

Economic Integration between the EU and Taiwan: Analyzing the Changes in Trade and Investment Relations after the Initiation of EU's Trade for All Strategy

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The European Union (EU) has been Taiwan's largest source of foreign investment, and it is Taiwan's fourth-largest trading partner in 2024. EU-Taiwan economic relations have grown consistently and significantly after the 2015 "Trade for all" strategy initiated by the European Commission. The average increase rate of Taiwan's investment in the EU reached 807.62%; bilateral trade improved by 40.35% after 2015. The t-test and regression analysis results show that the increase in EU-Taiwan trade and investment is statistically significant, indicating positive effects of the "Trade for All" strategy on promoting EU-Taiwan economic integration. This research analyzes EU-Taiwan economic integration by conducting an international political economy analysis to identify the political and economic benefits gained by both the EU and Taiwan and pinpoint factors affecting the prospect of EU-Taiwan economic agreements. Variables restraining the institutionalization of EU-Taiwan economic relations include the China factor, the structural constraint of the EU, and the acceptance of EU norms in Taiwan, precisely the death penalty issue.

Keywords: EU-Taiwan economic relations, economic integration, international political economy, normative power Europe, the European Commission's 2015 "Trade for all" strategy

INTRODUCTION

Before the establishment of the European Union (EU) in 1993, Taiwan had long-term political and economic relations with the European Economic Community (EEC). Germany recognized the ROC in October 1913, and a diplomatic mission was founded in May 1935, though it was suspended in 1941. The Netherlands recognized the ROC government in December 1928 and formed a diplomatic mission in February 1943. However, the diplomatic relationship was terminated in March 1950 when the Netherlands recognized the Beijing government. The United Kingdom (UK) recognized the ROC government in December 1928 and upgraded its representative offices to a diplomatic mission in May 1935. However, as the UK recognized Beijing, diplomatic relations were suspended in January 1950. France was once a diplomatic ally of the Republic of China (ROC), Taiwan, from 1928 to 1964. Since then, Taiwan did not have official diplomatic relations with EU Member States. Nonetheless, the lack of diplomatic relations did not stop Taiwan from interacting with EU member states. The Taipei Representative Office in France was recognized in 1995; the Taipei Representative Office in the Netherlands was established in July 1996; the Taipei Representative Office in the Federal Republic of Germany was formed in 1997. The Taipei Representative Office in the European Union and Belgium was established in April 2001 (formerly known

as the Taipei Representative Office in Belgium, established in October 1995). Currently, Taiwan has 24 official representative offices in 19 EU Member States. At the same time, The European Economic and Trade Office was established in Taiwan in 2003, representing 16 EU Member States responsible for addressing EU-Taiwan relations. The political and economic ties were solidified through the representative offices.

Despite the suspension of formal diplomatic relations, economic relations between the EU and Taiwan continue to prosper and evolve. The improvement of the economic relations between Taiwan and the EU accelerated the process of Taiwan's accession to the WTO in 2002. The EU-Taiwan Annual Consultations started in 1988 (Krumbein, 2023, p.176). The annual consultations were upgraded to the EU-Taiwan Trade and Investment Dialogue (TID) in June 2022. The trade and investment dialogue was co-chaired by the director-general of DG Trade in the EU and Taiwan's minister of economic affairs. The second EU-Taiwan TID was held in April 2023, while the third TID was held on 17 December to discuss the bilateral trade and investment relationship. A resolution on EU-Taiwan trade and investment relations was passed by the European Parliament unanimously on December 13, 2023, recognizing that "the EU and Taiwan are like-minded partners and share fundamental values" and "acknowledges that Taiwan is an important economic and investment partner for the EU." In addition to TID, European Business and Regulatory Cooperation was launched in 2014 to promote business and regulatory cooperation between the EU and Taiwan (Krumbein, 2023, p.176). In the 2015 "Trade for All" strategy initiated by the European Commission, Taiwan was included as a potential partner for discussing a bilateral investment agreement (BIA). Economic cooperation between the EU and Taiwan strengthens bilateral investment and trade relations.

Long-term investment between the EU and Taiwan allows bilateral economic relations to thrive consistently and evolve. The first Taiwanese investment in the EU started in 1969, with US\$ 22 thousand of investment flowing in Germany, and the second flow of investment was in Luxembourg in 1980, with US\$ one million. In the late 1980s, more Taiwanese businesses invested in European countries. On the other hand, the Netherlands was the first EU country to initiate investment in Taiwan in 1963; US\$527 thousand of investments were flowing into Taiwan. Investment from European countries intensified in the 1970s. EU has been the largest source of investment in Taiwan. The EU's Foreign Direct Investment (FDI) has accumulated to US\$59.52 billion by 2024. Additionally, Taiwan was the EU's thirteenth-largest trading partner and the fifth-largest in Asia in 2023, while the EU is Taiwan's fourth-largest trading partner. EU is Taiwan's third-largest export destination. In 2023, the value of bilateral trade reached approximately US\$74 billion. The bilateral economic relations were strengthened even during the outbreak of the COVID-19 pandemic. In addition to economic ties, cooperation between science, research, education, and culture has recently solidified.

As the EU-Taiwan economic relations constantly and significantly improved, especially after the EU initiated the "Trade for All" strategy in 2015, this research is curious whether the significant improvement of EU-Taiwan economic relations could lead to the start of the negotiation of the EU-Taiwan BIA or even free trade agreement (FTA). Previous research analyzed the investment and trade relations between Taiwan and the EU and discussed the improvement of the EU-Taiwan economic relations under the restraints of the One China policy framework (Ash, 2002; Lim, 2012; Cho, 2018). Dent (2000) studied the EU-Taiwan economic relations from the European perspective in the context of the Taiwan-EU-China diplomatic triangle. Mengin (2002) analyzed the economic ties between Europe and Taiwan under the One China policy. Hsieh (2020) analyzed the prospect of the EU's investment agreement with Taiwan under the One China policy by applying the theories of recognition and non-recognition in the context of the evolving EU-Taiwan trade and investment relations. Cho (2018) illustrated the opportunities for Taiwan to negotiate a BIA with the EU under the EU's 2015 new trade strategy, "Trade for All," – toward a more responsible trade and investment policy (hereafter the EU's "Trade for All" strategy). As a result, this research aims to investigate the changes in EU-Taiwan investment and trade relations after initiating the EU's "Trade for All" strategy in 2015 and illustrate the political-economic implications in the improved EU-Taiwan economic relations. This research addresses three research questions. First, what are the changes in the economic relations between Taiwan and the EU after the initiation of the EU's 2015 "Trade for All" strategy? Second, what are the benefits acquired by both the EU and Taiwan in their economic relations?

Third, what is the political-economic implication of the EU-Taiwan economic integration after initiating the EU's "Trade for All" strategy, and what factors affect the prospects of EU-Taiwan economic agreements?

The research findings show that bilateral trade and investment between the EU and Taiwan were significantly augmented. The average amount of the EU's investment in Taiwan increased by 67.78% after the EU's 2015 "Trade for All" strategy, and Taiwan's investment in the EU increased by 807.62%; the percentage of investment in the EU accounting for Taiwan's global investment rose to 12.79%. Furthermore, EU-Taiwan bilateral trade increased by 40.35% on average. The improvements in bilateral economic relations between the EU and Taiwan are confirmed by the t-test and regression analysis. The t-test analysis shows a statistical significance in the difference between the period of 2006-2014 (before the trade policy) and the period of 2016-2024, after the implementation of the "Trade for All" strategy; the p-value of t-statistics is less than 0.05. Moreover, the results of the regression analysis indicate that the increase in EU-Taiwan trade and investment in the EU is statistically significant at the 0.05 level, revealing significant growth in the increase rate for 2016-2024 compared to 2006-2014. This result indicates a significant upward trend in trade during the policy period (2016-2024), with the p-value of the estimated coefficient of *Time_Post_2015* less than 0.05. The statistical analysis results suggest that the policy implementation of the "Trade for All" has contributed to a consistent annual increase in EU-Taiwan trade and investment. EU and Taiwan have become closer economic partners after 2015. In addition to the significant expansion of economic relations between the EU and Taiwan, both parties gain sufficient benefits in the process of economic integration, such as economic benefits and political status. Three factors affecting the prospects of institutionalizing EU-Taiwan economic relations through BIA or FTA are identified in this research: China factor, structural constraints of the EU, and Taiwan's acceptance of the EU's norm and values in terms of death penalty abolition.

The contributions of this research are summarized in the following points. First, this research continues to study the trend of the EU-Taiwan economic relations till 2024 by analyzing the latest data on bilateral trade and investment. Second, this research offers political-economy implications regarding Taiwan's leverage in EU-Taiwan ties in the context of improved EU-Taiwan economic relations. Third, this research discusses the prospects of the future EU-Taiwan BIA or FTA based on the current trend of economic integration between the EU and Taiwan.

In the following section, this research first discusses previous studies on EU-Taiwan relations, the Normative Power Europe Thesis, and the practices of EU's normative power in its trade policy in the literature review section. The research design, method, and data source are elaborated in the chapter on research methodology. The data analysis section presents the statistical analysis of EU-Taiwan bilateral investment and trade. The researcher then demonstrates the political-economic implications and draws further conclusions.

