Planes, Trains and Visas—Taiwan, 1995–2010

AMBITIONS IN THE SKY

As the new millennium dawned, there was much to be optimistic about in relations between Taiwan and the EU. In 2001, Taiwan was the EU’s third largest bilateral trading partner in Asia, two-way trade surpassed in value only by the EU’s trade with Japan and China. In March 2000, presidential elections in Taiwan saw a peaceful transfer of power from the Kuomintang (KMT) which had governed the island since the Japanese surrender in 1945, to the opposition Democratic Progressive Party, or DPP. This consolidation of democracy in the country could only be welcome to the EU.

All the larger EU member states, the UK included, had by now opened quasi-embassies, usually described as ‘trade offices’ or ‘institutes’ but staffed by career diplomats, notionally on secondment. Increasing numbers of ministers from European governments were also visiting Taipei, where they were frequently received at a senior level despite the absence of formal relations. The growth of these missions had less to do with Taiwan’s burgeoning democracy, however, and much more with a competitive frenzy between European states, eager to win a share of the big contracts on offer in Taiwan.

Philip Morrice, the first British diplomat appointed to head the upgraded office in Taipei, appears to have had scant regard for the Taiwanese, holding views redolent of some of the worse nineteenth century imperial attitudes and reflecting, perhaps, a lingering sense of
‘superior wisdom.’ His complaints about ‘[their] wiliness...their recklessness with the truth and the low priority which they give to mutual trust and commitment’ suggest that gratuitous disagreeability had now become formal policy. He was also quick to complain that ‘[the Taiwanese] also blatantly apply political levers to major government contracts and other business...to the annoyance of prospective partners.’ \(^2\) But this should have come as no surprise to British officials. After all, the UK had followed a similar approach in its attempt to secure the power turbine contract in Korea for GEC, while Korean awards of contracts were also influenced by political considerations, as was shown in Chapter \(3\). It would have been a bigger surprise if Taiwan had not sought to do likewise, especially given its own struggle for international recognition. The willingness of European countries to ‘over-bid’ in their desire to win contracts through a steady increase in political contacts and the absence of any agreed framework in which to manage or control these simply played into Taiwan’s hands.

The UK was both late in joining the game and initially more cautious than its fellow Europeans, both in its relative reticence in upgrading its presence and in the level of official visits. This was more to do with customary reserve (or inertia), and lingering concerns over recognition, than with lack of interest in the contracts up for grabs. The concerns in the mid-1970s over potential nuclear proliferation had by now been overcome, for Nuclear Electric, newly formed in 1990 following the privatisation of the UK electricity supply industry, was bidding with Westinghouse of the USA for the major contract to build a fourth nuclear power plant. This was a potentially huge prize, with the British content of a successful bid standing at an estimated US$2 billion. The British trade minister Richard Needham (not a member of the cabinet) accordingly visited Taipei in 1993 and again in 1994 to lobby in support. \(^3\)

Not surprisingly for a contract of this size, the bid faced strong competition, including from both France and the USA. GEC was now GEC-Alsthom, a 50:50 Franco-British company of which the French part was also bidding for the contract. France had just agreed a major arms package for Taiwan, its diplomatic presence was at a higher level than that of the UK and it sent a cabinet minister to Taipei to lobby for support. Compared to this, British lobbying efforts were modest indeed, although it is not clear from official papers whether British officials ever considered the Nuclear Electric bid a realistic contender. (How strong Westinghouse’s commitment was is also not clear. In the mid-1990s the
company was going through a series of mergers and divestitures as it transformed itself into a communications and broadcasting company and by 1999 it had sold all its power generating business.

Valuable though the power station contract would have been, the real prize being sought by Britain at this time went far beyond a straightforward infrastructure contract. Since 1983, British Aerospace, the country’s principal aerospace company, had been producing a civil jet aircraft, the BAe146. Designed for regional and short haul service, this had proved reasonably successful and the company developed plans for an upgraded version. Given the high cost of development, however, it was looking for a risk-sharing partner, ideally one which could also generate additional sales. By 1993, and until then without any apparent British government involvement, it was at an advanced stage of discussions with a prospective Taiwanese partner, the Taiwan Aerospace Corporation (TAC). Under the agreement envisaged, TAC would inject financial capital into a new joint venture and production of the upgraded aircraft would take place at a new factory in Taiwan. The agreement would be a major boost for the British aircraft industry, generating new investment, guaranteeing jobs, and raising its profile in East Asia.

