

Sustaining Taiwan's Southbound Focus in the Indo-Pacific in a Period of Strategic Convergence and Political Change



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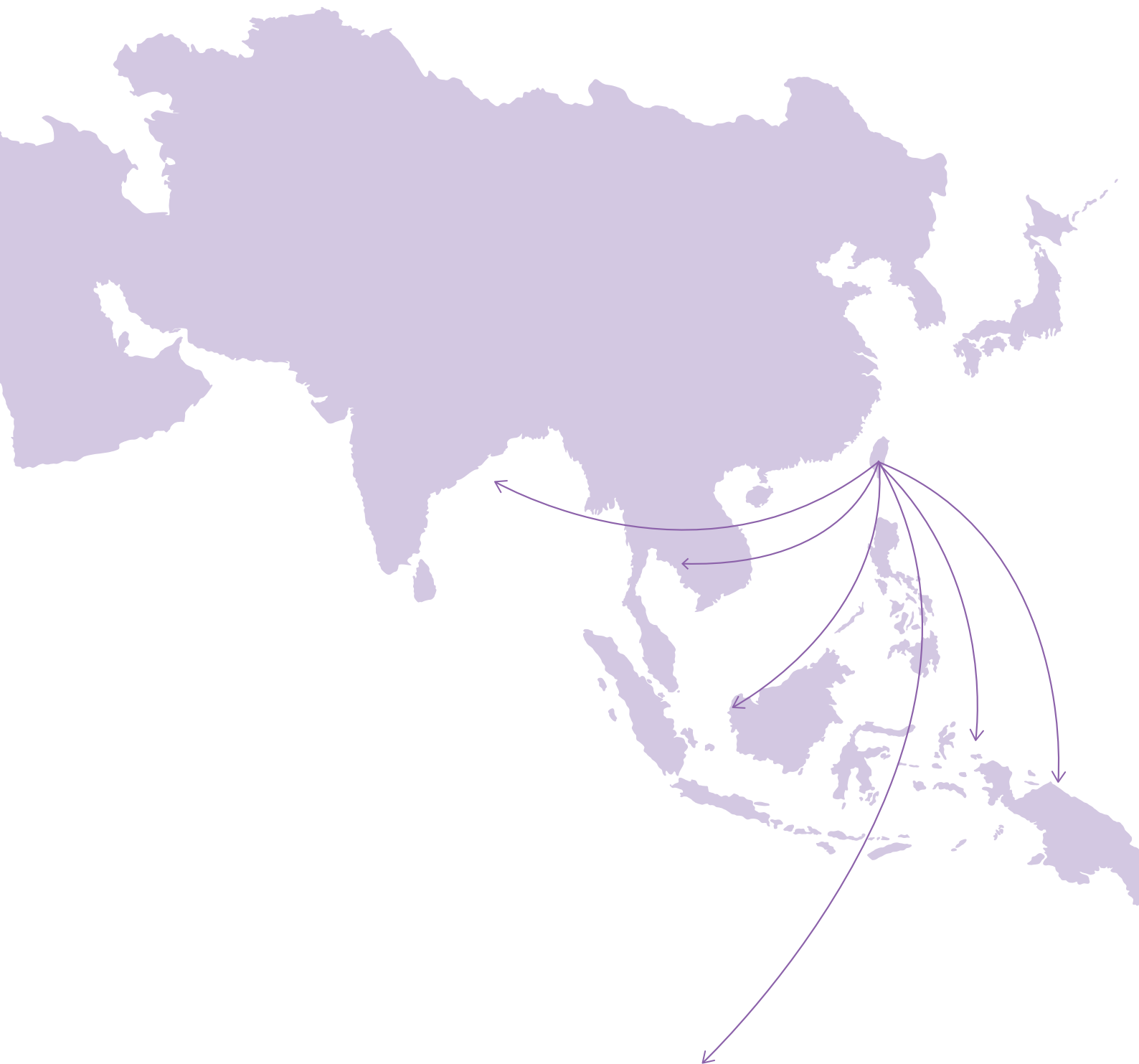
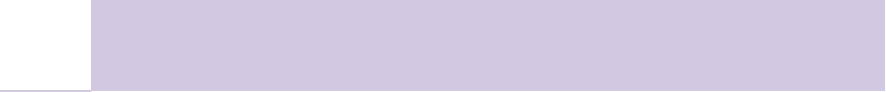




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About Us

Global Taiwan Institute (GTI)



Global Taiwan Institute

GTI is a 501(c)(3) non-profit policy incubator dedicated to insightful, cutting-edge, and inclusive research on policy issues regarding Taiwan and the world. Our mission is to enhance the relationship between Taiwan and other countries, especially the United States, through policy research and programs that promote better public understanding about Taiwan and its people.



Taiwan-Asia Exchange Foundation (TAEF)



Taiwan-Asia Exchange Foundation
臺灣亞洲交流基金會

Founded in 2018, the Taiwan-Asia Exchange Foundation (TAEF) is the first policy-oriented think tank in Taiwan focusing on Southeast Asian and South Asian affairs. In the spirit of the New Southbound Policy (NSP), the goal of TAEF is to promote comprehensive ties between Taiwan and the 10 ASEAN countries, 6 South Asian states, as well as Australia and New Zealand through cooperation and exchanges in three major fields—including think tanks, non-governmental organizations (NGOs) and young leaders—to consolidate a sense of regional community in Asia and establish long-term cooperative partnerships.

TAEF is devoted to building new mechanisms for regional cooperation among Asian societies. Our goal is to cultivate standard policy blueprints for Taiwan, ASEAN, and South Asian countries through frequent regional dialogue while also highlighting Taiwan's commitment and contributions towards Asia's development through concrete initiatives for cooperation. In addition, TAEF hosts various international conferences—including the Yushan Forum: Asian Dialogue for Innovation and Progress—with the aim of strengthening ties with New Southbound Policy partner states and societies, while also inviting other like-minded countries to participate in the regional dialogue.



Preface

Since its establishment, the Taiwan-Asia Exchange Foundation (TAEF) has been actively partnering with important think tanks of the New Southbound Policy (NSP) partner countries and other like-minded countries in the Indo-Pacific region, utilizing think tank exchanges, initiating dialogues and conducting joint policy reports to promote think tank diplomacy and deepen partnership between Taiwan and like-minded partner countries. In this regard, TAEF takes pleasure in working with the Global Taiwan Institute (GTI) based in Washington, D.C., for the past three years in implementing long-term policy research projects, publishing policy reports, and sharing meaningful insights and recommendations with the policy communities in Taiwan and the United States.

The Project starts with highlighting the strategic importance of Taiwan's NSP and the U.S. Indo-Pacific Initiative. The second phase identifies the mechanisms for bilateral cooperation and coordination in important policy areas. The third phase, which is currently in progress, brings light to both institutions investigation regarding pragmatic policy recommendations for the next leaders of Taiwan and the United States. All three phases highlight the NSP as an interface to pinpoint common interests between Taiwan and the U.S. while deepening partnerships between the two countries. It also aims to identify key issues of third-party involvement in the NSP cooperation.

On behalf of the TAEF, I would like to thank GTI for their support. I would also like to especially extend my gratitude towards the excellent coordination and leadership of Russell Hsiao, the executive director of GTI, so that think tankers and experts can utilize this TAEF-GTI project as a useful platform to understand better Taiwan's NSP and the expectations from the government and people of Taiwan.

I am particularly grateful to GTI for arranging important meetings and dialogues in December 2023 as a part of the third-year project. In addition to personally participating in engagements with think tank leaders and experts in Washington D.C., I also visited several key think tanks during my visit to explain the achievements of the NSP during President Tsai Ing-wen's administration, and reaffirm that Taiwan will continue to deepen the NSP and our commitment to serve as a responsible and trustworthy Indo-Pacific partner for like-minded countries and partners in the Indo-Pacific Region.

