



TAIWAN'S NEW SOUTHBOUND POLICY: BACKGROUND, OBJECTIVES, FRAMEWORK AND LIMITS

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Abstract:

This article begins with a historical review of the rationale of Taiwan's attempts to engage Southeast Asia since the 1990s. The rapid economic growth of South and/or Southeast Asia, Taiwan's desire for greater regional participation, and Taiwan's relations with mainland China are the three most important factors leading to such attempts. Then, based largely on official documents, this article introduces the objectives and framework of the New Southbound Policy (NSP) of May 2016 whose ultimate goal is to build up a sense of community between Taiwan and South and Southeast Asia in particular. Recognizing the necessity of the NSP, if implemented under a bigger context of Taiwan's strategic development, this article holds a pessimistic view about this policy because of the funding issue, the lack of strong inter-agency coordination, and the recent waning cross-Taiwan Strait ties that have triggered mainland China's preventive counter-measures and greater concern of the parties targeted by the NSP.

Keywords: Taiwan, China, South Asia, Southeast Asia, New Southbound Policy, economic cooperation, Tsai Ing-wen

Título en Castellano: Nueva política hacia el sur de Taiwán: Antecedentes, objetivos, marco y límites

Resumen:

Este artículo comienza con una revisión histórica del fundamento de los intentos de Taiwán de implicarse en el sudeste asiático desde la década de 1990. El rápido crecimiento económico del sur y/o el sudeste asiático, el deseo de Taiwán de una mayor participación regional y las relaciones de Taiwán con la China continental son los tres factores más importantes que conducen a esos intentos. A continuación, basándose en gran medida en documentos oficiales, este artículo introduce los objetivos y el marco de la nueva política hacia el sur (NSP) de mayo de 2016 cuyo objetivo final es construir un sentido de comunidad entre Taiwán y el sur y el sudeste asiático en particular. Reconociendo la necesidad del NSP, si se aplica en el contexto más amplio del desarrollo estratégico de Taiwán, este artículo tiene una visión pesimista sobre esta política debido a la cuestión de la financiación, la falta de una fuerte coordinación entre agencias y la reciente disminución de lazos en el Estrecho de Taiwán que han desencadenado contra medidas preventivas de China continental y una mayor preocupación en las partes afectadas por el NSP.

Palabras clave: *Taiwán, China, Sur de Asia, Sudeste asiático, Nueva política hacia el sur, cooperación económica, Tsai Ing-wen*

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1. Introducción.

More well know than other external policy programs, the New Southbound Policy (NSP, *Xin Nanxiang Zhengce*) has become the flagship program of the Tsai Ing-wen administration of the Republic of China (hereafter, ROC or Taiwan) that vows to better position Taiwan in South and Southeast Asia since May 2016. Given the fact that the Tsai administration has shown little interest in engaging the People's Republic of China (hereafter, PRC or mainland China) on the past political basis for dialogue commonly created and tacitly understood by its predecessor – the Kuomintang (KMT) government – and the Chinese Communist Party (CCP) government, the NSP having a very limited emphasis on the role of cross-Taiwan Strait cooperation in the NSP-target regions has been viewed as an indispensable way to help the Tsai administration and the current ruling party of Taiwan, the Democratic Progressive Party (DPP, a pro-Taiwan independence party embracing the “Taiwan Independence Clause” of 1991, “Resolution on Taiwan’s Future” of 1999, and “Normal State’ Resolution” of 2007), keep Taiwan’s economic robustness and divert attention away from the cross-Strait relations going in a more rigid direction. More specifically, while Taiwan’s economic development has relied on mainland China to a relatively large extent in recent years, the Tsai administration has claimed many times that there is no hidden agenda and has been promoting the NSP proactively as an unusual cure hoped to maintain the momentum of Taiwan’s economic growth and bring about some substantive progress in external ties that can offset the negative impact resulting from sour cross-Strait relations.

This article will delve into the NSP program by presenting a background introduction to it, delineating its general framework, and offering a preliminary analysis as to its opportunities and challenges. A key conclusion is that the NSP itself is a reasonable external policy for Taiwan, but given the historical and ethnic root, geographic proximity and the very huge economic and trade opportunities presented by mainland China, Taiwan should work on the NSP and its relations with mainland China at the same time in order to form a non-mutually exclusive area where Taiwan, the NSP-target countries, and mainland China can reach a win-win-win situation.

2. Background

The NSP is based on the past experience earned in the previous administrations. Generally speaking, it always has to deal with the following three dimensions: the rapid economic growth of South and/or Southeast Asia, Taiwan’s desire for greater and diversified regional participation, as well as Taiwan-mainland China relations.

Every leader of Taiwan since the 1990s have either called for a southbound policy or included South and/or Southeast Asia in their economic strategic map, particularly when the economic performance of these region(s) was or has been impressive. The first call for going southward (mainly Southeast Asia) was made in 1993, when Lee Teng-hui of the KMT was the ROC president and when the Association of South East Asian Nations (ASEAN) member states² after the 1992 Singapore Summit launched a series of economic and trade liberalization measures. The second call (also aimed at Southeast Asia) began in 2002 when Chen Shiu-bian of the DPP was sworn in as the ROC president. That was the period of the post-financial crisis and the affected ASEAN member states had gradually recovered from the economic downturn.

² ASEAN member states in 1992 included Brunei, Indonesia, Malaysia, the Philippines, Singapore, and Thailand, among which Indonesia, Malaysia, the Philippines, and Thailand were sometimes called “Four Little Tigers” of East Asia. Between 1995 and 1999, ASEAN added 4 more-member states, that is, Cambodia, Laos, Myanmar, and Vietnam, making it “ASEAN-10.”



Lee's "Go South Policy" (sometimes called "Southward Policy") lasted for a few years and then waned gradually as the financial crisis hit Southeast Asia in 1997 and as mainland China's economy and domestic market expanded rapidly. Despite the ups and downs in cross-Strait relations, Taiwan at that time had a stronger economic momentum and a more solid economic performance than mainland China. Chen's "Second Go South Policy" was an obvious failure and only few concrete measures were undertaken and implemented because Taiwan's investors looked more at the greater attraction of mainland China's economy and market and less at Southeast Asia. The gap between Taiwan's and mainland China's economies shrank rapidly during Chen's presidency. In most of his 8-year term, cross-Strait relations were in a very bad shape, with sporadic official engagements. It is evident that both Lee and Chen would like to apply such a policy to divert Taiwan's investment from mainland China.³

The third call was actually a more ambitious plan initiated by Ma Ying-jeou of the KMT in his first term as the ROC president in mid-2008. Instead of focusing solely on Southeast Asia, his administration presented a "10 plus 3 plus 1" framework proposal that sought to bring Taiwan to the "ASEAN plus 3" regime.⁴ Knowing that the isolation imposed on Taiwan resulted from mainland China's opposition and pressure, Ma hoped to take advantage of the positive consequences of cross-Strait ties to facilitate Taiwan's participation in regional economic cooperation in the Asia Pacific. In 2013, Ma's second term, Taiwan for the very first time struck two economic cooperation pacts with the western Pacific countries, New Zealand and Singapore respectively. With no specific external policy program aimed at South or Southeast, in fact the Ma administration also focused on those regions to diversify economic and trade risks. It encountered relatively fewer obstructions made by mainland China mainly because of better cross-Strait relations, but there was a "glass ceiling" created by the CPC government that prevented Taiwan from participating in official mechanisms in the region of the Asia Pacific.

