

Southern Focus

Taiwan's New Southbound Policy provides alternatives to reliance on China

David Scott

ON 13 DECEMBER, 2017, the Vice President of the Republic of China (ROC) Chen Chien-jen attended the Taiwan-US-Japan Trilateral Security Dialogue (TSD), a meeting co-organized by Taiwan's Ministry of Foreign Affairs. There he described how Taiwan was "strengthening ties with the Indo-Pacific region by mapping out a regional role for Taiwan through the New Southbound Policy (NSP)." Originally conceived as a trade policy, the New Southbound Policy Chen was referring to opens up the Indo-Pacific region not just for increased trade, but it represents new strategic horizons for Taiwan as well.

At her inauguration address on 20 May, 2016, ROC President Tsai Ing-wen announced "we will promote a 'New Southbound Policy' in order to elevate the scope and diversity of our external economy, and to bid farewell to our past over-reliance on a single market." This policy was aimed at avoiding the danger of economic and political dependency on the market of the People's Republic of China (PRC)—a dependency that deepened after the 2010 Economic Cooperation Framework Agreement (ECFA) with Beijing was put into place by her predecessor, Ma Ying-jeou.

Tsai was clear in her National Day address on 10 October, 2017, that "the purpose of the 'New Southbound Policy' is for us to hold a more advantageous position in international society." "Position" is the key word here, since pressure from the PRC was shaping an ever-shrinking "international space"

for Taiwan to operate in.

In an interview with the Indian media on 5 May, Tsai asserted that the NSP was just a simple matter of trade economics: "The New Southbound Policy is about how we can build more mutually beneficial relationships with the community here in Asia," she said. "It's taking another look at how Taiwan can play a more proactive role. Let me repeat: It is not about geopolitics. It is about economics and trade."

However, if Taiwan gets other governments in the region to sign official economic deals, then this has political implications as well, not the least of which is the implicit recognition of Taiwan's competence to act as a sovereign entity in state-to-state relationships.

Renewed effort

The current effort is not the first attempt by leaders in Taiwan to diversify investments and stave off a dangerous overdependence on Chinese economic integration. The "Go South Policy" initiated in the 1990s under President Lee Teng-hui focused on Taiwan's investments and economic presence in Southeast Asia. Tsai's NSP seeks two-way economic links, pursues cultural as well as economic links, and not only focuses on Southeast Asia but also on South Asia, especially India and Australia. A further distinctive feature of Taiwan's NSP initiative is the inclusion of an effort to develop sub-state, transnational, city-to-city links.



ROC President Tsai Ing-wen shakes hands with former President Lee Teng-hui in 2016. Both leaders have initiated trade policies that look South.

On 11 December, 2017, the ROC Office of Trade Negotiations published a pamphlet titled *On the New Southbound Policy: A Practical Approach Moving Full Steam Ahead*. The subtitle was apt: Statistics for 2017 show that people-to-people exchanges have been a success, with significant growth in tourism and student exchanges. Arrivals from the NSP-target states rose 27.3 percent to 2.28 million in 2017, exceeding the annual target of 1.8 million.

Exports growing

Economic and trade collaboration has likewise been quite successful. During 2017, Taiwan's exports to the ten member states of the Association of Southeast Asian Nations (ASEAN) increased 14.2 percent to US\$58.6 billion, and exports to the six South Asian nations increased by 13.49 percent to US\$5.23 billion. Exports to Australia and New Zealand, meanwhile, increased a mere 1.6 percent, to US\$3.57 billion. Taiwan seeks to upgrade and expand its existing Bilateral Investment Agreements (BIAs) with India,

Indonesia, the Philippines, Malaysia, Vietnam, and Thailand, and to sign new BIAs with other countries. However, Taiwan faces rising concerns about the Chinese reaction to official institutional links with NSP-target countries. This has already materialized with regard to Taiwan's agreements with the Philippines and India.

Seven pacts with Manila on trade and investment were signed by private and public organizations on 7 December, 2017, following the 23rd Taiwan-Philippines Joint Economic Conference. Quasi-official linkages were present in the agreement on bilateral investment signed by Gary Song-Huann Lin, head of the Taipei Economic and Cultural Office in the Philippines, and Angelito Tan Banayo, head of the *de facto* embassy of the Philippines in Taiwan. The Chinese response to these quasi-official signings was immediate.

