 2020), and its activeness has been pronounced over the past few years. Representatives from the group have led the official delegation of the EP to visit Taiwan for three consecutive years since 2021, when the Parliament first adopted the report on the recommendation on EU-Taiwan political relations and cooperation (2021). From 2019 to 2024, the EP has adopted over 40 Taiwan-friendly resolutions, passed mainly by a large majority (Ministry of Foreign Affairs Republic of China [Taiwan], 2024), calling for a strengthened partnership with Taiwan. The latest European Union Common Foreign and Security Policy (CFSP) implementation resolution (2024) represents the first instance in which the EP has denounced China's territorial claims in Taiwan and its boycotting against Taiwan's participation in international organizations, asserting that only Taiwan's democratically elected government can legitimately represent the Taiwanese people. The EP's repeated support demonstrates the EU's evolving stance on Taiwan and pushes the boundaries of the traditional "One China Policy."

### **Variance across Member States**

Given that the EU generally highlights Taiwan's strategic importance and pursues deeper connections with the island under the One China Policy, the approaches to engaging with Taiwan vary significantly across countries. For instance, Germany is taking warier steps than the Czech Republic and Poland. Whereas the former restricts visits from Taiwan's seven highest political representatives, the latter permits visits by Taiwanese foreign ministers (Krumbein, 2024). There is a remarkable pattern that EU member states from Central and European Europe (CEE) have the most active engagements with Taiwan nowadays. In 2022, the CEE countries contributed around 60% of the interactions recorded between the EU member states and Taiwan. Among

them, the devotion of the so-called “Dumpling Alliance,” consisting of Lithuania, Slovakia, Czech Republic, and Poland, is the most outstanding, with the former two engaging with Taiwan more frequently in a year than central member states like France or Germany. As most of the higher-level European visits to Taiwan are from these states, the CEE countries have both the frequency and quality of contact with Taiwan. (Šimalčík et al., 2023).

The Czech Republic has maintained a longstanding friendship with Taiwan since the 1990s, beginning with its first elected president, Václav Havel. Recently, it has become a leader within the EU in enhancing interactions with Taiwan and openly expressing its support for the island. From the Czech president-elect's phone call with the Taiwanese President (Lau, 2023) to the visits to Taiwan by the speakers of both chambers of the Czech Parliament (Ministry of Foreign Affairs Republic of China [Taiwan], 2020; Reuters, 2023), the Czech Republic is the first and currently the only European country to do so. In its Indo-Pacific strategy published in 2022, the Czech government stresses that it is in their interests to bolster ties with Taiwan (Ministerstvo zahraničních věcí ČR., 2022).

Another groundbreaking example of an EU member state's rapprochement with Taiwan is Lithuania. In 2021, Lithuania permitted the opening of “Taiwanese Representative Office” in Vilnius, which became the first representative institution with “Taiwan” instead of “Taipei” in its title in Europe, as well as the only representative institution established under the name "Taiwan" in a country that has diplomatic relations with China. The establishment of this *de facto* embassy triggered fiery responses from China, which resorted to economic retaliation in addition to the mutual recall of ambassadors (Boruta, 2021). Beijing blocked imports from Lithuania, which forced the EU to initiate legal actions against China at the World Trade Organization (Lau,

2023). Meanwhile, Lithuania is another country that has released an Indo-Pacific strategy, mentioning Taiwan (Ministry of Foreign Affairs, Republic of Lithuania, 2023).

On the other hand, significant powers in the EU seem to be less vocal in the Taiwan issue. After his friendly visit to Beijing, French President Emmanuel Macron commented on the potential for conflict in the Taiwan Strait, suggesting that Europe should not be 'caught up in crises that are not ours.' His remarks were criticized by (CEE) politicians, who viewed them as a refusal to support Taiwan in a potential conflict (McGee, 2023). German authorities have also made it clear that recognizing Taiwan would cause severe detriment to their interests as they rejected the petition to develop diplomatic relations with Taiwan. The state's 2020 Indo-Pacific regional strategy faced criticism for neglecting the circumstances of Taiwan (Brown, 2022).

Some (Turcsányi, 2023; Krumbein, 2024) attribute this divide to the different levels of various countries' economic ties with China. Those EU countries with more robust economic relations with China tend to avoid conspicuous gestures concerning Taiwan. This reluctance is further compounded by the EU's significant reliance on Chinese rare earths and critical metals, a strategic vulnerability (Lee and Schreer, 2022). In contrast, those states where China has considerably less economic sway are exempted from the risk of facing China's sanctions. France and Germany hold tremendous business interests in China, overshadowing the Chinese economic influence on the Czech Republic (Turcsányi, 2023). An example of the leverage of economic considerations is evident in the actions taken after China expanded its sanctions to include other European countries, such as Germany, following Lithuania's establishment of a Taiwanese Representative Office. In response, the German Baltic Chamber of Commerce warned the Lithuanian government that German investments might be withdrawn if Lithuania did not mend its diplomatic ties with China (Lee and Schreer, 2022). From this perspective, an EU nation's

willingness to offer Taiwan more visible opportunities depends on its stakes in the economic relationship with China.

### **Existing Literature on the EU-Taiwan-China Relations**

Given that the shifts in the geopolitical climate, including the tensions between China and Western powers, along with Taiwan's heightened visibility in EU narratives, have occurred only in recent years, there has been limited academic discussion on these dynamics. In addition, while the EU's role and strategies vis-à-vis China's emergence as a global superpower have become popular research subjects, studies exploring the complex trilateral relations between the two and Taiwan appear to be highly scarce (Brown, 2022). The existing literature on the dynamics of this triangle mainly takes a normative stand.