As noted earlier, their policies toward Southeast Asia were based partially on the rapid growth of regional economy. That served as a justified reason for their administrations to put forward their "Go South" policies or the "10+3+1" appeal. When Tsai took office in mid-2016, emerging markets in South and Southeast Asia enjoyed a higher GDP growth, in particular India (7.1% in 2016), Indonesia (5% in 2016), Myanmar (6.5% in 2016), and Vietnam (6.2% in 2016). Developed countries have been interested in these emerging markets with abundant national resources. Meanwhile, the economic growth of mainland China appears to slow down a bit, and its investment environment is not as friendly as it was before. It goes without saying that Taiwan should work on South and Southeast Asia, as well as resource-rich Australia, to pursue another economic boost.

Taiwan's desire for greater participation in regional economic cooperation has been manifested at least since Lee's presidency, mainly in the 1990s. With a relatively strong economic power and a better international image in the post-Tiananmen Square Incident, and

³ Lee's and Chen's strategic thinking, however, has been reviewed in two different ways. Some argue that they have slowed down the "economic unification" process pushed by mainland China. Others hold that Taiwan has lost its golden opportunities of entering mainland China's market and capitalizing the potential economic cooperation with and cultural similarity with mainland China.

⁴ The "ASEAN+3" regime includes the ten ASEAN member states and mainland China, Japan, and South Korea. During Ma's presidency, ASEAN as a whole had developed to be a major trade partner of those parties. The "1" in the so-called "10+3+1" refers to Taiwan. In fact, Ma had proposed a "10+4" (ASEAN plus mainland China, Taiwan, Japan, and South Korea) framework in his speech at the World Economic Forum held in 2003 in Singapore. See: The Governmental Information Office, the ROC Executive Yuan: *President Ma Ying-jeou's Selected Addresses and Messages, 2008* (Ma Ying-jeou Zongtong Jioushiqi Nian Yenlun Xuanji), Taipei: The Governmental Information Office, 2009, p. 196.



with the political support of the United States (US), Taiwan under the title of “Chinese Taipei” was able to resist the pressure from the CPC government and join the Asia-Pacific Economic Cooperation (APEC) as one of the member economies. In the same year, mainland China’s application for APEC membership was accepted as well. Taiwan has had limited presence due to the memorandum of understanding between mainland China and APEC Secretariat in 1991 – for instance, the leader of “Chinese Taipei” (the ROC’s official title at APEC) cannot participate in the leaders’ summit, and “Chinese Taipei” cannot hold ministerial meetings.

The same unfair treatment can be found in the case of the Asian Development Bank (ADB), where the ROC was a founding member but was forced to change its official title to “Taipei,China” in 1987. Thus, Taiwan has opted to participate in the ADB in a very restrained way.

When Taiwan’s economic power increased, and democratization was underway, the people of Taiwan wanted their government to participate more in international affairs. After rounds of lengthy negotiations, both Taiwan and mainland China were admitted into the World Trade Organization (WTO) in 2002, when Chen was the ROC president. Yet, Taiwan’s membership is under the title “Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matzu” (TPKM), and no meaningful free trade agreements were signed between Taiwan and any WTO members or Taiwan’s diplomatic allies. Between August 2003 and May 2007, Taiwan under the leadership of Chen reached a few free trade pacts with its diplomatic allies in Central America, which only accounted for about 0.13% of Taiwan’s total trade volume in those years.⁵

In 2010, Ma’s first term, Taiwan signed an Economic Cooperation Framework Agreement (ECFA) with mainland China. The fact that roughly 26% of Taiwan’s export has gone to mainland China, and roughly 14% to Hong Kong, makes mainland China the largest trade partner of Taiwan.⁶ Under the ECFA, the investment protection agreement was signed, and an amicable atmosphere in the Taiwan Strait might contribute to the signing of the two economic cooperation agreements with New Zealand and Singapore, respectively, in 2013. Nonetheless, the cross-Strait trade-in-service agreement, as well as the ensuing trade-in-goods agreement and the dispute settlement agreement, did not make it because of the large-scale protests and law-breaking actions in spring 2014 in Taiwan that opposed further economic cooperation with mainland China.

Even being a major economic power in the Asia Pacific and an important trade partner in the world, Taiwan has been restricted by political reasons to be present in and make contribution to bilateral or multilateral economic cooperation, including the Regional Comprehensive Economic Partnership (RCEP) consisting of 10 ASEAN member countries and mainland China, Japan, South Korea, India, Australia, and New Zealand, as well as the Trans-Pacific Partnership (TPP) that comprises Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. Since Ma’s presidency, according to Kavi Chongkittavorn, “Taiwan has been seeking support from the group for its ambitious plan to join the Trans-Pacific Partnership and other economic groups, and this entails some collaboration on the humanitarian front... under the rubric of the one-China policy.”⁷ Officials

⁵ The International Trade Bureau, the ROC Ministry of Economic Affairs: “Trade Relations between Taiwan and Latin American Countries,” *Fastener World*, nº 141 (July/August 2012), p. 238, at http://www.fastener-world.com.tw/0_magazine/ebook/pdf_download/FW_141_E_238.pdf.

⁶ This high trade dependence of Taiwan on mainland China emerged during Chen’s presidency.

⁷ Chongkittavorn, Kavi: “ASEAN Ponders China-Taiwan Relations,” *Nikkei Asian Review*, 22 November 2015, at <https://asia.nikkei.com/Politics-Economy/International-Relations/ASEAN-ponders-China-Taiwan-relations>.



carrying out the NSP claim that this policy helps Taiwan engage the target regions via various channels, such as tens of thousands of “new residents” whose families have roots in there, and the business networks already established throughout those years. In other words, the NSP may not be able to create a formal participation of Taiwan in these regions’ official economic arrangements, but in a broader sense, it can facilitate Taiwan’s presence in and link to these regions and re-position Taiwan in a more strategic place with fewer political barriers. Quite often the Tsai administration uses these explanations for policy justification and motivates people to support the NSP.

Relations across the Taiwan Strait are also a key factor in explaining the birth of the NSP or similar programs specifically aimed at South and/or Southeast Asia. To deal with uncertainty in evolving cross-Strait relations that just started, Lee’s “Go South Policy” was put forward to redirect Taiwan’s capital from mainland China to Southeast Asia. As hinted before, Lee’s policy program with a purposeful nature had the best opportunity to be successful because Taiwan was economically stronger than mainland China and because mainland China was unable to preclude Taiwan from economic interactions with most of the old ASEAN member states. Yet, such an opportunity had gone as the financial crisis in Southeast Asia in 1997 and the increasingly rapid economic growth in mainland China.

It may be a purposeful decision, too, that the calls for going south during the DPP eras emerged with the downturn of cross-Strait relations. The Chen administration had few healthy ties with the Jiang Zemin and Hu Jintao administrations when mainland China’s economy was booming. The Tsai administration launched the NSP, both when cross-Strait relations has a mediocre outlook and when mainland China’s political and economic influence on Taiwan has possibly increased. Before her inauguration in May 2016, Tsai and the DPP insisted on the idea of “Taiwan independence” that either tries to establish a new country or saw Taiwan as an already independent country whose title is the ROC. They called the “1992 consensus”⁸ – the political understanding for realization of cross-Strait exchange in Lee’s and Ma’s eras – as a forged political scam by the KMT and the CPC and as a hindrance to ultimate “Taiwan independence.” As a result, it is least likely for Tsai to accept the “1992 consensus” for further engagement with mainland China. The lack of such tacit understanding – we agree to disagree (on each other’s claim and status) – has led to an ongoing political stalemate between the DPP government and the CPC government. Although about 60% surveyed in the second half of 2017 panned Tsai’s handling of cross-Strait issues,⁹ Tsai’s resolve in managing relations with mainland China in a less active and accommodating way while employing the NSP as a means

⁸ The term “1992 consensus” was created by the minister of the Mainland Affairs Council, the ROC Executive Yuan in early 2000 (when Lee was the president) to describe and encompass the political engagement between the two sides of the Taiwan Strait in 1992, when their authorized agencies met in Hong Kong, a UK territory that time, to discuss functional issues. In 1992, each side insisted that, based on its own Constitution, there was only one China, and it represented “China.” In the end, each side did not express opposition against the other side’s argument in order to facilitate the functional cooperation needed for people of Taiwan and mainland China. By the Lee administration’s understanding, it stood for “one China, respective interpretations,” while the Chinese communist leaders have simply emphasized the “one China” part and played down the de jure and de facto difference in Taiwan’s argument. Nonetheless, the 18th and 19th Party Congress of the Chinese Communist Party in 2012 and 2017, respectively, the “1992 consensus” has been included in the political reports as a key to peaceful and prosperous cross-Strait relations.