By mid-1993, however, the project was at risk. The head of the Taiwanese partner had resigned, in part due to difficulties in raising capital. A potential successor, Jeffrey Koo, a prominent and very successful banker with close political connections at the highest level, had been identified, and in recognition of the importance of the agreement for British industry, prime minister John Major agreed to meet him in July to demonstrate British government backing for the project. At first, this seemed to have been successful, for by the end of the same month the Taiwanese government had given written confirmation that it would fund almost half of the Taiwanese element of the joint venture.4

British Aerospace remained worried about the remaining portion of Taiwanese funding, however, and as these worries increased so too, it seemed, did Taiwanese expectations in terms of the political price that could be extracted from the UK for committing to the project. This led to internal agonising and discussion in Whitehall over how far the government could go in meeting Taiwanese hopes or expectations. Eventually, the FCO agreed that they could offer informally ‘the prospect of a first visit by a British Cabinet Minister once the deal is signed.’ This fell a long way short of Taiwanese aspirations of British defence sales, or support for a bid by Taiwan to join the United Nations in return. As other European
countries, including France and Germany, were already sending cabinet ministers to Taipei, the government there was presumably unimpressed, and the deal collapsed.\(^5\)

Even had stronger political backing been given, however, it is unlikely that the project would have gone ahead. Not only was there strong domestic political opposition to it within Taiwan, there were also practical obstacles to it succeeding that no amount of political intervention would have overcome.\(^6\) It was further evidence for the argument by one scholar that European companies rarely did as well in Taiwan as they or their political backers in Europe hoped or expected, often because they were too dependent on political lobbying for their success and failed sufficiently to build the local contacts and networks essential for long-term success in the market.\(^7\)

Demonstrating both a remarkable arrogance and a transactional approach to building relations, Morrice concluded that while there would be limited risk in raising the level of ministerial visits to that of cabinet rank, ‘The political relationship should be held in check since we owe the Taiwanese nothing on this’ and such a visit should only happen ‘providing there was a clear and immediate reward for doing so.’\(^8\) Almost thirty years on, a British minister of cabinet rank has yet to visit Taiwan.

**The Inward Investment Dream**

Despite the collapse of the aerospace project and Nuclear Electric’s interest in the fourth power station, British officials could afford to take a relaxed view about the need for political lobbying in Taiwan. For, in parallel with European interest in big infrastructure contracts in Taiwan, like their Korean counterparts Taiwanese manufacturers were starting to open factories in Europe in readiness for the advent of the European Single Market. Britain was an early leader in the race to attract these investments, eight of the nine such plants in Europe at the end of 1994 having been set up in the UK.\(^9\) British politicians were as keen as their counterparts elsewhere in Europe to attract them, not least for the jobs the new investments were expected to create, but this could be done through straightforward financial incentives, without having to agonise over political contacts with the government in Taipei.

Access to the Single Market may have been the main driver of the investment but companies were also lured in some cases, mainly from Korea, by overvalued exchange rates which made borrowing cheap dollars
to finance the schemes attractive; but more so by generous grants from host governments. In the absence of any effective framework at the time to govern these, EU states indulged in bidding wars to offer the biggest incentives to bring companies to their respective countries. For a time under the Major government in the UK from 1992–1997, this became almost farcical, if not scandalous, as regional development agencies, principally in Wales and Scotland, and presumably with the connivance of their respective political overlords, tried to outbid one another to secure investment decisions, the cost being paid ultimately by the same taxpayers irrespective of where the investment was located, before prime ministerial intervention brought some discipline to the process.  

This was not before the secretary of state for Scotland announced two major schemes by Taiwanese investors each of which, it was claimed, would bring jobs, skills and prosperity to Scotland. The first, hailed at one time as Britain’s biggest inward investment and the ‘jewel in the crown’ of such projects, hyperbole about them being almost as plentiful as the government grants, was a plan by Chunghwa to make TV picture tubes at a plant at Mossend. Opened by the Queen in a blaze of publicity in 1997, with a promise of 3300 jobs, when it closed five years later, each of the 600 jobs remaining was estimated to have cost £80,000 of taxpayers’ money. A smaller plant opened by Lite-On closed even more quickly, in 1998, although in this case the grant was apparently repaid.

