

“Go South” Going South? Assessing Taiwan’s “New Southbound” Policy and the China Factor in Southeast Asia

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I. Introduction: Taiwan’s “Go South” Policy

Southeast Asia has been a pivotal point in Taiwan’s foreign policy strategy since President Tsai Ing-wen took office on May 20, 2016. In her inauguration address, Tsai pledged to promote a “New Southbound” policy in the years ahead, aiming to deepen Taiwan’s economic and cultural ties with the member countries of the Association of Southeast Asian Nations (ASEAN) and India.¹ Although the “New Southbound” package later included five other South Asian countries, Australia, and New Zealand, the ten ASEAN countries have remained the central part of this strategy.² Tsai’s remarks at the unprecedented track-two Taiwan-ASEAN Dialogue in November 2016 in Taipei, in which she announced that the “New Southbound” policy had entered its operational phase, signaled the high priority given to ASEAN on her agenda.³

This is not the first time that Taiwan, or the Republic of China (R.O.C.), has explicitly prioritized Southeast Asia in its Asia-Pacific strategy. In January 1994, President Lee Teng-hui officially launched the “Go South” policy aimed at boosting investment and trade ties with ASEAN countries in a bid to avoid overdependence on China’s economy. The policy details were laid out by his cabinet in the “Guidelines for Strengthening Economic and Trade Ties with Southeast Asia,” later inherited by Presidents Chen Shui-bian and Ma Ying-jeou. Throughout the Lee, Chen, and Ma presidencies, the guidelines were implemented in seven different phases.⁴ Therefore, Taiwan has already had twenty years of active engagement with ASEAN before Tsai’s inauguration. The major difference was that, in 2002, Chen publicly

¹ See President Tsai Ing-wen’s Inaugural Address, May 20, 2016, <http://english.president.gov.tw/Default.aspx?tabid=491&itemid=37416&rmid=2355#>.

² Five other South Asian countries included in the “New Southbound” policy are Bangladesh, Bhutan, Nepal, Pakistan, and Sri Lanka.

³ See President Tsai’s Remarks at Taiwan-ASEAN Dialogue, November 15, 2016, <http://english.president.gov.tw/Default.aspx?tabid=491&itemid=38323&rmid=2355>.

⁴ The first phase of the guidelines was implemented from 1994 to 1996, the second phase from 1997 to 1999, the third phase from 2000 to 2003, the fourth from 2004 to 2006, the fifth from 2007 to 2009, the sixth from 2010 to 2012, and the seventh from 2014 to 2016.

said that he would reinvigorate the “Go South” policy. Ma, by contrast, never used the term “Go South” to avoid the implication that Taiwan’s investment and trade should avoid “going west” to China. Now that Tsai officially revived the rhetoric of “Go South” and proposed a “New Southbound” policy at a presidential level, the government is slated to allocate more resources to Southeast Asia.

Use of the “Go South” mantra notwithstanding, Taiwan’s engagement with the region has been constrained by its lack of diplomatic allies in Southeast Asia. By 1991, all ten ASEAN countries had established diplomatic ties with the People’s Republic of China (P.R.C.), adopting the “one-China” policy that favors Beijing.⁵ On top of that, China’s economic clout and political influence in Southeast Asia has risen dramatically since the mid-1990s, undermining Taiwan’s economic prowess in the region.⁶

In this regional context, this article seeks to answer why Taiwan has targeted Southeast Asia in its external economic strategy, and how the China factor has influenced the development of Taiwan-ASEAN economic relations. With a focus on investment, trade, and tourism, this research examines economic ties between Taiwan and Southeast Asia, and how this relates to China. It argues that Taiwan’s promotion of economic engagement with ASEAN countries has been a pivotal component of the island’s sub-systemic level hedging strategy. Worried about the political and economic risks inherent in Taiwan’s growing economic dependence on China, as well as Taiwan’s marginalization in regional economic integration, Taiwanese presidents since Lee have all emphasized the need to enhance trade and investment ties with ASEAN countries. While the complementary natures of Taiwan’s and Southeast Asia’s economies place Taiwan in a favorable position to “Go South,” sovereign disputes in cross-Strait relations prevent the island from negotiating bilateral or multilateral trade agreements with ASEAN countries. Given that President Tsai and President Xi Jinping have not found a basis for political cooperation, the prospects for Taiwan to reach more trade agreements with ASEAN countries remain dim. However, if the Tsai administration can mobilize resources in the financial and tourism sectors, the “New Southbound” policy may still make some strides.⁷

This article is organized into six sections. Section II explores the emerging concept of hedging in the International Relations literature and shed light on the linkage between levels of analysis and smaller states’ alignment behavior. Section III examines the sub-systemic strategic considerations behind Taiwan’s “Go South” strategy. It explains why Taiwan has endeavored to forge stronger economic ties with Southeast Asia. Section IV investigates challenges of President Tsai’s “New Southbound” policy, and evaluates opportunities accompanying the growth of ASEAN’s middle class and the considerable footprint of Taiwan’s banking sector in the region. Section V focuses on the tourism market portfolio in Taiwan, and analyzes trends in the number of visitor arrivals. Section VI summarizes the main arguments and assesses the prospects of Taiwan-ASEAN economic relations in the years ahead.

⁵ For information on the development of diplomatic ties between China and ASEAN countries, see Bo-jiun Jing, *Taiwan and Southeast Asia: Opportunities and Constraints of Continued Engagement* 6-7 (2016).

⁶ See Samuel C.Y. Ku, *The Changing Political Economy of Taiwan’s and China’s Relations with Southeast Asia: A Comparative Perspective*, in *China and Southeast Asia: Global Changes and Regional Challenges* 259-280 (Khai Leong Ho and Samuel Ku eds., 2005).

⁷ Since this article focuses on economic relations between Taiwan and Southeast Asia, it does not extend to an evaluation of Taiwan-ASEAN educational ties. For background information on academic exchanges between Taiwan and ASEAN countries, see Jing, *supra* note 5, at 74-80.