On September 5, 2016, Taiwan’s president Tsai Ing-wen launched the New Southbound Policy to aid in promoting regional exchange and collaboration. The initiative focuses on expanding existing relationships with the ten members of the Association of Southeast Asian Nations, countries in South Asia, Australia, and New Zealand.

This briefing series explores the long-standing relationships between Taiwan and Southeast Asia, despite the lack of formal diplomatic ties, in light of the New Southbound Policy. The briefs collectively provide policymakers and academics alike with a comprehensive assessment of how Taiwan’s relations with the region have evolved across the spectrum—from people-to-people ties and common cultural and religious bonds to economic integration. The objective of the series is to contextualize critical linkages between Taiwan and Southeast Asia as the Tsai administration embarks on future phases of its New Southbound Policy.

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Contemporary impressions of Taiwan’s relations with Southeast Asia tend to focus on flows of labor, capital, tourism, and marriage. Countries like Vietnam, Indonesia, the Philippines, and Thailand carry the impression that they are the origins of cheap, sometimes easily exploitable, migrant labor for employers in Taiwan. Many people in Taiwan also see the former two countries as sources of brides for lower-income men. These same countries, along with Cambodia and, to a lesser degree, Malaysia, are locations where Taiwanese capital is invested in factories for low-cost labor, proximity to Taiwan and China, and the relative absence of political contentiousness for being Taiwanese. With the advent of cheap air travel, Taiwan and Southeast Asia also offer the middle class in these areas options for quick holiday getaways. These interactions and the condescension toward Southeast Asia that sometimes accompany them belie the rich history of interactions that Taiwan and Southeast Asia share.

Taiwan’s own history is deeply intertwined and often runs in parallel with that of Southeast Asia. The island’s location off the Asian mainland and astride sea lanes between Northeast and Southeast Asia means that it has long been part of the networks of migration, commerce, cultural interaction, and conflict traversing the area. In many respects, these types of sub-state, social exchanges continue to characterize linkages between Southeast Asia and Taiwan today. Scratch the surface, and these connections are evident in business, popular culture, religious practices, family ties, and even the languages spoken in Taiwan and Southeast Asia. Outreach efforts between Taiwan and Southeast Asia, such as Taipei’s New Southbound Policy, are natural extensions of these long-standing relationships and can serve to further consolidate existing societal and other bonds that reach across the South.

originally home to emigrants from Luzon, Penang, Malacca, Batavia, and Singapore. Such migration patterns meant that family networks spread across these areas. The movement of people brought with it shared linguistic, religious, and cultural practices, with temple networks linking Taiwan, various parts of Southeast Asia, and Fujian that are still active today. Minnan—which is the immediate linguistic family to which Taiwanese belongs—remains a main lingua franca for ethnic Chinese settler communities in Southeast Asia. Given the long history of contact with the Malay world, Minnan, including Taiwanese, contains many Malay loanwords while Malay and Indonesian similarly borrow vocabulary from Minnan.6

COMMON PASTS

Southeast Asia–Taiwan ties predate the now familiar notion of sovereign nation states and their territorial boundaries, going back to the history of Taiwan’s aboriginal peoples. The Formosan languages that Taiwan’s aborigines speak are part of the Austronesian language family, which also includes languages spoken from the modern-day Philippines through Malaysia and Indonesia, such as Tagalog and Malay. Linguistic historians and historians generally attribute this spread of languages and cultures to migration across maritime Southeast Asia, parts of coastal mainland Southeast Asia, and Taiwan. This movement of peoples was possible through the maritime routes linking Taiwan to various parts of Southeast Asia, starting with Luzon in the contemporary Philippines, just across the Bashi Channel from southern Taiwan. Such networks of exchange manifest themselves in different forms historically, but nonetheless embed Taiwan in a network of interactions with Southeast Asia that casual observers overlook.

Migrations to Taiwan from Fujian and Guangdong extended the island’s ties not just across the Taiwan Strait but to Southeast Asia as well. Many settlers on Taiwan from the seventeenth century on came from Minnan-speaking areas like Quanzhou, Zhangzhou, Amoy, and Quemoy, just as these regions were

3 Stainton, “The Politics of Taiwan Aboriginal Origins.”
4 Minnan, or Southern Min, is a Sinitic language spoken in Taiwan, parts of Fujian, Guangdong, Zhejiang, and Hainan in China. It is commonly spoken in ethnic Chinese communities in Southeast Asia, such as in the Philippines, Malaysia, Singapore, and Thailand. Linguists find little mutual intelligibility between Southern Min and other major Sinitic language families, such as Mandarin, Cantonese (Yue), and Wu. See Victor H. Mair, “The Classification of Sinitic Languages: What Is ‘Chinese?’” in Breaking Down the Barriers: Interdisciplinary Studies in Chinese Linguistics and Beyond, vol. 2, ed. Guangshun Cao, Hilary Chappell, Redouane Diamouri, and Thekla Wiebush (Taipei: Academia Sinica, 2013), 735–54.
Fujian, Guangdong, and Kyushu. Wealth that accrued from such activities allowed the Zhengs to build a navy and encourage immigration to Taiwan from Fujian and Guangdong, steps that established the foundations for their political authority on the island and its surrounding areas. Iquan first challenged Ming authority along the Fujian and Guangdong coasts in the early seventeenth century, while Koxinga expelled Dutch and Spanish garrisons from Taiwan by the mid-seventeenth century and later took on the mantle of resistance to the invading Manchu Qing empire. The regime that Koxinga established on Taiwan held out against vastly superior Qing forces until the late seventeenth century, when the Qing finally defeated the Zheng regime and incorporated Taiwan.

Motivating the earlier Dutch and Spanish efforts to establish settlements on and occupy parts of Taiwan during the early seventeenth century was the island’s strategic location and resources. The European colonial presence on Taiwan sought to build on and further develop Taiwan’s maritime links with both Southeast and Northeast Asia. Taiwan was just north of Spain’s colonial holdings in the Philippines and closer to trading ports in Fujian, Guangdong, and Kyushu. For the Dutch, Taiwan promised a means to leapfrog their Spanish rivals to access these same ports and markets, given that the main Dutch colonial holding at the time was in Java, much farther south. The Spanish and Dutch presence on Taiwan saw attempts to control and trade with aboriginal tribes, as well as the encouragement of migration from Fujian and the Pescadores, which started the displacement of aboriginal peoples on Taiwan.

**COLONIALISM AND CONFLICT**

Taiwan and Southeast Asia too are bound by the webs of conflict and conquest that characterized much of the twentieth century in Asia. Japan, of course, colonized Taiwan between 1895 and 1945, and brought most of Southeast Asia into its Greater East Asia Co-Prosperity Sphere as it invaded the region in 1942. Some argue that Taiwan’s colonization persisted as the Kuomintang (KMT) took control of the island from Japan under the terms of the Cairo Declaration as the then Chinese government and continued at least until the political liberalization of the 1980s. In this respect, Taiwan and its population share the experience of colonialism with much of Southeast Asia, save for Thailand. This meant comparable histories of colonial rule that brought elements of economic development and modernization along with subjugation, exploitation, organized state violence, survival, and resistance.

Given the cultural and linguistic similarities between Japan’s Taiwanese subjects and many ethnic Chinese in Southeast Asia, Taiwanese business people formed part of the Japanese empire’s efforts to establish commercial ties in pre–World War II Southeast Asia. Some Taiwanese in the region later acted as spies for the Japanese military in the lead-up to Japan’s southward military expansion, and subsequently as interrogators and police officers to help control the local population. Taiwanese too served in the imperial Japanese military as it occupied

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large areas of Southeast Asia from the Philippines through Burma and the Dutch East Indies. Taiwan itself was an important staging ground for the Japanese military as it prepared for the invasion of Malaya and Singapore. Generations of ethnic Chinese in Southeast Asia who lived through World War II sometimes carry strongly negative memories of people from Taiwan, whom they associate with the atrocities and excesses of the Japanese military. Taiwanese serving with Japanese forces in Southeast Asia faced their own ordeal of repatriation after the war, with many dying in camps and prisons while waiting to go home.

**COLD WAR CIRCULATIONS**

The Cold War saw East Asia divided into areas under Communist and anti-Communist rule. Along with most of maritime Southeast Asia, Thailand, and Burma, Taiwan ultimately came under the control of a conservative, anti-Communist regime in the form of the KMT. On top of U.S. military assistance, most of these areas shared access to the U.S. and Japanese markets, investment, and aid. These economic networks helped underpin growth and development, particularly as part of the economic boom that accompanied the Korean and Vietnam Wars, providing the foundations of East Asia's prosperity. Taiwan was a destination of choice for ethnic Chinese in Southeast Asia seeking higher education outside Communist influence, but locked out of opportunities at home by discriminatory racial policies. However, being in the anti-Communist camp often meant coming under authoritarian regimes ready to use state violence on their own populations to eradicate communists and other threats to their rule. This was certainly the case during the KMT's White Terror in Taiwan, Ferdinand Marcos's martial law in the Philippines, Suharto's New Order in Indonesia, and arguably elsewhere in Southeast Asia as well.

Cold War–era anti-Communist ties also put Taiwan and parts of Southeast Asia within overlapping cultural spheres once again. Not only were these areas consumers of the new American popular culture produced in movie studios in Hollywood and recording studios across the United States, they too were producers of popular culture that circulated throughout the region, at least for a time. Production houses and distribution networks in pre-independence Singapore that created Malay films popular in Singapore, Malaya, and Indonesia were also responsible for making Mandarin, Minnan, and Cantonese films for markets in Southeast Asia, Taiwan, and Hong Kong. Movies, popular music, and television shows from Taiwan have likewise been widely marketed and well-received from Thailand through Malaysia, Singapore, and Indonesia since the 1970s. This circulation of popular culture during the Cold War created common cultural markers and references for generations of people in Taiwan and across Southeast Asia that persist to this day.

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11 Shih-shan Henry Tsai, *Maritime Taiwan: Historical Encounters with the East and the West* (London: Routledge, 2009), chap. 8.


REORIENTING PUBLIC ATTENTION

Official and popular emphasis on cross-strait relations and ties with Japan and the United States over the past decades has somewhat obscured the extensiveness of Taiwan–Southeast Asia ties in the public mind. Certainly, paying attention to Taiwan’s ties with major powers active in Asia does not have to come at the expense of appreciating the island’s ties with the rest of its neighborhood. However, the KMT’s decades-long emphasis on Taiwan’s status as part of China (with a Mandarin high culture), along with the island’s frontline role in the early Cold War and the legacies of Japanese colonial rule, puts these sets of relations at the fore of mainstream narratives about Taiwan. Aid flows, foreign investment, the inflow of technology, and export-oriented economic policies targeting developed economies reinforced the importance of the United States and Japan in the public consciousness across non-communist Southeast Asia and Taiwan. Such perspectives were pervasive in everything from school textbooks to official publications and mass media representations, drawing attention away from the ubiquitous but more pedestrian linkages between Taiwan and Southeast Asia.