From the Normative Power Europe (NPE) perspective, the EU was established with a set of norms, which became a commitment and, in turn, guided its foreign policies. Taiwan, a democracy sharing the same values as the EU, should be considered an ally if the EU identifies itself as a normative actor. As a result, Brown (2022) asserts that the recent surge in EU-Taiwan relations negates the common belief that the EU's policies toward China are solely motivated by material (more specifically economic) interests. Nevertheless, the normative role of the EU has more effect in the national and supranational (more precisely, the EP) subsystems. Krumbein's (2024) analysis also upholds the idea that the EU's support for Taiwan is driven by its liberal values while simultaneously emphasizing the importance of geopolitical considerations.

While NPE provides a valuable framework for analyzing the EU's stances across the Taiwan Strait, its limitations are evident when assessing the substantive impact of these relations. First, most diplomatic progress made in the name of normative motivations is "more symbolic than substantial." The EU and its member states typically occupy their normative roles in less

contentious areas, ensuring their core interests remain unaffected. Furthermore, in the relationship between the EU and Taiwan, the geoeconomic pretext often blurs the lines between shared values and interests, especially as both parties seek to de-risk by partnering with like-minded entities (Krumbein, 2024). This situation complicates the application of NPE, as the intertwining of economic strategies with normative rhetoric can obscure the proper drivers behind policy decisions.

Šimalčík, M. et al. (2023) conducted a country-level analysis examining distinct EU member states' engagement with Taiwan, centered on the CEE countries. They provide a comprehensive overview of each country's relations with Taiwan by delving into political, economic, and civil society contexts. Additionally, they consider the influence of China in each country's relationship with Taiwan, adopting a unique approach to this triangular dynamic. Although it utilizes data from the EU-Taiwan Tracker, the report still leans toward a descriptive study.

Despite these studies' rich qualitative insights, more empirical research is needed to understand better the mechanism behind the variance of the EU member states' relations with Taiwan today. Such research should delve into why, despite shared democratic values and common geopolitical strategies, the EU member states exhibit differing degrees of engagement with Taiwan.

### **Theoretical Framework – Interdependence Theory**

Interdependence Theory (IT) is central to research exploring how countries' economic interdependencies influence their political outcomes. Initially proposed by Keohane and Nye (1973), the theory argues that multiple interaction channels in international relations, including economic ties, can decrease the likelihood of conflict. This concept has attracted significant

scholarly attention (Mansfield and Pollins, 2001). Rooted in the "liberal peace" perspective, IT posits that trade and investment, along with the institutions and practices of democratic governance, reduce the chances of militarized conflicts between nations (Oneal and Russett, 1997).

The common liberalist explanation of the mechanism lies in open commerce's "binding" power (Stein, 1993; Oneal and Russett, 1997; Pevehouse, 2004). As private actors such as traders and consumers become more reliant on foreign markets, they pressure governments to maintain stable relations with crucial trading partners due to the cost of losing economic benefits. This economic dependence raises the costs of disruptions in commercial links and makes it less likely for states to provoke conflicts that could sever their relationships (Pollins, 1989; Kahler and Kastner, 2006). Some theorists also suggest that economic interdependence fosters a "security community" with shared values, as trade and foreign investment create channels of communication that extend beyond mere commercial exchanges, thereby averting interstate conflicts (Deutsch et al., 1957; Oneal and Russett, 1997).

The concept of 'conflict' within the discourse of IT extends beyond actual warfare. Measures such as sanctions, boycotts, embargoes, and lists of restricted goods are also considered forms of international conflict, albeit with lower intensity (Oneal and Russett, 1997). While IT has explored a broad spectrum of international conflict behaviors, most research has predominantly focused on direct militarized conflicts. This focus leaves a theoretical and empirical gap regarding the impact of economic interdependence on various types of conflicts (Mansfield and Pollins, 2001). A recent study by Kahler and Kastner (2006), who distinguish economic engagement as conditional and unconditional, has broadened this perspective, investigating how economic interdependence and related policies can strategically influence



political relations and mitigate potential conflicts beyond militarized engagements. Their study suggests that economic interdependence can constrain a state's foreign policy actions, with significant implications for international cooperation and diplomacy.

Much of the existing literature on Interdependence Theory (IT) primarily focuses on bilateral relations and often overlooks the effects of interdependence on a third country within such frameworks. However, Clarke (2008) and Tanious (2018) extend this research beyond traditional dyadic relationships. They build upon Oneal and Russett's (1997) model to explore how economic interdependence has shaped the interactions among the US, China, and Taiwan, particularly during and after the 1995 Taiwan Strait Crisis. Their work provides detailed accounts of the political dynamics, emphasizing how Taiwan's contested status has been a significant source of tension between the United States and China. They suggest that due to the high level of economic interdependence, the US has maintained a strategy of deliberate ambiguity regarding Taiwan.

Clarke and Tanious's approach enriches our understanding of the nuanced realities of geopolitical interactions within triadic relationships. However, it may need to provide more empirical depth or theoretical innovation typically found in more analytically rigorous studies. Despite its primarily descriptive nature, their findings offer valuable insights into the complexity of international relationships affected by economic ties, which are crucial for understanding broader political strategies. This strategy mirrors the current situation of the EU and some member states' stances on Taiwan under the One China Policy.

The study by Norrevik (2021), which examines the impact of Russian foreign direct investment (FDI) on Members of the European Parliament (MEP) voting behavior, offers fascinating cross-disciplinary insights that enhance the application of IT typically associated with

broader international relations. This research employs a robust design that effectively establishes the direction of causality, providing empirical evidence that Russian FDI in MEPs' constituencies influences their voting behavior regarding aid and trade with Ukraine. This finding supports the broader assertion of IT that economic interdependence influences not only the likelihood of direct conflict but also shapes political actors' decisions in foreign policy. Moreover, its exploration of the triangular relations among the EU, Ukraine, and Russia presents a compelling parallel to the EU-Taiwan-China relations, which are central to this thesis. The similarity in the dynamics of these scenarios, specifically the EU's involvement with states in conflict, further underscores the significance of economic factors in shaping diplomatic engagements.

