

# Assessing Trends and Demand Signals for Taiwan's New Southbound Policy and Building a US-Taiwan Coordination Mechanism

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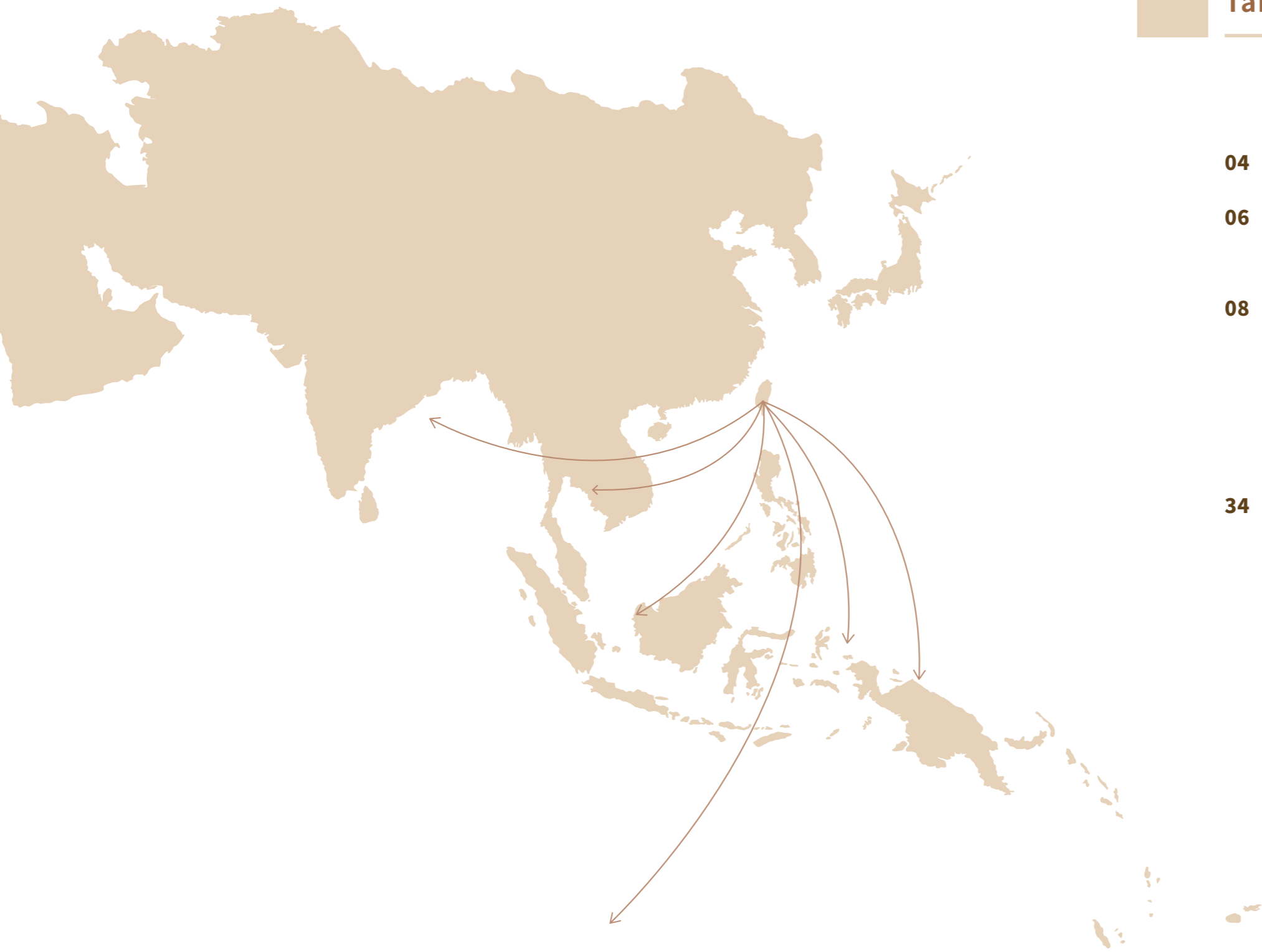
TAEF  
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010

2022.12

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## About Us

### Global Taiwan Institute (GTI)



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)



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

In 2021, the Taiwan-Asia Exchange Foundation worked with the Global Taiwan Institute to initiate a policy-focused exchange on Taiwan's New Southbound Policy (NSP) and US strategic interests in the Indo-Pacific region, resulting in a policy brief, *Connecting Taiwan's New Southbound Policy with US Strategy for the Indo-Pacific Region*. This year, we are pleased to once again collaborate with the Global Taiwan Institute in Washington D.C. on this initiative.

This policy brief follows up on last year's brief to assess the implementation of NSP initiatives, dynamics within Southeast Asia, and coordination with the US's Indo-Pacific Strategy. Implementation of the NSP has been broadly successful in deepening ties between Taiwan and NSP countries, and future complementary bilateral US-Taiwan development assistance in Southeast Asia presents a unique opportunity to promote shared interests and values and shape a new regional framework.

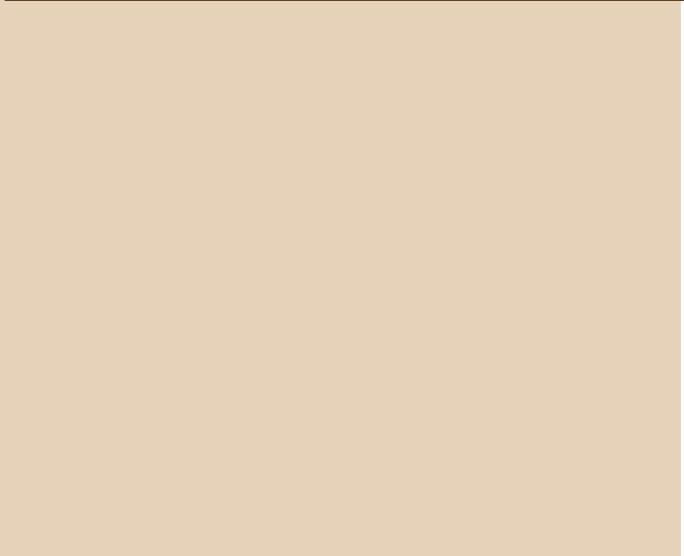
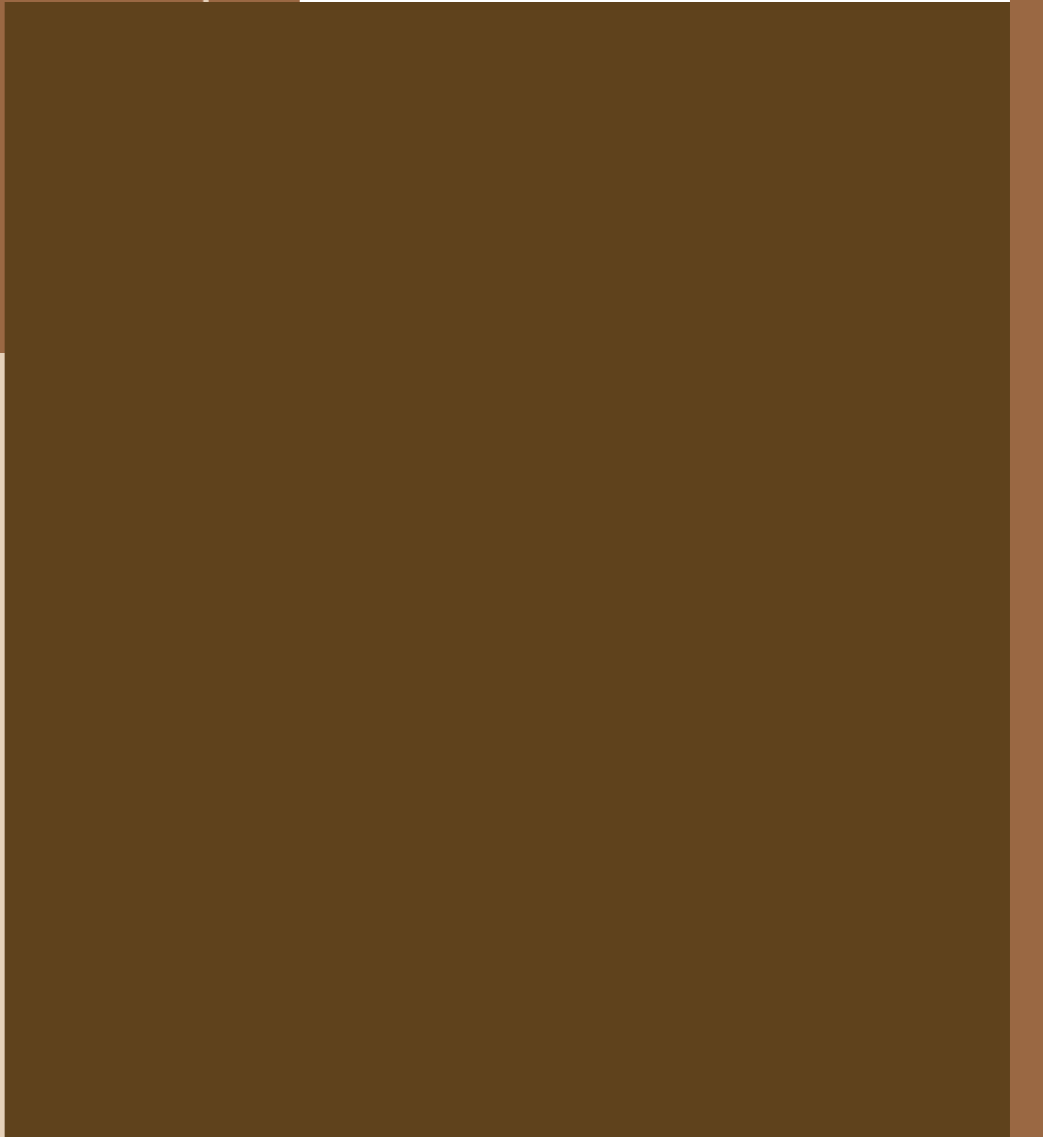
On behalf of the Taiwan-Asia Exchange Foundation, I would like to extend my gratitude to Mr. Russell Hsiao, J.D., Executive Director of Global Taiwan Institute for his effort in convening a successful collaboration and to Dr. Robert Wang and Dr. Satu Limaye for their thoughtful observations and in-depth analysis.



Hsin-Huang Michael Hsiao  
Chairman, TAEF  
December 2022



**Trends in Taiwan's New Southbound Policy and Impacts, Southeast Asia's Demand Signals for NSP, and Building a US-Taiwan Development Assistance Coordination Mechanism and Programs**



## Trends in Taiwan's New Southbound Policy and Impacts, Southeast Asia's Demand Signals for NSP, and Building a US-Taiwan Development Assistance Coordination Mechanism and Programs

Satu Limaye, Robert Wang, Russell Hsiao<sup>1</sup>

### Introduction

In our previous policy brief, *Connecting Taiwan's New Southbound Policy with US Strategy for the Indo-Pacific Region*, we described the US Biden Administration's foreign policy priorities—particularly in the Indo-Pacific—and identified development assistance initiatives in Southeast Asia that may complement elements of Taiwan's New Southbound Policy (NSP).<sup>2</sup> We also examined political and economic dynamics that may have an impact on US and Taiwan policies and activities in the region. With these in mind, we made recommendations as to how the United States and Taiwan could coordinate their efforts in Southeast Asia as well as strengthen bilateral economic ties between the United States and Taiwan more generally.