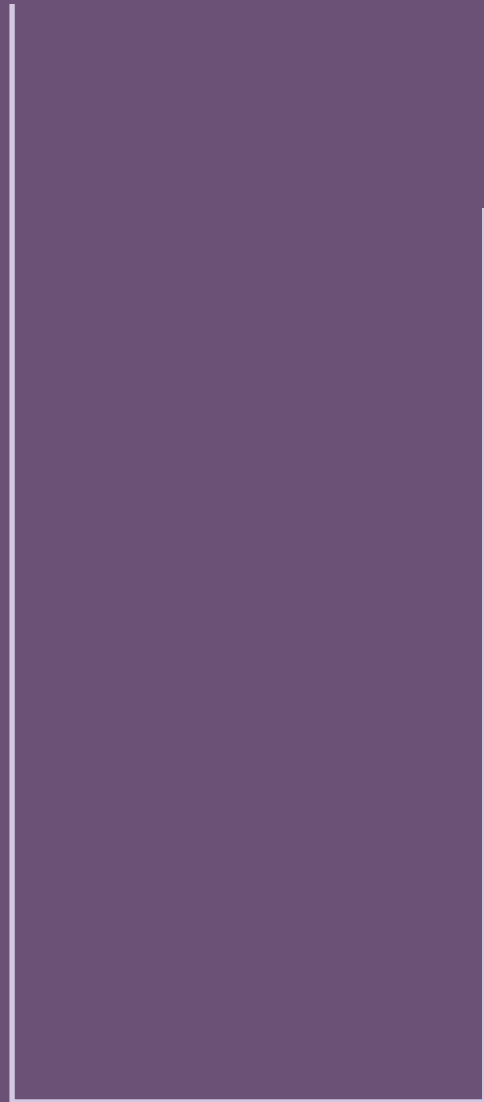
I also look forward to the continued development of cooperation between the TAEF and partner think tanks, such as the GTI, for enhancing policy and social influence in the region, as well as jointly building a more resilient, prosperous, and inclusive Indo-Pacific region.

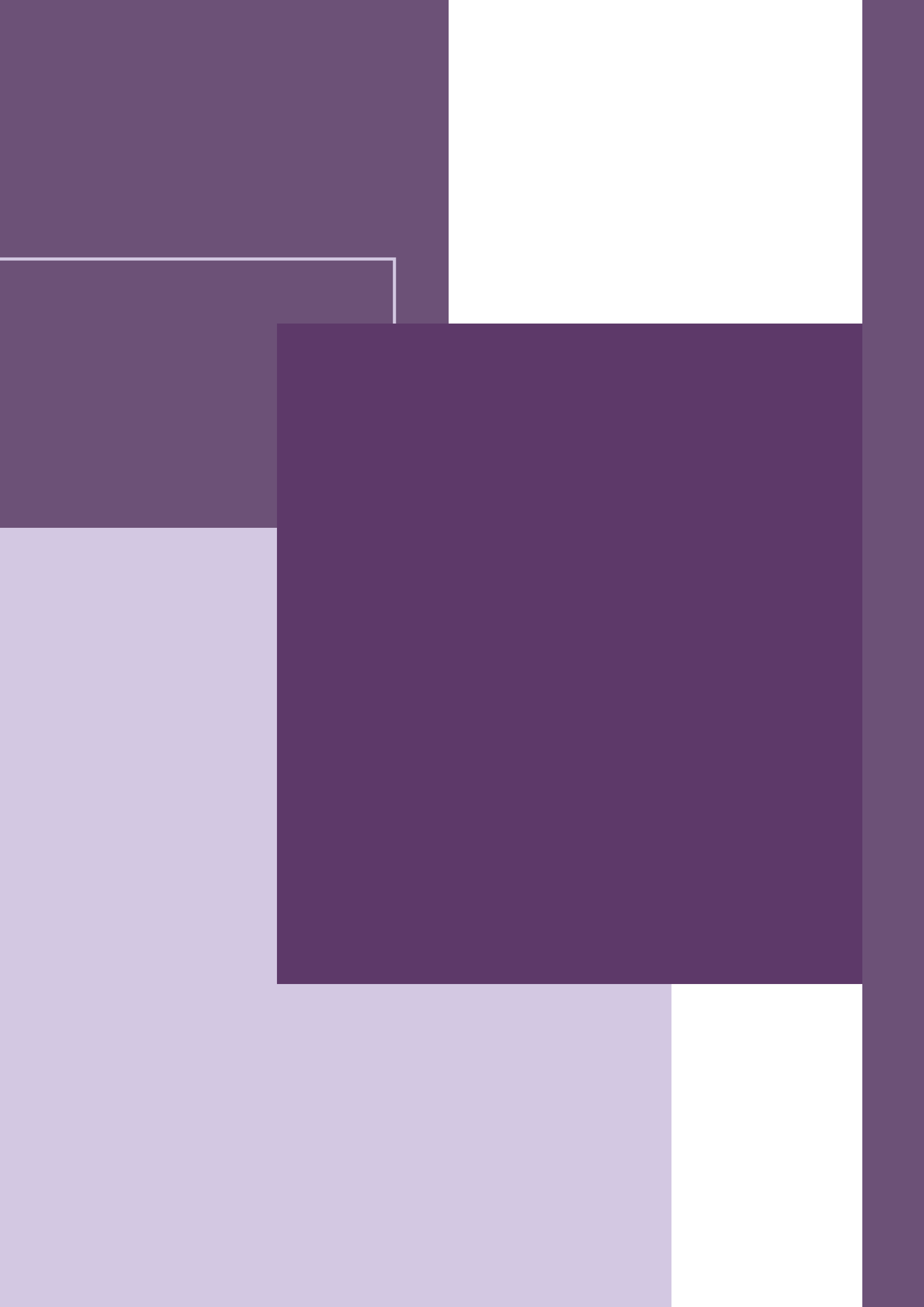
A handwritten signature in black ink, appearing to read 'Hsin-Huang Michael Hsiao', is centered on the page. The signature is fluid and cursive.

Hsin-Huang Michael Hsiao
Chairman, Taiwan-Asia Exchange Foundation,
Taipei and Washington D.C.
December, 2023



Sustaining Taiwan's Southbound Focus in the Indo-Pacific in a Period of Convergence and Change





Sustaining Taiwan's Southbound Focus in the Indo-Pacific in a Period of Convergence and Change

Global Taiwan Institute Taiwan-Asia Exchange Foundation Policy Paper

Russell Hsiao, Adrienne Wu, Will Kielm, and Daniela Martinez

Introduction

The United States and Taiwan will both have presidential elections in 2024. The results of these elections could have a significant impact on how those countries orient their foreign policy. The presidents who will be elected to lead their nations will preside over a very consequential and tense period in the Indo-Pacific region and beyond. While the two sides have independently promoted a shared vision for the region with their respective strategies directed at the region, it is unclear to what extent a new political administration in either or both capitals could impact the trajectory of ongoing efforts to sustain a free and open order in the Indo-Pacific.

In the United States, a race between the Democratic incumbent Joseph Biden against a Republican Party still trying to unify and return to power has seen both sides stake out positions that have largely hewed to the internationalist approach that supports global engagement—particularly in the Indo-Pacific region. Nevertheless, there are strands in both the fringes of the Democratic and Republican Parties that are turning their backs on global engagement, which could impede the Indo-Pacific focus of at least the three prior US administrations.

While the mainstream of both major US political parties can agree on the necessity of strategic competition with China and that it remains the “pacing challenge,” there is less agreement on the way to execute that strategy given differences in national priorities and concerns over international conflicts. It remains to be seen whether a new US administration can and will maintain its current approach. Much less clear is how a new government in Taipei—if one of the opposition parties were to win the January 2024 presidential election—might alter the emphasis of the Tsai Ing-wen (蔡英文) Administration on her signature New Southbound Policy (NSP, 新南向政策).