Southeast Asia and Taiwan are jointly embedded in a thick web of relations that provides ready-made groundwork for the further development of ties. If nothing else, their histories and physical proximity suggest that what affects Southeast Asia quickly influences Taiwan and vice versa. That the Tsai Ing-wen administration is trying to heighten Taiwan’s linkages with Southeast Asia comes as little surprise, and is reminiscent of the Lee Teng-hui administration’s earlier Go South Policy from the 1990s. Outreach between Taiwan and Southeast Asia naturally complements and bolsters the connections these areas already share with Japan, China, and the United States. Interactions can take advantage of the social and cultural capital established from extended contact to enhance collaboration on a variety of fronts, and can go beyond the admittedly important, but albeit largely transactional, commercial exchanges. From environmental protection to disaster relief and recovery, public health, cultural conservation, and fisheries management, societies in Southeast Asia and Taiwan have much to learn from each other in terms of meeting the many contemporary challenges they jointly face.  

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In the 1990s, Taiwan advocated its first Go South Policy as a strategic move to construct regional links with Southeast Asian countries. Since President Tsai Ing-wen came to power in 2016, Taiwan has begun to redefine itself as well as its relations with regional neighbors. In the past, public discourse paid close attention to Taiwan's interaction with Southeast Asia. In the present, Taiwanese society is more concerned with its role and networks in Southeast Asia and its contributions to the region. This shift reflects the fact that the multiple existing linkages between Taiwan and neighboring societies have already matured, and that prior iterations of the New Southbound Policy acted as a catalyst for these linkages.

FEATURES OF PEOPLE-TO-PEOPLE CONNECTIVITY

At the core of these multiple linkages are bidirectional interpersonal exchanges. Taiwan has made its impact felt in Southeast Asia in several waves—from the early immigrants of Chinese descent who settled in Southeast Asia to the taishang (Taiwan business people) who moved there in the 1980s to break new ground. The “first wave” Go South Policy was proposed by President Teng-hui Lee in 1994 and spread investment across the region. Currently more than 8,300 corporate members belong to Taiwan’s chambers of commerce throughout the ten member countries of the Association of Southeast Asian Nations (ASEAN).¹

Likewise, Southeast Asia has left its mark on Taiwan over the past three decades through transnational marriages, migrant labor, and student exchanges. According to the National Immigration Agency, as of

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¹ The actual number of taishang is far more than those registered as members of these chambers of commerce. See Bureau of Foreign Trade (Taiwan) and Taiwan External Trade Development Council, New Southbound Policy: Service Guide (Taipei, 2016).
August 2017, 174,839 foreign spouses from Southeast Asian countries resided in Taiwan, including 99,146 from Vietnam. In addition, as shown by the Workforce Development Agency, there are 663,233 migrant workers from four Southeast Asian countries, including 256,342 from Indonesia and 199,546 from Vietnam. Migrant workers from Southeast Asia have long become an important part of Taiwanese society, starting families with Taiwanese spouses, contributing to economic growth, and increasing the flow of human and intellectual capital in the region.

Taiwan’s lanes and alleys are home to many Southeast Asian communities, such as the 40,000 third-generation ethnic Chinese returnees who were living overseas in Myanmar and resettled in the area of Huaxin Street in New Taipei City, the Indonesian community near the Taipei railway station, and the weekend Filipino Town in the vicinity of St. Christopher’s Church. Initially catering to the everyday needs of immigrants, these Southeast Asian communities have developed distinct cultural and economic characteristics and reshaped the human landscape of Taipei. They are no longer secluded corners that exist independently from the city but instead move forward in concert with Taiwanese society through open cultural exchanges.

The two-way exchanges between Taiwan and Southeast Asia have thus changed the street scene in the cities and are in the process of gradually shaping a new collective identity. This is a community consciousness that brings together immigrant life and culture at both local and regional levels. New residents, as well as the second generation of earlier waves of immigrants, are deepening linkages between Taiwan, Southeast Asia, and other parts of Asia. In the near future, it is conceivable that there will be more than a million ethnic Southeast Asians who have put down roots in Taiwan. The country will no longer be a lonesome Asian offshore isle but instead become part of the ASEAN Community as a contributing stakeholder based on a solid partnership and further regional integration.

The timely launch of the New Southbound Policy not only underlines the soft connectivity between Taiwan and Southeast Asia but also strengthens the partnerships between Taiwan and the region. Between January and August 2017, 1,553,362 Taiwanese visited Southeast Asia, while 1,308,143 tourists from Southeast Asian countries visited Taiwan, representing an increase of 38.4% over the same period in 2016. These people-to-people exchanges and existing interpersonal relations do not constitute the “community of common destiny” (ming yun gong tong ti) that China envisions, but are a kind of mutual caring, a natural connection that exists due to a pan-Asian identity and affinity led by ASEAN. Given that in the not-too-distant future one in ten Taiwanese residents will likely hail from Southeast Asia or have relations in the region, it will be even harder for Taiwan to stay on the sidelines of regional integration.

NEW SOUTHBOUND ENGAGEMENT: THE RATIONALE AND NEW ACTORS

The New Southbound Policy emphasizes a people-centered development agenda. Unlike its past iterations, the policy does not stress profit-centered

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or state-centered strategic considerations and policy arrangements per se. Instead, it constitutes an integral segment of Taiwan’s “regional strategy for Asia” as proposed by President Tsai Ing-wen in her remarks at the Yushan Forum on October 11, 2017.\(^5\) Over the past two years, the people-centered rationale has been formally incorporated into the New Southbound Policy. This agenda is not solely concerned with the interests of political or social elites, but places greater attention on the development needs of the people and civil society in Southeast Asia and represents Taiwan’s response to the core value of a people-centered ASEAN Community.

The Presidential Office issued guidelines to set strategic goals for the New Southbound Policy, while the Executive Yuan subsequently announced a series of promotion plans and work plans. These aim to realize a people-centered collaborative agenda on four fronts: trade cooperation, talent exchanges, sharing resources, and regional links.\(^6\)

Most importantly, the New Southbound Policy does not stop at the government level. On top of these efforts, the leadership and involvement of civil society is crucial for the success of southward engagement. In Taiwan, several social enterprises and NGOs are concerned with Southeast Asian migrant worker issues. For example, One-Forty represents a new type of engagement and capacity-building program. Its mission is to help Southeast Asian migrant workers in Taiwan acquire knowledge and skills so that they can improve their own lives and the welfare of their families upon returning to their home countries. One-Forty hosts the Open Sunday cultural exchange at the Taipei railway station at the end of each month. The purpose of the program is to improve understanding of the lives of migrant workers, generate empathy, and create a friendlier social environment for them in Taiwan society.

In addition to migrant worker advocacy and capacity-building projects, private enterprises in Taiwan spare no effort in supporting young entrepreneurs and startups from Southeast Asia. AppWorks is the largest startup network in Asia with 323 active startups, most of which are from Taiwan and Southeast Asia, and US$1.3 billion in annual revenue.\(^7\) The company provides training to fledgling startups in the online and e-commerce sector and helps them with networking in the regional industry. With a Taiwanese team at its core, AppWorks is a global network for cultivating talent at Asian startups that radiates through the region.

The business model of both One-Forty and AppWorks caters to the new regional configuration of “Southeast Asia plus Taiwan,” while forming links between the island country, Asia, and the world. They constitute the best private-sector experiences and highlight Taiwan’s unique soft power. Although their success will not be easy to replicate, it can serve as a reference for the implementation and further evolution of the New Southbound Policy.

### Flagship Programs and the Second Phase of the New Southbound Policy

In August 2016, Taiwan’s Executive Yuan announced a detailed blueprint for the five flagship programs of the New Southbound Policy, focusing on innovative industries, medical cooperation and supply chains, talent cultivation, regional agriculture, and policy forums and youth exchange platforms.

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\(^6\) Office of Trade Negotiations of Executive Yuan and Bureau of Foreign Trade (Taiwan), Taiwan’s New Southbound Policy: An Introductory Guide (Taipei, 2016).

\(^7\) See the AppWorks website, https://appworks.tw.
These programs are jointly aimed at cultivating the talent to achieve the development required for Asian integration and thereby serve as an important pillar for Taiwan’s southward collaboration with its neighbors. This is exactly the kind of policy orientation that centers on people and prioritizes their needs. Its goal is not only to foster people-to-people exchanges but to deepen contacts based on mutual interests and common good, guiding Taiwan into the ASEAN-led regional integration network and turning the country into an indispensable partner and important node.8

Regarding functional cooperation in nourishing regional talent, the agriculture flagship program draws on Taiwan’s experience to promote national development in the target countries. Advances in agricultural materials, equipment, facilities, and technology ensure that new talent can be cultivated in regional agriculture and food security for the target countries. The flagship program on medical cooperation shares Taiwan’s capabilities in medical care, public health, and disease prevention; assists Southeast Asian nations in establishing prevention systems and governance modalities; and trains local public health talent. The promotion of bilateral or multilateral collaboration on agriculture, food security, and public health not only aids in establishing a strong foundation for economic growth of the regional community; it also further secures Taiwan’s nontraditional security interests in Southeast and South Asia.

Regarding economic cooperation, the flagship program on talent cultivation combines Taiwan’s comparative advantages in technology, education, trade, commerce, and industry to develop the technical and managerial talent that individual countries need. The flagship program on innovative industry collaboration seeks to promote regional industry links in solar power, smart cities, and green energies in combination with Taiwan’s domestic industrial restructuring schemes. These two programs merge the island’s advantages from both the microeconomic side—its talented workforce—and the macroeconomic side in Taiwan’s key industries. They are designed not only to provide capacity-building programs for Southeast Asian people but also to connect the regional industrial network with Taiwan’s economic reforms. By facilitating mutual support for the development of talent, capital, resources, and technology, these programs can install a solid people-to-people partnership between Taiwan and the region.

Finally, Taiwan needs to launch a new platform for regional dialogue with a specific focus on deepening its partnership with the leaders of the next generation in Asia. In October, civilian groups such as the Prospect Foundation, Taiwan AID, and the Center for Southeast Asian Studies at National Chengchi University organized the Yushan Forum. This forum promotes dialogue on bilateral and regional collaboration in trade, the cultivation of human resources, technological innovation, the participation of think tanks and civil society groups, and youth development. These issues are prioritized as part of the process of shaping a consolidated regional community in Asia.