LITERATURE REVIEW

The researcher first reviews related studies on EU-Taiwan relations in the literature review section. Second, the theoretical framework of Normative Power Europe proposed by Manners (2002) is discussed. Third, the practical applications of the EU's normative power in its trade policy are analyzed. Lastly, the research summarizes the complexity of the institutionalization of EU-Taiwan Economic relations.

Previous Research on EU-Taiwan Relations

Previous studies have focused on the development of diplomatic, political, and economic relations between the EU and Taiwan. Lim and Winkler (2012) studied the development of the EU's relations with Taiwan since the 1960s, analyzing the historical diplomatic ties between the EU and Taiwan under the One China policy and examining the EU-Taiwan political and economic relations. Su (2013) studied the history of EU-Taiwan relations from 1981 to 2012, analyzing the bilateral trade relations, the issue of the abolition of the death penalty, the constraints of the One China policy on EU-Taiwan relationships, and political ties between the EU and Taiwan. This section focused on current literature on economic relations between the

EU and Taiwan, the EU's role in cross-strait relations under the One China policy, and the EU's normative power on Taiwan's death penalty issue.

EU-Taiwan Economic Relations

Scholars are keen to study the economic relations between Taiwan and the EU; as the bilateral trade and investment have improved considerably, the prospect of negotiating bilateral economic agreements could be envisaged. Dent (2000) suggested three inter-connected factors that affect the evolving political-economy relations between the EU and Taiwan from the European perspective: the end of the Cold War, European integration, and multilateral changes (pp.111-112). Previous research has further analyzed the trend of EU-Taiwan investment and trade relations during different periods (Ash, 2002; Lim, 2012; Cho, 2018). Ash (2002) analyzed trade and investment statistics between the EU and Taiwan. Ash (2002) suggested that the European countries played an important role in supporting Taiwan's continuing economic growth and development as a trading and investment partner and served as a market for Taiwan to diversify its foreign trade profile to a modest degree. Lim (2012) Applied the concept of functional sovereignty to study trade and investment between the EU and Taiwan, suggesting that although the EU and Taiwan did not have official relations, trade and investment relations improved continuously. Also, the EU played an important role in Taiwan's WTO accession in 2002, and the European Economic and Trade Office (EETO) in Taipei was established on 10 March 2003; Lim (2012) suggested that Taiwan has found its place on the international scene, and Taiwan is given some sorts of recognition in the international community under the framework of the One China policy. Cho (2018) analyzed the bilateral trade relations between the EU and Taiwan and examined the opportunities for institutionalizing Taiwan-EU economic relations by signing BIA under the variable of the China factor. Hsieh (2020) studied the (EU)'s trade and investment relations with Taiwan by applying theories of recognition and non-recognition from legal and international relations perspectives and analyzed the future negotiation of investment agreements under the One-China policy. Hsieh (2020) argued that "notwithstanding the One China policy, the EU has accorded diverse forms of recognition to Taiwan since the 1980s" and "bilateral instruments will buttress the process of recognition premised on identity construction and status" (p.712).

EU's Role in Cross-Taiwan Strait Relations

As China is a critical factor in developing EU-Taiwan relations, researchers have studied the EU's policy towards Taiwan under the One China policy framework. Schumacher (2007) suggested that the EU's foreign policy toward Taiwan after the fifth enlargement has not changed despite a slight modification in rhetoric. Schucher further pointed out five arguments why Brussels took a hands-off approach to the questions of stability and security in the Taiwan Strait: limited interest in East Asia, the dominance of economic interests in China, constrained means for interventions, incoherent foreign policy, and the negligible economic weight of the new entrants. New member states in Central and Eastern Europe are too weak to alter the EU's agenda (Schucher, 2007). Hu (2011) argued that the role of the EU in cross-strait relations was limited by the interplay of three structural constraints – the complexity of the EU framework (the internal system of the EU), the regional system along the strait, and the global structure. The complexity of the internal system of the EU refers to the various interests and views among 27 member states, the unique positions and policies of France and Germany, and the decision-making process in the EU (Hu, 2011, p. 27). The regional system along the strait refers to the political divergence between China and Taiwan in their claim of sovereignty – Beijing's insistency on the One China principle vis-à-vis Taiwan's declaration of its de facto independence. The constraints of global structure refer to the EU's interest in cooperating with China to handle global issues, such as economic interdependence, climate change, and diplomatic multilateralism.

EU's Urge on the Abolition of Death Penalty in Taiwan

Regarding EU-Taiwan relations, the issue of abolishing the death penalty in Taiwan is a significant concern. "Normative Power Europe is on display in EU-Taiwan relations, as shared values are a major driver; The EU pursues normative aims in its policy towards Taiwan and also uses normative means"

(Krumbein, 2023, p.183). The EU exerts its normative power through bilateral dialogues and cooperation, such as economic agreements, to persuade targeted countries to accept the EU's norms and values and influence their policies, such as abolishing the death penalty and promoting international human rights. In this circumstance, the issue of the death penalty is not only a precondition for closer political-economy relations with the EU (recognition by the EU or participation in EU-led international organizations) but also a matter of Taiwan's perception of the EU's normative power or the Taiwanese government's willingness to put a moratorium on capital punishment at least. Lee (2020) pointed out that the executions of five death-row inmates conducted on March 4, 2011, made the German Federal Foreign Office summon the Taiwan representative in Berlin to the Foreign Office, as Taiwan broke its commitments on the abolition of the death penalty. Lee (2020) suggested three factors relevant to changes to the death penalty in Taiwan: international politics, electoral instability, and incumbents' orientation. Lee indicated that the majority of Taiwanese citizens tend to support the retention of the death penalty, and the receptionists favor retributions and believe in the deterrent effect of the death penalty (Lee, 2020). The EU has been exerting its influence on norms through trade policy to promote norms and values, including peace, democracy, human rights, sustainable development, and other trade norms. Its action can be understood through the theory of normative power in Europe proposed by Manners (2002). Krumbein (2023) further analyzed the EU-Taiwan relations through the lens of Normative Power Europe, focusing on the EU norms and values.

The European Union's Normative Power

Normative power refers to the EU's influence on shaping the norms or redefining international norms in the international society through declarations, treaties, policies, criteria, and so on. Manners (2002) suggests that the EU should be considered more of a normative power in addition to civilian or military power. Manners contended that there are five core norms: peace, liberty, democracy, rule of law, and respect for human rights and four minor norms: social solidarity, anti-discrimination, sustainable development, and the principle of good governance, spreading through the six mechanisms for the diffusion of norms (pp. 242-245). According to Manners (2002), the EU norms are diffused through contagion, informational diffusion, procedural diffusion, transference, overt diffusion, and cultural filters. Contagion refers to the unintentional diffusion of ideas; informational diffusion is the result of the range of strategic communications; procedural diffusion involves the institutionalization of a relationship; transference is the exchange of tangible resources through substantive or financial means and economic sanctions; overt diffusion occurs when the EU physically present in the third states; cultural filter refers to the learning, adaptation or retention of norms in the third states (Manners, 2002, pp. 244-245). Fundamental rights and norms are drafted into declarations, charters, and treaties to legitimize the EU's normative power further to protect fundamental human rights. The reinforcement and expansion of the norms legitimize the EU (Manners, 2002, p. 244). That is to say, the EU has to expand and export its norms to the international community to gain more support from third states and acquire greater legitimacy domestically and internationally. The EU spread its norms by negotiating investment and trade agreements.

Manners (2002) analyzed the EU's pursuit of the international abolition of the death penalty as an example of the EU's exertion of its normative influence. Manners (2002) illustrated that three factors led the EU to work towards the international abolition of the death penalty: the role of the Council of Europe, the end of the Cold War, and the crisis of confidence in the EU followed by three important developments on the abolition of the death penalty: The June 1998 guidelines, the operational guidelines, and the presentation of an EU annual report on human rights (pp. 246-247). Manners (2002) demonstrated four different situations in which the EU played an important role in bringing about abolition and argued that procedural membership conditions, informational common strategies, and the overt role of EU delegations are the mechanisms diffusing the EU's abolitionist policy.

The EU combined its trade policy with the EU normative power, meaning that the EU exerts its normative influence through the trade agreement negotiations, emphasizing the importance of sustainable development, environmental protection, labor standards, respect for human rights, and so on. The market size of the EU provides leverage for the union to export and spread the EU value when negotiating economic agreements. According to the six mechanisms for the diffusion of norms proposed by Manners, exerting

the EU's normative power through trade and investment agreements is categorized into procedural diffusion, where it involves the institutionalization of a relationship between the EU and its partner country, for instance, the inter-regional cooperation agreement (Manners, 2002, p. 244). Su (2019) also suggested that the EU has presented its normative power in the EU's external relations with third parties. The EU's norms and trade policy combination can be found in the 2006 Global Europe trade policy and the 2015 "Trade for All" strategy (Su, 2019, p. 78). Su (2019) contended that the EU has different criteria and standards when negotiating the content of trade agreements with Asian countries and identified three variables that influence trade negotiation, such as the international environment during the negotiation process, the distribution of power within the EU, and to the extent of the mobilization of the interest groups (p. 78).