Although direct studies on the EU-Taiwan-China relations through the lens of IT are lacking, it is plausible to infer that similar dynamics of economic interdependence with China might also influence the EU member states' positions on Taiwan. This assumption is based on the general principles of IT, which propose that economic ties significantly constrain political and diplomatic decisions. Therefore, integrating the views above, the following hypotheses can be formulated:

*H<sub>1a</sub>*: EU member states with high economic interdependence with China, fearing the perceived risk of economic sanctions or backlash from China, are less likely to expand diplomatic relations with Taiwan.

*H<sub>1b</sub>*: EU member states with lower economic interdependence with China, with fewer perceived economic consequences, are more open to diplomatic engagements with Taiwan.

The alternative perspective suggests a realist view of conflict. While economic interdependence increases the probability of conflict, it is rational for the EU member states to turn to an alternative partner to mitigate risks from the rising power. This view aligns with the emerging sentiment within the EU to decouple from China.

*H<sub>2</sub>*: EU member states with high economic interdependence with China, fearing the backlash of the overdependence on a single market, are more likely to expand diplomatic relations with Taiwan to secure their interests.

## Research Design

This study's research design draws inspiration from the methodological approach employed by Norrevik (2021), which effectively illustrates the impact of economic interdependence on political decisions within the European Parliament. Norrevik's utilization of foreign direct investment (FDI) to examine its influence on MEP voting behavior provides a robust model for examining similar economic impacts in other geopolitical contexts. By adapting Norrevik's approach, this research explores the economic underpinnings of EU member states' foreign policy decisions towards Taiwan, specifically in the context of their economic interactions with China.

To achieve this, the study employs a negative binomial regression analysis of pooled cross-sectional data, focusing on developments from 2019 to 2022. This timeframe is critical, not only because it follows the onset of the China-United States Trade War and the EU's designation of China as a 'systemic rival'—events that significantly reshaped global economic and diplomatic landscapes—but also because it is a period marked by increased EU and its member states' support for Taiwan. The choice of logistic regression allows for a detailed examination of how economic variables influence the likelihood of specific foreign policy stances towards Taiwan, providing empirical insights into the complex interplay between economic interests and diplomatic decisions.

This approach mirrors the analytical rigor found in Norrevik's study and adapts it to the unique context of EU-Taiwan-China relations. Doing so extends the application of economic interdependence theories to include how strategic economic conditions influence policy dynamics in a period marked by significant geopolitical shifts.

## **Variables and Operationalization**

### **Dependent Variable: Relations with Taiwan**

Conventional studies measuring diplomatic exchange typically utilize data regarding diplomatic representation, such as the Correlates of War (COW) and the Diplometrics Diplomatic Representation (DDR) datasets, to analyze the relations' level and direction (Moyer et al., 2021). However, due to Taiwan's ad hoc international status, this method is unsuitable for examining ties with Taiwan. Given Taiwan's unique position in global politics, where it is not universally recognized as a sovereign state, the applicability of traditional diplomatic datasets is limited. These datasets generally assume formal diplomatic recognition between states, a condition not met under the One China Policy, which prevents the establishment of official representative offices between EU member States and Taiwan.

As a result, alternative metrics must be employed to assess Taiwan's diplomatic engagements accurately. Therefore, this study adopts a more nuanced approach that examines the frequency of diplomatic exchanges rather than their formal level. This method better captures the substantive relations between Taiwan and other entities, reflecting the practical reality of their interactions despite the lack of formal diplomatic ties.

Thus, the dependent variable in this study is measured by the frequency of each EU member state's diplomatic engagements with Taiwan, as recorded by the EU-Taiwan Tracker developed by the Central European Institute of Asian Studies (CEIAS) (Kironska et al., 2024). This tracker documents relevant events from 2019 onwards, encompassing various topics. For this study, data from 2019 to 2023 have been utilized due to the availability of the corresponding independent variable. While the latest data on Chinese FDI positions in the EU member states is from 2022, this study also includes engagements in 2023 to account for the potential lag effect

and accommodate the possibility of reverse causation. Although interactions with Taiwan might trigger China to withdraw its FDI from the EU member state, this design ensures the direction of causality.

Additionally, the analysis selectively includes events that involve government-level interactions, aligning with this research's specific focus on governments' decisions. Hence, economic exchanges among private sectors or interactions at the civil society level are filtered. This analysis excludes events that only indicate unilateral gestures of goodwill or cooperation from Taiwan towards the EU member states and China's responses to ensure clarity in the relationships' directionality.

Events involving the European Parliament are categorized as collective actions of the EU on the EU-Taiwan Tracker. However, this paper contends that when these events involve specific MEPs, it is also essential to consider their nationalities, given that the MEPs are elected from their respective member states and are responsible for representing their constituents' interests and concerns. Moreover, the event descriptions in the data reveal that MEPs who proactively promote support for Taiwan also contribute significantly to fostering bilateral exchanges between their home countries and Taiwan. For European Parliament resolutions that favor Taiwan or mention Taiwan in a supportive sense, this study conducts a detailed discourse analysis of the verbatim from the debates to analyze individual MEPs' attitudes toward Taiwan.

### **Independent Variable: Economic Interdependence**

Traditionally, in international relations, there are two categories of economic interdependence: sensitivity and vulnerability interdependence. Sensitivity interdependence occurs when a country's economic conditions are contingent on another country's. In contrast, vulnerability interdependence exists when it would be too costly for the two countries to breach

their relationship (Mansfield and Pollins, 2001). This paper adopts the definition of vulnerability interdependence as its focus.

