



The New Southbound Policy

Deepening Taiwan's Regional Integration

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Executive Summary

In a concerted effort to expand Taiwan's presence across the Indo-Pacific, President Tsai Ing-wen has introduced the New Southbound Policy (NSP) to strengthen Taipei's relationships with the 10 countries of ASEAN, six states in South Asia (India, Pakistan, Bangladesh, Nepal, Sri Lanka, and Bhutan), Australia, and New Zealand. The policy is designed to leverage Taiwan's cultural, educational, technological, agricultural, and economic assets to deepen its regional integration. This report tracks the ongoing implementation of the NSP and assesses what has been achieved since Tsai was elected in January 2016.

The Guidelines for the New Southbound Policy issued by the Tsai administration detail that the policy is designed to (1) forge a "sense of economy community" by fostering links between Taiwan and the 18 NSP target countries; and (2) establish mechanisms for wide-ranging negotiations and dialogues, and to "form a consensus for cooperation" with NSP target countries. In the short and medium term, the Guidelines identify four goals: (1) use national will, policy incentives, and business opportunities to spur and expand "two-way" exchanges with NSP target countries; (2) encourage industry to adopt "a New Southbound strategy" in their planning; (3) cultivate more people with the skills needed to support the NSP; and (4) expand multilateral and bilateral negotiations and dialogues to enhance economic cooperation and resolve disputes and disagreements.¹

The NSP follows from similarly named policies initiated under Presidents Lee Teng-hui and Chen Shui-bian, which were aimed at diversifying Taiwan's outbound investment away from Mainland China and into Southeast Asia. Since these prior efforts had only a limited impact, skeptics often mischaracterize the NSP as the latest iteration of a failed policy. Such naysayers fail to appreciate, however, that Tsai's approach is both more strategic and more comprehensive than those of her predecessors. While diversifying and reinvigorating Taiwan's economy remain fundamental to the NSP, the policy also outlines mechanisms for more effectively integrating Taiwan into the region through cultivating interpersonal connections. Moreover, the NSP is being implemented at a time

1. "The Guidelines for New Southbound Policy," Taipei Economic and Cultural Office in Brunei Darussalam, August 23, 2016, http://www.ROC-taiwan.org/bn_en/post/644.html.

of slowing growth and rising wages in Mainland China, while investment opportunities are booming in Southeast Asia and South Asia.

The core economic goals of the NSP include institutional initiatives, such as updating and expanding economic agreements with targeted countries. At the same time, Taiwan is seeking to encourage small and medium enterprises (SMEs) to explore opportunities overseas. Taipei has also identified avenues for improving bilateral ties by engaging with the general publics of NSP target countries, as well as with government officials and business executives. As such, Taiwan has invested heavily in expanding cultural and educational exchanges to help promote a deeper understanding of South and Southeast Asian cultures, languages, and business practices among the people of Taiwan. These “people-centered” exchanges serve to realize Taipei’s twin goals of strengthening Taiwan’s integration with the region and facilitating its economic diversification.

It is too early to determine whether the NSP will ultimately achieve its ambitious goals, and it may take years before the Tsai government’s investment will start paying dividends. Furthermore, the NSP should be carefully examined by both the countries targeted by Tsai and partners further afield—including the United States. Many of these countries have a vested interest in bolstering the mechanisms available for Taiwan to contribute to the peaceful development of Asia. These countries may find that the goals of the NSP overlap with their own objectives in the region, and therefore may be eager to lend additional support to the endeavor.

SELECTED POLICY RECOMMENDATIONS FOR THE UNITED STATES

The United States has a profound interest in the success of Taiwan’s New Southbound Policy. Taiwan has been a long-standing partner of the United States. Its democracy and free society are a beacon of liberal values in the region, while its economic development model has been admired and studied for decades by nations in Asia and beyond.

To date, the United States does not appear to have given much thought or expended much effort to support the NSP within Asia. We suggest the United States consider actively supporting the NSP. We recommend the following specific actions:

- The assistant secretary of state for East Asian and Pacific affairs should coordinate with his/her counterpart in the South and Central Asia division to create an internal working group to consider how the U.S. government can support the NSP.
- The U.S. government should engage Japan, Australia, and India, the other members of the “quad,” in support of the NSP.
- The U.S. government should continue to support Taiwan’s inclusion and active participation in international and regional initiatives where statehood is not required.
- U.S. nongovernmental organizations (NGOs), particularly those with programs in NSP target countries, should consider partnerships with NGOs in Taiwan to integrate their work where appropriate in support of the NSP.

- The Commerce Department's U.S. Commercial Service should engage with American industry associations and companies, and explore potential avenues of collaboration between American and Taiwan industry in NSP target countries.
- The United States should consider bilateral (U.S.-Taiwan) cultural initiatives that may be brought to third countries in Asia.
- The United States should include Taiwan youth in relevant regional programs and networks.

SELECTED POLICY RECOMMENDATIONS FOR TAIWAN

Continued high-level attention, effective planning and coordination, as well as greater resources will be essential for the NSP to achieve its goals. Not only must more work be done domestically to support the NSP, but Taipei must also strive to better communicate the shared benefits of the NSP with its friends and partners overseas. Additionally, Taipei must support Taiwan companies as they navigate the complex and dynamic global marketplace.

We propose the following recommendations for Taiwan's policymakers:

- To ensure greater U.S. attention to and creative support for the NSP, Taipei should take more initiative to explain the nature and purpose of the policy to both official and unofficial American audiences.
- Taiwan should offer ideas and incentives to various relevant U.S. players, including American companies, to assist the island in meeting its NSP goals.
- Taiwan should seek to partner with the United States through its bilateral platform, the Global Cooperation Training Framework (GCTF), to hold joint training programs in NSP target countries.
- Taiwan should promote three-way exchanges between think tanks, youth, and academics from NSP and non-NSP target countries.
- Leveraging Taiwan's advantages in soft power is central to the success of the NSP. Taiwan should actively promote its diverse heritage and unique status as the world's only culturally Chinese democracy.
- Taiwan's policymakers should seek to more fully understand what Taiwan's companies need to expand their business opportunities, and how greater trade and investment with NSP target countries fit with those goals.
- Taipei should consider creating an NSP advisory board composed of a range of companies and industry groups, which can be consulted on a regular basis.
- The Taiwan External Trade Development Council (TAITRA) and sectoral associations should redouble their efforts to assist SMEs in entering new and unfamiliar markets in the region.
- Taiwan should effectively utilize other large economic partners and global industry associations in which its companies are active members to help its industry make headway in the NSP target countries.

- Taiwan's officials need to develop policy linkages between their various domestic economic policies and the NSP.
- Clear economic benchmarks should be established for the NSP that are rooted in commercial results for Taiwan's businesses, including sales, exports, outward and inward investment, employment, and value-added created.

Introduction

President Tsai Ing-wen is pushing to strengthen Taiwan's role in the broader Indo-Pacific region. Building on her campaign promises, Tsai's inaugural speech on May 20, 2016, reaffirmed that her government would establish a New Southbound Policy (NSP) to strengthen Taiwan's ties with countries across the region. This flagship program is targeted at the 10 countries of ASEAN, six states in South Asia (India, Pakistan, Bangladesh, Nepal, Sri Lanka, and Bhutan), Australia, and New Zealand. This ambitious strategy seeks to leverage Taiwan's cultural, educational, technological, agricultural, and economic assets while maintaining stable cross-Strait relations.

The plan hinges upon forging a "sense of economy community" and forming "a consensus for cooperation" with the 18 nations identified by Taipei as potential NSP partners.¹ In her 2017 National Day speech, Tsai declared that the purpose of the NSP was for Taiwan "to hold a more advantageous position in international society."² During her remarks at the Yushan Forum the next day, Tsai reiterated this message, stating that redefining "Taiwan's role in the region is one of [her] highest priorities" and that the NSP is the nation's new "Regional Strategy for Asia."³

The NSP follows from similarly named policies initiated under Presidents Lee Teng-hui and Chen Shui-bian, which were slated to diversify Taiwan's outbound investment away from Mainland China and into Southeast Asia. Yet the pull of Mainland China's economy, and in the case of Lee the fallout from the Asian financial crisis, left both of Tsai's predecessors achieving only limited success.

1. "Guidelines for the New Southbound Policy," Bureau of Foreign Trade, Ministry of Economic Affairs, Executive Yuan, ROC (Taiwan), <https://www.newsouthboundpolicy.tw/English/PageDetail.aspx?id=92bf03e0-6176-4374-85e7-06520ed3e9f2&pageType=SouthPolicy>.

2. "Full Text of President Tsai Ing-wen's National Day Address," *Focus Taiwan*, October 10, 2017, <http://m.focustaiwan.tw/news/aip/201710100004.aspx>.

3. "President Tsai's Remarks at Yushan Forum: Asian Dialogue for Innovation and Progress," Office of the President, Republic of China, ROC (Taiwan), October 11, 2017, <http://english.president.gov.tw/News/5232>.

Skeptics of the NSP's prospects for success misunderstand how the NSP differs in character from the "Go South" policies of Lee and Chen. Such naysayers fail to appreciate that Tsai's approach is both more strategic and more comprehensive than those of her predecessors. While reinvigorating and diversifying Taiwan's economy remain fundamental to the NSP, it also embodies a concerted effort to more effectively integrate Taiwan into the region by cultivating interpersonal connections across the region.

Moreover, the NSP is being implemented at a time of slowing growth and rising wages in Mainland China, while investment opportunities in Southeast Asia and South Asia are booming. Taiwan is simply following the trend set by many companies, including Mainland Chinese companies, which are relocating to other regional countries with lower operating costs.

Since Taiwan lacks formal diplomatic ties with countries targeted by the NSP, Taipei must creatively foster bilateral collaboration. The Tsai administration has rallied local governments and civil society organizations to collaborate with the central government's effort to implement the NSP. Focusing on civic and people-to-people ties rather than government-to-government relations allows Taiwan to avoid the minefields posed by its ambiguous sovereignty. Tsai has also taken considerable pains to assure Beijing that the NSP is not intended to supplant or inhibit cross-Strait economic ties, but rather is designed to diversify Taiwan's cultural and economic linkages around the region.

It is premature to evaluate whether the NSP will ultimately achieve its ambitious goals. Over the next few years, if Taipei successfully manages cross-Strait relations, garners international support for the NSP, and bolsters its interpersonal ties across the region, it will lay the groundwork for successful implementation. The Tsai administration is clear-eyed about the challenges and recognizes that some elements of the NSP are unlikely to yield immediate results. Nevertheless, even limited success over the next several years will help to reduce Taiwan's regional isolation by persuading a growing number of neighboring countries of the value of expanding ties with the island nation.

Policy Development and Implementation

Shortly after her inauguration on May 20, 2016, President Tsai created the New Southbound Policy Office. Initially headed by Director James Huang, the office consulted with representatives from the business sector, academia, and civil society in a collaborative effort to help develop policy guidelines. The office was also charged with handling public relations. Following the adoption of the New Southbound Policy Guidelines on August 16, 2016, the NSP shifted into its implementation phase under the Office of Trade Negotiations (OTN), led by Minister without Portfolio John Deng. A brief timetable that details the evolving nature of the NSP is outlined below.

THE EVOLUTION OF THE NSP

The New Southbound Policy Guidelines were formally approved and adopted as part of Taiwan's push to strengthen its regional integration on August 16, 2016.¹ The guidelines center on the principles of forging a sense of economic community, comprehensive development, and the pursuit of mutual benefit between Taiwan and ASEAN, South Asian, and Oceanic countries.²

Shortly after the adoption of these guidelines, the Executive Yuan, along with the National Development Council, proposed a new Promotion Plan on September 5, 2016. The Promotion Plan calls for the development of stronger bilateral relations through four main tasks: (1) promoting economic collaboration, (2) conducting talent exchange, (3) sharing resources, and (4) forging regional links.³

1. "New Southbound Policy Implementation Plans," Bureau of Foreign Trade, Ministry of Economic Affairs, Executive Yuan, ROC (Taiwan), <https://www.newsouthboundpolicy.tw/English/PageDetail.aspx?id=4a926ddb-4e3d-463e-998b-81ff96f284fe&pageType=SouthPolicy&AspxAutoDetectCookieSupport=1>.

2. "New Southbound Policy Promotion Plan Launched," Office of Trade Negotiations, Executive Yuan, ROC (Taiwan), September 5, 2016, https://www.moea.gov.tw/Mns/otn_e/content/Content.aspx?menu_id=19288.

3. "New Southbound Policy Promotion Plan," Executive Yuan, ROC (Taiwan), October 3, 2016, http://english.ey.gov.tw/news_content2.aspx?n=8262ED7A25916ABF&sms=DD07AA2ECD4290A6&s=A4EC0156BDB1DC6C.

On December 14, 2016, the Executive Yuan finalized the New Southbound Policy Work Plan, which operationalized the Promotion Plan by providing specific directions and objectives for relevant agencies and ministries. The Work Plan details 18 policy goals, 15 concrete projects, and 48 initiatives of the NSP. The first measures of the plan went into effect on January 1, 2017.⁴

President Tsai announced the launch of five flagship projects aimed at promoting the NSP on April 20, 2017. The OTN elaborated and finalized the plan on August 14, 2017. The flagship projects represent a shift within the NSP toward focusing on (1) collaboration in innovative industries, (2) cooperation in medicine by forming industrial supply chains, (3) a youth exchange platform, (4) regional agricultural development, and (5) the cultivation of talent.⁵ The OTN also outlined e-commerce, infrastructure, and tourism as three potential-laden fields of cooperation between Taiwan and the NSP targeted countries.⁶

STRUCTURE AND BUDGET

The OTN is charged with coordinating efforts between the 13 government ministries and several agencies that are involved in the NSP. Most of the policy measures being implemented, however, involve the Ministry of Foreign Affairs, the Ministry of Economic Affairs, the Ministry of Education, and the Tourism Bureau under the Ministry of Transportation and Communications. Each of these four ministries has its own specific policy implementation blueprints. A full list of the agencies and ministries currently involved with implementing the NSP is available in the Appendix.

The budget to fund NSP initiatives is generally drawn from the coffers of the specific ministries involved, which receive their allocations from the Executive Yuan. For 2017, the Executive Yuan budgeted a total (including special funds) of NT\$4.45 billion (US\$131 million) among ministries' existing budgets for the initiative.⁷ Importantly, the government budget for 2017 was approved prior to President Tsai's inauguration. This initially left various ministries constrained by their existing budgets and required them to shift their priorities to make room for Tsai's policy.

As the NSP moves into its second year of implementation, Tsai has been afforded her first opportunity to fully fund the initiative. Not surprisingly, the total 2018 budget (including special funds) jumped from NT\$4.45 billion (US\$148 million) to NT\$7.26 billion (US\$241 million), which marks a

4. "行政院：新南向政策工作計畫拍板 明年1月1日啟動" [Executive Yuan: New Southbound Policy Work Plan Finalized, to Begin January 1st Next Year (zhengyuan: xinnanxiang zhengce gongzuo jihua paiban mingnian yiyue yiri qidong)], Executive Yuan, ROC (Taiwan), December 14, 2016, https://www.ey.gov.tw/News_Content2.aspx?n=F8BAEBE9491FC830&s=5DF3DD7518F014BC; Alan H. Yang, "Strategic Appraisal of Taiwan's New People-Centered Southbound Policy: The 4Rs Approach," *Prospect Journal*, no. 18, October 10, 2017, <http://www.airtilibrary.com/Publication/alDetailedMesh?docid=a0000538-201710-201710130012-201710130012-1-34>.

5. Yang, "Strategic Appraisal of Taiwan's New People-Centered Southbound Policy."

6. "Cabinet Outlines Flagship Projects under New Southbound Policy," *Taiwan Today*, August 15, 2017, <http://taiwantoday.tw/news.php?unit=2,6,10,15,18&post=119927>.

7. "有關新南向政策推動計畫經費說明" [Explanation of Funding Related to the New Southbound Policy Implementation Plan (youguan xinnanxiang zhengce tuidong jihua jingfei shuoming)], National Development Council, ROC (Taiwan), September 14, 2016, https://www.ndc.gov.tw/News_Content.aspx?n=114AAE178CD95D4C&s=51268A8EC7D62329.

Table 2.1. Budget Allocation of the NSP for FY2017 and FY2018 (NT\$ millions)

	2018 NSP Budget	NSP as % of 2018 Budget	2017 NSP Budget	NSP as % of 2017 Budget	Change
Total Budget	7,255	–	4,452	–	63%
Ministry of Foreign Affairs	323	1.2%	260	1.1%	24%
Ministry of Education	1,696	0.7%	1,000	0.4%	70%
Ministry of Economic Affairs	2,891	5.3%	1,745	3.3%	66%
Tourism Bureau	320	6.6%	218	4.1%	47%

Source: “107 年度中央政府總預算案” [Central Government General Budget 2018 (107 niandu zhongyang zhengfu zongyusuan an)], Directorate-General of Budget, Accounting and Statistics, Executive Yuan, ROC (Taiwan), <http://www.dgbas.gov.tw/ct.asp?xItem=41717&ctNode=6443&mp=1>; “106 年度中央政府總預算案” [Central Government General Budget 2017 (106 niandu zhongyang zhengfu zongyusuan an)], Directorate-General of Budget, Accounting and Statistics, Executive Yuan, ROC (Taiwan), <http://www.dgbas.gov.tw/ct.asp?xItem=40176&ctNode=6306&mp=1>.

63 percent year-on-year increase. The Ministry of Economic Affairs and the Ministry of Education have dedicated the largest amounts—NT\$2.89 billion (US\$96.1 million) and NT\$1.7 billion (US\$56.5 million), respectively—to the NSP in 2018. A breakdown of the NSP budget among key ministries is provided in Table 2.1.

The National Development Council, which is the main policy planning agency of the Executive Yuan, has also announced plans to collaborate with local governments, various corporations, and nongovernmental organizations (NGOs) to contribute supplemental funding to the initiative. Funding from these additional sources may push the final budget allocated to the NSP to exceed the amount allocated by the Executive Yuan.

Previous Southbound Policies

As its name implies, the *New Southbound Policy* is not Taiwan's first foray into the countries targeted by Tsai. The NSP builds on previous efforts, which were aimed primarily at redirecting Taiwan's overseas investments into Southeast Asia, by Presidents Lee Teng-hui and Chen Shui-bian.

LEE TENG-HUI'S "GO SOUTH" POLICY (1994–1996)

President Lee Teng-hui's "Go South" policy was initiated in 1994 and sought to reduce Taiwan's economic reliance on the Mainland by ramping up commercial expansion into Southeast Asia. The plan rested on a three-pronged strategy to boost investments from both KMT-affiliated companies and state-run companies in Southeast Asia, while simultaneously increasing the flow of foreign aid to targeted countries.¹ Additionally, Lee placed a cap on high-technology and infrastructure investment across the Strait, and prohibited individual investments from specific companies to the Mainland from exceeding \$50 million.²

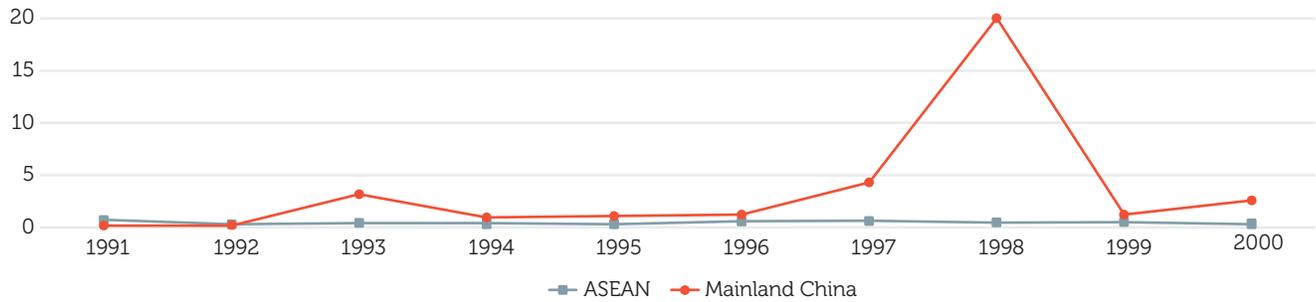
Due in part to Lee's policies, Taiwan's foreign direct investment (FDI) into ASEAN countries initially grew from \$1.17 billion in 1993 to \$4.98 billion in 1994.³ Over the same period, Taiwan's investment into Mainland China fell from \$3.17 billion to \$962 million. Nonetheless, these trends stabilized over the next several years. In December 1996, Taiwan's Ministry of Economic Affairs abruptly

1. Bruce Einhorn, "Taiwanese Go South," *Bloomberg*, November 6, 1995, <https://www.bloomberg.com/news/articles/1995-11-05/taiwanese-go-south-intl-edition>.

2. Mark Landler, "Taiwan Lifts Restrictions on Investment in China," *New York Times*, November 8, 2001, <http://www.nytimes.com/2001/11/08/world/taiwan-lifts-restrictions-on-investment-in-china.html>.

3. "我國對東協國家投資統計" [Statistics on Taiwan's FDI to ASEAN countries (woguo dui dongxie guojia touzi tongji)], Department of Investment Service, Ministry of Economic Affairs, ROC (Taiwan), <http://www.aseancenter.org.tw/upload/files/20130111.pdf>.

Figure 3.1. Taiwan's FDI to Mainland China and ASEAN, 1991–2000 (US\$ billions)



Source: Department of Investment Service, Ministry of Economic Affairs, ROC (Taiwan), <http://www.aseancenter.org.tw/upload/files/20130111.pdf>.

Note: This chart only includes data for Singapore, Indonesia, Malaysia, the Philippines, Vietnam, Thailand, and Cambodia.

announced a freeze on overseas investment by government enterprises in order to encourage domestic industrial growth.⁴

LEE TENG-HUI'S SECOND "GO SOUTH" POLICY (1997–1999)

President Lee initiated his second "Go South" Policy during the 1997 Asian financial crisis, which crippled much of Southeast Asia but had limited impact on Taiwan due to its ample foreign reserves and low external debt.⁵ In general terms, Lee viewed the crisis as an opportunity for Taiwan, and he remained steadfast that despite the ongoing market turmoil, investment into Southeast Asia would benefit Taiwan. Part of this push was driven by a desire to strengthen Taiwan-ASEAN relations by leveraging Taiwan's exchange reserves to assist these countries.⁶ The Lee government injected money into Taiwan-owned banks in Southeast Asian countries and created a holding company called the Southeast Asia Investment Company to conduct mergers and acquisitions in Southeast Asia.

Some investors took advantage of the opportunity to "snap up" good Southeast Asian companies that were hamstrung by bad credit.⁷ Besides these opportunistic companies, however, the Lee administration ultimately underestimated the fallout of the crisis, which deterred most Taiwan

4. Ngeow Chow Bing, "Taiwan's Go South Policy: Déjà Vu All Over Again?," *Contemporary Southeast Asia: A Journal of International and Strategic Affairs*, vol. 39, no. 1 (April 2017): 96–126, <https://muse.jhu.edu/article/657980/pdf>.

5. Keith B. Richburg, "Taiwan Buys Up Bargains and Widens Its Influence," *Washington Post*, January 22, 1998, <http://www.washingtonpost.com/wp-srv/business/longterm/asiaecon/stories/taiwan012298.htm>.

6. Hwang Dong-Yang, "我國南向政策成效的回顧與展望" [Retrospect and Prospect of the Southward Policy Achievement (woguo nanxiang zhengce chengxiao de huigu yu zhanwang)], *展望與探索 [Prospect and Exploration]*, vol. 6, no. 12 (December 2008): 41–60, https://www.mjib.gov.tw/FileUploads/eBooks/d634d0ef22734ccc8423f8358ffe7cb7/Section_file/7be6ade527e8422aa5e13cb5b958324d.pdf.

7. "Taiwan Launches a Lifeboat," *The Economist*, January 22, 1998, <http://www.economist.com/node/602507>.

businesses from making major new investments.⁸ A survey conducted by the Ministry of Economic Affairs also noted that the underdeveloped infrastructure and highly regulated economic policies of some Southeast Asian countries hindered investment flows from Taiwan.⁹ Taiwan's FDI investment into ASEAN countries decreased from \$4.85 billion in 1997 to \$1.42 billion in 1998. As the Lee administration floundered in its effort to incentivize businesses to invest in ASEAN countries, Mainland China's ready extension of assistance to affected countries helped strengthen its economic and political ties in the region.¹⁰

CHEN SHUI-BIAN AND THE REVIVAL OF A "GO SOUTH" STRATEGY (2002–2008)

President Chen Shui-bian launched his own "Go South" strategy after Taiwan acceded to the World Trade Organization in 2002. Similar to his predecessor, Chen sought to reduce Taiwan's economic reliance on the Mainland and expand Taiwan's economic influence in Southeast Asia. Chen focused on strengthening the investment support system for Taiwan businesses operating in Southeast Asia.¹¹ In order to diversify Taiwan's investments, the policy also established assessment mechanisms, facilitated industry investments, and provided training for returning employees.