Dijkstra (2017) suggested that in terms of the labor clause in the trade agreement, the Normative Power and Market Power Europe theories cannot explain the normative dimension of EU trade policy; instead, the collusive delegation argument provides a more helpful explanation for the EU's behavior. Dijkstra (2017) analyzed the promotion of labor standards in the EU's bilateral trade agreements with South Korea, Colombia, Peru, and Vietnam and argued that the European Commission is able to stay relatively immune from the interference of other agents and promote its view on the model in the negotiations on the three trade agreements. In this case, Dijkstra (2017) argued that the Commission's behavior should be understood through the collusive delegation argument. On the other hand, Larsen has a different opinion on the EU's normative power. Larsen (2014) studied external perceptions of the EU from third parties and suggested that the EU should be labeled as a regional normative power instead of a normative power. Larsen suggested six justifications for such an argument: other ways to exert the EU's international influence, significant geographical differences in viewing the EU as a normative power, the question of the intention of the EU's normative power, the limits of normative power in influencing conceptions of the normal, the adaptation of the EU's norms indicating part of economic development, and the mixed status of United States in spreading American democratic values and customs (Larsen, 2014, pp. 906-907). Although Larsen (2014) argued that the EU's economic power stands out more than the normative power, some countries still view the EU as a normative power as these countries hope to obtain closer links with the EU (p. 906). Therefore, it is implied that Asian countries such as South Korea, Japan, Singapore, and Vietnam view the EU as a normative power, as they wish to establish closer links with the EU, such as the institutionalization of the relationship through political and economic agreements.

TABLE 1
SCHOLAR'S PROPOSITION ON NORMATIVE POWER EUROPE

Researchers	Manners (2002)	Larsen (2014)	Dijkstra (2017)	Su (2019)
Propositions	The EU should be considered more of a normative power.	The EU's economic power stands out more than the normative power from external perceptions.	The Normative Power and Market Power Europe theories cannot explain the normative dimension of EU trade policy.	The EU exerts its normative influence through its trade policy.

Source: Edited by the author.

The Evolution of the European Union's Trade Strategy

Trade liberalization and accessing the world market offer strong economic momentum for the EU's economic growth. The EU is now a global player in international trade, as shown by the EU's role in shaping the global trading system and its support of the WTO. In addition, the trade policy is a tool for the EU to spread and exert its influence and shape international norms by negotiating trade deals with its partners. Countries wishing to conclude a trade or investment agreement must sign the PCA, which states that the EU could take appropriate measures if the signatory state violates the agreement, especially concerning

human rights and labor standards. The following section introduces the 2006 Global Europe trade policy and the 2015 EU's "Trade for All" strategy.

Global Europe Trade Policy

The "Global Europe: competing in the world" is the EU's trade policy launched on October 4, 2006, by the European Commission, endorsed by the Council of European Union, aiming at opening up and liberalizing the market to stimulate growth and creating jobs in Europe and simultaneously ensuring the competitiveness of the EU. The trade policy presents the EU's position in rejecting protectionism at home and actively opening markets abroad. The Global Europe strategy is a policy that spreads the ideology of market liberalization. The EU was eager to liberalize economies abroad because it creates an economic environment that benefits the EU's economic growth and helps EU companies access the market abroad. The commission has set out the agenda to achieve the EU's goal. First, the EU will be committed to multilateralism; second, the EU will negotiate with the Asian emerging markets to discuss the possibility of concluding free trade agreements; third, the commission will set out a comprehensive new strategy for China; fourth, the commission will ensure the protection of intellectual property rights, and deal with counterfeiting problems; fifth, the commission will reduce non-tariff barriers and access major public procurement markets with the third countries to ensure market access for EU companies; lastly, the European Commission will reform the anti-dumping and trade defense instruments of the EU (Brussels, 2006). The trade policy agenda under the Global Europe Strategy mainly focuses on market liberalization, market access, and some EU norms, such as liberty based on neo-liberalism and the rule of law, including intellectual property rights and counterfeit measures.

The EU-South Korea FTA (EUKFTA), negotiated since April 2007, authorized by the Council, installed in October 2009, applied since July 2011, and ratified in December 2015, was the first FTA that the EU concluded with Asian countries, and it is also the agreement under the scheme of the 2006 Global Europe strategy. The EU and South Korea trade agreement addresses customs duties, non-tariff barriers, international standards, sustainable development, etc. Seventy percent of tariffs are eliminated after the EUKFTA enters into force; 90 percent of tariffs are reduced after three years of enforcement of the FTA; 99 percent of tariffs are removed after 5 years of implementing the trade agreement. Also, the contents of the deal go beyond the reduction of customs duties, as the removal of non-tariff barriers in the sectors of consumer electronics, automotive products, pharmaceuticals, and chemicals are included. Problems of the technical obstacles to trade, such as technical regulations, standards, conformity assessment procedures, and similar requirements, are addressed in the agreement, as well as the issues of sanitary and phytosanitary measures. The customs and trade facilitation chapter covers harmonizing documentation and data requirements. Trade in services (telecommunications, shipping, and maritime services, construction services, financial services, and express delivery services), payments and capital movements, government procurement, intellectual property rights (copyright, designs, and geographical indications), competition policy, transparency in regulation, and faster dispute settlement mechanism are included in the EUKFTA. Most importantly, South Korea is committed to sustainable development. In the Trade and Sustainable Development Chapter, South Korea committed to ratifying and implementing all conventions in the International Labor Organization and its core labor standards. South Korea also promised to implement all multilateral environmental agreements. Strong monitoring mechanisms were established to scrutinize South Korea's performance in the field of environmental protection and labor standards (European Union, 2011).

The EUKFTA is the agreement signed after the Global Europe trade policy was initiated in 2006. It has shown the EU's intention to reduce trade barriers by converging some rules and regulations and the commitment to international standards. Additionally, the exportation and spread of the EU's normative influence is witnessed in the agreement chapter on Trade and Sustainable Development, which induces South Korea to ratify the conventions in the International Labor Organization and the core labor standards and the effective implementation of multilateral environment agreements. This is an example of the diffusion of the EU's minor norms through trade agreements to promote sustainable development and labor rights.

EU's Trade for All Strategy

A new trade and investment strategy proposed by the European Commission aims to ensure competitiveness and create jobs for EU companies, as trade and investment are powerful engines for growth and job creation. Initiated in 2015, the trade strategy entitled “Trade for All: Towards a More Responsible Trade and Investment Policy” was launched, stating that consumers (through promotion of sustainable development and human rights), workers (respect for labor rights), citizens (with transparent negotiation text), small and medium-sized enterprises (accessing to information and opportunities), and people in developing countries (promoting human rights and sustainable trade opportunities) will benefit from the strategy (European Commission, 2016). This trade strategy addresses trade issues, improves trade agreements’ transparency, and emphasizes the EU value. The EU “Trade for All” strategy states three major principles: effectiveness, transparency, and value. In the principle of effectiveness, the European Commission seeks to ensure that trade creates economic opportunities. To achieve this goal, it is necessary to address trade issues such as global value chains, services, the digital economy, etc. Also, it is promised to support the mobility of experts, senior managers, and service providers and ensure that small and medium-sized business provisions are included in future trade agreements, helping them better access and benefit from the economic partners. The EU Member States, the European Parliament, and civil society groups are involved in preparing the strategy. To further enhance the effectiveness of the trade policy, more stakeholders will be invited to implement trade and investment agreements better. Under the trade strategy, transparency promotes public scrutiny in negotiating the trade agreement. The third principle of the trading strategy is the values, stating that it is essential to safeguard the European social and regulatory model and the EU norms and values through trade agreements. Issues related to sustainable development, human rights, fair and ethical trade, and anti-corruption rules will be included in trade agreements, and the EU will expand measures to support those issues and ensure effective implementation.

The EU utilizes trade agreements to exert its normative influence and spread the EU’s value, as the EU tries to ensure the rule of law by asking the trading partners to follow international standards and address non-tariff and technical barriers. Also, the EU asks its counterparts to respect human rights and commit to sustainable development, which are the EU’s core and minor norms, according to Manners (2002). The trade policy is a means for the EU to exert normative influence by promoting its values and norms to ensure its legitimacy and role in international politics.

The Complexity of the Institutionalization of EU-Taiwan Economic Relations

Regarding BIA, the feasibility of institutionalizing the EU-Taiwan economic relations is not merely an economic matter. It involved geopolitical concerns. The variable of the China factor, the structural constraints of the EU, and Taiwan’s acceptance of the EU’s norms are other important political factors that must be scrutinized. First, it is essential to overcome China’s opposition to any negotiation of economic agreements between the EU and Taiwan. Second, the EU is constrained by its internal structure and the international system to change the status quo by recognizing Taiwan’s sovereignty through economic agreements. Third, Taiwan’s attitude toward retaining its capital punishment makes adoption of the EU’s norms difficult, specifically on human rights – the abolition of the death penalty. The EU has diffused its abolitionist policy through the overt role of EU delegations to Taiwan. However, the political culture of death penalty retention is difficult to change. The incident illustrates the gap between the diffusion and perception of normative power in Europe. This issue affects the institutionalization of the EU-Taiwan economic relations.