There are three aspects to observe economic interdependence: trade, monetary, and capital (Tanious, 2018). Although the literature on economic interdependence has relied chiefly on trade data as measurement, its appropriateness has been questioned in an era when merchandise trade constitutes a decreasing portion of all economic exchange (Mansfield and Pollins, 2001). Kahler and Kastner (2006) conclude that foreign direct investment (FDI) has been the primary driver of interdependence since the late 20<sup>th</sup> century and that investment, compared to trade, suggests a greater degree of relation-specificity, which could, in turn, enhance the restraining effect of economic interdependence.

This paper employs Foreign Direct Investment (FDI) as the indicator of economic interdependence, explicitly focusing on the Chinese outward FDI's state-influenced nature. Despite significant market growth, China continues to operate as a communist state with a "socialist market economy," where the state plays a crucial role when private and state-owned firms receive government support (Gao and Schaaper, 2019). The lines between state and Chinese businesses thus become indistinct. In this environment, Chinese FDI is often viewed as an extension of the central government's agenda. This perspective raises concerns that the Chinese government may manipulate its economic leverage to coerce host governments into aligning with China's political interests (Meunier, 2019), particularly concerning policies like the One China Policy (Bickenbach and Liu, 2018).

Historically, China has demonstrated both the ability and willingness to influence the political stances of other countries through direct investment. This is particularly evident in its acquisition of stakes in critical European infrastructure following the Eurocrisis and its Belt and

Road Initiative promotion. Notable examples include Greece and Hungary, which have resisted supporting collective EU statements on China's human rights policies or its territorial claims in the South China Sea (Bickenbach and Liu, 2018). Within this study, the potential for the Chinese government to disrupt economic transactions underscores the substantial costs that EU member states could face when engaging diplomatically with Taiwan—a move that conflicts with China's interests. This situation highlights the critical role of economic interdependence, particularly through direct investment, as a significant factor in diplomatic decision-making within the EU.

The independent variable operationalized in this paper is *Chinese FDI/GDP*, measured by the ratio between the cumulative Chinese FDI in each of the hosting EU member states and their GDP. Such an indicator signifies the intensity of the economic relationship with the host country relative to others. As 2022 represents the most recent year for which FDI stocks and GDP data are available, this study utilizes both data sets retrieved from Eurostat from 2018 to 2022 to ensure the analysis is grounded in the latest economic indicators. The choice of using FDI stocks data over FDI inflows is justified by the cumulative nature of the former, which reflects the long-term presence and influence of Chinese firms within the hosting country, offering a measure of deep-seated economic interdependence that has built up over time. Therefore, this study sets the time frame of the independent variable (FDI) one year prior to that of the dependent variable – engagement with Taiwan. This design is based on the understanding that changes in FDI stocks typically precede and may contribute to subsequent variations in diplomatic interactions with Taiwan.



## Control Variables

To enhance the internal validity of the statistical analysis, this study incorporates four control variables. Among them, economic size is controlled using the total *GDP (logged)*, following the methodology in Norrevik's (2021) work. Scholars such as Stec (2021) have noted that the engagement of Central and Eastern European (CEE) countries with Taiwan can be attributed to Taiwan's successful model of overcoming a middle-income trap. This model resonates particularly with CEE nations facing similar economic challenges, seeking to emulate Taiwan's economic progress and diversification. Consequently, it is hypothesized that there will be a negative relationship between the economic size of these countries and their diplomatic engagements with Taiwan, suggesting that smaller or middle-tier economies actively addressing their middle-income challenges are more likely to strengthen ties with Taiwan. The GDP data is retrieved from Eurostat and logged to reduce skewness, ensuring a normalized distribution for a more accurate analysis. The variable is measured by the average of each member state's logged GDP values from 2018 to 2022, consistent with the time frame of the FDI data.

This analysis also includes government ideology as a control variable to account for the ideological influences on foreign policy decisions regarding Taiwan. Political ideology is a crucial determinant of a government's foreign policy strategy, influencing its stance on issues such as human rights, democracy, and economic relations. In the context of EU member states' engagements with Taiwan, it is hypothesized that left-leaning governments, typically prioritizing human rights and democratic values, may exhibit a stronger inclination to support Taiwan, a democratic entity in conflict with authoritarian China. Conversely, right-leaning governments might emphasize economic stability and strategic relationships, potentially leading to a more cautious approach towards Taiwan, given the economic importance of China. This study adopts

Norrevik's (2021) methodological framework to operationalize government ideology, using the economic left-right cleavage for ideological classification. A binary variable, '*left ideology*,' is introduced, where governments are assigned a value of 1 if they are 'left-leaning,' determined by the political orientation of the ruling party or coalition. Governments not classified as left-leaning are assigned a value of 0. Given that the frequency of engagement is analyzed over five years, there may be changes in government. To account for this, the study records the government's political orientation each year. The final binary outcome for '*left ideology*' is determined by the majority political orientation over the five years. This approach simplifies the complex political spectrum into a manageable form for statistical analysis, allowing for a focused examination of how political ideology influences diplomatic engagements with Taiwan. Using this control variable will help isolate the effects of ideological predisposition from other economic and geopolitical factors influencing diplomatic engagements.

Scholars highlighting the normative characteristics of EU member states' engagements with Taiwan often acknowledge the significant influence of geopolitical factors, particularly the role of the United States. For instance, Stec (2021) and Krumbein (2024) note that Central and Eastern European (CEE) countries tend to support Taiwan partly because they rely heavily on the US for security. Reflecting this geopolitical dimension, this study incorporates a security alliance with the USA, measured by whether the country is a NATO member, as a control variable to assess its impact on the diplomatic behaviors of EU member states towards Taiwan. The geopolitical landscape, mainly membership in NATO, is crucial in shaping these foreign policy decisions. Countries aligned with NATO are frequently engaged in a security framework designed to counter aggressive actions from major powers such as China, thereby potentially increasing their support for Taiwan, viewed as a strategic partner in the Pacific region. This

variable is operationalized as a binary indicator, where '1' denotes the status as a NATO member, and '0' represents non-membership. By controlling for security alliances, the analysis aims to isolate the influence of strategic commitments from other factors, elucidating how security concerns intersect with economic interests and political ideologies to influence EU member states' diplomatic engagements with Taiwan.