In this report, we follow up with an updated baseline assessment of the trends in NSP's implementation, demand signals from Southeast Asia, and—most importantly—specific proposals on ways to establish US-Taiwan cooperation in Southeast Asia through a coordination mechanism and specific programs. In doing so, we will also look at more recent developments in the Biden Administration's foreign policy priorities, focusing on those related to Taiwan and US initiatives in Southeast Asia.

To prepare this report, we convened a workshop among DC-based Southeast Asia experts to better understand the interests and demand input from regional countries as well as current regional dynamics that may be relevant to this effort. As we see it, bilateral US and Taiwan development assistance cooperation in the region would not only create synergy to enhance their programs but also strengthen ties with other countries that would advance the shared goal of promoting development, good governance, and democracy in Asia. In other words, US-Taiwan cooperation via aligned and cooperative policies could further contribute to a “free and open Indo-Pacific.”

### I. Trends in Taiwan's New Southbound Policy

As part of its overall design, the NSP leverages Taiwan's cultural, educational, technological, agricultural, and economic assets to deepen its regional integration. This is in part driven by Taiwan's geographic location between East and Southeast Asia and the growing strategic importance of the region, and due to Beijing's efforts to isolate Taiwan internationally. In this section of the report, we offer an assessment on the trends in Taiwan's relations with NSP countries since the initiation of its full implementation in 2018. The subsequent sections will assess the demand signals from the region and make specific proposals on ways to establish a coordination mechanism and develop concrete programs to build US-Taiwan cooperation in Southeast Asia.

The starting point for this section's analysis begins with a review of the development of ties between Taiwan and NSP priority countries over the last several years. This section builds on the ongoing implementation of the NSP and evaluates its progress since 2018.<sup>3</sup> This analysis aims to provide an update on some of the key metrics for the policy and recalibrate the baseline for a more updated assessment of the progress made under the policy and act as a guide for the path forward.

Specifically, this section will examine trends covering three major benchmarks set by Taiwan's NSP: trade and investment, tourism, and academic exchanges. In keeping with the overall focus of this phase of the project, this section will conclude with a review of the existing foreign aid and development assistance initiatives targeted at the region.

It should be noted that while the purpose of the NSP is not intended to be zero-sum in terms of Taiwan's relationship with China, and is primarily aimed at deepening integration between Taiwan and the region, as a result of geostrategic changes caused by US-China strategic competition—in particular, the US-China trade war as well as a deterioration in cross-Strait relations—there has been a noticeable decline in ties between Taiwan and China in several of the categories. Moreover, these downward developments in cross-Strait ties have been offset by closer ties with NSP countries. In short, the NSP's success results not only from the considered nature of its objectives, but also from broader geo-political and economic developments that are reinforcing progress in Taiwan-Southeast Asia relations.

#### I. Trade and Investment

As part of NSP's regional integration efforts, deepening economic cooperation with Southeast Asia countries is one of the key objectives. The trend in this regard has been positive over the past four years. While the NSP covers countries in Southeast Asia, South Asia, and Australia and New Zealand, Southeast Asian nations remain the main drivers of the growth in Taiwan's exports under the NSP. These numbers have continued to rise in spite of the impacts of the COVID-19 pandemic—although export growth to South Asia and Australia and New Zealand showed more fluctuation from year to year, the overall trend has been positive since 2016.

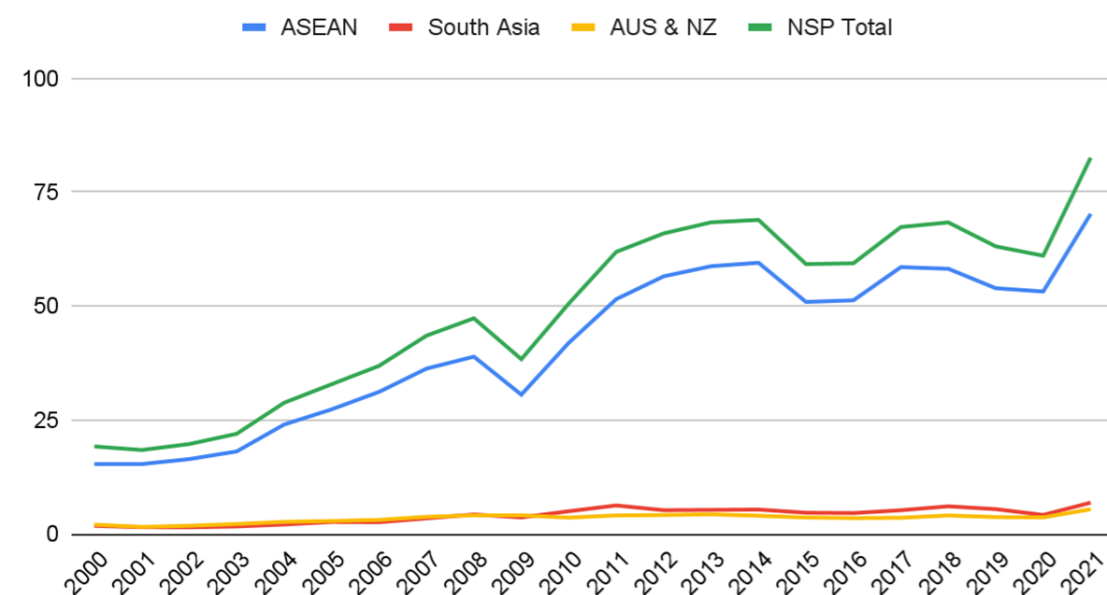
From 2000-2010 the average annual exports to each region were: US\$26.88 billion to ASEAN, US\$2.75 billion to South Asia, and US\$2.90 billion to Australia and New Zealand. From 2011-2021, export volumes nearly doubled for all three regions: a 90% increase in annual averages resulted in an annual average of US\$56.62 billion (ASEAN), a 96% increase in annual averages resulted in an average of US\$5.40 billion (South Asia), and a 38% increase in annual averages resulted in an average of US\$4.02 billion (Australia and New Zealand). As of August 2022, the numbers are (in billions): US\$56.18 to ASEAN, US\$5.57 to South Asia, US\$5.84 to Australia and New Zealand, and US\$67.59 overall. This means that Taiwan's exports in 2022 have already surpassed the exports for 2020, although if they will be on par with or exceed the increase in 2021 remains to be seen.

There are many variables that contributed to the drop in Taiwan's trade and economic ties with China. Overall, it is consistent with a decrease in Taiwan's economic activities

with China that is the result of regulatory uncertainties in China, COVID-19 shutdowns, increased risks caused by PRC trade restrictions, as well as a general decrease in demand from China. Some of these factors are interrelated. Additionally, assuming China's COVID-19 related issues continue, this trend is likely to continue into 2023.

Table I<sup>4</sup>

Taiwan's Exports (in billions; USD)



Another important metric for the economic element of Taiwan's NSP is its foreign direct investment (FDI), which is a good measure of economic and business sentiments. Since 2010 there has been a decrease in outward FDI investment from Taiwan to Mainland China, with ASEAN, Australia and New Zealand becoming more attractive investment locations for Taiwanese capital. From 2016 to 2021, there was a drop of 39% in FDI from Taiwan into Mainland China (from US\$9.67 billion to US\$5.86 billion) and 363% and 138% increases in FDI from Taiwan into Australia and New Zealand and ASEAN countries respectively.<sup>5</sup>

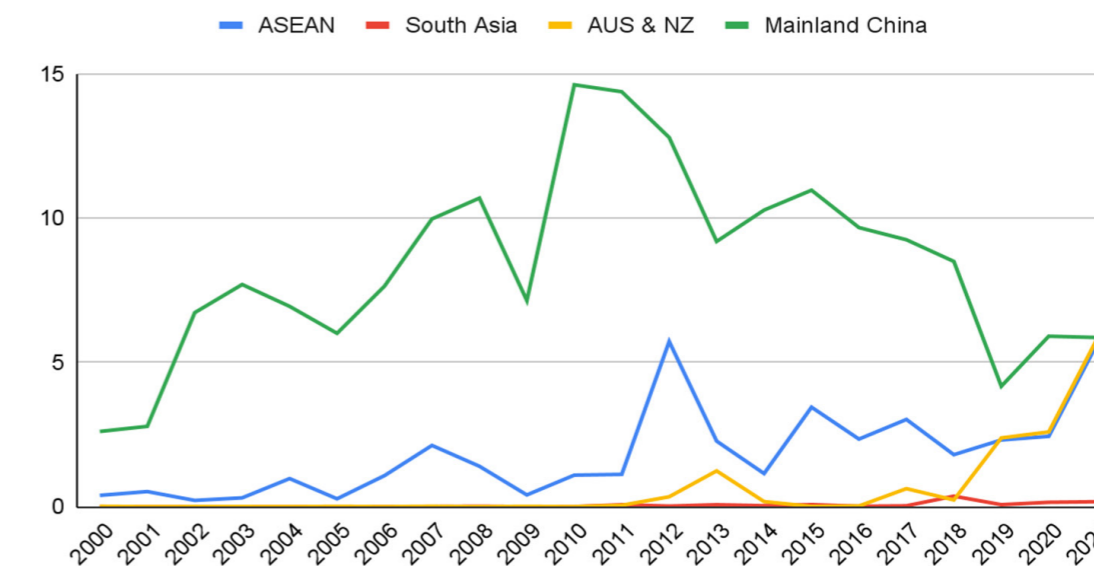
In 2021, Taiwanese investment in china and the two NSP priority regions was roughly equal, with US\$5.86 billion invested in Mainland China, US\$5.76 billion invested in Australia and New Zealand and US\$5.59 billion invested in ASEAN. Relative to the other two regions, there is still very little investment in South Asia, although investment in the region has been slowly increasing. Average investment in South Asia from 2000-2010 was US\$4.68 million, while average investment for 2011-2021 was US\$97.1 million.

As of August 2022, Taiwanese investment in Mainland China is on par with the same time period in 2021 (US\$2.60 billion for January to August 2021 versus US\$2.60 billion in 2022), while investments in ASEAN, South Asia and Australia and New Zealand are much less than what they were for the same time period in 2021 (US\$5.10 billion for January to August 2021 versus US\$1.94 billion in 2022 for ASEAN, US\$162 million in 2021 versus US\$107 million in 2022 for South Asia, and US\$5.26 billion in 2021 versus US\$2.04 billion in 2022 for Australia and New Zealand).<sup>6</sup>

A drop in Taiwan's investment in SEA relative to China could be related to how some investments in China may be more locked in. Despite the drop, however, it is worth noting that overall FDI from January to July 2022 from Taiwan into the 18 NSP countries exceeded US\$2.2 billion, which accounted for 43.9% of Taiwan's total outward investment for the period—still a significant percentage in overall terms.<sup>7</sup>

Table II

Taiwan's Outward FDI Investment (in billions; USD)



Prior studies of the NSP noted that economic factors are a huge motivator for Taiwan's pursuit of the NSP and predicted 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."<sup>8</sup> In terms of both exports and FDI, Taiwan is increasing its economic and trade ties with the countries and regions prioritized in the NSP.

