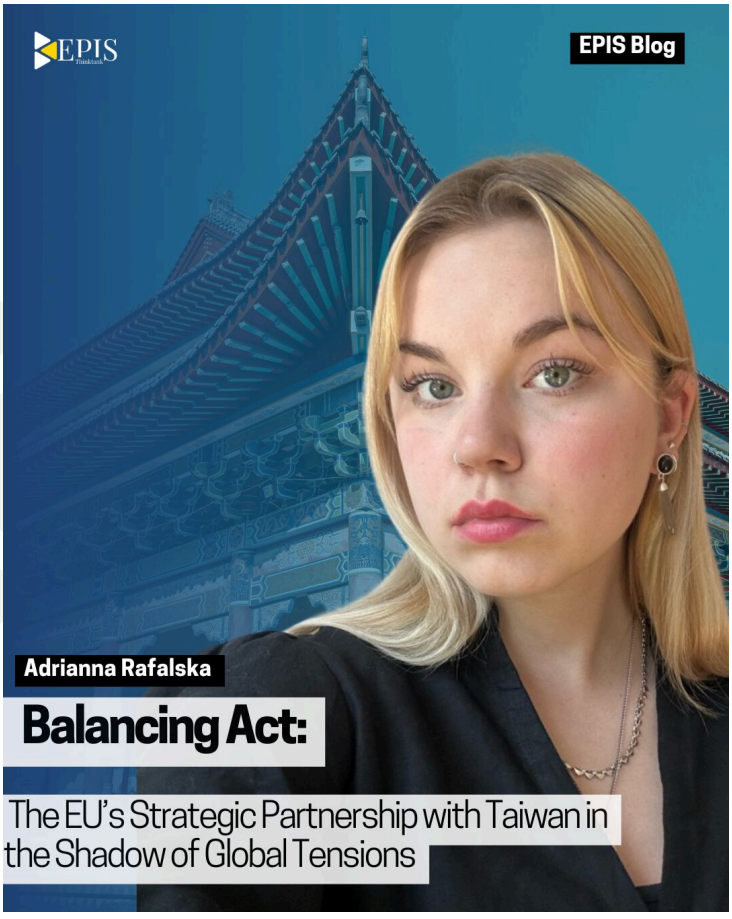
Balancing Act

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The status of Taiwan as a sovereign state remains one of the world's most contentious geopolitical disputes. Officially, the European Union does not maintain diplomatic ties with Taiwan, adhering to a "one-China" policy. Despite this, Europe sustains close economic ties with Taipei, driven by shared values, such as democracy, the rule of law, and human rights. The January 2024 election of Lai Ching-te, a pro-independence leader, further underscored Taiwan's democratic maturity. In his inaugural speech, Lai empathized Taiwan's shared commitment with Europe, stating that, despite the distance, the EU and Taipei are very close in their determination to advance democracy, peace, prosperity, and sustainability.

Europe should not only continue but actively expand its relationship with Taiwan. Stronger ties can reinforce the EU's strategic autonomy, accelerate its green and digital transitions, and stand for democratic resilience. However, this must be pursued cautiously, given the risks of antagonizing China, Europe's largest trading partner.

A transforming partnership

EU-Taiwan relations have evolved beyond trade into a multifaceted partnership that encompasses artificial intelligence, green energy, education, research, and high-tech exchanges. While Taipei remains excluded from formal diplomatic recognition, informal cooperation has surged. Taiwan's global leadership in high-tech supply chains, especially in semiconductor manufacturing, aligns with the EU's goal of enhancing technological resilience through initiatives such as the European Chips Act.

Economic ties are substantial. By 2020, Taiwan became the EU's 14th-largest trading partner, with bilateral trade growing by 42% between 2020 and 2023. Today, the EU is Taiwan's largest foreign investor, reflecting both economic pragmatism and shared values. Taiwan Semiconductor Manufacturing Co. (TSMC)'s plan to establish a fabrication plant in Germany highlights this growing mutual strategic alignment between the two economies.

