

# Chapter 1: Introduction

With the end of the Cold War and the collapse of the Soviet Union the large economic space of the East Europe has also become part of the world-wide globalization process. How this process of integration of Europe is proceeding in key areas of cross-continental linkages is of great importance for the future of the region and for the future of the World as whole.

## 1.1. Motivation

The author does believe that recent developments in most East European countries will have a significant impact on the world economic and political relationships.

Current trend in European and not only European economical strategies is caused by the results of World Economic Forum (January 2008, Davos, Switzerland) and later by the global economic slowdown. In particular it became obvious that the global business elite are watching anxiously to see whether the United States can limit the damage from the mortgage lending mess and the banking crisis that has resulted.

"When the United States sneezes, does the world still catch cold?" it was the title of one Davos panel, which used to examine whether - as in the past - a U.S. Economic slowdown, or recession, will undercut the global economy.<sup>1</sup>

The rich and the powerful Davos are looking beyond the United States as present and future global leader. The talk was about whether emerging economies, primarily China, India, resource-rich Russia, can pick up the economic slack if America falters and maintain global growth and keeping balance in international community.

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<sup>1</sup> "America sneezes, the world catches a cold." World Economic Forum, 20080123, <http://www.weforum.org/en/index.html>.

The further deepening of global economic slowdown is shaped clear the natural necessity of keeping balance as a basic element that could help to increase the growth rate of European economies as well and a flow of capital to Eastern Europe.

In terms of the above facts Taiwan shouldn't deny the opportunity for developing the variety of linkage with Eastern Europe. As well as it's obvious from the recent trends, that the export oriented strategy in economy of Taiwan are not prove itself as an efficient any more. To change orientation into domestic market is not a solution for Taiwan in terms of the small territorial potential. One of the reasonable solutions could be in the opening new markets which is Eastern European countries are representing. Good strategist always has to observe the perspectives in advance.

## **1.2. Purpose of research**

This study will be address to the gap in our understanding of Taiwanese-East European relations and their wider implications.

Under the Eastern European Countries the author assuming the classification of CIA World Factbook, where EEC defines as territory of Belarus, Estonia, Latvia, Lithuania, Moldova, and Ukraine.<sup>2</sup>

The main purpose of this work is to analyze the economic and diplomatic interaction between Taiwan and Eastern European countries. In order to achieve the purpose, this study will deal with the **following tasks**:

- To examine Taipei's policy vis-à-vis Eastern European countries (EEC) from 1990-s until present.

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<sup>2</sup> The CIA World Factbook, CIA [www.cia.gov](http://www.cia.gov); The Encyclopedia Americana, <http://go.grolier.com/gol>.

- To survey the evolving aims of Taiwan towards Eastern European countries.
- To analyze the development of economic relations between Taiwan and Eastern European countries.
- To depict an implication for future cooperation strategies between EEC and Taiwan.

The analyses of so called China's factor in the interaction between Taiwan and EEC in terms of limited volume for Master's thesis, the amount of material that required to be covered upon this issue, and time constrain, is state by author as a perspective for future research that would develop into PhD research.

### **1.3. Hypotheses**

As a result of its complicated history and economic development, the region of Eastern Europe was underestimated for a long time. But the international environment are changing rapidly, EEC are on the way of systemic changes and have enough capability to increase their influence on international arena. It would be a good strategy for Taiwan to cooperate more actively with EEC in order to improve economic presence in the region and as the consequence of it to improve own international status.

### **1.4. Literature Review**

The enmity between the Taiwan and east Eastern Europe attracted little scholarly attention. Following the modest changes in Taipei's policies vis-à-vis the communist bloc in the late 1970s, Taiwan academics spearheaded research of the ROC's ties with EEC, attempting to influence Taipei's strategy towards communist Europe.

Beyond Taiwan, however, the topic of Taiwanese - East European interaction continued to be largely ignored, the post-Cold War acceleration of EEC-ROC contacts notwithstanding.

The lack of interest in Taiwan-East European ties mirrored a scarcity of research of Taiwanese-West European relations, as students of East Asian affairs focused either on the hostility between Beijing and Taipei or their respective relations with the big powers, particularly, the United states.

Actually scholars in the West for too long failed to recognize the potential significance of the Taiwan-East European interaction not only for Taiwanese or EEC foreign policy, but also for Sino-Taiwanese relations, China's policy towards Europe and Taiwan's place in the world community.

To research the Taiwanese-East Central European connection is made difficult by lack of information and kind of secrecy surrounding it. Both Taiwanese and EEC authorities, probably fearing Beijing's interference, disclose precious little information on their bilateral interaction and never elaborate on the principles guiding their "substantive relations."

However, despite on these circumstances some research has been published already. As outstanding examples of it could serve the articles written by Dr. Czeslaw Tubilewicz, where the author concentrated his attention to the Taiwan economic diplomacy and its relations with so called Post-communist Europe.