⁹ Generally speaking, the disapproval of Tsai’s performance in cross-Strait relations could reach almost 60% in a couple of polls conducted by pro-DPP organizations. See Chen, Wen-han: “Cross-Strait Ties Hurts Tsai in Poll,” *Taipei Times*, October 24, 2017, p. 1, at <http://www.taipeitimes.com/News/front/archives/2017/10/24/2003680929>; and “Formosa E-paper Poll: National Politics Poll in October (Meilidao Dianzibao Mindiao: Shiyue Guozheng Mindiao),” *Formosa E-paper*, 30 October 2017, at http://www.my-formosa.com/DOC_124644.htm.



of showing the promising future of international engagement remains. To deal with current cross-Strait relations that has generally ceased the high-level official communication and witnessed a growing trend of political and military tensions out of unilateral actions of the CPC government, it is understandable that the DPP government has pushed the NSP considerably in order to make up the potential loss associated with waning the cross-Strait relations.

Because of the three above-mentioned dimensions: the rapid economic growth of South and/or Southeast Asia, the desire of Taiwan for greater and diversified regional participation, as well as Taiwan's relations with mainland China, the idea of promoting another wave of the southward policy has been probably included in Tsai's campaign platform. Without explaining in a clear and persuasive way how the DPP could lead Taiwan to an advancement in economic development if cross-Strait relations were to turn sour, Tsai, as the DPP chairwoman and leading presidential candidate, was selling her southward policy by contending at the DPP's 29th anniversary diplomatic reception in September 2015 that Taiwan's southward policy "was based on directing Taiwanese investment into Southeast Asian countries. Looking forward, trade and investment will form just one component of a diverse and multifaceted partnership, based on the strong people-to-people, cultural, educational and research linkages we have. ASEAN and India are poised to become two of the world's largest economic bodies. Strengthening our overall relations is a natural choice for Taiwan as we diversify our economic and trade ties. In the future, we will form a new task force to actively pursue this policy objective."¹⁰

To sum up, since Lee's "Go South Policy" was launched in the early 1990s, each Taiwanese leader has more or less stressed the importance of South and/Southeast Asia countries, mostly the latter. These leaders have recognized and underlined the economic opportunities in different waves of development in these regions and sought the possibilities to achieve a more salient economic presence in these regions. A sharp difference among them lies in the fact that the higher the tension in cross-Strait relations, the more likely the political party running the government has called for greater attention to specific regions in the hope that they could counterweigh the challenges coming from unstable cross-Strait relations.

3. Objectives and Framework

When the DPP was still in opposition, the NSP was described during the presidential campaign in late 2015 as a signature policy that would go beyond an economically oriented policy and bring Taiwan a favorable future. Once the DPP has become the ruling party again in May 2016, Tsai's campaign platform regarding the rhetoric "going south again" has been gradually turned into a real, somewhat workable policy. It is reasonable to see such an idea of "going south again" develop this way because the policy planning and discussion received little assistance from the bureaucracy, particularly the central government at the beginning.

In early June, 2016, former Premier Lin Chuan made an oral policy report to the first session of the 9th Legislature just about two weeks after the DPP has regained power, and maintained that as ASEAN and India "are now becoming major global economic entities, the Executive Yuan will establish a task force to promote the New Southbound Policy and cultivate stronger relations with South Asian countries and India," and set up "diverse and bilateral links

¹⁰ Tsai, Ing-wen: "Fostering Peace through Global Contribution: A Pragmatic and Sustainable Approach to Taiwan's Foreign Policy," speech at the DPP 29th anniversary diplomatic reception, 22 September 2015, at <http://iing.tw/en/3>. A good review is written by Jin, Bo-jiun (2017): "'Go South' Going South? Assessing Taiwan's 'New Southbound' Policy and the China Factor in Southeast Asia," *Chinese (Taiwan) Yearbook of International Law and Affairs*, 34, pp. 180-223.



promoting trade and investment, people-to-people communication, as well as cultural, education and research interchanges.¹¹ At that time, the NSP simply had a rough idea as to the countries it was aimed at and the key aspects to work on.

In August 2016, the first “International Economic and Trade Strategy Meeting” convened by Tsai adopted important guidelines for the NSP. At the same meeting, key goals of the NSP were determined; they are divided into “overall and long-term” and “short- to mid-term” ones.

The overall and long-term goals of the NSP include:

1. “Foster links between Taiwan and the nations of ASEAN and South Asia as well as New Zealand and Australia in the areas of economic and trade relations, science and technology, and culture; share resources, talent, and markets; and create a new cooperation mode that seeks mutual benefits and win-win situations” and forges a “sense of economic community;” and
2. “Establish mechanisms for wide-ranging negotiation and dialogue; form a consensus for cooperation with the nations of ASEAN and South Asia as well as New Zealand and Australia; effectively resolve related problems and disagreements; and gradually build up mutual trust and a sense of community.”¹²

The short- to mid-term goals of the NSP comprise the following:

1. “Use a combination of national will, policy incentives, and business opportunities to spur and expand ‘two-way’ exchanges in the areas of economic and trade relations, investment, tourism, culture, and talent;”
2. “In support of a New Model for Economic Development, encourage industry to adopt a New Southbound strategy in planning their next moves;”
3. “Cultivate more people with the skills needed to support the New Southbound Policy, thereby resolving a developmental bottleneck;” and
4. “Expand multilateral and bilateral negotiation and dialogue to enhance economic cooperation and resolve disputes and disagreements.”¹³

On 5 September 2016, the ROC Executive Yuan put forward the Promotion Plan of the NSP (see Appendix), focusing on the following four tasks: economic cooperation, personnel exchanges, resource sharing and regional links. About a week after the release of the Promotion Plan of the NSP, Lin had his oral policy report to the second session of the 9th Legislature and held as the NSP Promotion Plan did that the NSP as a long-term, multipronged and mutual policy program would “integrate the resources and strengths of central government agencies, local governments as well as private companies and organizations” and could “boost ties with Association of Southeast Asian Nations members, South Asian countries, New Zealand and Australia.” The ultimate goal of the NSP is to “forge a new and mutually beneficial model of cooperation and a sense of economic community with those countries” through the promotion of economic collaboration, talent exchange, resource-sharing, as well as the building of regional

¹¹ Department of Information Services, the ROC Executive Yuan: “Premier Lin Chuan’s Oral Policy Report to 1st session of 9th Legislature,” 3 June 2016, at https://english.ey.gov.tw/News_Content.aspx?n=6E2983DDAD43236A&sms=F7286BF67FBB9F1F&s=9B7661BFFB061B47.

¹² The Office of Trade Negotiations, the ROC Executive Yuan: “President Tsai Convenes Meeting on International Economic and Trade Strategy, Adopts Guidelines for ‘New Southbound Policy’”, 16 August 2016, at https://www.moea.gov.tw/MNS/otn_e/content/Content.aspx?menu_id=19289.