Yet, the relationship remains constrained. Efforts to finalize a Bilateral Investment Agreement (BIA) remain stalled, due to Europe's reluctance to risk its critical trade relationship with China. The EU's hesitation to fully integrate Taiwan into its geopolitical strategy highlights the ongoing tension between economic pragmatism and geopolitical caution. A conflict in the Taiwan Strait could upend the global order, forcing Europe into an unprecedented strategic dilemma.

The threat of China: balancing engagement with risk

Taiwan's deepening ties with Europe have not gone unnoticed by Beijing. China views any external support for Taiwan as a direct challenge to its sovereignty and has responded with increasing hostility. Beijing justifies China's military drills as a response to a Taiwanese push for independence, while, in reality, both Taiwan's government and citizens support maintaining the status quo, understanding that a formal declaration of independence could jeopardize international support and provoke a Chinese invasion. Yet, just in two years, Chinese military exercises around Taiwan have gone from rare to almost routine. Last year, China launched two major military drills around Taiwan, simulating blockades and a full-scale invasion. The most recent in October 2024, following President Lai's National Day speech, in which he rejected Beijing's claim to represent Taiwan and praised the island as a place where "democracy and freedom are growing and thriving".

China's aggressive actions are coupled with "grey-zone" tactics – sanctions, cyberattacks, and disinformation campaigns, using artificial intelligence and propaganda that undermine trust in Taiwan's governance,

scaring its allies and reinforcing diplomatic isolation. Beijing's aim is clear: to isolate Taiwan from the international community, including key organizations such as WHO, Interpol, and ICCAO, while avoiding outright war.

Despite these provocations, Taiwan remains resilient. A 2024 survey showed 61% of Taiwanese believe China's invasion in the next five years is "unlikely or very unlikely", though Beijing remains a serious threat to democracy and independence. This cautious optimism contrasts with a CIA warning, estimating that the Chinese President had ordered military readiness for a potential Taiwan invasion by 2027.

For Europe, China's actions are not just a regional issue but a global challenge. A conflict would disrupt supply chains, shake financial markets and destabilize international security. Yet, the EU's response remains constrained by its economic ties with China and its limited military presence in the Indo-Pacific.

Europe's position

The European Parliament has condemned China's military provocations and firmly rejected any unilateral changes to Taiwan's status quo. MEPs warn that use of force or coercion will trigger a decisive EU response. A recent resolution affirmed that UN Resolution 2758 does not determine China's sovereignty over Taiwan, countering Beijing's attempts to misinterpret this resolution to obstruct Taiwan's engagement in international organizations.

While the EU has yet to fully integrate Taiwan into its geopolitical strategy independently of China, a shift toward recognizing Taiwan's value as a partner in its own right is visible. The partnership holds promise for advancing the EU's green and digital transformations, but it will require overcoming political sensitivities and increasing investment synergy.

Yet, major questions remain. Would the EU take decisive action in the event of a Chinese invasion? While political and economic support for Taiwan is clear, the risks of confrontation with China make military involvement unlikely.

The EU's path in a high-stakes Indo-Pacific

The EU's partnership with Taiwan is a delicate balance of economic pragmatism, shared democratic values, and strategic caution. Strengthened ties with Taipei Europe significant advantages, from bolstering technological resilience to advancing its digital and green transitions. However, as tensions in the Taiwan Strait escalate, the EU must navigate this high-stakes scenario with a clear and consistent strategy. This means deepening economic ties, supporting Taiwan's participation in international organizations, and countering China's hybrid threats. Simultaneously, Europe must prioritize promoting peace, emphasizing dialogue and conflict prevention.

The stakes couldn't be higher. In his 2025 New Year's speech, President Lai warned that authoritarian regimes like China and Russia threaten global democracies, urging democratic nations to strengthen cooperation in defence, and build a "democratic supply chain" for resilience. He cautioned

that failing to act would bring profound economic and social consequences to all democracies.

In this context, it is a defining moment for the EU. By standing with Taiwan, Europe can reinforce its credibility for democracy and stability, while safeguarding its strategic interests in the Indo-Pacific. In doing so, the EU can position itself not only as a key economic player, but as a global leader advocating for peace and resilience in an era of rising authoritarianism.

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