The PRC's Ministry of Foreign Affairs Spokesperson Geng Shuang held a press conference on 8 December, 2017, to express "grave concern over the signing of the investment protection agreement and other co-

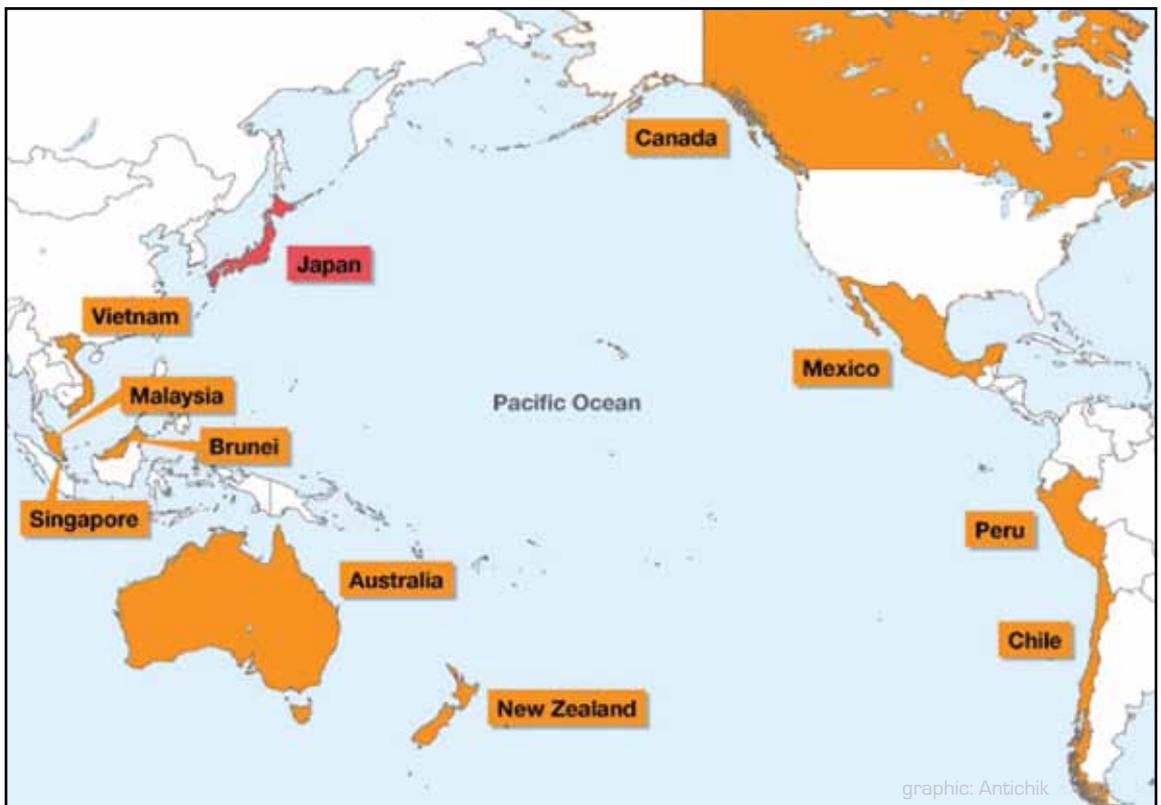
operation documents that are obviously official in character between the relevant Philippine authority and the Taiwan authority.” A further accord, in the sensitive areas of border control and the training of law enforcement officers, was signed in January 2018 between Taiwan’s Ministry of Justice Investigation Bureau and the Philippine Bureau of Customs.

Indian ties

With regard to India, Memoranda of Understanding (MoU) were agreed to at the Taiwan-India Industrial Collaboration Summit on 12 October, 2017, with various industrial associations of Taiwan and India representing the two countries. Quasi-official involvement was present on 14 December, 2017, when their respective unofficial embassies, namely the Taipei Economic and Cultural Center in India and the

India-Taipei Association, signed an MoU on Industry Collaboration. Taiwanese and Indian government officials were also present, with the Deputy Director General of the ROC Bureau of Foreign Trade Guann-Jyh Lee and the Joint Secretary of India’s Ministry of Commerce and Industry Vandana Kumar in attendance. On 24 January, 2018, two further MoUs were signed between the Taiwanese and Indian trade promotion groups. Bilateral trade between Taiwan and India increased an impressive 27 percent in 2017.

Communist Party leaders in Beijing made their feelings clear with the headline “India cozies up to Taiwan in foolish move” running in the Party mouth-piece, the *Global Times*, on 19 December 2017. In a two-fold attack, the *Global Times* railed against the ROC leadership, opining that “it is a classic move of Tsai Ing-wen and the ‘ruling’ Democratic Progressive Party, as they constantly tout their dangerous political



The original nations involved in the Trans Pacific Partnership. After his election as US president, Donald Trump withdrew America’s participation.

agenda of “Taiwan-independence,” and against India, warning that “China does not take such situations related to its core interests lightly.”