As the world focuses more on the Indo-Pacific region, more countries are developing their strategies toward the region—and there is greater convergence than ever before on the importance of the Indo-Pacific. If the 21st century is indeed the Asian century—and Southeast Asia is the epicenter for US-China strategic competition¹—policy preferences aside, it behooves the next administrations in both Washington and Taipei to maintain their focus on the Indo-Pacific region.

This study will review the current Indo-Pacific strategies of the United States as well as several other key international actors. Additionally, this paper examines intra-regional dynamics and explores ways to create more synergies between the US Indo-Pacific strategy and integrate Taiwan and its New Southbound policy, along with other allied and like-minded countries' Indo-Pacific strategies, particularly with potentially new administrations in Washington and Taipei in 2024.

This policy paper should be read as a continuation and extension of two prior studies, *Assessing Trends and Demand Signals for Taiwan's New Southbound Policy and Building a US-Taiwan Coordination Mechanism*;² and *Connecting Taiwan's New Southbound Policy with US Foreign Policy Initiatives in Asia: Recommendations for Taipei and Washington*,³ published by the Global Taiwan Institute in 2023 and 2022, respectively.

US Strategy in the Indo-Pacific

I. US Indo-Pacific Strategy

In the newest release of the *National Security Strategy*, the Biden-Harris Administration highlighted the People's Republic of China (PRC) as the “most consequential geopolitical challenge” faced by the United States—more specifically, as the only competitor with both the intent and power to reshape the international order. Subsequent national security documents, such as the *National Defense Strategy*, amplified those concerns, characterizing the PRC as “the pacing challenge” for the Department of Defense and as the “most consequential strategic competitor for the coming decades.”

In recent decades, the PRC has steadily increased its provocative rhetoric and coercive activities in the South and East China Sea, the Taiwan Strait, and the Line of Actual Control (LAC) along its disputed border with India, thereby destabilizing and exacerbating tensions in the respective regions. The PRC has also drastically increased its global engagement through the Belt and Road Initiative (BRI, formerly known as “One Belt, One Road,” 一帶一路), securing numerous infrastructure developments and regional partnerships across Asia, Europe, and the Middle East in an attempt to increase its economic influence and global military footprint, and to expand and modernize all aspects of the capabilities of the People's Liberation Army (PLA). Domestically, Beijing has ramped up its authoritarian rule, clamped down on human rights in Hong Kong and Xinjiang, and continued to transgress in activities that fail to abide by the basic laws of the rules-based international order.

In light of these developments, the Biden Administration has outlined a posture of deterrence—and, ultimately, the prevention of the PRC from achieving regional hegemony in Asia as a vital interest in the Indo-Pacific. Therefore, as a broader effort to ensure that the United States could deter and deny PRC from dominating the Indo-Pacific, the Biden Administration has pursued a series of defense and economic policies that strengthen its relationships with regional partners while bolstering their economic defense capabilities to re-establish a more stable balance of power in Asia. As expressed in the *National Defense Strategy*, the Biden Administration has sought to align its efforts with its network of allies and partners in the region, with the expressed goal of reinforcing a regional order that is free, stable, and prosperous.

II. Defense and Security

As a part of a broader strategy to rally like-minded democracies in the Indo-Pacific, strengthen alliances and partnerships in the region, and develop capabilities for regional players in Asia, the United States has held numerous summits, negotiated a series of partnerships, frameworks, working groups, and memoranda of agreement (MOUs), and reaffirmed existing treaties with allies in the region.

In Northeast Asia, the trilateral summit among South Korean President Yoon Suk Yeol, Japanese Prime Minister Fumio Kishida, and President Joseph Biden agreed to a set of frameworks that have bolstered the deterrence and capabilities of all three nations. Through the trilateral summit, the three countries have developed a multi-year trilateral exercise plan, which would set in motion routine, annual, multi-domain trilateral military exercises, the trilateral working group on Democratic People's Republic of Korea (DPRK) cyber activities, and enhanced information sharing and coordination. These steps will reinforce the existing 2014 US-Japan-ROK Trilateral Information Sharing Agreement and their respective General Security of Military Information Agreement (GSOMIA), counter foreign information manipulation to create resiliency against political warfare by adversarial powers, and strengthen the real-time missile defense data sharing agreement that was most recently operationalized by Seoul. These efforts would work to reinforce the existing bilateral defense agreements that the United States has with the two countries, including the recent launch of the Nuclear Consultative Group with South Korea, and complement Japan's increased defense spending and acquired counterstrike capability.

US engagement with India has also allowed the United States to elevate the US-India strategic technology partnership and defense industrial cooperation that would allow them to conduct joint innovation ecosystems in artificial intelligence (AI), quantum technologies, and the production of defense technologies. The two countries have also developed resilient semiconductor supplies and collaborative

space exploration for next-generation telecommunications.

In Southeast Asia, the United States was able to make a major breakthrough with the Philippines in a series of measures: such as securing access to four additional military bases under the Enhanced Defense Cooperation Act, providing three C-130 aircraft and patrol vessels, and conducting numerous military exercises. Most recently, the two countries established the US-Philippines Bilateral Defense Guidelines, which reaffirmed the US-Philippines Mutual Defense Treaty and seeks to modernize the Philippines' defense capabilities, deepen interoperability, enhance bilateral planning and information-sharing, and other key areas of defense cooperation. Furthermore, US comprehensive strategic partnerships with Indonesia have involved expanding cooperation in the maritime and cyber domains, as well as in defense professionalization and counterterrorism cooperation; in addition to a new comprehensive strategic partnership with Vietnam limited to programs to improve maritime domain awareness and additional donations of new defense equipment to combat transnational crime.⁴

Additionally, the new AUKUS treaty signed by the United States, the United Kingdom, and Australia has advanced defense cooperation with the United States and Australia to an unprecedented level. Beyond the historic Pillar One agreement to provide nuclear-powered submarines to Australia, Pillar Two promises to enhance the three nations' joint capacities and capabilities, covering a wide range of areas such as cyber capabilities, artificial intelligence, quantum technologies, and additional undersea capabilities, which would close the technological gap among the AUKUS countries, facilitate dialogue to strategize how to produce and develop equipment and provide a forum to discuss the types of capabilities that are available. Australia has also ramped up support for the war in Ukraine, providing USD \$13 million in military support to Ukraine, enhancing trilateral defense cooperation with Japan by participating in various exercises, and increasing defense trade and technological partnerships.

III. Trade and Economics

On trade and economics, the United States has made substantial improvements, namely by increasing free-trade agreements (FTAs) and official development assistance (ODA), building supply chain resilience and de-risking from the Chinese economy, deepening cooperation on technology and AI with regional allies and partners, providing regional investments and infrastructure developments, and other initiatives that have facilitated US engagement in the region.

Most recently, the United States hosted the annual Asia-Pacific Economic Cooperation (APEC) summit in San Francisco, announcing three major policy pillars: inclusivity and interconnectedness, clean energy and sustainability, and security and resilience.⁵ The United States announced that American businesses are “the largest source of foreign direct investment in APEC economies,” and highlighted over USD \$50 billion of investments into APEC economies in 2023. The APEC Summit has also allowed the United States to bolster key agreements through the Indo-Pacific Economic Framework (IPEF), namely the IPEF Supply Chain Agreement, Clean Economy Agreement, and Fair Economy Agreement, as well as several initiatives and provisions that would increase trade, improve labor standards and clean energy, and deepen inclusivity and cooperation on trade and technology.⁶

In Southeast Asia, the United States has developed a series of frameworks that would deepen its engagement in the region, such as the recent ASEAN-US Comprehensive Strategic Partnerships in Jakarta that sought to deepen maritime cooperation, connectivity, shared sustainable developments, and economic cooperation through a series of plans of action.⁷ The United States has also negotiated the Smart Cities Partnership, helping develop joint smart cities in the two countries, and supported the ASEAN Single Window through United States Agency for International Development (USAID) to lower trade barriers and facilitate cross-border economic activities. These agreements were preceded by a record number of trade and investment agreements related to infrastructure financing, joint-development projects, and private sector investment. For instance, the United States provided over USD \$520.3 billion in total trade with ASEAN in 2022, being a major source of foreign direct investment (FDI) in Southeast Asia. The United States has also financed over USD \$8 billion to promote sustainable infrastructure and regional connectivity in ASEAN.