Ultimately, the appeal of the Chinese economy proved too strong for many of Taiwan's businesses, which hindered the effectiveness of the "Go South" policy.¹² Although Taiwan's investment into ASEAN grew sustainably in the mid-2000s and peaked at \$10.2 billion in 2008, it soon plummeted to \$1.9 billion in 2009.¹³ While some of this decline can be attributed to Southeast Asia's lagging economic competitiveness, various geopolitical factors, and the global financial crisis, Chen's own policies also paved the way for businesses from Taiwan to seek opportunities on the Mainland.

In 2001, the Chen administration adopted a "proactive liberalization with effective management" policy, which was designed to promote economic exchange across the Strait.¹⁴ The new policy

8. Tung Chen-yuan, *台灣的中國戰略: 從扈從到平衡* [Taiwan's Strategy toward China: From Bandwagoning to Balancing (taiwan de zhongguo zhanlue: cong hucong dao pingheng)] (Taipei: Showwe, 2011).

9. Tsun-tzu Kristy Hsu, "A Review of Taiwan's Old and New Go South Policy: An Economic Perspective," *Prospect Journal*, no. 18 (October 2017): 72.

10. Ibid.

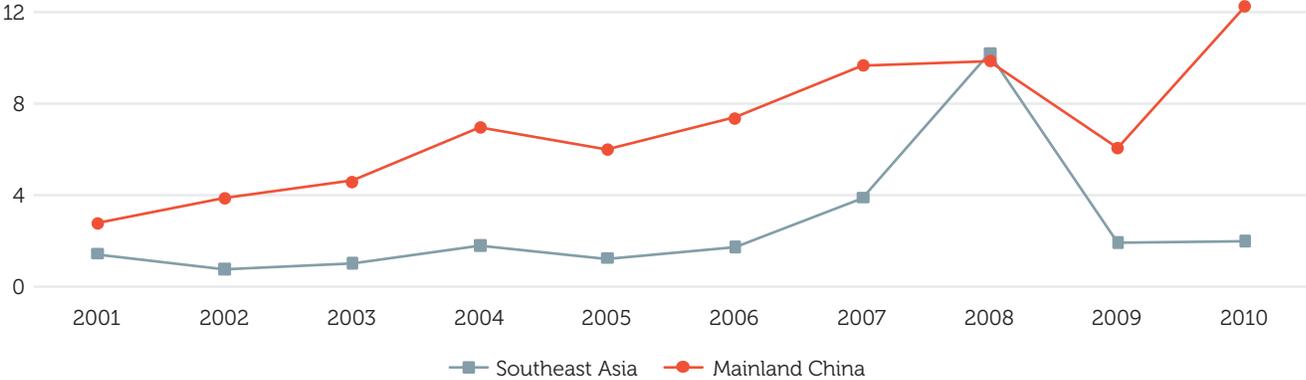
11. Huang Kwei-Bo and Chou Rong-Hui, "我國「南向政策」之回顧與影響" [The Retrospect and Influence of Taiwan's "Southward Policy" (woguo nanxiang zhengce zhi huigu yu yingxiang)], *展望與探索* [Prospect and Exploration], vol. 12, no. 8 (August 2014): 61–69.

12. Eric Teo Chu-cheow, "Gloomy Prospects for 'Go South' Policy," *China Daily*, June 21, 2004, http://www.chinadaily.com.cn/english/doc/2004-06/21/content_341085.htm.

13. "Taiwan Investment in ASEAN Countries," Department of Investment Services, Ministry of Economic Affairs ROC (Taiwan), <http://www.aseancenter.org.tw/upload/files/20130111.pdf>.

14. Ezra N. H. Chen, "The Economic Integration of Taiwan and China and Its Implications for Cross-Strait Relations," Harvard University, July 2003, <http://programs.wcfia.harvard.edu/files/fellows/files/chen.pdf>.

Figure 3.2. Taiwan’s FDI to Mainland China and Southeast Asia, 2001–2010 (US\$ billions)



Source: Department of Investment Service, Ministry of Economic Affairs, ROC (Taiwan), <https://www.dois.moea.gov.tw/Home/relation3>. The Ministry of Economic Affairs then established the Overseas Chinese and Foreign Investment Commission; https://www.moeaic.gov.tw/business_category.view?lang=ch&seq=3. Note: This chart only includes data for Singapore, Indonesia, Malaysia, the Philippines, Vietnam, Thailand, and Cambodia.

relaxed restrictions set by Lee on the high-technology industry and removed the \$50 million Mainland investment ceiling. Chen also allowed Taiwan banks to establish representative offices in Mainland China and enabled capital from the Mainland to flow into the Taiwan real estate market.¹⁵ These initiatives encouraged businesses to go to the Mainland, which clashed with the intent behind Chen’s “Go South” strategy and greatly contributed to its shortcomings.

15. Elizabeth Freund Larus, “Partisan Intervention and Taiwan’s China Policy,” *Pacific Focus*, vol. 22, no. 1 (2007): 144; Chen-Yuan Tung, “The Evolution of Cross-Strait Economic Relations in the First Chen Shui-Bian Administration,” National Chengchi University, May 2005, <http://nccur.lib.nccu.edu.tw/bitstream/140.119/2991/1/The+Evolution+of+Cross-Strait+Economic.doc>.

Current Policy Overview

Tsai's New Southbound Policy is both more strategic and far-reaching than the similarly minded efforts of Lee and Chen. Lee and Chen primarily sought to increase Taiwan's regional economic integration and reduce its dependence on the Chinese economy. By contrast, Tsai is actively promoting a multifaceted strategy that leverages Taiwan's cultural, educational, technological, agricultural, and economic assets while maintaining stable cross-Strait relations. At the heart of the NSP is a desire to weave Taiwan into a "people-centered" community of nations that spans the Indo-Pacific region.

Operationally, Tsai has employed a whole-of-government approach that involves multiple ministries and agencies across different sectors. The policy is directed under its own New Southbound Policy Office and is logistically coordinated by the OTN in the Executive Yuan. Agencies and ministries currently involved with implementing the NSP are listed in the Appendix.

GENERAL GOALS AND BENCHMARKS

Tsai outlined goals associated with the NSP during an international economic and trade strategy meeting on August 16, 2016. The short-term goals of the NSP can be sorted into four main objectives.¹ In general terms, the NSP seeks to:

1. Expand "two-way" exchanges in the areas of trade, investment, tourism, culture, and talent.
2. Encourage Taiwan's industry to adopt a "New Southbound" approach to their business development.
3. Cultivate the human resources needed to help support the NSP.
4. Expand multilateral as well as bilateral dialogue for the purposes of economic cooperation and future conflict resolution.

1. "The Guidelines for New Southbound Policy," Taipei Economic and Cultural Office in Brunei Darussalam, ROC (Taiwan), August 23, 2016, http://www.ROC-taiwan.org/bn_en/post/644.html.

Table 4.1. Ministry of Foreign Affairs NSP Goals, 2018

Key Indicator	Evaluation Criteria	Goal
Promote NSP to deepen ties with target countries	Number of treaties, protocols, and memorandums signed with NSP target countries	Increase number of each activity at an annual rate of 10 percent
	Number of bilateral meetings and cooperation projects	
	Number of visits by former heads of state, current heads of government, members of congress, and senior government officials	
Simplify visa process for personnel from NSB target countries	Number of visa facilitation programs/services provided to NSP target countries	Offer 15 programs/services

Source: “2018 Budget Report,” Ministry of Finance, ROC (Taiwan), <https://www.mofa.gov.tw/Upload/RelFile/2161/162435/4f7b1fa0-3183-4fdb-9c96-ee159db2542c.pdf>.

The long-term strategic goals of the NSP can be broadly defined as intended to:

1. Strengthen Taiwan’s economic and interpersonal linkages with countries around the region. According to Presidential Office spokesman Alex Huang, this push includes “promot[ing] sharing of resources, talent, and markets.”²
2. Develop comprehensive dialogue mechanisms between Taiwan and the NSP target countries, which would serve as a channel to facilitate trust and resolve differences.

Although each government agency involved in the NSP has set specific goals, the benchmarks set forth by the Ministry of Foreign Affairs in their 2018 budget prove useful when evaluating the overall success of Tsai’s initiative. This progress is divided between measurable increases in government level interaction and improved facilitation of visa services.

2. “Taiwan Details New Southbound Policy—Targeting South Asia, Southeast Asia, Oceania,” *Asia Today*, August 22, 2016, <https://www.asiatoday.com.au/content/taiwan-details-new-southbound-policy-%E2%80%93-targeting-south-asia-southeast-asia-oceania>.

Economic Components of the NSP

The economic components of the NSP have been advanced by Tsai as a means of promoting Taiwan's domestic industrial upgrading, improving its global economic competitiveness, and alleviating the island's heavy reliance on the Mainland as a destination for exports and investment—a situation that makes Taiwan particularly vulnerable to trends in Mainland China's economy and the vagaries of cross-Strait relations.

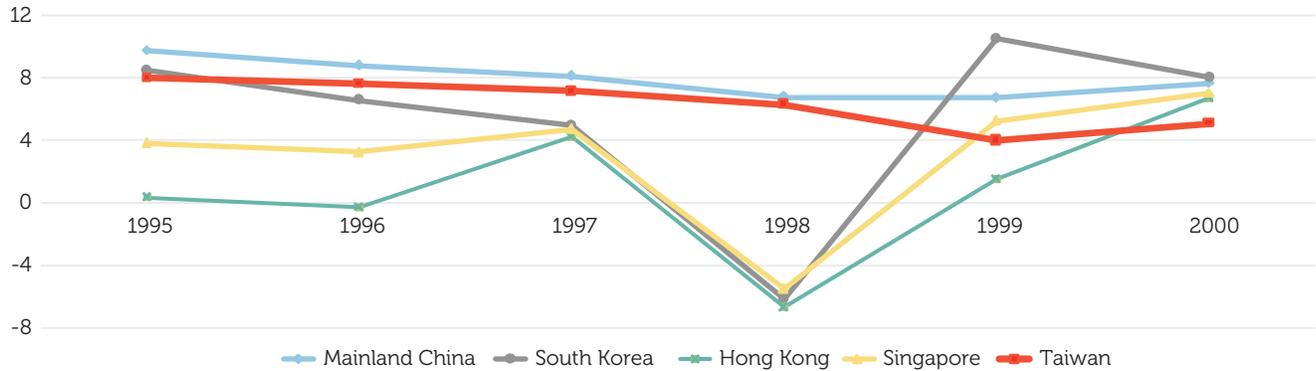
Although the economic strategy of the NSP began as a vague program supported only by general concepts, it has since evolved into a detailed roadmap with specific policies related to expanding trade and investment ties with the 18 NSP target countries. Moreover, the NSP could potentially be part of a larger set of policies that strengthen Taiwan's domestic economy and international engagement. That said, further refinement of the policy and careful attention to implementation will be central to achieving these goals.

OVERVIEW OF TAIWAN'S ECONOMY

Taiwan's economy faces a handful of domestic challenges and is vulnerable to a variety of potential external shocks, both of which justify developing new economic plans such as those associated with the NSP. Nevertheless, observers often overstate the weaknesses in the island's economy as well as the source of the problems that do exist; hence they may misdiagnose the proper solution.

In general terms, Taiwan's economy is relatively healthy. The major macroeconomic indicators—growth, inflation, employment, etc.—are all stable. Its growth rate has slowed from the 1990s and pre-global financial crisis eras, but over the last decade, except for 2008–2009, growth has been moderate and has risen and fallen in line with its developed neighbors in the region. In the third quarter of 2017, the economy expanded at 3.1 percent, consistent with the rising growth of

Figure 5.1. GDP Per Capita Growth of Selected Countries, 1995–2000



Source: “GDP Per Capita Growth (Annual %),” World Bank, <https://data.worldbank.org/indicator/NY.GDP.PCAP.KD.ZG>; “National Accounts Yearbook (2015),” Directorate-General of Budget, Accounting and Statistics, Executive Yuan, ROC (Taiwan), December 2016, <https://www.stat.gov.tw/public/data/dgbas03/bs4/NiYB/internet/NAY.pdf>.

other developed Asian economies, such as Japan (2.5 percent), South Korea (3.6 percent), and Singapore (5.2 percent).¹

Taiwan’s recent performance is no fluke. When the rest of the region was in freefall as a result of the Asian financial crisis, Taiwan achieved a healthy 4.4 percent per capita GDP growth rate in 1998. In the same year, its neighbors South Korea, Singapore, and Japan suffered negative growth, at rates of –5.1 percent, –4.5 percent, and –2.1 percent, respectively.²

Since 2000, Taiwan’s labor force has experienced relatively stable conditions, with the level of unemployment remaining generally low, with only two waves of increased unemployment. Taiwan’s fiscal and financial picture is likewise strong. Government budget deficits are typically smaller than 2 percent of GDP.³ As a result, central government debt has remained around 35 percent; including local government debt brings the total to just under 50 percent of GDP. At the end of 2016, Taiwan’s banks had an overall loan-to-deposit ratio of 73.9 percent, which is quite safe and suggests low chances of a financial crisis.⁴

Finally, Taiwan’s overall international economic situation remains healthy. From 2010 to 2016, Taiwan’s trade surplus in goods increased from \$28 billion to \$50 billion; through the first 10 months of 2017, its trade surplus was \$45.8 billion.⁵ Taiwan’s outward foreign direct investment

1. Data are from Taiwan’s National Statistics website, <http://www.stat.gov.tw/np.asp?ctNode=452>, and Taiwan’s Ministry of Economic Affairs, Department of Statistics website, <http://dmz9.moea.gov.tw/GMWeb/common/CommonQuery.aspx>.

2. “GDP Per Capita Growth (Annual %),” World Bank.

3. “Taiwan Government Budget,” *Trading Economics*, <https://tradingeconomics.com/taiwan/government-budget>.

4. For comprehensive data on Taiwan’s financial situation, see Taiwan’s Central Bank website, http://www.cbc.gov.tw/public/data/EBOOKXLS/087_EI85_A4L.pdf.

5. Data from Taiwan’s Ministry of Economic Affairs, Department of Statistics website, <http://cus93.trade.gov.tw/FSCE000F/FSCE000F>.

continued to grow gradually, reaching \$21.3 billion in 2016, though it leveled off at \$16.69 billion for the first 11 months of 2017. Foreign exchange reserves stood at \$447 billion at the end of November 2017, more than enough to cover Taiwan's foreign liabilities, including almost two years of imports and the island's \$176 billion in foreign debt.⁶

In sum, whether looking at the domestic real economy, the financial sector, or Taiwan's international position, a variety of markers demonstrate that Taiwan's economy is healthy in absolute terms and relative to most of its neighbors.

CROSS-STRAIT ECONOMIC TIES

An important element of Taiwan's overall positive economic outlook has been growing cross-Strait ties. Two-way trade and investment between the Mainland and Taiwan have grown dramatically over the past 15 years. Sectors most closely associated with cross-Strait ties, such as information and communications technology (ICT), have grown faster, been more profitable, and created more high-paying jobs in Taiwan than sectors that have not embraced such ties.

For several reasons, this high level of interaction has on the whole been beneficial for Taiwan. For Taipei, the most crucial factor has been the economic complementarity between the Mainland and Taiwan. Additional reasons that such engagement has been largely beneficial include: (1) the linguistic and cultural similarities that have eased business, (2) tax incentives and other unique benefits given to Taiwan's investors, (3) the ability of over one million people from Taiwan to live in Mainland China and send some of their income back to Taiwan, and (4) Taiwan's continued ban on over 2,000 types of goods and strict limits on direct and portfolio investment from the Mainland.

Despite the economy's overall vitality, there remain both internal weaknesses and external risks. Perhaps the greatest challenge is the relative weakness of Taiwan business outside the ICT space. No other high-value manufacturing sector has taken off, and Taiwan's service industries have not fully developed. One consequence of the concentration in ICT is growing regional variation in economic performance across the island. Growth and employment trends have varied across Taiwan for many years, but the expanding significance of ICT has exacerbated these differences. Northern and central Taiwan have fared better than the southern and eastern regions.⁷ This regional variation overlaps to a considerable extent with Taiwan's political map, which distinguishes between the pan-Blue and the pan-Green regions.

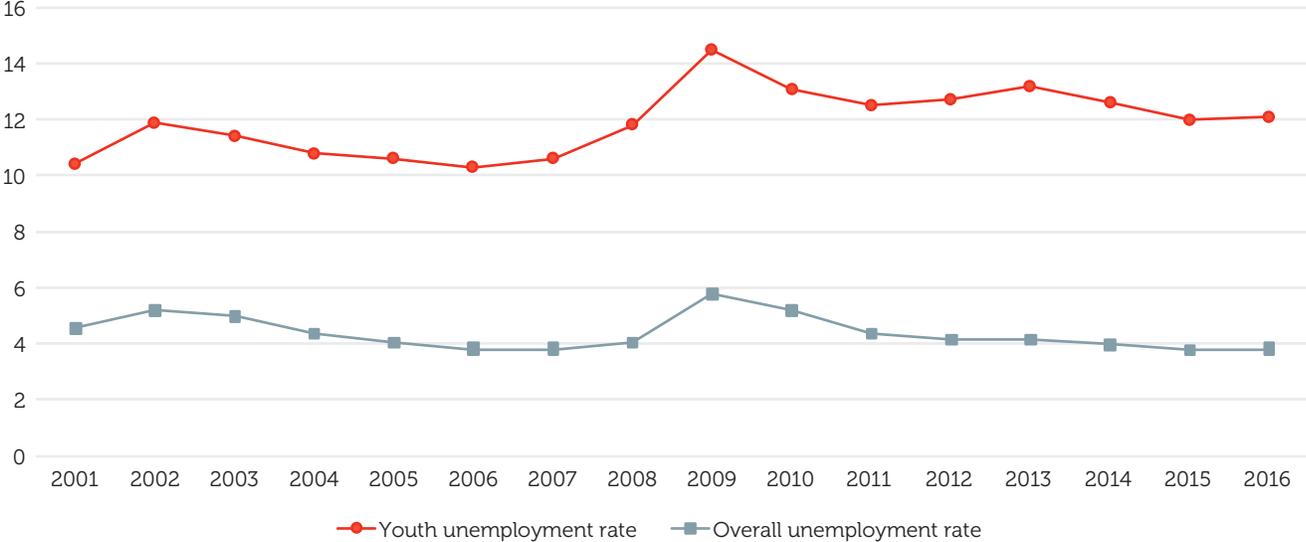
Although the overall unemployment rate is low for youth (ages 15–24), the rate has been growing over the last decade, rising from 10.7 percent in 2007 to a peak of 12.8 percent in August 2016, and settling to 11.9 percent at the end of June 2017.⁸ This suggests that the economy may be generating plenty of manufacturing jobs, including in ICT, but not enough positions for people

6. Foreign reserves and foreign debt data are from Taiwan's Central Bank, <http://www.cbc.gov.tw/ct.asp?xItem=2336&ctNode=538&mp=1>.

7. Yih-Chyi Chuang and Wei-wen Lai, "The Sources of Taiwan's Regional Unemployment: A Cross-Region Panel Analysis," *Hitotsubashi Journal of Economics*, vol. 49 (2008): 47–65.

8. Data from Taiwan's National Statistics website, <http://www.stat.gov.tw/ct.asp?xItem=32985&CtNode=4944&mp=4>.

Figure 5.2. Overall and Youth Unemployment Rate, 2001–2016



Source: “National Statistics,” Directorate-General of Budget, Accounting and Statistics, Executive Yuan, ROC (Taiwan), http://statdb.dgbas.gov.tw/pxweb/Dialog/CityItemlist_n.asp.

with college educations and advanced degrees. Coupled with a rise in housing prices more rapid than the overall inflation rate, it is no wonder that anxieties, particularly among youths in Taiwan, have grown.

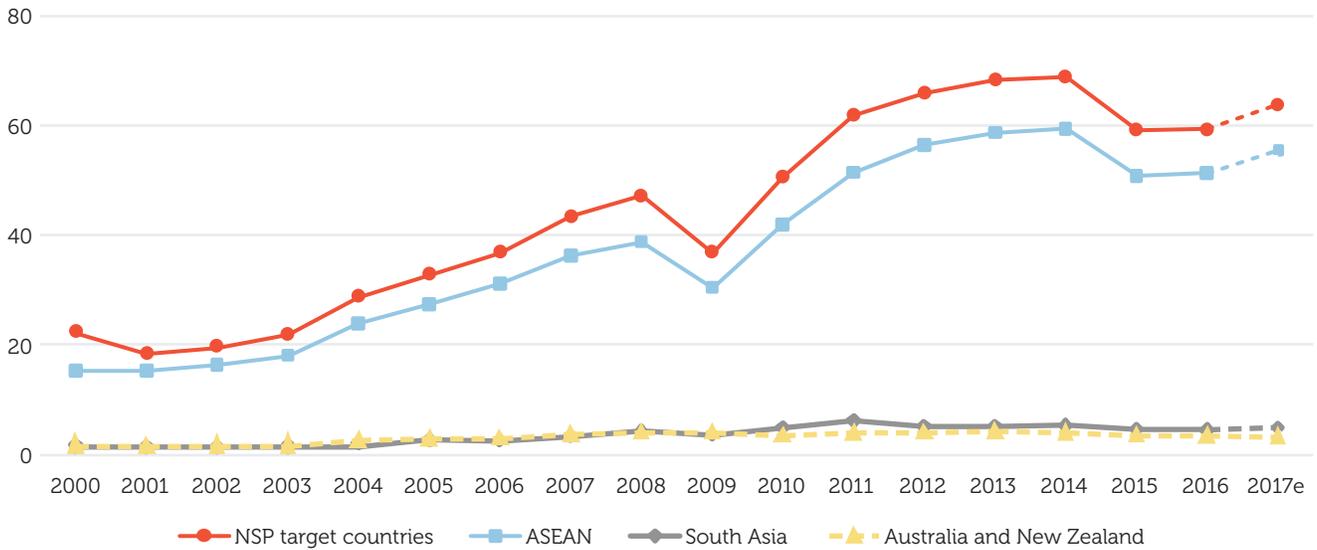
These domestic concerns have surfaced concurrently with mounting external ambiguities and challenges. The economic complementarity that has defined cross-Strait ties for two decades is gradually shifting as the People’s Republic of China (PRC) focuses on moving up the value-added chain. The likelihood of greater competition that erodes Taiwan’s economic productivity and firms’ profitability, as well as employment opportunities, has grown as a result of Mainland China’s more intensive use of industrial policy, which is a challenge facing every advanced economy in Asia and elsewhere.⁹

Moreover, the Mainland challenge is occurring at a moment when global governance institutions and rules are not adapting quickly enough to changes in the international economy. Not only is the Doha Round in the World Trade Organization long expired, but the Trans-Pacific Partnership’s (TPP) future is very much in doubt since the United States withdrew in January 2017. Although Taiwan was not an original member, it could have joined eventually, and TPP’s disciplines on investment, the digital economy, state-owned enterprises, and other areas would have been an important incentive for Chinese liberalization. If TPP moves forward without the United States, it could be less challenging for Taiwan, but it would also place less pressure on China to liberalize.