The Scottish experience was far from unique and across Europe many such investments barely outlasted the grants they received. Some of the projects were fanciful from the outset, reflecting the bubble-like nature of the economies in which they originated, one of the most notable being Haitai’s ambitions to dominate the British chewing gum market, described in Chapter 4. Chunghwa’s plans, by contrast, fell victim to a combination of economic downturn and changing technology, as cathode ray picture tubes were supplanted in television sets by LCD technology. Eventually, a more robust framework was created in the EU to govern state-aid to industry generally, including greater scrutiny by the Commission of such incentives.

But in 2000 the disappointed expectations and factory closures were still in the future. And after the successful handover of Hong Kong to China in 1997 had removed one thorn from that particular relationship, the UK seemed willing to relax its hitherto very cautious stance on political contacts with Taiwan. In 2000, Lee Teng-hui, the first directly elected president of Taiwan but by then no longer in office, paid a private visit
to the UK, in the course of which he went to the Houses of Parliament to meet the former prime minister Margaret Thatcher. In addition to the inevitable protest from the Chinese embassy in London, a visit to Beijing by a junior Treasury minister was cancelled, something of a symbolic gesture but a warning, nonetheless.\textsuperscript{12}

Investment was by no means in one direction only. At this time, Philips of the Netherlands was the largest foreign invested company in Taiwan, with seven plants employing over 12,000 staff and ranking second overall among Taiwan’s manufacturing industries.\textsuperscript{13} Taiwan was also the Netherlands’ largest trading partner in Asia and to further support the development of trade, in 2001 it became the first European country to sign a double taxation agreement with Taiwan. One year later, the United Kingdom followed suit. In its case, the agreement required prior debate and approval by parliament, making it a high profile move and therefore impossible to hide from China. But it was a step the government was nevertheless willing to agree to, in view of the pressure from business. Like the Netherlands before it, the British government took steps to avoid the agreement implying or leading to ‘backdoor recognition’ of the government in Taiwan. It preferred to call it an ‘arrangement,’ the use of formal, diplomatic ‘treaty language’ within it was avoided, and it was signed by representatives of the trade offices in respective capitals rather than government ministers. This was, nonetheless, a further step towards the \textit{de facto} recognition of Taiwan as an independent state. Meanwhile, on 1 January 2002, Taiwan had become the 144th member of the World Trade Organisation (WTO), a move which finally prompted the European Commission to open an office in Taipei the following year.

**Mutual Mistrust and the Arms Embargo**

But after this heady start, much of the rest of the decade would see the EU-Taiwan relationship embroiled in a series of controversies, a sense of mutual mistrust replacing the spirit of co-operation that had hitherto seemed to be prevalent. The first signs came before the millennium. In 1997, France lost out to General Electric (GE) of the USA in its bid to win the contract to build the fourth nuclear power station. (Some consolation may have come over time, for the plant would be mired in controversy and delay from the outset and is unlikely ever to be operational due to growing opposition in Taiwan to nuclear power).
Three other decisions would prove to be far more controversial from a European perspective. The first was the loss in 2000 by a Franco-German-British consortium of Alstom-Siemens of the contract to supply trains for the high speed railway under construction, even though it had been selected as the preferred bidder, the government deciding that the contract should go to Japanese manufacturers instead. This was almost certainly a case of political considerations and influence outweighing technical and financial ones, the new DPP administration valuing its relationship with Japan far more than that with the EU.

Similar controversy surrounded a decision on new aircraft orders by the national flag-carrier, China Airlines. Initially it appeared that almost the entire order would go to Airbus for a mix of planes, many of them to be powered by Rolls-Royce engines, only for the government once again to intervene. Airbus would still receive some orders but so too would Boeing, while Rolls-Royce lost out altogether, the engine contracts, like the power station beforehand, going to GE. As with Japan and the high-speed trains, technical considerations or an attractive price were no match for political considerations and American influence.

Subsequently, from 2004 Philips was involved in a long-drawn out legal battle over attempts to force it to accept lower royalty payments from Taiwanese companies through compulsory licensing arrangements, eventually in 2007 enlisting the help of the European Commission in taking the case to the WTO, whose Trade Barriers Regulations Committee eventually ruled in the company’s favour in 2008. Although it was ultimately successful in fighting its case, the dispute did little to encourage European companies to consider investing in Taiwan.

