



New Southbound Policy



Since the inauguration of President Tsai Ing-wen, the government has been working very hard to implement several new initiatives in order to revitalize Taiwan's economy and enhance relations with its neighboring countries. One of these initiatives is the New Southbound Policy (NSP), targeting Southeast and South Asian countries, Australia and New Zealand as potential strategic partners for regional social and economic cooperation. The government has rolled out guidelines, a promotion plan, and

a work plan to pave the way for the Policy's implementation. With actions ranging from loosening visa restrictions to providing a more suitable environment for businesses looking to expand, the NSP provides a focused approach to enhance the effectiveness of such ongoing efforts.

In December of 2016, President Tsai attended the 2016 Forum on Opportunities for the New Southbound Policy, and emphasized that both the private and public sectors should work simultaneously in a two-pronged approach to

promote it. Through wide-ranging discussions and cooperation, these two sectors will establish a new type of partnership with the countries within the scope of the NSP.

Based on Longstanding and Close Ties

Taiwan has longstanding and close relations with the New Southbound countries. Total merchandise trade between Taiwan and the New Southbound countries amounted to US\$96 billion in 2016, representing 18.77% of Taiwan's

President Tsai Ing-wen



global merchandise trade that year. The accumulated foreign direct investment (FDI) from Taiwan towards the New Southbound countries reached US\$95 billion by December 2016.

The number of students from the New Southbound countries studying in Taiwan reached 29,145 in 2016, with the largest group being from Malaysia (13,838). Taiwanese students studying in the New Southbound countries numbered 16,104 in the same year, most of them in Australia (13,582). A total of 1,530,037 visitors from the New Southbound countries arrived in Taiwan in 2016, while 2,233,784 Taiwanese spent their holidays in those countries.

Further Economic and Trade Cooperation

Asia is the global center of economic gravity in the 21st century. Trends in population, GDP, total trade, and the pace of trade growth clearly show that Asia is now the most important engine of economic development in the world. It is estimated that by 2030, the size of the Asian economy may even outstrip that of North America and Europe combined.

In the process of Asia's economic development, Taiwan has played a very important role by acting as a

resource consolidator and a provider of capital and technology over the past several decades. As a result, Taiwan has established close and long-term economic and trade ties with the countries of Southeast and South Asia, as well as with New Zealand and Australia.

Taiwan has long been a major source of Foreign Direct Investment (FDI) for many New Southbound countries. For example, Taiwan is the third-largest investor in Thailand, with accumulated investment amounting to US\$14.1 billion by the end of 2016, and fourth in Vietnam (US\$31.2 billion) and Malaysia (US\$12.2 billion). Apart from the suitable investment environment, there are many other reasons why Taiwanese companies perform very well in the region, including

Taiwan's workforce talent, its good reputation, and its ability to provide a match for the business demands of the New Southbound countries.

Taiwanese businesses have not only been doing very well, but are also striving to cultivate business roots and engage local communities, in the process contributing to the economic and social development of many New Southbound countries.

Taiwan's greatest advantage in heading south lies in its experience with small-scale enterprises. The agricultural sector is a very good example of this. The issue of large-scale farming techniques and equipment being rendered incompatible could be avoided, since the agricultural sector in ASEAN and South Asian countries is less focused on mass production and more similar to small-scale Taiwanese farming.

The governments of Southeast and South Asian countries always place increasing their people's income very high on their policy agendas. Therefore, encouraging people to become business owners, earn their own living and gradually improve their quality of life has become a very important policy of the governments in the region: Taiwan's distinct economic structure – mostly smaller business entities





such as farmers, fishermen and small-scale enterprises – matches the economic structure of Southeast and South Asian countries. Taiwan's experience in successfully developing small-scale business structure is of great value to the countries in that region.

Resource Sharing

Taiwan has come a long way in its economic and social development, and has accumulated a great deal of experience in such areas as medical care, education, high technology, agricultural development, urban convenience, and small- and-medium-sized enterprises. Taiwan is prepared to make full use of this unique soft power - its hard-earned experience - to promote multilateral and bilateral cooperation with the New Southbound countries.

Taiwan would also like to share its experience in combating problems and challenges that are very similar to those facing developing countries in the New Southbound region, such as pollution, crime and inadequate infrastructure. What might otherwise only be achievable on their own through years of trial and error can now be addressed in a more efficient fashion with Taiwan's assistance in the form of the transfer of know-how and workforce training.

Talent Cultivation

Another important component of Taiwan's new southbound efforts is talent cultivation. A large number of students from developing countries in the New Southbound region have come to Taiwan to pursue their higher education. It is worth noting that many of these students who



return to their home countries after pursuing studies in Taiwan are more competitive and able to attain higher social status than those who have only pursued studies in their home countries.

Apart from applying for scholarships to study in Taiwan, students can also apply for internships with Taiwanese companies. During their internship, they can earn their tuition, hone their skills and learn how small- and-medium-sized enterprises work. This unique experience can be of great value for those who want to start a business when they return to their home countries.

Taiwan's Interior Ministry has been training immigrants from ASEAN countries to become potential instructors of their native languages. Over a thousand of these immigrants have been successfully made into qualified teachers. Taiwanese enterprises looking to improve the language skills of their employees can now apply for the most suitable teachers. In this fashion, the enterprises can improve the productivity of their employees, while the immigrants can earn wages and become more confident.

Regional Links

Taiwan is a responsible stakeholder in the international community. The main goal of promoting the NSP is to contribute to regional peace and sustainable economic and social development, as well as to create a sense of community among all the nations of this region. This can only be done by building closer links between Taiwan and the New Southbound countries. To achieve this goal, Taiwan will continue to actively participate in regional economic integration, and seek more



opportunities to enter into bilateral and multilateral economic, trade and investment arrangements.

