



EU's Next Move in the Indo-Pacific? Partnering with Taiwan

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The Indo-Pacific region is now central to global strategy, shifting from merely containing China to harnessing this area's economic potential. Taiwan, despite being a dynamic player in this region, often receives limited attention in foreign policy discussions focused on government-to-government interactions. This article seeks to highlight Taiwan's critical role beyond traditional narratives. Taiwan's advanced economy, particularly in high-tech industries, can support Europe's efforts to diversify supply chains and enhance digital sovereignty. By recognizing Taiwan as a valuable economic partner, Europe can deepen its engagement in the Indo-Pacific strategy.

Indo-Pacific: The New Battlefield— What's at Stake?

In 2017, the Trump Administration introduced the Indo-Pacific concept, placing the region at the forefront of international discourse. The Indo-Pacific quickly became a focal point of global attention, sparking debates on its definition, its distinction from the Asia-Pacific, and most importantly, how nations can engage with this dynamic and prosperous region to play a role in shaping its future together.

Recognizing the region's business potential

and the emerging unconventional threats, the EU introduced its first Indo-Pacific strategy in 2021.¹ The 2019 Strategic Outlook marked a pivotal moment when the EU officially recognized China as a systemic rival.²

The EU's Global Gateway initiative, launched in 2021, underscores its commitment to promoting EU values by focusing on five key sectors: digital technology, climate and energy, transport, healthcare, as well as research and education. This initiative strengthens Europe and Indo-Pacific investment ties, positioning the region as vital to the EU's strategic future.

EU Indo-Pacific Strategy: Perfect on Paper, Missing in Action

Considering the importance of the Indo-Pacific region, Japan, China, and the US have a long-standing history of infrastructure investment. In contrast, the EU's Indo-Pacific strategy is ambitious but lacks the strategic precision of other global powers. For example, the Global Gateway initiative lacks the scope and focus to be truly comprehensive. Many of its projects are concentrated in Latin America and Africa, with relatively few initiatives in Asia. This limits the EU's influence in the Indo-Pacific, especially as other global actors have already invested in infrastructure across various sectors, establishing their standards and advancing their agendas. Therefore, how can the EU compete with countries that have long established their presence in Southeast Asia?

Concurrently with the European Commission's renewed focus on economic security and tech sovereignty,³ the EU is facing several obstacles while pursuing its own interests. For example, while member states and corporations acknowledge growing geopolitical risks, many remain reluctant to respond to them.⁴ Additionally, while the EU has made tech sovereignty a policy priority, it remains heavily reliant on imports from both China and the US.⁵ These contradictions pose significant obstacles to the EU's ability to protect its interests and assert its influence in an increasingly competitive global landscape.

First Things First, Prioritizing Economic Security for Indo-Pacific Engagement

To begin with, the EU must streamline its Indo-Pacific strategy and economic security policies to improve real-world impact. While the EU is signing more bilateral agreements, many fail to deliver effective implementation. Thus, the EU should prioritize how to effectively operationalize its policies. On economic

security, the EU's strategies for supply chain resilience and autonomy in high-tech sectors need better alignment with its Indo-Pacific focus. This is particularly crucial given the region's significance in discussions about supply chain de-risking and the strategic balancing of relations between the US and China.

Another challenge is the EU's limited familiarity with Asia. Policymakers often highlight Japan and India, but Taiwan receives less attention despite advocacy from some key policy research organizations. Taiwan's lack of diplomatic recognition complicates formal engagement. Yet, its importance to regional economic and technological ecosystems makes collaboration essential. of diplomatic recognition complicates formal engagement. Yet, its importance to regional economic and technological ecosystems makes collaboration essential.

A Trilateral Partnership: EU Standards, Taiwan's Tech Expertise, and ASEAN's Growth

Taiwan is a key partner for the EU in the Indo-Pacific region, particularly due to its extensive experience in supply chain diversification. Over the years, its ICT industries have progressively shifted production from China to Southeast Asia, driven by rising production costs in China. To counter economic marginalization caused by deepening ties between China and Southeast Asia and mitigate risks from geopolitical instability, Taiwan introduced the Southbound Policy in 1994 to support its businesses in expanding their operations to Southeast Asia.⁶ More recently, the need to reduce reliance on China has become a pressing issue for Taiwanese manufacturers. Customers are pressuring companies to adopt the 'China Plus One' strategy, which started with semiconductors but now extends to sectors like information systems and may soon impact traditional industries⁷. Given Southeast Asia's

attractiveness from both a supply chain and market perspective, Taiwanese manufacturers continue to see the region as the ideal location for relocating their operations.⁸ Taiwan's government and industries, having already navigated this shift, are well-positioned to serve as a vital bridge for European businesses looking to move their manufacturing bases to Southeast Asia. This partnership highlights that economic security is more than a national concern—it is deeply tied to global economic stability, with businesses often on the front lines of disruption.

Moreover, as a like-minded partner, Taiwan plays a pivotal role in helping the EU to achieve its goal of tech sovereignty. Taiwan supplies 80% of global servers and over 90% of AI servers, showcasing its critical role in high-tech industries.⁹ In the semiconductor sector, Taiwan is a key player, accounting for 17% of the global supply chain value in 2023, with a total output value of USD 150.5 billion, second only to the US.¹⁰ Taiwan's expertise in high-tech industries is especially sought after by ASEAN nations, which are actively seeking foreign investment. The EU must seize this opportunity to partner with Taiwan, leveraging its strengths to foster innovation and secure economic stability in the Indo-Pacific.

Balancing Self-Sufficiency and Global Collaboration

In the digital economy and AI era, no country can thrive in isolation. While Taiwan excels in high-tech manufacturing, it still depends on others for critical inputs. Pursuing technological sovereignty is understandable in an unpredictable geopolitical landscape, but overemphasizing domestic capacity risks excessive costs and missed opportunities.

The Indo-Pacific Strategy must extend beyond security and defense to include economic security, leveraging existing policies more effectively. Beyond infrastructure investments, Taiwan can act as a bridge between Europe

and Southeast Asia, fostering collaboration and unlocking mutual benefits through experience sharing and business cooperation.

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