¹³ *Ibid.*



links.”¹⁴

With numerous government statements on NSP reiterating that there is no hidden agenda, John Deng, Minister Without Portfolio and the head of the Office of Trade Negotiations (OTN) at the ROC Executive Yuan holds that “`[t]he goal of the New Southbound Policy is simple and clear’. Taiwan intends to engage in a wide range of negotiations and dialogue with 18 countries: Singapore, Thailand, the Philippines, Indonesia, Malaysia, Vietnam, Laos, Myanmar, Cambodia, and Brunei in Southeast Asia; India, Pakistan, Bangladesh, Sri Lanka, Nepal, and Bhutan in South Asia; as well as New Zealand and Australia. The partnership is aimed at achieving multifaceted cooperation and establishing mutual prosperity...The initiative does not seek to advance Taiwan’s geopolitical stature or influence, but intends for Taiwan to play a proactive role in the region by expanding and enhancing trade cooperation with neighboring countries through resource sharing and people-to-people exchanges.”¹⁵ However, a commonly speculated goal of the NSP is to further diversify the existing economic and trade activities with mainland China and Hong Kong.¹⁶

Again, specifically for the building of strategic partnerships that will create regional prosperity, the NSP Promotion Plan stresses the following four tasks: first, the promotion of economic collaboration; second, people-to-people exchange; third, resource sharing; and last, the establishment of regional links and connectivity. In a sense, these can be viewed as specific objectives of the NSP. Some are relatively easier and short-term achievable, while others are more difficult and take years to bear fruits.

The framework of the NSP is thus built up along the four major objectives and tasks, as well as some flagship programs that can be facilitated by Taiwan’s strengths, being coordinated by the OTN.

With regard to economic and trade cooperation, believing in a high degree of complementarity between Taiwan and the NS-target countries and working in line with its “5 plus 2” Major Innovative Industries Plan,¹⁷ the Tsai administration attempts to encourage electronic and physical distribution channels, new service industries, and infrastructure construction services and turnkey projects. It is hoped that all “country desks” in the NSP-target countries will be set up to assist overseas Taiwanese firms. A single window in Taiwan has been established to enable Taiwanese firms to analyze or invest in foreign markets more efficiently. To facilitate the NSP and to ensure the ROC’s diplomatic allies with more concrete actions, Tsai in September 2017 pledged a US\$3.5 billion initiative aimed at encouraging Taiwanese companies to take a part in overseas construction projects in the diplomatic allies and the 18 countries covered by the NSP. In October 2017, she further explained that such a US\$3.5 billion financing facility would be managed under Taiwan’s Official Development Assistance

¹⁴ Department of Information Services, the ROC Executive Yuan: “Premier Lin Chuan’s Oral Policy Report to 2nd session of 9th Legislature,” 13 September 2016, at https://english.ey.gov.tw/News_Content.aspx?n=6E2983DDAD43236A&sms=F7286BF67FBB9F1F&s=402333AEAD96FAAC.

¹⁵ The Office of Trade Negotiations, the ROC Executive Yuan: “An Introductory Guide to Taiwan’s New Southbound Policy,” at https://www.moea.gov.tw/MNS/otn_e/content/Content.aspx?menu_id=25488.

¹⁶ Bland, Ben: “Taiwan Looks South as It Seeks to Reduce Reliance on China,” *Financial Times*, 5 February 2017, at <https://www.ft.com/content/3fe468f2-e37d-11e6-8405-9e5580d6e5fb>.

¹⁷ It started out as the “5 pillar industries” during Tsai’s presidential campaign – concentrating on the industrial sectors of the internet of things (also referred to as “Asia-Silicon Valley”), biomedical, green energy, smart machinery, and defense. Then, two more industrial sectors were added in – “new agriculture” and the circular economy.



program.¹⁸

People-to-people exchange has been another highlighted dimension for the NSP, mainly because it is relatively easier with low political sensitivity and because it can be fruitful once adequately funded. In other words, for the government agencies, this is the easiest part of the NSP in their domains; and for the DPP government itself, this is an area which can impress its people most quickly. In addition to the education cooperation – providing higher education opportunities to the NSP countries and encouraging students to these countries to study or learn languages – and the assistance to the new immigrants for better integration into Taiwan’s society, the Tsai administration is endeavoring to facilitate residency extensions for eligible foreign professional or technical workers to live in Taiwan, despite a strong opposition from local labor unions and labor rights organizations.

Resource sharing, according to the NSP Promotion Plan, includes efforts to “promote bilateral and multilateral cooperation in culture, tourism, medical care, technology, agriculture, and small and medium-sized enterprises,” as well as to “[i]mprove quality of life in partner countries and expand Taiwan’s economic footprint.” In addition to the vigorous boost in Southeast Asian markets for Taiwan’s tourism industries, health care cooperation and training, cultural exchanges, technological exchange between science parks, research institutes, and in the field of disaster relief, as well as agricultural assistance while increasing Taiwan’s exports of agricultural products and materials.

Regional links and connectivity between Taiwan and the regions and countries included in the NSP have to be built through bilateral and multilateral dialogue and negotiations. In addition to the pursuit of economic cooperation agreements or respective cooperation provisions with major ASEAN trade partners and India, what the Tsai administration has been promoting includes multilevel and all-encompassing consultations with the NSP countries, as well as the creation of various strategic alliance platforms by existing and future participation of Taiwanese firms in the NSP countries’ development projects, the reallocation of Taiwan’s foreign aid resources, and overseas Taiwanese networks that connect with overseas ethnic Chinese community.

Lastly, based on the above-mentioned four major tasks and objectives, the NSP presents five major flagship programs and three prospective areas in April 2017. The five flagship programs are: regional agricultural development, medical and public health cooperation and the development of industrial chains, industrial talent development, industrial innovation and cooperation, as well as the New Southbound Policy Forum and youth exchange platform. The three prospective areas include cross-border e-commerce, tourism through inter-governmental dialogue, and infrastructure construction cooperation and system integration services.

¹⁸ However, the Tsai administration fails to clarify which government agency – probably either the OTN or the Ministry of Foreign Affairs – is going to manage this huge financing facility. Neither does it spell out the procedures as to how the preferential loans of Taiwanese commercial banks to foreign governments or firms will be guaranteed by the foreign governments and paid to Taiwanese contractors in overseas projects. For details, see “Legislator Kao-Chin, Su Mei Addressing Inquiries in the Legislature’s Committee of Foreign Affairs and National Defense” (title created by the author), 13 October 2017, at <http://imvod.ly.gov.tw/Demand/Speech/101162>.



4. Preliminary Analyses: More Limits in the Foreseeable Future¹⁹

With its specifically prioritized countries – India, Indonesia, Malaysia, the Philippines, Thailand and Vietnam,²⁰ the DPP government hopes to take advantage of these countries' higher economic growth rates, larger market sizes, and stronger connectivity with Taiwan's industries. Knowing obvious political barriers resulting from restrained ties with these countries and declining cross-Strait relations which would make the CPC government exercise greater pressure to prevent Taiwan from international participation, the DPP government has been ready to give up the leading position in certain areas and willing to foster industrial exchange and cooperation led by Taiwan's business/industrial associations or coalitions.²¹

Vowing to promote economic cooperation, conduct talent exchange, share resources, and forge regional links, the DPP government has dictated that the OTN, a cabinet-level agency in charge of Taiwan's external trade negotiations, coordinates, integrates, and formulates various work plans for individual NSP-target countries and that the National Development Council handles quarterly oversight and evaluation tasks. To manage such a wide range of tasks, it is expected that in the 2018 fiscal year the total budget for the NSP will reach a historical height at NT\$7.26 billion (roughly equal to US\$240 million in late September 2017).²²

In general, people in Taiwan have had a greater awareness of certain Southeast Asian countries, seeking more business opportunities in or understanding of those countries. Various government agencies of Taiwan have attempted to divert more resources to the regions specified in the NSP plans, too. A number of talks, seminars, reports, research projects, on-site surveys and two-way exchange activities have been aimed at helping related communities in Taiwan to know more about the NSP-target countries. Meanwhile, both due to the need of Taiwan's travel industry to make up the loss from the declining number of mainland Chinese tourists to Taiwan since the second half of 2016 and due to Taiwan government's subsidy to the travel sector and "visa facilitation" or "visa waiver" policy for Southeast and South Asian countries, the number of Southeast Asian tourists to Taiwan has continued to increase.²³ In 2016, for example, the number of Southeast Asian tourist to Taiwan reached 1.65 million (the total number of tourists in 2016 is 7.56 million, 46% from mainland China, excluding Hong Kong and Macau). According to an official media of Taiwan, the NSP can be seen as Tsai's soft power alternative.