Seeking a more stable and prosperous future for the region, the major powers in Asia, such as the United States, Japan, and China, have prioritized their own regional strategies and initiatives focused on providing the financial resources and infrastructure needed for the development of regional countries.

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In contrast, the underlying rationale of the New Southbound Policy is not money diplomacy but the honest exchange of governance and development experiences and resources with Taiwan’s counterparts in the region and like-minded countries around the globe for the purpose of solving existing problems and tackling future difficulties. Taiwan hopes that its experience can serve as a practical reference for both regional and national governance in Asia.

CONCLUSION: INCORPORATING TAIWAN AS AN INDISPENSABLE LINK IN ASIA

Taiwan’s New Southbound Policy is not a simple economic diplomacy strategy. It is even less focused on achieving economic independence for Taiwan to minimize cross-strait relations, as China has suggested. Instead, this policy builds on existing connections to pursue a new vision of regional co-prosperity through the enhancement of people-to-people connectivity across more areas. This starting point differs from that of past policies in that it respects people-to-people partnerships and emphasizes regional community awareness and identity.

Of course, the practice and implementation of the New Southbound Policy so far also reflect some of the challenges that Taiwan faces. It is certainly not a short-lived presidential campaign slogan, and much less a quick fix for Taiwan’s predicament regarding international participation. The policy’s successful implementation hinges on whether the current administration led by the Democratic Progressive Party will be able to forge a long-term political commitment. Taiwan is facing both domestic and external pressure to figure out how industry chains and talent networks could be formed with neighboring countries through the policy to advance the co-prosperity vision.

Some may argue that Taiwan’s current situation could be Southeast Asia’s future, including adapting to an aging society or developing the capacity to deal with nontraditional security threats. This is also where Taiwan’s experience could best contribute to the regional integration of Asia. However, we believe that interpersonal exchanges and bidirectional, deep contacts can consolidate Taiwan’s survival and its national interest in Asia. The New Southbound Policy needs to incorporate local benefits of development in the ASEAN-led regional community to ensure that Taiwan remains an indispensable link in regional integration.

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9 Sutirtho Patranobis, “‘Follow One-China Policy’: Beijing Warns India over Taiwan Delegation,” South China Morning Post, February 15, 2017.
Taiwan has been subject to the changing global circumstances and geopolitics in the Far East at different stages of its development. In the past three decades, it has experienced many salient transitions, including in the political, economic, social, and cultural dimensions. One crucial outcome is that since 1990 Taiwan’s economy has been increasingly hampered by rising shortages of domestic labor and declining wage levels. Parallel to the country’s political liberalization, other significant trends have been economic globalization, as well as the country’s development toward a pluralistic society and the formation of a dualistic domestic labor market.

These developments eventually led to a dramatic change in policy—the reopening of Taiwan’s domestic labor market to the international labor market. Serving as a milestone of the country’s reopening to the world system, this policy change made international migration, particularly the immigration of low-skilled foreign laborers from the Association of Southeast Asian Nations (ASEAN) countries, grow in importance. Another noteworthy outcome associated with the aforementioned transitions is the declining rate of population growth since the early 1990s. Because increasing the population size through a higher birth rate requires decades, changes in international migration policy, including immigration, are the only way to expand the population base in a short period. Not only must the demand for manpower be taken into consideration, but international migration policy also considers the role of immigration in affecting population growth.

This brief focuses on migration between Southeast Asia and Taiwan. It explores the traditional and nontraditional dimensions of Taiwan’s strategic linkages with the region and highlights the important features of labor migration between Taiwan and Southeast Asia and possible changes in international migration policy.

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The Legacy of Migration Dynamics

Migration has both created and responded to developments within Taiwan, demographically as well as socioeconomically. Located off the southeast coast of China and between Japan and the Philippines, Taiwan has been subject to the influence of changing global circumstances. Much like the United States, the island has a long tradition of immigration that has fueled its development. From the seventeenth century to the 1940s, the development of Taiwan was largely shaped both directly and indirectly by the colonial Dutch government and the empires of China and Japan. Though Taiwan was mostly closed off from the rest of the world socially and economically while under Japanese jurisdiction from 1895 to 1945, the country has experienced a new surge of immigration from Southeast Asian countries since the early 1990s.

With the re-emergence of international migration as an important factor influencing the political, socioeconomic, employment, and cultural landscape of Taiwan, the country’s traditional emphasis on emigration policy—e.g., policies to prevent brain drain—has shifted to immigration policy. Its new priorities are attracting immigrants with high human capital and combatting illegal low-skilled immigration.1

The Impact of Foreign Labor on the Domestic Labor Market Before 2010

Taiwan officially opened up its domestic labor market to low-skilled immigrants in 1992. By 2010, the number of low-skilled foreign laborers in Taiwan had risen to around 350,000. Because immigrant workers from Southeast Asia are plentiful and contribute to various developments in Taiwan, they are too important to be ignored and have triggered the Tsai Ing-wen government’s New Southbound Policy. In terms of nationality, these immigrants mostly arrived from Indonesia, the Philippines, and Thailand before 2000. Since 2001, however, Vietnam has become a new source of immigrant workers.2 In 2000, for example, 23.8% of immigrant workers came from Indonesia, 30.1% from the Philippines, and 43.7% from Thailand, whereas only 2.4% came from Vietnam. In 2011, the corresponding share was 41.2% for Indonesia, 19.5% for the Philippines, 16.9% for Thailand, and 22.5% for Vietnam.

It is worth stressing the history of confrontation between blue collar labor in Taiwan and foreign labor from countries in ASEAN before 2010. A drastic change of internal migration patterns within Taiwan in the 1990s facilitated the influx of immigrants from Southeast Asia. Mainly because of regional economic restructuring and economic globalization in the late 1980s and early 1990s, Taiwan experienced a transition from a long-standing net transfer of native labor into both the northern and southern regions of the island to a unidirectional net transfer into northern metropolitan areas.4

Given that these areas served as the main destination for both internal migrants and foreign laborers, it was not surprising to see anti-immigration sentiments from native blue collar workers. Research suggests that the immigration of low-skilled foreign laborers had a dramatic impact on employment levels in Taiwan’s domestic labor

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market. Yet the observed “flight” of native workers from areas with a high concentration of immigrants was not mainly triggered by immigration; instead, it was primarily the result of the impact of immigration on in-migration, which outweighed the corresponding negative impact in terms of the out-migration of native labor.

**CONTEMPORARY LABOR MIGRATION BETWEEN TAIWAN AND SOUTHEAST ASIAN COUNTRIES**

Despite anti-immigration sentiments among blue collar workers before 2005, foreign laborers from Southeast Asian countries continue to grow in number, rising from approximately 300,000 in 2001 to 660,000 in 2017. The main countries of origin are Indonesia, the Philippines, Thailand, and Vietnam. In terms of specific sectors, a substantial decline of foreign laborers from Thailand (61,000) has been observed in the industrial sector, while there have been salient increases of laborers from Vietnam (175,000) and the Philippines (115,000), mainly in the fishing and traditional manufacturing industries. Foreign contract labor in the service sector is largely dominated by workers from Indonesia (189,000), who are mostly employed as domestic servants and nurses, but a significant number of workers also come from the Philippines (31,000) and Vietnam (27,000).

Finally, it is worth highlighting that the volume of foreign laborers in the fishing industry has grown from only 3,000 in 2001 to 12,000 in 2017. If overseas employment by Taiwanese fishing companies is taken into account, the total number of foreign workers increases to about 25,000.

Factors contributing to the continuing growth of foreign labor from Southeast Asian countries are complex. One important factor that has long been overlooked is the effect of the decree of the Labor Contract Law in China in 2008. Because this law increases production costs in China substantially, Taiwan’s investment of capital and human resource has partly been redirected to Southeast Asian countries. One outcome of this trend is growing linkages between Taiwan and Southeast Asia in terms of the flow of both capital and human resources.

**PUBLIC ATTITUDES TOWARD FOREIGN LABOR AND TAIWAN’S CHANGING INTERNATIONAL MIGRATION POLICY**

In terms of immigration policy, the government seeks to change regulations to encourage immigration of talent into Taiwan. In response to the island’s declining population base, it may consider offering permanent residency to low-skilled contract foreign workers who have stayed in Taiwan for a long time (e.g., at least fifteen years). Granting permanent residency would not only promote integration but also intensify various ties with Southeast Asia. In terms of emigration policy, the government seeks to discourage out-migration of youth by removing barriers to social mobility and improving working conditions.

The new immigration policy is controversial. One of the main issues of debate is whether Taiwan should offer permanent residency and citizenship.

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6 Lin, “Are Native ‘Flights’ from Immigration ‘Port of Entry’ Pushed by Immigrants?”


8 “Foreign Workers in Productive Industries and Social Welfare by Various Type.”

to senior low-skilled foreign contract workers from Southeast Asian countries. In addition to traditional employment issues, the debate encompasses social, cultural, and human rights issues. Given that Taiwan is now more socially and culturally pluralistic, ordinary people generally have become tolerant of those who were not acceptable two decades ago, like the LGBT movement. Thus, the ordinary citizen would likely accept policies offering permanent residency and citizenship to senior low-skilled foreign workers. The government has changed many regulations on foreign labor to improve working conditions and emphasize human rights—for example, by allowing foreign laborers to enroll in the national health insurance and national pension systems.

Factors accounting for the aforementioned changes, as well as possible future changes, are as follows:

- **Foreign laborers’ shifting identification from their homeland to Taiwan.** Because the length of time that Taiwan's domestic labor market has been open to foreign labor is now around three decades, it is not surprising to see that many foreign laborers who have been working in Taiwan for a long time have shifted their identity or reference group from their homeland to Taiwan.\(^\text{10}\) As a result, foreign laborers increasingly call for (1) permanent residency and citizenship, (2) working conditions that are the same as those of native laborers, (3) the right to job mobility and thus to internal migration within Taiwan, (4) the right of family reunion, and (5) the right to enroll in the national health insurance and pension systems.

- **The changing attitudes of ordinary citizens of Taiwan toward foreign labor.** Contemporary Taiwanese society and culture are highly diverse and pluralistic. Ordinary people, particularly the younger generation, have changed their attitudes about foreign labor. These changes in attitudes include (1) perceiving foreign workers as companions rather than competitors, (2) expressing appreciation rather than hostility for their contributions, and (3) acknowledging the value of low-skilled human capital.

- **The government’s changing international migration policy.** The Democratic Progressive Party’s landslide victory in the 2016 presidential election and the public’s eagerness for change are important factors in the reform of Taiwan’s migration policy. Concrete reasons accounting for potential policy changes include (1) the consideration of risk aversion and diversification in terms of foreign investments, (2) a desire to strengthen various linkages with Southeast Asian countries in the absence of formal diplomatic relationships, and (3) the need to mitigate the negative effect of labor shortages due to persistently low fertility levels.