For the EU, such decisions helped fuel negative perceptions of the seemingly untrustworthy nature of Taiwan and its companies in business matters. This was often reinforced by lesser disputes at national level. In the case of the UK, for example, the British Council was forced to close its profitable and popular English teaching service in 2000 after protests by local language schools (which pointed out, not unreasonably, that unlike them the Council was not paying tax on its operations, which thereby placed it at a considerable advantage). The dispute was eventually resolved through the conclusion of another bilateral agreement covering cultural matters, but the Council’s teaching operations were closed for over two years in the meantime.

Matters might have been different had bilateral trade continued to grow at the same rate as in the 1990s. But from 2000 to 2010, the
EU’s bilateral trade with Taiwan grew just 28%, while that with China grew more than fourfold. By 2011 Taiwan had dropped to the EU’s 7th largest Asian partner, accounting for a smaller share of total EU trade than both Hong Kong and Singapore, despite its much larger size.\(^\text{16}\) Ironically, much of the growth in trade with China was directly due to Taiwanese companies. After China joined the WTO in 2001, Taiwanese electronics companies especially were quick to move production to China, to take advantage of the seemingly limitless supply of low-cost labour there, much of it in coastal provinces within easy reach of Taiwan. By 2015, the top three and no fewer than eight of the top eleven exporters from China were Taiwanese owned companies. The largest, Honhai Precision (Foxconn), is also China’s largest private sector employer with one million employees, equivalent to over 9% of the entire Taiwanese labour force.\(^\text{17}\) Taiwanese companies were exporting more than ever before to the EU, just that with most of the final assembly now taking place in China, it showed as Chinese exports, not Taiwanese.

With direct trade no longer growing, however, and decisions on major contracts seemingly going against Europe on political grounds, there was less incentive for European politicians to risk incurring Beijing’s wrath by engaging with Taiwan. The caution was reinforced by distrust of the motives of the DPP administration amidst fears, assiduously stoked by China, that it would take radical steps towards formal independence. Heavy pressure on the Taiwanese government from the Bush administration in the USA helped persuade it not to, albeit not without friction and controversy in the relationship.\(^\text{18}\)

This background helps explain in part how the EU blundered its way into what would have been the biggest crisis in its relations with Taiwan, the proposal to lift the arms embargo on China. This had been imposed after the suppression of the Tiananmen Square protests in 1989 and from the outset was intended as a political signal of European protest at the suppression. It was not included in formal legal documents of the European Union and considerable leeway was left to individual member states over its interpretation. In the UK’s case, for example, the embargo did not apply to ‘non-lethal’ weapons and in 1996 it sold a radar system to China. Despite the embargo, arms sales to China from the EU were growing, albeit from a low base, reaching an estimated 400 million Euros in 2003. In the same year, China and the EU signed a strategic partnership and Chinese pressure on the EU to lift the embargo increased.\(^\text{19}\)
Advocates of lifting the embargo argued that it was an unnecessary irritant in the burgeoning relationship with China and that lifting it would be of symbolic importance only, as exports would continue to be circumscribed by existing export license regulations. (This was not a view shared by all defence manufacturers, at least some of whom saw opportunities arising if the embargo were lifted.) They suggested replacing it by a strengthened EU code of conduct providing greater clarity over what arms sales could be permitted.

The driving force behind the proposal was French president Jacques Chirac, enthusiastically supported by German chancellor Gerhard Schröder. Chirac presumably saw in the move not just the prospect of increased arms sales (somewhat ironically, given France’s sale of Mirage aircraft and Lafayette frigates to Taiwan a little over a decade earlier), but an opportunity to increase French influence in China. Early discussions of the proposal at working level among European officials revealed divided views. Initially both Germany and the UK were reluctant to agree, the former being the most strongly opposed despite Schröder’s enthusiasm, but once Chirac persuaded Tony Blair in the UK to his way of thinking, any remaining opposition at official level became largely irrelevant.

With hindsight, what was so striking about discussion of the proposal was the near total failure on the part of European foreign ministries generally to consider the likely reaction in other countries. No serious consideration was ever given to possible Taiwanese concerns, even though it was a democratic country facing a clear threat from its neighbour, and almost as little to Japanese concerns. It was only the very strong adverse reaction by the US Congress and the accompanying risk of real damage to trans-Atlantic relations that persuaded the EU to back down.

Ratification by China’s National People’s Congress of the Anti-Secession Law, under which China explicitly reserves the right to use ‘non-peaceful means’ to prevent any attempt by Taiwan at formal independence, provided the EU with a face-saving excuse not to lift the embargo. (In the circumstances this was slightly ironic as very shortly after the law’s ratification, Chirac’s prime minister Jean-Pierre Raffarin had spoken out in support of it on a visit to Beijing.) But the real reason was the strong American pressure, reinforced by growing Japanese opposition.