The research for this paper will involve interviews with Taiwanese and East European diplomats, civil servants, and academics, who were often directly involved in shaping Taiwan-EEC relations. Thus, this study is conceived as one of the attempts an explanation of the dynamics involving Taiwan and EEC.

### **1.5. Methodology and Procedures**

In order to examine the main steps of interaction process between EEC and Taiwan starting from 1980-s, our paper will use the *historical method*. This method is

used by historians to research and write history. And we have followed the concepts of most formal historical research: identification of origin date; evidence of localization; data analysis.

The research will be relies as well *on qualitative method* such as participation in the setting, direct observation, informal discussions with people that have connection with both Taiwan and EEC, and more formal - through in-depth interviews, case studies, analysis of documents and materials.

This study will base on next approaches:

*International Interdependence approach:*

Power and Interdependence begins with an explication of two theoretical models for analyzing international issues: the realist model, and Keohane and Nye's alternative model of complex interdependence that will be used in particular in this study.

In contrast to realism, Keohane and Nye's model of complex interdependence is based on the assumptions that in a large number of issue areas 1. "Actors other than states participate directly in world politics"; 2. "A clear hierarchy of issues does not exist"; and 3. "Force is an ineffective instrument of policy".<sup>3</sup> When such conditions exist, Keohane and Nye expect discontinuities between the overall distribution of military power and the outcomes in bargaining situation. They hypothesize that in issue areas so characterized, outcomes will be shaped by the distribution of resources and vulnerabilities within each separate area; issues and agendas will have little relation to traditional security concerns or the overall configuration of power; transnational relations of all types – international bureaucratic coalitions, nongovernmental transnational actors and coalitions – will become crucial factors in decision-making processes; and international institutions, broadly defined, will set agendas, act as catalysts for transnational coalitions, and enable weak states to undertake initiatives and form coalitions.

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<sup>3</sup> Robert Owen & Joseph S. Nye, *Power and Interdependence: World Politics in Transition* (Boston: Little Brown & Co., 1977) p. 261.

*Asymmetrical economic interdependence approach:*

While Keohane and Nye did not focus exclusively on the economic dimension of asymmetrical interdependence, James A. Caporaso conceptualized asymmetrical interdependence strictly in economic terms as actor A's dependence on actor B to the extent that "A relies on B for large quantities (expressed as proportions of total consumption) of important goods which cannot be easily replaced at sufferable costs while B acquires small quantities of unimportant goods from A which it can easily replace." Thus B can terminate the relationship with A at little or no costs, while A can do so only at considerable cost. Having established an asymmetrical interdependence, positive economic diplomacy places the dominant state in a position to influence the dependent state's policies so that these become compliant with the dominant state's preference's.

James Caporaso proposed three conditions of positive economic diplomacy that could facilitate the formation of a dependent relationship: size of the reliance relationship, importance of the goods on which one relies, and ease, availability and cost of the replacement alternatives.<sup>4</sup> Adrienne Armstrong focused on trade and investment as compliance-inducing factors: the higher the degree of a state's investment controlled by another state, the greater the difficulty of finding a substitute for a commodity or a trading partner; and the more intense demand for a commodity, the greater the possibility of establishing an asymmetrical interdependence.<sup>5</sup> David Baldwin suggested eight criteria to estimate the efficacy of an influence attempt based on foreign aid alone. These include fungibility, forms of aid, transparency of donor's objectives, degree of conflicting interest between donor and recipient's goals, credibility of threats, size of aid package, future of aid provision and difficulty in providing aid.<sup>6</sup> More recently, Eileen Crum concluded that the dominant and concluded states' political and economic characteristics, features of goods and services provided and world market conditions

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<sup>4</sup> James A. Caporaso, "Dependence, Dependency, and Power in the Global System: a Structural and Behavioral Analysis." *International Organization* 32, 1-2 (Winter-Spring 1978): 13-43.

<sup>5</sup> Adrienne Armstrong, "The Political Consequence of Economic Dependence." *Journal of Conflict Resolution* 25, 3 (September 1981): 401-428.

<sup>6</sup> David A. Baldwin, *Economic Statecraft*. Princeton: Princeton University Press, 1985.

affected the value of economic incentives as instruments inducing foreign policy compliance.<sup>7</sup>

*Inter-regional integration approach:*

The European region itself becomes an arena for coexistence of different group; the most evident examples are NATO and EU. We could compare the current situation in the world as a competition of organizations. In order to survive, almost each country have to choose the side and support one or another.

In addition it's necessary to admit, that in presented work the author is more concentrate on aspects of economic diplomacy. That's why the dominated in Chinese tradition realism are not taken in account as a dominant theory. But it will and have to be definitely attract in further research on topic with deepening sector that related to China's factor in relations between Taiwan and EEC.

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<sup>7</sup> Eilee M. Crumm, "The Value of Economic Incentives in International Politics." *Journal of Peace Research* 32, 3 (August 1995): .313-330.