The main reason that has triggered the Taiwan government to consider changing its international migration policy is declining population growth. The country’s rate of population growth began declining in the early 1990s. It is now projected that Taiwan’s total population size will start declining in a few years, and that this trend will accelerate over the next two decades.\(^\text{11}\) Factors accounting for population decline in the near future are as follows: (1) low fertility rates, (2) an aging population, and (3) a smaller working-age population.\(^\text{12}\) In order to maintain the country’s economic vitality and social stability, the government has been urged to consider opening its labor market to foreign workers.\(^\text{13}\)

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(2) growing emigration of the native-born population, and (3) stagnation in the immigration population. Because it would take decades to reverse these trends by increasing the birth rate, changes in international migration policy, including immigration, are needed in the short term. Serving as the most important source of foreign labor, immigration from Southeast Asian countries should thus be a priority of Taiwan’s international migration and foreign investment policies. 

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Throughout the 2016 presidential campaign in Taiwan, the economy’s overdependence on mainland China was a topic of much debate, with Tsai Ing-wen heavily criticizing the Ma administration. Soon after her victory, President Tsai launched the New Southbound Policy in September 2016 in hopes of reducing this dependence. Southeast Asia serves as an ideal alternative given that it is geographically proximate and economically complementary to Taiwan. However, penetrating into the region’s markets could be challenging as well. So far, Taiwan has been largely left out from the existing regional free trade architecture in the Asia-Pacific, except for free trade agreements (FTAs) with Singapore and New Zealand—and of course only the former is a member of the Association of Southeast Asian Nations (ASEAN).

With cross-strait relations becoming even more tense, and given the overwhelming influence of China in the region, Taiwan’s efforts to conclude free trade pacts with Southeast Asian countries will likely encounter a bumpy road ahead. Bearing these factors in mind, this essay evaluates the economic performance of the New Southbound Policy during its first year.

**TAIWAN’S INVESTMENT AND TRADE WITH SOUTHEAST ASIA**

Before assessing the New Southbound Policy, it is important to have a grasp of the structure of investment and trade between Taiwan and Southeast Asia. Traditionally, manufacturing has taken the lion’s share of Taiwan’s investment in the region, but in recent years the service sector leads the southbound capital flows. As Table 1 in the Appendix demonstrates, for most of the period between 2010 and 2016 the financial sector was the most active.
area of investment in Southeast Asian countries, accounting for approximately 30% of total investment volume. In addition, the merchandise wholesale and the air transportation services were among the top five categories of investment activity in 2016.

Table 2 shows Taiwan’s trade in goods with ASEAN countries between 2010 and 2016, which was mainly in electronics, machineries, and mineral fuels. The three categories all together occupied over 60% of two-way trade. More specifically, imports of electronics from ASEAN to Taiwan have been stable, constituting around 29.5%–34.1% in total volume. However, electronics exports witnessed a steady increase from 35.7% to 43.2% from 2010 to 2016. In mineral fuels, both imports and exports experienced a noticeable decrease. Taiwan’s imports from Southeast Asia fell from 29.0% in 2011 to 16.7% in 2016 and exports declined from 22.0% in 2012 to 12.7% in 2016.

The above discussion paints a broad picture of the economic exchanges between Taiwan and the Southeast Asia countries. To examine the pattern more closely, the data seems to suggest that if Taiwan’s investment strategy is aimed at increasing trade, it has not had a discernible effect on the structure and volume of trade. Given that recent investment consistently concentrates on financial holdings and banking but does not have a significant pull effect on exports of electronics, this pattern seems to indicate a positive result of the tariff-free scheme Taiwan enjoys under the auspices of the Information Technology Agreement. In addition, despite the large amount of investment in the iron and steel industry, exports of iron and steel have actually decreased from 7.0% in 2010 to 4.4% in 2016. Similarly, exports of plastic products remain stagnant even as capital flow in this sector from Taiwan to Southeast Asia has increased.

In sum, the outlook for investment in Southeast Asia is rosy, while trade between Taiwan and the region is declining and disconnected with investment.

THE NEW SOUTHBOUND POLICY

The top priority of the New Southbound Policy is to revive and revamp economic relations between Taiwan and its Southeast Asian neighbors. By furthering economic cooperation, the Tsai administration aims to “realign Taiwan’s role in Asian development, seek new directions and momentum for the country’s new stage of economic development, and create future value,” as stated in the implementation plan of the New Southbound Policy, published in September 2016. Through expanding trade and investment, Taiwan hopes to reverse the trend of overreliance on the Chinese market and to rejuvenate its own economy. Meanwhile, the policy also emphasizes the importance of the mutual benefits of conducting economic exchanges with Southeast Asian countries.

To encourage Taiwanese entrepreneurs to look southward, the New Southbound Policy adopts two specific measures: expanding business opportunities and enhancing access to capital. In order to expand business opportunities, the government plans to create platforms that combine Taiwanese firms and local production capacity in order to seize market opportunities in Southeast Asia. The implementation plan establishes a variety of channels to strengthen the participation of Taiwanese firms in the cross-border production chain. These include a buyers’ alliance for machinery products and an exporters’ alliance for system integration services in information and communications technology,
engineering, digital surveillance, and green energy, as well as a new company in agricultural promotion. Furthermore, the plan intends to establish “Taiwan desks,” or single-window resource centers, in ASEAN countries to help cluster Taiwanese investors in targeted countries.

The plan specifies three ways to enhance access to capital. First, it expands the capital of the Export-Import Bank of the Republic of China (ROC) and sets up special loans for Taiwanese enterprises aiming for exporting of turnkey projects, system services, and public construction to the overseas markets. Second, the plan strengthens the Overseas Credit Guarantee Fund. Finally, it increases branches of Taiwanese banks in the target countries.

To further integrate Taiwan with Southeast Asian countries, the implementation plan for the New Southbound Policy prioritizes new bilateral investment agreements and updates existing ones. Naturally, the next step would be to revise double taxation avoidance agreements and comprehensive economic cooperation agreements in order to reduce the tax burden of Taiwanese investors and lower tariff costs for Taiwanese exporters in the regional markets. This is an area that should be prioritized, given that Taiwan’s main economic competitors have much better access to the Southeast Asian market either as FTA partners with or as members of ASEAN.

ASSessment of the New Southbound Policy

Through officially sanctioned platforms, the government is hoping to encourage private companies to internalize cross-border transactions to overcome tariff disadvantages when their competitors enjoy preferential status due to FTAs. As of the first half of 2017, this effort still fell short of expectations. Within a variety of platforms that the government plans to build, only a marketing alliance for machinery had been set up and touted by the government as a policy success as of May 2017. While no further details were released, a marketing alliance is not really a buyers’ alliance that operates better to internalize the arm’s-length transaction. So far the government continues to rely on state-owned enterprises as its major policy instrument. As of May 2017, there were 31 projects brought into ASEAN by these enterprises. A high-profile example is the expanded funding resources put in place by the government through the Export-Import Bank of the ROC and three major credit guarantee funds—the Small and Medium Enterprise Credit Guarantee Fund of Taiwan, Overseas Credit Guarantee Fund, and Agricultural Credit Guarantee Fund. The Small and Medium Enterprise Credit Guarantee Fund of Taiwan will gradually increase its capital to US$1.1 billion by 2018 and the Agricultural Credit Guarantee Fund has provided a total of US$1.6 billion.

No matter which policy tools the government uses, the critical issue is whether the New Southbound Policy has significantly integrated Taiwan with Southeast Asia, boosted the country’s domestic production, and reduced its overdependence on mainland China. There are two benchmarks against which the economic integration between Taiwan and

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3 Internalizing cross-border transactions means to turn an inter-firm transaction into an intra-firm one so that the adverse impact of tariffs can be reduced.


5 These companies include Taiwan Sugar, Taiwan Fertilizer, Taiyen Biotech, Chunghwa Telecom, CPC Corporation (a petroleum refiner), CSBC Corporation (a shipbuilder), and China Steel Corporation.

6 Executive Yuan (Taiwan), “New Southbound Policy Paying Early Dividends.”
Southeast Asia can be measured. One is the extent to which Taiwan’s investment is drawn away from mainland China toward Southeast Asia (see Table 3), and the other is the volume of exports from Taiwan to Southeast Asia (see Table 4).

First, with regard to efforts to redirect investment from mainland China toward Southeast Asia, the investment by Taiwanese companies in seven ASEAN countries (Cambodia, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam) reached a record US$3.45 billion in 2016. Although investment in China (US$9.10 billion) is still almost three times as large, the gap narrowed. In 2015, Taiwan’s investment in China (US$10.39 billion) was nearly four times the size of investment in the aforementioned ASEAN-7 countries (US$2.62 billion).

In the first half of 2017, Taiwan’s investment in Southeast Asian countries continued to grow. In the period between January and August 2017, its investment in six ASEAN countries (Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam) totaled US$2.1 billion, whereas its investment in mainland China totaled US$6 billion. During this same period in 2016, Taiwan’s investment in the ASEAN-6 countries was US$1 billion, whereas its investment in mainland China was US$6.4 billion. In other words, the effect of investment diversion has been quite significant.

Second, with regard to trade performance, Taiwan’s exports to ASEAN as a whole reached only US$59.14 billion in 2016, lower than each year from 2011 to 2015. In terms of market share, Taiwan’s exports to ASEAN countries accounted for a lower percentage of the region’s imports in 2016 (5.4%) than in any year since 2012. Even in terms of Taiwan’s exports to ASEAN countries as a proportion of its total exports, 2016 saw a slight decline to 21.1% from 22.1% in 2015.

Between January and July 2017, Taiwan’s exports to ASEAN countries rose, achieving a year-on-year growth rate of 14.6%. However, their share of Taiwan’s total exports declined to 18.8%. Over the same period, Taiwan’s exports to mainland China grew by 21.2% and their share of total exports reached 27.0%, higher than in the first half of 2016 (25.0%) and 2015 (25.6%).

CONCLUSION

The discussion above illustrates that increasing economic ties between Taiwan and Southeast Asia are more visible in outbound investment than in exports. The policy tools adopted by the government could be instrumental in facilitating diversification of Taiwan’s investment away from mainland China and toward Southeast Asia. However, it might be more accurate to argue that the redirection is the continuation of a trend that began several years ago. The more critical aspect of the issue is the unsatisfactory growth in exports, which such investment was supposed to generate. This could be interpreted as part of a consistent pattern where investment by Taiwanese firms in Southeast Asia is disconnected from production in Taiwan.