Of greatest relevance, the United States was able to transition to a gradual de-risking strategy with China and an attempt to strengthen defense-related supply chains in the Indo-Pacific. In particular, the United States has revisited the “Phase One” trade deal with China to ensure China’s compliance with the deal. The United States has also aimed to build resilience and competitiveness for American workers and companies alike. The United States has reinstated and has worked with allies to counter China’s unfair trade practices, intellectual property theft, and other concerns.

International Partner Indo-Pacific Strategies

Many nations around the world have also developed Indo-Pacific engagement strategies in recent years as they realize the increasing importance of the region. Within these strategies, the reasons for increased engagement are often identified as the region's importance to global trade, economic growth, and maintaining global stability and territorial integrity. The latter concerns are often mentioned in tandem with Russia's war in Ukraine, showing that this conflict has intensified global concerns with China's increasing regional provocation, especially in the context of Taiwan. These nations' oft-listed goal is to create long-term engagement opportunities with Indo-Pacific partners in the economic and security fields in order to advance the national interest and the rules-based international order.⁸

I. United Kingdom

With its newfound freedoms in a post-Brexit world, the United Kingdom initially outlined its strategy as an “Indo-Pacific Tilt” in its *2021 Integrated Review of Security, Defence, Development and Foreign Policy*.⁹ The document outlines aims for Britain to become “the European partner with the broadest and most integrated presence in the Indo-Pacific – committed for the long term, with closer and deeper partnerships, bilaterally and multilaterally.” Since Rishi Sunak became Prime Minister in late 2022, the government released an update on this Indo-Pacific Tilt in the *Integrated Review Refresh*.¹⁰ This strategy affirms that the United Kingdom will “put [its] approach to the Indo-Pacific on a long-term strategic footing, making the region a permanent pillar of the UK's international policy.” The report claims it will do this by solidifying Britain's role in a variety of regional partnerships and by working with other powerful nations around the world to ensure regional stability.

One of the most significant manifestations of the United Kingdom's Indo-Pacific Tilt in action is its accession to the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The bloc is primarily made up of Indo-Pacific nations, along with various South American partners. London became a signatory in July 2023, providing access for British businesses to lower-cost trade in the region.¹¹ While the expected benefits to British gross domestic product (GDP) appear to be low, joining this partnership gives the United Kingdom a seat at the table for influence as Indo-Pacific nations build up policy frameworks in sectors like digital trade. The potential benefits the deal may have for the British economy may increase as other nations like South Korea debate signing onto the deal.¹²

II. European Union

The European Union came out with its *EU Strategy for Cooperation in the Indo-Pacific* in September 2021.¹³ The document outlines seven areas of cooperation:

- Sustainable and inclusive prosperity
- Green transition
- Ocean governance
- Digital governance and partnerships
- Connectivity
- Security and defense
- Human security

The strategy states that through these areas, the European Union will seek to establish long-lasting mechanisms through multilateral organizations to protect the rules-based international order and foster respect for democracy and human rights.

One line of effort to increase Europe's long-term ties in the Indo-Pacific is its Global Gateway Initiative.¹⁴ Beginning in 2019, the strategy has aimed to “boost smart, clean and secure links in digital, energy and transport sectors and to strengthen health, education and research systems across the world.” In regards to the Indo-Pacific specifically, the Initiative has invested in reinforcing value and supply chains.¹⁵ For example, they have formed Digital Partnerships with Japan, South Korea, and Singapore.¹⁶ These partnerships were based upon the European Union's Digital Compass Strategy, which seeks to “pursue digital policies that empower people and businesses to seize a human-centered, sustainable and more prosperous digital future.”¹⁷ Furthermore, they are strengthening maritime and cyber security through the Enhancing Security Cooperation In and With Asia (ESCIWA) project, which serves to present the European Union to Asian partners as a security provider.¹⁸

III. Canada

As it self-identifies as a Pacific Nation, Canada feels obligated to respond to the “once-in-a-generation global shift” as Indo-Pacific influence on the world stage increases.

Canada's Indo-Pacific Strategy was released in late 2022 and outlines five strategic objectives:

- Promoting peace, resilience, and security
- Expanding trade, investment, and supply chain resilience
- Investing in and connecting people

- Building a sustainable and green future
- Being an overall active and engaged partner in the Indo-Pacific.¹⁹

Canada has focused primarily on economic cooperation with the Indo-Pacific in several ways. It is a founding member of the CPTPP, and touted increased opportunities for Canadian investment in member country economies.²⁰ Furthermore, Canada has several Foreign Investment Protection Arrangements (FIPA) with Indo-Pacific nations. This model was created in 2003, and updated in 2021, as a bilateral trade framework “designed to protect and promote foreign investment through legally-binding rights and obligations.”²¹ It has deals with countries like China, India, Hong Kong, the Philippines, and others in the Indo-Pacific region.²² Most recently, Canada wrapped up talks and is close to signing its next FIPA deal with Taiwan.²³

IV. Conclusions

Critical global players are prioritizing involvement in the Indo-Pacific and have created new region-specific strategies in the last several years to prove it. Whatever the composition of the American and Taiwanese presidential administrations after the 2024 elections, it is imperative to engage with these global powers when considering how to approach wider interaction with the region. Most around the world are now seeing Indo-Pacific engagement as a requirement for national security.

Intra-Regional Dynamics and Trends

I. Strategic Alignment in the Indo-Pacific

With the rise of revisionist China came regional responses of strategic alignment and geopolitical re-orientation. Existing international relations scholarships have used the balance of power framework to draw characterizations and conclusions about strategic alignment in the region. Balancing, otherwise characterized as external and internal balancing, refers to strategic behaviors to ally with other regional powers to create an equilibrium against a regional great power that has disproportionately stronger military and economic capabilities. Bandwagoning refers to a strategy of siding with the predominant power in a given region in the hopes that it would make the bandwagoning state more secure.

Theorists and analysts have regarded traditional US treaty allies, such as Japan, South Korea, the Philippines, Australia, and New Zealand, as engaging in balancing against a rising China.²⁴ Japan, in particular, has been characterized within a wide space on the balance-bandwagon continuum, from hedging to balancing; but with

the release of the new *National Defense Strategy*, it has moved toward a strategy of increased internal balancing. For South Korea, theorists have similarly placed it in positions from “accommodation” to “balancing” in the spectrum, with others arguing that its recent rapprochement with Japan should portray a more optimistic view.

In Southeast Asia, the terms “hedging” and “fence-sitting,” which lie between the continuum of balancing and bandwagoning, have been used to refer to various strategies used by Southeast Asian countries. Other analysts have referred to their strategies as a form of “soft balancing,” as they seek to orient themselves under the guise of ASEAN centrality against the backdrop of the PRC’s increasingly malevolent activities in the South China Sea by opting in for non-military and symbolic political gestures.²⁵ For others, such as the Philippines and Singapore—as well as Vietnam, Malaysia, and Indonesia to a lesser extent—observers have argued that they are practicing limited forms of “low-intensity balancing,” while Thailand has engaged in “simple hedging.”²⁶ With the 2021 Myanmar coup d'état that placed the Tatmadaw regime in power, Myanmar has deepened its defense and economic cooperation with China, shifting toward a bandwagoning strategy.²⁷

II. Trade and Economics

In recent years, the Indo-Pacific has developed toward an increasingly interconnected regional economic order, which has been slowly but steadily shifting toward de-risking critical supply chains. It has also seen more FDI, namely in developing countries in Southeast Asia, as well as lower trade barriers, cross-border investments, and economic integration in the region. The Indo-Pacific region, contributing 60 percent of global GDP, has been seeing a steady demand for infrastructure development, with the Asian Development Bank estimating a need for USD \$1.7 trillion annually until 2030. The COVID-19 pandemic has highlighted the importance of digital and energy infrastructure, with a focus on enhancing digital connectivity and diversifying investment away from Chinese dominance.