Fourthly, the study again draws on Norrevik's (2021) work to consider the distinct features of the 11 countries that joined the EU after 2000 in the model specifications, thereby controlling for whether an EU member state is a *post-communist country*. From a normative perspective, countries with a history of Soviet rule possess distinct apprehensions regarding the influence of large authoritarian neighbors, a sentiment exacerbated by China's close ties with Russia and its repressive policies in regions like Uyghur, Hong Kong, and toward Taiwan (Speranza and Huntington, 2021; Lee and Schreer, 2022; Krumbein, 2024). These shared historical experiences and ideological concerns may enhance post-communist EU member states' sympathy towards Taiwan, motivating them to strengthen ties. This variable is operationalized as a binary indicator, where '0' represents non-post-communist countries and '1' indicates post-communist countries.

Lastly, the model also controls the EU member states' economic interdependence with Taiwan since it is reasonable that stronger economic relations with Taiwan might encourage EU member states to engage more actively with Taiwan in the political realm, counterbalancing the influence of Chinese FDI. To ensure the consistency of the analysis, the study employs an identical measurement and source of data (Eurostat, 2018-2022) for economic interdependence with Taiwan as with China. The *Taiwanese FDI/GDP* variable is thus measured by the average

of Taiwanese FDI positions divided by the average of the hosting country's GDP over the five years.

## **Method**

While this study is inspired by Norrevik's (2021) methodology, it introduces a crucial adaptation to accommodate the unique nature of the dependent variable—the frequency of diplomatic engagements. In Norrevik's research, logistic regression was aptly utilized to handle binary outcomes related to MEP voting behavior. However, the dependent variable in this study quantifies the frequency of diplomatic engagements between EU member states and Taiwan, which naturally varies over a count data distribution. Consequently, logistic regression, tailored for binary data, does not suffice for our analysis needs.

Considering first, the count nature and second, the overdispersion of our dependent variable, a negative binomial regression model is selected to capture the relationships under investigation appropriately. Negative binomial regression is specifically designed to handle count data, providing a suitable framework for analyzing the number of times an event occurs, in this case, the frequency of diplomatic engagements. This approach is crucial because it allows for directly modeling the count of engagements as a function of several predictor variables, assuming that the data follow a negative binominal distribution.

## Results

### Sensitivity Analysis

**Figure 1**

*Distribution of Chinese FDI Stocks Relative to GDP in EU Member States (2018-2022)*



FDI: foreign direct investment; GDP: gross domestic product; LU: Luxembourg; CY: Cyprus.

Figure 1 depicts the spread and skewness of the dependent variable, pointing out two notable potential outliers, Luxembourg and Cyprus, which have significantly greater proportions of the Chinese FDI positions considering their economic size. Therefore, to assess the robustness of the findings properly, this research conducts a sensitivity analysis to compare the impact of these two outliers on the relationship studied.

**Table 1**

*Sensitivity Analysis: Frequency of Engagement with Taiwan and Chinese FDI to EU Member States*

	<b>Full Model</b>	<b>Full Model-LU</b>	<b>Full Model-LU-CY</b>
<b>Chinese FDI/GDP</b>	8.61 (4.13)**	-26.20 (24.01)	64.26 (35.35)*
<b>GDP (logged)</b>	0.7 (0.14)***	0.65 (0.15)***	0.66 (0.14)***
<b>Government Ideology</b>	0.36 (0.30)	0.26 (0.29)	0.33 (0.30)
<b>NATO</b>	0.47 (0.36)	-0.18 (0.51)	1.08 (0.61)*
<b>Post-communist</b>	1.42 (0.46)***	1.30 (0.47)***	1.44 (0.50)***
<b>Taiwanese FDI/GDP</b>	-17.44 (38.46)	27.74 (64.93)	-98,04 (48.00)**
<b>Observations</b>	25	24	23
<b>AIC</b>	201.7009	193.3076	190.6081
<b>BIC</b>	211.4520	202.7320	199.6921
<b>Log Pseudo-likelihood</b>	-92.85047	-88.65380	-87.30407

*Note.* Due to missing values for Taiwanese FDI in Austria and Portugal, these observations are excluded from the regression analysis.

Standard errors in parenthesis.

\*\*\* $p < 0.01$ , \*\*  $p < 0.05$ , \* $p < 0.1$ .

The sensitivity analysis was conducted deductively, beginning with the full model that includes all observations and subsequently excluding the two outliers one by one. Table 1 demonstrates that when all EU member states are considered, Chinese FDI has a conventionally significant positive effect on engagement with Taiwan. However, upon excluding Luxembourg

from the sample, the relationship turns negative, albeit insignificant. Further excluding Cyprus results in another shift, with the relationship becoming negative again but with marginal significance. These drastic shifts in the direction of the relationship across the sensitivity analysis suggest that the effect of Chinese FDI on the frequency of engagement is highly sensitive to the inclusion of Luxembourg and Cyprus, and these two outlying countries' high Chinese FDI inflows significantly skew the results. Additionally, according to the model fit metrics, excluding the two outliers leads to more stable and reliable estimates for the model specification. For these reasons, to obtain more robust results, the subsequent analyses in this study exclude Luxembourg and Cyprus.

## Independent Effects of the Variables

**Table 2**

*Independent Effects of Variables on Frequency of Engagement with Taiwan and Chinese FDI in EU Member States*

	Baseline Model	Model CV1	Model CV2	Model CV3	Model CV4	Model CV5
<b>Chinese</b>	-29.66 (20.28)	-39.57 (18.64)**	-31.23 (20.85)	-4.26 (15.07)	-32.42 (22.92)	-39.05 (25.86)
<b>FDI/GDP</b>						
<b>Interdependent Effect</b>		0.29 (0.10)***	-0.24 (0.25)	0.74 (0.45)	-0.08 (0.34)	42.83 (6479)
<b>Observations</b>	25	25	25	25	25	23

CV1: GDP (logged); CV2: Government Ideology; CV3: NATO; CV4: Post-communist; CV5: Taiwanese FDI/GDP.