Indeed, the International Trade Centre’s statistics show that the volume of ASEAN countries’ imports from the world declined significantly in 2015 and did not return to pre-2015 levels in 2016. This might be the effect of increasing intraregional trade among ASEAN countries after the formation of a single market under the ASEAN Economic Community. Both cases indicate an urgency for Taiwan to negotiate economic cooperation agreements with ASEAN countries. Despite all sorts of difficulties, Taiwan’s

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recent conclusion of an investment protection agreement with the Philippines in December 2017 is a positive sign. Unsurprisingly, China expressed grave concern over the agreement. This just adds one more piece of evidence that political barriers will continue to be the main constraints on Taiwan’s efforts to expand and deepen its external trade engagement with Southeast Asia. ✐

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Gratiana Jung is a senior political researcher at the Yuanta-Polaris Research Institute in Taiwan.

Note: The views in this essay are the authors’ own and do not reflect the position of any organization with which they are affiliated.
# APPENDIX

## TABLE 1 Taiwan’s outward investment to ASEAN countries by industry (2010–16)

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>1</td>
<td>Financial holding</td>
<td>Financial holding</td>
<td>Financial holding</td>
<td>Casting of iron and steel</td>
<td>Casting of iron and steel</td>
<td>Banking</td>
<td>Wholesale of general merchandise</td>
</tr>
<tr>
<td>2</td>
<td>Manufacture of ceramic sanitary fixtures</td>
<td>Casting of iron and steel</td>
<td>Casting of iron and steel</td>
<td>Manufacture of liquid crystal panel and components</td>
<td>Manufacture of other plastic products</td>
<td>Casting of iron and steel</td>
<td>Manufacture of other electronic parts and components not elsewhere classified</td>
</tr>
<tr>
<td>3</td>
<td>Manufacture of other fabricated metal products not elsewhere classified</td>
<td>Electronic tubes manufacturing</td>
<td>Service activities incidental to air transportation</td>
<td>Banking</td>
<td>Manufacture of man-made fibers</td>
<td>Manufacture of other optoelectronic materials and components</td>
<td>Service activities incidental to air transportation</td>
</tr>
<tr>
<td>4</td>
<td>Manufacture of man-made fibers</td>
<td>Wholesale of electronic equipment and parts</td>
<td>Manufacture of liquid crystal panel and components</td>
<td>Smelting and refining of iron and steel</td>
<td>Banking</td>
<td>Other securities</td>
<td>Banking</td>
</tr>
<tr>
<td>5</td>
<td>Wholesale of other specialized wholesale not elsewhere classified</td>
<td>Banking</td>
<td>Manufacture of petrochemicals</td>
<td>Manufacture of other plastic products</td>
<td>Manufacture of liquid crystal panel and components</td>
<td>Manufacture of tires</td>
<td>Manufacture of synthetic resin and plastic materials</td>
</tr>
</tbody>
</table>

**Source:** Ministry of Economic Affairs (Taiwan), Department of Investment Services.
Table 2  Trade with the ASEAN countries by industry (2010–16, %)

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Electronic</td>
<td>33.2</td>
<td>29.5</td>
<td>30.5</td>
<td>30.4</td>
<td>29.7</td>
<td>32.1</td>
<td>34.1</td>
</tr>
<tr>
<td>Mineral fuels</td>
<td>24.9</td>
<td>29.0</td>
<td>27.5</td>
<td>27.9</td>
<td>26.8</td>
<td>18.9</td>
<td>16.7</td>
</tr>
<tr>
<td>Machinery</td>
<td>7.7</td>
<td>7.1</td>
<td>8.4</td>
<td>27.5</td>
<td>9.5</td>
<td>10.9</td>
<td>13.6</td>
</tr>
<tr>
<td>Iron and steel</td>
<td>1.2</td>
<td>1.1</td>
<td>0.9</td>
<td>0.9</td>
<td>1.2</td>
<td>0.8</td>
<td>0.9</td>
</tr>
<tr>
<td>Plastics</td>
<td>2.0</td>
<td>2.2</td>
<td>2.3</td>
<td>2.2</td>
<td>2.2</td>
<td>2.1</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Source: Ministry of Economic Affairs (Taiwan), Customs Administration.

Table 3  Taiwan’s investment in ASEAN and mainland China (2010–16, US$ billions)

<table>
<thead>
<tr>
<th>Year</th>
<th>ASEAN-7</th>
<th>Mainland China</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Projects</td>
<td>Volume</td>
</tr>
<tr>
<td>2010</td>
<td>294</td>
<td>1.97</td>
</tr>
<tr>
<td>2011</td>
<td>259</td>
<td>1.88</td>
</tr>
<tr>
<td>2012</td>
<td>253</td>
<td>5.93</td>
</tr>
<tr>
<td>2013</td>
<td>286</td>
<td>1.40</td>
</tr>
<tr>
<td>2014</td>
<td>342</td>
<td>1.15</td>
</tr>
<tr>
<td>2015</td>
<td>568</td>
<td>2.62</td>
</tr>
<tr>
<td>2016</td>
<td>805</td>
<td>3.45</td>
</tr>
</tbody>
</table>

Source: Ministry of Economic Affairs (Taiwan), Department of Investment Services.

Note: The ASEAN-7 includes Cambodia, Indonesia, Malaysia, the Philippines, Singapore, Thailand, and Vietnam.
### Table 4  Trade between ASEAN and Taiwan (2009–16)

<table>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>ASEAN imports from Taiwan (US$ billions)</strong></td>
<td>35.63</td>
<td>48.65</td>
<td>60.10</td>
<td>60.57</td>
<td>66.18</td>
<td>68.17</td>
<td>61.82</td>
<td>59.14</td>
</tr>
<tr>
<td><strong>ASEAN imports from Taiwan as a % of ASEAN imports from the world</strong></td>
<td>5.0%</td>
<td>5.1%</td>
<td>5.4%</td>
<td>5.0%</td>
<td>5.4%</td>
<td>5.6%</td>
<td>5.8%</td>
<td>5.4%</td>
</tr>
<tr>
<td><strong>Taiwan’s exports to ASEAN as a % of Taiwan’s exports to the world</strong></td>
<td>17.5%</td>
<td>17.7%</td>
<td>19.9%</td>
<td>20.1%</td>
<td>21.7%</td>
<td>21.8%</td>
<td>22.1%</td>
<td>21.1%</td>
</tr>
</tbody>
</table>


Banner Photo: CC by Tsaiian
Almost all the large-scale religious organizations headquartered in Taiwan, such as the Tzu Chi Foundation and Fo Guang Shan, have branches in Southeast Asia and maintain regular communication and visits. These religious ties have given rise to regional and transnational networks that are part of a global network that goes beyond the countries with which Taiwan has formal diplomatic ties. Such trust networks are active in local civic engagement in the region and have even facilitated the transnational delivery of disaster relief. They thus can be a model for expanding Taiwan’s relations with Southeast Asia through people-to-people communication and cultural exchange and can help build Taiwan’s reputation in the region as a soft power. This brief will begin with a description of the new forms of religious ties and of the trends behind them. It then offers a case study of the Buddhist Tzu Chi Foundation to illustrate two distinct models of forming religious ties—post-disaster construction and social capital. The brief concludes by examining the policy implications of each model.

NEW FORMS OF RELIGIOUS TIES

Up to the 1980s, the older forms of religious ties between Taiwan and Southeast Asia mostly moved from Southeast Asia to Taiwan. For example, Dejiao Hui (Moral Uplifting Society), a lay charity group that was originally founded in China and spread to Southeast Asia, came to Taiwan from Thailand, Malaysia, and Singapore. In addition, monks and nuns regularly traveled between Buddhist monasteries in Southeast Asia and Taiwan. In sum, the older forms of religious ties are either centered on the Chinese diaspora or focused on monastic life, relying on

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itinerant individuals. They have, in a nutshell, relatively limited social impact beyond the realm of religion.

By comparison, since the late 1980s, the newer forms of religious ties have tended to spread from Taiwan to Southeast Asia. They primarily involve groups of lay followers facilitated by multimedia communication and frequent organized tours. In contrast with the older forms of religious ties focused on traditional rituals and sermons, the newer forms emphasize social engagement in daily life beyond the monasteries or temples (such as through sorting garbage for recycling, regular volunteering, and working at weekend bazaars or adult-learning centers) and help create a social network embedded in both Taiwan and Southeast Asia. These new forms of religious ties involve two overlapping approaches of Taiwan-originated groups: proselytizing and relief. Proselytizing refers to recruiting local believers and practitioners in Southeast Asia. Relief refers to the delivery of goods and services in local communities.

TRENDS BEHIND PRESENT TIES

The new forms of religious ties are a result of two ongoing trends. The first is the global expansion of religious, especially Buddhist, groups based in Taiwan. The second trend is the rise of neoliberalism in Southeast Asia—in the sense that the state is playing a smaller role in social welfare as social groups, including religious ones, becomes more active.

Regarding the first trend, Taiwan’s religious renaissance since the late 1980s features a particular form of Buddhism, one that involves a modern organization with socially engaged programs and has a propensity for transnational networks of religious philanthropy, with an overseas development that overlaps with the Chinese diaspora. Three groups are often considered the major conduits of global expansion: the Buddhist Compassion Relief Tzu Chi Foundation, Fo Guang Shan (Buddha Light Mountain), and Fagu Shan (Dharma Drum Mountain).

These three organizations have several characteristics in common. First, all three have charismatic leadership and are transnational organizations. Second, they all are socially engaged and exemplify humanistic Buddhism (renjian fojiao, or Buddhism for the human world) with an emphasis on humanitarianism and education. Third, the three groups are similar in the timing, scale, and ethnic constituency (namely, Han Chinese) of their global development outside Taiwan.

The second trend behind the new religious ties is neoliberalism in Southeast Asia. In Malaysia, for example, since the 1980s, both old and new religious institutions have become increasingly socially engaged and expanded their role in the public sphere beyond religious services. More importantly, neoliberalism entails a new ideology of individualism that promotes greater participation in civic life. Elsewhere, I have proposed to call this new sense of selfhood “civic selving.” One related trend is the growing prominence of volunteers, in lieu of worshippers, in religious groups. In consort with the work of NGOs, this civic selving opens up a new field for religious practice. More specifically, the neoliberalism expressed in the organized efforts of civic-minded individuals has directly influenced the new religious ties between Taiwan and Southeast Asia by extending religious practice to secular sectors and thus increasing its social impact.

TZU CHI: POST-DISASTER CONSTRUCTION AND SOCIAL CAPITAL

The Buddhist Compassion Relief Tzu Chi Foundation, a lay organization under monastic leadership that focuses on charity, exemplifies the two new forms of religious ties between Taiwan and Southeast Asia: proselyting and relief. Founded in Taiwan in 1966, Tzu Chi is perhaps the largest Chinese Buddhist charity in the world. It claims 10 million members worldwide, with branches in over 40 countries. In Southeast Asia, Tzu Chi has branches in Borneo, Cambodia, Indonesia, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam. The organization has also been successful in recruiting members beyond the Taiwanese and Chinese diaspora. Its development has followed two models.