RESEARCH METHODOLOGY

This study employed quantitative and qualitative methods to study EU-Taiwan economic relations using statistical analysis, document, and policy analysis. The international political economy theory is applied in this research to analyze the EU-Taiwan economic integration. Document and policy analysis methods are used to study the EU’s trade strategy, “Trade for All,” and understand the political-economy implications of the improved EU-Taiwan economic relations and the prospects of institutionalizing bilateral

economic agreements. Regarding the sources of data for document and policy analysis, book chapters, academic journal articles, reports, and governmental documents are extracted from the JSTOR (Journal Storage), Wiley Online Library, ScienceDirect (Elsevier), Multidisciplinary Digital Publishing Institute (MDPI), Google Scholar, ProQuest, Airiti Library, Google Book, online library, and EU official documents downloaded from EU website. Trade and investment statistics between the EU and Taiwan are retrieved from the governmental statistics database in Taiwan, including the Trade Statistics Database in the Ministry of Finance and the Department of Investment Review in the Ministry of Economic Affairs.

TABLE 1
RESEARCH DESIGN, METHOD, AND DATA SOURCE

Research Method	
Research Design	Comparative Study
Research Method	Statistics Analysis Document Analysis Policy Analysis
Study Subject	EU-Taiwan Economic Relations
Data Source	
Data	Source
Book Chapter, Academic Journal Articles, and Governmental Document	JSTOR (Journal Storage), Wiley Online Library, ScienceDirect (Elsevier), Multidisciplinary Digital Publishing Institute (MDPI), Google Scholar, ProQuest, Airiti Library, Google Book, Online Library, and EU Official Documents
Trade Statistics between the EU and Taiwan	Trade Statistics Database, Ministry of Finance
Investment Statistics between the EU and Taiwan	Department of Investment Review, Ministry of Economic Affairs.
Time Zone for Statistics Analysis	
Before the Initiation of the Trade for All Strategy From 2006 to 2014	After the Initiation of the Trade for All Strategy From 2016 to 2024

Source: Edited by the author.

The statistical analysis method is employed to investigate the changes in economic relations by analyzing the trade and investment statistics between the EU and Taiwan after 9 years of initiating the “Trade for All” strategy. The research design of this study is to compare the trade and investment statistics between the EU and Taiwan before and after the initiation of the 2015 “Trade for All” strategy. The rationale for the research design is based on the reason that 2015 was the year of initiating the trade strategy. As stated in the EU’s “Trade for All” strategy, the EU hoped to improve its economic relations with countries in the Asian-Pacific region. EU-Taiwan economic relations are crucial to the EU’s expansion to Asia, and the EU has stated that it will explore launching negotiations on investment with Taiwan under the “Trade for All” strategy. The researcher chooses 18 years of time series data for statistical analysis (comparing 2006-2014 with 2016-2024) because, with a more extended observation period, the researcher can holistically analyze the trend and development of EU-Taiwan economic relations. More observations are needed to achieve data saturation and reduce the risks of investment and trade value fluctuation.

2015 is viewed as a watershed of the EU-Taiwan economic relations, as bilateral economic relations improved substantially and significantly. The period from 2006 to 2014 represents the time before the initiation of the EU’s “Trade for All” strategy, while 2016 to 2024 represents the time after the implementation of the Trade strategy. As the effects of trade policy need time to take effect, the researcher excluded data from 2015 to enhance the accuracy and validity of the research design. The statistical analysis presents the time series data to offer a holistic picture of the economic relations and compares the average value of the trade and investment data. The statistics are calculated into a yearly average: the average trade

and investment value from 2006 to 2014 and the average between 2016 and 2024. The comparison of the averaged trade value highlights the changes in the EU-Taiwan economic relations after the 2015 “Trade for All” strategy. A t-test analysis is performed to examine whether the difference in mean value between 2006-2014 and 2016-2024 in trade and investment is statistically significant. The Statistical significance of the T-test implies that the improvement in trade and investment after 2015 (from 2016 to 2024) is unlikely to be due to chance alone, and the enhancement in economic relations is statistically significant. After conducting a T-test analysis, a regression analysis was performed to confirm that after the 2015 “Trade for All” strategy, the improvement of EU-Taiwan economic relations is statistically significant. The significance level is set at 0.05, although a marginal significance level of 0.1 is accepted. Moreover, the regression analysis is conducted to understand the changes in the trend of increased rates in trade and investment relations between the EU and Taiwan and whether the increase is statistically significant. Two regression models are proposed in this research.

Regression Equations

Equation 1:

The regression model can be expressed as follows:

$$Y_t = \alpha + \beta \cdot D_Period_t + \varepsilon_t \quad (1)$$

Where t denotes time in this time-series data, Y_t is the dependent variable, representing the observed value of trade and investment. The coefficient, α , represents the intercept term, which denotes the mean value during the baseline period of 2006-2014, while β is the slope coefficient, reflecting the incremental changes in the dependent variable between the two periods. The coefficient, ε_t , is the error term, accounting for variations not explained by the model. D_Period_t is the independent variable, a dummy variable indicating the period. The period between 2006-2014 is set to value 0, representing the time before the 2015 “Trade for All” strategy. On the other hand, the period from 2015-2024 is set to value 1, representing the time after the 2015 trade strategy. This regression is to understand whether the 2015 “Trade for All” strategy positively and statistically significantly affects the trade and investment between the EU and Taiwan.

Equation 2:

The segmented regression model can be expressed as:

$$Y = \beta_0 + \beta_1 \cdot Time_Trend + \beta_2 \cdot Post_2015 + \beta_3 \cdot Time_Post_2015 + \varepsilon \quad (2)$$

Where Y denotes the dependent variable, representing the observed value of trade and investment. The coefficient, β_0 , represents the predicted average value in the baseline year 2006. It is the intercept term of the model and serves as the reference point for all other variables. β_1 is the coefficient of $Time_Trend$, which represents the annual trend during 2006-2015. The explanatory variable $Time_Trend$ is set as 1 in the year 2006, 2 in the year 2007, 3 in the year 2008, 5 in the year 2010, and so forth. If the coefficient of β_1 is greater than 0, it indicates that the observed value increases on average each year during the baseline period (2006-2014). On the other hand, if the coefficient, β_1 , is less than 0, the observed value decreases on average each year during the baseline period. This parameter helps capture the changes in the baseline period (2006-2014), which forms the foundation for overall trend analysis. β_2 is the coefficient of $Post_2015$, used to measure the overall level difference in the period of 2016-2024 compared to the baseline period (2006-2014). The explanatory variable is 1 after 2016, while 0 before 2015. If the coefficient, β_2 , is greater than 0, the average level during 2016-2024 is higher than the baseline period (2006-2014). In contrast, if the coefficient, β_2 , is less than 0, the average level during 2016-2024 is lower than the baseline period. This parameter reveals whether the overall level during the policy period (2016-2024) has significantly changed compared to the baseline period (2006-2014) regarding their average value. β_3 is the coefficient of $Time_Post_2015$, used to measure the annual trend change during the policy period (2016-2024). If the coefficient of β_3 is greater than 0, it indicates that the average value increases yearly during 2016-2024.

Conversely, if the coefficient of β_3 is less than 0, it indicates that the average value decreases yearly from 2016-2024. If the coefficient is equal to 0, it suggests that the annual trend during 2016-2024 is consistent with the baseline period. This parameter analyzes whether the annual trend during the policy period differs from the baseline period. This regression model aims to understand the impact of the trade policy by analyzing whether a policy implemented after 2016 had a significant impact on EU-Taiwan trade and investment, study segmented trends by examining the changes in one period are different from the other, and compare the levels and trends, considering the patterns of annual changes.

DATA ANALYSIS

In the data analysis section, the researcher presents the statistics of bilateral trade and investment between the EU and Taiwan. The analysis results imply that economic relations between the EU and Taiwan enhanced considerably and significantly after the 2015 "Trade for All" strategy. A T-test and regression analysis confirms that the increase in EU-Taiwan trade and investment from 2016 to 2024 is statistically significant.

Statistical Analysis: EU-Taiwan Economic Relations

Investment between the EU and Taiwan

Economic relations between Taiwan and the EU improved significantly after the EU's 2015 "Trade for All" strategy; both bilateral trade and investment grew substantially. Table 3 shows the changes in the amount of the EU's investment in Taiwan after the initiation of the EU's 2015 "Trade for All" strategy, presenting in US\$ billion. Overall, the average investment value from the EU increased significantly after 2015, growing by US\$1.48 billion, revealing an increased rate of 67.78%; the average value reached US\$3.67 billion from 2016 to 2024. While the EU accounted for 29.24% of global investment in Taiwan from 2006 to 2014 on average, the percentage rose to 36.65% from 2016 to 2024, implying the strengthening of EU-Taiwan investment relations after the "Trade for All" strategy. Before initiating the EU's trade strategy in 2015, the EU's investment in Taiwan fluctuated from US\$0.5 billion to US\$1.6 billion between 2008 and 2014. The investment amount improved to US\$6.83 billion in 2016 and maintained at US\$6.12 billion by 2018. Although there were some fluctuations, the inflow of investment in Taiwan was relatively steady and stable from 2016 to 2024, as evidenced by the standard deviation, which was 1.83 after 2015, compared to 2.19. The lower value of standard deviation implies a lower level of investment fluctuation. Overall, the EU's investment in Taiwan improved substantially and became much more steady, fortifying bilateral economic relations between the EU and Taiwan.