The NSP represents an Indo-Pacific strategy for widening Taiwan’s regional horizons away from East Asia and the looming, increasingly threatening presence of the People’s Republic of China. Taiwan’s attempt to shape closer economic relations with other countries in Southeast Asia, Australasia, and South Asia is a form of geoeconomic and geopolitical balancing towards Beijing. It is also a geocultural repositioning, casting Taiwan as an Indo-Pacific maritime state rather than a part of a China-centric conception of East Asia.

Taiwan has free trade agreements (FTAs) with Singapore and New Zealand, but its hopes for obtaining free-trade agreements may best be served by suitable Indo-Pacific regional frameworks. Any hope of an official linkage with ASEAN remains blocked by the PRC; with Chinese hostility also cutting off Taiwanese participation in the Regional Comprehensive Economic Partnership (RCEP) negotiations. However, Taiwan can look to other platforms, such as the Trans-Pacific Partnership (TPP).

Since US President Donald Trump withdrew the United States from negotiations in 2017, the TPP has been formally re-created by states that are still interested in forming the trade bloc, and in establishing a trading regime to counter the China-controlled RCEP. These states include Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam.

TPP membership key

In an op-ed that appeared in the 9 August, 2016, edition of the *Taipei Times*, Darson Chiu, deputy director of the Taiwan Institute of Economic Research’s Macroeconomic Forecasting Center, argued that “TPP membership will not only help Taiwan signif-

icantly expand its much needed free-trade pact, but also make its southbound policy more effective.” The advantage for Taiwan with the TPP is that China is not a member, and so it cannot block Taiwan in the way that it can, and has done, with regard to other multilateral initiatives such as ASEAN and the RCEP.

States concerned about China’s growing territorial and hegemonic ambitions have floated schemes

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to rival those controlled by Beijing. The Tokyo-led Free and Open Indo-Pacific Strategy, for example, was initiated by Japanese Prime Minister Shinzo Abe and embraced by President Trump. It would knit together the Indian and Pacific oceans, linking India and Japan through the Africa-Asia Growth Corridor (AAGC) running from Africa to Japan, and connecting the United States with the Indo-Pacific Economic Corridor running from South Asia to Southeast Asia.

The government in Taipei would do well to boost ROC participation in these non-PRC schemes. President Tsai hinted as much in her remarks on 8 August at the 2017 Asia-Pacific Security Dialogue, commenting on “the growing linkages between Japan and South Asia, as well as Southeast Asia, which have seen tremendous progress over the past few years,” adding that, “our New Southbound Policy acknowledges that Taiwan cannot idly sit on the sidelines as this process takes place.”

Taipei must look to the Indo-Pacific and its fellow democracies in the region if it is going to carve itself out some strategic operating space. The opportunities described above, if properly leveraged, would furnish Taiwan with more international space in which to operate, and increase the informal, implicit, *de*

facto recognition of Taiwan, even if formal, explicit, *de jure* recognition remains a bridge too far. So far, the NSP has been a relative success. Cultural and educational links have been the most straightforward avenues of bridgebuilding. Economic initiatives have also been quite successful with Southeast Asia—especially Malaysia—with the Philippines offering the most quasi-official recognition to Taiwan, and Singapore maintaining its established security links with Taiwan despite Chinese pressure. However, trade with Australia showed little growth in 2017.

The fate of Taiwan's hopes for more FTAs in Southeast Asia and with Australia will be determined by Taipei's ability to circumvent Beijing's bilateral blockages by gaining entry into the exhumed and revived TPP. On 13 December, 2017, speaking at the TSD, Taiwan's vice president was explicit about the geoeconomic and geopolitical overlap of the TPP: "Multilateral trade agreements support geopolitical alliances, and a rules-based trading framework can help support a rules-based security framework. So

we're very excited to see that the Comprehensive and Progressive Agreement for the TPP has some momentum, and we hope to be part of it soon," Chen said.

Taipei must continue to push for TPP entry by 2020 in any second wave of membership. Taiwan's involvement in India and Japan's AAGC initiative would also compensate for being locked out of China's Maritime Silk Road initiative. Taipei's outreach to Delhi under the NSP is a particularly important policy development. At the Raisina Dialogue on 19 January, 2018, Taiwan's delegate Tan Sun-seng argued that, being fellow democracies, "India's 'Act East' policy and Taiwan's Southbound policy can complement each other to contribute to stability in the Indo-Pacific region." For Taiwan, India offers a significant alternative to the Chinese market, which is fraught with political land mines. Under Prime Minister Narendra Modi, Delhi has demonstrated the courage to stand up to Chinese pressure. It is to be hoped that the region's other democracies will follow Modi's example. ■



photo: Jakob Skovo

A US Air Force B-1B Bomber takes off from Anderson Air Force Base in Guam during a training exercise with Japan Air Self-Defense Forces.