As Lin argued in his oral policy report to the third session of the 9th Legislature in early

¹⁹ Part of this analysis is derived from Huang, Kwei-Bo: "Taiwan's Southward Integration Faces a Long Uphill Battle," *East Asia Forum*, 17 October 2017, at <http://www.eastasiaforum.org/2017/10/17/taiwans-southward-integration-faces-a-long-uphill-battle/>.

²⁰ "New Southbound Policy: David T.W. Lee Listed Six Prioritized Countries (Xin Nanxiang Zhengce: Lee Taiwei Lie Liou Da Zhongdian Guojia)". *Liberty Times*, 19 September 2016, at <http://news.ltn.com.tw/news/politics/breakingnews/1830719>; and Kao, Shi-chin: "New Southbound Policy Action Year Targets Six Countries in First Wave (Xin Nanxiang Xingdong Nian Shou Bo Souding Liouge Guojia)," *United Daily*, 19 January 2017, at <https://udn.com/news/story/7238/2238737>.

²¹ Kao, *op. cit.*

²² Liao, Yu-yang and Liu, Kuan-lin: "MOEA Touts Increase in New Southbound Policy Related Investment," *The Central News Agency*, 20 November 2017, at <http://focustaiwan.tw/news/AECO/201711200016.aspx>.

²³ Actually, the trend of increased Southeast Asian tourists to Taiwan began since 2010 or so. Yet, under the guidance of the NSP, the ROC Ministry of Foreign Affairs has allowed Thai and Bruneian passport holders for stays of up to 30 days with no visa, and granted conditional visa-waiver programs to Indonesian, Filipino, and Vietnamese visitors in less than four months of Tsai's inauguration. See Department of Information Services, the ROC Executive Yuan: "Premier Lin Chuan's Oral Policy Report to 2nd session of 9th Legislature," 13 September 2016, at https://english.ey.gov.tw/News_Content.aspx?n=6E2983DDAD43236A&sms=F7286BF67FBB9F1F&s=402333AEAD96FAAC.



2017, the number of visitors to Taiwan from the 18 countries targeted by the NSP during all of 2016 rose 15.3 percent over the previous year after Taiwan offered simplified visa procedures to or adopted visa-free measures for some of these countries in August 2016. He also pointed out that, in December 2016, Taiwan's annual exports to the countries targeted by the NSP reached US\$5.37 billion, and the number of undergraduate and graduate students from the NSP countries grew by 2.1 percent to 29,145, with an obvious rise in the number of students from South Asia by 12.4 percent.²⁴ The statistics show that, after the first year, trade between Taiwan and the NSP-target countries rose 11.4% to US\$112.8 billion; Taiwan's investment to these countries increased – mostly in Southeast Asia; the number of tourists from the NSP countries jumped 27.3%; and the number of foreign students reached 31,500, 9.7% up.²⁵

The NSP will be a good and helpful policy if it can receive a sufficient budget, if it can function in a coordinated and realistic way, and if it can work under a favorable condition in which Taiwan and mainland China can get along and cooperate with fewer intensifying political contentions. That is, the NSP cannot be treated independently. It must be planned and implemented under a huge economic strategic framework that at least takes into consideration mainland China, the US, and Japan. Moreover, increased figures in bilateral trade, investment, and people-to-people exchange only represent one of the many dimensions of the NSP. If implemented effectively, the NSP still takes years to be really productive. Based on these suppositions, the following paragraphs attempt to diagnose the NSP from a variety of angles and generate some observations on the policy.

Generally speaking, this article holds a relatively pessimistic view about the upcoming performance of the NSP, a vital external program perhaps too comprehensive and complex to manage. For space reasons, the budget issue, the inter-agency coordination issue, and the “China” factor are to be discussed.

First, the budget assigned to the NSP does not reflect a favorable future. In terms of the budget that has been used or to be used for the NSP, it comes generally from the budgets that either are for the NSP countries in annual plans or are supposed to have applied to the other countries or regions. The budget being used to work on the NSP with an array of policies and issues has pointed to the restrained perimeter of the NSP in the following years. With 18 countries on its radar screen, and with about half of them as the NSP's first or second priorities, the NSP in pursuit of comprehensive engagements and the upgrade of bilateral and multilateral relationships, not to mention the forging of a “community” between Taiwan and NSP-target regions, appears too broad and ambitious to be successful. As a result, the NSP is probably unrealistic, given so many significant and difficult tasks and so little money.

The NSP has witnessed an increase in its budget from NT\$4.45 billion in 2017 to NT\$7.26 billion (roughly equal to US\$240 million in late September 2017) in 2018, with a growth rate of 63%. Such a growth rate is mainly due to the fact that the Tsai administration is facing a national legislative body where DPP occupies more than two-thirds of the seats. Even so, it is likely that the funding cannot cover many major tasks, flagship programs, and prospective areas as indicated in the statements of the DPP government. When meeting with

²⁴ Department of Information Services, the ROC Executive Yuan: “Premier Lin Chuan's Oral Policy Report to 3rd session of 9th Legislature,” 17 February 2017, at https://english.ey.gov.tw/News_Content.aspx?n=6E2983DDAD43236A&sms=F7286BF67FBB9F1F&s=F3EBF89CD4C042A3.

²⁵ Boyd, Alan: “New Southbound Policy Has Been a Success, Taiwan Says,” *Asia Times*, 23 August 2017, at <http://www.atimes.com/article/new-southbound-policy-success-taiwan-says/>.



journalists from ASEAN and India in May 2017, Tsai maintained with confidence that the NSP, taking into account Taiwan's soft power, particularly in healthcare, education, human resource development, technological innovation, agriculture, and disaster preparedness, sought "to share Taiwan's experience in areas that fulfill the needs of New Southbound countries. This will contribute to both the development and wellbeing of people across the region, as well as further our sense of community," and that such immense soft power could not be substituted or hindered by either money or politics.²⁶ Claiming that the NSP carries neither hidden agenda nor geopolitical connotations, the Tsai administration sees it as an extremely significant program that can "diversify its flagging economy and wean itself off [mainland] China."²⁷ Yet, nowadays such a hope or strategic thinking that the apparently limited financial resources and Taiwan's soft power will keep the NSP away from the impact of Realpolitik has been out of the question. Partly due to the difficulties resulting from policy implementation and partly due to the inadequately funded policy program, it seems that the achievements of the NSP have so far concentrated mostly on the number of foreign tourists and students, and sometimes on the exports of Taiwan toward India and Southeast Asia. This will be discussed later.

Resource misallocation is another commonly heard concern regarding the promotion of the NSP. Having elevated the NSP to the highest priority, or one of the highest, the Tsai administration "misleads entrepreneurs and risks a harmful misallocation of resources and talent. Companies should never focus on markets in a specific geographic region, but on markets with the greatest potential."²⁸ In addition, a reliable source indicates that the budget that is supposed to have been for activities related to mainland China or for exchange and cooperation between the two sides of the Taiwan Strait has been negatively affected. Therefore, Taiwan could make limited progress in its understanding of and relations with mainland China, which obviously is not in favor of Taiwan's competitiveness and future. If that source is correct, it is then clear that the DPP should endeavor to find a realistic way and strike a balance between the NSP and Taiwan's critical ties with mainland China, a crucial major power that has influenced the future of Taiwan to a great extent. Taiwan is close to mainland China, but in fact most people in Taiwan do not possess enough knowledge of the communist China as they should have. Neglecting the significance of mainland China while pivoting to South and Southeast Asia will be very dangerous. They should be equipped first with the advantage of a deeper understanding of "China" in order to compete with its economic rivals in the region.