In addition, the prospects of a Taiwan–United States bilateral investment agreement seem more distant than ever given the Trump administration’s concerns about Taiwan’s bilateral trade surplus,

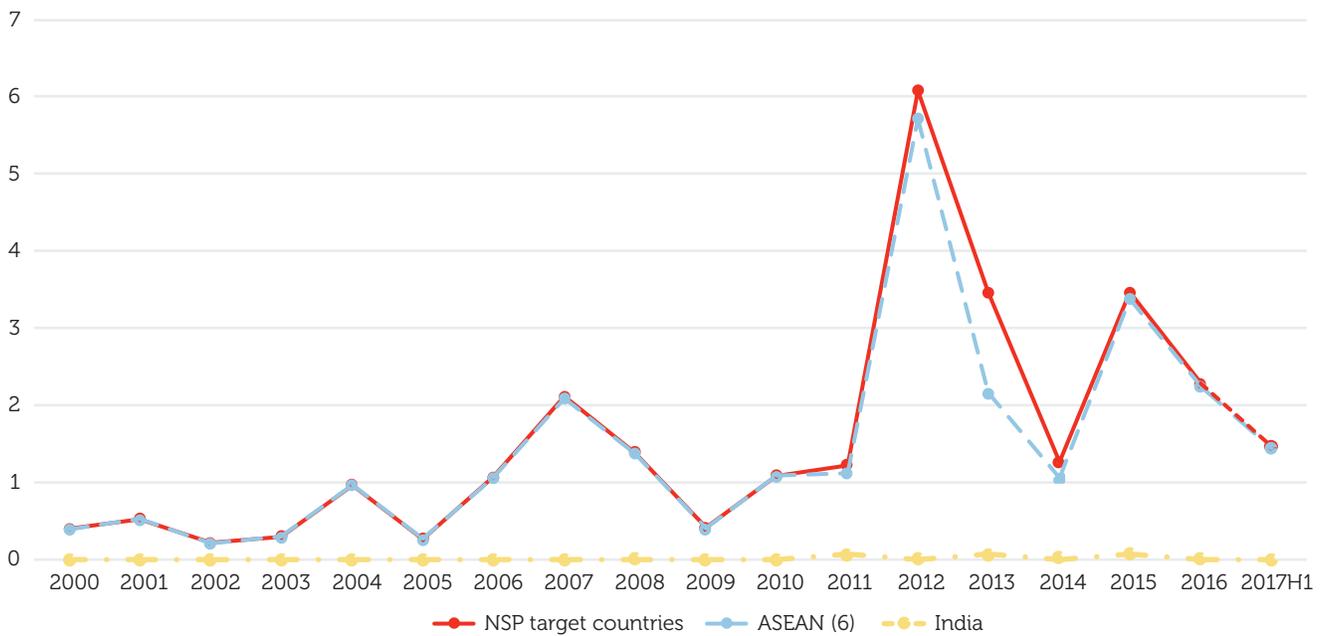
9. The challenge is particularly intense for countries where high-tech manufacturing is a critical contributor to growth. See Jost Wubbeke et al., *Made in China 2025: The Making of a High-Tech Superpower and Consequences for Industrial Countries* (Berlin: Mercator Institute for China Studies, December 2016), p. 6.

Figure 5.3. Taiwan's Exports to NSP Target Countries, 2000–2016 (US\$ billions)



Source: "Trade Statistics," Bureau of Trade, Ministry of Economic Affairs, ROC (Taiwan), <http://cus93.trade.gov.tw/FSCE000F/FSCE000F>.

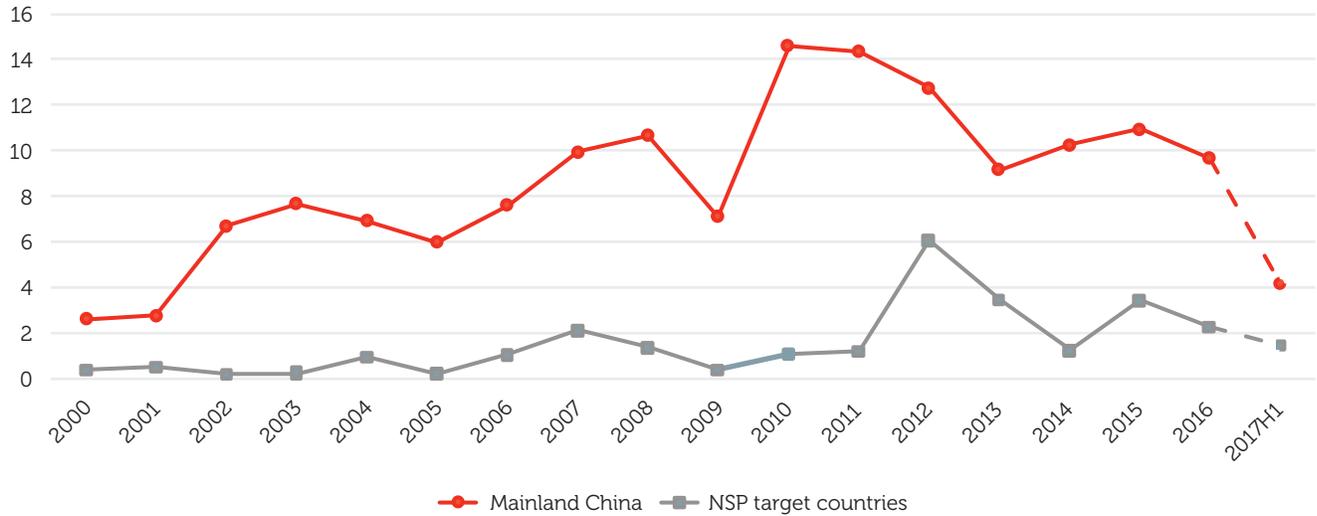
Figure 5.4. Taiwan's Outbound Investment in NSP Target Countries, 2000–2016 (US\$ billions)



Source: "Statistics," Investment Commission, Ministry of Economic Affairs, ROC (Taiwan), http://www.moeaic.gov.tw/english/news_bsAn.jsp.

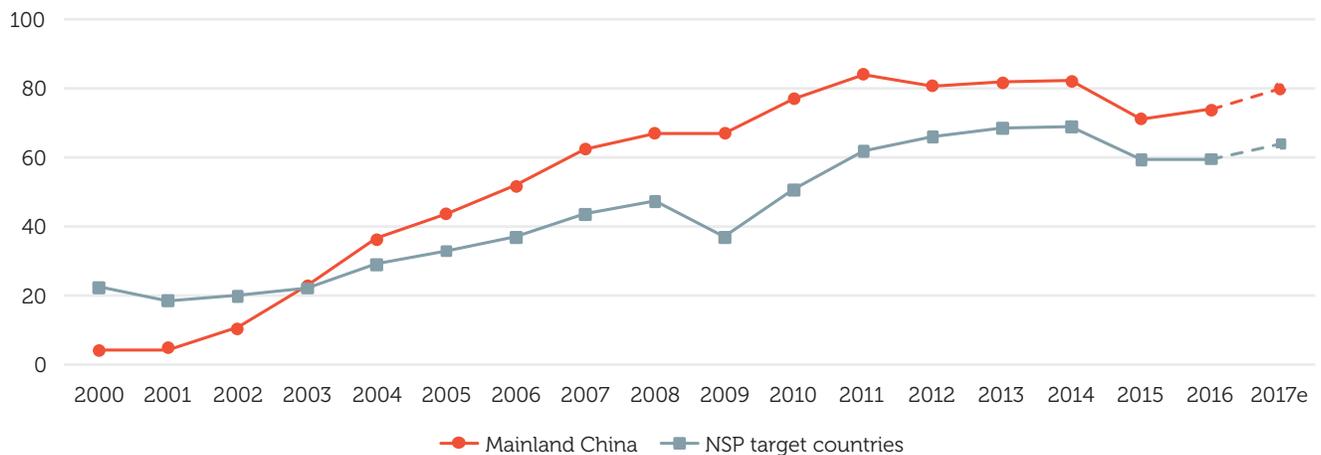
Note: This chart only includes data for Singapore, Indonesia, Malaysia, the Philippines, Thailand, Vietnam, India, Australia, and New Zealand.

Figure 5.5. Taiwan’s Outbound Investment to Mainland China and NSP Target Countries (US\$ billions)



Source: “Statistics,” Investment Commission, Ministry of Economic Affairs, ROC (Taiwan), http://www.moeaic.gov.tw/english/news_bsAn.jsp.

Figure 5.6. Taiwan’s Exports to Mainland China and NSP Target Countries (US\$ billions)



Source: “Trade Statistics,” Bureau of Trade, Ministry of Economic Affairs, ROC (Taiwan), <http://cus93.trade.gov.tw/FSCE000F/FSCE000F>.

the priority the United States places on renegotiation of the North American Free Trade Agreement (NAFTA) and the United States–Korea Free Trade Agreement (KORUS), and negotiation of new agreements with Japan and Great Britain. Conversely, other initiatives in which Mainland China is a major player appear to be making substantial progress, including the Regional Comprehensive Economic Partnership (RCEP) and the Belt and Road Initiative (BRI). The former is a potential FTA that includes ASEAN, India, the PRC, Japan, South Korea, Australia, and New Zealand, while over 70 countries have expressed an interest in the infrastructure investment that is the cornerstone of

the BRI. Finally, growing U.S.-China tensions could potentially result in a broader trade war that would likely have a negative effect on Taiwan firms given their integration into global production networks that flow through Mainland China.

Despite the economy's strong record, the island's domestic challenges and external vulnerabilities make it entirely reasonable for Taiwan's leadership to search for and pursue new opportunities for economic growth. NSP target countries are a natural new area of policy emphasis. Although trade and investment ties with the Mainland account for 40 percent of exports and the bulk of outward foreign investment, in absolute terms linkages with NSP target countries have also grown substantially. Exports have tripled from around \$24 billion in 2000 to over \$60 billion in 2016 (see Figure 5.3), while new investment ranged from at least \$1 billion to \$6 billion per year since 2006 (see Figure 5.4). Notwithstanding the fact that Taiwan's investment to NSP target countries is much less than its investment to Mainland China (see Figure 5.5), its exports to NSP target countries are only slightly lower than its exports to the Mainland (see Figure 5.6). This suggests that there is substantial room for Taiwan to expand its investment in the region, both as part of a trend of shifting global supply chains and in the context of expanding economic reforms, rising wages, and growing final consumption in these markets.

IMPLEMENTATION OF THE ECONOMIC PUSH

The economic elements of the NSP evolved from a concept presented during the 2016 campaign for the presidency to a general framework in the fall of 2016 to one with clearer policy components by mid-2017.¹⁰ In its earliest iteration, a central component was the concern about overdependence on Mainland China and the need to diversify Taiwan's international economic relations. As one official in Taipei said during an interview for this project, "using the Mainland as a second engine of growth for Taiwan's economy is now seen as an illusion." As time has passed, less emphasis has been placed on the issue of diversifying away from Mainland China and greater stress has been placed on the under-explored opportunities in NSP target countries.¹¹

Central to the policy's success is not the size of Taiwan but its advantages in soft power, its universities and research institutes, its experience in advanced manufacturing as part of global supply chains, and its strong social safety net. Tsai hopes to enhance existing economic ties with these countries by expanding supply chains in critical growth sectors in those countries, important manufacturing industries, energy, agriculture, and financial services. Moreover, Taiwan also hopes to restructure the region's supply chains, link the various economies to each other in a

10. For full details, see the Taiwan government's "New Southbound Policy Platform," <http://nsp.mofa.gov.tw/nsppe/>.

11. Representative of this trend were comments made in May 2017 by then-premier Lin Chuan, who said expanding Taiwan's ties with NSP target countries would not come at the expense of cross-Strait economic relations. Miao Zong-Han, "林全: 新南向非對抗 盼與對岸合作" [New Southbound Policy Does Not Sideline China: Premier Lin (linquan: xinnanxiang feiduikang pan yu duian hezuo)], Central News Agency, May 31, 2017. <http://www.cnabc.com/news/aall/201705311141.aspx>.

BOX 5.1. New Funds for the NSP

Taiwan has established a series of funds to promote business investments and infrastructure developments in NSP target countries.

- In late 2016, Taipei announced plans to offer a credit line totaling NT\$100 billion (US\$3.34 billion) for Taiwan businesses looking to invest overseas.
- In May 2017, Taipei announced an investment fund to provide NT\$50 billion in (US\$1.67 billion) credit guarantees and financing to SMEs.
- In October 2017, President Tsai also pledged to establish a NT\$105 billion (US\$3.5 billion) fund to assist NSP target countries with infrastructure development projects.

Source: "New Southbound Policy Paying Early Dividends," Executive Yuan, ROC (Taiwan), May 5, 2017, https://english.ey.gov.tw/News_Hot_Topic.aspx?n=F24AD2B907DE41B5; Tsai Yi-yu and S. C. Chang, "Taiwan Offers NT\$100 Billion Credit Line for 'New Southbound Policy,'" Focus Taiwan, December 20, 2016, <http://focustaiwan.tw/news/aeco/201612200026.aspx>; S. C. Chang, "Taiwan to Set Up US\$3.5 Billion Fund for New Southbound Policy," Focus Taiwan, October 11, 2017, <http://m.focustaiwan.tw/news/aall/201710110017.aspx>.

new scheme, and provide greater opportunities for Taiwan-based companies as part of this evolution.¹²

In late 2016, the Executive Yuan issued a detailed planning document with the main goals of the NSP for 2017. These included: conducting feasibility studies; promoting overseas business in the agriculture, manufacturing, and service sectors; expanding e-commerce; raising the reputation of Taiwan companies in the region; and expanding services to Taiwan companies seeking entry into the markets of NSP target countries.¹³

Tsai's opening remarks in an interview given in early May 2017 to reporters from six NSP target countries summarized the policy's four main themes, three of which focused specifically on economics: (1) developing and sharing talent and resources, particularly among universities and training facilities; (2) industry cooperation and development of domestic markets; (3) leveraging Taiwan's manufacturing prowess as a source of manufacturing for NSP target countries as well as a model for themselves to learn from; and (4) expanding cooperation between SMEs in Taiwan and the NSP target countries.¹⁴

12. "President Tsai Convenes Meeting on International Economic and Trade Strategy, Adopts Guidelines for 'New Southbound Policy,'" Office of the President, ROC (Taiwan), August 16, 2016, <http://english.president.gov.tw/Default.aspx?tabid=491&itemid=37868&rmid=2355>.

13. "New Southbound Policy Work Plan," Executive Yuan, ROC (Taiwan), December 14, 2016, <https://www.newsouthboundpolicy.tw/common/download/新南向政策工作計畫.pdf>.

14. "President Tsai's Opening Statement in Interview with Journalists from India, Indonesia, Malaysia, the Philippines, Singapore, and Thailand," Office of the President ROC, May 5, 2017, <http://english.president.gov.tw/Default.aspx?tabid=491&itemid=39158&rmid=2355>.

Table 5.1. Free Trade Agreements and Bilateral Investment Treaties Signed by Taiwan

	India	Malaysia	New Zealand	Philippines	Singapore	Thailand	Vietnam
Free trade agreement			2013		2013		
Bilateral investment treaty	2002	1993		1992, 2017	1990	1996	1993

Source: UNCTAD's Investment Policy Hub, <http://investmentpolicyhub.unctad.org/IIA/CountryBits/205#iialInnerMenu>.

The core content and implementation of the NSP has evolved somewhat over the past year. Based on interviews and actual practice, there appear to be five economic elements at the heart of the NSP.

1. Update and expand official agreements with NSP target countries. Taiwan already has free trade agreements with Singapore and New Zealand, which are of recent vintage and not in need of revision. Yet Taiwan's bilateral investment agreements (BIAs) with many NSP target countries are in critical need of updating, to take into account the island's shifting economic strengths as well the emergence of services and the digital economy. Taiwan plans to first focus on updating its BIAs with several ASEAN countries. The first of these updates came on December 7, 2017, when Taiwan and the Philippines signed a new BIA.¹⁵ Taipei hopes that similar BIAs can be signed with other NSP target countries, including Thailand, Malaysia, Indonesia, and Vietnam, as well as India.¹⁶ Taiwan also seeks to update or develop new agreements related to taxes, customs, and technical and quality standards across the region.¹⁷
2. Identify which industries are the most promising candidates for overseas expansion and which companies are most in need of government support. This analysis has involved consultations within government agencies as well as between industry, government, and think tanks. By mid-2017, a consensus seemed to emerge that energy should be devoted to promoting opportunities across the spectrum, from agriculture to manufacturing to services. At the same time, officials appear to have concluded that although Taiwan's most well-known companies globally are highly interested in NSP target countries, for reasons of both growing challenges in Mainland China and new market opportunities, these firms

15. "Taiwan, Philippines Sign Bilateral Investment Agreement," *Focus Taiwan*, December 7, 2017, <http://focustaiwan.tw/news/aeco/201712070022.aspx>.

16. Elaine Hou and Kuan-lin Liu, "New Taiwan-Philippines Investment Pact to Include Financial Sector," *Focus Taiwan*, December 1, 2017, <http://focustaiwan.tw/news/aall/201712010026.aspx>.

17. "Easing of Visa Rules for New Southbound Policy Countries Takes Effect," *Taiwan Today*, June 2, 2017, <http://nsp.mofa.gov.tw/nsppe/news.php?post=116923&unit=377>.

need the least amount of help from Taipei. Instead, Taiwan's small- and medium-sized companies and largest state-owned enterprises (SOEs), particularly those with the least international experience, have a much greater need for the government's support and encouragement.

3. Promote these industries and companies in NSP target countries. To some extent this could involve high-level intervention by senior officials from Taiwan, but in general the primary responsibility is being taken up by the Ministry of Economic Affairs and the Taiwan External Trade Development Council (TAITRA). TAITRA's 12 offices in NSP target countries provide trade and investment facilitation services through a number of channels. In early 2017, it hosted the annual "Sourcing Taiwan" exhibition to help match international buyers and Taiwan suppliers.¹⁸ Later in the year, TAITRA organized "Taiwan Image" expos in several NSP target countries: Indonesia (May), Vietnam (July), the Philippines (September), and Malaysia (November).¹⁹
4. Educate Taiwan industry about the region and the opportunities they could exploit. Although Taiwan companies have extensive experience in several ASEAN countries, they are less familiar with India and other countries in South Asia, and they still need up-to-date information about markets throughout the region. As an example, TAITRA launched an India Center in Taipei in April 2017.²⁰
5. Provide credit guarantees to Taiwan SMEs with plans to do business in the region. In May 2017, Taipei announced plans to provide three credit guarantee funds: (1) the Small and Medium Enterprise Credit Guarantee Fund of Taiwan, (2) the Overseas Credit Guarantee Fund, and (3) the Agricultural Credit Guarantee Fund. The total budget allocated to these funds is NT\$5 billion (US\$167 million) and they provide NT\$50 billion (US\$1.67 billion) in financing, which should help support SMEs as they expand into NSP target countries.²¹

INITIAL RESULTS, CHALLENGES, AND OBSTACLES

It remains too early to tell if the NSP will achieve Tsai's desired economic outcomes. Based on data from the first three quarters of 2017, trade, investment, and financial activity between Taiwan and the region has risen, with inbound investment from NSP target countries up almost 25 percent by

18. "New Southbound' Gets Boost from Sourcing Taiwan," *China Post*, February 17, 2017, <http://www.chinapost.com.tw/taiwan/business/2017/02/14/491509/new-southbound.htm>.

19. J. T. Nisay, "It's Time to Give Taiwan a Look," *Business Mirror*, September 25, 2017, <https://businessmirror.com.ph/its-time-to-give-taiwan-a-look/>.

20. "TAITRA Launches India Center in Taipei," *Taiwan Today*, April 28, 2017, http://nspp.mofa.gov.tw/nsppe/content_tt.php?unit=6&post=114618.

21. "New Southbound Policy Paying Early Dividends," Executive Yuan, ROC (Taiwan), May 5, 2017, https://english.ey.gov.tw/News_Hot_Topic.aspx?n=F24AD2B907DE41B5.

BOX 5.2. Indonesia Seeking Taiwan's Support

Praising Taiwan for its advanced techniques in shipbuilding and ship route management, a senior Indonesian economic official has urged Taiwan's shipbuilders to consider investing in Indonesia. As Indonesia works to become a maritime power, it needs not only Taiwan's metal and steel, electronic, and textile products, but can also benefit from its fishery techniques. The official further notes that cooperation between the two countries can also extend to ship repair and maintenance work.

Source: Jay Chou and Elizabeth Hsu, "Taiwan's Ship-Builders Urged to Invest in Indonesia," *Taiwan Focus*, September 24, 2017, <http://focustaiwan.tw/news/aeco/201709240009.aspx>.

value from a year earlier.²² Moreover, Taiwan is making progress on inking updated bilateral investment agreements.²³

However, it is difficult to determine whether the uptick in economic activity is the result of governmental policy activism or the overall recovery in regional trade and investment since the middle of 2016. The most that can be concluded at this point is that the NSP has taken advantage of market trends, including rising production costs in Mainland China and the growing supply-chain and final-market opportunities in NSP target countries. Looking ahead, the most likely outcome is that the NSP will have a modest yet constructive impact on Taiwan's economic relations with the region, particularly with those countries where relations to date have been the least developed. In that regard, the potential for expanding Taiwan-India ties cannot be overestimated.

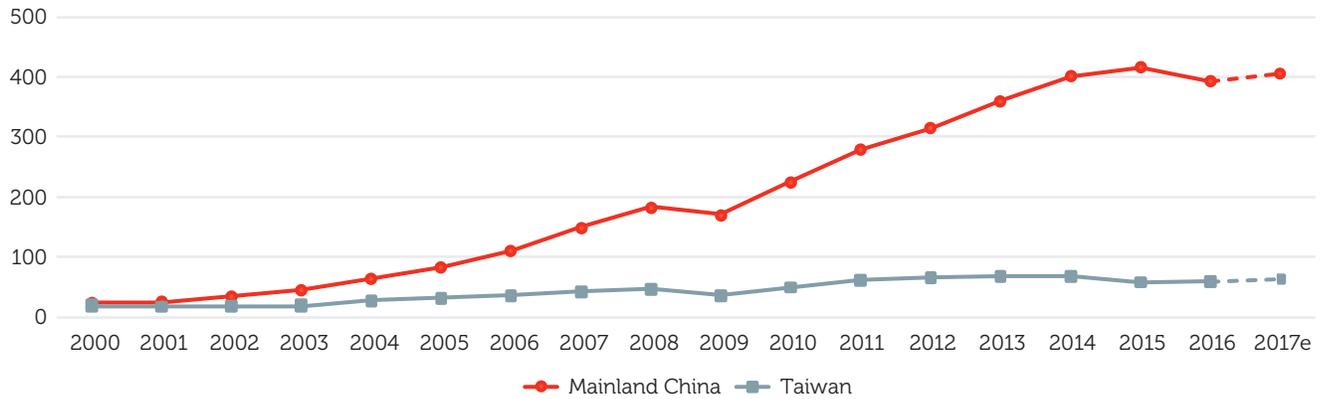
The success of the NSP rests on the ability of Tsai's government to overcome the hurdles she is likely to face in the coming months and years. A few of the key challenges are briefly outlined below.

There are real limits to the extent to which overseas economic policy can be crafted and implemented in a way that is of value to Taiwan businesses. As noted above, Taiwan's high-flying multinationals, such as Acer, Foxconn, and TSMC, are ripe to expand their business in Southeast and South Asia. However, as one Taiwan business source explained in an interview, these companies are keenly aware of market conditions around the world and need to move more quickly than the Taiwan government is able to. Hence, Taipei can provide the most value-added with companies at either end of the corporate spectrum. This includes SMEs that have limited international experience but move quickly when they spot an opportunity and state-owned enterprises that tend to be set in their ways and are not focused on new opportunities. It takes different skill sets to support SMEs and SOEs; relatedly, it will take extra effort for officials to reach Taiwan's SMEs, many of

22. By contrast, investment from China was down 20 percent over the same period. "Financial Exposure of Taiwan Companies to ASEAN Increases," *Focus Taiwan*, August 19, 2017, <http://focustaiwan.tw/news/aeco/201708190010.aspx>; "Investment from 'New Southbound' Countries in Taiwan on the Rise," *Focus Taiwan*, October 20, 2017, <http://m.focus taiwan.tw/news/aall/201710200020.aspx>.

23. "Taiwan, Philippines Aim to Renew Investment Treaty by Year End: MECO," *Focus Taiwan*, September 22, 2017, <http://focustaiwan.tw/news/aipl/201709220016.aspx>.