That matters reached this stage was widely seen as a reflection of the EU’s lack of strategic interest in or understanding of North East Asia,
its member states seeing the region only in terms of commercial opportunities, notwithstanding the argument of some scholars that the EU has sought to pursue a more values-based diplomacy, at least in its relations with China.\(^{22}\) Only after this near foreign policy disaster, and to try to avoid any repeat, did the EU attempt to bring greater coherence to its East Asian strategy. In the second half of 2005, the UK, which was then holding the rotating six-month EU presidency, first proposed, then secured the agreement of all member states to common guidelines ‘designed to provide a broad orientation for the EU’s approach to East Asia, across the full range of its activities.’ (Swedish research shows that even so, in 2006, France exported €130 million of arms to China).\(^{23}\)

Little thought was given to Taiwanese sensitivities in the drafting, which focused squarely on the importance of the trans-Atlantic relationship. Arguably, the UK was more sensitive not only to views within East Asia but also, crucially, in Washington and pushed for the guidelines as an attempt to reassure the USA, at least as much as East Asian countries, about EU behaviour and actions in the region. Last updated in 2012, the guidelines explicitly recognise the role of the USA in providing security commitments to the region and state that ‘it is important that the EU remain sensitive to this.’\(^{24}\)

Arguably, the crisis arose primarily because of the personalities involved in advocating lifting the embargo, principally Jacques Chirac and Gerhard Schröder. It is certainly hard to conceive of Germany under the cautious Angela Merkel allowing matters to get as far as they did. And in the years since, European foreign policy making has improved with the creation of the External Action Service, making a co-ordinated position easier to achieve, while attitudes in respect of China have hardened, making it less likely that a senior European figure would again advocate lifting the embargo in the absence of any improvement in the human rights situation there. The UK was as culpable as other EU states in failing to spot the initial dangers, or in at least insisting that China agree to certain conditions in respect of its human rights obligations as a *quid pro quo* for lifting the embargo. Whether the UK would have shown similar leadership had it not held the EU presidency at the time is moot. Faced with a brewing crisis, UK officials took the initiative and were able to negotiate an outcome that was an essential first step towards rebuilding trans-Atlantic relations, although the original handling of the issue left a residue of mistrust in Washington about European behaviour in North East Asia that has been slow to disappear.
Given the lack of sensitivity in some European capitals to American concerns, it is hardly surprising that so little attention was paid to Taiwanese fears. The mood in Europe generally at the time was in favour of increasing engagement with China, against which Taiwanese concerns were seen as little more than an irritant. Not only was bilateral trade no longer growing, recent political decisions on big contracts had soured the atmosphere, while exporters were growing increasingly frustrated over problems in the Taiwanese market. Complaints about the lack of intellectual property-right protection, notably the sale of counterfeit whisky and other goods, compulsory licensing and non-tariff barriers such as arcane local testing or labelling requirements, which would take on such prominence in complaints about trading with China a decade later, were growing in frequency.

With disillusion about trade opportunities growing, especially as Taiwanese manufacturers themselves were rushing to invest in China, and China’s propaganda machine energetically trying to persuade western foreign ministries that Taiwan’s president Chen Shui-bian was nothing but a trouble-maker, support for Taiwan’s position was not easy to find. In Taiwan, the general perception of European attitudes did nothing to endear the EU to an already suspicious administration, whose reaction was to seek to move still closer to Japan and the USA.

Had there been a better mechanism between the EU and Taiwan for discussing the growing frustrations over trade, this might have provided a means of raising broader concerns, or for messages to be disseminated more effectively. But the European Commission’s presence in Taiwan at the time was both new and modest, and possibly influenced by the new strategic partnership with China, Commission officials in Brussels appeared as reluctant as ever to engage more actively with their Taiwanese counterparts. For its part, the Taiwanese bureaucracy was highly compartmentalized (and remains so today), with little co-operation between the Ministries of Foreign Affairs and Economic Affairs, the latter being responsible for foreign trade policy. As a result, on both sides messages were not co-ordinated, not delivered, or not properly understood, adding to a sense of mutual distrust.