Second, the DPP government's decision-making chain and strong inter-agency coordination fail to provide the momentum necessary for a successful NSP. Originally led by Tsai and her Presidential Office, the NSP relied largely on the ONSP to move the bureaucracy around. Neither the National Security Council nor the Executive Yuan took the lead. Without a rightly legalized status, nevertheless, the ONSP's role and mission have often been questioned.²⁹

For example, at the onset of the NSP, the key official in charge was James Huang, a former foreign minister in the Chen administration who was involved in the diplomatic fraud

²⁶ The ROC Presidential Office: "President Tsai's Opening Statement in Interview with Journalists from India, Indonesia, Malaysia, the Philippines, Singapore, and Thailand", 5 May 2017, at <http://english.president.gov.tw/NEWS/5132>.

²⁷ Chow, Jermyn: "Taiwan's 'Pivot South' on Track, Says President Tsai Ing-wen," *The Straits Times*, 6 May 2017, at <http://www.straitstimes.com/asia/east-asia/taiwans-pivot-south-on-track-says-tsai>.

²⁸ Hiesboeck, Martin: "The Dangerous Arrogance of Taiwan's New Southbound Push," *TheNewsLense*, 10 November 2017, at <https://international.thenewslens.com/article/83136>.

²⁹ Baron, James: "Huang's Uneasy Time in the Spotlight," *Taipei Times*, 26 November 2017, p. 6, at <http://www.taipeitimes.com/News/editorials/print/2017/11/26/2003682919>.



scandal which of US\$29.8 million when attempting to establish formal ties with Papua New Guinea between 2006 and 2008.³⁰ He served as director of the ONSP in the Presidential Office and the ONSP as a task force, that was not legally institutionalized, functioned as a command and coordination center, probably an unprecedented case after the democratization of Taiwan in the 1990s.³¹ The ONSP mapped out missions and strategies of the NSP and provided consultation service to the president in a timely manner. With an insufficient staff, an inadequate team and insufficient resources, the ONSP seemed to take the lead in the decision-making and implementation of the NSP. But, suddenly, Huang was elected as the new representative to Singapore in late August 2016, only a couple of months after the establishment of the ONSP, and it ended up not serving in that position because, as was reported, the nomination was not welcomed by the Singaporean government.³² In September 2016, the OTN under the ROC Executive Yuan was created as an administrative body aimed at coordinating and integrating government agencies for participation in regional and global economic cooperation. The birth of the OTN, also responsible for the promotion and implementation of the NSP, was indicative of the upcoming demise of the ONSP. Then, in January 2017, Huang was appointed as Chairperson of the Taiwan External Trade Development Council (TAITRA), leaving the ONSP largely unattended or less functional for most of the time before its dissolution. In December 2017, the Presidential Office announced the closure of the ONSP, effective on the first day of 2018.

Starting from January 2018, the Tsai administration has established a “New Southbound Policy Ad Hoc Group” under the National Security Council and a “New Southbound Policy Task Force” under the OTN at the ROC Executive Yuan. The former is responsible for strategic analyses and policy analyses and suggestions for the president. The latter is in charge of the specific implementations of the NSP, whereas the OTN is in charge of inter-agency coordination within the Executive Yuan.

Given the wide geographical and political coverage and its comprehensive nature, the NSP is weak in interagency coordination. Now the OTN under the Executive Yuan, headed by a minister without portfolio who was former secretary-general of the National Security Council during Ma’s second term, is in charge of the planning and implementation of the NSP. In addition to its staff from the Ministry of Economic Affairs, the OTN must coordinate with the other cabinet-level agencies, such as the Ministry of Foreign Affairs, the Ministry of Education, the Ministry of Transportation and Communications (under which there is a Bureau of Tourism), the Ministry of Health and Welfare, and the Ministry of Finance, in order to fulfil its mission. Because the bureaucracy does not change much from Ma’s presidency to Tsai’s presidency, the lesson learned from the Ma administration’s mediocre interagency coordination in the Cross-Strait Economic Cooperation Framework Agreement (ECFA) and its ensuing planning and implementation is indicative of the potential difficulties that the Tsai administration has to face, wanting to move the NSP at full steam.

Take for example the Tsai administration’s work on assisting immigrants in Taiwan.

³⁰ Shih, Hsiu Chuan: “Control Yuan Impeaches Huang, Chiou,” *Taipei Times*, 15 January 2009, at <http://www.taipeitimes.com/News/front/archives/2009/01/15/2003433814>.

³¹ Due to the lack of a proper legal status, the ONSP with such an important mission could not issue meeting notifications but had to ask a legally institutionalized office of the Presidential Office to do so for it.

³² Lee, Wendy, “Government Takes U-turn on Appointment of Singapore Envoy,” *Taiwan News*, October 11, 2016, at <https://www.taiwannews.com.tw/en/news/2992123>. To understand more about the possibly hasty reshuffling of related units dealing with the NSP, see “Warning Signals for the ‘New Southbound Policy’: The China Post,” *The Straits Times*, 12 September 2016, at <http://www.straitstimes.com/asia/east-asia/warning-signals-for-the-new-southbound-policy-the-china-post>.



Given the so-called “people-oriented” nature, the NSP hopes to “help first-generation immigrants in Taiwan use their linguistic and cultural advantages to obtain work certification and job opportunities” and help their next generation “connect with their ancestral countries by encouraging universities to establish appropriate departments or curricula and give admission priority to students speaking Southeast Asian languages.”³³ All this need a great deal of inter-agency effort. However, in the first 6 months of the NSP, related government agencies and the ROC Executive Yuan’s New Immigrants Affairs Coordinating Committee was not convened until late November 2016, half year after Tsai’s inauguration. This produced some concern over the coordination of related budgets and missions.³⁴ Such concern still remains. Recently, in December 2017, a report issued by the ROC Control Yuan still indicates the lack of effective allocation of resources and inadequate coordination and integration of various projects in government agencies.³⁵

Third, the NSP remains less impressive in the economic field. Despite the development in tourism and cultural exchanges, the results of the other NSP’s short-to-mid-term goals, i.e., economic and trade, investment, talent exchange, and bilateral and multilateral negotiation and dialogue to enhance cooperation and resolve disputes, remain to be seen. For instance, an issue of utmost importance, according to the DPP government, is to refine and renew the bilateral investment agreements (BIAs) already signed with the Philippines (1992), Vietnam (1993), and Thailand (1996). Seven more with Southeast and South Asian countries were struck by the Tsai administration’s predecessors, too. However, so far only 1 out of the 10 BIAs has been renewed – the BIA between Taiwan and the Philippines in December 2017.³⁶ Occasionally there are some high-level exchanges between Taiwan and some NSP-target countries, perhaps all of which have taken place in previous presidencies. As of December 2017, no ground-breaking announcement has been made by the DPP government.

Another example is the negotiation and dialogue needed to enhance cooperation and resolve disputes. Already, the DPP government has held a few large, international fora aimed at NSP-related issue areas. It has also tried very hard to invite experts and officials from NSP countries to Taiwan for exchange of ideas or on-site observations. One of the fora, the Yushan Forum: Asian Dialogue for Innovation and Progress, gathered some forty public and private sector representatives from more than fifteen countries, including the US and Japan, and hundreds of local participants. However, critics have argued that this international forum invited few important political and economic figures from Asia and the project aimed solely to spend the money that had not been used efficiently under the NSP.³⁷

³³ The Executive Yuan, the ROC, *New Southbound Policy Promotion Plan*, September 5, 2016, at https://english.ey.gov.tw/News_Hot_Topic.aspx?n=D61190201622DA50&sms=B5449820D7077391.