While organic growth in trade and investment ties as a result of increased interaction are a factor, businesses need certainty provided by trade and investment agreements that can help formalize expectations, regulations, and outcomes. The Taiwan government has been actively trying to initiate negotiations with NSP countries. Taiwan currently has two economic cooperation agreements and seven bilateral investment agreements with NSP countries.<sup>9</sup> Following the update to the trade and investments agreements with the Philippines in 2017,<sup>10</sup> India and Vietnam in 2018 and 2019, respectively, have also updated their bilateral investment agreements with Taiwan.<sup>11</sup> The increase in trade and investment relations between Taiwan and NSP countries were likely reinforced by these agreements.

Interests in deepening economic and trade relations with Taiwan, especially in the high-tech sector, is likely to increase because of the growing awareness about the importance of its high-tech industry, which could encourage more NSP countries to update their bilateral investment agreements with Taiwan (since most were negotiated and signed in the early to mid-1990s). Therefore, there is a need to ensure that those agreements are



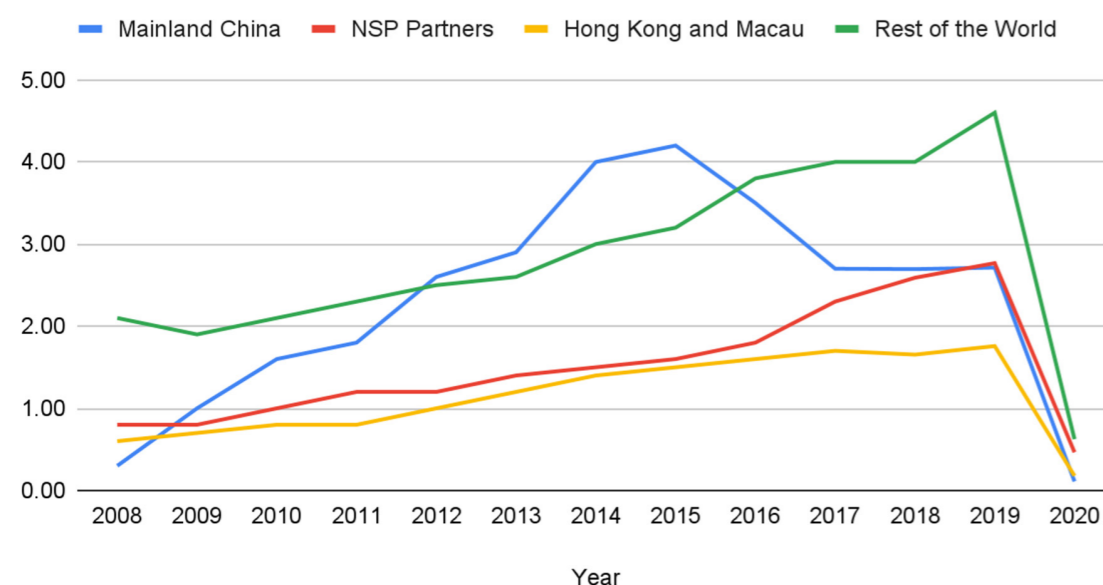
updated to reflect the increasing importance of high-tech and digital economies across the region.

### II. Tourism

The number of tourists from Mainland China have been decreasing since 2015, with tourists from the rest of the world surpassing tourists from Mainland China in 2016. In 2019, tourists from NSP countries surpassed tourists from Mainland China for the first time, with 2.77 million tourists from NSP partner countries and only 2.71 million tourists from Mainland China. In 2020, tourism numbers decreased drastically due to COVID-19 border closures. Still, in 2020, the number of tourists from NSP partner countries also surpassed tourists from Mainland China—with 464,595 tourists visiting from NSP countries and 111,050 visiting from Mainland China.

Table III<sup>12</sup>

#### Inbound Tourists to Taiwan (in millions)



The increase of in-bound tourists from NSP countries can be attributed in part to the Taiwanese government's initiative to provide visa exemptions for several NSP countries. Currently, seven of the NSP countries enjoy visa exemptions of various durations when entering Taiwan.<sup>13</sup> Three NSP countries have only temporary authorization for visa exemptions (i.e., Brunei, Thailand, Philippines). Six countries are entitled to receive both travel authorization certificate and multiple re-entry visa and tourist group e-visa.<sup>14</sup> Five NSP countries, all in South Asia, are only entitled to receive business e-visa.<sup>15</sup> Going forward, as Taiwan seeks to increase more in-bound tourists it should consider making permanent the temporary visa exemptions and progressively providing exemptions for other countries provided that adequate legal and law enforcement safeguards are in place in order to mitigate against transnational crimes.

Table IV  
Taiwan's Visa Exemption Programs for NSP Partner Countries<sup>16</sup>

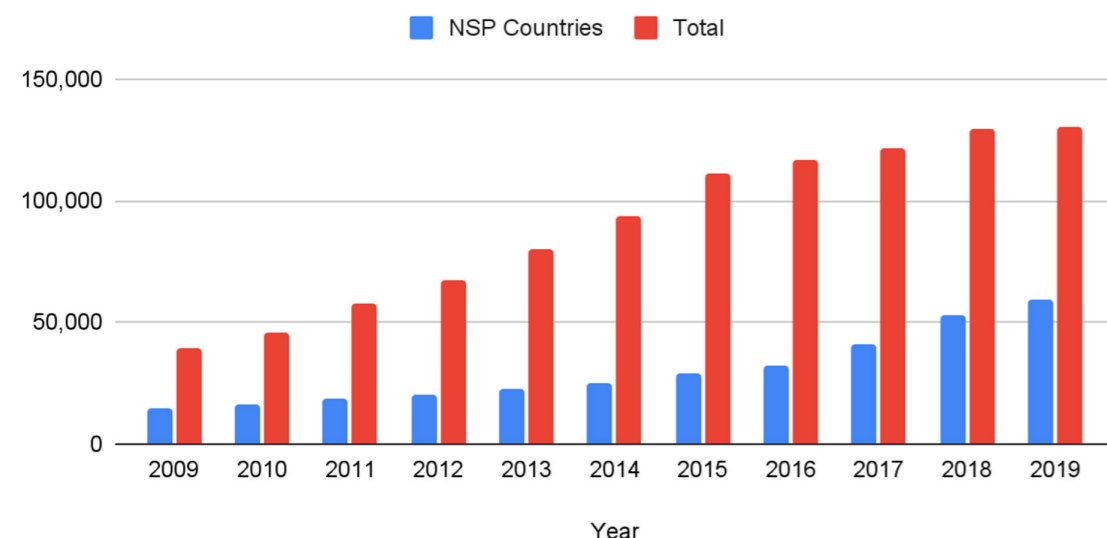
|             | Visa Exemption |         |                     | Travel Authorization Certificate | Business E-Visa | Business E-Visa Multiple Re-entry Visa and Tourist Group E-Visa |
|-------------|----------------|---------|---------------------|----------------------------------|-----------------|---|
|             | 90 days        | 30 days | 14 days             |                                  |                 |   |
| Australia   | Yes            | -       | Yes                 | Yes                              | Yes             | Yes   |
| New Zealand | Yes            | -       | Yes                 | Yes                              | Yes             | Yes   |
| Singapore   | -              | Yes     | -                   | -                                | -               | -   |
| Malaysia    | -              | Yes     | -                   | -                                | -               | -   |
| Brunei      | -              | -       | Yes until 7/31/2023 | -                                | -               | -   |
| Thailand    | -              | -       | Yes until 7/31/2023 | -                                | -               | -   |
| Philippines | -              | -       | Yes until 7/31/2023 | -                                | -               | -   |
| Indonesia   | -              | -       | -                   | Yes                              | -               | Yes   |
| Vietnam     | -              | -       | -                   | Yes                              | -               | Yes   |
| Laos        | -              | -       | -                   | Yes                              | -               | Yes   |
| Cambodia    | -              | -       | -                   | Yes                              | -               | Yes   |
| Myanmar     | -              | -       | -                   | Yes                              | -               | Yes   |
| India       | -              | -       | -                   | Yes                              | -               | Yes   |
| Sri Lanka   | -              | -       | -                   | -                                | Yes             | -   |
| Bhutan      | -              | -       | -                   | -                                | Yes             | -   |
| Pakistan    | -              | -       | -                   | -                                | Yes             | -   |
| Bangladesh  | -              | -       | -                   | -                                | Yes             | -   |
| Nepal       | -              | -       | -                   | -                                | Yes             | -   |

### III. Academic Exchanges

A key component of the NSP's people-to-people pillar is strengthening academic exchanges. In addition to increasing the number of students from NSP countries, the NSP aims to encourage Taiwanese students to study and work abroad in these countries.

**Table V**

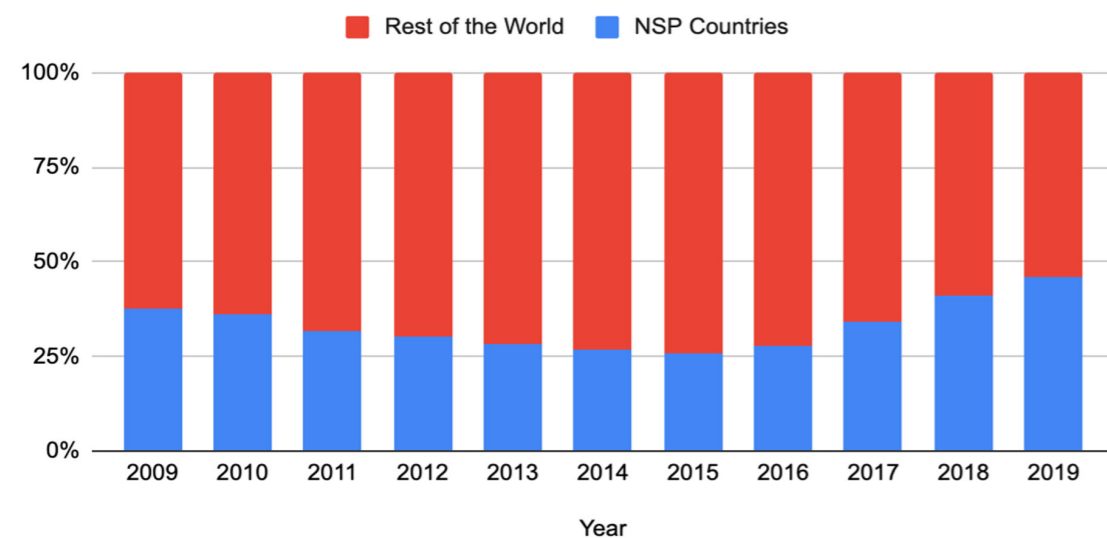
### Non-Citizen Students in Taiwanese Universities, Colleges and Junior Colleges



From 2009 to 2019, the number of non-citizen students in Taiwan has been steadily increasing from both NSP and non-NSP countries.