Figure 5.7. Mainland China and Taiwan’s Exports to NSP Target Countries (US\$ billions)



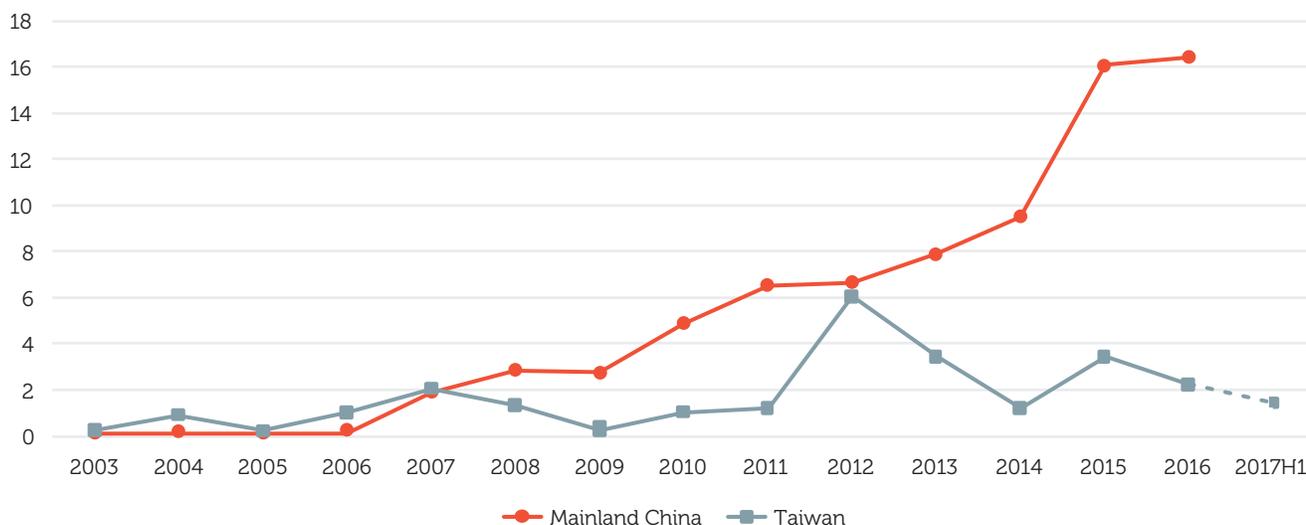
Source: “Trade Statistics,” Bureau of Trade, Ministry of Economic Affairs, ROC (Taiwan), <http://cus93.trade.gov.tw/FSCE000F/FSCE000F>; “National Data,” National Bureau of Statistics, PRC, <http://data.stats.gov.cn/easyquery.htm?cn=C01>; “Customs Statistics,” General Administration of Customs, PRC, http://www.chinacustomsstat.com/asp/1/NewData/Stat_Data.aspx?State=1&next=3.

which are not members of industry associations or do not rely on them for market services. In addition, interviewees suggest that Taiwan companies are less interested in the kind of detailed support associated with industrial policies and instead want the government’s help in creating a more convenient business climate with regard to taxes, standards, and visas.

The Tsai administration must find ways of facilitating greater business engagement in sectors that NSP target countries need. Of course, market opportunities and methods of doing business vary widely across the 18 countries. Singapore appears to be seeking greater cooperation in green energy, smart cities, and gaming software, while Vietnam seeks support in agriculture (such as seed technology), environmental protection, and high value-added manufacturing. One South Asian diplomat identified a wide range of potential industries where collaboration could occur, but lamented that officials from Taiwan were being far less supportive of their companies compared to their counterparts in Japan, South Korea, and elsewhere. “There’s a banquet in India, but Taiwan is not yet at the table,” he said. It will be a challenge for the Taiwan government to tailor its support to each market and operate at the speed of business.

The NSP faces both perceived and real competition with the PRC. Taipei must recognize that Mainland China’s economic gravity has far more pull than it had two decades ago when Taiwan launched the original Southbound Policy. The PRC is now the top trading partner of every country in the region. These countries, and those farther afield, are deeply invested in Mainland China, especially as the PRC’s outward investment has grown rapidly over the last five years. More specifically, Mainland Chinese exports to NSP target countries dwarf those from Taiwan, with PRC-based exports of over \$400 billion in 2016, compared to around \$65 billion from Taiwan (see Figure 5.7). The investment picture shows a similar pattern. In 2012, Mainland China and Taiwan investments in the region were nearly identical (\$6–7 billion), but they have since diverged, with the PRC investing over \$16 billion (in 2016, the last year for which data is available) and Taiwan investment dropping below \$2.5 billion (see Figure 5.8).

Figure 5.8. Mainland China and Taiwan’s Outbound Investment to NSP Target Countries (US\$ billions)



Source: “Statistics,” Investment Commission, Ministry of Economic Affairs, ROC (Taiwan), http://www.moeaic.gov.tw/english/news_bsAn.jsp; “China Statistical Bulletin of China’s Outward Foreign Direct Investment,” Ministry of Commerce, PRC, <http://hzs.mofcom.gov.cn/article/NoCategory/201512/20151201223578.shtml>. Note: Data on Taiwan only available for Singapore, Indonesia, Malaysia, the Philippines, Thailand, Vietnam, India, Australia, and New Zealand.

These vast differences in absolute economic scale mean that NSP target countries are naturally more predisposed to opportunities with China and may be more hesitant to develop deeper ties with Taiwan or to sign formal agreements. RCEP, the BRI, and the Asian Infrastructure Investment Bank (AIIB) have all attracted substantial interest from across the world, while the NSP is still getting off the ground.

Moreover, whether Taiwan companies move from Mainland China to NSP target countries or pursue entirely new activities in the region depends as much, if not more, on the economic environment in the Mainland as it does in NSP target countries or even in Taiwan. Taken as a whole, the PRC’s business climate for foreign businesses has deteriorated to some extent in recent years, and as a result a small but growing minority of companies has begun to either diversify or explore plan-B options for alternative investment sites. Half of those that have already or plan to move are going to “developing Asia,” many of which are NSP target countries.²⁴ It is possible that PRC authorities could try to arrest this trend by improving the investment and trade climate, but it is also conceivable that they will double down on their current approach and bet that enough companies will stay because of the Mainland market’s size, its well-established strengths in manufacturing, and its growing capabilities in technology innovation. Taiwan companies can judge for themselves their own potential fate in the Mainland, but their decisions are heavily conditioned by the choices

24. According to the most recent authoritative survey, 25 percent of American companies in China have either considered or have already moved some of their operations out of China. American Chamber of Commerce in China, *China Business Climate Survey Report* (January 2017): 35–36.

of those American, European, and Japanese companies they collaborate with in the ICT sector and other industries. If Intel and Qualcomm, for example, continue to bet big on Mainland China, so too will TSMC, Acer, and other Taiwan companies. In any case, trends in PRC policies and the collective decision making of multinational companies are likely to have a much larger effect on how much Taiwan businesses expand their economic ties with NSP target countries than any international economic policies emanating from Taipei.

People-to-People Exchanges

Unlike previous policies designed to better integrate Taiwan into the region, Tsai has placed considerable emphasis on creating a “people-centered New Southbound spirit” as a means to promote the NSP.¹ This person-to-person component of the NSP aims to strengthen bilateral ties by engaging with the general population of NSP target countries, as well as with government officials and business executives. These connections are intended to realize the twin goals of strengthening Taiwan’s integration with the region and facilitating its economic diversification.

Importantly, this focus on fostering interpersonal linkages seeks to address two fundamental problems that have undermined previous Southbound efforts: a lack of support for the policy from Taiwan’s businesses and competition from Mainland China. People-to-people exchanges may help Taiwan’s businesses develop a deeper understanding of specific industries and economic areas in target countries, and to better identify niche areas for expanded cooperation.² Interpersonal exchanges are an important vehicle for Taiwan to leverage its soft power advantage vis-à-vis the Mainland in terms of having a free and open society. This unique aspect of Taiwan’s society has not been lost on regional leaders. In October 2016, former Thai foreign minister Kasit Pirmya noted that “Taiwan should promote its model of political transformation in a democratic setting . . . and share its experiences and best practices.”³

1. “President Tsai Convenes Meeting on International Economic and Trade Strategy, Adopts Guidelines for ‘New Southbound Policy,’” Office of Trade Negotiations, Executive Yuan, ROC (Taiwan), 2016, https://www.moea.gov.tw/Mns/otn_e/content/Content.aspx?menu_id=19289.

2. Jermyn Chow, “Taiwan Must Tailor Approach to Each ASEAN State: Singapore Envoy,” *Straits Times*, sec. Asia, November 17, 2016.

3. Kasit Piromya, “Southeast Asia’s Paths to Political Change,” *Nikkei Asian Review*, October 10, 2016, <https://asia.nikkei.com/Viewpoints/Kasit-Piromya/Kasit-Piromya-Southeast-Asia-s-paths-to-political-change>.

Taiwan and Tourism

Tourism exhibits a nation's cultural heritage and offers significant economic benefits for businesses operating in travel destinations. In 2016, Taiwan's tourism industry contributed \$NT432.2 billion in revenue to Taiwan's economy (2.6 percent of GDP) and directly created 296,100 jobs (2.6 percent of total employment).¹ Leveraging this potential is crucial to the success of the NSP. In a Facebook post from April 2017, Tsai noted that tourism is among Taiwan's most important industries and highlighted Taiwan's efforts to diversify tourist experiences and improve Taiwan's tourist services.²

A large portion of Taiwan's overseas tourists come from Mainland China. In an effort to improve cross-Strait relations, President Ma Ying-jeou decided to ease restrictions on visits by Mainland Chinese tour groups.³ Visitors from the Mainland grew from 289,000 in 2008 to over 4 million by 2015, accounting for over 40 percent of Taiwan's inbound tourists that year.⁴

This influx of Mainland visitors has paid significant economic dividends for Taiwan. On average, the daily total expenditure of tourists from Mainland China was second only to those from Japan, at \$241.42 and \$198.43, respectively, in 2016. Expenditures are in large part driven by consumer goods (\$96.30), as Mainlanders spend far less on accommodations (\$45.50) and meals (\$25.22)

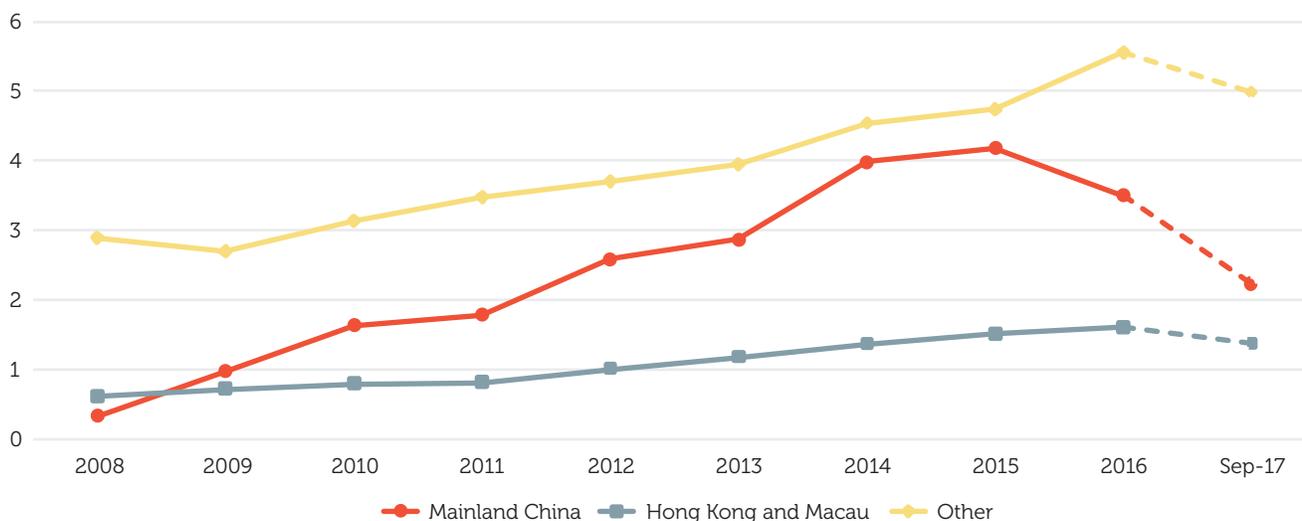
1. "近十年觀光外匯收入及國內旅遊支出及總收入" [Income from Foreign and Domestic Tourism in the Past Ten Years (jin shinian guanguang waihui shouru ji guonei lvyou zhichu ji zongshouru)], Tourism Bureau, ROC (Taiwan), May 22, 2017, <http://admin.taiwan.net.tw/public/public.aspx?no=315>; "Travel and Tourism Economic Impact 2017 Taiwan," World Travel and Tourism Council, <https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2017/taiwan2017.pdf>.

2. Tsai Ing-wen, Facebook, April 3, 2017, <https://www.facebook.com/tsaiingwen/posts/10154142144776065>.

3. Min-Hua Chiang, *China-Taiwan Rapprochement: The Political Economy of Cross-Straits Relations* (New York: Routledge, 2016): 76.

4. Data are from Taiwan's Tourism Bureau's Tourism Statistics Database, <http://stat.taiwan.net.tw/system/index.html>; Min-Hua Chiang, "Tourism Development across the Taiwan Strait," *East Asia*, vol. 29, no. 3 (2012): 235–253, https://www.researchgate.net/publication/257771550_Tourism_Development_Across_the_Taiwan_Strait.

Figure 7.1. Number of Tourists from Mainland China, Hong Kong and Macau, and Rest of World 2008–2017 (millions)



Source: "Tourism Statistics," Tourism Bureau, ROC (Taiwan), <http://admin.taiwan.net.tw/public/public.aspx?no=315>.

than tourists from elsewhere.⁵ Although these economic contributions are significant, the benefits for Taiwan are not always direct. The overwhelming majority of tourists from the Mainland (around 90 percent in 2012) travel on carefully planned itineraries managed by PRC state-owned travel agencies.⁶ These itineraries often make use of discounted hotels and tend to limit interactions between Mainlanders and people of Taiwan.⁷ Additionally, much of the spending by PRC tourists is concentrated in Mainland companies operating in Taiwan, meaning that local businesses do not reap as many benefits from tourists traveling across the Strait as from those from elsewhere.⁸ As a result, the economic revenue generated by tourists from Mainland China often produces uneven benefits for Taiwan's population due to a lack of local spending contrasted with high retail spending.

Overdependence on the Mainland as a source of tourism also carries a considerable amount of risk. Beijing has a history of leveraging its outbound tourists as a political tool. In protestation over the THAAD missile system, Beijing has placed considerable pressure on South Korea. These measures include—but are not limited to—pressuring PRC tour companies to cease selling tour packages to South Korea, restricting PRC cruise ships from docking there, and canceling several

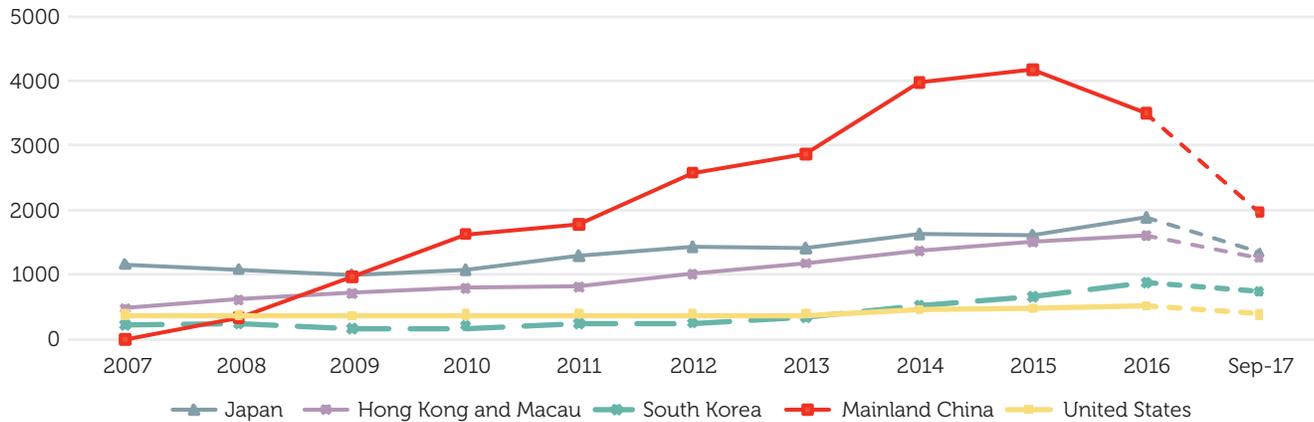
5. "Average Daily Expenditures per Visitor by Residence," in *Annual Statistical Report on Tourism 2015*, Tourism Bureau, ROC (Taiwan), http://admin.taiwan.net.tw/upload/contentFile/auser/b/annual_statistical_2015_hm/pic/p_23.jpg.

6. Ian Rowen, "Tourism as a Territorial Strategy: The Case of China and Taiwan," *Annals of Tourism Research*, vol. 46 (May 2014): 62–47.

7. "Tourism in Taiwan: Putting Out a Welcome Mat for Travel-Happy Chinese," *Knowledge at Wharton*, September 28, 2011, <http://knowledge.wharton.upenn.edu/article/tourism-in-taiwan-putting-out-a-welcome-mat-for-travel-happy-chinese/>.

8. Chris Horton, "With Chinese Tourism Down, Taiwan Looks to Lure Visitors from Southeast Asia," *New York Times*, May 17, 2017, <https://www.nytimes.com/2017/05/17/world/asia/taiwan-china-tourism.html>.

Figure 7.2. Top 5 Sources of Inbound Tourists to Taiwan (thousands)



Source: "Tourism Statistics," Tourism Bureau, ROC (Taiwan), <http://admin.taiwan.net.tw/public/public.aspx?no=315>.

direct flights.⁹ Goldman Sachs estimates that Beijing's curbing of tourism could cut the South Korean tourism industry's revenue by about \$5 billion.¹⁰

Since Tsai's inauguration, relations between Beijing and Taipei have cooled. In an effort to compel Tsai Ing-wen to accept that Taiwan and the Mainland are part of the same country and to provide more explicit assurances that she will not pursue independence, the PRC has put considerable pressure on Taiwan. Not only did Beijing suspend official cross-strait communication with Taipei in June 2016, it also reportedly restricted the flow of tourists.¹¹ In 2016, the number of tourists from Mainland China dropped by more than a half million, to 3.5 million visitors.

The financial consequences of this downturn are significant for several segments of the economy. For instance, tourists from the Mainland have been key contributors to the growth in Taiwan's lucrative medical tourism industry. Between 2012 and 2016, over 300,000 Mainlanders visited Taiwan for medical treatment, with the number of visitors surging in 2013 to 95,778. Based on an average spending of NT\$17,500 per visiting patient, medical tourism pumped an estimated NT\$1.7 billion (US\$56.7 million) into Taiwan's economy in 2013.¹² Tightened visa restrictions reduced the flow to Mainland medical tourists to 55,534 in 2014, before it rebounded slightly to 60,504 in 2015. As a likely consequence of Beijing's effort to squeeze the Tsai administration, the number plummeted to just 30,713 in 2016—representing a year-on-year revenue loss (not including travel

9. Musun Kim, "Jeju Island: China Punishes South Korea Tourism over North Feud," *Al Jazeera*, April 18, 2017, <http://www.aljazeera.com/blogs/asia/2017/04/jeju-island-china-punishes-south-korea-tourism-north-feud-170418054719438.html>.

10. Bruce Einhorn, "Angry China Puts Economic Squeeze on South Korea," *Bloomberg*, March 9, 2017.

11. Javier C. Hernandez, "China Suspends Diplomatic Contact with Taiwan," *New York Times*, June 25, 2016, <https://www.nytimes.com/2016/06/26/world/asia/china-suspends-diplomatic-contact-with-taiwan.html?mtrref=www.google.com>; Ben Blanchard and Faith Hung, "China, Taiwan Add Tourists to Their Squabbles," *Reuters*, May 11, 2016, <http://www.reuters.com/article/us-taiwan-china-tourism/china-taiwan-add-tourists-to-their-squabbles-idUSKCN0Y305W>.

12. "Medical Tourism from China Declines," *China Post*, September 10, 2016.

costs) of an estimated NT\$521 million (US\$17.4 million). Smaller medical centers, which commonly conduct the elective procedures sought out by Mainlanders, are likely to suffer the most from this downturn.

Taiwan's leaders are eager to hedge against further revenue losses from a decline in tourism from the Mainland by attracting tourists from other parts of the world. To facilitate this effort, Taiwan's Tourism Bureau has identified seven strategies for implementing the NSP's tourism initiative:

1. Simplifying the visa process;
2. Harnessing the skills of new immigrants in Taiwan and individuals from Taiwan living overseas;
3. Integrating local governments into tourism promotion;
4. Employing more targeted marketing in NSP target countries;
5. Establishing more foreign offices;
6. Providing accommodations for Muslim tourists (such as certifying halal restaurants and hotels, opening prayer rooms);
7. Invigorating the cruise-ship tourism market.¹³

EASING VISA RESTRICTIONS

Taiwan is currently experimenting with various methods of easing visa restrictions for visitors from NSP target countries. In doing so, Taiwan is following a strategy that has benefited similar countries, such as Japan, which experienced a substantial increase in tourism after it relaxed visa requirements for visitors from Thailand and Malaysia in 2013.¹⁴

Although still in the early stages of implementation, the Ministry of Foreign Affairs' efforts to simplify the visa process have already made some headway in boosting tourism from target countries. Taiwan already permits visa-free entry for Singaporean and Malaysian nationals.¹⁵ In August 2016, Taiwan extended its second-most lenient visa policy—a 30-day visa exemption—to citizens of Thailand and Brunei, which allows citizens of these countries to stay in Taiwan without a visa for up to 30 days. In the eight months after this change was implemented, there was a noticeable

13. “因應陸客縮減及新南向政策推動，我國觀光發展轉型之檢討，未來如何有效提升觀光競爭力報告” [Report on the Discussion of How to Transform the Tourism Industry to Effectively Increase Its Competitiveness in the Future, in Response to the Declining Number of Mainland Tourists and the Launch of the New Southbound Policy (yinying luke suojian ji xinnanxiang zhengce tuidong, woguo guanguang fazhan zhuanxing zhi jiantao, weilai ruhe youxiao tisheng guanguang jingzhengli baogao)], Transportation Bureau, ROC (Taiwan), March 20, 2017, <http://admin.taiwan.net.tw/upload/public/20170420/9cacd049-5d78-4ac4-8e28-f626ac7e98af.pdf>.

14. Atsushi Kodera, “Tourism Emerges as New Economic Driver for Japan,” *Japan Times*, August 25, 2014, <https://www.japantimes.co.jp/news/2014/08/25/reference/tourism-emerges-new-economic-driver-japan/#.Wh27tUqnHcs>.

15. “New Southbound Policy Energizes Taiwan Tourism Industry,” *Taiwan Today*, January 3, 2017, <http://taiwantoday.tw/news.php?unit=6&post=106647>.

uptick in tourism from both Thailand (57 percent) and Brunei (52 percent).¹⁶ Building on this success, Taiwan announced plans to extend this 30-day visa exemption policy to other countries including Cambodia, India, Indonesia, Laos, Myanmar, and the Philippines. Some of these changes may come into effect in the coming years.¹⁷

To streamline the visa process, Taiwan's government has established alternative programs for target countries that are ineligible for the 30-day visa exemption status. Per the Ministry of Foreign Affairs, these include introducing an e-visa program for businesspersons and tourist groups, where travelers can easily apply for and receive their visas online.¹⁸ Since November 2015, Taiwan has begun relaxing its visa restrictions for travelers from key ASEAN states without visa exemption status (Indonesia, the Philippines, and Vietnam), as well as India. These lightened restrictions were expanded in September 2016 to include Cambodia, Laos, and Myanmar. For these countries, the new application process for multiple-entry visas can now be completed online. The new policy is specifically designed to attract higher-spending "middle-class nationals" and tourist groups from these seven countries.¹⁹

Importantly, Taiwan's push for greater regional integration remains beholden to pressing security concerns, such as the Marawi crisis. Taiwan intends to offer visa-free entry for Philippine nationals, but the conflict between ISIS and government forces in the city of Marawi compelled Taiwan to hold off on implementing this policy until the crisis was resolved.²⁰ On July 10, 2017, Gary Song-Huann Lin, a representative at the Taipei Economic and Cultural Office (TECO) in the Philippines, stated, "We are reviewing the administrative and security procedures to ensure that people like [terrorist leader] Hapilon don't enter Taiwan."²¹ Three months later, on October 18, TECO announced a trial period for visa-free travel would begin on November 1, 2017, and last through July 31, 2018. The announcement came just days before Manila officially declared that the battle against Islamist rebels in Marawi was over.²²

16. Numbers calculated from tourism figures over July 2016 to March 2017 period, <https://data.gov.tw/dataset/30845>.

17. "觀光新南向政策工作計畫報告" [Tourism Bureau Southbound Policy Work Plan Report (guanguang xinnanxiang zhengce gongzuo jihua baogao)], Ministry of Transportation and Communication, ROC (Taiwan), October 21, 2016, <http://admin.taiwan.net.tw/upload/public/20161229/0f8b5382-453b-4e08-b330-f128811b0650.pdf>.

18. "MOFA to Ease Visa Rules for New Southbound Policy Countries," April 13, 2017, *Taiwan Today*, <http://taiwantoday.tw/news.php?unit=2,6,10,15,18&post=113798>.

19. "Taiwan Relaxes Visa Rules for Nationals of Six ASEAN Members and India," Ministry of Foreign Affairs, ROC (Taiwan), September 21, 2016, http://www.ROC-taiwan.org/ph_en/post/1730.html.

20. "Taiwan Holds Visa-Free Entry for Philippines Citizens," *Taiwan News*, July 12, 2017, <http://www.taiwannews.com.tw/en/news/3209132>.