TABLE 2
INFLOW INVESTMENT FROM THE EU TO TAIWAN

Year	Investment Amount	Year	Investment Amount
2006	5.92	2016	6.83
2007	6.42	2017	2.21
2008	1.66	2018	6.12
2009	1.20	2019	3.55
2010	0.57	2020	3.60
2011	0.60	2021	1.38
2012	1.61	2022	4.82
2013	0.61	2023	3.21
2014	1.13	2024	1.35
Sum	19.71	Sum	33.06
Average	2.19	Average	3.67
Standard Deviation	2.16	Standard Deviation	1.83
Percentage	29.24%	Percentage	36.65%

Increase Rate	67.78%
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Note: The unit of the investment amount is in US\$ billion. EU refers to 27 member states in the European Union. Standard deviation is a measure of the dispersion or variation of the values of a variable around its mean value. The percentage refers to the EU's investment accounting for global investment in Taiwan.

Source: Department of Investment Review, Ministry of Economic Affairs. Retrieved from https://www.moea.gov.tw/Mns/dir_e/bulletin/Bulletin_En.aspx?kind=61&html=1&menu_id=42918.

As the EU is the largest source of investment in Taiwan, inspecting the percentage of the EU’s investment accounting for global investment in Taiwan is imperative. From 2013 to 2015, the percentage of the EU’s investment was between 12% and 19.56%. The percentage surged to 61.86% in 2016, showing that more than half of global investment in Taiwan comes from the EU. Although the percentage decreased to 29.43 percent in 2017, it rose to 53.46% in 2018. The percentage remained at an average level of around 30% in the following years. The statistical analysis of Table 4 marks the importance of Taiwan as a targeted market for the EU’s investment, specifically after the 2015 “Trade for All” strategy. The bilateral economic relations have been further strengthened after 2015.

TABLE 4
PERCENTAGE OF EU INVESTMENT IN TAIWAN

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
EU	0.61	1.13	0.60	6.83	2.21	6.12	3.55	3.60	1.38	4.82	3.21	1.35
Global	4.93	5.77	4.80	11.04	7.51	11.44	11.20	9.14	7.48	13.30	11.25	7.86
Percent	12.28	19.56	12.42	61.86	29.43	53.46	31.72	39.32	18.41	36.25	28.53	17.20

Note: The unit of the investment amount is US\$ billion. EU refers to 27 member states in the European Union. The percentage refers to the EU's investment accounting for global investment in Taiwan.

Source: Department of Investment Review, Ministry of Economic Affairs. Retrieved from https://www.moea.gov.tw/Mns/dir_e/bulletin/Bulletin_En.aspx?kind=61&html=1&menu_id=42918.

The EU has also become a relatively important targeted market for Taiwanese investment. Table 5 compares Taiwan’s investment in the EU before and after 2015. Investment in the EU improved significantly after the 2015 “Trade for All” strategy. The sum of Taiwan’s investment in the EU skyrocketed, accumulating to US\$12.79 billion between 2016 and 2024, compared to the cumulative amount of US\$1.41 billion before 2015. The average amount of investment increased by US\$1.26 billion after 2015, and the increase rate reached 807.62%. The average investment amount reached US\$1.42 billion from 2016 to 2024, compared to US\$0.16 billion before 2015. Moreover, the percentage accounting for Taiwan’s global investment rose to 12.79% from 3.10% on average, implying that the EU has become an important market for Taiwanese investors. Taiwan’s investment in the EU before 2015 was below US\$0.5 billion, while it was less than US\$0.2 billion from 2008 to 2014. In 2016, the investment jumped to US\$1.01 billion, though it fluctuated with ups and downs; its average amount of investment was US\$1.42 billion and reached a peak at US\$4.97 billion by 2023.

TABLE 3
TAIWAN’S INVESTMENT IN THE EU

Year	Investment Amount	Year	Investment Amount
2006	0.41	2016	1.01
2007	0.41	2017	0.17
2008	0.13	2018	1.22
2009	0.09	2019	0.68
2010	0.04	2020	1.51
2011	0.03	2021	0.72

2012	0.06	2022	0.58
2013	0.11	2023	4.97
2014	0.13	2024	1.93
Sum	1.41	Sum	12.79
Average	0.16	Average	1.42
Standard Deviation	0.14	Standard Deviation	1.35
Percentage	3.10%	Percentage	12.79
Increase Rate			807.62%

Note: The unit of the investment amount is in US\$ billion. EU refers to 27 member states in the European Union. Standard deviation is a measure of the dispersion or variation of the values of a variable around its mean value. The percentage refers to Taiwan's investment in the EU accounting for Taiwan's global investment.

Source: Department of Investment Review, Ministry of Economic Affairs. Retrieved from https://www.moea.gov.tw/Mns/dir_e/bulletin/Bulletin_En.aspx?kind=61&html=1&menu_id=42918.

EU-Taiwan Trade

Bilateral trade (import and export) between the EU and Taiwan grew significantly after 2015 when the EU's "Trade for All" strategy was initiated (see Table 5). The average trade value grew by US\$17.03 billion, rising to US\$59.22 billion from US\$42.19 billion, showing a 40.35% increase rate. The percentage of EU-Taiwan trade, accounting for Taiwan's global trade value, increased to 8.41% on average. The trade value fluctuated between US\$42 billion to US\$47 billion from 2010 to 2017. Trade value enhanced to US\$51.19 billion in 2018, rose to US\$53.10 billion in 2019, and jumped to US\$68.75 in 2021, reaching its peak at US\$75.34 billion in 2022. The sum of trade value between 2016 and 2024 was US\$532.97 billion, compared to 379.74 billion from 2006 to 2014, before the EU's "Trade for All" strategy. The results of the statistical analysis, shown in Table 5, reveal a substantial improvement in the EU-Taiwan Trade after 2015.

TABLE 6
TRADE BETWEEN THE EU AND TAIWAN

Year	Trade Value	Year	Trade Value
2006	37.79	2016	43.23
2007	41.82	2017	47.05
2008	42.74	2018	51.19
2009	33.16	2019	53.10
2010	44.24	2020	51.88
2011	47.14	2021	68.75
2012	42.77	2022	75.34
2013	43.93	2023	73.88
2014	46.15	2024	68.55
Sum	379.74	Sum	532.97
Average	42.19	Average	59.22
Percentage	8.09%	Percentage	8.41%
Increase Rate			40.35%

Note: The Unit of trade value is US\$ billion. EU refers to 27 member states in the European Union. The percentage refers to EU-Taiwan trade accounting for Taiwan's global trade.

Source: Trade Statistics Database, Ministry of Finance, Republic of China (Taiwan). Retrieved from <https://web02.mof.gov.tw/njswww/webMain.aspx?sys=100&funid=edefjsptgl>.

Table 6 illustrates the trade structure between the EU and Taiwan from 2006 to 2024. Overall, exports and imports show a rising trend, as the trade value continuously increases yearly. While Taiwan's exports to the EU were below US\$ 25 billion, exports jumped to US\$31.81 billion in 2021 and peaked at US\$ 36.82 billion in 2023. Taiwan's imports from the EU rose to US\$25.88 billion in 2018, while it fluctuated around

US\$20 billion from 2006 to 2017. The import value achieved US\$40.42 billion in 2022 and then maintained a steady level of imports in the following years. Based on Taiwan's perspectives, the trade statistics collected from the Taiwanese governmental website reveal that the EU has enjoyed a trade surplus from 2012 to 2024.

TABLE 7
EU-TAIWAN TRADE STRUCTURE

Year	Export to EU	Import from EU
2006	21.38	16.42
2007	23.48	18.34
2008	24.55	18.19
2009	18.47	14.69
2010	23.84	20.40
2011	24.12	23.01
2012	21.26	21.51
2013	21.08	22.85
2014	22.62	23.53
2015	20.13	21.52
2016	20.84	22.39
2017	23.05	24.00
2018	25.31	25.88
2019	24.07	29.04
2020	22.89	28.99
2021	31.81	36.94
2022	34.92	40.42
2023	36.82	37.06
2024	33.48	35.08

Note: The Unit of trade value is US\$ billion. EU refers to 27 countries in the European Union.

Source: Trade Statistics Database, Ministry of Finance. Retrieved from <https://web02.mof.gov.tw/njswww/webMain.aspx?sys=100&funid=edefjsptgl>.

Improvement of EU-Taiwan Economic Relations

Based on the statistical analysis of the EU-Taiwan bilateral economic relations, greater economic integration between the EU and Taiwan can be witnessed despite the lack of formal economic agreements. First, bilateral investment between Taiwan and the EU improved substantially and significantly. Taiwan's investment in the EU grew considerably after 2015; the increase rate of Taiwan's investment in the EU achieved 807.62% on average, while the EU's investment in Taiwan also improved significantly, evidenced by a 67.78% increase rate. Second, the EU is an essential source of investment in Taiwan, and the trend is further strengthening, especially after the 2015 "Trade for All" strategy. The percentage of the EU's investment in Taiwan jumped to 36.65% on average. On the other hand, the percentage of Taiwan's investment rose to 12.79%, implying that Taiwan is an imperative economic partner for the EU, while Taiwanese investment in the EU is flourishing. Third, in addition to bilateral investment relations, bilateral trade between the EU and Taiwan enhanced significantly as the average trade value rose to \$59.22 billion, and the increase rate achieved 40.35% on average after 2015. The trade and investment statistics indicate greater economic cooperation and integration between the EU and Taiwan after the 2015 "Trade for All" strategy implemented by the European Commission.