**Table VI<sup>17</sup>**

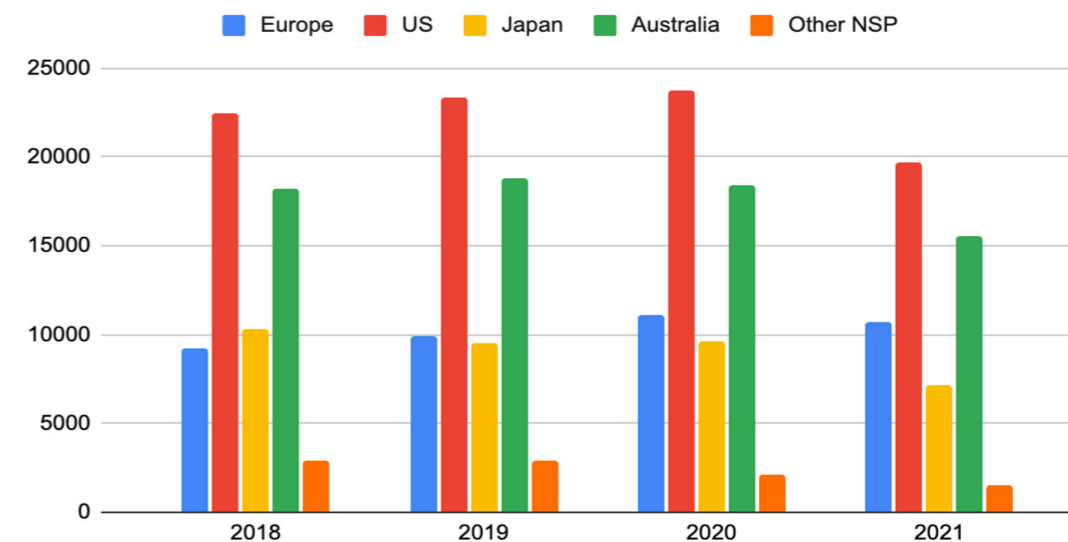
### Non-Citizen Students in Universities, Colleges and Junior Colleges



The ratio of NSP students to students from the rest of the world has been steadily increasing since 2016. In 2015, 110,182 foreign students studied at tertiary institutions in Taiwan, with 28,492 students coming from NSP target countries. In 2019, of the 130,417 foreign students, 59,720 students came from NSP target countries meeting the target set by the central government in 2016 to increase the total number of students from NSP target countries by 30,000 by 2019.<sup>18</sup>

**Table VII<sup>20</sup>**

### Study Abroad Destination of Outbound Students From Taiwan



Among the NSP partner countries, Australia is the most popular study abroad destination for Taiwanese students. However, the United States is still the most popular destination for Taiwanese students overall. It should be noted that there was an overall decrease in outbound students from Taiwan from 2020 to 2021, which is likely as a result of COVID-19 restrictions and other factors.

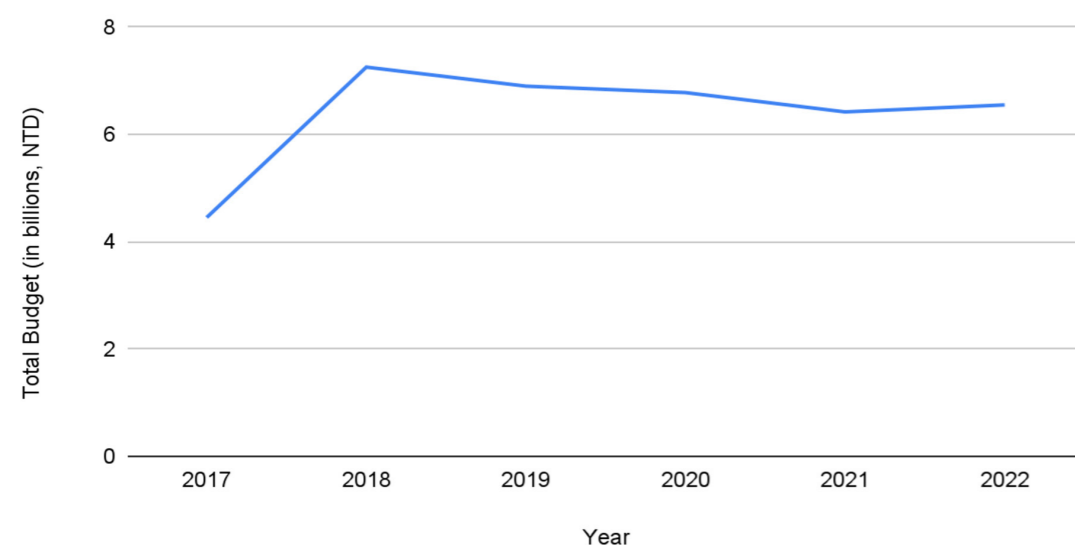
#### Overall Budget

In terms of the overall budget allocated by the Taiwan government to the NSP, which is shared between the various government agencies tasked with implementing the policy, there was a significant increase of 38% from US\$142.6 million (4.45 billion NTD) in 2017 to US\$232.7 million (7.26 billion NTD) in 2018. Since 2018, the budget has remained steady between US\$208 million (6.5 billion NTD) to US\$234 million (7.3 billion NTD) per year over the subsequent four years. The peak budget for the NSP was US\$232.7 million in 2018 and the 2022 budget is US\$209.8 million (6.55 billion NTD) (See Table VIII below).<sup>21</sup> The increase in budget from 2017-2018 was due to 2018 being the first year that the Tsai administration was able to set the budget for the NSP since the prior year's budget had already been allocated by the former administration. By way of comparison, the overall proposed budget for the Ministry of Foreign Affairs in 2023 was US\$993.6 million.<sup>22</sup>

While the budget for NSP may seem quite substantive when compared to overall foreign affairs budget, it is worth considering whether it may be insufficient when set against the number of NSP countries, scale of Taiwan economy, and the outcomes for trade, tourism, FDI, students—and the wider strategic and integration objectives of NSP.

**Table VIII**

**Budget Allocation of the NSP**



**NSP Countries with Active ODA Partnership Programs with Taiwan**

As Taiwan's de facto agency<sup>23</sup> for implementing Official Development Assistance (ODA) programming, the Taiwan International Cooperation and Development Fund (ICDF) is a key instrument in furthering the goals and objectives of the NSP. ICDF is currently implementing various projects in several NSP-focused countries.<sup>24</sup> Of the 18 countries at the center of the NSP,<sup>25</sup> six currently have active ICDF foreign assistance programs underway. There are ten NSP countries that lack foreign assistance partnerships with Taiwan altogether.<sup>26</sup> The remaining two, Myanmar<sup>27</sup> and Nepal,<sup>28</sup> previously had active ICDF development assistance projects—including solar power grid construction, healthcare personnel training, food security programs, and earthquake medical assistance.

Even though several NSP countries have long-standing partnerships with the ICDF, there is only one specific mention<sup>29</sup> of the NSP in the most recent ICDF report. While financial reports are not available,<sup>30</sup> post-2016, it appears that ICDF resources are evenly distributed<sup>31</sup> among regions, with no particular orientation toward NSP countries overall.

The following NSP countries have active program partnerships with the ICDF: Thailand, Indonesia, Philippines, Malaysia, Vietnam, and India. These projects remain entirely focused on technical assistance and do not leverage the full breadth of tools in development assistance aid. There is a lot of opportunity to increase development aid cooperation with NSP countries.

In terms of scale, the ICDF's most widespread program in NSP countries appears to be the Women's Livelihood Loan Project<sup>32</sup> in Southeast and South Asia, which is interestingly implemented in cooperation with the Singapore-based Investment Exchange and the US International Development Finance Corporation. This program requires further consideration as a possible example of the way in which Taiwan and US development assistance cooperation can be structured and implemented in relevant NSP countries.

Overall, the primary areas of focus appear to be agricultural capacity and agribusiness, disaster response, and micro-lending schemes.

At the same time, there is a clear preference for the Taiwan government to allocate ODA to diplomatic partners, with the majority share going towards diplomatic partners. While this is an understandable objective and priority for Taiwan's foreign policy, such a narrowly tailored approach could fail to leverage Taiwan's limited resources to bolster ties with other partners that could play an important role in countering PRC's pressure campaign against Taiwan. This presents a major "gap" or deficiency of NSP and could also limit connectivity to US efforts in the region of SEA.

As noted by Daniel Runde, a senior vice president at the Washington-based Center for Strategic and International Studies, "Taiwan can use its foreign assistance to create a global constituency of support for its cause." More specifically, according to Runde, "Taiwan could use its foreign assistance to pursue other foreign policy goals, such as accelerating its New Southbound Policy through the use of foreign aid for trade capacity building and trade facilitation to shift trade flows away from China and toward new economic partners."<sup>33</sup> However, Taiwan currently spends only around US\$500 million annually, which is critically below the international standard of 0.7 percent of gross national income for official development assistance.<sup>34</sup>

**ICDF Development Assistance Projects in NSP Partner Countries**

**Thailand**

- Raising Competency of Farmers' Horticultural Produces Project (agricultural research and agribusiness)<sup>35</sup>
- TaiwanICDF Overseas Volunteers Program (technical volunteer exchanges)<sup>36</sup>

**Indonesia**

- Women's Livelihood Loan Project in Southeast and South Asia (small and medium enterprise micro-lending project in cooperation with Singapore-based Investment Exchange and the US DFC)<sup>37</sup>
- Karawang Horticulture Development Project (agricultural research and agribusiness)<sup>38</sup>
- Expanding High-Quality Rice Seed Production in South Sulawesi (agriculture capacity)<sup>39</sup>

**Philippines**

- Southern Leyte Typhoon Rai Livelihoods Early Recovery Support (cash support and skills training, with support of Norwegian Refugee Council)<sup>40</sup>
- Women's Livelihood Loan Project in Southeast and South Asia (small and medium enterprise micro-lending project in cooperation with Singapore-based Investment Exchange and the US DFC)<sup>41</sup>
- 2022 Healthcare Personnel Training Program (on-the-job training with medical personnel)<sup>42</sup>

**Malaysia**

- 2022 Healthcare Personnel Training Program (on-the-job training with medical personnel)<sup>43</sup>

### **Vietnam**

- Women's Livelihood Loan Project in Southeast and South Asia (small and medium enterprise micro-lending project in cooperation with Singapore-based Investment Exchange and the US DFC)<sup>44</sup>
- Overseas Investment and Development Corp (subsidiary funds for public infrastructure, construction, and other investments)<sup>45</sup>
- Expanding High-Quality Rice Seed Production in South Sulawesi (agriculture capacity)<sup>46</sup>

### **India**

- Women's Livelihood Loan Project in Southeast and South Asia (small and medium enterprise micro-lending project in cooperation with Singapore-based Investment Exchange and the US DFC)<sup>47</sup>
- 2022 Healthcare Personnel Training Program (on-the-job training with medical personnel)<sup>48</sup>

### ***Leveraging Taiwan's Civil Society in the NSP***

Only examining Taiwan's ODA to assess Taiwan's foreign aid offers an incomplete picture of the full breadth and scope of Taiwan's foreign assistance activities with NSP countries. In fact, Taiwan's civil society is very active in development assistance projects. A report published by the Taiwan-Asia Exchange Foundation (TAEF) in 2022 entitled *The New Southbound Policy: Strategizing Taiwan's Warm Power Practice*, noted that based on a survey conducted in 2020 there are around 35 Taiwanese NGOs in NSP partner countries implementing 194 development assistance and service projects.<sup>49</sup> Additionally, TAEF's 2021 report<sup>50</sup> looking at 30 Taiwan NGOs' assistance to NSP countries under COVID-19 found that the 30 surveyed NGOs had:

- Invested NT\$150 million (US\$4.8 million) into COVID-19 assistance, overall benefitting 8 million individuals.
- Adopted 10 major actions to COVID-19 assistance: 1) providing epidemic prevention supplies and health education; 2) strengthening sanitary facilities and health systems; 3) distributing daily necessities and cash relief; 4) aiding in increasing income and re-establishing livelihoods; 5) reducing psychological stress; 6) initiating online services; 7) developing mobile services; 8) distributing learning resources and improving learning environments; 9) offering emergency aid to mitigate the impact of compound disasters, and; 10) sharing Taiwan's experience of containing outbreak.
- Had the following distribution in areas of interest: education (70%), medical and health care (70%), humanitarian aid (56.6%), employment and empowerment for disadvantaged groups (30%), community development (30%), water, sanitation and hygiene (23.3%), infrastructure (16.6%).
- Had the following distribution in service recipients: children (80%), youth (56.6%), women (50%), disadvantaged families (46.6%), elders (36.6%), people with disabilities (23.3%), migrant workers (20%), refugees (16.6%), indigenous peoples (6.6%).

