AN INTRODUCTORY GUIDE TO TAIWAN'S NEW SOUTHBOUND POLICY

# Overview

The New Southbound Policy is a crucial part of Taiwan’s economic and trade strategy in the face of increasing regional economic integration as well as new challenges and business opportunities linked to the integration trend. Taiwan is an integral member of the Asia-Pacific family and has participated extensively in the global value chain of popular technology products. It is keen to share its experience and know-how in this as well as other areas.

The goal of the New Southbound Policy is simple and clear, under the New Southbound Policy initiative, Taiwan intends to engage in a wide range of egotiations and dialogue with 18 countries: Singapore, Thailand, the Philippines, Indonesia, Malaysia, Vietnam, Laos, Myanmar, Cambodia, and Brunei in Southeast Asia; India, Pakistan, Bangladesh, Sri Lanka, Nepal, and Bhutan in South Asia; as well as New Zealand and Australia.

# Economic and Trade Cooperation

As a member of the Asia-Pacific region, Taiwan aims to reposition itself as a more meaningful player in the region’s rapidly growing markets.Over the past few decades, Taiwanese companies in traditional labour-intensive manufacturing industries — such as footwear, bicycles, textiles, and garments — have developed ways to explore business opportunities in South and Southeast Asia.The accumulated foreign direct investment (FDI) from Taiwan in the 18 countries targeted by the New Southbound Policy reached US$97 billion by mid-2017, according to data compiled by the Office of Trade Negotiations, Executive Yuan, the Cabinet-level agency responsible for coordinating implementation of the New Southbound Policy Program.

Taiwan is the third-largest foreign investor in Thailand, with cumulative investment of US$14.1 billion, and the fourth-largest investor in Malaysia (US$12.2 billion) as well as Vietnam (US$31.2billion). In 2016 alone, total merchandise trade between Taiwan and the 18 New Southbound Policy countries amounted to US$96 billion, accounting for 18.8 percent of Taiwan’s global merchandise trade that year.

Taiwan has always welcomed international students in academic fields as well as those undergoing vocational training; now the doors have been opened up even wider, with more choices of schools and fields of study, and with greater access to scholarships and financial incentives, along with improved packages to offer financial support to students and trainees living and studying in Taiwan.

# Resource Sharing

Taiwan has a long history of cooperation with its ASEAN and South Asian partners, and with the advent of the New Southbound Policy, the existing mode of cooperation can be expanded from trade and humanitarian aid to more extensive policymaking in fields such as public health, agriculture, tourism, and cultural exchanges.The New Southbound Policy launched by the administration of President Tsai Ing-wen aims to diversify and boost social and cultural ties between Taiwan and the New Southbound Policy partner countries.

As the partner countries have grown in economic and cultural power, conventional modes of cooperation — medical help and trade in agricultural products, for example — alone cannot satisfy the need for more substantial bilateral and multilateral relations, and the rapidly changing economic and cultural milieu in South and Southeast Asian countries necessitates an evolution in the nature of cooperation to broader healthcare policy planning and technological exchanges.

Taiwan has long cooperated with its Southeast Asian partners in epidemic prevention, birth control,and treatment of rare diseases and medical conditions, and as the partner countries have risen in economic status, the scope of cooperation has expanded from a purely medical context to public health planning on a governmental level.

Patients with rare diseases from partner countries have undergone surgical procedures in Taiwan — including organ transplants; orthognathic surgery to correct abnormal positioning of face and jaw bones, including to mend cleft palates; bone marrow transplants; surgical interventions for morbidly obese patients; and the separation of conjoined twins — but while that form of medical humanitarian assistance will continue and expand, the focus of medical cooperation has shifted toward public health policy planning and health system reform.

Taiwan, known for its affordable and universal healthcare system and hospital efficiency, canlend a helping hand to partner countries to build an efficient healthcare system and upgrade medical training capacity.

# Institutional Links and Connectivity

A major objective of the New Southbound Policy is to address inadequate regional links with the policy’s 18 target countries through multi-faceted collaborations, such as renewing and upgrading existing agreements on trade and taxation, as well as economic cooperation.

Under the confines of Taiwan’s limited international space, the relationships between Taiwanese companies and markets in the Asia-Pacific region have been focused primarily on trade and economics. As most Taiwanese companies operate in the region’s export processing zones, they have had very limited ties with the local markets and society, while most collaborations have been in technical fields such as agricultural technology.

The New Southbound Policy aims to forge institutional links by actively pursuing economic cooperation agreements or individual economic cooperation provisions with India and major ASEAN trade partners. In addition, the policy aims to update and enhance current bilateral investment and taxation treaties with regional trade partners, as well as improve risk management by creating major event alerts and emergency response mechanisms.

Apart from expanding comprehensive, multi-faceted negotiations and dialogue with the 18 partner countries at government level, the government is working to draw on Taiwanese networks in these countries to foster closer relations.

# Conclusion

Taiwan has made considerable headway in building relationships with New Southbound Policy partner countries since President Tsai Ing-wen unveiled the initiative in 2016.Countries in the region and elsewhere have welcomed the policy and expressed interest in coming on board.

The policy is not an attempt to make a political statement in the region and has nothing to do with mainland China’s “Belt and Road” initiative; it is geared toward building long-term strategic relationships with partner countries on a mutually beneficial basis, and represents an important part of the government’s effort to shift Taiwan’s economy to a more balanced and sustainable model.

Taiwan’s heavy dependence on a few sectors and thin-margin business is being challenged by the rise of emerging markets and constant changes in consumer taste.

The government has mapped out five flagship projects that build on Taiwan’s strengths as the next focus of the New Southbound Policy: the joint cultivation of talent to bolster industry and business in the region; medical and public health cooperation and the development of industrial chains; the development of innovation-based industries; institutional agricultural cooperation and agribusiness ventures; and the organization of New Southbound Policy forums and regional youth

exchange platforms.

The flagship projects aim to capitalize on Taiwan’s soft power, particularly in healthcare, education,human resources development, technological innovation, agriculture, and disaster preparedness.They seek to share Taiwan’s experience in areas that fulfill the needs of New Southbound Policy partner countries and contribute to the development and well-being of people across the region, as well as foster a sense of community.

Government agencies concentrate and coordinate their efforts and resources on advancing the projects so that they can expand Taiwan’s market presence in the region, generate new business opportunities, and deepen our ties with New Southbound Policy partner countries. Policymakers are working with the private sector in creating a business-friendly environment, while promotions are being carried out under the principles of nurturing mutual interests and reciprocity.Diplomatic agencies and trade offices in the region have been primed to join the coordination and integration efforts.

Financial and economic authorities are meanwhile pursuing strategic partnership dialogues with New Southbound Policy countries and negotiating investment protection agreements and favorable taxation terms. For countries where trade agreements are already in place, the Taiwanese authorities are seeking to update their contents to help Taiwanese firms minimize investment risks and operational overheads.

The government has also identified three potential business fields linked to the New Southbound Policy: public construction projects, tourism, and cross-border e-commerce. Policymakers are coming up with concrete plans to help Taiwanese firms capitalize on business potential and improve connectivity with the partner countries.

The five flagship projects and three potential business fields are geared toward team efforts from local administrations, the legislature, political parties, industrial players, academic institutes,non-governmental organizations, and civic groups. The public can also make contributions, which will give the New Southbound Policy a deeper dimension, more diversity and enhanced vigour.