The United States has seen the pandemic as an opportunity to assert leadership in infrastructure development through collaboration with allies and the private sector. Initiatives such as the Infrastructure Transaction and Assistance Network (ITAN) and the Digital Connectivity and Cybersecurity Partnership (DCCP) aim to support high-quality infrastructure and digital connectivity. FDI flows to developing countries in Asia reached a record USD \$619 billion in 2021, demonstrating the resilience of these economies despite the pandemic. China remained the main recipient, with a significant portion of FDI directed toward high-tech sectors and services. Southeast Asia witnessed a 44 percent increase in FDI to USD \$175 billion, underpinned by manufacturing, the digital economy, and infrastructure investments. Singapore and

Malaysia emerged as significant recipients, attracting investments in chipmaking and semiconductors.

However, South Asia saw a 26 percent drop in FDI to USD \$52 billion, with a notable decline in inflows to India. Despite this, India announced numerous project finance deals, particularly in renewable energy. Investment in SDG sectors saw a significant rise across the region, with a 123 percent increase in project values in renewable energy, pointing to a growing emphasis on sustainable investment.

Looking forward, mega-regional efforts such as the CPTPP, the Regional Comprehensive Economic Partnership (RCEP), and the Indo-Pacific Economic Framework for Prosperity (IPEF) are likely to further boost cross-border investment, enhancing economic integration and cooperation within the region.

Taiwan's New Southbound Policy and Indo-Pacific Approach

During this year's Yushan Forum (玉山論壇), President Tsai Ing-wen stated that the New Southbound Policy “lies at the core of our Indo-Pacific strategy and that we are sending a message to the world that in the face of the mounting threats of authoritarianism and climate change, as well as a global restructuring of supply chains, Taiwan is a secure and reliable partner.”²⁸ Despite an absence of formal diplomatic relations with many countries in the Indo-Pacific region, Taiwan has been able to create robust frameworks that take advantage of both its comparative strengths—particularly when it comes to the economy, public health, and talent cultivation—and a robust civil society to enhance regional ties within the Indo-Pacific and engage like-minded countries.

1. Background

Taiwan's NSP was officially launched by President Tsai Ing-wen during her inaugural address on May 20, 2016.²⁹ Although this launch has caused the New Southbound Policy to be linked closely with President Tsai and the Democratic Progressive Party (DPP, 民進黨), in reality, the policy was built upon strategies from prior administrations. Termed the “Go South Policy” (GSP, 南向政策) during the administrations of Lee Teng-hui (李登輝) and Chen Shui-bian (陳水扁), the policy's focus on expanding ties with Southeast Asia, Australia, and New Zealand stemmed from Taiwan's export-driven economy and growing concerns over Taiwan's economic dependence on China. While Taiwanese business had been engaged in the Southeast Asian region since the 1950s, Lee Teng-hui's launch of the GSP marked the first time that interest in Southeast Asia was coordinated with several strategic purposes in

mind; both encouraging Taiwanese businesses to move from China to other countries and also strengthening bilateral trade agreements.³⁰ When the DPP gained control of the government, Chen Shui-bian maintained and elevated the importance of Go South Policy plans, while also adding India as a region of interest.³¹

A major motivation behind the GSP was concern about Taiwan's economic dependence on China—and the GSP was not formally continued under Kuomintang (KMT, 國民黨) President Ma Ying-jeou's (馬英九) administration. The Ma Administration continued to strengthen economic and academic ties with Southeast Asia, especially by increasing the number of Southeast Asian students in Taiwan, but this enhanced relationship was not meant to counterbalance Taiwan's dependence on China.³² Therefore, policies geared toward Southeast Asia were also accompanied by the signing of over 20 economic and technical agreements with China, including the Economic Cooperative Framework Agreement (ECFA, 海峽兩岸經濟合作架構協議).

II. The New Southbound Policy and Regional Integration

As noted above, the launch of the NSP represented the continuation of a decades-long pursuit of enhancing regional ties and bolstering economic growth. However, the renewal of Taiwan's GSP in 2016 came with slightly different priorities in comparison to its previous iterations. One noticeable change was the addition of Pakistan, Bangladesh, Nepal, Sri Lanka, and Bhutan—bringing the total number of countries included in NSP to 18—thereby building significantly upon Chen Shui-bian's expanded focus on South Asia.³³ Similar to the policies of prior administrations, the NSP covered both economic policies and trade diplomacy, with an even greater focus being placed on people-to-people ties.

Referred to as the Public-Private-People-Partnership (P-P-P-P) Model, the NSP under Tsai focuses on creating long-term engagement with regions of interest by “facilitat[ing] the leading efforts made by Taiwan's public sector, partnering with the private sector (companies and business networks) and the third sector (civil society organizations and the People).”³⁴ Thus, the NSP is coordinated by the Office of the President, National Security Council, and Office of Trade Negotiation, implemented by 13 governmental sectors, including the Ministries of Economic Affairs, Education, Health and Welfare, Agriculture, and furthered by the civil society work of the Taiwan-Asia Exchange Foundation (TAEF).³⁵

Held annually, the Yushan Forum is the signature platform for discussing collaboration

through the NSP. The forum is important for providing an opportunity for NSP partners and like-minded countries to visit Taiwan—both giving partner countries a venue for collaboration and allowing like-minded countries to express their support for Taiwan. While government officials from partner countries such as Thailand, Indonesia, India, and the Philippines have participated in the forum in recent years, former or current government officials from Japan, the United States, Canada, Denmark, Sweden, and France have also been in attendance. Thus, even though the NSP focuses on work in its 18 partner countries, it also provides opportunities for other like-minded allies to cooperate and deepen multilateral engagement.

In addition to the NSP, the Global Cooperation and Training Framework (GCTF, 全球合作暨訓練架構) has also allowed Taiwan to strengthen regional ties in the Indo-Pacific. Beginning as a joint agreement between Taiwan and the United States in 2015, the GCTF expanded under the Tsai Administration to include Japan and Australia as full partners in 2019 and 2021, respectively.³⁶ Workshops that have been held this year have covered topics such as public health, anti-corruption cooperation, disinformation, and technical training.³⁷ In terms of the Indo-Pacific region, participating countries in the GCTF include not only Taiwan's NSP partner countries, but also Japan, South Korea, and Mongolia, among others.³⁸

Through both the NSP and GCTF, Taipei has demonstrated a regional Indo-Pacific strategy that centers around integration. While this integration initially focused mainly on economic integration, in recent years this has been steadily increasing to include more people-centered policies that target engagement through tourism, academic exchanges, immigration, and capacity training programs. Additionally, these initiatives create opportunities for like-minded countries outside of the region to participate.

III. Global Health and People-to-People Ties

The widespread impact of the COVID-19 pandemic has highlighted the importance of international medical cooperation. For Taiwan, this has been an opportunity for both the public and civic sectors to strengthen regional people-to-people ties. In addition to Taiwan's "One Country, One Center" (1C1C) initiative launched by Taiwan's Ministry of Health and Welfare in 2018, a survey conducted by TAEF found that the 30 Taiwanese NGOs they surveyed had invested NTD \$150 million (USD \$4.7 million) into COVID-19 assistance in NSP partner countries, benefitting 8 million individuals.³⁹ Through both governmental and nongovernmental programs, Taiwan helped provide medical supplies, improve health systems, and contribute to COVID-19 economic recovery within the Indo-Pacific region.