Post-disaster construction model. The development of Tzu Chi in Indonesia is primarily in the form of relief. Tzu Chi completed three housing settlements, called the Great Love Villages (Da'ai Cun) on the island of Sumatra at Panteriek (a suburb of Banda Aceh), Neuheun (on the outskirts of Banda Aceh), and Meulaboh (250 kilometers southeast of Banda Aceh). Tzu Chi was one of the first organizations to respond to the earthquake and tsunami in 2004 and has maintained years of large-scale relief programs in Indonesia. In 2004 alone, it built 700 houses in Panteriek, 2,000 in Neuheun, and 1,000 in Meulaboh. In each location, Tzu Chi also constructed schools, medical centers, and community buildings. With infrastructure services like water, power, and sewerage, plus roadways and drainage, these projects were significant undertakings.

The Great Love Villages project has gained local recognition in Indonesia. Most significantly, in a Muslim-majority society with a history of religious and ethnic conflict, Tzu Chi, as a Buddhist group with a high ethnic-Chinese constituency, was able to maneuver around ethnic and religious politics and deliver relief in a sustainable way. The project successfully combined Tzu Chi’s experience in international relief and local Chinese entrepreneurship. Local acceptance led to the organization’s rapid growth in Indonesia, and hence to extended social engagement from local Chinese elite.

Some critics contend that the construction process, especially the house design and the distribution of benefits, could be more inclusive for locals. Nevertheless, the model has opened up a vast horizon for the expansion of religious ties between Taiwan and Southeast Asia.

Social capital model. The development of Tzu Chi in Malaysia provides a second model for new religious ties that combines both relief and proselytizing. Malaysia is home to one of Tzu Chi’s largest overseas branches in terms of the number of local chapters. The majority of the group’s Malaysian members are local ethnic Han rather than Taiwanese immigrants. The local ethnic-Han followers became members through existing Buddhist networks, such as neighborhood study groups, extracurricular activities at colleges and universities, sutra or scripture chanting classes and dharma events at popular temples, and a variety of Buddhist associations, such as the politically active

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3 The funding for the first phase of the Great Love Villages project is allegedly $10,000,000, with a budget of $300,000 for maintenance. “Guo Zai Yuan” [The Profile of Mr. Zaiyuan Guo], in Baidu Baike [The Encyclopedia of Baidu], October 29, 2017, https://baike.baidu.com/item/%E9%83%AD%E5%86%8D%E6%B5%B7/90.


5 O’Brien et al., “A Duty of Care.”

Young Buddhist Association of Malaysia. These sources are important to the current discussion because they are the backbones of the associative life for the local Han Chinese population. In particular, Buddhist study groups and political groups such as the Young Buddhist Association of Malaysia are important incubators for Chinese elite who play a leadership role in local and national politics, the independent Chinese-language school system, and Chinese-language newspapers.

In other words, Tzu Chi in Malaysia has developed beyond local Chinese civil society by building on existing networks. It is similar to a parachurch network—a system of links and ties among churches, congregations, and religious organizations, usually of the same denomination—and functions as a virtual platform and communication system rather than as one specific church or organization. In terms of scale, endowment, and human resources, Tzu Chi is able to conduct local and international outreach at the same time by virtue of its characteristics as a parachurch network. However, the relations between Tzu Chi Malaysia and local Buddhist networks are not formal, and the organization is still vertically linked to its headquarters in Taiwan.

In addition, my fieldwork found that local followers are consistently nonpolitical or apolitical. These attributes suggest that the latent social capital manifest in Tzu Chi is more Buddhist than political from the outset. The organization’s apolitical identity and the provision of facilities to the public allow Tzu Chi Malaysia, even with a high-profile Chinese constituency, to escape the ethnic enclave and pursue multiethnic and community-based civic engagement. Such benign nonpolitical engagement, in turn, invites the disadvantaged who have shunned formal politics out of fear of ethnic conflict to take the first step into the public arena and move one step closer to participating in democracy.

POLICY IMPLICATIONS

These two new forms of religious ties have different policy implications. Relief, especially under the post-disaster construction model, demonstrates the soft power of charity and humanitarianism beyond diplomatic ties and across religious boundaries. However, this approach needs to encourage more local involvement, especially in the procurement of materials and design of housing, and distribution of benefits. Greater local involvement could provide an advantage by helping groups enter communities and further forging ties between Taiwan and Southeast Asia.

Proselytizing has the advantage of embedding religious ties in existing local networks. The example of Tzu Chi Malaysia shows the possibility of establishing a parachurch mobilizing system with a direct link to Taiwan and of converting nonpolitical locals into civic engagement. Combining both relief and proselytizing thus creates locally embedded, and hence sustaining, religious ties between Taiwan and Southeast Asia.

This model would provide a distinctive people-to-people platform for the New Southbound Policy. First, it would enable the policy to expand its local influence by incorporating the relationships already established through religious ties. Taiwan’s religious organizations have built solid reputations and vast networks through the delivery of disaster relief, which could help the New Southbound Policy get a foot in the door in Southeast Asia. The Tzu Chi Foundation could thus serve as a model for collaboration with
local Han Chinese elite and interaction with local society and government.

Second, the social capital accumulated through the proselytizing approach is a valuable resource for the New Southbound Policy to enter directly into the everyday life of civil society. One possibility is to disseminate, and hence promote, Taiwan’s highly developed Han Chinese cultural heritage through modern and cosmopolitan cultural goods and media that strongly appeal to the local Chinese population, especially younger and well-educated people who are the current and future local leaders. By extending its influence directly to the next generation, the New Southbound Policy will improve the future outlook for Taiwan’s relations with Southeast Asia. 

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Taiwan has long-standing and close relations with Southeast Asian countries. In May 2016, the government of President Tsai Ing-wen introduced a string of measures known as the New Southbound Policy in order to promote greater cooperation between Taiwan and Southeast Asia. This came amid an arbitration case that the Philippines had brought against China over issues in the South China Sea. After the arbitral tribunal’s ruling on the case on July 12, 2016, did not support Taiwan’s right to claim an exclusive economic zone (EEZ) around Taiping Island, the Tsai government stated that “the Republic of China (ROC) government does not accept any decisions that undermine the rights of the ROC, and declares that they have no legally binding force on the ROC.” The beginning of this statement reads, “The tribunal at the Permanent Court of Arbitration (PCA) has rendered its award in the arbitration brought by the Philippines under the UN Convention on the Law of the Sea (UNCLOS).” This means that the Tsai government does not deny the legitimacy or value of the arbitral tribunal based on UNCLOS.

Although Taiwan is not a contracting party to UNCLOS, the government reiterated one week later, on July 19, that it claims its rights in the South China Sea based on international law and UNCLOS and that disputes are to be resolved accordingly. An in-depth discussion of the Tsai government’s stance on the South China Sea will make it possible to understand how the maritime disputes that crop up as Taiwan promotes its New Southbound Policy could foster relations between Taiwan and Southeast Asian countries. This brief explains how the Tsai government’s maritime claims are different from China’s and will create a positive atmosphere to promote the New Southbound Policy. From controlling maritime risks to improving the treatment of fishery workers and encouraging greater
collaboration within the fishing industry, Taiwan and Southeast Asian countries can take a range of actions to enhance their relations to achieve mutual benefits.

TAIWAN’S MARITIME CLAIMS DIFFER FROM CHINA’S

Although Taiwan still stakes territorial claims to features in the South China Sea, it has begun to gradually set itself apart from China in asserting its maritime rights. While China has not yet declared that it will renounce its claim to historic rights in the South China Sea, Tsai’s reference to UNCLOS means that Taiwan has shifted to adopting the South China Sea islands and their relevant waters based on international law instead of claiming historic rights. Based on UNCLOS, the relevant waters are the territorial sea, the contiguous zone, the exclusive economic zone, and the continental shelf of an island determined in accordance with the provisions of UNCLOS applicable to other land territory, not claimed historic rights in the whole South China Sea. Article 4 of the ROC constitution, which took effect on December 25, 1947, states that “the territory of the Republic of China according to its existing national boundaries shall not be altered except by resolution of the National Assembly.”1 According to the constitution, beyond the territorial sea are high seas based on the intertemporal law. Thus, if Taiwan wants to claim an EEZ in these waters, its position should be based on UNCLOS rather than the ROC constitution when China insists that its rights are based on historical discourses.

Moreover, Beijing and Taipei also take a different approach toward administering the Spratly Islands. Just as the international community called into question China’s land reclamation activities on seven reefs in the island chain, the Tsai administration declared that it wants to turn Taiping Island into a humanitarian relief location and hub for scientific research and manage the Spratly Islands based on universal values, thus preserving room for cooperation with other countries. This statement reinforces the differences between Taiwan and China on the South China Sea disputes and creates a positive atmosphere for cooperation on the New Southbound Policy with countries in Southeast Asia.

USING BILATERAL MECHANISMS TO CONTROL MARITIME RISKS

In May 2013, the Taiwanese fishing boat, Guang Da Xing No. 28, operated in the overlapping EEZs of Taiwan and the Philippines. The Philippine Coast Guard wanted to arrest the fishing boat due to illegal fishing in the Philippines’ EEZ, but fishermen insisted they were operating in Taiwan’s EEZ. During the altercation, one fisherman of Guang Da Xing No. 28 was shot to death by the Philippine Coast Guard vessel.2 Taiwan’s government adopted some punitive measures, such as a complete ban on the migration of Filipino labor into Taiwan, to force the Philippines to apologize for this incident, and then the fishery talks began. Finally, the incident led to the signing of the bilateral Agreement Concerning the Facilitation of Cooperation on Law Enforcement in Fisheries Matters and, pursuant to the agreement, the establishment of a bilateral technical working group that meets once a year. While it is impossible for Taiwan and Southeast Asian countries to completely

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1 The main text of the constitution of the Republic of China (Taiwan) is available at http://english.president.gov.tw/Page/94.

avoid fishery disputes, the bilateral law-enforcement agreement provides guidelines for preventing the escalation of disputes.

In addition to the bilateral agreement, talks held by the working group facilitate communication. When necessary, it can become a hotline and a mechanism for controlling maritime risks. Although Taiwan does not have diplomatic relations with Southeast Asian countries and cannot participate in the multilateral negotiation mechanisms for the Code of Conduct in the South China Sea, a bilateral mechanism to control maritime risks could be established between Taiwan and these countries—modeled after the approach between Taiwan and the Philippines—to make up for this inability to participate in multilateral mechanisms.