³⁴ The Ma administration set up this committee in August 2015 because of an increased (over 500,000 in mid-2015) population of the new immigrants mainly from mainland China and Southeast Asia. See, Chang, Yu-ling, “New Southbound Policy: The New Immigrants Affairs Coordinating Committee not Held Even Once by the Tsai Administration (Xin Nanxiang Zhengce: Xin Jumin Shiwu Xietiao Hueibao Tsai Zhengfu Yici Do Meiyou Kaiguo),” *The Journalist (Xin Xinwen)*, 9 November 2016, at <https://www.new7.com.tw/NewsView.aspx?i=TXT2016110914373740Z>.

³⁵ “Taiwan Should Have Taken Advantage of ‘Austronesian Culture’ Soft Power (Xin Nanxian Zhengce Ying Shanyong Taiwan ‘Nandao Wenhua’ Ruanshili),” News Release of the Control Yuan Members, the Control Yuan, the Republic of China, 21 December 2017, at https://www.cy.gov.tw/sp.asp?xdURL=./di/Message/message_1t2.asp&ctNode=2394&mp=1&msg_id=6226.

³⁶ This BIA renewed includes the expansion of the scope of protection, the reinforcement of transparency in laws and regulations, the pursuit of international arbitration, and so on.

³⁷ Distinguished guests invited from the NSP-target countries include former Vice Presidents of the Philippines Teofisto Guingona and Jejomar Binay; Perfecto Yasay, former Secretary of Foreign Affairs of the Philippines; Kasit Piromya, former Minister of Foreign Affairs of Thailand; and Wahyu Utomo, Deputy Minister for



The NSP may have encountered opposition, either explicit or implicit, from mainland China that has been exercising growing political and economic influence on Southeast and South Asia via the Asia Infrastructure Investment Bank (AIIB) and the “One Belt, One Road” initiative (also referred to the Belt and Road Initiative – BRI).³⁸ Even if the NSP by its original policy design does not compete with the BRI, the latter with immense economic attraction can impact the NSP to a certain degree. It is very likely that countries in South and Southeast Asia will ponder on the possible consequences before they really engage the NSP program with something that can be considered official, such as an economic cooperation agreement or high-level official visits.

Ideally, Taiwan can benefit, at least economically, from participating in the above mechanisms in order to facilitate the NSP’s goals if there is a certain level of mutual trust between Taipei and Beijing. If Taiwan does not want to work with mainland China in the latter’s grand designs, the next best thing for Taiwan, holding an increasingly inferior position, is that mainland China does not obstruct continuously the Taiwan’s initiatives associated with the NSP, so long as they do not promote the “one China, one Taiwan”, Taiwan independence, or the sovereign status of the Republic of China. In the case of the renewed Taiwan-Philippine BIA, for instance, mainland China expressed extreme concern “that the relevant Philippine department signed with Taiwan investment protection agreements or other cooperation documents that are obviously official in character,” thus lodging representations with the Philippines immediately.³⁹ The effect of mainland China’s diplomatic response toward the Philippines still remains to be seen, but mainland China’s opposition will constitute a hurdle for Taiwan’s NSP in achieving more economic cooperation-related pacts.

Unfortunately, as some have feel uncertain as the NSP is evolving,⁴⁰ it appears that mainland China has already stayed alert in the regions embraced by the NSP and tried in many ways to refrain Taiwan’s desire for further economic ties and upgraded external relations that would help the DPP government to improve its governance performance and win the upcoming elections. For example, in addition to mainland China’s firm allies, recently mainland China has made Vietnam, a very important target country for the NSP, and Singapore, a well-developed Southeast Asian country, to commit in public to Beijing’s “one China” (principle) in

Infrastructure and Regional Development, Coordinating Ministry for Economic Affairs. In comparison with the other major regional forums, such a list of distinguished guests can be indicative of the pressure of mainland China against Taiwan’s attempt to interchange with the international community. For criticisms, see “A Guest List that Could Not Be Made Public & Budget that Could Not Be Spent (Bu Ke Shou De Jiabin Han Hua Bu Diao De Yucuan),” *United Daily*, 13 October 2017, at <https://udn.com/news/story/7338/2754127>.

³⁸ Similar views can be found in, for instance, Bland, Ben, “Taiwan Looks South as It Seeks to Reduce Reliance on China,” *Financial Times*, 5 February 2017, at <https://www.ft.com/content/3fe468f2-e37d-11e6-8405-9e5580d6e5fb>; Cheng, Ting Fang and Tay, Han Nee, “Taiwan’s Tsai Makes a Limited Headway with ‘Southbound’ Turn,” *Nikkei Asian review*, 13 July 2017, at <https://asia.nikkei.com/Politics-Economy/Policy-Politics/Taiwan-s-Tsai-makes-limited-headway-with-southbound-turn>; Green, David, “Taiwan Economic Charm Offensive Hits Chinese Walls,” *ForeignPolicy.com*, 24 August 2017, at <http://foreignpolicy.com/2017/08/24/taiwans-economic-charm-offensive-hits-chinese-walls/>; and Shih, Hsiu Chuan, “China to Continue Pressure on Taiwan after Party Congress: John Burns,” *The Central News Agency*, 12 October 2017, at <http://focustaiwan.tw/news/acs/201710220012.aspx>.

³⁹ “China Unhappy as Philippines Signs Investment Deal with Taiwan,” *Reuters*, December 8, 2017, at <https://www.reuters.com/article/us-china-taiwan-philippines/china-unhappy-as-philippines-signs-investment-deal-with-taiwan-idUSKBN1E217F>.

⁴⁰ See, for example, Chongkittavorn, Kavi, “ASEAN Ponders China-Taiwan Relations,” *Nikkei Asian Review*, 22 November 2015, at <https://asia.nikkei.com/Politics-Economy/International-Relations/ASEAN-ponders-China-Taiwan-relations>; and Yeh, Joseph, “Tsai Shifts Focus to ASEAN But Will the New Policy Work?,” *The China Post/The Asian News Network*, 18 May 2016, at <http://annx.asianews.network/content/tsai-shifts-focus-asean-its-new-southbound-policy-will-it-work-17314>.



May and September 2017, respectively. It is believed that Taiwan and its NSP international space for maneuver is being gradually squeezed by mainland China's endeavor to internationalize the "one China" principle. As the rule of the thumb, it can be sure that aggravated cross-Strait relations will not contribute to the success of the NSP.

5. Concluding Remarks

History shows that the three major factors that have more or less influenced the shaping, planning and implementation of a government-initiated southward policy of Taiwan, regardless of the policy's nature, are the rapid economic growth of South and/or Southeast Asia, Taiwan's desire for greater and diversified regional participation, as well as Taiwan's relations with mainland China. In the case of the DPP government, some countries in South and Southeast Asia have been labeled as contemporary key emerging markets. Taiwan needs to engage the countries selected in the NSP as a possible way to become part of the regional economic cooperation mechanisms, in particular the RCEP and TPP. However, the emerging stalemate between the two sides of the Taiwan Strait that the pro-Taiwan independence DPP does not seem able to handle makes the NSP an extremely crucial program to replace the possible political and economic losses resulting from a declining in the cross-Strait relations.