21. Zsarlene B. Chua, "Visa-Free Travel to Taiwan Tied to Marawi Outcome," *Business World Online*, July 11, 2017, <http://www.bworldonline.com/content.php?section=Nation&title=visa-free-travel-to-taiwan-tied-to-marawi-outcome&id=148044>.

22. "Taiwan to Allow Visa-Free Entry for Filipinos Starting November," *ABS-CBN News*, October 16, 2017, <http://news.abs-cbn.com/overseas/10/16/17/taiwan-to-allow-visa-free-entry-for-filipinos-starting-november>.

Table 7.1. Taiwan's Visa Exemption Programs for NSP Target Countries

	Visa Exemption			Travel Authorization Certificate	Business E-Visa	Multiple Re-Entry Visa + Tourist Group E-Visa
	(90 days)	(30 days)	(14 days)			
Australia	Y (until 12/31/2017)	-	-	-	-	-
New Zealand	Y	-	-	-	-	-
Singapore		Y	-	-	-	-
Malaysia	-	Y	-	-	-	-
Brunei	-	Y (until 07/31/2018)	-	-	-	-
Thailand	-	Y (until 07/31/2018)	-	-	-	-
Philippines	-	-	Y (until 07/31/2018)	-	-	-
Indonesia	-	-	-	Y	-	Y
Vietnam	-	-	-	Y	-	Y
Laos	-	-	-	Y	-	Y
Cambodia	-	-	-	Y	-	Y
Myanmar	-	-	-	Y	-	Y
India	-	-	-	Y	Y	-
Sri Lanka	-	-	-	-	Y	-
Bhutan	-	-	-	-	Y	-
Pakistan	-	-	-	-	Y	-
Bangladesh	-	-	-	-	Y	-
Nepal					Y	-

Source: “我與新南向18國相互簽證待遇” [Visa Agreements between Taiwan and 18 New Southbound Policy Target Countries (wo yu xinnanxiang 18 guo xianghu qianzheng daiyu)], Bureau of Consular Affairs, Ministry of Foreign Affairs, ROC (Taiwan), November 1, 2017, <http://nspp.mofa.gov.tw/nspp/news.php?post=105482&unit=344>.

PROMOTING TAIWAN AS A TOURIST DESTINATION

In addition to relaxing visa restrictions, the Tourism Bureau is also actively promoting Taiwan as a tourist destination. Under a new business-to-business (B2B) marketing strategy, the Tourism Bureau has invited Taiwan's travel companies to advertise their services to foreign travel agencies and at trade fairs.²³ The Tourism Bureau is also expected to promote Taiwan by continuing its campaigns in NSP target countries, which include outdoor advertising, media invitations, multilingual websites, and multimedia content. Toward this end, Taiwan participated in the 2017 Thai International Travel Fair. The Tourism Bureau arranged this exhibition in collaboration with hotel and farm resort operators from Taiwan to highlight the island nation's appeal as a travel destination for Thai nationals.²⁴

To appeal directly to potential tourists from NSP target countries, the Tourism Bureau has endeavored to subsidize the cost of traveling to Taiwan. For example, it is now offering subsidies between NT\$400 (US\$13) and NT\$800 (US\$27) for tourists traveling with tour groups from these target countries.²⁵ These subsidies (for groups larger than 50 tourists) can be spent on activities like attending cultural performances or visiting historic site visits.²⁶ The Ministry of Culture has a similar scheme in place that offers subsidies between NT\$80,000 (US\$2,669) and NT\$120,000 (US\$4,003) to groups attending local art performances or visiting certain historic and cultural sites recommended by local governments.²⁷

Similar incentives have also been developed at the local level. Kaohsiung, which earns around NT\$2 million in revenue per cruise ship port visit, has offered incentives to cruise companies and worked with travel agencies to increase cruise tourism not only from Southeast Asia, but also from Japan and Hong Kong.²⁸ City governments have also engaged with the NSP through city-to-city diplomacy internships and joint exhibitions. For example, Taichung has opened service centers for business travelers from NSP target countries and has attempted to strengthen its local tourism industry.²⁹

23. "Taiwan Tourism Bureau Carries Out Aggressive Marketing Strategies with B2B Workshop and Participation in BLTM," *Travel and Hospitality Global*, November 3, 2016, <http://www.tnhglobal.com/taiwan-tourism-bureau-carries-out-aggressive-marketing-strategies-with-b2b-workshop-and-participation-in-bltml/>.

24. "Taiwan to Attend Travel Fair in Bangkok to Boost Tourist Arrivals," *Focus Taiwan*, August 9, 2017, <http://focustaiwan.tw/news/aeco/201708090021.aspx>.

25. Shelley Shan, "Tourism Bureau Offers Incentives," *Taipei Times*, April 13, 2017.

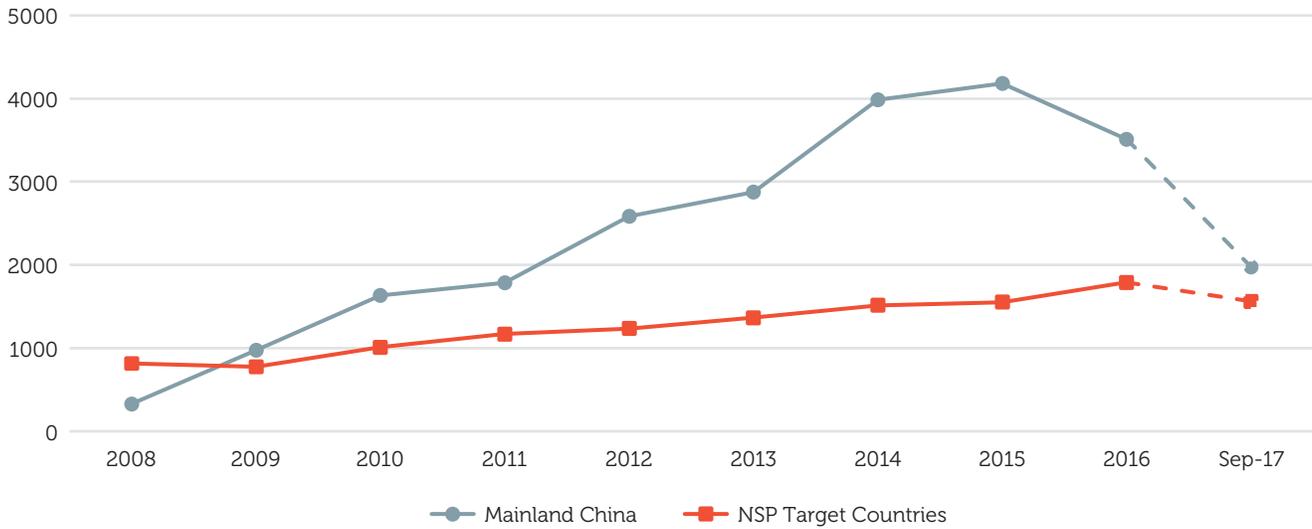
26. Shelley Shan, "MOTC Dismisses Rumors of Bureau 'Tourist Subsidy,'" *Taipei Times*, March 9, 2017, <http://www.taipetimes.com/News/taiwan/archives/2017/05/09/2003670232>.

27. Ibid.

28. Shwu-fen Wang and Elaine Hou, "Kaohsiung Aiming to Boost Cruise Tourism," *Focus Taiwan*, March 21, 2017, <http://focustaiwan.tw/news/aeco/201703210010.aspx>.

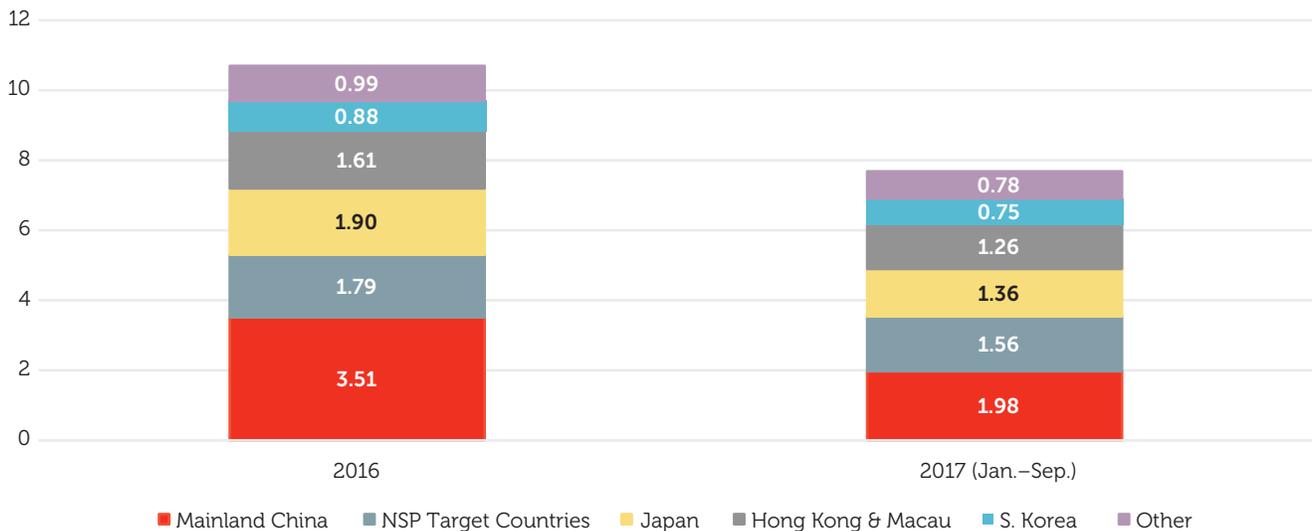
29. Alan H. Yang, "Revisiting Taiwan's New Southbound Policy: Agenda, Networks and Challenges," *問題與研究 [Issues & Studies]*, vol. 56, no. 1 (March 1, 2017): 123–143, <http://www.airitilibrary.com/Publication/alDetailedMesh?DocID=05912539-201703-201709110015-201709110015-123-143>.

Figure 7.3. Number of Inbound Tourists from Mainland China and NSP Target Countries, 2008–2017 (thousands)



Source: "Tourism Statistics Database," Tourism Bureau, ROC (Taiwan), http://stat.taiwan.net.tw/system/country_months_arrival.html.

Figure 7.4. Main Sources of Tourists to Taiwan, 2017 and 2018 (millions)



Source: "Tourism Statistics Database," Tourism Bureau, ROC (Taiwan), http://stat.taiwan.net.tw/system/country_months_arrival.html.

As part of its efforts to increase the friendliness of the industry, Taiwan's Tourism Bureau is likewise seeking to make Taiwan more accessible to tourists from NSP target countries.³⁰ However, Taiwan suffers from a shortage of tour guides proficient in Southeast Asian languages. According to a 2015 Taiwan Tourism Bureau report, Taiwan only had 56 tour guides proficient in Thai, 34 in Indonesian, 26 in Vietnamese, and 7 in Malay.³¹ In an effort to increase the number of Southeast Asian language-speaking tour guides, the government established a foreign-language tour guide certification program in 2015. The majority of applicants are new immigrants, according to Tourism Bureau director Huang Yi-Cheng, who hopes to promote the program at universities to attract students from abroad.³²

To further appeal to Southeast Asian countries—many of which have majority Muslim populations—the Tourism Bureau has also focused on marketing Taiwan as a Muslim-friendly destination by opening prayer rooms and certifying halal restaurants and hotels. As of April 2017, there were 104 halal-certified restaurants in Taiwan. Prayer rooms have also been established in major transport hubs, such as airports and bus terminals, around the country. This effort to improve tourism quality aligns with Taiwan's "2015–2018 Tourism Action Plan," which similarly seeks to improve the quality of tourist services, add new features, market new cross-area features for tourists, and make Taiwan's tourism smarter and more sustainable.³³

MAKING EARLY GAINS

Taiwan's efforts to increase tourism overall, including from NSP target countries, has experienced some initial success. Statistics provided by the Tourism Bureau show that tourism from NSP target countries reveal a year-on-year increase of 15 percent in 2016, totaling some 1,783,495 visitors in 2016.³⁴ By comparison, annual tourism growth was only 2.4 percent in 2015. This surge in visitors was largely driven by tourists from Thailand, Vietnam, and the Philippines, which jumped by 57 percent, 35 percent, and 24 percent, respectively.

Mainland China continues to play a significant role in Taiwan's tourism industry. Taiwan's Tourism Bureau statistics show that the 3.5 million Mainland tourists who visited Taiwan in 2016 accounted for roughly double the total number of tourists coming from all NSP target countries combined. Nevertheless, total and Mainland tourism numbers have experienced some decline in the past

30. "觀光新南向政策工作計畫報告" [Tourism New Southbound Policy Work Plan Report (guanguang xinnanxiang zhengce gongzuo jihua baogao)], Ministry of Transportation and Communications, ROC (Taiwan), October, 21, 2016, <http://admin.taiwan.net.tw/upload/public/20161229/0f8b5382-453b-4e08-b330-f128811b0650.pdf>.

31. Hsiao Yu-hsin and William Hetherington, "Language a Bar to SE Asian Tourism," *Taipei Times*, April 11, 2017, <http://www.taipetimes.com/News/taiwan/archives/2017/04/11/2003668505>.

32. Ibid.

33. "Promoting the 'Taiwan's 2015–2018 Tourism Action Plan' to Connect a Wonderful Life," Executive Yuan ROC, http://admin.taiwan.net.tw/upload/contentFile/auser/b/annual_2014_hm/English/chapter7_1.html.

34. "Visitor Arrivals, 1956–2015," in 觀光統計年報 [Tourism Statistics Annual Report (guanguang tongji nianbao)], Tourism Bureau, ROC (Taiwan), <http://admin.taiwan.net.tw/upload/statistic/20170209/07d830ed-10d5-499f-8982-bef744453288.xls>.

year. Aggregate tourism statistics from the first 11 months of 2017 show a 0.27 percent decline in total tourists and an 800,000 (or 24.5 percent) decline in the number of visitors from Mainland China, compared to the same period last year. By contrast, visits by Southeast Asian tourists increased by almost 460,000, or 32.6 percent of the late-2016 number.³⁵ It seems likely that, given its proximity and cultural similarities, Taiwan's tourism industry will continue to be somewhat dependent on Mainland visitors.

Nonetheless, increased tourism from NSP target countries has the potential to contribute to robust growth in Taiwan's tourism industry, particularly if the economies in NSP target countries continue to experience steady growth. President Tsai touched on this potential during the 2017 year-end press conference when she noted that between January and October tourism from New Southbound target countries had increased by "over 30 percent" compared to 2016, and that at present "over 31,000 exchange students from these countries [are] studying in Taiwan."³⁶ Tourism from target countries could be more profitable for Taiwan's tourism sector, because these tourists tend to spend more on accommodations, transportation, and food. Despite dwindling numbers of tourists from the Mainland, the World Travel and Tourism Council forecasts that tourism will contribute 3.3 percent to Taiwan's overall GDP in 2017, a significant rise from 2 percent of GDP in 2016. Beyond the economic potential for Taiwan's tourism industry, visitors from NSP target countries provide an audience for Taiwan's cultural heritage and soft power, while also cultivating personal relations with individuals from across the region.

35. "2017 Visitor Arrivals by Residence Data, January–November 2017," Tourism Bureau, ROC (Taiwan), http://admin.taiwan.net.tw/statistics/month2_en.aspx?no=22.

36. "President Tsai Holds 2017 Year-End Press Conference," Office of the President, ROC (Taiwan), December 29, 2017, <http://english.president.gov.tw/NEWS/5313>.

Education Exchanges

The Tsai administration has prioritized fostering intellectual exchanges between Taiwan and other regional actors to further promote regional integration. In October 2016, the Ministry of Education published the New Southbound Talent Development Plan, which outlines the government's strategy to foster bilateral talent exchanges. At the heart of the plan is a push to put "people first" and to promote "bilateral exchanges" and "resource sharing." The approach has three tracks: attracting inbound students from NSP target countries, sponsoring Taiwan's students to pursue academic and professional opportunities in those countries, and improving access to high-quality education for the children of Southeast Asian immigrants who have relocated to Taiwan.¹

The focus on recruiting foreign students builds on the efforts of previous administrations. President Ma sought to turn Taiwan into a "higher-education hub." From 2011 to 2016, the number of foreign students studying in Taiwan more than doubled, rising from 57,920 to 116,416.² By the end of 2016, the number of foreign students studying in Taiwan constituted 8.9 percent of all university students, an increase of 4.6 percent since 2011.³ Over this same period, the number of international students from NSP target countries rose from 18,426 to 31,540.⁴ This growth, however, was

1. "新南向人才培育推動計畫" [New Southbound Talent Development Plan (xinnanxiang rencai peiyu tuidong jihua)], Ministry of Education, ROC (Taiwan).

2. "Non-Citizen Students in Universities, Colleges and Junior Colleges," Ministry of Education, ROC (Taiwan), <http://english.moe.gov.tw/ct.asp?xItem=16422&ctNode=11429&mp=1>.

3. "大專校院學校數及學生數" [Statistics on the Number of Colleges and College Enrollees (dazhuan xiaoyuan xue-xiaoshu ji xueshengshu)], Ministry of Education, ROC (Taiwan), http://stats.moe.gov.tw/files/important/OVERVIEW_U02.pdf.

4. "96~104 學年度東協南亞紐澳學生在臺大專校院留學/研習人數統計表" [Number of Students from ASEAN, South Asia, Australia and New Zealand Studying or Researching in Colleges and Universities in Taiwan, 2007–2015 (96~104 xueniandu dongxie nanya niuao xuesheng zai taida zhuanxiaoyuan liuxue/yanxi renshu tongjibiao)], Ministry of Education, ROC (Taiwan), <http://ws.moe.edu.tw/001/Upload/7/relfile/8053/51386/1b0e60cd-3526-4657-a93f-14f704ffaecb.pdf>.

BOX 8.1. Cabinet Outlines Flagship Projects

Last summer, five flagship projects and three fields for collaboration were outlined by the Office of Trade Negotiations. Areas of cooperation range from innovative industries like e-commerce to talent cultivation through youth exchange platforms. As part of the NSP, this push highlights Taiwan's desire to enhance mutually beneficial ties with partners across the region.

Source: "Cabinet Outlines Flagship Projects under New Southbound Policy," Taiwan Today, August 21, 2017, <http://taiwantoday.tw/news.php?unit=2,6,10,15,18&post=119927>.

outpaced by the number of Mainland students, which jumped from 12,155 in 2011 to 41,975 in 2016.⁵

To further boost the number of students from NSP target countries studying in Taiwan, the Ministry of Education has outlined a set of ambitious goals in the 2016 New Southbound Talent Development Plan. In 2015, 110,182 foreign students studied at tertiary institutions in Taiwan, with 28,492 students (26 percent) coming from NSP target countries.⁶ The ministry hopes to increase the total number of students from NSP target countries by 30,000 by 2019.⁷ Taiwan initially allocated NT\$1 billion (US\$33.4 million) toward this effort in 2017, which includes funding for scholarships, recruitment programs, and subsidies for universities. To further encourage younger populations in Taiwan to gain an appreciation of NSP target countries, the ministry also aims to subsidize individuals from Taiwan seeking to study or work in ASEAN and South Asia countries.⁸

5. "教育統計簡訊" [Education Statistics Newsletter (jiaoyu tongji jianxun)], Ministry of Education, ROC (Taiwan), <http://stats.moe.gov.tw/files/brief/105%E5%B9%B4%E5%A4%A7%E5%B0%88%E6%A0%A1%E9%99%A2%E5%A2%83%E5%A4%96%E5%AD%B8%E7%94%9F%E6%A6%82%E6%B3%81.pdf>; "Non-Citizen Students in Universities, Colleges and Junior Colleges," Ministry of Education, ROC (Taiwan).

6. "104 大專校院境外學生人數統計" [Statistics on Foreign Students in Taiwan Colleges for 2015 (104 dazhuan xiaoyuan jingwai xuesheng renshu tongji)], Ministry of Education, ROC (Taiwan), <https://ois.moe.gov.tw/fs/html/Statistics.html>.

7. Sean Lin, "Ministry Aims to Boost International Student Numbers," *Taipei Times*, October 9, 2016, <http://www.taipeitimes.com/News/taiwan/archives/2016/10/09/2003656808>.

8. "新南向人才培育推動計畫" [New Southbound Talent Development Plan (xinnanxiang rencai peiyu tuidong jihua)], Ministry of Education, ROC (Taiwan).

Table 8.1. Goals of the Ministry of Education under the NSP

Goals in Quantitative Terms	Goals in Qualitative Terms
Increase the number of students from ASEAN and South Asian countries by 20 percent each year, to achieve a total of 58,000 students from these regions by 2019.	Better match professional education with the needs of companies seeking to expand into NSP countries.
Subsidize 4,000 youth from Taiwan for their education, internship, on-the-job training and volunteering activities in ASEAN or South Asian countries.	Nurture children of new immigrants, who can facilitate the development of deeper relationship with Southbound countries in the future.
	Assist universities and colleges in building international linkages and promoting the globalization of higher education.
	Assist talented international students from New Southbound countries to work locally after graduation, attracting talents for Taiwan’s industries.
	Promote bilateral sports exchanges with NSP countries and strengthen cooperation on sports related projects.

Source: “新南向人才培育推動計畫” [New Southbound Talent Development Plan (xinnanxiang rencai peyu tuidong jihua)], Ministry of Education, ROC (Taiwan), October 3, 2016, <https://ws.moe.edu.tw/001/Upload/7/relfile/8053/51384/5fd31e54-beb7-48c1-b018-22ccf3de1e19.pdf>.

The Talent Development Plan lays out the Tsai administration’s policies for making Taiwan a more desirable and accessible destination for study and making NSP target countries more appealing to Taiwan’s students looking to study abroad. The plan is divided into three schemes: market, pipeline, and platform—each of which is described below.⁹

MARKET

The market component focuses primarily on two areas: (1) providing opportunities in higher and vocational education to students from ASEAN and South Asia, and (2) promoting a deeper appreciation of South and Southeast Asian cultures, languages, and business practices among people from Taiwan. This approach aims to bolster mutual understandings and facilitate bilateral

9. “New Southbound Talent Development Plan (2017–2020),” Ministry of Education ROC (Taiwan), January 5, 2017, <http://www.edunbsp.tw/album/dl/589bc052dec88.pdf>.

BOX 8.2. Leading the Charge

Tran Thi Hoang Phuong is one of 150,000 new immigrants from Southeast Asia currently residing in Taiwan. Originally from Vietnam, Tran moved to Taiwan in 2001 with her husband to secure better educational prospects for her children. Since 2013, Tran has been a Vietnamese language instructor at National Chengchi University. Tran was motivated to become a language teacher for Vietnamese immigrants after hearing stories of other Vietnamese spouses who, isolated from society due to the language barrier, committed suicide out of loneliness. She recently founded the Taiwanese-Vietnamese New Immigrant Cultural Heritage Association to train other new immigrants from Vietnam to become language teachers, find employment, and integrate into Taiwan's society. By expanding the skills of Taiwan's new immigrants, Tran is helping to bridge the societal gap between the two societies and furthering the NSP.

Source: "Sowing Seeds of Happiness for Vietnamese Expats: Tran Thi Hoang Phuong," Ministry of Foreign Affairs, ROC (Taiwan), November 21, 2017, <http://nspp.mofa.gov.tw/nsppe/news.php?post=112230&unit=410>.

cooperation between Taiwan and NSP target countries. A total budget of NT\$777.9 million (US\$26 million) was allocated in 2017 for this strategy.¹⁰

Children of New Immigrants

Of the almost 200,000 children of immigrants registered in Taiwan's primary and secondary schools in 2016, 58 percent (114,247 people) had at least one parent originally from an NSP target country. Consequently, the Ministry of Education has made it a priority to ensure that children of immigrants from NSP target countries have an opportunity to learn in their native language from teachers who are familiar with their native culture.¹¹ These second-generation immigrants offer important interpersonal resources and partner networks that may be used to facilitate the development of deeper relationships with NSP target countries.¹² Such improvements in quality and access may increase Taiwan's appeal as a potential country for relocation and could be critical in attracting foreign talent to Taiwan.