FIGURE 1
TREND ANALYSIS OF TRADE: 2006-2014 VERSUS 2016-2024

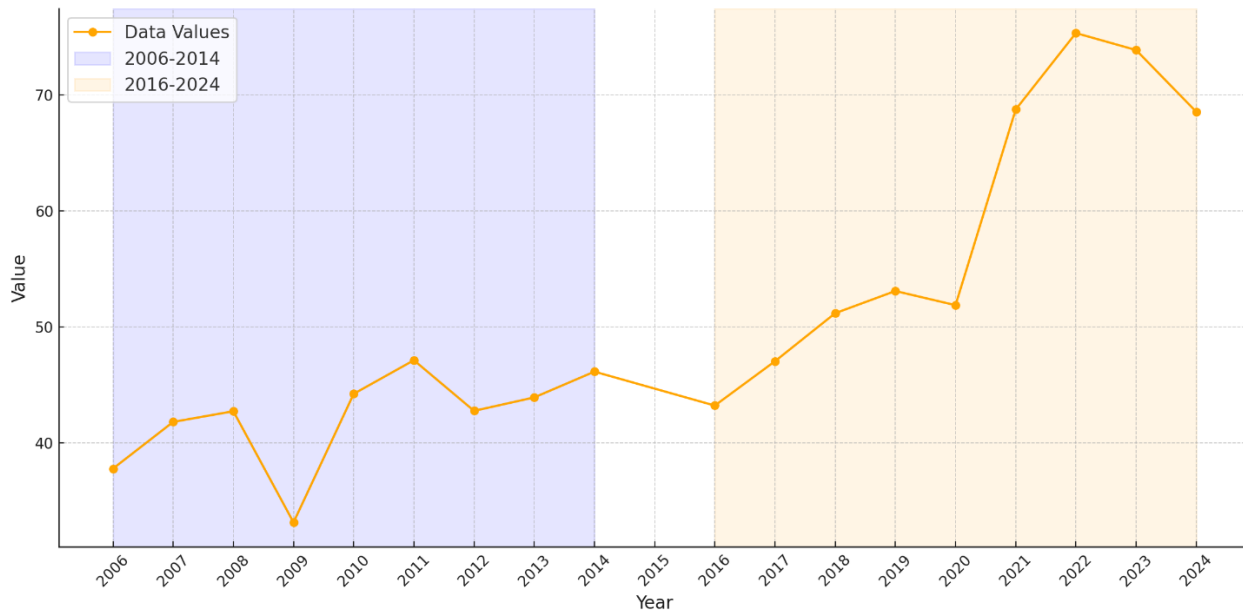
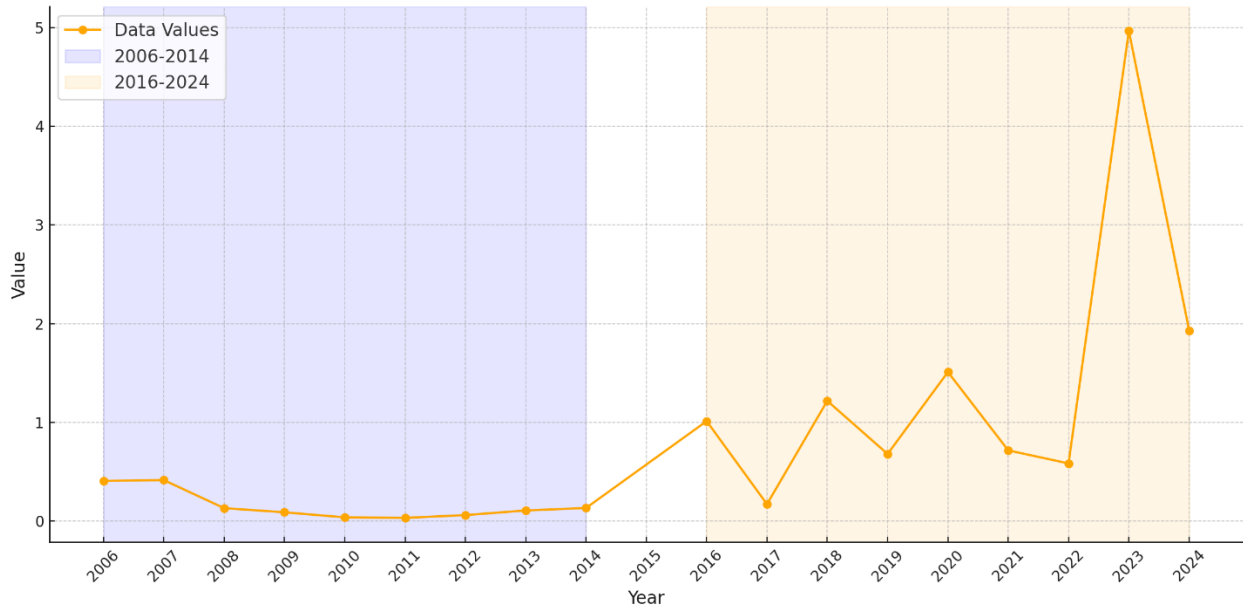


FIGURE 2
TREND ANALYSIS OF INVESTMENT IN THE EU: 2006-2014 VERSUS 2016-2024



Regression Analysis

A T-test analysis was performed to compare the changes between 2006-2014 and 2016-2024 in EU-Taiwan trade and investment. The results indicated that the differences between these two periods were statistically significant, as shown in Table 8. Both the p-values of the T-test are statistically significant at 0.05 level in trade and investment, in which the mean values show statistical differences between 2006-2014 and 2016-2024. The trade data showed that, between 2006 and 2014, the mean of trade was 42.19,

and the standard deviation was 4.32, whereas, from 2016 to 2024, the mean significantly increased to 59.22 with a standard deviation of 12.31. The independent samples t-test revealed that this difference was statistically significant. The result of the t-statistics is 3.92, with 12.31 degrees of freedom, and the p-value is 0.003, suggesting the increase in EU-Taiwan trade after 2015 reached a statistically significant level. Regarding Taiwan's investment in the EU, the mean for the 2006-2014 period was 0.157, with a standard deviation of 0.149, while in the 2016-2024 period, the mean increased substantially to 1.421, with a standard deviation of 1.430. The T-test for the investment data also showed a statistically significant difference between the two periods, in which the T-statistics is -2.64, with 8.17 degrees of freedom, and the p-value was 0.029, indicating the improvement of Taiwan's investment in the EU is statistically significant. For both data sets, the T-test results show statistical significance at 0.05 level. The degrees of freedom for trade data and investment in the EU are 12.31 and 8.17, respectively. The results above suggest that from the period between 2006 and 2014 (before the “Trade for All strategy”) to the period between 2016 and 2024 (after the trade policy), there was a significant increase in Taiwan's trade and investment activities with the EU after 2015, and this difference was statistically significant. These findings imply a noticeable enhancement in Taiwan-EU economic interaction in recent years.

TABLE 8
T-TEST FOR COMPARISON BETWEEN 2006-2014 AND 2016-2024 IN
TRADE AND INVESTMENT

	Mean	Standard Deviation	T-statistic	P-value	Degree of Freedom
Trade					
2006-2014	42.19	4.32	3.920	0.003	12.310
2016-2024	59.22	12.31			
Investment					
2006-2014	0.157	0.149	-2.638	0.029	8.173
2016-2024	1.421	1.430			

Note: Values are based on independent t-tests with unequal variances.

The regression analysis results are shown in Table 9, which presents the effects of the explanatory variable D_Period on the dependent variable of Y , representing the observed value of trade and investment. Regarding the model's fitness, the p-values of the F-statistic in both models are less than 0.05, confirming that the regression model is statistically significant as a whole. In model 1, EU-Taiwan trade, the F-statistic is 15.33, and the p-value is 0.001; the value of the adjusted R-squared is 0.457, and the R-squared is 0.489, implying that the model explains 48.9% of the variance in the dependent variable, which the independent variable (D_Period) provides a moderate level of explanatory power. On the other hand, in model 2, Taiwan's investment in the EU, the F-statistic is 6.96, and the p-value is 0.0179; the value of the adjusted R-squared is 0.260.

In model 1, the estimated coefficient, β , the slope, is 17.03, indicating that, on average, the value increased by 17.03 units during the period 2016-2024 (when D_Period is set to 1) compared to the baseline period (2006-2014). This change is statistically significant, as the p-value is less than 0.05, in which the T-statistic of the slope coefficient is 3.92, with a p-value equal to 0.001, indicating a statistically significant difference between the two time periods. The results mean that the increase in trade after 2015 is statistically significant, and the “Trade for All strategy” has positive effects on the EU-Taiwan trade. The estimated coefficient, α , the intercept, is 42.193, suggesting that the average value during the baseline period (2006-2014) was 42.19, serving as the predicted value for D_Period equal to 0. The intercept's T-statistic is 13.72, with a p-value less than 0.001, demonstrating that the baseline period's average value significantly differs from zero. The significance of the estimated coefficient, α , indicates that the starting value of the baseline period (2006-2014) is statistically distinct from zero and strongly supported by the data. This result implies

that the model effectively explains the data during the baseline period (2006-2014), providing a reliable reference for analyzing changes during the policy period.