TAEF noted that these 10 major actions were grouped into three characteristics. The first characteristic was to take advantage of digital technology and continue digital transformation. The NGOs hoped to continue to digitalize their programs to implement service plans online, with the goal of increasing accessibility and improving communication. The second characteristic was to strengthen community resilience and ensure the basic rights of marginalized groups, as surveyed NGOs focused on helping disadvantaged groups who were more affected by the pandemic. The last characteristic was to appropriately employ local partnerships, expand networks, and cultivate local teams. NGOs found that local partnerships are important especially to improve local self-reliance and root actions taken in local context.

These trendlines form a solid basis for the NSP's continuing growth in the coming years. While determining the causes for the increase in exports from Taiwan to the region are outside the scope of this analysis, the overall geostrategic context and that of the incentive structures created by the policy itself have likely contributed to the shift in Taiwan's reorientation—even though Taiwan remains heavily weighted towards the China market especially in terms of its trade and investment ties. These improvements provide a good basis from which Taiwan and the United States, as well as other like-minded partners, can work closer together to provide a multiplying effect on this strategic initiative for their shared foreign policy priorities and the development needs of the region.

## **II. Assessing Southeast Asia's Demand Side for Taiwan's Role in Development Assistance Initiatives and Possible Lines of Effort**

Having reviewed developments and trends in Taiwan's NSP, this section assesses the "demand side" for the NSP from Southeast Asian perspectives. It does so by first providing some Southeast Asian views on possible areas of advantage and role for Taiwan. Then it analyzes how the programs and assets of Taiwan's NSP square with ASEAN priorities as reflected in the ASEAN Outlook on the Indo-Pacific and the Plan of Action to Implement the ASEAN-United States Strategic Partnership (2021-2025). While the latter is a US-ASEAN work plan, it has the advantage of providing further details on both ASEAN and US shared priorities. Hence, it provides insight into both ASEAN's demand side and into US-ASEAN cooperation, which in turn provides a fuller picture of the opportunities for NSP with Southeast Asia—either on its own or in parallel with the United States. With the US-ASEAN relationship expected to be upgraded to a Comprehensive Strategic Partnership by the end of this year, the AOIP, combined with the bilateral US-ASEAN plan of action, provides a basis to consider where Taiwan's NSP can contribute on its own and in cooperation with the United States.

### ***Southeast Asian Perspectives of Taiwan's Possible Contributions in a New International Environment***

Much has changed in just the year since the publication of *Connecting Taiwan's New Southbound Policy with US Foreign Policy Initiatives in Asia*. The situation internationally is much worse in both geo-political terms (e.g., Russia's naked aggression in Ukraine and the PRC's upscaled domestic authoritarianism after the 20th party congress and continuing assertiveness evident in its actions towards Taiwan this past summer) and

geo-economic ones (e.g., high global inflation, interest rates, dollar value, as well as food, energy, and fertilizer prices).

Apart from these international conditions, a second important contextual change is that our first report was issued at a time when the relative salience of Taiwan and indeed Southeast Asia was significantly lower<sup>51</sup> than it is today. In the past two years, the importance and significance of Taiwan and Southeast Asia have both increased significantly. The May 2022 US-ASEAN Summit and the so-called “4th Taiwan Straits Crisis” in August-September 2022 are examples of the increased salience of both Taiwan and Southeast Asia on the international scene. On the economic side, all but three ASEAN countries have expressed interest in the Indo-Pacific Economic Framework (IPEF), and negotiations between the United States and Taiwan have begun on a 21st-century trade agreement.

Though Taiwan-Southeast Asia connections are long-standing,<sup>52</sup> what is the net effect of recent changes on Southeast Asia's demand side for Taiwan's regional role? The overall impacts are mixed. On the one hand, the structural fact of China's increased profile, role, and presence across SEA during the past three or so decades in particular creates a disadvantage for Taiwan. Southeast Asian interlocutors remind that the depth of PRC economic and political linkages plus PRC information strategy for the region has had tremendous reach and impacts in shaping narratives. On the other hand, there is considerable polling evidence that both elites<sup>53</sup> and to a lesser extent the public<sup>54</sup> in Southeast Asia have less positive views and more concerns about China. Moreover, the Taiwan-China crisis of August-September 2022 creates anxiety and polarizes the situation from the Southeast Asian viewpoint—particularly US-China relations. And Southeast Asian countries are acutely sensitive to and seek avoidance of being enmeshed in US-China strategic competition that they fear is moving from “intense competition” or “competitive co-existence” to something near decoupling and/or conflict. There has been a mildly measured sense in Southeast Asia that the Presidents Biden-Xi meetings in November 2022 have had the effect of slightly mitigating the surface intensity of competition without in any way changing its structural elements. In such an environment, Southeast Asia does not seek to expand ties with Taiwan as an aspect of this US-China competition or China's muscular nationalism and international “assertivism.” Just as a nuanced appreciation of Southeast Asia's demand side for Taiwan's positive role in the region is important, so too is an understanding of what Southeast Asians do not have a demand for relating to Taiwan. The latter includes:

- Formalizing diplomatic relations with Taiwan;
- Advocating for Taiwan's membership in international organizations

On the other hand, the current Southeast Asian challenges in the form of food, energy, health and economies creates an atmosphere and context where well-designed development, technical, and capacity assistance could be welcome. Economic recovery and growth is perhaps the most important element for Southeast Asian governments and people and whatever Taiwan can do to assist with these priorities would be welcome.

One SEA expert who was consulted for this report noted that while the trend towards many external partners engaging with Southeast Asia has been underway for years, as

the pandemic eases “everyone is doing more” in Southeast Asia. This provides space for Taiwan to be part of this strategic and economic internationalization by Southeast Asia—even as regional governments understand that there are unique features and constraints of cooperating with Taiwan. The important thing for Taiwan, according to this expert, is to play to its strengths and advantages including in such areas as small and medium enterprises (SMEs), women's empowerment, labor issues, pandemic-exacerbated issues such as illegal labor and transnational crime, and of course illegal, unreported and unregulated (IUU) fishing.

Another expert from Southeast Asia drew attention to Taiwan's capacity to focus on people to people (P2P) and business to business (B2B)—especially knowing that China will seek to block “track one” avenues and platforms to Taiwan and place heavy pressure on Southeast Asian governments to prevent Taiwan gaining any space in them. In terms of areas of Taiwanese advantage acceptable in Southeast Asia, public health and economic recovery are key. Taiwan could potentially contribute to public health in Southeast Asia by working with the Quad's vaccine partnership. Taiwan is also well-appreciated in Southeast Asia's business environment for its “semiconductor supremacy.” This provides an opportunity for TSMC's B2B private sector engagement to step up. Taiwan can, this Southeast Asia expert opined, also lead the region in technology (ICT) infrastructure. This could include digitization of Small and Medium Enterprises (SMEs).

And perhaps one of the most promising but to date under-harnessed avenues for Taiwan's regional cooperation is through educational, scholarship, and civil society links drawing on alumni of Taiwanese universities, NGOs, civil society groups, journalists, and businesses looking to reorient their China-focused strategies. A particular area of possibility for Taiwan is in journalism. Southeast Asia experts noted that some publications are moving out of China to Taiwan, and Taipei could play an important role in attracting more journalists and providing scholarships for journalism training. Another recent initiative in the educational space is Taiwan-based organizations for Mandarin learning centers. Perhaps these could be expanded in Southeast Asia.

In crafting and implementing cooperation with Southeast Asia, our regional experts emphasized the need for Taiwan to engage regional countries on a case-by-case, issue-by-issue basis, and at times on a granular level rather than large conceptual or diplomatic schemes. Southeast Asia is looking for solutions and Taiwan has demonstrated its ability to create them at home and provide experience, expertise and funding to help create them elsewhere. And in order to be able to do so more effectively and with greater welcome, Taiwan's role as an alternative cooperation partner needs to be better socialized in Southeast Asian countries—especially in light of what has been noted above, that the PRC's economic and information and diplomatic inroads have created a preeminent regional narrative. Taiwan has to be subtle and careful, but given Southeast Asia's openness to not putting all its eggs in the China basket (while benefiting as much as possible from commercial links spanning trade to tourism with China) and navigating PRC economic coercion, Taiwan has natural space to “up its game” in Southeast Asia. Enhancing and expanding Taiwan's role is not equivalent to seeking to compete with China “dollar for dollar” or in every area. Taiwan should carefully calibrate its many advantages on a case-by-case basis with regional Southeast countries.

In this spirit, Southeast Asian interlocutors mentioned the need for a real mutual understanding between Taiwan and Southeast Asia that does not now exist. There is little support for Taiwan's *de jure* independence and little evidence that Southeast Asia would support Taiwan in the event of Chinese aggression. However, Southeast Asians do not fully appreciate what such an invasion would mean for their countries, economies and future. Not only does there need to be such real public diplomacy work, but it needs to be backed up with credible survey and opinion data and with more people-to-people exchange including for example much expanded Southeast Asian tourism to Taiwan. As one Southeast Asian expert explained, “[t]he homework is to find out the extent of Taiwanese economic presence in [southeast] Asia, then you will be able to understand the consequences. Its presence in economics and education will form the basis of a study of how Taiwan matters to SE Asia.”

The possibilities for Taiwan-Southeast Asia engagement are substantial in the view of Southeast Asia experts who shared perspectives of the demand side in the region for a Taiwan role. These expert views need to be set against official views expressed in two important documents, the *ASEAN Outlook on the Indo-Pacific (AOIP)* and *Plan of Action to Implement the ASEAN-United States Strategic Partnership (2021-2025)*.

#### ***ASEAN's “Demands” in the ASEAN Outlook on the Indo-Pacific (AOIP)***

ASEAN's AOIP was launched in June 2019 during the ASEAN Summit. There are rumors that Indonesia will seek to update AOIP during its chairmanship of ASEAN following the East Asia Summit in November 2023.

Currently the AOIP flags development as the third of four ASEAN priorities and recognizes this is an area for cooperation. AOIP identifies the following areas for development cooperation:

- Maritime cooperation
- Connectivity
- UN Sustainable Development Goals
- Economic and Other Possible Areas of Cooperation.