Standard errors in parenthesis.

\*\*\* $p < 0.01$ , \*\* $p < 0.05$ , \* $p < 0.1$ .

Table 2 shows each explanatory variable's direct relationship with the frequency of engagement with Taiwan. In the baseline model, which tests the influence of Chinese FDI

without any control variables, the negative coefficient indicates that higher Chinese FDIs may be associated with a lower frequency of engagement with Taiwan. However, the insignificance suggests that, when considered in isolation, there is no strong evidence that the former alone leads to the latter. This initial finding highlights the need to consider additional control variables to explore the dynamics at play further.

Among the five control variables outlined in this study, only economic size demonstrates high significance ( $p\text{-value} < 0.001$ ) not only in its influence on the relationship between Chinese FDI and engagement with Taiwan but also in its independent effect on the dependent variable. Nonetheless, the direction of its effect appears to be opposite to this study's initial expectation. The independent effect's positive coefficient (0.29) suggests that countries with larger economies tend to engage more than Taiwan. Additionally, the negative coefficient for Chinese FDI/GDP (-39.57) infers that once an EU member state's economic size is accounted for, higher levels of Chinese FDI are associated with a significant reduction in interactions with Taiwan.



## Total and Interaction Effects

**Table 3**

*Frequency of Engagement with Taiwan and Chinese FDI to EU Member States*

	Full Model	Interaction Effect Model 1 (Post-communist*GDP [logged])	Interaction Effect Model 2 (Post-communist*Gov Ideology)
<b>Chinese FDI/GDP</b>	64.26 (35.35)*	53.19 (33.85)	29.71 (37.29)
<b>GDP (logged)</b>	0.66 (0.14)***	0.83 (0.12)***	0.67 (0.13)***
<b>Government Ideology</b>	0.33 (0.30)	0.25 (0.30)	-0.23 (0.26)
<b>NATO</b>	1.08 (0.61)*	0.72 (0.52)	0.38 (0.61)
<b>Post-communist</b>	144.00 (0.50)***	1.39 (0.42)***	0.96 (0.52)*
<b>Taiwanese FDI/GDP</b>	-98,04 (48.00)**	-80.02 (46.58)*	-57.75 (52.99)
<b>Interaction Term</b>		-0.46 (0.21)**	1.03 (0.47)**
<b>Observations</b>	23	23	23

*Note.* For Interaction Effect Model 1, GDP (logged) is centered to address multicollinearity issue.

Standard errors in parenthesis.

\*\*\* $p < 0.01$ , \*\* $p < 0.05$ , \* $p < 0.1$ .

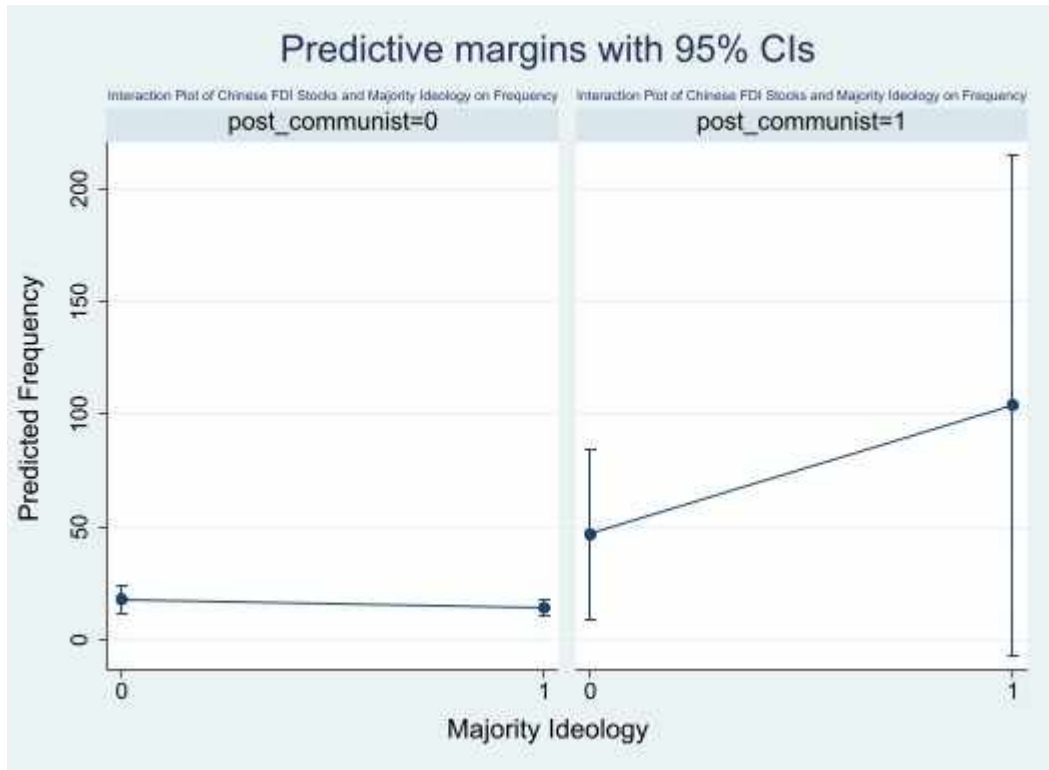
The estimated coefficients for this study's full model are reported in the first column of Table 3. In this model, Chinese GDP has a marginally positive effect on engagement with Taiwan, which is far from corroborating the hypothesis proposed from the IT perspective. Notwithstanding, two interaction effects are present in the model: one between *post-communist status* and *GDP (logged)* and another between *post-communist status* and *government ideology*, as recorded in the other two columns of Table 3. In the first interaction effect model, the conventionally significant coefficient ( $p$ -value  $< 0.05$ ) of the interaction term indicates that the effect of economic size on the engagement of Taiwan depends on whether the EU member state

is post-communist or not. More precisely, its negative direction (-0.46) signals that economic size's positive effect (0.83) on the engagement frequency is less pronounced in post-communist countries than in non-post-communist ones. In other words, the increase in GDP (logged) leads to a more minor increase in the frequency variable for post-communist countries compared to non-post-communist states.