Within the Talent Development Program, the Ministry of Education has established eight initiatives to improve access to high-quality education for the children of immigrants. President Tsai has referred to the 260,000 children born to new immigrants in 2016 as "Taiwan's future hope," adding that they "will become an important force with which Taiwan will go into the international world."¹³

In June 2016, Taiwan's National Immigration Agency (NIA) launched a training program for second-generation Southeast Asian immigrants entitled the "New Immigrant Second-Generation

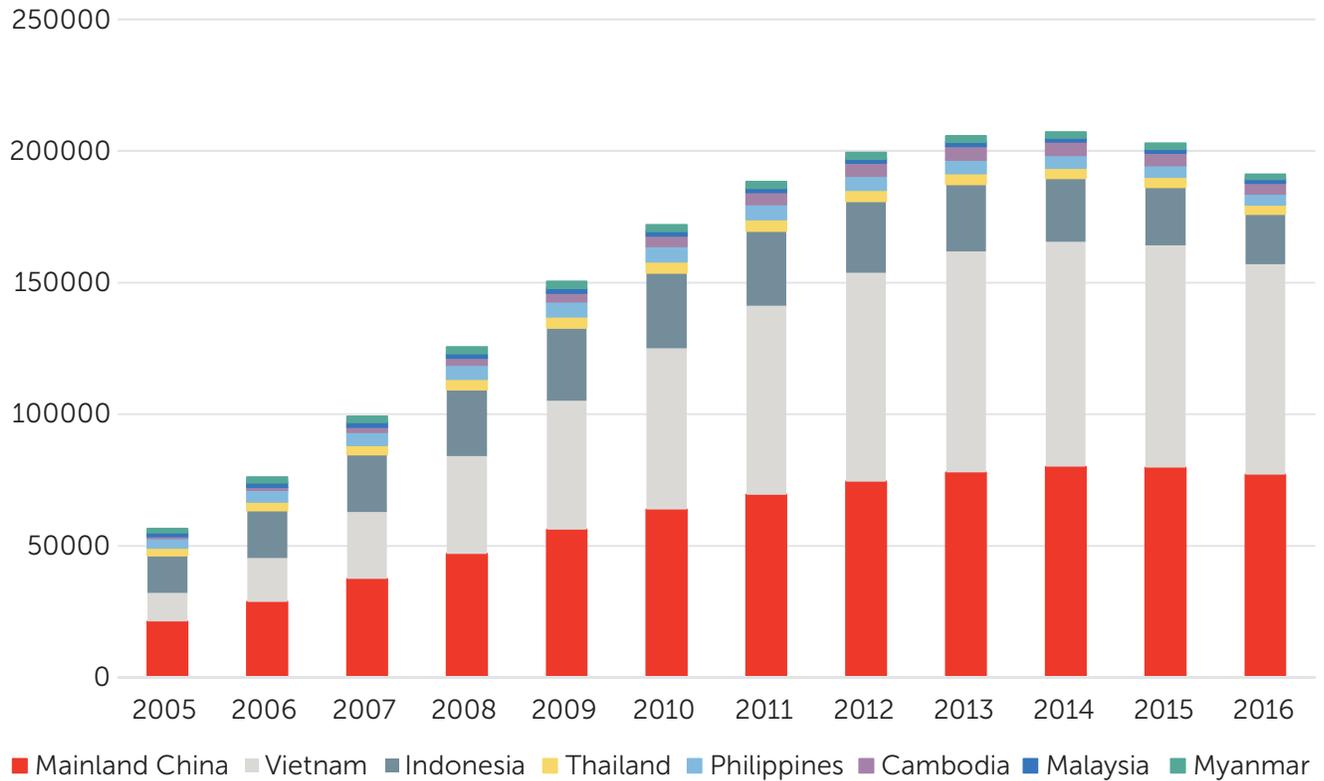
10. "新南向人才培育推動計畫" [New Southbound Talent Development Plan (xinnanxiang rencai peiyu tuidong jihua)], Ministry of Education, ROC (Taiwan).

11. "新住民子女就讀國中小人數統計(94~105 學年度)" [Statistics of Children of New Immigrants Registered in Primary and Secondary School, 2005–2016 (xin zhumin zinv jiudu guozhonxiao renshu tongji 94~105 xueniandu)], Ministry of Education, ROC (Taiwan), <http://depart.moe.edu.tw/ed4500/cp.aspx?n=1B58E0B736635285&s=D04C74553DB60CAD>.

12. Yang, "Revisiting Taiwan's New Southbound Policy."

13. CNA, "Southeast Asian Languages to Be Added to Schools' Core Curriculum," *China Post*, December 12, 2016.

Figure 8.1. Immigrant Enrollees in Primary and Secondary Schools by Country of Origin, 2005–2016



Source: “Statistical Summaries,” Ministry of Education, ROC (Taiwan), <https://depart.moe.edu.tw/ed4500/cp.aspx?n=1B58E0B736635285&s=D04C74553DB60CAD>.

Empowerment Program (NISGEP).¹⁴ Importantly, this push builds on the efforts of the Ma Ying-jeou administration, which previously employed the NIA to offer stipends to ethnically Southeast Asian children to visit their parents’ countries of origin and learn their native languages.¹⁵

NISGEP is one of the many programs the Ministry of Education hopes to expand under the NSP. NIA director-general Ho Jung-Chun said, “We hope [these children] can understand their mother tongue and go back to their home countries. In the future, we hope they can work for Taiwan’s businesses or come back to work for Taiwan’s government that is in need of Southeast Asian foreign language professionals.”¹⁶

14. Kuang-Hwa Industrial Vocational Senior High School, “新住民二代培力試辦計畫] 活動簡章” [“New Immigrants Second Generation Training Pilot Plan” Activity Explainer (xin zhumin erdai peili shiban jihua huodong jianzhang)], National Immigration Agency, ROC (Taiwan), http://w2.khvs.tc.edu.tw/ezfiles/0/1000/attach/56/pta_393_8711663_19271.pdf.

15. “新住民二代海外培力成果” [New Immigrants Second Generation Training Results (xin zhumin erdai haiwai peili chengguo)], National Immigration Agency, ROC (Taiwan), December 25, 2015, http://ifi.immigration.gov.tw/ct.asp?xItem=270&ctNode=36534&mp=ifi_zh.

16. Wei Chi Pei-yu and Cao You-wen, “築夢新臺灣移民署二代培力計畫開跑” [Dreaming of a Good Start for New Taiwan Second-Generation Immigrant Training Plan (zhumeng xin taiwan yiminshu erdai peili jihua kaipao)], *China Times*, March 28, 2017, <http://www.chinatimes.com/broadcast/20170328004106-260737>.

BOX 8.3. New Opportunities for Immigrant Children

The Daliao International Learning Center opened in December 2016 in Kaohsiung to cater to the more than 10,000 children of migrant workers from Southeast Asia who recently moved to the city. The center offers Southeast Asian language and cultural programs for children of immigrants. It is hoped that the center can provide opportunities for these children to learn their native culture and acquire skills that can help Taiwan further its relationship with NSP target countries.

Source: Xingjun Liu, “高雄大寮國際學園今揭牌 培育新南向人才” [Kaohsiung Daliao International Academy to Train Talent for New Southbound Policy (gaoxiong daliao guoji xueyuan jin jiepai peiyu xinnanxiang rencai)], United Daily News, December 9, 2016, <https://udn.com/news/story/3/2159749>.

The Talent Development Program also supports the children of new immigrants within Taiwan’s education system through scholarships, travel subsidies, and school credit. The Ministry of Education will provide scholarships for second-generation immigrants who focus their studies on “major industries that Taiwan’s businesses are involved . . . in ASEAN or South Asian countries.”¹⁷ Taipei’s hope is that these students will return to their native countries to work for Taiwan’s businesses.

Additionally, the Ministry of Education will require universities to give priority admission to children of new immigrants and offer university credit for Southeast Asian languages and industrial courses within technical colleges and universities—institutions that do not typically allow language courses to count toward degree completion.¹⁸ These efforts aim to empower students with South and Southeast Asian backgrounds to develop both technical and language skills.

The Ministry of Education hopes to cultivate interest among Taiwan’s public in NSP target countries through the implementation of a new 12-year national educational curriculum that was announced in December 2016.¹⁹ At the primary and secondary levels, elementary students will be able to choose from seven Southeast Asian languages for their mandatory foreign language elective—beginning with Indonesian and Vietnamese in 2018.²⁰ It will provide an opportunity for over 260,000 second-generation new immigrants who currently are enrolled in primary and secondary school to learn more about their cultural heritage.²¹ Training courses and teaching

17. “The New Southbound Talent Development Program,” Ministry of Education, ROC, 2017, http://www.edunbsp.tw/content_en.html.

18. “New Southbound Policy Develops Talent for Mutual Benefit,” Executive Yuan, March 21, 2017, http://english.ey.gov.tw/News_Hot_Topic.aspx?n=67224DA6FB48B050&sms=51088E44A6F236AA.

19. “新南向人才培育推動計畫” [New Southbound Talent Development Plan (xinnanxiang rencai peiyu tuidong jihua)], Ministry of Education, ROC (Taiwan).

20. Ke Zongwei and Xiang Yu, “教育新南向!107 學年起 新住民語言 列國小必選” [Education Southbound! Beginning 2018 New Immigrant Languages to Become Elementary Electives (jiaoyu xinnanxiang! 107 xuenian qi xin zhumin yuyan lie guoxiao bixuan)], *China Times*, December 10, 2016, <http://www.chinatimes.com/newspapers/20161210000312-260114>.

21. Hong Chen-hong and Lin Hsiao-yun, “國小母語課程 加列東南亞語” [Southeast Asian Languages Added to Elementary Curriculum (guoxiao muyu kecheng jialie dongnanyayu)], *Liberty Times Net*, December 10, 2016, <http://news.ltn.com.tw/news/focus/paper/1060438>.

materials will also be offered to teaching assistants to help improve their instruction in foreign languages.

Taiwan's Teachers and Students

In addition to the NSP's focus on improving education for the children of new immigrants, Taipei must also pique the interest of Taiwan's students and teachers in NSP target countries. With increased understanding of South and Southeast Asian languages, cultures, and industries, Taiwan's government hopes that the NSP will better prepare Taiwan's students for careers in target countries.

English is part of the nine-year compulsory education program in Taiwan and the main foreign language in the nation. A survey of Taiwan's secondary and tertiary students conducted by the King Car Cultural and Education Foundation in 2016 found that 67.3 percent of students prioritized English first in their studies.²² According to fall 2016 data from the High School Second Foreign Language Education Center, 53 percent (30,336) selected Japanese and 13 percent (7,244) selected French to learn as their second foreign language. In contrast, only 2.8 percent (1,573) of total students who registered for a second foreign language class in high school studied Southeast Asian languages. While this figure marks a moderate increase from 2013, when the number of students studying Southeast Asian languages was less than 1 percent,²³ it does underscore the considerable hurdles Taiwan faces in strengthening its ties with South and Southeast Asian nations.

These preferences are similarly reflected in the study-abroad locations chosen by Taiwan's students. Of Taiwan's 58,061 students who studied overseas in 2016, just 16,104 (28 percent) chose to attend schools in NSP target countries. Of these students, 91 percent attended universities in Australia and New Zealand.²⁴

At the tertiary level, scholarships and funding will be offered to encourage Taiwan's youth to study, intern, and conduct research in NSP target countries. This funding will include 10 scholarships for doctoral students, 200 internship fellowships, 300 scholarships for graduate studies in critical fields, 310 fellowships to assist scholars undertaking cooperative research with NSP target countries, and 2,400 youth scholarships to support volunteering, experiential learning, and other studies in NSP target countries.²⁵

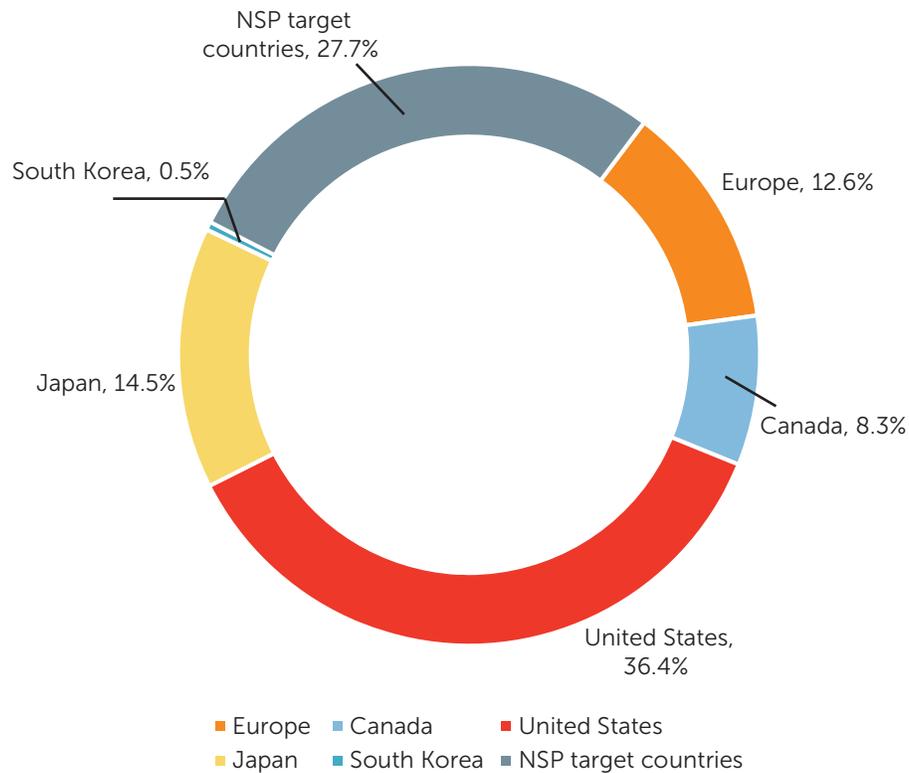
22. "Few Taiwan Students Interested in Southeast Asian Languages: Poll," *Focus Taiwan*, December 7, 2016, <http://focustaiwan.tw/news/aedu/201612070019.aspx>.

23. High School Second Foreign Language Education Center, "Statistics on Second Foreign Language Education," http://www.2ndflcenter.tw/class_detail.asp?classid=61.

24. "105 年度世界各主要國家之我國留學生人數統計表" [Statistical Table on Taiwan Students Studying Abroad in Major Countries around the World for 2016 (105 niandu shijie ge zhuyao guojia zhi woguo liuxuesheng renshu tongjibiao)], Ministry of Education, ROC (Taiwan), December 22, 2016, https://depart.moe.edu.tw/ed2500/News_Content.aspx?n=2D25F01E87D6EE17&sms=4061A6357922F45A&s=ECAAD5FFD81C8057.

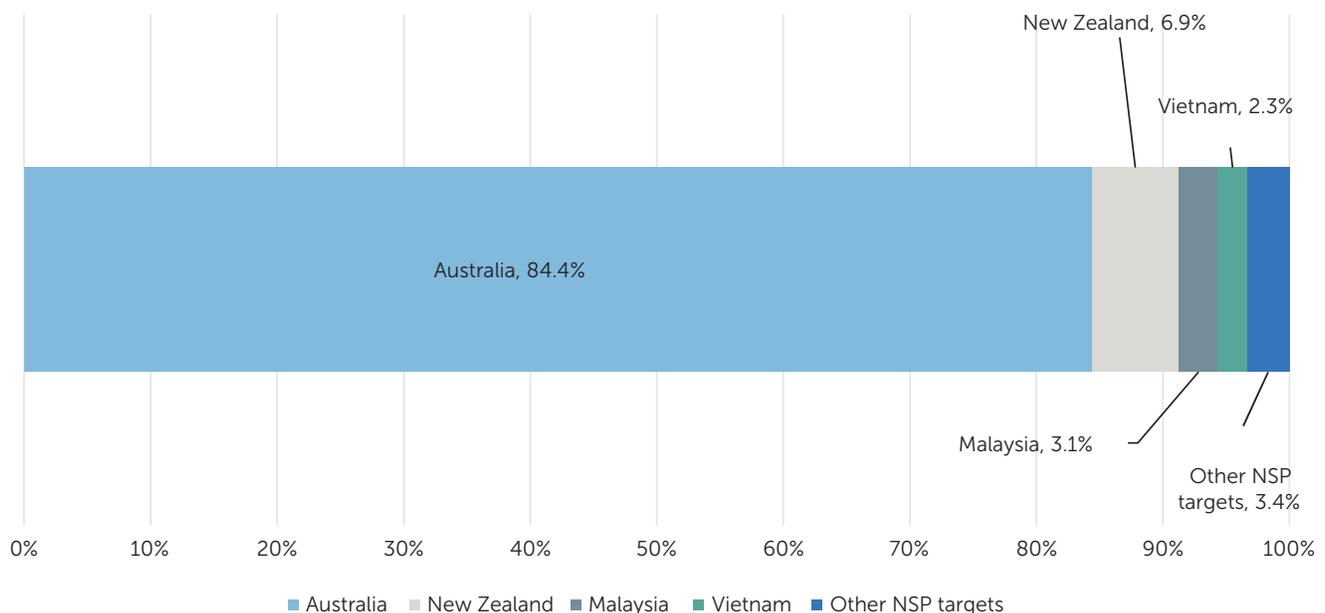
25. "教育部新南向政策—以人為本·用心" [Education Ministry New Southbound Policy: People Oriented, Heartfelt Communication (jiaoyubu xinnanxiang zhengce yiren weiben yongxin)], Ministry of Education, ROC (Taiwan), <http://bit.ly/2psQcTm>.

Figure 8.2. Study-Abroad Destinations for Outbound Students from Taiwan, 2015–2016



Source: “105 年度世界各主要國家之我國留學生人數統計表” [Statistical Table on Study Abroad Destinations for Students from Taiwan in 2016 (105 niandu shijie gezhuyao guojia zhi woguo liuxuesheng renshu tongjibiao)], Ministry of Education, ROC (Taiwan), December 22, 2016, https://depart.moe.edu.tw/ed2500/News_Content.aspx?n=2D25F01E87D6EE17&sms=4061A6357922F45A&s=ECAAD5FFD81C8057.

Figure 8.3. NSP Study-Abroad Destinations for Outbound Students from Taiwan, 2015–2016



Source: “105 年度世界各主要國家之我國留學生人數統計表” [Statistical Table on Study Abroad Destinations for Students from Taiwan in 2016 (105 niandu shijie gezhuyao guojia zhi woguo liuxuesheng renshu tongjibiao)], Ministry of Education, ROC (Taiwan), December 22, 2016, https://depart.moe.edu.tw/ed2500/News_Content.aspx?n=2D25F01E87D6EE17&sms=4061A6357922F45A&s=ECAAD5FFD81C8057.

The NSP also includes education policy changes for teachers as well. To incentivize Taiwan's teachers to teach in India and Southeast Asia, the Ministry of Education increased the subsidy for these teachers from US\$1,000 to US\$1,500 per month. This increase in pay is aimed at doubling the current total of Taiwan's teachers in NSP target countries from 90 to 180.²⁶

Students from NSP Target Countries

While fostering the interest of Taiwan students in target countries is an important part of the NSP, under the Talent Development Program, Taipei also intends to cultivate interest in Taiwan among ASEAN and South Asian students. Through the development of "professional, practical, and Mandarin language skills" among students in NSP target countries, the Ministry of Education hopes to better prepare students to pursue studies in Taiwan.²⁷

Thirty-five domestic universities will be offered subsidies for establishing preparatory courses on language and technical training for South and Southeast Asian students in advance of their enrollment in Taiwan's universities.²⁸ Taiwan's science and technology universities have also been encouraged to establish short-term technical training courses for students from NSP target countries studying in Taiwan, so that they are better equipped to enter the job market in their home countries upon graduation.

The Ministry of Education will also subsidize 2,000 ASEAN students to attend summer school in Taiwan, and send Taiwan's top Mandarin teachers to NSP target countries through partnerships with local schools. Taipei will also provide funding for Taiwan's universities to establish digital platforms for online classes specifically targeting South and Southeast Asian students. These courses will focus on developing sought-after skills in NSP target countries. The ministry hopes that subsidies expanding educational capacity will benefit both students who travel to Taiwan and those who are enrolled in online courses offered by Taiwan's universities.

PIPELINE

The pipeline scheme of the Talent Development Program aims to strengthen bilateral exchanges between the youth of Taiwan and Southbound countries. It seeks to do so by attracting top-notch students from South and Southeast Asian countries, while also encouraging Taiwan's own students to gain extensive professional experience in the region. To this end, the Ministry of Education has earmarked NT\$60 million (US\$2 million) for 2017 to attract students from target countries by integrating and expanding existing language and research scholarships. Additionally,

26. Lin Hsiao-yun, "鼓勵華語教師新南向 教育部加碼生活補助費至 1500 美金" [Stipend for Chinese Language Teachers in Southeast Asia to Be Raised to 1500 US Dollars (guli huayu jiaoshi xinnanxiang jiaoyubu jiama shenghuo buzhuifei zhi 1500 meijin)], *Liberty Times Net*, April 5, 2017, <http://news.ltn.com.tw/news/politics/breakingnews/2026397>.

27. "The New Southbound Development Program," Ministry of Education, ROC (Taiwan).

28. Ibid.; "教育新南向 人才培育計畫辦理情形" [Education New Southbound: Progress of the Talent Development Plan (jiaoyu xinnanxiang rencai peiyu jihua banli qingxing)], Ministry of Education, ROC (Taiwan), March 9, 2017, <https://www.slideshare.net/OpenMic1/20170309-72934394>.

this money will also go toward scholarships for Taiwan's citizens studying abroad in NSP target countries.²⁹

Taiwan's Teachers and Students

Taipei also plans to expand government-funded scholarships to encourage Taiwan's students to study in NSP target countries. Under this policy 10 additional "Government Sponsorships for Overseas Study" scholarships will be awarded for students planning to study in countries targeted by the NSP, while the "Government Scholarship for Study Abroad" program will be expanded to include top universities in South and Southeast Asian countries.³⁰

Similarly, the NSP aims to supplement educational linkages by providing professional development opportunities for Taiwan's students in South and Southeast Asian countries. The Ministry of Education will subsidize students working in professional internships in the region and expand Taiwan students' curriculums by including overseas professional training.

Students from NSP Target Countries

The Taiwan Scholarship program was established in 2004 to encourage outstanding foreign students to study in Taiwan.³¹ In 2016, 100 students were awarded the Taiwan Scholarship. Under the NSP, the program has been expanded and is expected to have offered 185 awards in 2017.³² Senior Education Ministry officials have announced an additional NT\$1 billion in scholarship programs across various educational levels for these students.³³ The Ministry of Education plans to provide additional subsidies of NT\$200 million for "customized" vocational courses targeting students from Southeast Asia and India in subjects ranging from aircraft maintenance to health care systems.³⁴

The private sector has also been encouraged to take part in the NSP by funding foreign students to study in Taiwan. In a meeting in May 2017, Tsai encouraged companies and businesses in Taiwan to sponsor fellowships and scholarships to help students from NSP target countries, such as India.³⁵ Under this public-private cooperation, private-sector scholarships will sponsor the studies of 5,000 students from NSP target countries in the summer of 2017.³⁶ In addition to

29. "新南向人才培育推動計畫" [New Southbound Talent Development Plan (xinnanxiang rencai peiyu tuidong jihua)], Ministry of Education, ROC (Taiwan).

30. "The New Southbound Development Program," Ministry of Education, ROC (Taiwan).

31. "Taiwan Fellowships and Scholarships," Ministry of Education, ROC (Taiwan), <http://tafs.mofa.gov.tw/SchDetailed.aspx?loc=en&ItemId=15>.

32. "The New Southbound Development Program," Ministry of Education, ROC (Taiwan).

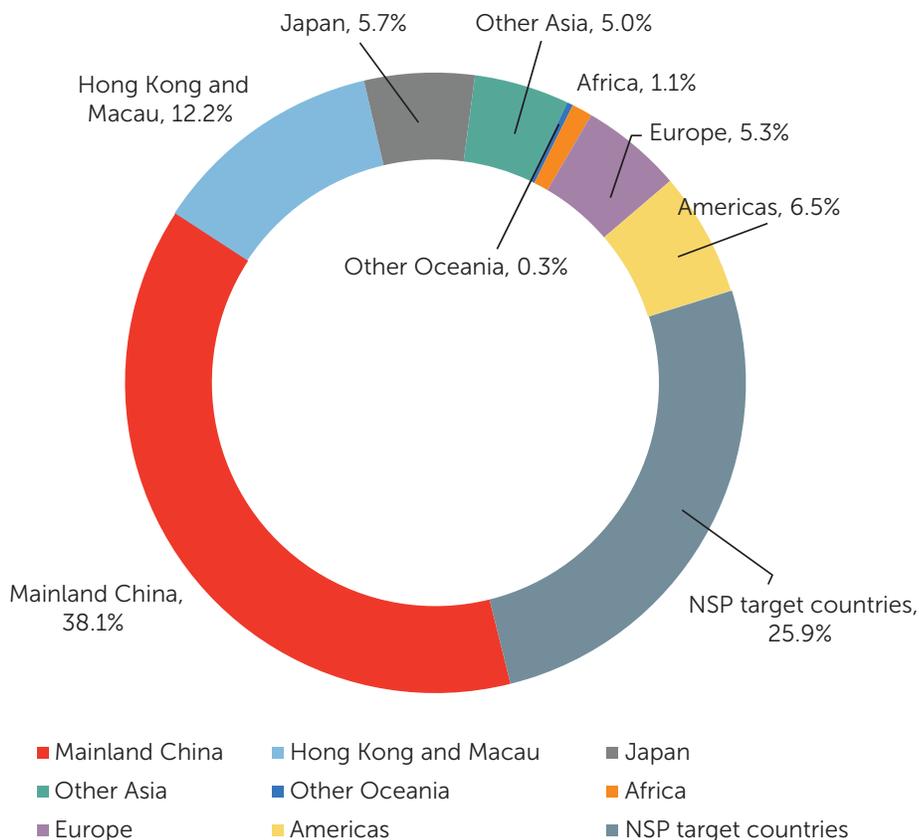
33. Howard Chao, "NT\$ 1 Bil. in Scholarships to Back 'New Southbound Policy,'" *China Post*, August 13, 2016.