The bottom line is that the ASEAN AOIP signals a demand for cooperation and development assistance in a sufficiently broad scope of areas that allow a range of cooperative possibilities for the United States, Taiwan, and for the United States and Taiwan together. The next step is to consider how the NSP is and/or can be further aligned with the current and perhaps refreshed AOIP that is reportedly forthcoming.

Such an effort could also be linked to US-ASEAN ongoing efforts, most practically the *Plan of Action to Implement the ASEAN-United States Strategic Partnership*.

#### ***Plan of Action to Implement the ASEAN-United States Strategic Partnership (2021-2025)***

Another useful source to assess ASEAN's demand side for development assistance is the *Plan of Action to Implement the ASEAN-United States Strategic Partnership (2021-2025)*. It is expected that the US-ASEAN relationship will be “elevated” to a Comprehensive Strategic Partnership for which this plan of action is essentially the work plan.

As might be expected, there is a huge range of possible cooperation but by focusing on specific mentions of “assistance” the following areas of priority emerge that are not nested under security cooperation:

- Support ASEAN Member States' efforts in achieving increased IP awareness, effective IP protection and enforcement consistent with agreed international standards and international agreements to which ASEAN Member States are parties through capacity building and technical assistance;
- Continue to provide technical assistance and capacity building through activities such as exchange programs to develop ASEAN entrepreneurs, with particular focus on women, youth, and persons with disabilities to enable them to compete regionally and globally;
- Support skills development for the industries of today and the future, and develop access to capital, mentorship, and technical assistance, especially for women entrepreneurs.

The priorities laid out in the US-ASEAN work plan have many overlaps with NSP.

#### **The NSP Priority Areas**

The NSP flagship areas are:

- Regional agricultural development
- Medical and Public Health Cooperation and the Development of Industrial Chains
- Industrial Talent Development
- Industrial Innovation and Cooperation
- NSP Policy Exchange Forum and Youth Exchange Platform

Prospective Areas identified for cooperation are:

- Cross-border e-commerce
- Tourism
- Infrastructure

### **III. Building a Coordination Mechanism and Programs**

#### ***US Foreign Policy Priorities and Initiatives in Southeast Asia***

President Biden made it very clear from the outset that his top foreign policy priority would be “to renew US democracy and alliances, protect the United States' economic future, and once more have America lead the world.” In particular, he underscored China's threat to the liberal international order and proposed building a united front “to shape the rules of the road on everything from the environment to labor, trade, technology, and transparency, so they continue to reflect democratic interests and values.” He specifically affirmed US commitment to “stand with friends and allies to advance our shared prosperity, security and values in the Asia-Pacific region,” which includes “deepening our ties with Taiwan, a leading democracy, major economy, technology powerhouse—and a shining example of how an open society can effectively contain COVID-19.”

To advance these goals, Biden announced that the United States will first host a global Summit for Democracy “to renew the spirit and shared purpose of the nations of the

free world.” Accordingly, the United States convened the inaugural virtual Summit for Democracy in December 2021, inviting more than 100 governments (notably not including China and Russia) as well as a wide range of civil society organizations to share ideas and make commitments to strengthen democracies, fight corruption and promote human rights.<sup>55</sup> Despite Beijing’s protests, Taiwan was included in the list of invited governments and represented by Taiwan’s Digital Minister Audrey Tang and Representative to the United States Bi-khim Hsiao in the two-day forum. As a next step, the United States announced that it intends to convene an in-person meeting within a year to assess progress made by the government participants of the Summit.

In response to China’s escalating military threats against Taiwan, Biden also publicly stated on four occasions—most recently during his visit to Japan in May 2022 and at a CBS interview on “60 Minutes” in September—the United States is committed to go to Taiwan’s defense in the event of a Chinese invasion.<sup>56</sup> In response to questions from the media, the US State Department has maintained that the US policy toward Taiwan has not changed, i.e., the President’s statements are consistent with the longstanding US “One China Policy” that opposes any unilateral action by either side seeking to change the status quo across the Taiwan Strait. Critically, during and in the wake of further Chinese military actions following US Speaker Nancy Pelosi’s visit to Taiwan in early August, the United States sent the nuclear aircraft carrier USS Ronald Reagan to the area followed shortly by the transit of two guided-missile cruisers through the Taiwan Strait. This was followed up by further transits, including one joined by a Canadian frigate in September. These statements and actions were clearly intended to convey US commitment to Taiwan and its democracy to help maintain the status quo in the face of Beijing’s increasing coercion.

For its part, the US Congress has boldly stepped up its bipartisan support for Taiwan with further delegation visits to Taiwan and the drafting of the Taiwan Policy Act (TPA) that calls for expediting arms sales, providing billions of dollars in security assistance and initiating a comprehensive training program that would include joint military exercises to achieve interoperability with the Taiwan military.<sup>57</sup> The bill also calls for the imposition of sanctions against Chinese persons and financial institutions involved in “hostile action” to undermine the governing institutions and interfere with the territorial integrity of Taiwan. More broadly, the bill includes measures to support Taiwan’s participation in international organizations, enhance bilateral development and economic cooperation and promote educational and exchange programs. While final passage of this bill in its current form is still uncertain, Congress is expected to continue pushing for such measures through legislation to deter Chinese coercion against Taiwan, especially with the lesson of Russia’s invasion of Ukraine in mind.

On the economic front, Biden also announced during his May visit to Japan the formation of the Indo-Pacific Economic Framework (IPEF) with the United States and 13 other Asian countries, including seven key economies in Southeast Asia. In its launching statement, the countries committed: 1) to “build high-standard, inclusive, free, and fair trade commitments” and “new and creative approaches in trade and technology policy,” 2) to “improve transparency, diversity, security, and sustainability in our supply chains” to “ensure access to key raw and processed materials, semiconductors, critical minerals, and clean energy technology,” 3) to “accelerate the development and deployment of clean

energy technologies,” and 4) to promote “fair competition by enacting and enforcing effective and robust tax, anti-money laundering, and anti-bribery regimes.”<sup>58</sup> IPEF held its first in-person ministerial meeting in Los Angeles in September 2022 and produced a joint statement of negotiating objectives in each of these four pillars.

While Taiwan was not included in IPEF due to the concerns of some of its members about Beijing’s reaction, the United States and Taiwan announced a week later in June the launch of the US-Taiwan Initiative on 21st-Century Trade that not only incorporates essentially the same economic agenda but also includes additional measures to eliminate forced labor in global supply chains and develop provisions to compete with nonmarket practices from state-owned enterprises, clearly aimed at addressing issues related to Chinese trade practices.<sup>59</sup> Bilateral talks began almost immediately at the end of June that proceeded along two tracks, with the United States Trade Representative (USTR) handling trade issues and the Commerce Department in charge of technology and investment, including coordination on export controls and measures to secure semiconductor supply chains. “Taiwan is an incredibly important partner to us, especially as it relates to semiconductors,” US Commerce Secretary Gina Raimondo said in a briefing, adding that “we look forward to continuing to deepen our economic ties with Taiwan.”<sup>60</sup> Because these negotiations would not include market access provisions that require changes in US law, the administration is not expected to need formal Congressional approval for any agreement. Nonetheless, as Taiwan’s minister and chief trade negotiator John Deng pointed out, this could lay the foundation and facilitate the eventual negotiation of a bilateral free trade agreement.

Meanwhile, the United States has also acted directly to strengthen its engagement in Southeast Asia through the Association of Southeast Asia Nations (ASEAN). In his address at the 9th US-ASEAN Summit held virtually in October 2021, President Biden underscored “the importance the United States places on our relationship with ASEAN” that is “essential in maintaining a free and open Indo-Pacific, which has been the foundation of our shared security and prosperity for many decades.”<sup>61</sup> He indicated that “our continued cooperation is only growing more important—not less—more important as we strive together to meet the challenges that are going to shape the 21st century moving forward: tackling the COVID-19 pandemic, taking on the climate crisis, strengthening our cyber defenses, and producing new technologies, upholding freedom of the seas and commerce, and so much more.” In this effort, Biden announced that the United States will provide more than US\$100 million to launch new initiatives to enhance cooperation across these issues with ASEAN countries.

Shortly afterwards in May 2022, the United States convened a historic US-ASEAN Special Summit, held in-person for the first time in Washington D.C. and at the White House, to “re-affirm the United States’ enduring commitment to Southeast Asia and underscore the importance of US-ASEAN cooperation in ensuring security, prosperity, and respect for human rights.”<sup>62</sup> Addressing the ASEAN head of states in person, President Biden noted that this Summit had also provided an opportunity for their engagement with a broad range of US officials, including members of Congress and Cabinet members, as well as the American business community. Biden said: “I wanted you to be as exposed as you could and understand there’s enthusiasm—that it’s not just at the President’s level and

the Vice President's level, but throughout the entire administration—or this relationship and—bettering it.”<sup>63</sup> At the Special Summit, the Biden Administration indicated that its FY 2023 Budget Request will include over US\$800 million in bilateral assistance for ASEAN partners and over US\$25 million to deepen relations with ASEAN as an institution to enhance its capacity to tackle pressing regional challenges. Biden also announced the nomination of a close advisor and former NSC Chief of Staff, Yohannes Abraham, as US Ambassador to ASEAN.

Following this, while attending the 55th ASEAN Meeting of Ministers of Foreign Affairs (AMM) hosted by Cambodia in August 2022, Secretary of State Blinken reiterated US commitment to leading the global response to COVID-19, reporting that the United States had provided over 500 million vaccine doses for distribution by COVAX as well as more than 23 million vaccine doses and over US\$158 million in assistance to ASEAN member states to combat COVID-19.<sup>64</sup> He noted US assistance to small and medium-sized enterprises among ASEAN countries to restart operations and ensure readiness for future pandemics. Blinken also called on ASEAN countries to take action to address the climate crisis and drive a green recovery, highlighting US support for reliable and sustainable energy systems in ASEAN and the work of the US-ASEAN Smart Cities Partnership in addressing urbanization challenges in transport, water, energy, and health. Emphasizing the importance of human capital development, he noted ongoing US support for the next generation of ASEAN leaders, professionals, and innovators through the Billion Futures Scholars Program, the Young Southeast Asian Leaders Initiative (YSEALI) Academy at Fulbright University Vietnam, and the YSEALI Seeds for the Future program.

Also addressing political and security issues in the region—with the attendance of China's Foreign Minister Wang Yi at the AMM—Secretary Blinken underscored “US rejection of the PRC's unlawful maritime claims in the South China Sea, in line with the July 12, 2016 Arbitral Tribunal Award” and “pledged continued US support for a free and open Mekong sub-region.”<sup>65</sup> In their own statement, responding to increased cross-Strait tensions following US Speaker Pelosi's visit to Taiwan earlier in the week, the ASEAN foreign ministers warned that an increase in international and regional volatility could lead to “miscalculation, serious confrontation, open conflicts, and unpredictable consequences among major powers.”<sup>66</sup> The statement urged all sides to “refrain from provocative action,” indicating that “ASEAN stands ready to play a constructive role in facilitating peaceful dialogue between all parties including through utilizing ASEAN-led mechanisms to de-escalate tension, to safeguard peace, security and development in our region.”