MEASURES TO IMPROVE THE TREATMENT OF SOUTHEAST ASIAN FISHERY WORKERS

Since the number of young Taiwanese who work in the inshore and offshore fishing industries continues to decline, recruiting fishery workers from Southeast Asia to work on fishing boats has become the best choice for vessel owners. Taiwan Fisheries Agency statistics show that Taiwan has hired more than 20,000 Southeast Asian fishermen (hailing mainly from Indonesia, Vietnam, and the Philippines). In recent years, the violation of human rights, poor working conditions, and low remuneration of these migrant workers have drawn concern from both the government and nongovernmental groups.

On January 20, 2017, the Act for Distant Water Fisheries came into force authorizing the Taiwan Fisheries Agency to establish rules managing local brokers and map out measures to protect the welfare and rights of foreign fishery workers employed on fishing boats. One of the provisions of the act requires that local brokers submit contracts with foreign brokers and contracts between foreign brokers and foreign workers to be hired by Taiwan’s employers to the Taiwan authorities. The new law is expected to substantively increase the protection afforded foreign fishery workers by weeding out “unreasonable” clauses in such contracts. The New Southbound Policy aims to put “people” first, and this people-centered approach will become an important yardstick for monitoring how well Taiwan safeguards human rights.

POSSIBILITIES FOR COLLABORATION IN THE FISHING INDUSTRY ON COMMON CHALLENGES

Possessing well-developed aquaculture and marine industry technology, Taiwan has become a sought-after counterpart for Southeast Asian countries. Due to a marked increase in demand for fishery resources from South China Sea rim nations, these waters face a shortage of resources. Statistics from the Food and Agriculture Organization of the United Nations show that the South China Sea is already overfished annually. In 2014, the region’s major fishing nations were China (17.1 million metric tons of fish, crustaceans, and mollusks), Indonesia

3 On May 7, 2016, Vietnamese fishing vessels operated in waters east and northeast of the Pratas Islands at a latitude of roughly 21 degrees north and a longitude of about 119 degrees east. Taiwan’s fishermen want the Taiwan Coast Guard Administration to make the South China Sea the priority area for protection. See “Vietnamese Fishing Boats Accused of Encroaching on Taiwan Waters,” Central News Agency, May 9, 2016, available at https://www.taiwannews.com.tw/en/news/2920681.


5 The full text of the Act for Distant Water Fisheries is available at https://www.la.gov.tw/en/LegalsActs/content.aspx?id=5&chk=ba23e604-1d7f-40fd-8d125f16001d&param=-.
(6.4 million metric tons), Vietnam (2.9 million metric tons), the Philippines (2.4 million metric tons), and Malaysia (1.5 million metric tons), followed by Taiwan (1 million metric tons) and Brunei (3,100 metric tons). Given that Taiwan can provide sources of protein from its aquaculture farms in the southern part of the island (e.g., fish, prawns, and crab), it could assist Southeast Asian countries with aquaculture investment and technology transfer to reduce the destruction of the marine environment in the South China Sea by all claimants and to protect the sustainable development of the ecosystem. When it comes to maritime linkages, Taiwan and Southeast Asia should be in a win-win situation and not locked in vicious competition.

In addition, based on its people-first approach, the New Southbound Policy presents the opportunity for Taiwan’s government and people to show their appreciation for Southeast Asian countries, reversing the negative approach to those countries from years past, especially on maritime issues. Taiwan’s investors have often been accused of destroying the environment. For example, in April 2016, at least 70 tons of dead fish washed ashore in Vietnam. In July 2016, the Formosa Ha Tinh Steel Corporation, a subsidiary of Taiwan’s Formosa Plastics Group, admitted responsibility for the release of chemicals in wastewater during a test run of the plant. According to the Vietnam Ministry of Labor, more than 40,000 workers in Vietnam who rely on fishing and tourism were directly affected, and a quarter of a million people nationwide felt the repercussions of the toxic spill. Vietnam’s state-run media initially pointed the finger of blame at Formosa’s steel plant in central Ha Tinh Province. Taiwan’s lawmakers also urged the Tsai government to investigate the company’s possible role in the mass fish deaths in Vietnam. The lessons from this case are reflected in the New Southbound Policy, which takes into account the rights and needs of local people. Under the initiative, Taiwan and Southeast Asian governments would work together to protect the environment and exchange information to fight unscrupulous businesses. While past damage cannot be undone, Taiwan and Southeast Asian countries can cooperate on recovering the marine ecosystems.

CONCLUSIONS

On maritime issues, Taiwan has a complementary and mutually supportive relationship with Southeast Asian nations, be it regarding claims to maritime interests, law enforcement at sea, the maritime workforce, or collaboration in the fishing industry. Although Taiwan does not have diplomatic relations with these countries and often faces political obstruction from China, it still tries to engage with them and transform maritime risks into opportunities. For example, given that the Indonesian minister of maritime affairs and fisheries Susi Pudjiastuti had Chinese fishing boats blown up and sunk in 2017 as a warning to Chinese fishermen against illegal fishing in Indonesia’s EEZ, Taiwan’s fishing boats try their best not to violate Indonesia’s rights, and the Tsai government urged them to install


a vessel monitoring system to provide both national and international bodies with essential information for ensuring resource management. In the past, many Indonesian workers have helped Taiwan’s fishing companies make money. Taiwan should live up to its regional responsibilities by improving the human rights of all Southeast Asian workers in its fishing industry and protecting the ecosystem of the South China Sea.

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One year after the launch of the “Guidelines for the New Southbound Policy” in August 2016, President Tsai Ing-wen noticeably ramped up rhetoric on the southbound initiative during a string of high-profile speeches, reaffirming her commitments to forging stronger economic and people-to-people ties with the island’s neighbors in Southeast Asia and South Asia, Australia, and New Zealand. Under increasing pressure to present progress on her southbound pivot, Tsai highlighted the significant growth of trade, tourism, and educational linkages between Taiwan and these countries, particularly those in the Association of Southeast Asian Nations (ASEAN), in her National Day address on October 10, 2017, as well as in a speech the following day at the first Track 1.5 Yushan Forum. On October 12, 2017, Tsai reiterated the importance of fostering connectivity with target countries for the New Southbound Policy when she reappointed James Soong to represent her at the recent Asia-Pacific Economic Cooperation (APEC) summit in Da Nang, Vietnam. Amid an ongoing impasse across the Taiwan Strait, Tsai’s remarks sent a clear message that her administration would kick its New Southbound initiative into high gear in the coming year. She deems the policy a panacea for Taiwan to diversify its economy and “to hold a more advantageous position in international society.”

This brief first examines the historical context of Taiwan’s Go South strategies toward Southeast Asia. It then evaluates the people-to-people component of Taiwan–Southeast Asia relations, followed by an analysis of Taiwan’s trade and investment engagement with ASEAN countries. The concluding paragraphs assess the prospects of the New Southbound Policy and its implications for Taiwan’s regional connectivity in the years ahead.
THE EVOLUTION OF TAIWAN’S GO SOUTH STRATEGY

As suggested by the title of the policy agenda, Tsai is not the first president who has explicitly prioritized Southeast Asia in her Asia-Pacific strategy. The previous southbound strategy, the Go South Policy, was initiated by President Lee Teng-hui in 1994 when the new Taiwan dollar was strong and foreign investment was generally profitable. The details for this policy were laid out in the “Guidelines for Strengthening Economic and Trade Ties with Southeast Asia,” later inherited by Presidents Chen Shui-bian and Ma Ying-jeou and implemented in seven different phases. While the earlier southbound approaches under Lee and Chen centered on encouraging Taiwanese manufacturing firms to establish factories in Southeast Asia, Ma’s version began to emphasize the importance of tapping into ASEAN’s burgeoning consumer markets and enhancing educational ties with the region. Despite their differences in focus, they have all stressed the need to promote economic engagement with Southeast Asia to avoid overdependence on Chinese markets and marginalization in regional economic integration.

Although the past two decades of southbound engagement have seen the growth of economic linkages between Taiwan and ASEAN countries, the island’s overseas investments and exports remain largely reliant on the Chinese economy—not least because of the rise of China and the aftershocks of the 1997–98 Asian financial crisis. From January 1991 to October 2017, 59.2% of Taiwan’s accumulated overseas investment went to mainland China, while 4.6% went to Singapore, 3.1% went to Vietnam, and 1.2% went to Thailand. From January 2017 to October 2017, 40.5% of Taiwan’s total exports went to mainland China (27.6%) and Hong Kong (12.9%), while 18.6% went to ASEAN countries. The former figure hovered between 39% and 41% over the past decade, and the latter rose from 14.7% in 2007 to 18.3% in 2016.

That Tsai is eager to put more eggs into ASEAN baskets is not in doubt. The objective is twofold: the first goal is to “bid farewell to our past overreliance on a single market,” and the second is to reap the benefits of the region’s steady GDP growth, young demographics, and promising economic prospects. At issue, however, are the questions of what the “new” elements are under the banner of the New Southbound Policy, and, more crucially, how feasible they are for Taiwan to achieve these goals. While spending no less effort to emphasize economic cooperation than her predecessors have, Tsai directs much more public attention to people-to-people components, particularly in the realms of education and tourism. A large portion of her administration’s budget has been allocated to support educational exchanges. The New Southbound budget skyrocketed by 61.6% from NT$4.45 billion (US$148 million) in 2017 to NT$7.19 billion (US$240 million) for 2018. Of this amount, NT$1.7 billion (US$57 million) would be allocated

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3 In 2002, President Chen publicly said that he would reinvigorate the Go South Policy. President Ma, by contrast, did not highlight the term “go south” so as to avoid implying that Taiwan’s investment and trade should not “go west” to China.

4 The first (1994–96) and the second (1997–99) phases of the guidelines were implemented under Lee. The third (2000–03), the fourth (2004–06), and the fifth (2007–09) phases were formed under Chen. The sixth (2010–12) and the seventh (2014–16) phases were implemented under Ma.

5 Mainland Affairs Council (Taiwan), “Table 10: Taiwan Approved Outward Investment by Country (Area),” Cross-Strait Economic Statistics Monthly, no. 296, December 2017.

6 For the data used for these calculations, see Bureau of Foreign Trade, Ministry of Economic Affairs (Taiwan), Trade Statistics, http://cus93.trade.gov.tw/FSCE000F/FSCE000F.

to the Ministry of Education, NT$2.88 billion (US$96 million) to the Ministry of Economic Affairs, and NT$560 million (US$19 million) to the Ministry of Science and Technology. Moreover, Tsai has continued to relax visa rules for tourists and businesspeople from ASEAN countries. By promoting two-way exchanges in education and tourism, she hopes her “people-centered” approach will foster mutual understanding between ASEAN and Taiwan, which could in turn facilitate further economic cooperation in the region.