In model 2, Taiwan's investment in the EU, the estimated coefficient of D_Period , β , the slope, is 1.264, indicating that, on average, the value increased by 1.264 units during the period 2016-2024 (when D_Period is set as 1) compared to the baseline period (2006-2014). This change is statistically significant, as the p-value is smaller than 0.05, in which the slope coefficient's T-statistic is 2.64, with a p-value equal to 0.018, indicating a statistically significant difference between the two time periods. The results mean that the increase in investment after 2015 is statistically significant, and it is caused by the "Trade for All strategy."

The regression model demonstrates a significant increase in the value during 2016-2024 relative to 2006-2014. This increase (β equal to 17.03 in model 1 and equal to 1.264 in model 2) is statistically significant (p-value less than 0.05). The intercept suggests that the average value from 2016 to 2024 increased. These results imply the effects of the "Trade for All" strategy on EU-Taiwan trade and investment, strengthening economic relations and accelerating the process of economic integration. The overall significance of explanatory power in the regression models is supported by the F-statistic, in which the p-value is less than 0.05.

TABLE 4
RESULTS OF REGRESSION ANALYSIS

Variables	(1) Trade	(2) Investment
D_Period	17.026** (4.348)	1.264* (0.479)
Constant	42.193*** (3.075)	0.157 (0.339)
Observations	18	18
R-squared	0.489	0.303
Adj R-squared	0.457	0.260

Notes: Standard errors are in parentheses, and the notations of ***, **, and * stand for levels of statistical significance at 0.1%, 1%, and 5%, respectively.

A segmented regression analysis was conducted to examine the changes in the dependent variable of observed value across the baseline period (2006-2014) and the policy period (2016-2024), shown in Table 10. Both the regression models are statistically significant, with the p-value of F-statistics less than 0.05. In the first model, the value of the F-statistics (3,14) is equal to 35.91, and the p-value is less than 0.001; the adjusted R-squared is 0.860, while the R-squared is 0.885, showing 88.5% of explanatory power. On the other hand, in model 2, the value of the F-statistics (3,14) equals 4.769, and the p-value is 0.017; the adjusted R-squared is 0.399, while the R-squared is 0.505, meaning that the model explains 50.5% of the variance in the dependent variable.

In model 1, regarding EU-Taiwan trade, the estimated coefficients of $Time_Trend$ and $Post_2015$, shown by β_1 and β_2 , are statistically insignificant. In contrast, the estimated coefficient of $Time_Post_2015$, represented by β_3 , is statistically significant, in which the T-statistics is 3.744 with the p-value equaling 0.002, demonstrating a significant annual increase in the observed value of trade during the policy period (2016-2024). The trend acceleration for 2016-2024 ($Time_Post_2016$) reveals significant growth in the increase rate for 2016-2024 compared to 2006-2014. This suggests that the policy period from 2016 to 2024 experienced stable and consistent growth in trade between the EU and Taiwan. A significant upward trend in trade during the policy period has been proven, implying that the policy implementation of the "Trade

for All” strategy has contributed to a consistent annual increase in EU-Taiwan trade. The estimated intercept coefficient (β_0) was also statistically significant at 0.01. The high significance of β_0 suggests that the model effectively explains the data during the baseline period, providing a reliable reference for analyzing changes during the policy period. The regression results shown in model 2 represent Taiwan’s investment in the EU, in which the estimated β_1 and β_2 are statistically insignificant. On the other hand, the estimated β_3 , coefficient of *Time_Post_2015*, the time trend during the policy period was positive and marginally significant at 0.1 level, signifying a potential upward annual trend in value during the policy period.

The regression analysis results showed that the baseline level for 2016-2024 was slightly lower than that of 2006-2014, but this difference was not statistically significant, as the p-values are greater than 0.1. In both models, the statistically insignificant estimated coefficient of *Post_2015*, β_2 could be caused by fluctuation of the observed value in trade and investment data and the potential of confounding variables. Further investigation into potential confounding variables and more extensive data help refine the analysis in future research. Nevertheless, the increase rate for 2016-2024 was significantly higher than that of 2006-2014 with statistical significance, suggesting that the observed improvement in the data was primarily driven by the accelerated trend rather than baseline changes. A steady annual increase in observed value in both models during the policy period implies that the EU’s 2015 “Trade for All” strategy positively and significantly improves EU-Taiwan trade and investment relations, promoting economic integration between the EU and Taiwan.

TABLE 5
REGRESSION RESULTS FOR SEGMENTED TIME SERIES ANALYSIS

Variable	(1) Trade	(2) Investment
<i>Time_Trend</i>	0.897 (0.604)	-0.037 (0.118)
<i>Post_2015</i>	-7.938 (4.808)	0.047 (0.941)
<i>Time_Post_2015</i>	3.199** (0.854)	0.317 ⁺ (0.167)
Constant	37.708*** (3.400)	0.341 (0.665)
Observations	18	18
R-squared	0.885	0.505
Adj R-squared	0.860	0.399

Notes: Standard errors are in parentheses, and the notations of ***, **, *, and ⁺ stand for levels of statistical significance at 0.1%, 1%, 5%, and 10%, respectively.

Cui Bono – Mutual Benefits

This section demonstrates an international political economy analysis of the EU-Taiwan economic integration. Both entities gained political and economic interests through reciprocal relations. The following section identifies the benefits gained by the EU and Taiwan. The mutual benefits help explain the improved economic relations between the EU and Taiwan and the potential to institutionalize bilateral economic relations through investment and trade agreements.

Benefits Gained by the EU

Economic integration between the EU and Taiwan has multiple political and economic interests for the EU. First, the EU member states, especially in Eastern Europe, are the receivers of Taiwan’s outflow

investment; the institutionalization of EU-Taiwan relations through legal and economic agreements in the future will not only protect EU companies but also help the EU ensure its competitiveness. Second, according to Taiwan's trade statistics, the EU enjoyed a trade surplus with Taiwan since 2012. Third, while trade is an instrument for the EU to project its normative power, the exertion of the EU's normative influence towards Taiwan helps to reinforce and expand the EU norms toward Asia, allowing the EU to present and legitimate itself, especially on the issue of the abolition of the death penalty in Taiwan (Manners, 2002). If the EU's norms of human rights (the international abolition of the death penalty) successfully made Taiwan an abolitionist country, then the EU norms and values could have better chances to diffuse to other Asian countries, including China, Japan, and other retentionist countries. Fourth, the conclusion of the inter-regional agreement ensures the EU's regional competitiveness by leveling the playing field, promoting the EU model, and sharing common values and principles in the international order (Cho, 2018, pp. 91-93). Lastly, the EU's engagement in the East Asian region makes it an active geopolitical and geostrategic actor. The EU could play a role in maintaining peace and stability in East Asia, and the political and economic stability ensures the EU's business interests in the Asian region. Moreover, the EU's presence in the Asian region helps it overcome geopolitical constraints by enhancing its ability to project normative power through trade policy. International trade is a means for the EU to achieve its end to project normative power in the international regime, such as international trade, international human rights, etc.

Benefits Gained by Taiwan

In addition to the benefits acquired by the EU in the process of economic integration, it is also conducive to Taiwan politically and economically. First, the significant improvement in bilateral trade and investment between the EU and Taiwan benefits Taiwan's economy. Increased EU investment in Taiwan sustains and develops Taiwan's economy. On the other hand, improved trade relations and increased investment in the EU help to diversify Taiwan's economy and reduce geopolitical risks. Excessive dependence on the Chinese economy has been a great concern for the Taiwanese government, specifically Taiwan's outward investment in China and high export dependence. Stronger economic integration between the EU and Taiwan offers Taiwan more leverage to formalize and institutionalize the EU-Taiwan bilateral economic relations through investment or trade agreements. Second, it is supposed that Taiwan accepts the EU norms as a precondition for the negotiation of a BIA or FTA with the EU in the future, especially the recognition of the EU's norms on human rights issues, such as the abolition of the death penalty, will make Taiwan a more democratized and humanitarian country in the Asian region, distinguishing itself from the authoritarian regimes, such as the People's Republic of China (PRC) government. Third, institutionalizing bilateral economic relations between the EU and Taiwan provides legal protection for Taiwanese investors in the EU countries, leading to stronger economic cooperation and integration. Lastly, a scenario of the conclusion of the EU-Taiwan BIA will not only pave the way for the further negotiation of the EU-Taiwan FTA but also elevate Taiwan's international politics as the EU recognizes its sovereignty. Political and economic interests can be identified in the improved economic relations between the EU and Taiwan.

POLITICAL ECONOMY IMPLICATIONS

After analyzing the statistical data, documents, and the EU's trade policy, this section illustrates the political-economy implications of the improved EU-Taiwan economic relations after initiating the EU's "Trade for All" strategy in 2015. The significant improvement of the economic relations between the EU and Taiwan offers chances for both sides to institutionalize their investment and trade relations through BIA or FTA. However, the BIA negotiation between Taiwan and the EU has not been launched. Several factors need to be further analyzed to understand the difficulties of institutionalizing the EU-Taiwan economic relations, including the China factor, structural constraints of the EU, and Taiwan's perception of the EU's normative power.