China's response to the COVID-19 pandemic was carried out mostly through the Health Silk Road (HSR, 健康絲路), a medical initiative that built upon the framework of the BRI to provide medical and health assistance to BRI members. Through these efforts, China dispatched 1.65 billion vaccines by December 2022, with one-third of these vaccines sent to Southeast Asia.⁴⁰ However, due to the cost of Chinese vaccines, the low efficacy rate, and the lack of transparency in testing, many Southeast Asian countries began shifting away from using Chinese vaccines.⁴¹ Additionally, a case study of Vietnam and the Philippines indicated that Chinese vaccine diplomacy did not improve perceptions of China in those countries.⁴²

Educational agreements have been another essential part of strengthening people-to-people ties in the region. The New Southbound Talent Development Program (新南向人才培育推動計畫), has actively recruited students from NSP partner countries.⁴³ Data from Taiwan's Ministry of Education indicates that in 2022-2023, the top five countries of origin for foreign students studying in Taiwan were Vietnam (22.9 percent), Indonesia (16.1 percent), Malaysia (11.9 percent), Hong Kong (8.9 percent), and Japan (6.3 percent).⁴⁴ The number of both Vietnamese and Indonesian students has increased in recent years: for example, in 2017 the number of Vietnamese students was at 6.6 percent and Indonesian students was at 6.0 percent.⁴⁵ The Ministry of Education has also expressed interest in raising these numbers further, particularly with the hopes of attracting talent for Taiwanese companies in fields such as STEM-related fields, finance, and semiconductors.⁴⁶

China's Study in China Initiative (留學中國計畫) has been equally successful at attracting students, if not more so. In 2017-2018, China was the top destination for study abroad in Asia, and many of the students studying in China originated from Indo-Pacific countries—with the top origin countries being South Korea, Thailand, Pakistan, India, and the United States.⁴⁷ Still, China's strict zero-COVID policies have made it difficult for foreign students to study in China, and the Chinese government has failed to release any data regarding international students since 2020.⁴⁸ Compounded with the fact that some programs—such as Harvard University's summer language program—have relocated from Beijing to Taiwan, it is evident that both COVID policies and geopolitical tensions are affecting China's opportunities for people-to-people engagement.⁴⁹ While Taiwan still may lack resources when compared to China, it has benefited from China's strict policies and perceived aggression. Additionally, views of China continue to be mixed regionally, with concerns over China's record on human rights, involvement in domestic politics, and military power being seen as serious issues even in more China-friendly countries such as Singapore and Malaysia.⁵⁰

IV. After the Elections

Considering the longevity of Taipei's interest in enhancing regional ties within the Indo-Pacific, it is indisputable that any future administration will continue to build upon the groundwork laid by the Tsai Administration. However, the exact nature of what a future regional strategy would look like is also dependent upon the underlying motivations of the incoming administration. If the DPP remains in power following the elections, then it is likely that its Indo-Pacific strategy will continue to feature the NSP as its core. Conversely, since the current NSP is strongly linked with the Tsai Administration, a change in the ruling party would likely be accompanied by the need to rebrand the current NSP.

As the vice president of the Tsai Administration, DPP presidential candidate Lai Ching-te (賴清德) has been deeply involved with the current NSP. At this year's Yushan Forum, he reiterated the importance of regional integration as part of Taiwan's Indo-Pacific strategy, stating that "Taiwan was a force for good that would continue to cooperate with neighbors under the New Southbound Policy," and that "as long as the Indo-Pacific region is stable and prosperous, the world will be stable and prosperous as well."⁵¹ By emphasizing that "people are the core of the [New Southbound Policy], and will continue to create a blueprint for future mutual development for countries in the region," Lai has made it clear that he intends to maintain a focus on people-to-people ties if he becomes president.⁵²

While a change in the ruling party would certainly lead to changes in Taipei's regional strategy, it is not as easy to predict exactly how these changes will play out. Despite KMT President Lee Teng-hui being the first president to put a Go South Policy into place, the subsequent KMT administration of Ma Ying-jeou distanced itself from the policy. Additionally, members of the KMT have been vocal in criticizing the NSP. For instance, on October 30, 2023, KMT former Secretary-General Tseng Ming-chung (曾銘宗), Legislator Hsieh Yi-fong (謝衣鳳), and Taipei City Councillor Lee Yen-hsiu (李彥秀) held a press conference criticizing the NSP for failing to increase exports to ASEAN countries and reduce dependence on China—a claim that the DPP quickly refuted.⁵³ KMT Candidate Hou Yu-ih (侯友宜) has also criticized the NSP for not doing enough for foreign immigrants while introducing plans for a "New Resident Policy," should he be elected.⁵⁴ However, these criticisms of the NSP do not mean that the KMT is likely to scrap the policy entirely; instead, it would more likely rebrand the NSP under a new name with slightly different priorities, possibly in addition to reviving Ma's strategy of balancing increased regional ties with closer relations with China.

Another factor that makes this scenario more likely is the fact that KMT presidential candidate Hou Yu-ih, and former Taipei Mayor and Taiwan People's Party (TPP,

台灣民衆黨) presidential candidate Ko Wen-je (柯文哲), have both expressed support for reviving the Cross-Strait Services Trade Agreement (CSSTA, 海峽兩岸服務貿易協議). The CSSTA, which sparked the Sunflower Movement in 2014, remains a divisive topic. While some argue that the protests were in response to the Ma Administration's growing ties with China and the agreement itself, others—such as Ko—have stated that the main objection to the agreement was the opaque nature of the agreement, not the content that it contained.⁵⁵ Still, if the CSSTA needs to go through the “democratic process,”⁵⁶ before it is put into effect, as Ko implies, then it is unclear if voters will be in support of its implementation. In contrast, Lai stated that CSSTA would not align with Taiwan's economic interests, especially considering that many Taiwanese businesses have already begun relocating to the United States or other countries in the Indo-Pacific region.⁵⁷

Intentions to expand the focus of the NSP and criticisms that the NSP is ineffective have also been expressed by Foxconn (鴻海科技集團) founder Terry Gou (郭台銘). In 2019, Gou compared the NSP to “firing blanks” (“沒有執行力，都是拋出空包彈”) while also stating intentions to expand the NSP, stating that he would “advance east, harmonize with the west, expand south, and connect with the north” (“東進、西和、南拓、北接”).⁵⁸ Similar to thoughts expressed by other candidates, his critiques of the NSP are centered on wanting to increase the target region and build upon the framework laid by the NSP, rather than dismantle it entirely.

Across all the parties running in the 2024 election, there is consensus over the need for regional integration as the foundation of Taiwan's Indo-Pacific strategy. However, exactly what form that integration should take, and whether or not it should include increased engagement with China, will likely be the defining differences in their approaches.

Conclusion: Recommendations for Sustaining US-Taiwan Strategies in the Indo-Pacific Beyond 2024

Since 2016, Taiwan has managed to enhance its economic, political, and people-to-people ties with NSP target countries owing in large part to the continuous leadership focus in Taipei as well as the structural shifts in regional geopolitics. Its efforts have been complementary to the intensifying focus of the United States on the Indo-Pacific and US-China competition, despite the change in political power in Washington.

Since 2021, the Biden Administration has been investing more political capital and economic resources in the region also targeted by the NSP, thereby creating synergies for better linkages with the NSP. While there are some notable achievements of

Taiwan's NSP in the Indo-Pacific as well as complementary features of the policy with the US Indo-Pacific Strategy, sustained engagements by both Taipei and Washington with the region will be critical to leveraging the increased interest of the world in the region, as reflected in the development of Indo-Pacific engagement strategies by many other capitals throughout the world.