Finally, President Biden traveled to Cambodia to attend the 10th annual US-ASEAN Summit and the East Asia Summit in Cambodia in November 2022. At the US-ASEAN Summit, President Biden and ASEAN leaders established the US-ASEAN Comprehensive Strategic Partnership (CSP) which launched high-level dialogues on health, transportation, women's empowerment, environment and climate, and energy as well as undertaking new initiatives to combat illegal and unregulated fishing and improve the regional response to natural disasters and humanitarian crises. Biden also launched the US-ASEAN Electric Vehicle Initiative to support the region's emissions reduction targets and a US-ASEAN Platform for Infrastructure and Connectivity to facilitate high-quality investment in regional infrastructure projects. At the East Asia Summit, President Biden

met with leaders from Japan, Korea, and Australia to reaffirm the importance of ASEAN and strengthening cooperation throughout the region. Following a trilateral meeting with Japanese Prime Minister Kishida and Korean President Yoon, President Biden issued a statement on their trilateral partnership “in pursuit of a free and open Indo-Pacific, that is inclusive, resilient, and secure.”<sup>67</sup>

In sum, it appears that the Biden Administration has indeed moved forward in clear and substantive terms to advance its foreign policy priorities to defend and promote democracies—including Taiwan—as well as to strengthen US engagement in Southeast Asia including in the economic realm through IPEF and a wide range of development assistance programs across ASEAN. We thus see a unique opportunity for Taiwan—through its NSP programs—and the United States to enhance bilateral ties by coordinating their efforts to promote inclusive economic growth, good governance, and democracy in Southeast Asia.

#### IV. Conclusion and Recommendations for Building a Coordination Mechanism and Development Programs in Southeast Asia

After four years of full implementation (first full budget allocation was in fiscal year 2018) and notwithstanding the global pandemic, Taiwan's efforts to leverage Taiwan's cultural, educational, technological, agricultural, and economic assets to deepen its regional integration has been generally successful, as measured both in terms of its growing trade and investment ties with the region as well as deepening people-to-people relations. While these successes bode well for the future development of ties between Taiwan and NSP countries, there is still much more work that can and should be done to sustain and further advance these ties. As a key democratic ally of the United States in the Indo-Pacific, Taiwan and the United States can and should better leverage their efforts jointly and independently to better promote shared interests and values. The key going forward would be to deepen capacity by creating complementary efforts with the United States. To do so, we make the following recommendations:

- 1) US-Taiwan Development Assistance Working Group for Southeast Asia:** In order to create synergies and increase the effectiveness of their respective development assistance programs in Southeast Asia, we propose that the two governments convene a meeting of the key agencies and offices involved in these initiatives with the goal of learning more about each other's programs and proceeding to identify and develop areas of cooperation. In particular, we see education and human capital development, medicine and public health, and cultivation of civil societies and inclusive growth, especially women empowerment, as potential areas of cooperation. The American Institute in Taiwan (AIT)—working with the Taiwan Coordination Office at the State Department—should work with Taiwan's Foreign Ministry to organize an initial meeting either in Taipei or Washington and officially establish a working group charged with identifying and pursuing synergies and specific proposals for cooperation. Taiwan should be represented by those agencies involved in directing and implementing its New Southbound Policy while the US team should include other relevant offices within the State Department's East Asia and Pacific Bureau and the US Agency for International Development (USAID). Following this initial meeting, the two sides should seek to identify specific areas of cooperation and set up more



focused meetings of the relevant agencies and offices to develop plans of action for coordination and cooperation.

- 2) **Track 1.5 Government-Think Tank Dialogue:** We propose that a Taiwan think tank (e.g., Taiwan-Asia Exchange Foundation) take the lead to establish a Track 1.5 Dialogue inviting other think tanks from Southeast Asia to exchange views and offer recommendations regarding Taiwan and US development assistance programs in the region. Such a dialogue should also include think tanks from the United States (e.g., East-West Center), Japan and other countries with expertise on Southeast Asia and Taiwan. It should seek the participation of working-level US, Taiwan and ASEAN government officials and produce analyses to channel views and recommendations directly to US and Taiwan administrators of these programs and to key relevant members of the US Congress and Taiwan's Legislative Yuan.
- 3) **Regional Non-Governmental Organization (NGO) Training Center in Taiwan:** Given the Biden Administration's foreign policy emphasis on promoting democracy and human rights—and Taiwan's model as a vibrant democracy in Asia—we propose that the United States and Taiwan jointly fund and support the establishment of a regional NGO/CSO center in Taiwan to bring together and train personnel from NGOs in Southeast Asia to advance good governance as well as civil society skills and values in the region. Existing Taiwan's NGOs, e.g., Taiwan Foundation for Democracy and the Alliance for International Development (Taiwan AID), possess the skills and experience that could be combined with US, Japanese, and European NGOs to train and help connect Southeast Asian NGOs to build and strengthen the foundation of civil societies in the region. To utilize readily available resources in Taiwan, the NGO Training Center could be located on the campus of one of the many Taiwan universities and involve their scholars and students in the training programs to further expand the growth of civil society in Taiwan itself and to increase Taiwanese next generation interest and connections in NSP priority countries. This center would also highlight and buttress the role of Taiwan in promoting civil society and democracy across the world.
- 4) **Develop an NSP-specific foreign aid and development assistance strategy:** Not all countries and regions have the same development needs. It appears that ICDF resources are evenly distributed among regions, with no particular orientation toward NSP countries. There needs to be more consistency and sustained funding for ICDF projects in NSP target countries. There is substantial room for Taiwan to expand its foreign aid towards the region.
- 5) **Regional hub for bilingual English-Mandarin Chinese learning:** Taking advantage of countries greater interest in Taiwan's high-tech prowess and as part of this broader effort to foster bilateral talent exchange, Taiwan and the United States should jointly encourage students from NSP to apply to technical schools in Taiwan for education and technical developments skills, particularly in the information and communication technology sector. This would complement the Ministry of Education's New Southbound Talent Development Plan and the US-Taiwan Education Initiative. Furthermore, this would also complement Taiwan's effort to become a bilingual English-Mandarin Chinese nation by 2030 by actively recruiting capable professors who can teach higher-level courses in English.

- 6) **Regional hub for Internet governance:** Related to the NGO training center, competition in Internet governance is increasingly taking place in the Global South. The United States, Taiwan, and like-minded allies and partners have a key interest in shaping Internet governance as a key tool for global development. Given the lack of cooperation in the Indo-Pacific on Internet governance, an effective coordinating mechanism to enhance internet freedom among like-minded partners is needed in Asia. As a trusted partner for data transfer nestled between East and Southeast Asia, Taiwan is geo-strategically positioned to serve as the regional hub for internet freedom.
- 7) **Create a working committee under the Global Cooperation Training Framework focused on New Southbound Policy initiatives:** Given the growing strategic importance of Southeast Asia, the coordinating partners of this initiative are all naturally inclined to cooperate on certain initiatives in the region. This platform led by the United States, Taiwan, Japan, and Australia can provide an optimal vehicle for coordination not just between the United State and Taiwan but multilateral cooperation that can advance shared interest in the region that can also complement ongoing efforts and new initiatives under the NSP.
- 8) **Establish a small and medium enterprises center:** The center would be focused on upscaling South and Southeast Asian SME training, capacity-building, and information sharing. Focus particularly on minority and women-owned businesses to encourage leveraging the full range of societal assets across South and Southeast Asia. ■

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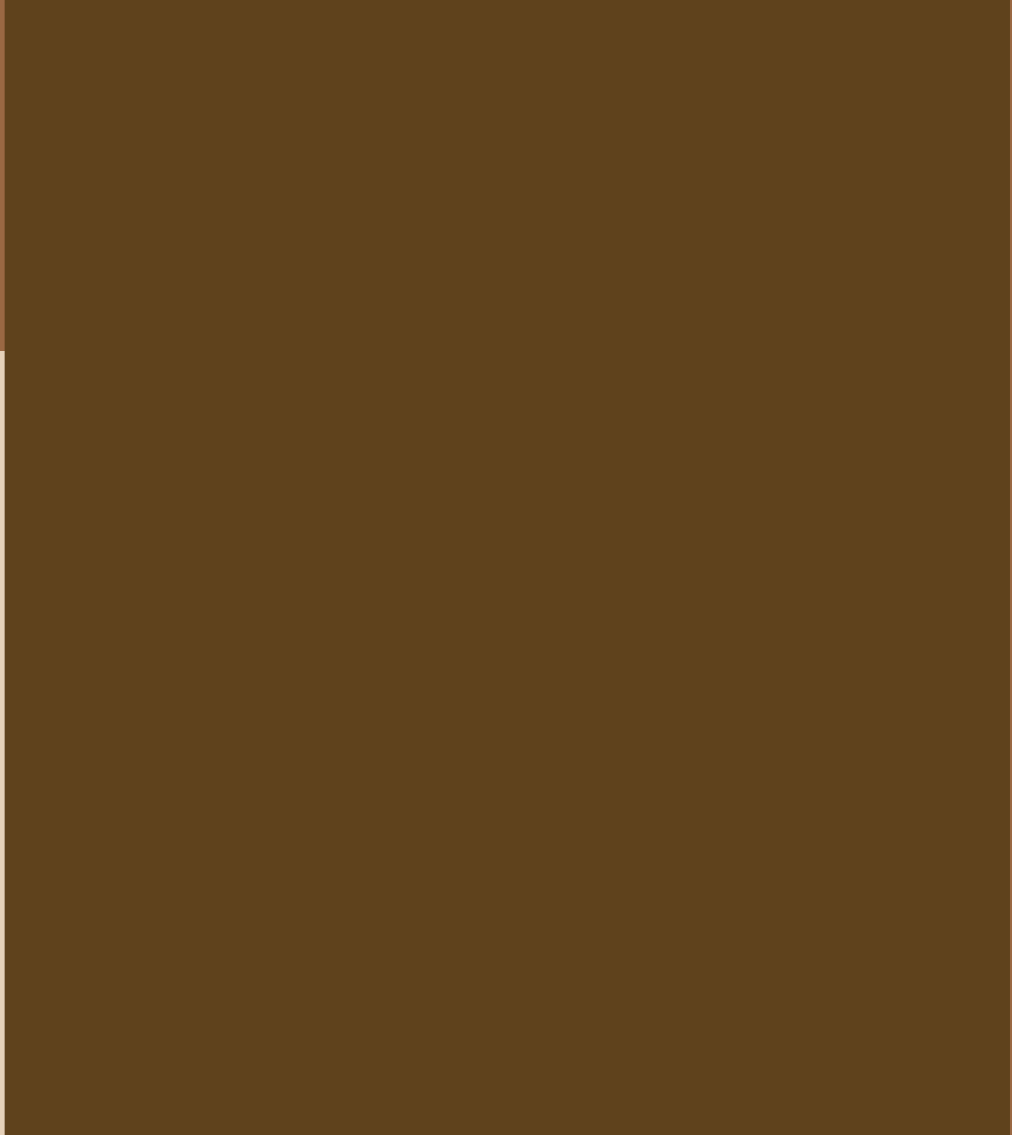
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# Reorienting the United States, Taiwan, and the Indo-Pacific Strategy



## Reorienting the United States, Taiwan, and the Indo-Pacific Strategy

Hsin-Huang Michael Hsiao, Alan Hao Yang

### 1. The Trends of Indo-Pacific Strategy of President Biden: Direction and Impetus for Structural Changes

Since taking office, US President Joe Biden has made structural changes to foreign policy and global cooperation plans in order to restore the trust of the international community, particularly its allies, in the United States and form new cooperation frameworks with allies and partners. At the time of writing, the new foreign policy of President Biden has not only differed from the “America First” foreign policy of his predecessor, President Trump, but has also highlighted his emphasis on international partnerships and a value-oriented policy agenda, particularly in the Indo-Pacific region.