With the input of governmental bureaucracies, the NSP's objectives and framework gradually came into shape a few months after Tsai took office in May 2016. Being its core the economic and trade development, the NSP is seeking two-way exchanges and business and economic opportunities propelled by the DPP government's strong will and policy incentives, in the hope that in the long run Taiwan and the NSP-target regions will build up a sense of community through the NSP Promotion Plan that includes 4 tasks/objectives: promoting economic collaboration; enhancing people-to-people exchange; facilitating resource sharing; and establishing regional links and connectivity. It is worth noticing that the NSP tries to make good use of Taiwan's soft power and claim a moral high ground by appealing to the people and humanism in the target regions. For Taiwan, engaged in a difficult diplomatic situation, such a soft power- or people-oriented appeal appears helpful rhetorically but needs more policy tools and resources and an amicable external environment to exercise greater influence on the specific countries covered by the NSP.

Often omitting Australia and New Zealand – 2 of the major target countries under the NSP – and largely neglecting the role and influence of mainland China, the Tsai administration is distancing itself from the success of NSP. Australia and New Zealand have become indispensable players in the game of economic cooperation in the region. They were added to the NSP program late, and now these two countries seem to be on the very fringes of the strategic map of the NSP. Further, unlike the DPP's "Taiwan independence clause" or other political documents showing a confrontational future of cross-Strait relations, all statements of the key officials have remained peaceful and friendly as these officials refer to mainland China as one of the principal actors in the Asia Pacific or Indo-Pacific region. It is unwise for the Tsai administration to avoid mentioning and considering the role and influence of mainland China. Beyond doubt, the Tsai administration knows mainland China is capable of obstructing the NSP on many fronts – and it will if necessary – but apparently finds no effective solution to worsening relations with mainland China.

The NSP, again, is a helpful program if being considered sensibly with the overall economic and development strategy of Taiwan in the face of a rising Chinese communist regime and a transactional, volatile US administration led by Donald Trump. Since the DPP government chose a tougher road to implement the NSP, that is, to carry out the NSP program,



withdrawing from the past cross-Strait dialogue foundation – the vaguely defined 1992 consensus – and thus prompted Beijing’s assertive blockage of Taiwan’s moves to a friendly environment for the NSP, one can foresee a long, uphill battle that is probably not backed up well by sufficient funding, strong interagency coordination, and substantial support of the key members in the specific regions has been anticipated by Taiwan. What is also foreseeable is that Tsai, who once argued in early 2016 that Taiwan’s diplomacy would not rely on mainland China’s goodwill but on its own power⁴¹ and appeared to believe firmly that Taiwan’s soft power would eventually prevail over money and politics, may not be realistic and flexible enough when it comes to Taiwan’s foreign and cross-Strait relations. So the prospect of a NSP success will become rather small.

APPENDIX

The New Southbound Policy Promotion Plan

Executive Yuan, the Republic of China

September 5, 2016

A. *Promote economic collaboration*: Forge new partnerships by integrating with those countries’ supply chains, connecting with their domestic demand markets, and cooperating on infrastructure projects.

1. Supply chains: Taiwan will support the industrial capacities and demands of partner countries through the five major innovative industries it is currently developing. For instance, Taiwan can export or help set up internet-of-things systems for such applications as electronic toll collection, smart health care and intelligent school campuses. The government will also set up a “Taiwan Desk” in those countries to gather local resources and help overseas Taiwanese enterprises form business clusters. In Taiwan, a single window for southbound economy and trade expansion will be established as a platform for seeking, creating, integrating and promoting bilateral trade opportunities.

2. Domestic demand markets: Use cross-border electronic and physical distribution channels to sell quality and affordable products. Export new service industries including education, health, medical care and dining. Shape Taiwan’s industrial brand image.

3. Infrastructure projects: Create a collaborative platform for exporting infrastructure construction services and turnkey projects. Form export teams on energy, petrochemical and environmental infrastructure. Build strategic alliances with third-country service providers.

B. *Conduct talent exchange*: With a focus on people, deepen bilateral exchange and cultivation of young scholars, students and industry professionals. Share and complement human resources with partner countries.

1. Education ties: Expand scholarships to draw more students from ASEAN and South Asia. Depending on Taiwan’s industrial needs, create courses on academia-industry cooperation and foreign youth technical training, and provide job matching services after their graduation. Encourage universities and colleges to set up campuses or courses abroad or preparatory programs. Offer elementary and junior high school language courses for new immigrants and

⁴¹ “Full Text of the Second Round of Tsai Ing-wen’s Presentations at the 3rd Televised Presidential Candidates’ Debate (Tsai Ing-wen Disan Chang Dianshi Zhengjienhui Dier Lun Fabiao Quanwen),” January 8, 2016, at <http://iing.tw/posts/508>.



encourage universities and colleges to cultivate more Southeast Asian language experts and regional trade professionals.

2. Industry talent: Establish a points-based system allowing residency extensions for eligible foreign professional or technical workers in Taiwan and encourage them to obtain job skills training and professional certification. Promote a two-way flow of professionals, streamline procedures for foreign workers coming to Taiwan, and match them to local companies.

3. New immigrants: Help first-generation immigrants use their linguistic and cultural advantages to obtain work certification and job opportunities (such as language teaching and tourism-related work). Help second-generation immigrants connect with their ancestral countries by encouraging universities to establish appropriate departments or curriculums, and give admission priority to students speaking Southeast Asian languages.

C. Share resources: Capitalize on Taiwan's soft powers to promote bilateral and multilateral cooperation in culture, tourism, medical care, technology, agriculture, and small and medium-sized enterprises. Improve quality of life in partner countries and expand Taiwan's economic footprint.

1. Health care: Cooperate with ASEAN, South Asia, New Zealand and Australia on bilateral pharmaceutical certifications and new drug and medical equipment development. Help ASEAN and South Asia cultivate medical care and public health workers.

2. Culture: Use film, broadcasting and online games to market Taiwan's cultural brand. Encourage Taiwan's local governments to engage in intercity exchanges and cooperation with ASEAN, South Asia, New Zealand and Australia.

3. Tourism: Ease visa requirements for ASEAN and South Asian tourists to Taiwan. Promote Taiwan tourism through multiple channels, raise the quality and quantity of tour guides, and create a Muslim-friendly travel environment.

4. Technology: Build technology exchange platforms, strengthen international connections at Taiwan's science parks and research institutes, and promote exchanges in smart disaster prevention technologies.

5. Agriculture: Establish a "Taiwan international agricultural development company" to increase exports of agricultural products and materials. Provide agricultural technology assistance, expand use of biomaterials and agricultural machinery, and improve the business capabilities of partner countries.

D. Forge regional links: Systematize bilateral and multilateral cooperation with partner countries while strengthening negotiations and dialogue. Draw on the collective strength of private groups, overseas Taiwanese networks and third countries. Advance regional safety and prosperity.

1. Regional integration: Actively pursue economic cooperation agreements or individual economic cooperation provisions with India and major ASEAN trade partners. Update and strengthen current bilateral investment and taxation treaties. Improve risk management by creating major event alert and emergency response mechanisms.

2. Negotiations and dialogue: Promote multilevel and all-encompassing negotiations and dialogue with ASEAN, South Asia, New Zealand and Australia. Open dialogue and negotiations with China at a suitable time on relevant topics and cooperation matters.

3. Strategic alliances: Reallocate foreign aid resources, build a comprehensive foreign aid mechanism, and expand Taiwanese companies' participation in local development projects in other countries. Strengthen official and nonofficial cooperation platforms between Taiwan and Japan, set up a Taiwan-Singapore economic and trade cooperation platform, and join third countries in tapping markets in ASEAN, South Asia, New Zealand and Australia.

4. Overseas Taiwanese networks: Create an overseas Taiwanese database and exchange



platform (including for foreign graduates of Taiwan universities, Taiwanese businesses operating abroad, and overseas ethnic Chinese). Connect with overseas ethnic Chinese and overseas Taiwanese business networks and strengthen their links with companies in Taiwan.

Source: https://english.ey.gov.tw/News_Hot_Topic.aspx?n=D61190201622DA50&sms=B5449820D7077391

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