Yet, the bulk of the limited resources directed by both Taipei and Washington toward the region remain non-coordinated, and have not been optimized to address the demand signals from the region. The lack of coordination limits the ability to leverage resources for optimal effects. While the United States and Taiwan are developing a nascent mechanism to work together in the Pacific Islands,—such as through the MOU on US-Taiwan Cooperation on International Development and Humanitarian Assistance⁵⁹—the two sides still lack a robust coordinating mechanism for the broader region to better organize their respective resources and manpower. However, there are some signs that officials are taking note of utilizing existing mechanisms to support greater cooperation in NSP target countries. For example, the GCTF recently held a session on bolstering regional cybersecurity in India—the first in Asia—which included the participation of the US Ambassador to India along with other Indian officials.⁶⁰

While the near-term conditions for greater convergence and alignments between the New Southbound Policy and those of the United States as well as other countries' Indo-Pacific strategies are durable, they were brought about less by coordination between the governments than structural factors such as the US-China trade war. At the same time, most countries in the region remain reluctant to take a side, and attitudes in the region are becoming more polarized between those countries seemingly more supportive of Beijing and those more supportive of Washington. Changes in the Philippines in recent years are examples of the substantial changes underway in the region.

The upcoming elections and the potential for a change in political power within Taiwan may have more impact on the future viability of the NSP than on any previous changes in political power. At the same time, structural changes in geopolitics will likely militate the desire of political leaders in any capital to change the policy—with perhaps Washington and Beijing being the exceptions. Even still, there is a need for sustained political commitment and buy-in from the public, and Taipei and Washington need to explore ways to lock in their mutual interests.

Policy Recommendations:

- The greater convergence of interests in the Indo-Pacific region, as reflected by the development of Indo-Pacific engagement strategies by countries outlined in this study, demonstrates that Taipei cannot afford to disengage from the region—but must rather double down on the New Southbound Policy by further resourcing the policy and expanding cooperation in the region with like-minded partners.
- Taiwan, in conjunction with like-minded allies and partners, should utilize existing platforms like the GCTF to help enhance the NSP by regularly and systematically organizing programs in NSP target countries that address the social, economic, and development needs of the region. The current official coordinating partners, which include Taiwan, the United States, Japan, and Australia, should include a South or Southeast Asian country to join as a formal coordinating partner.
- To better enhance cooperation and coordination, the Taipei Economic and Cultural Representative Office (TECRO) in Washington, D.C., should have a dedicated political officer in either the Political or another appropriate division who can be focused on regularly communicating with like-minded allies and partners in governments, think tanks, academia, and media to help strengthen cooperation and coordination with other countries interested in the NSP and the Indo-Pacific region.
- The MOU on US-Taiwan Cooperation on International Development and Humanitarian Assistance signed in November 2022 creates the basis and opportunity for the United States Agency for International Development (USAID) and Taiwan's International Cooperation and Development Fund (Taiwan ICDF) to expand cooperation in NSP target countries in areas most in demand from the region: such as development assistance, humanitarian assistance, promotion of participation and best practices in international fora, research in international development and humanitarian fields, and capacity building, training, and knowledge transfer. Taiwan should aim to sign similar MoUs with other like-minded partners in the region to broaden cooperation.
- The region is entering a period of political uncertainty and change with multiple presidential elections to be held throughout the region—including most importantly in the United States. Regardless of the political party that wins the election in January, Taiwan must sustain its engagement with the political leaderships of both the Republican and Democratic parties, and continue to engage think tanks and NGOs internationally, to better link up the NSP with other regional strategies and create a stronger community of thought leaders invested in the Indo-Pacific region and with partnership with Taiwan's NSP.

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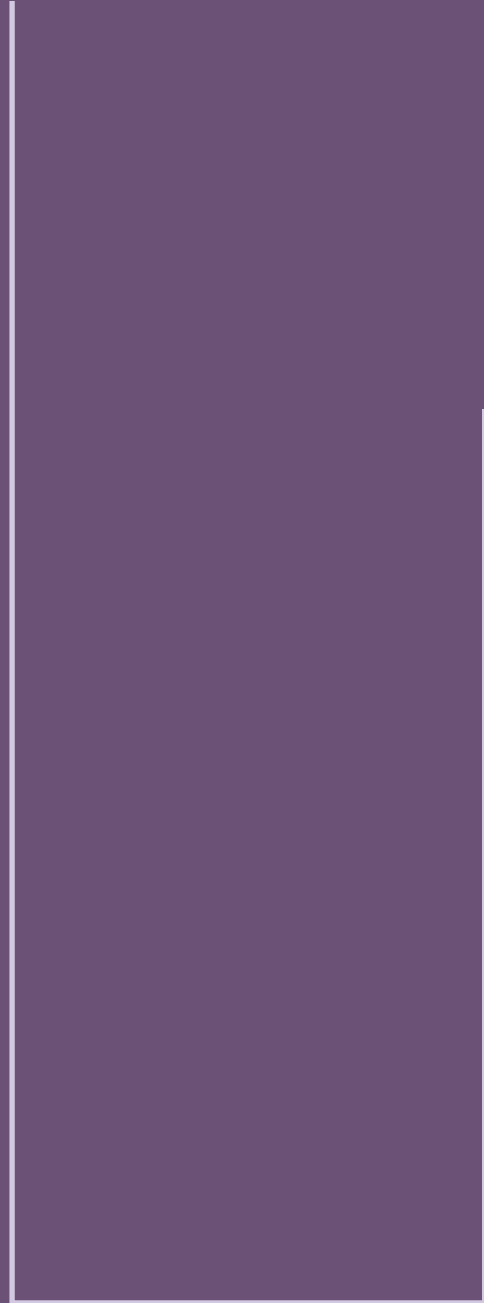
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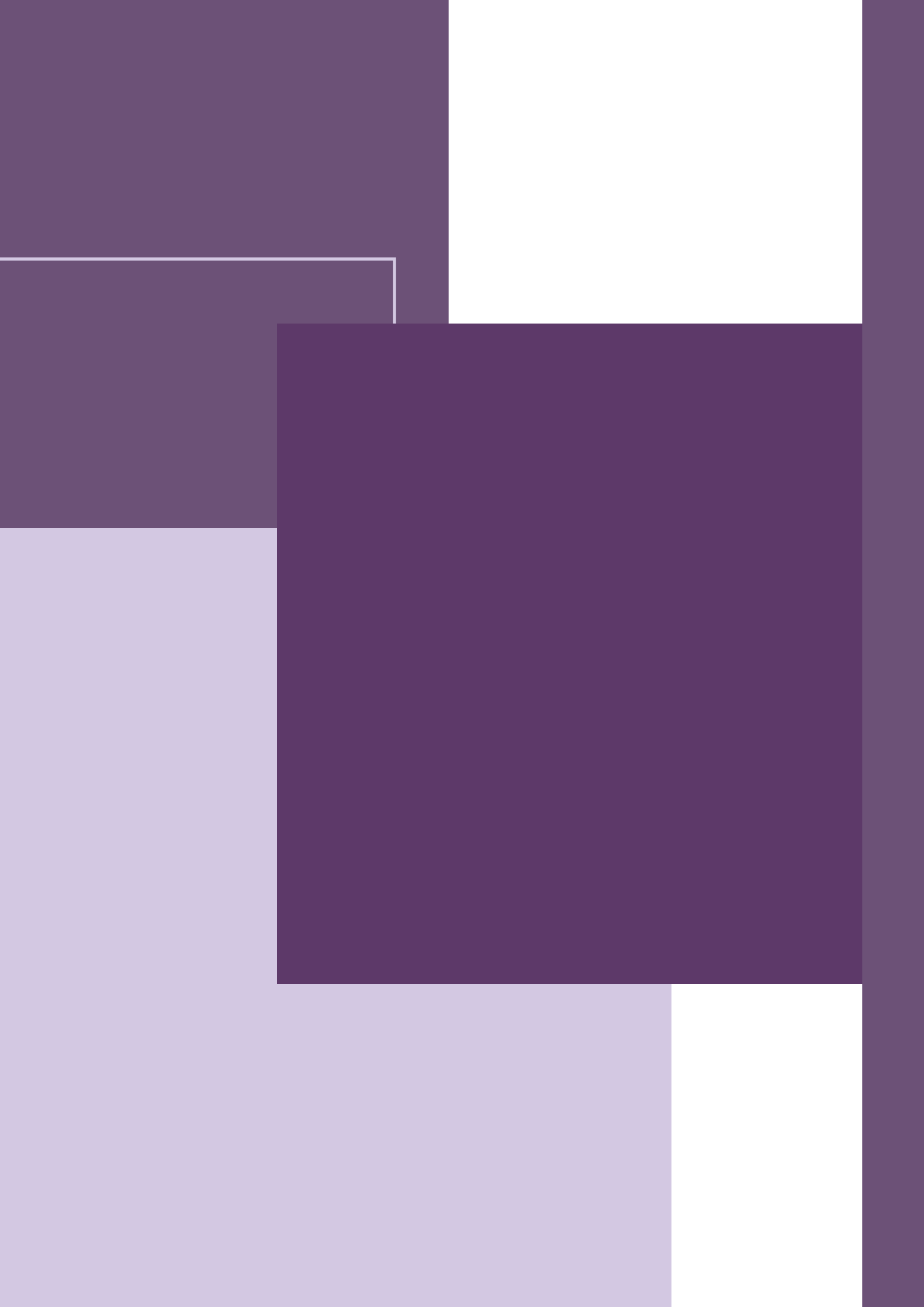
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The New Southbound Policy: Seven Years of Success