34. Sean Lin, "Ministry to Subsidize 'Custom' Southeast Asian Programs," *Taipei Times*, February 3, 2017.

35. "Tsai Briefs Asia Media on 'New Southbound Policy,'" *Taipei Times*, May 7, 2017, <http://www.taipetimes.com/News/taiwan/archives/2017/05/07/2003670116>.

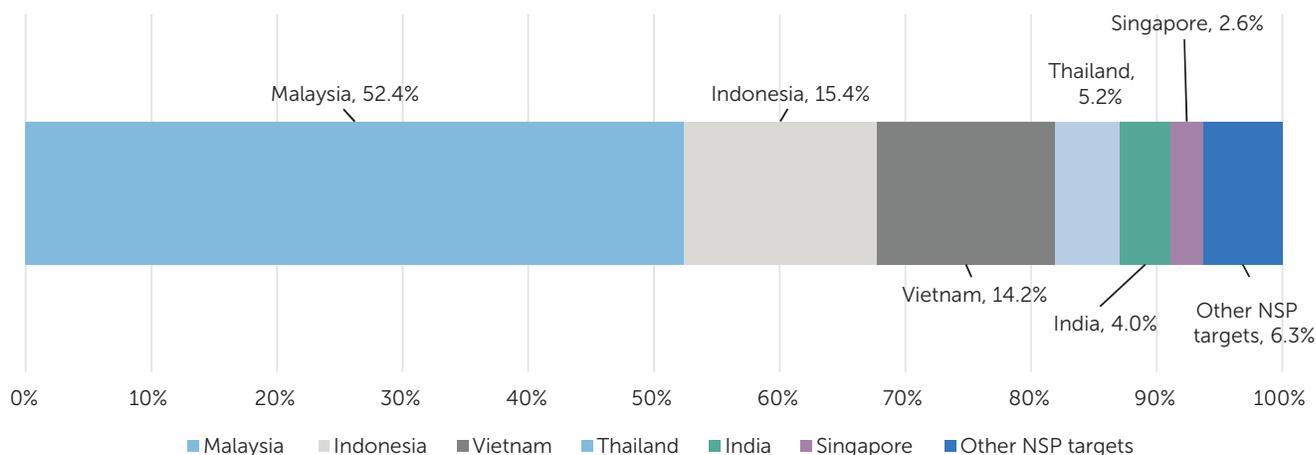
36. "總統談新南向: 台灣企業贊助 5 千位學生" [President Speaks about New Southbound: Taiwan Corporations Will Sponsor 5000 Students (zongtong tan xinnanxiang: taiwan qiye zanzhu 5 qianwei xuesheng)], Central News Agency, May 5, 2017, <http://www.cna.com.tw/news/aip/201705050411-1.aspx>.

Figure 8.4. Sources of Inbound Students to Taiwan, 2015–2016



Source: “104 大專校院境外學生人數統計” [2015 Foreign College and University Students Statistics (104 dazhuan xiaoyuan jingwai xuesheng renshu tongji)], Ministry of Education, ROC (Taiwan), <https://ois.moe.gov.tw/fs/html/Statistics.html>.

Figure 8.5. Share of Inbound International Students from NSP Target Countries, 2015–2016



Source: “104 大專校院境外學生人數統計” [2015 Foreign College and University Students Statistics (104 dazhuan xiaoyuan jingwai xuesheng renshu tongji)], Ministry of Education, ROC (Taiwan), <https://ois.moe.gov.tw/fs/html/Statistics.html>.

BOX 8.4. Expanding MOUs with the Philippines

On May 27, 2017, Taiwan and the Philippines extended an existing MOU focused on enhancing educational linkages that was first signed in 2012. Efforts to increase bilateral interactions have included additional MOUs, such one signed in 2016 between Taiwan universities in the Southern Taiwan Universities Alliance and the University of Philippines (UP) system. The agreement guarantees at least 100 spots for teachers from the UP system to earn graduate degrees in Taiwan. Bolstering existing agreements with countries across the region is just one of the many ways that Taiwan can tighten its regional integration through NSP.

Source: Emerson Lim and Elaine Hou, "Taiwan, Philippines Extend MOU on Education Exchanges," CNA English News, May 27, 2016, <http://focustaiwan.tw/news/aedu/201705270016.aspx>.

funding their studies, at least some participating companies will also offer training internships to these students.³⁷ The National University of Taiwan, for example, has established a program in coordination with Taiwan's multinational companies to open 300 vacancies for Southeast Asian students to intern at Taiwan's companies, with the potential option of staying to work there after graduation.³⁸

PLATFORM

The platform aspect of the education strategy involves four additional mechanisms to develop and deepen cooperation between higher education institutions in Taiwan and the NSP target countries. The Ministry of Education earmarked NT\$162 million (US\$5.33 million) in 2017 to support this effort.

1. The Ministry of Education will establish a "Talent Development Strategy" working group, which is mandated to create a portal to connect domestic universities with key stakeholders in Southeast and South Asia. The working group is designed to help universities in Taiwan gain insights into the educational needs of foreign students.
2. Additional education exchange mechanisms, known as "Taiwan Connection" platforms, will also be set up in the Philippines, Myanmar, Laos, Cambodia, Sri Lanka, Indonesia, Malaysia, and India. These platforms will utilize Taiwan's existing public and private institutions in target countries—such as the Ministry of Education's overseas offices, alumni associations of Taiwan's universities, and Taiwan's business networks—to foster stronger bilateral

37. Freddie Ng, "More Opportunities to Open for Malaysians to Study in Taiwan," *Sun Daily*, May 5, 2017, <http://www.thesundaily.my/news/2017/05/07/more-opportunities-open-malaysians-study-taiwan>.

38. "高教南向 台大釋 3 百名額向東協國招生" [Higher Education Southbound—National Taiwan University to Recruit 300 Students from ASEAN Countries (gaojiao nanxiang taida shi sanbai ming'e xiang dongxieguo zhaosheng)], PTS News Network, July 4, 2016, <http://news.pts.org.tw/article/327804>.

relationships between the education sectors of each country. Such platforms have already been established in Vietnam, Malaysia, Thailand, and Indonesia.³⁹

3. Under the Talent Development Program, four special exhibitions will be sent from popular Taiwan museums for display in Malaysia, Thailand, and the Philippines. Under this museum-based platform, the Ministry of Education will send representatives from Taiwan's museums to international exhibitions and conferences to attract students, teachers, and museum staff from NSP target countries to look to Taiwan for internships and joint exhibitions.
4. The Ministry of Education will subsidize 10 of Taiwan's universities to help them establish education centers in Northeast and Southeast Asia. These universities will organize higher education fairs, promote recruitment, and offer Mandarin language courses. These centers aim to enhance Taiwan's ability to facilitate academic exchanges and will serve to showcase Taiwan's educational advantages.⁴⁰ For example, the National Taiwan University System is currently considering opening branches and centers in Southeast Asia to "assist in the education of students in the region and help Taiwan's businesspeople investing in the area."⁴¹

IMPROVING DOMESTIC EMPLOYMENT FOR FOREIGN GRADUATES

Building upon improvements in quality and accessibility for students from NSP target countries in Taiwan's education system, the NSP encourages foreign graduates of Taiwan's institutions to work locally before returning to their home countries. These measures are designed to deepen foreign students' appreciation of Taiwan while simultaneously preparing these students for employment opportunities once they return home. For example, NSP students have been encouraged to apply for internships with Taiwan's small and medium enterprises, where they will learn easily transferable skills.⁴² Under Ming Chuan University's "New South-Bound International Students Hotel Internship Program," for example, students from targeted countries who study in their Travel and Tourism Program are assigned to work in Taiwan's hotels to gain professional experience in hotel operations.⁴³

39. Sun Hsin Hsuan, "Education Ministry Forges Deeper Relationship with SE Asia," *China Post*, September 10, 2016.

40. "Southbound, for the Fourth Time," *Economist*, September 30, 2016, http://country.eiu.com/article.aspx?articleid=34667987&Country=Taiwan&topic=Economy&subtopic=Fore_12.

41. "新南向人才培育推動計畫" [New Southbound Talent Development Plan (xinnanxiang rencai peiyu tuidong jihua)], Ministry of Education, ROC (Taiwan).

42. Stephanie Chao, "Bringing Taiwan's Unique Advantages to the New Southbound Policy," Asia News Network, January 4, 2017, <http://annx.asianews.network/content/bringing-taiwan%E2%80%99s-unique-advantages-new-southbound-policy-36656>.

43. "New South-Bound International Students Hotel Internship Program in Ming Chuan University," Ming Chung University, <http://www.studyintaiwan.org/teep/?program=new-south-bound-international-students-hotel-internship-program-in-ming-chuan-university>.

Taiwan is also expected to ease work visa regulations for recent graduates from NSP target countries. As part of a broader effort to attract skilled foreigners, the Executive Yuan has passed a draft bill on “Foreign Professional Employment,” under which foreign students will be eligible for six-month internship visas within two years of graduation.⁴⁴ Previously, Taiwan did not offer such visa options for foreign students, a restriction that has curbed the ability of local firms to employ foreign talent.⁴⁵

Training foreign students in Taiwan will benefit Taiwan’s companies in emerging fields such as biomedical technology, e-commerce, and information engineering, as firms look for qualified employees with local experience to expand operations in NSP target countries.⁴⁶

MAINLAND COMPETITION

Mainland China poses a significant hurdle for Taiwan as it seeks to foster educational exchanges with NSP target countries. Both sides of the Taiwan Strait compete to recruit students who have already studied or wish to study Mandarin. Statistics from Taiwan’s Ministry of Foreign Affairs indicate that most foreign students studying in Taiwan have a Chinese-language background. Notably, just under half of all scholarships offered historically by Taipei to overseas students went to students from Malaysia—a country where a quarter of the population is ethnically Chinese.⁴⁷

Since most NSP target countries do not have large Chinese-speaking populations, Taipei has sought to highlight other areas of study within Taiwan’s educational system. The Ministry of Education’s subsidies for “customized” vocational courses, which are targeted at students from South-east Asia and India, may provide these students with the skills and training needed to advance their careers in their home countries.

The international nature of Taiwan’s universities may be critical to boosting the number of inbound foreign students, who often seek to study in English-language environments. Currently, there are not enough English-taught courses offered by universities in Taiwan to accommodate the desired number of foreign students outlined by the NSP. However, the Ministry of Education is encouraging universities to offer more courses and degree programs instructed in English.⁴⁸ In 2015, 180 of

44. “外國專業人才延攬及僱用法草案” [Act for the Recruitment and Employment of Foreign Professionals (draft) (waiguo zhuanye rencai yanlan ji guyongfa caoan)], National Development Council, https://www.ndc.gov.tw/Content_List.aspx?n=E61E31EE6FB10140&upn=0A078649EEC83462.

45. Yang Ning-chih, “鬆綁外籍生實習兩年 國發會這樣說” [Foreign Students Internship Visa to Be Extended to Two Years, Says the NDC (songbang waijisheng shixi liangnian guofahui zheyang shuo)], *Now News*, May 31, 2017, <https://www.nownews.com/news/20170531/2544156>.

46. “MOE Unveils Measures to Support New Southbound Policy,” *Taiwan Today*, August 26, 2016, <http://taiwantoday.tw/news.php?unit=10&post=102472>.

47. “Taiwan/China: Taiwan Higher Education Fair Underscores New Southbound Policy,” *Asia News Monitor*, September 9, 2016.

48. “新南向人才培育推動計畫” [New Southbound Talent Development Plan (xinnanxiang rencai peiyu tuidong jihua)], Ministry of Education, ROC (Taiwan).

the degree programs offered by 45 universities to Taiwan Scholarship recipients were in English.⁴⁹ The prestigious National Taiwan University—ranked 68th in 2017 in the QS World University Rankings and first in Taiwan—is planning to launch an international bachelor degree program to attract foreign students.⁵⁰ In support of the NSP, this program will focus on attracting students from ASEAN countries.⁵¹

Competition between Taipei and Beijing in attracting students studying Mandarin has increased over the past several years. Under President Ma Ying-jeou, Taiwan Academies were established beginning in 2011 as a means of cultural diplomacy and as a way of promoting Mandarin, traditional Chinese characters, and increased knowledge of Taiwan to the international community.⁵² Although their mission closely reflects that of Mainland's Confucius Institutes, Taiwan's former minister of culture Lung Ying-tai said in 2012 that the two organizations need not compete. According to Lung, the value of Taiwan's Academies lies in the fact that Taiwan "is the only free and open society that grew out of the soil of traditional Chinese culture."⁵³ Notably, the number of students enrolled in Chinese-language programs in Taiwan nearly doubled, from 10,177 in 2007 to 19,977 in 2016.⁵⁴ Tsai's administration has put less emphasis on promoting Taiwan Academies abroad to avoid direct competition with Mainland China's Confucius Institutes that could increase cross-Strait tension.⁵⁵ Academic institutions are also facilitating the NSP through regional engagement. National Chengchi University, for instance, joined the Consortium of Southeast Asian Studies in Asia in September 2017. The association consists of leading area-studies institutions in Northeast and Southeast Asia, and it promotes region-based Southeast Asian studies.⁵⁶

The key to Taiwan's success in attracting students to study at its universities rather than the Mainland's, therefore, lies in Taipei's ability to leverage the intellectual benefits that can only be granted in a free and democratic society. This is especially important as Beijing has recently issued a new

49. "A List of English-Instructed Program for Taiwan Scholarship Project 2015," Ministry of Education, ROC (Taiwan), <http://tweduvn.org/images/scholarship/Danh%20sach%20chuong%20trinh%20hoc%20bang%20tieng%20Anh.pdf>

50. "QS Top University Rankings," <https://www.topuniversities.com/university-rankings>; "國立臺灣大學 104 學年度第 2 學期第 2 次校務會議紀錄" [Second University Council Meeting Minutes, Spring Semester, 2015 Academic Year (guoli taiwan daxue 104 xueniandu di2 xueqi di2 ci xiaowu huiyi jilu)], National Taiwan University, June 18, 2016, <http://host.cc.ntu.edu.tw/sec/administration/%E6%A0%A1%E5%8B%99%E6%9C%83%E8%AD%B0/104-2-2.htm>.

51. Hsu Chih-wei, "台大國際學程擬採 SAT 交大支持接軌國際" [NTU's International Degree Program Might Accept SAT Scores; NCTU Voices Support for University to Follow Global Standards (taida guoji xuecheng nicai SAT jiaoda zhichi jiegui guoji)], <http://www.cna.com.tw/news/ahel/201705070170-1.aspx>.

52. Ibid.

53. "Academy 'Not Competing' with PRC," *Taipei Times*, June 7, 2012, <http://www.taipeitimes.com/News/taiwan/archives/2012/06/07/2003534728>.

54. "Non-Citizen Students in Universities, Colleges and Junior Colleges," Ministry of Education, ROC (Taiwan), <http://english.moe.gov.tw/ct.asp?xItem=16422&ctNode=11429&mp=1>.

55. Ying Zhou and Sabrina Luk, "Establishing Confucius Institutes: A Tool for Promoting China's Soft Power?" *Journal of Contemporary China*, vol. 25, no. 100 (2016).

56. Hungchen Lu, "NCCU CSEAS Joins SEASIA as the First University Institute Member in Taiwan," NCCU, September 25, 2017, <http://www.nccu.edu.tw/en/news/NCCU-CSEAS-Joins-SEASIA-as-the-First-University-Institute-Member-in-Taiwan-63360830>.

set of rules for foreign students studying in the PRC, such as forbidding institutes of higher education to provide venues for religious activities.⁵⁷ In contrast, Taiwan's legal system explicitly protects religious freedom.

Furthermore, the government and universities have shown a willingness to foster a Muslim-friendly environment to further attract Muslims to Taiwan.⁵⁸ Taiwan's National Cheng Kung University opened Muslim prayer rooms in November 2016 to accommodate its growing population of over 200 Muslim students.⁵⁹

Furthermore, in 2017 Taiwan became the first nation in Asia to rule same-sex marriage legal, an important move that reflects its protection of liberty and commitment to equality. Advertising campaigns for Taiwan's universities tout studying in Taiwan as an opportunity "to learn traditional and simplified Chinese characters while enjoying the advantages of living in a free and democratic society."⁶⁰ Taiwan is a developed and well-governed nation that supports intellectual freedom and the rule of law. Successfully illustrating the benefits of studying abroad in Taiwan while improving education quality and access may be critical to fulfilling the NSP's ambitious goals.

57. Josh Horwitz, "The Chinese Government Just Issued a New Set of Rules for Foreign Students Studying in China," June 7, 2017, <https://qz.com/1000476/china-has-issued-a-new-set-of-rules-for-foreign-students-studying-at-chinese-universities/>.

58. "新南向人才培育策略規劃—馬來西亞 結案報告" [New Southbound Talent Development Plan—Report on the Malaysia Project (xinnanxiang rencai peiyu celue guihua-malaixiya jieguo baoan)], Feng Chia University, May 1, 2017, <http://www.edunsbp.tw/album/news/5926550049e1c.pdf>; "北市府首設穆斯林祈禱室 打造更友善的穆斯林旅遊環境" [Taipei Government to Launch Muslim Prayer Room to Build Muslim-Friendly Travel Environment (beishifu shoushe musulin qidaoshi dazao geng youshan de musulin lvyou huanjing)], Department of Information and Tourism of Taipei City Government, <http://www.tpeidoit.gov.taipei/ct.asp?xItem=116724531&ctNode=81125&mp=11200M>.

59. National Cheng Kung University, "New Muslim Prayer Room Opens at NCKU to Accommodate More People," November 15, 2016, <http://web.ncku.edu.tw/files/14-1000-160256,r1932-1.php?Lang=en>.

60. Ciaran Madden and Jason Gerock, *The Republic of China at a Glance* (Taipei: Ministry of Foreign Affairs ROC, 2016): 87.

Agriculture and the NSP

As outlined by the New Southbound Policy Work Plan and expanded upon as part of the five flagship projects announced in mid-2017, the Tsai administration aims to foster agricultural and aquacultural cooperation with NSP target countries. This cooperation is designed to (1) enhance agricultural cooperation with NSP partners and promote Taiwan technologies and materials, (2) strengthen bilateral people and technological exchanges, (3) promote investment into agricultural sectors of NSP target countries by overseas Taiwan businesses, and finally (4) ensure regional food security by facilitating the establishment of key production bases. Ultimately, Taiwan intends to leverage its expertise and experience in agricultural technology, logistics, and food processing to foster closer ties with NSP target countries.

The agricultural component of the NSP largely operates under the purview of the Executive Yuan's Council on Agriculture (COA). According to Grace Lih-Fang Lin, director of the COA's Department of International Affairs, the NSP will have different focal points of collaboration for each partner country based on local conditions and market needs, such as working with Malaysian industries on greenhouse farming or cooperating with Indonesian businesses on irrigation.¹

To promote the NSP, the COA aims to increase business opportunities with NSP target countries via investment and machinery exports. It advocates for a "whole factory export model," whereby Taiwan can promote its technologies, techniques, and agricultural products to partner countries.² Taiwan hopes to foster mutually beneficial bilateral relationships in which Taiwan businesses provide new agricultural opportunities in exchange for assistance in adapting to local business and environmental conditions.

1. Chen Wei Han, "New Southbound Policy: Trade, Medical Help Turns into Shared Policymaking," *Taipei Times*, June 3, 2017, <http://www.taipeitimes.com/News/taiwan/archives/2017/06/03/2003671828/2>.

2. Ibid.

HISTORY AND BACKGROUND

The groundwork for Taiwan's agricultural cooperation with ASEAN and South Asian countries predates the NSP. Taiwan had an established record of providing training and short-term work permits to farmers from Vietnam, Thailand, and the Philippines prior to Tsai's administration. After the launch of the NSP, this practice was extended to include Indonesian and Indian farmers as well.

Taiwan also has a track record of fostering relationships with ASEAN and South Asian countries through its aquaculture industry. Taiwan and the Philippines signed the Agreement Concerning the Facilitation of Cooperation on Law Enforcement in Fisheries Matters in November 2015, in part to address Taiwan-Philippine fishing disputes, but also to promote joint aquaculture development.³ A month later, aquaculture feed manufacturer Grobest Feeds Inc. launched a \$22 million plant in the Tarlac province of the Philippines. Robert Chen, chairman of Grobest Feeds, stated, "With our technology and experience in aquaculture, we believe we could help the farmers' development in the Philippines." Benjamin Tabios, from the Philippines Bureau of Fisheries and Aquatic Resources, concurred that Grobest Feeds offered much-needed investment to help the Philippines produce feed for its aquaculture industry.⁴

The NSP builds on this past precedent of agricultural cooperation—Grobest Feeds is now one of many investors from Taiwan seeking to expand its business interests in the Pampanga province of the Philippines.⁵ Such a strategy enables the Tsai administration to strengthen ties with partner states around the region.

BENCHMARKS AND PROGRESS

The Tsai administration has several benchmarks for the NSP's agricultural component. The Work Plan states that the number of trained agricultural personnel should increase at an annual rate of 5 percent. The Work Plan also aims to foster 10 cases of agricultural technology cooperation with NSP target countries.

To date, Taiwan has signed agreements for agricultural cooperation with several NSP target countries. In September 2016, Taiwan signed a memorandum of understanding (MOU) with India to cooperate on both agriculture and aquaculture and to establish a Joint Working Committee to identify areas of mutual interest.⁶ In the same month, an Indonesian business delegation arrived in

3. "Taiwan and the Philippines Sign Agreement on Law Enforcement Cooperation in Fisheries Matters," Ministry of Foreign Affairs, November 19, 2015, <http://www.taipeitimes.com/News/taiwan/archives/2017/06/03/2003671828/2>.

4. "Taiwanese Feeds Firm Grobest Opens in Tarlac," *Manila Times*, December 4, 2015, <http://www.manilatimes.net/taiwanese-feeds-firm-grobest-opens-in-tarlac/232758/>.

5. "Taiwan Vows to Bring More Investments to Pampanga," *SunStar*, June 28, 2017, <http://www.sunstar.com.ph/pampanga/business/2017/06/28/taiwan-vows-bring-more-investments-pampanga-550089>.

6. "Government Nod to Pact with Taiwan for Cooperation in Agriculture Sector," *Economic Times*, June 19, 2016, <https://economictimes.indiatimes.com/news/economy/agriculture/government-nod-to-pact-with-taiwan-for-cooperation-in-agriculture-sector/articleshow/52767433.cms>.

BOX 9.1. Agricultural Ambassadors Help Forge Closer Ties

Two groups of Taiwan's youth agriculture ambassadors traveled to the Philippines and Indonesia between September 10 and 16, 2017, to take part in educational and business exchanges. Each group was comprised of 15 university students who specialized in agricultural fields. These exchanges are part of Taiwan's push to forge closer ties with the Philippines and Indonesia.

Source: "Taiwan Youth Agricultural Ambassadors to Visit Indonesia, Philippines," Ministry of Foreign Affairs, ROC (Taiwan), September 6, 2017, http://nspg.mofa.gov.tw/nsppe/content_tt.php?post=121065&unit=2.