The Prospect of EU-Taiwan BIA or FTA

Economic relations between Taiwan and the EU after the initiation of the EU's "Trade for All" strategy improved considerably. Historically, EU-Taiwan trade and investment relations started in the 1950s (Lim, 2012, p.9). The bilateral economic relations continuously evolve. Scholars indicated that Taiwan-EU economic relations expanded rapidly in the 1980s (Ash, 2002). Also, the rapid expansion of bilateral relations helped Taiwan to be granted recognition in the international society, as the EU helped to accelerate Taiwan's accession to the WTO in 2002 and the establishment of the European Economic and Trade Office (EETO) in Taipei in 2003 (Lim, 2012). With the representation office, Taiwan can communicate with the EU directly, discussing economic and political issues. The EU's recognition elevates Taiwan's international political status.

This phenomenon can be understood as Taiwan's economic diplomacy (Dent, 2000, pp.117-125). Taiwan's investment and other forms of economic presence in other countries or regions make the targeted countries notice the strength of Taiwan's economy. It offers opportunities for Taiwan to harness its economic resources in exchange for unofficial or semi-official recognition by establishing representative offices in Taiwan (Tubilewicz, 2004). Taiwan can also set up trade and economic offices in the partner countries. An example of economic diplomacy can also be found in President Lee Teng-hui's economic diplomacy under its Southbound Policy, utilizing Taiwan's economic leverage in exchange for recognition of Taiwan by Southeast Asian countries (Liaw, 2016). ASEAN countries signed bilateral investment agreements with Taiwan in the 1990s, including Singapore in 1990, Indonesia in 1990, the Philippines in 1992, Malaysia in 1993, Vietnam in 1993, and Thailand in 1996. The bilateral investment agreement between Taiwan and the Philippines, as well as Vietnam, was updated in 2017 and 2019, respectively, under the implementation of President Tsai's New Southbound Policy. Taiwan signed an FTA with Singapore in 2013, under President Ma's leadership and the Beijing Government's acquiescence. Nonetheless, despite those achievements under Taiwan's economic diplomacy in ASEAN under the Taiwanese government's Southeast Asia Policy, Taiwan still did not have BIA and FTA with all the ASEAN member states, and Taiwan is not able to participate in any ASEAN-led organization or forums due to Taiwan's international political status (Lin, 2021). Historical lessons from Taiwan's economic diplomacy in Southeast Asia indicate the crucial role of China in Taiwan's political-economy relations with other countries. The experiences of forming Taiwan's economic agreements with Southeast Asian countries offer implications for further EU-Taiwan BIA and FTA. Therefore, in the following section, the researcher discussed the factors of China, the structural constraints of the EU, and the death penalty issues.

China Factor

Cho (2018) suggested that cross-strait relations are key to Taiwan's economic relations with foreign partners (p. 95). Studies have emphasized the constraints of Beijing's One China policy on EU-Taiwan political and economic relations (Dent, 2000; Mengin, 2002; Lim, 2012; Hsieh, 2020; Krumbein, 2023). The Beijing government's insistence on a One China policy in the world makes Taiwan's participation in international organizations and concluding economic agreements with other countries difficult, let alone establishing diplomatic relations with others. The Beijing government often claims that it opposes any form of support of Taiwan's independence or recognition of Taiwan; Beijing will impose economic sanctions against countries trying to recognize Taiwan as a sovereign state. It is reasonable to understand that Taiwan's economic power and the consumption market are limited compared to the Chinese market. Countries that are concerned about economic interests will not take such risks of losing China, which has more than 1 billion consumers. The economy of Taiwan is too small for other countries to give up the Chinese economy and build diplomatic ties with Taiwan. Structurally and realistically, Beijing's One China policy is an important factor that affects the EU's decision to sign a BIA or FTA with Taiwan. The Commission claimed that the formal negotiations on the EU-Taiwan bilateral investment agreement would not be launched until the EU-China Comprehensive Agreement on Investment (CAI) was concluded. As the EU-China CAI was voted to be suspended by the European Parliament, the negotiation of the EU-Taiwan BIA will not be witnessed anytime soon.

Structural Constraints of the EU

The complexity of the internal EU system and the regional and global structure limited the EU's capability to abandon the One China policy framework and start negotiating a BIA with Taiwan (Hu, 2011). First of all, within the EU, 27 member states have different views on Taiwan's issues. The complexity of the decision-making process makes it harder to initiate a new policy to solve the cross-strait conflicts; even if the EU were willing to support Taiwan politically, the EU would not have the capacity to alter the status quo in the cross-strait relations, referring to the EU's constrained means for interventions argued by Schumacher (Schucher, 2007, p. 12). Secondly, even regional powers like Japan and the global great power, the United States, are unwilling to change the status quo in cross-strait relations. The EU is not able to break the balance between Taiwan and China. This example illustrates the constraints of the global structure of the EU's role in resolving cross-strait conflict.

Taiwan's Perception of The EU's Normative Power: The Abolition of Death Penalty

In addition to the China factor and structural constraints on the EU, Taiwan's acceptance of the EU's norm, especially the abolition of the death penalty, is another important variable in negotiating the EU-Taiwan BIA. The issue of the abolition of the death penalty in Taiwan offers leverage for the EU to exert its normative influence on Taiwan, as Taiwan has committed to the issues. From the previous experience between the EU and other Asian countries, before or during the negotiation process of economic agreement, countries have to accept the EU's norms first, such as respect for human rights, labor rights, sustainable development, etc. For instance, Vietnam signed a partnership and cooperation agreement (PCA), a legally binding agreement, stating that the EU can take appropriate action against the signatory when violating the agreement before the negotiation of the FTA. This has shown the EU's measure of exerting its normative power towards its partner countries. It is reasonable to assume that the EU would ask Taiwan to consider abolishing capital punishment before the conclusion of the economic agreement since respect for human rights is one of the EU norms (Krumbein, 2023, p.176). However, the Taiwanese government is unwilling to suspend the execution due to public opinion and electoral instability (Lee, 2020). In the last ten years, the Taiwanese government has executed four death penalty. One was executed on May 10, 2016, under former President Ma Ying-jeou. The other death penalty was executed on August 31, 2018, and April 1, 2020, during former President Tsai Ing-wen's tenure. The most recent death penalty was executed on January 16, 2025, under the Presidency of Lai Ching-te. In the case of Taiwan, the citizens have strong public opinion on the retention of the death penalty (Jou and Heberton, 2020, p.176; Qin and Jiao, 2021, pp.336-338). The strong support for the death penalty in Taiwan has formed a complex retentionist political culture. In this case, the influence of the EU's normative power regarding the death penalty could be limited in Taiwan. However, the EU's opinion did matter when the Taiwanese government suspended the execution of capital punishment until the EU approved its application for the visa waiver under President Ma's tenure (Lee, 2020, p. 141). The Taiwanese perception of normative power in Europe needs to be further analyzed. Nevertheless, the EU has indeed successfully exerted its normative influence through trade policy in the past.

In sum, negotiating the BIA is an intricate issue for the EU and Taiwan despite augmented bilateral economic relations after the 2015 "Trade for All" strategy. The negotiation of the BIA is a matter of international politics although greater economic integration between the EU and Taiwan is achieved. The variables of the China factor, the EU's constrained role in the international structure, and Taiwan's retention of the death penalty seem to be challenges to institutionalizing the EU-Taiwan economic relations.

CONCLUSION

This research analyzes the changes in EU-Taiwan economy relations after initiating the EU's 2015 "Trade for All" strategy. The results show that economic relations between the EU and Taiwan improved significantly in terms of both trade and investment. The estimated results of regression analysis show that the improvement in EU-Taiwan trade and investment is statistically significant. The EU and Taiwan achieved mutual political and economic benefits in the process of economic integration. Despite the

enhancement of the EU-Taiwan economic relations, three factors that affect the prospects of EU-Taiwan BIA and FTA negotiation are identified – the China factor, structural constraints of the EU, and Taiwan's acceptance of the EU's norm regarding the abolition of the death penalty.

Nonetheless, in the context of the US-China rivalry, the current geopolitical competition offers Taiwan more opportunities to form closer political and economic relations with the EU based on the "EU's geostrategic adjustment to a new reality defined by power politics is shaping a more pragmatic and realist approach to Taiwan" (Ferency, 2023, p.150). Especially by leveraging Taiwan's semiconductor manufacturing capacity, in which Taiwan produces more than 90% of advanced chips worldwide while supplying around 60% of global semiconductors, Taiwan fits in the role of the EU's geo-economic strategy (Krumbein, 2023, p.182). As Taiwan is a like-minded partner for the EU, advocating peace, liberty, democracy, and the rule of law, the EU can maintain and exert its normative power in Asia and fulfill its geopolitical strategies simultaneously. Future research could focus on EU-Taiwan relations in the context of the geo-economics of the semiconductor industry under the US-China chip war, analyzing EU-Taiwan trade in the semiconductor industry.

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