A further example of the unremitting pressure on the part of China to deny Taiwan any international recognition or standing came in 2007 at the annual meeting of the World Organisation for Animal Health, or OIE. A specialized body handling international co-operation in veterinary science, by that date it was one of a handful of international organisations
of which Taiwan was a member, but China was not, although it had previously been one. It was now seeking to rejoin but on the basis that Taiwan would be expelled at the same time, and a draft resolution proposing this was circulated amongst members. As Germany held the EU presidency in the first half of 2007, it fell to it to try to agree a common EU position, a task which was hampered by strong support for China not only from Cyprus, a traditional ally within the EU, but also from Spain, which was preparing for a state visit to China by King Juan Carlos in June.

Despite the difficulties, the Germans were nevertheless instrumental in brokering a compromise agreement at the General Session of the OIE, which ensured that Taiwan remained a ‘non-sovereign regional member.’ While China achieved its objective of rejoining, not only did it fail to have Taiwan expelled but the resolution language on the ‘one-China principle’ fell some way short of what China presumably hoped for, merely ‘noting’ China’s view that it was also the sole legal government of Taiwan.25

Taiwan protested at the outcome but could hardly have expected a more favourable one. Significantly, the two OIE members who spoke in support of its position at the meeting, Gambia and Costa Rica, have both since switched their diplomatic recognition to China, an indication of the growing struggles Taiwan is likely to face in such situations. On the other hand, the Taiwanese government made little effort to engage with EU member states beforehand to seek support for its position, and it was left to the German presidency to negotiate an acceptable compromise with the OIE secretariat. Given the divisions within the EU, not to mention the strong support for China among the OIE members generally, it did so with skill; an example of how German diplomacy could be as effective as that of the UK or France in achieving results.

As 2007 wore on, attention in Taiwan turned increasingly to the 2008 presidential election in March. From China’s perspective, the outcome was all it had hoped for, Ma Ying-jeou of the KMT winning by a comfortable margin. There was an immediate improvement in the atmospherics of cross-strait relations, one of the earliest outcomes being the start of regular direct flights between China and Taiwan. Although Ma and the KMT received the immediate credit, most of the preparatory work had been undertaken by the previous administration in working level discussions with Chinese counterparts. An agreement in principle had already been reached before the end of 2007 but China chose not to implement it at the time, not wishing to give the DPP any credit ahead of the election.26
Preparatory work for a similar ground-breaking move, but this time involving the EU, was also well under way at this stage, a move that was to signal a dramatic shift towards a more mature, supportive and stable relationship with Taiwan in the second decade of the twenty-first century. In 2006, not long after I arrived in Taipei as the British representative, I proposed to colleagues in London that we should abolish the requirement for Taiwanese passport holders to be given visas to visit the UK. The regulation had long outlived its relevance. It was a political requirement, dating from bygone years when the very stamping of a visa in a Taiwanese (or ‘RoC’) passport was considered to imply recognition—so visas were issued on a separate sheet of paper. While this absurdity had been quietly dropped, the bureaucracy surrounding the issue of visas to Taiwanese had not.

The long delays in issuing them in earlier years, described both above and in the previous chapter, could be ignored when the applicants were principally Taiwanese businessmen trying to sell their products in the UK. But by the turn of the century, Taiwanese visitors were increasingly tourists and students. By this time, too, with only a few exceptions, including Taiwan, visas were no longer a political matter. They were required instead for security reasons: to control illegal immigration, more easily identify terrorists and criminals and so forth. After the attacks of 9/11 in the USA in 2001, visa procedures were becoming more onerous, with biometric passports, finger-printing and other measures being introduced. No exceptions were made for Taiwanese in this, who were increasingly being treated like common criminals or potential illegal immigrants when they travelled abroad. Yet the Home Office’s statistics showed that they were consistently among the most law-abiding foreigners in the UK, posing minimal risk of over-staying or being involved in criminal activity.

Increasingly, the system was acting as a deterrent. More and more Taiwanese were visiting Europe on holiday, but the UK was not a member of the Schengen common visa area and there was ample anecdotal evidence that the additional cost and bureaucracy involved in applying for a British visa was deterring many tourists from coming. On economic grounds alone, the case for removing the visa requirement was strong, but familiar arguments were deployed in opposition, chief among them
that the move would upset China. Both Hong Kong and Macau passport holders already enjoyed visa-free access to the EU, so granting similar access to Taiwanese passport holders did not signal any change of principle in terms of recognition of Taiwan as a state. Although Japan had recently lifted its own visa requirements for Taiwanese visitors without any adverse Chinese reaction, the old chestnut of British exceptionalism was rolled out—the Chinese would react differently if the UK were to do so (for reasons which were never explained).