**PEOPLE-TO-PEOPLE CONNECTIVITY**

Given the existing groundwork laid by the previous administration, Tsai does not have to advance her people-centered southbound agenda from scratch. Since 2009, Taiwan has witnessed notable growth in tourism and enrollment by Southeast Asian students. From 2008 to 2015, the number of ASEAN students in Taiwanese colleges and universities more than doubled from 11,959 to 26,756 (124% growth), making ASEAN the second-largest source of foreign students in Taiwan. Malaysia is the largest source of Southeast Asian students on the island, with 14,946 students in 2015, followed by Indonesia (4,394 students) and Vietnam (4,043 students). The strong educational linkage between Taiwan and Malaysia is largely due to the existence in Malaysia of more than 60 “Chinese independent high schools,” whose students traditionally go to Taiwan or Singapore for higher education. More than 60,000 Malaysians have studied in Taiwan to date, many of whom have joined the nationwide alumni association. In September 2017, Tsai received the leaders of the alumni association in Taipei to promote her New Southbound Policy, promising to take measures to attract more students from Southeast Asia and to retain talent by relaxing work permit requirements. Her administration has established a goal of increasing the number of ASEAN students in Taiwan to 58,000 in 2019.

With a larger budget for education, as mentioned above, the Tsai administration is slated to offer more scholarships and fellowships for Southeast Asian students and scholars to study or conduct research in Taiwan, as well as for young Taiwanese talent to explore the opportunities in the region. The Taiwan Scholarship offered by the Ministry of Education, for instance, increased its quotas for Malaysian students from 20 to 35 and for Indonesian students from 16 to 35 over the past year. The ministry also budgeted NT$50 million (US$1.7 million) in 2017 for a public-private partnership project that sends Taiwanese students to participate in internship programs across various industries in the region. As these educational initiatives are long-term investments, the government may not achieve immediate results other

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9. For the data on the number of ASEAN students in Taiwan, see Ministry of Education (Taiwan), http://ws.moe.edu.tw/001/Upload/7/relfile/8053/51386/1b0e60cd-3526-4657-a93f-141704f63eb.pdf.

10. The Federation of Alumni Association of Taiwan Universities, Malaysia, has nearly 40 alumni association branches across Malaysia and forms a strong network to encourage and help students to pursue higher education in Taiwan.


than increasing the number of student exchanges between Taiwan and Southeast Asia. If implemented successfully, however, these efforts over the long term may nurture more young people who can draw on direct experience of the cultural, societal, and business norms in Southeast Asia and serve as influential bridges to help Taiwan become further integrated with the regional economies.

Tourism is another key node of Tsai’s push for enhancing interpersonal relationships across the region. During Ma’s tenure, the number of visitor arrivals from ASEAN countries already rose substantially from 726,000 in 2008 to 1.43 million in 2015, making ASEAN the third-largest source of visitor arrivals to the island, after mainland China (4.18 million) and Japan (1.63 million). This substantial progress can be largely attributed to the continued visa-waiver programs for Malaysia and Singapore, the thriving of low-cost airlines in the region, and some new visa-free authorization certificate and streamlined visa-processing programs for ASEAN travelers. Building on this foundation, Tsai has taken additional steps to lift visa requirements, such as granting Thai and Bruneian tourists 30-day visa exemptions and extending 14-day visa-free privileges to the citizens of the Philippines. The visa-related initiatives, particularly the one covering Thailand, helped Tsai boost the number of ASEAN visitor arrivals to 1.65 million in 2016 (16% growth). Even though the number of mainland Chinese tourists to Taiwan dropped 16.1% to 3.51 million in 2016—which was due primarily to the implicit effort by Beijing to cut down the flow of Chinese group tourists to the island following Tsai’s inauguration in May 2016—her administration managed to maintain the annual number of visitor arrivals at 10 million, supported by the increase of tourists from ASEAN, Japan, and South Korea. The latest statistics show that Taiwan in December 2017 once again achieved the goal of 10 million arrivals annually. But with a 22.2% year-on-year decrease in visitors from mainland China between 2016 and 2017, achieving this benchmark was even more challenging.

By pushing for a visa-exemption policy to boost people-to-people connectivity, which has also been implemented by ASEAN countries, Japan, and South Korea in recent years, Tsai clearly wants to compete for a bigger share of the tourism market and thereby cushion the blow from the shortfall in Chinese tourists. However, other measures such as improving the halal food certificate system, facilitating regional airlines to operate more routes between Taiwan and ASEAN countries, and increasing the number of qualified tourism professionals with Southeast Asian language capabilities are essential for Taiwan to make headway in its southbound pivot. To achieve the goal of fostering two-way tourism exchanges, the Tsai administration should also redouble its efforts to negotiate reciprocal visa-free treatment from Thailand, Brunei, and the Philippines, despite diplomatic pressure from Beijing.

ECONOMIC FOOTPRINT

Stepping up trade and investment ties with ASEAN countries remains a central part of the New Southbound Policy, yet the regional setting is...
undoubtedly more challenging for Tsai than for her predecessors. Compared with the former Go South attempts, especially in the age of Lee Teng-hui, Taiwan now faces a more powerful China and more competition in ASEAN markets. During the mid-1990s, Taiwan was one of the top-five foreign investors in Southeast Asia, as well as ASEAN’s fourth-largest goods trading partner. Lee at that time succeeded in leveraging the island’s economic influence to ink several investment protection and promotion agreements and double taxation avoidance agreements with Singapore, Indonesia, the Philippines, Malaysia, Vietnam, and Thailand, albeit absent formal diplomatic ties.

However, Taiwan’s investment and trade volume to the region have been outpaced by mainland China and South Korea in the early 21st century. In 2015, Taiwan ranked as the ninth-largest source of FDI in ASEAN (on an accumulative basis between 2006 and 2015) and the sixth-largest goods trading partner with the region, whereas mainland China ranked as the fifth-largest investor and became the largest external trading partner of ASEAN in 2009.

Beijing’s substantial economic clout vis-à-vis Taipei, compounded by the current cross-strait stalemate, has limited Tsai’s leeway to conclude or renew more economic agreements with ASEAN countries. Taiwan’s only free trade deal within the region—the Agreement between Singapore and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Partnership, signed in November 2013—was arguably a result of the greenlight given by China following the conclusion of the Cross-Strait Economic Cooperation Framework Agreement in June 2010 and the existing free trade agreement between China and Singapore. Another critical factor is the political foundation of the “1992 consensus,” which Beijing sees as embodying a “one-China principle” and which Ma and the Kuomintang have advocated is a formula for both sides to agree to disagree about what “one China” means in practice. In the absence of a political formula between Tsai and Xi Jinping, China is unlikely to relax its attitude toward Taiwan’s trade negotiations with other countries. Consequently, ASEAN countries must walk a fine line between benefiting from their economic ties with Taiwan and avoiding any actions that could antagonize China.

Having said that, there are several opportunities that Tsai’s southbound initiatives could capture. First, the Taiwanese business community in the region continues to be an active player in the regional supply chain. To date, the island remains the third-largest foreign investor in Thailand and the fourth-largest in Vietnam and Malaysia. Taiwanese small and medium-sized enterprises enjoy a reputation for good quality control and adaptability, which has helped


20 The double taxation avoidance agreement with Singapore was signed in 1981 under President Chiang Ching-kuo, and the investment protection and promotion agreement with the Philippines was signed in 2002 under President Chen.


22 As Kevin G. Nealer and Margaux Fimbres note, many Taiwanese “believe that a standing FTA between China and a given country is a prerequisite for Taiwan to sign an FTA with that same country.” See Kevin G. Nealer and Margaux Fimbres, “Taiwan and Regional Trade Organizations: An Urgent Need for Fresh Ideas,” Asia Policy, no. 21 (2016): 72.

them survive in Southeast Asia and build close connections with local business and politicians. To gather commercial information on the ground and implement southbound plans at full steam, the Tsai administration must work closely with the existing robust network of Taiwanese business associations across Southeast Asia.

Second, the past few years have seen the expansion of Taiwanese banks into Southeast Asia. As of June 2017, Taiwanese banks have established 188 overseas units—including branches, representative offices, and exchange offices—in ASEAN countries, accounting for 39% of Taiwan’s 484 overseas banking institutions. Among the 188 units, 143 institutions belong to privately owned banks, while 45 of them are government-controlled. Under Tsai’s initiative, state-backed banks are likely to increase their presence in Southeast Asia. The growing number of Taiwanese banks in the region would help Taiwanese investors secure better access to corporate financing and thus facilitate more investment.

Last, Taiwan possesses a high capacity to share its experience in agricultural technology, medical treatment, e-commerce, and smart-city-related infrastructure with ASEAN countries. These industries, highlighted in the New Southbound Policy, are correlated to the growth of ASEAN’s middle class. Should the Tsai administration follow through on its pledge to foster more cooperative actions in these areas, it may simultaneously make strides in weaving closer economic ties while enhancing people-to-people linkages with Southeast Asia. This would help Taiwan avoid becoming marginalized in the regional economy in the longer term.

2018: THE PIVOTAL YEAR FOR THE NEW SOUTHBOUND POLICY

The benefits of the New Southbound Policy, as Tsai herself has recognized, are not low-hanging fruit. Although Tsai has emphasized that her strategy “is designed to complement, rather than compete against,” the Regional Comprehensive Economic Partnership and Belt and Road Initiative, and she does not exclude the possibility of cooperating with mainland China on regional development, it appears that Beijing remains skeptical about her southbound intentions. China is likely to continue to watch Tsai’s moves in the region carefully and pressure ASEAN leaders not to take high-profile actions in their relations with Taiwan. The signing of a new bilateral investment agreement between Taiwan and the Philippines on December 7, 2017, was deemed a significant victory for Tsai. This development, which China sees as “official in character,” unsurprisingly drew opposition from Beijing. It is uncertain whether other ASEAN countries will follow suit and renew their investment pacts with Taiwan while facing China’s growing influence in the region.

Besides the China factor, the success of the New Southbound Policy still largely hinges on the effectiveness of the Tsai administration. It remains to be seen whether the Office of Trade Negotiations under John Deng, the Taiwan External Trade Development Council under James Huang, or the National Development Council under Chen Mei-ling can productively coordinate their efforts and prevent bureaucratic inefficiency. In the end, Tsai,


as the commander-in-chief, will need to navigate through the regional context. If the New Southbound Policy succeeds, Taiwan would further expand into Southeast Asian markets in the near term and achieve a higher degree of interconnectivity with the region and diversify its trade and investment portfolio in the longer term. Given that Tsai will be campaigning for re-election ahead of 2020 and will want to show progress on this regional strategy to voters, the coming year will be a critical time for her to make a southbound leap forward.

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