In particular, the diplomatic team of the Biden administration has assiduously traveled to Europe and the Indo-Pacific region to win the trust and support of its international allies. In addition to President Biden's visit to Europe in June 2021, where he participated in several summit meetings and reached consensus on value-based leadership, his administration has also strived to shape the broader international order by strengthening cooperation with its allies including in Europe and in the Indo-Pacific region (even explicating Taiwan Strait security). This includes the first official visit of Vice President Kamala Harris to Singapore and Vietnam in late August 2021, a visit to India by Secretary of State Antony Blinken in July 2021, participations in dialogues between the foreign ministers of Japan and South Korea, and also attending the virtual ASEAN foreign ministers' meetings. From the aforementioned engagement and related actions, the shape of a new wave in US Indo-Pacific strategy and regional architecture is emerging. Furthermore, President Biden's trip to Asia in 2022 and the US-ASEAN Special Summit held in Washington earlier in May 2022 have highlighted Washington's vision and drive for cooperation on the new Indo-Pacific regional framework. For instance, when concurrently proposing the Indo-Pacific Economic Framework (IPEF), the United States emphasized that the proposed framework would not conflict with but rather complement current Indo-Pacific regional economic cooperation mechanisms such as CPTPP and RCEP. On this basis, the United States hopes to strengthen cooperation with ASEAN and ASEAN member countries regarding the IPEF and play a crucial role in the cooperation agenda of ASEAN when it comes to the post-pandemic recovery. Furthermore, the Biden administration will continue to strengthen its support for ASEAN and emphasize multilateral cooperation and internationalism. In this way, the United States will also attempt to lower and dilute the excessive dependence of ASEAN countries on China for trade and infrastructure development through concrete actions. Compared to the Trump administration, the Biden administration can be expected to outline more incentives for ASEAN and this can be considered as an incentive for hedging strategies among Asian countries.

At the present time, the United States is increasingly and clearly showcasing its role and capacity in the Indo-Pacific region on issues such as democratic values, international diplomacy, sustainable development, global governance, and trade and economic cooperation. Concurrently, the role of Taiwan in contributing toward the prosperity and stability

of the Indo-Pacific region is pivotal. As insinuated in debates within the international community and public opinion about the implications for US allies concerning the withdrawal of US troops from Afghanistan, several viewpoints comparing Taiwan with Afghanistan have also emerged alluding that the United States' commitment to Taiwan is unclear. However, on the sensitive issue of cross-strait conflicts, President Biden has repeatedly stated that the United States will respond if China invades or attacks Taiwan.

### 2. The New Southbound Policy (NSP) of Taiwan and Reorienting the Indo-Pacific Strategy: the 2022 Yushan Forum

With the end of the COVID-19 pandemic in sight, the theme of “Revitalizing, Reorienting, and Reconnecting” explored at the 2022 Yushan Forum held on October 7, 2022, was most pertinent. The world has been ravaged by COVID-19 for the past three years and has incurred enormous costs. As the world enters into the post-pandemic era, we as individuals, societies, economies, countries, and the world must reorient ourselves to face the challenges of post-pandemic recovery and carefully consider who to reconnect with. In a gradual return to its liveliness before the pandemic, this year's Yushan Forum was attended by 31 speakers and experts from 14 countries including Australia, New Zealand, the Philippines, and etc. On this occasion, the Taiwan Asia Exchange Foundation (TAEF) also presented three crucial NSP reports.

In the opening ceremony of the forum, President Tsai Ing-wen remarked that Taiwanese listed companies saw their profits from investments in NSP partner countries exceed their profits from investments in China for the first time in the first quarter of 2022, indicating that the flagship trade programs of the NSP have achieved their objectives. In addition, she emphasized that from a macro-strategic perspective, Taiwan is an indispensable partner and the NSP an indispensable strategic link in the new Indo-Pacific framework and pronounced that the participation of the numerous international political allies in the Yushan Forum signified their strong support for Taiwan. In addition, she expressly stated that the government shall seize the opportunity to integrate Taiwan's capacity in digital technology innovation into the NSP to promote a digital New Southbound initiative. Such a step will enable Taiwan to play a more crucial and leading role in the Indo-Pacific region, a role that Taiwan aims to assume in the post-pandemic project to revitalize, reorient, and reconnect.

The Right Honorable Winston Peters, former Deputy Prime Minister of New Zealand, asserted that Taiwan makes the world a better place, and remarked how Taiwan shares the same beliefs in freedom, democracy, the rule of law, and the right to question their government as New Zealand does. The Honorable Julie Bishop, former Minister of Foreign Affairs of Australia, called on other countries to strengthen their partnership with Taiwan as Australia has, to be a force for good and stability. The Honorable Phongthep Thephanjana, former Deputy Prime Minister of Thailand, echoed the remarks of Vice President Lai Ching-te of Taiwan calling for cross-strait stability and peace as well as stating Taiwan is ready to confront circumstances under the principles of openness and parity. The Honorable Sujeet Kumar, Member of Parliament of India, criticized the expansionist and intimidating behavior of China across the South China Sea and elsewhere.

The aforementioned remarks are clear testimonies to the correct direction of Taiwan's NSP, a policy that respects the values of diversity, employs the approach of soft power and warm power, and places civil society at the heart of its objectives.

### **Highlights of Session I**

Session I of the 2022 Yushan Forum was moderated by the Deputy Minister of Foreign Affairs of Taiwan and its panelists included five deputy ministers from five ministries/councils of economic affairs, interior, education, health and welfare, and agriculture, all areas relevant to the NSP. The deputy ministers each presented their views on the achievements and the prospects of four flagship programs of the NSP and their experiences in effective prevention and control of COVID-19 over the past two years.

### **Highlights of Session II**

Session II focused on "Reconnecting Asia with a New Ecosystem of Partnership through Societal Actions" and outlined specific blueprints for forming post-pandemic connections among private sector partners involved with the NSP. The agenda presented an integrated post-pandemic revitalization work system of the NSP through partnerships accumulated from TAEF's five action programs.

The session was divided into two parts. In the first part, TAEF, as a think tank focusing on the NSP, presented *Taiwan and Australia: Advancing the Partnership of Four Decades*, a research publication compiled by the TAEF Taiwan-Australia relations taskforce following over a year of work. After releasing two Taiwan-India policy reports, TAEF launched the research publication with *Strengthening Taiwan-Southeast Asia Relations: Trends and Prospects* at the same time.

In the second part of the session, the Forum invited Freedom House from the United States, Konrad-Adenauer-Stiftung from Germany, SEMI, and Enjoy TV & Film Broadcasting Corp from Malaysia to join in the panel discussion. The various panelists respectively emphasized think tank partnerships, discussed cooperative initiatives on safeguarding the jobs of youths in a post-pandemic world, highlighted Taiwan's capacity to collaborate on supply chain resilience, and emphasized the importance of Taiwan's cultural exchanges with other countries. Together, they promoted and facilitated post-pandemic revitalization through concrete actions.

### **Highlights of Session III**

For the third session of the forum themed "Asia Prospect Roundtable," Vice President Lai Ching-te was invited to deliver remarks on the three main topics of the forum and the former deputy prime ministers of New Zealand and Thailand to deliver their responses. Additionally, speakers from the Philippines, Taiwan, India, Indonesia, and Luxemburg also shared their opinions during the roundtable.

Prof. Hsin-Huang Michael Hsiao, TAEF Chairman and Senior Advisor to the President of Taiwan, served as the moderator of the roundtable. Based on their opinions on implementing critical tasks concerning post-pandemic revitalizing, reorienting, and

reconnecting Asia, the nine aforementioned distinguished guests all emphasized safeguarding the following seven qualities:

1. Quality of Public Health;
2. Quality of Supply Chain and Economy;
3. Quality of Work and Employment;
4. Quality of Rules-based Democracy;
5. Quality of Digital Order;
6. Quality of Partnership between Taiwan and the New Southbound Partner Countries; and
7. Quality of World Order, in which Taiwan can participate as a normal member.

The 2022 Yushan Forum argues that the various countries across Asia must take the safeguarding of the preceding seven qualities as explicit goals to demand and expect of themselves today and in the future. Together, they may also serve as seven benchmarks for assessing the next step in Taiwan's NSP.

To sum up, the 2022 Yushan Forum not only demonstrated the persistence of Taiwan's ministries and commissions in promoting the NSP, but also showcased that the NSP has become a pivotal strategy for Taiwan to engage with global changes in Indo-Pacific strategies and for promoting the shaping of a new regional framework. In particular, President Tsai emphasized that the NSP is at the center of Taiwan's Indo-Pacific strategy this year, which is an even clearer and more forthright assertion after her declaration at the 2017 Yushan Forum that the NSP shall become Taiwan's strategy for Asia. Taiwan's reorientation and reconnection with the New Southbound countries will no doubt positively contribute to the post-pandemic recovery and revitalization of the region. ■

## ■ Hsin-Huang Michael Hsiao

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His areas of specialization include: middle class, civil society and democratization in Asia; environmental movements, sustainability and risk society; and comparative Hakka studies in Taiwan and Southeast Asia.

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Dr. Yang frequently engages in track II diplomacy in the Indo-Pacific region. He was Executive Secretary and Executive Director of the Secretariat of Taiwan Participatory Group to the Council for Security Cooperation in the Asia Pacific (CSCAP Taiwan) from 2010 to 2018.

In 2021, Dr. Yang was nominated as a senior fellow of George HW Bush Foundation for US-China Relations in the United States and a non-resident fellow of the China Desk of the Reconnaissance Research in Kuwait.

Dr. Yang has published more than 90 journal articles on China-ASEAN relations, international relations of Southeast Asia, security governance and disaster preparedness as well as the international political economy in the Asia-Pacific in international referred journals such as *Pacific Affairs*, *Pacific Review*, *Politics and Governance*, *East Asia Policy*, *Issues & Studies*, *Journal of Asian Public Policy*, *Journal of Human Values*, *China Brief*, and *Global Taiwan Brief*.

## Assessing Trends and Demand Signals for Taiwan's New Southbound Policy and Building a US-Taiwan Coordination Mechanism

|                        |  |
|------------------------|--|
| <b>Publisher</b>       | Hsin-Huang Michael Hsiao                   |
| <b>Authors</b>         | Satu Limaye, Robert Wang,<br>Russell Hsiao |
| <b>Editor-in-Chief</b> | Russell Hsiao, Alan Hao Yang               |
| <b>Managing Editor</b> | Shin-Wei Sylvia Lin                        |
| <b>Assistant</b>       | Alyssa Kuraishi                            |
| <b>Design</b>          | Chenguan Design Ltd.                       |
| <b>Issued</b>          | December 2022                              |

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### Published by

#### Taiwan-Asia Exchange Foundation

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District, Taipei, 10657, Taiwan

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