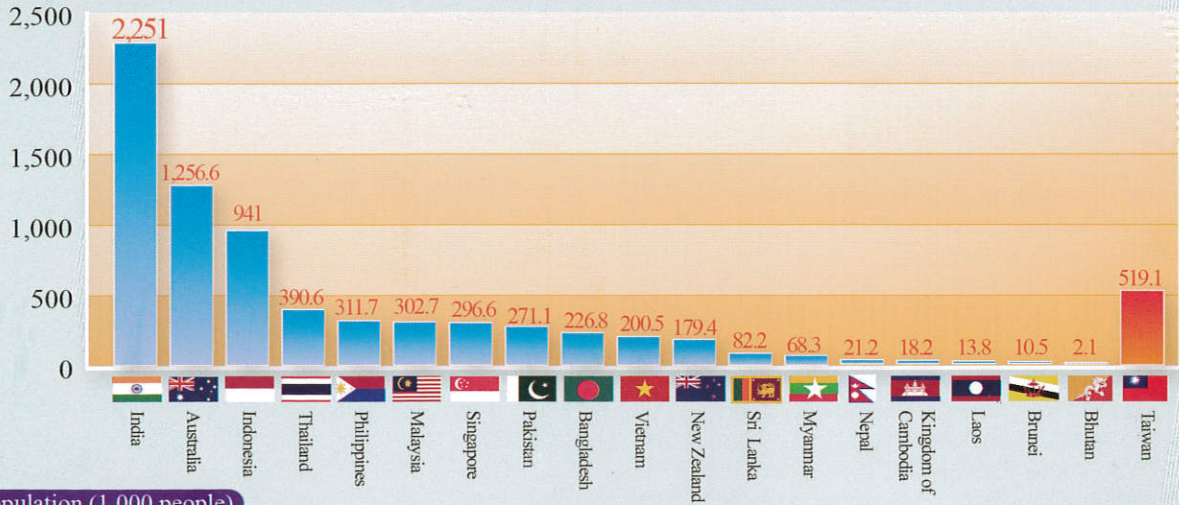
Let's Work Together

Implementation of the NSP has already started. The ongoing efforts of Taiwan's government, including promoting New Southbound countries' native languages, encouraging people-to-people contacts, assisting SMEs heading south, boosting tourism exchanges, and enhancing investment and economic arrangements, have already inspired a surge of interest in the New Southbound countries among Taiwan's general public. For instance, one in five jobseekers in Taiwan is willing to take an offer in ASEAN countries, representing an increase of 67% compared to just two years ago, according to a research done in Taiwan by a top human resources company, "104 Corporation", in December 2016.

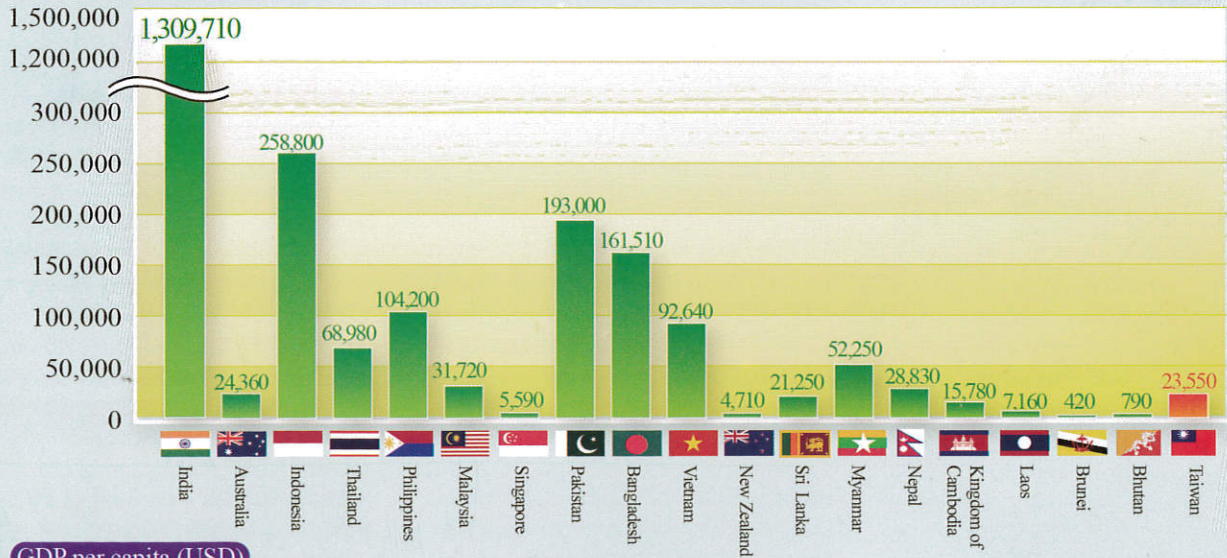
To cultivate awareness of and interest in the NSP, Taiwan is going to host expos in the Philippines, Vietnam, Indonesia and other countries in the near future. This is to demonstrate Taiwan's "soft power" and how we can work together to benefit people in the region instead of merely selling Taiwan's products. All of the peoples and governments of this region are urged to join hands with Taiwan to help us facilitate a thorough implementation of this mutually beneficial policy.

Annex: List of GDP by countries

GDP (billion USD)



Population (1,000 people)



GDP per capita (USD)



Source: International Monetary Fund, World Economic Outlook Database, October 2016.

Author: Stephanie Chao, author of "A sit-down with an architect of 'New Southbound'" published in The China Post on January 5, 2017
 Publisher: Office of Trade Negotiations, Executive Yuan, Republic of China (Taiwan), February 2017