Eventually, after almost three years of internal discussion, opposition and negotiation, the UK lifted its visa requirement for short-term visitors from Taiwan in early 2009. The impact was dramatic. Much of the apparent growth in Chinese visitors that UK retail outlets reported in 2009 and 2010 came in reality from Taiwanese visitors, the numbers of which doubled in the twelve months after the requirement was lifted. The frequency of direct flights between Taipei and London also doubled in response to the surge in demand.

But the real impact on Taiwan was a psychological one that few in Europe could grasp. For a country not considered a sovereign nation by most of the rest of the world, excluded not only from international governmental organisations but increasingly from non-governmental ones too, and more and more politically isolated, the ability to be able to travel freely to other countries was a major boost to confidence and self-esteem. At the time, the UK was spending millions of pounds on preparing its pavilion for the 2010 Shanghai Expo. Ten years later, one wonders how many Chinese even remember the pavilion or the British presence, yet the lifting of the visa requirement, which brought significant economic benefit for the UK, is still widely remembered in Taiwan.

In part, this is because once the UK had taken the first step, other countries were quick to follow suit, the Schengen countries doing so collectively in 2011. From a position in early 2009 in which Taiwanese passport holders required a visa to travel to most other countries, the situation today has completely reversed. In this case, the UK demonstrated leadership not just within the EU but among western countries more generally.

On the face of it, this experience supports those who argue that the UK will be better off outside the EU. As the country was not a member of the EU agreement—Schengen—governing visa procedures, it was able to act unilaterally. But this is to overlook the argument advanced for lifting the regime in the first place. As the UK was not in Schengen, it was
losing tourist business as Taiwanese travellers to Europe were deterred from including the UK in their itinerary by the additional cost of a separate visa. And as an EU member, the UK derived further credit from the Taiwanese when Schengen members followed suit: with the UK (and Ireland, which had quickly followed the UK lead) no longer requiring visas, it made no sense for the Schengen members to insist on them.

This move, more than any other, started to change Taiwanese perceptions of the EU for the better. Ten years later, trade is growing once again, engagement between Taiwan and the EU has increased and the country has signed a series of bilateral agreements with individual EU member states covering a broad range of issues. In the case of the UK alone, for example, these range from air services, through working holidaymakers to prisoner transfers.

It would be good to be able to say that removing the visa requirement also signalled the start of a more mature relationship between the EU and Taiwan, more akin to that between the EU and Korea or EU and Japan, for example. If nothing else, from a European perspective, the absence of any Chinese objection to removal of the visa regime should have been confirmation of China’s ‘red-lines’ on engagement with Taiwan. These are that it does not object to countries ‘engaging in civil, economic and cultural exchanges’ with Taiwan, only to ‘official relations in any form.’

Unfortunately, while there has been some modest increase in engagement, this remains very limited and there is little to suggest that the experience of removing the visa regime has affected attitudes in European capitals more deeply. Despite the formal PRC position, Chinese embassies continue to try to pressure European universities into not holding Taiwan-related events, for example.

In 1974, an internal British government briefing note concluded that ‘It seems likely that China will now increase its efforts to isolate Taiwan diplomatically, politically, and economically.’ It forecast the most likely outcome as ‘some form of re-association of Taiwan with the PRC and a large degree of autonomy accorded to the island’s government…We believe therefore that the status quo will continue for the foreseeable future.’

Forty six years on, Taiwan has changed hugely: politically, socially, and economically. Martial law has given way to a thriving democracy and but for geopolitics Taiwan would have a good claim to be a member of the G20 group of leading global economies. Cross-strait relations have also
changed hugely. From a total embargo on bilateral trade in the mid-1980s, Taiwanese have become some of the biggest investors in China, and the Chinese economy is dependent not just on Taiwanese investment but also management skills for its success.

Economically, the two countries are interdependent in a way they have never been before. But far from the ‘re-association with a large degree of autonomy’ suggested by the FCO in 1974 and echoed in China’s own ‘one country two systems’ stance, politically Taiwan and China are further apart than ever. The experience of the UK and Ireland, once a single country, now separate but with interdependent economies and common residency, freedom of movement and voting rights, surely offers a better model for the future relationship between Taiwan and China than China’s bankrupt ‘one country two systems’ model.