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Hsin-Huang Michael Hsiao, Alan Hao Yang

Since President Tsai Ing-wen initiated the New Southbound Policy (NSP) in 2016, Taiwan has significantly bridged the gap with its neighboring countries. The NSP has also evolved from reducing sole reliance on the Chinese market to becoming a robust regional strategy aimed at constructing a resilient Taiwan and fostering regional resilience. As President Tsai stated in 2018, the NSP is Taiwan's regional strategy for Asia, and in 2022, she underscored the NSP is at the center of Taiwan's Indo-Pacific strategy. Implemented through a Public-Private-People-Partnership (PPPP) model, the policy has clearly defined Taiwan's position, enhancing its participation in the regional community through diverse pathways. The significance of the NSP for Taiwan has been paramount.

Prudent Risk Diversification

In retrospect, without the NSP, Taiwan's continued over-reliance on the Chinese market would have remained lopsided. Moreover, Taiwan would have been adversely affected by the US-China trade war and the ensuing geopolitical strife, potentially making misguided choices in the restructuring of the global supply chain. Additionally, the unexpected emergence of the COVID-19 pandemic and its ensuing socioeconomic crisis would have likely left Taiwan exceptionally vulnerable due to its exposure to high risks.

Achievements of Flagship Programs

Since 2017, the government has promoted five major flagship programs, coordinated by the Office of Trade Negotiations led by Deng Chen-chung, Minister without Portfolio, the Executive Yuan. These programs focus on leveraging Taiwan's strengths and sharing resources and experiences to build resilient regional connections. The flagship programs encompass sectors related to the NSP such as trade and investment, agriculture, public health and medical care, as well as education and talent development, and social connectivity. Moreover, the mobilization of all ministries and sectors in the government has been a major force behind the strengthening and reinforcing of the NSP. Specifically, with the efforts of these years, the NSP's achievement in trade and investment is praiseworthy. For example, bilateral trade between Taiwan and the New Southbound countries grew by 88.2% between 2016 and 2022. Moreover, Taiwan's investment towards NSP partnering countries surpassed investment towards China in 2022. More importantly, the NSP has been instrumental in assisting Taiwanese businesses in earning profits from related endeavors.

Government-led initiatives have also fostered institutional regional cooperation networks, as evidenced in the signing of agreements and memorandums in areas such as double taxation avoidance, investment protection, educational collaboration, talent training, and Authorized Economic Operator (AEO) certification.

Other flagship programs have created fruitful achievements. In the field of healthcare, Taiwan has trained 1,634 medical professionals from New Southbound partner countries with collaborations between 10 medical centers from 7 NSP-partnering countries since 2018. Taiwan's NRICM101 herbal medicine also served as a vital resource in assisting in the global pandemic response. Between 2017 and 2019, visitors to Taiwan for medical purposes grew by nearly 40%, including numerous visitors with rare diseases. In the agricultural sector, the NSP facilitated in establishment of agricultural demonstration zones in Indonesia, the Philippines, and Vietnam. Also, Taiwan's agricultural exports to the region have been increased by over 20%. Additionally, Taiwan enhanced the production efficiency of its partner countries by providing quality technological assistance and training for young farmers. Lastly, the number of students from New Southbound countries studying in Taiwan also increased by 104.49% between 2016 and 2022, reflecting successful collaborations in talent and international education. The number of students participating in the International Programs of Industry–Academia Collaboration in Taiwan and the 3+4 Vocational Education Program for Overseas Compatriot Students, as well as those continuing further studies and seeking employment, continue to rise. Taiwan's large-scale project teams have also pursued major infrastructure projects, offering high-quality infrastructure assistance to partner countries.

Successful Promotion by Civil Society

Societal participation in the NSP has also been robust, encompassing contributions from both the private sector and civil society organizations. Taiwanese industries, including computer manufacturing, IoT, steel production, information and AI, wastewater and emissions treatment, and banking, have expanded their international operations to form Taiwan's footprints. The TAEF surveys conducted in Vietnam, Thailand, and Singapore have reported perceptions of positive images of Taiwan and Taiwanese businesses among locals, with Taiwan ranking 10th–15th among the top foreign investors of the aforementioned countries. The New Southbound partner countries have also largely maintained positive views on the image of Taiwan and Taiwanese businesses.

Promoting exchanges between the citizens of respective countries is a core measure in implementing the people-centered principle of the NSP. For example, before the

COVID-19 pandemic, visitors from the New Southbound partner countries increased by 55.3% in 2016–2019. In the first half of 2023, more than 1.09 million visitors from these partner countries visited Taiwan, accounting for over 40.86% of all visitors to Taiwan and becoming Taiwan’s largest tourist source market.

Strengthening connectivity between private sectors is also paramount to the NSP, in which notable think tanks and NGOs have been key in its promotion. Taiwan-Asia Exchange Foundation (TAEF) has expanded the Yushan Forum to become a crucial platform for international dialogue in the Indo-Pacific region. In addition, TAEF has been advancing five major action plans by focusing on youth leadership, think tank and policy cooperation, social connectivity, regional resilience, and cultural exchanges, thereby supporting and strengthening social connectivity. Over the past five years, TAEF has promoted an array of activities, conferences, forums, youth camps, and art seasons and exhibitions. Additionally, it has published policy reports on Taiwan’s NSP, Taiwan–India relations, Taiwan–Australia relations, Taiwan–Southeast Asia relations, Taiwan’s connections with the US Indo-Pacific strategy, and the role of Taiwanese NGOs in providing international assistance during the COVID-19 pandemic. These publications have markedly showcased the influence and social impact of TAEF as a think tank dedicated to the NSP. The Foundation has also established diverse and different collaborative relationships with both domestic and foreign academic communities.

The cumulative success of the NSP over the past seven years cannot be solely attributed to the government’s flagship programs but also owes much to the capable and selfless efforts of civil society. Such cross-sectoral collaborative partnerships have ensured that the NSP achieve its objectives rather than being merely a policy slogan. Despite critiques from political factions and societal leaders within Taiwan, we firmly believe that these criticisms aim at building a better and more resilient Taiwan. We advocate for a unified strategic direction for Taiwan’s future; accordingly, we can steadfastly continue advancing the NSP, enhance Taiwan’s regional relationships, and foster its soft and warm power diplomacy.

In our opinion, the international community’s focus on Taiwan should not be limited to the negative and passive aspect of the “Taiwan Contingency.” Instead, the positive outcomes of the NSP have gradually accumulated, demonstrating more active and constructive implications of “Taiwan Relevancy.” The policy’s proactive commitment to advancing a people-centered development agenda and promoting regional prosperity has increasingly highlighted Taiwan’s significance and indispensability to the New Southbound region and its partner countries. The NSP has thus become an essential and integral part of Taiwan’s strategy. ■

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