Similarly, the significance (p-value < 0.05) of the second interaction effect model indicates that the effect of government ideology on the dependent variable also depends on whether the EU member state is post-communist. As the coefficient of government ideology is negative (-0.23), and the effect of the interaction term is positive (1.03), it means that for non-post-communist countries (*post\_communist* = 0), left-wing government ideology is associated with less engagement with Taiwan. Yet, this effect is lessened or even reversed for post-communist countries, as portrayed in Figure 2. It is shown in Figure 2 that government ideology does not evidently impact the frequency of engagements with Taiwan in non-post-communist countries. The engagement levels are consistently low regardless of the ideological orientation. On the other hand, in post-communist countries, government ideology significantly impacts the frequency of engagements with Taiwan. Countries with a higher score on the average government ideology scale (closer to 1 means having a left-wing government for a longer time during period studies) are predicted to have more frequent engagements with Taiwan.

**Figure 3**

*Interaction Plot between Post-communist Status and Economic Size*



Although the two interaction models do not provide strong evidence of a relationship between Chinese FDI and engagement with Taiwan, they offer crucial insights indicating that the effect of certain variables on engagement with Taiwan varies between non-post-communist and post-communist countries. This finding establishes a foundation for conducting a subsequent subgroup analysis, categorizing the data into non-post-communist and post-communist groups.

## Subgroup Analysis

**Table 4**

*Subgroup Analysis: Frequency of Engagement with Taiwan and Chinese FDI to EU Member States*

	<b>Non-post-communist EU</b>	<b>Post-communist EU</b>
	<b>Member States</b>	<b>Member States</b>
<b>Chinese FDI/GDP</b>	-158.24 (84.09)*	314.32 (344.91)
<b>GDP (logged)</b>	0.60 (0.12)***	0.54 (0.25)**
<b>Government Ideology</b>	-0.47 (0.24)**	0.99 (0.56)*
<b>NATO</b>	-2.57 (1.33)*	0.00
<b>Taiwanese FDI/GDP</b>	281.24 (143.96)*	-3.85 (3.3)
<b>Observations</b>	11	11

Standard errors in parenthesis.

\*\*\* $p < 0.01$ , \*\*  $p < 0.05$ , \* $p < 0.1$ .

According to the subgroup analysis reported in Table 4, Chinese FDI/GDP has a different influence on engagement with Taiwan for the two groups. For non-post-communist EU member states, it has a marginally ( $p$ -value  $< 0.1$ ) negative effect (-158.24), suggesting that when there is more Chinese FDI, less engagement with Taiwan is expected. In contrast, the impact for post-communist countries is positive (314.32) and insignificant. As for other explanatory variables, economic size has a significant positive impact on both groups. While left-leaning governments are more likely to engage with Taiwan in post-communist EU member states, the pattern appears to be the opposite in non-post-communist countries. The results of this subgroup analysis

indicate that the model of this paper explains the relationship between Chinese FDI and engagement with Taiwan more effectively for the non-post-communist group, as all explanatory variables, including the independent and control variables, are significant. In contrast, for the post-communist group, only two variables show significance. This suggests that the model is better specified for understanding the dynamics within the non-post-communist country group in the EU.

## Discussion

The findings of this study have a few key takeaways that offer significant insights into the relationship between Chinese foreign direct investment (FDI) and the diplomatic stances of European Union (EU) member states towards Taiwan. By employing a robust quantitative research design and leveraging event data from the EU-Taiwan Tracker provided by the Central European Institute of Asian Studies (CEIAS), this research unpacks the complexities of economic and political influences on EU-Taiwan relations.

First and foremost, this study underscores the necessity of considering the historical context of member states when assessing their diplomatic strategies, as it shapes their rationale and priorities in foreign policy, even if, as in the case of relations across the Taiwan Strait, the EU already has a common framework. As the analysis suggests, the principal factors driving the variation in EU member states' relations with Taiwan should not be examined under the assumption that the member states are homogeneous and follow a general pattern across the 27 countries. Instead, it should be fundamentally examined through the lens of the differing political cultures between non-post-communist and post-communist countries.

In non-post-communist EU member states, economic interdependence with China exerts a deterring effect on their expansion of diplomatic ties with Taiwan, which supports the hypothesis of this paper derived from the Interdependence Theory. This finding echoes the literature ascribing the major powers in the EU's caution regarding the Taiwan issue to their higher vulnerability in facing China's economic repercussions. Particularly given the solid state-influenced nature of Chinese FDI, this paper argues that the policymakers of these non-post-communist EU member states are clearly aware of the consequences of advancing diplomatic steps against China's will and thus restrain themselves from approaching Taiwan. This dynamic

reflects that in this group of EU member states, economic considerations precede ideological or political alignment in their relations with the island democracy.

