2022 Taiwan–Europe Joint Conference on Business and Human Rights
Latest Development of International Law on Business & Human Rights

1 December 2022, Taipei

The EU–Taiwan Trade Cooperation under the Directive on Sustainability due diligence

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I. Directive on Sustainability due diligence (1)

1. On 23 February 2022, the European Commission adopted a proposal for a COM (2022) 71 final Directive on Corporate Sustainability due diligence.
2. The aim of this Directive is to enhance human rights and environmental protections in business operations and corporate governance in more responsible and sustainable ways.

I. Directive on Sustainability due diligence (2)

3. Under this Directive, businesses need to identify, prevent and account for negative actions, including in their operations, subsidiaries and value chains inside and outside the EU market.

4. Taiwan and the EU maintain strong trade and investment relations, thus, the Directive will have implications for Taiwan.

I. Directive on Sustainability due diligence (3)

5. Taiwan was the EU's 14th largest trading partner, while the EU was Taiwan's 4th largest partner worldwide in 2021.
6. The EU is the largest foreign investor in Taiwan, representing over 25% Taiwan's total FDI.

I. Directive on Sustainability due diligence (4)

7. As a consequence, this Directive also impacts Taiwan and third countries.
8. What is the significance and impact of the Directive to Taiwan? What lessons can Taiwan learn from this Directive?

II. How to promote Regulatory Cooperation on Corporate sustainability due diligence (1)

1. The application of the EU Directive to the European companies in Taiwan is based on the doctrine of extraterritoriality and will indirectly promote European corporate due diligence in Taiwan.

II. How to promote Regulatory Cooperation on Corporate sustainability due diligence (2)

2. The European Business and Regulatory Cooperation (EBRC) Programme and Dialogue held in Taiwan, and at the EU-Taiwan Annual Economic and Trade Meeting.

3. Incorporation a due diligence clause or chapter in the future EU-Taiwan Investment Agreement (BIA)or Free Trade Agreement(FTA).

III. The Benefits of the Directive for Taiwan and the EU (1)

1. Increased stakeholder awareness of human rights and environmental protection
2. Promotion of sustainable investment, trade and supply chains
3. Improved, more sustainable corporate operations
4. Ensure take-up of international standards

III. The Benefits of the Directive for Taiwan and the EU (2)

5. Improved living conditions for employees and others in Taiwan
6. The export of EU values and regulatory rules
7. Promotion of the EU’s normative power and soft leadership in Taiwan and Asia
8. Further enhancement of EU-Taiwan trade and investment relations

Conclusion and Suggestions

1. Taiwan supports the EU efforts to foster sustainable corporate due diligence under the new Directive.
2. A due diligence clause or chapter provided in the future EU-Taiwan BIA or FTA is crucial for Taiwan and EU to cooperate on this issue.
3. It is time for the EU to launch and fast track BIA negotiations with Taiwan.