A united European effort in support of such an approach is surely worth trying. But, too frequently, European governments appear to prefer to bend to pressure from China rather than suggest another way. For the most part they remain keen to engage more with China, attracted by the supposed business and investment opportunities on offer, than to stand up for democracy and human rights in Taiwan. Economic nationalism remains the driving force in relations with East Asia, for the UK every bit as much as other EU member states. For as long as this is the case, countries will remain cautious about developing contacts with Taiwan for fear of upsetting China.

Yet, as both the visa case and to a lesser extent the fall-out from the arms embargo debate show, when the EU has acted collectively, it has been able to achieve more by doing so, and its collective influence is greater than that of the individual member states. It is by no means obvious that the UK will be able to achieve more in its relations with East Asian countries by being outside the EU than it has achieved as a member of the Union.

**Notes**

1. IMF: *Direction of Trade Statistics*, data.imf.org/regular.aspx?key=61013712.
2. P. Morrice: Annual Review for Taiwan 1993, 11 January 1994, FCO 160/328 TNA.
3. P. Morrice: Annual Review for Taiwan 1994, 16 January 1995, FCO 160/341 TNA.
4. ATTC telegram 221 of 27 July 1993, PREM 19/5010 TNA.
5. Smith FCO to Lyne, No. 10 Downing St., letter of 8 October 1993, PREM 19/5010 TNA.

6. The rationale for TAC in pursuing the project was to use the new aircraft on the Taipei-Kaohsiung route, then a busy shuttle service, but it was eventually judged to be not large enough to meet requirements. Since 2006 high-speed trains have supplanted air services on the route and production of the BAe146 (by then re-named RJ146) ended in 2003.

7. Mengin: A Functional Relationship, *China Quarterly*, vol. 169, op.cit.

8. Morrice: Annual Review for Taiwan 1993, op.cit.

9. Morrice: Annual Review for Taiwan 1994, op.cit

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11. Investment Dream a Costly Nightmare, *The Scotsman*, 2 November 2002, https://www.scotsman.com/news-2-15012/investment-dream-a-costly-nightmare-1-627553, retrieved 19 June 2019.

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14. O. Bedford, K. Hwang: *Taiwanese Identity and Democracy: The Social Psychology of Taiwan’s 2004 Elections*, 2006, p. 34.

15. P. Ollier: *Taiwan to Change Compulsory Licensing Rules*, www.managingip.com, September 2008, https://heinonline.org/HOL/Page?handle=hein.journals/maninpr182&div=6&g_sent=1&casa_token=&collection=journals, retrieved 8 July 2019.

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17. Ministry of Commerce (MOFCOM): Foreign Trade Statistics of the People’s Republic of China, Beijing; Coronavirus Freezes Return of China’s Migrant Workers, *Financial Times*, 1 February 2020, https://www.ft.com/content/60fad2a4-43ee-11ea-a43a-c4b328d9061c, retrieved 24 February 2020.

18. Douglas Paal, the USA’s representative in Taipei from 2002–2006 had a particularly difficult relationship with the president, Chen Shui-bian, being perceived by some of Chen’s supporters as overly sympathetic to the opposition KMT.
19. Jerker Hellström: *The EU Arms Embargo on China: A Swedish Perspective (2010)*, Swedish Defence Research Agency, https://www.academia.edu/5475879/The_EU_Arms_Embargo_on_China_a_Swedish_Perspective_2010_, retrieved 9 July 2019.

20. From 2011–2014, I was the representative in China for BAE Systems, whose avionics and engine controls were on both Boeing and Airbus commercial aircraft in the country. Representatives of two other European aerospace companies, both with interests in the defence sector, had regular contact with the PLA, in one case with the knowledge and encouragement of his country’s defence ministry.

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22. See for example Wai Ting: EU-China Relations After Brexit, in David W.F. Huang and Michael Reilly eds.: *The Implications of Brexit for East Asia*, 2018.

23. Hellström, *op. cit*.

24. *Guidelines on the EU’s Foreign and Security Policy in East Asia*, Brussels, http://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/en/misc/97842.pdf, retrieved 13 July 2016.

25. OIE, Final report of 75th General Session, May 2007, Resolution XX, http://www.oie.int/fileadmin/Home/eng/About_us/docs/pdf/A_RF_2007_webpub.pdf, retrieved 9 July 2019.

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