In contrast, the analysis indicates that economic interdependence with China does not directly influence the willingness of post-communist EU member states to engage with Taiwan. Therefore, their frequent rapprochement with Taiwan in recent times is not necessarily due to less economic entanglement with China. In this manner, historical or ideological factors may have a greater impact. Given the historical context and political legacies of post-communist countries, it is plausible that ideological considerations, such as commitments to democratic values, are driving their engagement with Taiwan. Particularly, as these countries are now at the forefront of the Ukrainian conflict, this ideological alignment can be seen as a counterbalance to economic dependencies, reflecting a prioritization of political values over economic incentives. Therefore, the engagement with Taiwan by post-communist EU member states may be more deeply rooted in value-based motivations rather than purely economic calculations. This empirical divide found in the study closely aligns with the reality that the EU member states most outspoken for Taiwan are from CEE.

As a result, the IT hypothesis applies to the relations between EU member states and Taiwan, but only among countries that do not share a similar historical and geopolitical background with Taiwan. This underlines that the investigation into EU-Taiwan relations requires more nuances in each country's foreign policy priorities and tradeoffs between economic interests and ideological values.

## Conclusion

This paper's findings partly support the liberal view of conflicts: higher economic interdependence between countries induces less probability of conflict among them. While traditional IT scholars focus on the mechanism of economic interdependence's influence on reducing the likelihood of direct conflict, this study explores the theory's applicability to more implicit scenarios where conflict avoidance caused by economic interdependence impacts a third country through foreign policy decisions. Besides, it tests the effect of a type of economic interdependence which is relatively understudied – capital interdependence. This operationalization takes into consideration the state-control element of FDI, highlighting how investments made by state-controlled entities can be leveraged for political purposes.

This paper's findings complement the literature on EU-Taiwan-China relations by integrating the EU's normative role and the calculations of economic interests, blending them into a double-layered dynamics mechanism. It makes an empirical contribution to the belief that economic factors play an essential role in foreign policy priorities through the case of the EU member states' attitudes toward Taiwan while at the same time substantiating that this effect is not uniform to all EU member states. The nuanced understanding from this research highlights the complexity of international relations within the EU context, where historical and ideological factors interplay with economic considerations to shape foreign policy. By differentiating between post-communist and non-post-communist EU member states, this study reveals the diverse motivations driving EU countries' diplomatic engagements with Taiwan.

It also potentially makes a methodological contribution by developing a systemic measure to analyze diplomatic exchanges. For an unusual political entity like Taiwan, which lacks internationally recognized status, its substantial relations with other countries are difficult



to capture fully by examining conventional diplomatic data alone, such as the presence of embassies. As these establishments are essentially impossible, it is particularly meaningful to delve into event data of bilateral government-level exchanges and incidents where countries publicly mention or voice support for Taiwan. Thus, this study's research design offers a valuable alternative approach to analyzing diplomatic relations, providing deeper insights into the less conventional aspects of international interactions.

Yet, several limitations of this study need to be acknowledged, one of which lies in the relatively small sample size, comprising only 27 EU member states. This characteristic makes the results highly sensitive to changes and outliers. For example, the inclusion or exclusion of just one country can significantly alter the findings, as observed in the sensitivity analysis. The lack of comprehensive data further exacerbates this issue. Due to the absence of records on Taiwanese FDI stocks for the two countries, the full model analysis includes only 23 observations, which can affect the reliability of the results.

Additionally, omitted variable bias could also pose a challenge. Although the subgroup analysis finds a negative relationship between Chinese FDI and engagement with Taiwan in the non-post-communist group, the effect is only marginally significant. This implies that not all potential influencing factors were included in the current model. The exclusion of certain variables may lead to an incomplete understanding of the dynamics at play, affecting the results' robustness and significance. Another significant limitation of this study is the inherent challenge of ensuring the database includes every relevant event. The completeness of the event data is highly dependent on the data compilers' selection criteria and the researcher's interpretation of what constitutes a "relevant" event. This reliance on subjective judgment can introduce biases and omissions, potentially skewing the results. The selective nature of event recording means

that some significant interactions may be missed, leading to an incomplete representation of the diplomatic engagements between the EU member states and Taiwan. These limitations suggest that while the findings provide valuable insights, they should be interpreted cautiously and seen as a basis for further, more expansive research.

With the foundation laid by this research, numerous aspects regarding the EU-Taiwan-China dynamics can be further explored in future studies. For instance, the unique characteristics of the two outlier countries excluded by this study are worth investigating. Why do they have an exceptionally significant presence in Chinese FDI? Specifically, why does Luxembourg intend to engage with Taiwan despite its high economic interdependence with China? Additionally, how does the excessive influx of Chinese investment influence the political environment in Cyprus? These questions could provide deeper insights into the distinctive cases of these countries and contribute to a more comprehensive understanding of the broader EU-Taiwan-China relations. More in-depth qualitative works on the post-communist EU member states' value-based motivations for fostering ties with Taiwan should also be considered, as this could provide a thorough panorama of the underlying factors propelling the recent vigorous headway in the CEE-Taiwan relations.

This study sheds light on policy implications for both sides of the relations. For Europe, policymakers should be cautious about the political consequences of economic interdependence with a country that controls its FDI and MNCs, as this research implies that Chinese FDI can be a tool of economic statecraft. If the European Union genuinely aspires to achieve its goal of "strategic autonomy," the union and its member states should reconsider their economic strategies to mitigate potential political leverage exerted by China, which could involve diversifying sources of FDI and reducing overreliance on Chinese investments. Such a challenge

is particularly relevant as Russian FDI has already been shown to influence the voting patterns of the MEPs (Norrevik, 2021). Ultimately, the EU's strategic autonomy could be undermined if the union remains susceptible to indirect foreign control, losing diplomatic freedom over time.

On the other hand, the findings suggest that Taiwan should tailor its diplomatic strategy according to the different priorities across the two subgroups of EU member states. To account for the non-post-communist EU member states' economic deliberations, it should seek to strengthen economic ties with them, seizing the moment when there is an emerging urge within Europe to derisk and decouple with China. In the meantime, it should be determined to maintain its reputation as a reliable democratic partner, leveraging its historical and ideological affinities with post-communist countries to keep the momentum of the current amity.

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