Taiwan to negotiate opportunities for bilateral cooperation with the Ministry of Economic Affairs, which included building a Taiwan Sugar Corporation factory in Indonesia.⁷ Taiwan and Indonesia also signed an Agricultural Cooperation Agreement in Taipei on May 12 that involves developing a "regular dialogue" to facilitate "exchanges of agricultural technologies, market access, and industry information."⁸ Similar MOUs have been signed with Vietnam, Thailand, Malaysia, Australia, and the Philippines.⁹

TAITRA has organized events and programs to promote agricultural cooperation with Taiwan's neighbors since the official launch of the NSP. On May 12, TAITRA opened the first "Taiwan Expo 2017" in Jakarta to showcase Taiwan's advanced technology in a variety of sectors, including agriculture. The expo served as a platform for the Taiwan Agricultural Machinery Manufacturers (TAMMA) to promote small-scale agricultural equipment, machinery, feed additives, and poultry processing techniques. For Taiwan, the expo was a step toward establishing a purchasing channel for agro-machinery with Indonesia. COA representatives were on hand to demonstrate Taiwan's agricultural cultivation modules, which have temperature-regulation systems that are adaptable for Indonesia's tropical climate. The COA also participated in similar exhibitions in the Philippines in late September and Malaysia in November of 2017 and has plans for a joint cooperation venture with the Philippines' Rice Research Institute.¹⁰

In September 2017, Taiwan sent 30 "agriculture youth ambassadors" to the Philippines and Indonesia as part of a weeklong bilateral exchange program. These trips are designed for

7. "Indonesian Delegation Visits Taiwan to Seek Business Opportunities," *Focus Taiwan*, September 5, 2016, <http://focustaiwan.tw/news/aeco/201609050026.aspx>.

8. "Taiwan and Indonesia Signed Agricultural Cooperation Agreement to Strengthen Bilateral Collaboration and Partnership," Council on Agriculture, Executive Yuan, ROC (Taiwan), May 16, 2016, https://eng.coa.gov.tw/theme_data.php?theme=eng_news&id=454.

9. Chen Wei Han, "New Southbound Policy."

10. Chen Lin Xi Hong, "新南向/資源共享 展現台灣農業軟實力" [New Southbound/Resource Sharing Demonstrates Taiwan's Agricultural Soft Power (xinnanxiang ziyuan gongxiang zhanxian taiwan nongye ruanshili)], Radio Taiwan International, June 30, 2017, <http://news.rti.org.tw/news/newsSubject/?recordId=1441>; "Taiwan's Agricultural Coalition Seeks to Expand the ASEAN Market," Council on Agriculture, Executive Yuan, ROC (Taiwan), May 12, 2017, https://eng.coa.gov.tw/theme_data.php?theme=eng_news&id=493.

agriculture students to conduct fact-finding visits, observe Taiwan-backed cooperative initiatives, share Taiwan's agricultural technology with other countries, and develop overseas connections.¹¹ The exchange program is a jointly operated project between the Ministry of Foreign Affairs and the COA, which reflects the integrated, whole-of-government approach employed by the Tsai administration to promote the NSP.

It remains too early to tell if these efforts will be successful in bolstering the NSP. Nonetheless, Taiwan's advanced agricultural sector presents an intriguing opportunity for Taipei to build on its existing partnerships and strengthen its ties across the region.

11. "Youth Program Boosts New Southbound Policy Agricultural Ties," *Taiwan News*, June 22, 2017, <https://www.taiwannews.com.tw/en/news/3194088>.

The NSP and Taiwan's Medical Industry

Taiwan boasts a highly developed public health care system and one of the world's most technologically advanced medical equipment industries. In 2016, Taiwan's average life expectancy (80 years) and infant mortality rate (4.4 out of 1,000) matched or exceeded those found in the most developed countries around the globe.¹ It comes as little surprise that Taipei has identified the nation's medical sector as a flagship program that can be utilized to boost ties across the region. In this regard, Taiwan can offer its medical know-how, advanced equipment, and wealth of public health experiences to improve health care outcomes in NSP target countries.

There is considerable growth potential for health care services in NSP target countries. When discussing overseas market opportunities, Claire Jan, a project manager in TAITRA's marketing development department, noted that the health care expenditure per capita among ASEAN members stood at just \$207 in 2014, as compared to the \$5,075 spent in Japan.² Importantly, TAITRA has a history of organizing trade missions across the region that predate the establishment of the NSP but nonetheless speak to the potential that the medical industries hold for bolstering ties with NSP target countries. In July of 2016, a medical trade team organized by TAITRA met with 248 local businesses in Myanmar, Thailand, and Singapore and inked deals worth US\$8.39 billion.³

Much of the flagship program has been focused on developing medical supply chains with NSP target countries and offering foreign health care professionals training in Taiwan. The Taiwan Food and Drug Administration (TFDA), for instance, has taken several steps toward fostering ties with counterpart agencies in target countries. The agency has concentrated its efforts on building international recognition for Taiwan's medical products through cross-border regulation harmonization, medical procedure exchanges, and laboratory verification collaborations. Measures of this

1. Tsung-Mei Cheng, "Taiwan's Health Care System: The Next 20 Years," Brookings Institution, May 14, 2015, <https://www.brookings.edu/opinions/taiwans-health-care-system-the-next-20-years/>.

2. "Taiwan Seeks to Boost Medical Ties with Southeast Asia," *Taiwan Today*, August 2, 2016, http://nspp.mofa.gov.tw/nsppe/content_tt.php?post=102417.

3. Ibid.

nature can help reduce duplicated efforts in testing Taiwan products in foreign markets, which further reduces the barriers of entry into NSP target countries for Taiwan medical suppliers.⁴

Taiwan's medical and public health cooperation with NSP target countries has already achieved some noticeable results, particularly in familiarizing health care agencies and professionals around the region with Taiwan's medical products and procedures. According to the Ministry of Health and Welfare (MOHW), medical devices produced in Taiwan that have already obtained the necessary registration licenses from TFDA can apply for a simplified review process in Indonesia and Vietnam. As part of the NSP, medical reports issued by three laboratories in Taiwan are now also accepted by the Indonesian government.⁵

This coordination extends to professional exchanges and developments. Part of the initiative also aims to train 1,000 doctors from NSP target countries in Taiwan over the next four years.⁶ According to a report published by MOHW, there were already 214 foreign physicians from 12 countries who had received training in Taiwan. When speaking at a public event on May 8, 2017, an MOHW official noted that "a group of Vietnamese physicians have [already] received training on kidney transplants [in Taiwan], and [they] will become pioneers in that area and pass on their expertise to new physicians."⁷

4. "Taiwan FDA: Heading Southward!" Ministry of Health and Welfare, ROC (Taiwan), October 5, 2017, <https://www.mohw.gov.tw/cp-115-37701-2.html>.

5. Ibid.

6. Jess Macy Yu, "Taiwan Seeks to Build Soft Power with Retooled Southbound Policy," *Reuters*, October 13, 2017, <https://www.reuters.com/article/us-taiwan-policy-southbound/taiwan-seeks-to-build-soft-power-with-retooled-southbound-policy-idUSKBN1CI0P1>.

7. Chen Wei Han, "New Southbound Policy."

Growing Opportunities for the Ministry of Economic Affairs

The Ministry of Economic Affairs is positioned to utilize Taiwan's economic assets toward strengthening the NSP. For instance, the flagship program for Industrial Innovations and Cooperation centers around promoting the Five-Plus-Two Innovative Industries Initiative. The directive was put forth by the Tsai administration to restructure Taiwan's economy and upgrade Taiwan's existing value chain. The initiative includes five pillar industries: the Internet of Things, biomedical, green energy, smart machinery, and defense—with the addition of new agriculture and the circular economy as the plus two.¹ The most visible element of the program is the establishment of an industrial park in Taoyuan, dubbed "the Asian Silicon Valley." Taipei hopes to develop the Asian Silicon Valley into a hub of innovation for domestic enterprises, as well as a testing ground for projects and technologies that are tailored to the needs of NSP target countries. The Tsai administration is also looking to identify new business opportunities in NSP target countries for SMEs and provide the necessary tools for these SMEs to succeed.

With one of the highest e-commerce penetration rates in the world, the Ministry of Economic Affairs is also looking to use the NSP to expand the reach of Taiwan's e-commerce industry.² Under the Cross-Border e-Commerce Work Plan, Taiwan seeks to further partnerships between Taiwan's businesses and local providers in NSP target countries by (1) developing markets, (2) cultivating talent, and (3) upgrading the e-commerce landscape to ease market access.³ To support this push, Taipei plans to roll out an e-commerce portal called "Taiwantrade," which is

1. Timothy Ferry, "The 5+2 Industrial Innovation Plan," *Taiwan Business Topics*, May 8, 2017, <https://topics.amcham.com.tw/2017/05/52-industrial-innovation-plan/>.

2. "Taiwan—Ecommerce," Export.gov, International Trade Administration, Department of Commerce, August 11, 2017, <https://www.export.gov/article?id=Taiwan-ecommerce>.

3. "The New Southbound Policy: A Practical Approach Moving Full Steam Ahead," Ministry of Economic Affairs, ROC (Taiwan), October 6, 2017, https://www.moea.gov.tw/MNS/english/news/News.aspx?kind=6&menu_id=176&news_id=72912.

designed to link Taiwan businesses with their peers in NSP target countries. Along with establishing business linkages, Taipei has launched several programs, including internships and e-commerce forums, to cultivate talent. It has also developed an e-commerce platform that provides regulatory information and legal assistance to Taiwan businesses looking to explore overseas markets.

Policy Recommendations

As the NSP progresses, Taipei must manage possible sources of friction with Beijing if the policy is going to achieve its long-term goals. Although the NSP is being implemented at a time when the cost of doing business in the PRC has increased, Taiwan must recognize that the Mainland's economic gravity has far more pull compared to when Lee Teng-hui launched the first "Go South" policy in 1994. Mainland China is now the top trading partner of virtually every country in the region, and PRC-based exports to NSP target countries dwarf those of Taiwan by more than a factor of six. For Taiwan, trade with the Mainland constitutes over 19 percent of its total trade.

These factors are further compounded by a contentious political environment. Owing to its ambiguous sovereignty, Taipei faces unique hurdles when seeking to cultivate international partnerships. Beyond the obvious economic pressure that Beijing could exert on Taiwan, this ambiguity also has knock-on effects for the NSP target countries. Although Tsai has assured Beijing that the NSP is neither intended to inhibit cross-strait economic ties, nor meant to compete with the infrastructure-heavy Belt and Road Initiative, the Mainland remains suspicious of her intentions. Should Beijing conclude that the NSP is a vehicle for cultivating international support for Taiwan's independence, it could coerce states—especially those in Southeast Asia—into turning away from the NSP, leaving the policy to falter.

RECOMMENDATIONS FOR THE UNITED STATES

The United States has a profound interest in the success of Taiwan's New Southbound Policy. Taiwan has been a long-standing partner of the United States. Its democracy and free society are a beacon of liberal values in the region, while its economic development model has been admired and studied for decades by nations in Asia and beyond. Its per capita income levels are among Asia's highest. Its domestic market and foreign investment have contributed to global high-technology development and supported hundreds of thousands of American jobs.

In short, Taiwan has been one of Asia's most remarkable success stories in terms of both U.S. interests and values.

The continued viability of Taiwan contributes to the peaceful development of Asia, which remains a vital U.S. interest. The real and potential future contributions of 23.5 million highly educated and productive people to the region, therefore, should also be considered in the interest of the United States—and of all others who seek a more safe, secure, and prosperous global community.

To date, the United States does not appear to have given much thought or expended much effort to actively support the NSP within Asia. Many longtime observers dismiss the NSP as “old wine in a new bottle,” either misunderstanding how the NSP differs in character from the “Go South” economic policies of Lee Teng-hui and Chen Shui-bian, or viewing it incorrectly as an aggressive anti-China crusade that will inevitably fail with nations in the region. While Taiwan will certainly face challenges in implementing the NSP, opportunities exist as well, which deserve more serious U.S. attention.

At the same time, the United States should not overly politicize what should be a moderate effort to enhance Taiwan's partnerships with and profile among NSP target countries.

Given this, we suggest the United States consider actively supporting the NSP. We recommend the following actions:

- *The assistant secretary of state for East Asian and Pacific affairs should coordinate with his/her counterpart in the South and Central Asia division to create an internal working group to consider how the U.S. government can support the NSP. Such a State Department–led working group should be established at the deputy assistant secretary level and charged with considering and coordinating U.S. support to the NSP. As a critical input to this working group, both assistant secretaries should direct ambassadors posted to NSP target countries to report back via cable their ideas on how the United States, specifically each U.S. embassy, might assist Taiwan in its outreach and engagement efforts. U.S. embassies have far more assets than Taiwan representative offices spread throughout the region. Leveraging those assets in a thoughtful, sensitive, and strategic way could prove very helpful to Taiwan's efforts to secure partnerships and have its outreach taken seriously in the respective countries.*
- *The U.S. government should engage Japan, Australia, and India, the other members of the “quad,” in support of the NSP. These countries have substantial interests and resources of their own that may be applied to support the NSP. The United States should initiate conversations with these countries—separately and together—over how each may decide to assist Taiwan in its outreach. Placing the matter on the agenda, whether in a bilateral or multilateral setting, will send a signal of the importance of the initiative to U.S. interests.*
- *The U.S. government should continue to support Taiwan's inclusion and active participation in international and regional initiatives where statehood is not required. The stakes of Asia's economic development and national security agenda are substantial for continued progress in the world's most dynamic region and beyond. What happens in Asia will not stay in Asia. Taiwan's potential contributions to combating international challenges related to health, education, counterterrorism, cybersecurity, migration, etc., must not be dismissed lightly.*

Beyond inclusion in international forums such as the International Civil Aviation Organization or the World Health Assembly, the U.S. government should consider ways to integrate Taiwan personnel more regularly into regional conversations on a full range of economic, cultural, educational, developmental, as well as other nontraditional security issues.

- *U.S. nongovernmental organizations (NGOs), particularly those with programs in NSP target countries, should consider partnerships with NGOs in Taiwan to integrate their work where appropriate in support of the NSP.* Given that many NSP programs are not government-led, U.S. think tanks and other institutions with contacts in NSP target countries should consider involving specialists from Taiwan in their regional conversations and joint projects, both to directly promote NSP work and to offer new opportunities for Taiwan’s experts to engage in joint projects with the United States. Unofficial U.S.-led initiatives can add credibility to Taiwan’s NSP-related efforts to increase its profile in the region.
- *The Commerce Department’s U.S. Commercial Service should engage with American industry associations and companies, and explore potential avenues of collaboration between American and Taiwan industry in NSP target countries.* This could range from informal information sharing to developing strategic plans to facilitating partnerships.
- *The United States should consider bilateral (U.S.-Taiwan) cultural initiatives that may be brought to third countries in Asia.* For instance, a recent private initiative between pianists from the United States and Taiwan to promote music education in less-developed countries of Southeast Asia has proved successful.¹ Both the United States and Taiwan should identify and support similar initiatives elsewhere in Asia—while remaining careful not to politicize and thus undermine them.
- *The United States should include Taiwan youth in relevant regional programs and networks.* Among the most popular and successful initiatives begun by the Obama Administration was the Young Southeast Asia Leadership Initiative (YSEALI). The United States should continue this program and add young people from Taiwan to its membership. Likewise, any other similar programs—including those that promote entrepreneurship and regional connectivity—should ensure Taiwan’s participation.

RECOMMENDATIONS FOR TAIWAN

Continued high-level attention, effective planning and coordination, as well as greater resources will be essential for the NSP to achieve its goals. Not only must more work be done domestically to support the NSP, but Taipei must also strive to better communicate the shared benefits of the NSP with its friends and partners overseas. Fostering strong overseas ties will help Taiwan effectively leverage its advantages in soft power to further the “people-centered” elements of the NSP.

1. Nandar Aung, “Myanmar Music Festival Brings World to Yangon,” *Myanmar Times*, June 9, 2016, <https://www.mmmtimes.com/lifestyle/20762-myanmar-music-festival-brings-world-to-yangon.html>; “Myanmar Music Festival,” Myanmar Music Festival, <http://www.myanmarmusicfestival.com>.

In the economic realm, Taipei must support Taiwan companies as they navigate the complex and dynamic global marketplace. The challenges are substantial, but if deftly implemented, the NSP could help Taiwan's economy become more productive domestically and more competitive internationally.

We propose the following recommendations for Taiwan's policymakers to maximize the effectiveness of the NSP:

- *To ensure greater U.S. attention to and creative support for the NSP, Taipei should take more initiative to explain the nature and purpose of the policy to both official and unofficial American audiences.* Few in the United States know much about the NSP, and those who do, as noted, have either limited understanding of the policy or summarily dismiss it. That includes specialists from Taiwan who otherwise could be useful advocates and partners.
- *Taiwan should offer ideas and incentives to various relevant U.S. players, including American companies, to assist the island in meeting its NSP goals.* Both the NSP and the Asia Silicon Valley (ASV) Development Plan are important legacies of the Tsai administration.² Clear synergies exist between U.S., Taiwan, and South and Southeast Asian entrepreneurs and high-technology companies, whether in software design, chip development, gaming, etc. Considering how to connect the NSP and ASV may prove particularly efficient and useful as Taiwan seeks to remain viable economically, enhance its profile, and prove its continued relevance as an essential contributor to Asian development, strength, and security in years to come.
- *Taiwan should seek to partner with the United States through its bilateral platform, the Global Cooperation Training Framework (GCTF), to hold joint training programs in NSP target countries.* Experts from throughout the Indo-Pacific region could participate to enhance their own capacities in areas where Taiwan has proven expertise and advantages. These include, for example, humanitarian assistance and disaster relief, democratization, energy security, women's rights, and global health.
- *Taiwan should promote three-way exchanges between think tanks, youth, and academics from NSP and non-NSP target countries.* Serving as the interlocutor for track 2 dialogues, youth development forums, academic conferences, and other such exchanges provides Taipei with an opportunity to garner wider support for the policy. Non-NSP target countries like Japan and the United States have a vested interest in the success of the NSP, and Taipei should push to include individuals from states not directly targeted by the policy in conferences and other activities with NSP target countries.
- *Leveraging Taiwan's advantages in soft power is central to the success of the NSP. Taiwan should actively promote its diverse heritage and unique status as the world's only culturally Chinese democracy.* While most agencies and ministries involved in the NSP received a funding increase in 2018 to support their respective initiatives, the Ministry of Culture faced a

2. "Asia Silicon Valley Development Plan," Executive Yuan, ROC (Taiwan), December 22, 2016, https://english.ey.gov.tw/News_Hot_Topic.aspx?n=D8084014E29E8219&sms=C39B3566A41136FF.

34 percent budget cut. Taipei should allocate additional funding to promote cultural exchanges with NSP target countries.

- *Taiwan's policymakers should seek to more fully understand what Taiwan's companies need to expand their business opportunities, and how greater trade and investment with the NSP target countries fit with those goals.* There is a systematic difference between those companies and industries that are already deeply involved with Mainland China and those that are concentrated on the domestic market or beyond Asia. Policymakers must take these differences into account as they push the NSP forward.
- *Taipei should consider creating an NSP advisory board composed of a range of companies and industry groups, which can be consulted on a regular basis.* This advisory board would formalize consultations that have already occurred. In addition, surveys and structured interviews by Taiwan's think tanks and government organs are vital to ensure that policies help address genuine challenges companies face and provide solutions that address these challenges and create opportunities they would welcome. It is possible that Taiwan's companies may suggest a major refocusing of the initiative or more effective ways to achieve existing goals.
- *The Taiwan External Trade Development Council (TAITRA) and sectoral associations should redouble their efforts to assist SMEs in entering new and unfamiliar markets in the region.* Although revised or new formal agreements with the NSP target countries would be useful, Taiwan's SMEs in particular will continue to need more tailored, specific support in finding potential business partners and navigating the varying cultural and regulatory challenges across the NSP members.
- *Taiwan should effectively utilize other large economic partners and global industry associations in which its companies are active members to help its industry make headway in the NSP target countries.* The United States, Japan, and European Union all have long-standing and extensive ties with almost all of the NSP target countries, and can help expand understanding in the region of the NSP's goals and facilitate triangular business deals involving industry from Taiwan, the NSP target countries, and their own countries, especially when there are already existing supply-chain relationships.
- *Taiwan's officials need to develop policy linkages between their various domestic economic policies and the NSP.* Efforts to reduce dependence on fossil fuels and eliminate nuclear power and promote new innovative industries are both critical to upgrading the island's economy. These efforts and the NSP share natural affinities and can be developed and promoted in light of each other.
- *Clear economic benchmarks should be established for the NSP that are rooted in commercial results for Taiwan's businesses, including sales, exports, outward and inward investment, employment, and value-added created.* In addition, these measures need to be measured directly against the challenges facing Taiwan's economy as a whole. Developing benchmarks rooted in commercial performance and Taiwan's overall economic needs will raise the likelihood the policy will achieve meaningful results or be adjusted in the future to be more effective.

Appendix

President Tsai announced the launch of five flagship projects aimed at promoting the NSP on April 20, 2017. The OTN elaborated and finalized the plan on August 14, 2017. Areas of focus and the relevant ministries and agencies involved with implementation are listed in Table A.1.

Table A.1. Agencies and Ministries Involved in the NSP

Agency/Ministry	NSP Project Areas
Central Bank of R.O.C. (Taiwan)	Infrastructure
Council of Agriculture	Regional agricultural development*
	Industrial innovation and cooperation
Council of Indigenous Peoples and its subsidiaries	Tourism
Environmental Protection Administration	Industrial innovation cooperation
Financial Supervisory Commission	Cross-border supply of electronic services
Hakka Affairs Council and its subsidiaries	Tourism
Ministry of Culture	Tourism
Ministry of Defense	Industrial innovation and cooperation
Ministry of Economic Affairs	Regional agricultural development
	Medical and public health cooperation and industrial supply chains
	Industrial talent development
	Industrial cooperation*
	Cross-border supply of electronic services*
	Tourism
	Infrastructure
Ministry of Education	Regional agricultural development
	Industrial talent development
Ministry of Finance	Industrial innovation and cooperation
	Cross-border supply of electronic services

Table A.1. (continued)

Agency/Ministry	NSP Project Areas
Ministry of Foreign Affairs	Regional agricultural development
	Medical and public health cooperation and industrial supply chains
	Industrial talent development
	Tourism
	Infrastructure
Ministry of Health and Welfare	Medical and public health cooperation and industrial supply* chains
	Industrial innovation and cooperation
Ministry of Justice	Tourism
Ministry of Labor	Medical and public health cooperation and industrial supply chains
	Industrial talent development
Ministry of Science and Technology	Regional agricultural development
	Medical and public health cooperation and industrial supply chains
	Industrial innovation and cooperation
	Cross-border supply of electronic services
Ministry of Transportation and Communications	Tourism*
(includes Tourism Bureau)	
Ministry of the Interior	Industrial talent development
	Tourism

(continued)

Table A.1. Agencies and Ministries Involved in the NSP (continued)

Agency/Ministry	NSP Project Areas
National Development Council and its subsidiaries	Industrial talent development
	Industrial innovation and cooperation
Office of Trade Negotiations	Executive Yuan-level agency charged with implementing the NSP
Overseas Community Affairs Council	Regional agricultural development
	Medical and public health cooperation and industrial supply chains
	Industrial talent development
Public Construction Commission	Regional agricultural development
	Infrastructure

* Primary office charged with project implementation.

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Ambassador Derek Mitchell is nonresident senior adviser of the Southeast Asia Program at CSIS, a senior adviser to the Albright Stonebridge Group, and a senior adviser to the Asia Program at the U.S. Institute of Peace. Ambassador Mitchell was confirmed by the U.S. Senate on June 29, 2012, as the first U.S. ambassador to the Republic of the Union of Myanmar (Burma) in 22 years. He took up his post in July 2012 and departed in March 2016. In 2011, Ambassador Mitchell was appointed the State Department's first special representative and policy coordinator for Burma, with the rank of ambassador. From 2009 to 2011, Ambassador Mitchell served as principal deputy assistant secretary of defense for Asian and Pacific security affairs in the Office of the Secretary of Defense, overseeing the Defense Department's security policy in Northeast, Southeast, South, and Central Asia. From 2001 to 2009, Ambassador Mitchell was senior fellow and director of the Asia Division of the International Security Program at the Center for Strategic and International Studies. He was special assistant for Asian and Pacific affairs in the Office of the Secretary of Defense from 1997 to 2001. In the 1990s, Ambassador Mitchell served as senior program officer for Asia and the former Soviet Union at the National Democratic Institute for International Affairs in Washington, DC. Ambassador Mitchell began his work in Washington as a foreign policy assistant in the office of Senator Edward M. Kennedy (D-MA) from 1986 to 1988. Ambassador Mitchell has authored numerous books, articles, and policy reports on Asian security affairs, and coauthored *China: The Balance Sheet—What the World Needs to Know about the Emerging Superpower* (Public Affairs, 2006). He received an M.A. in law and diplomacy from the Fletcher School of Law and Diplomacy and a B.A. from the University of Virginia.

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