

## Reassessing Taiwan's New Southbound Policy: Does it Really Work?

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### Abstract

The research purpose of this article is to explore and analyze the reason and impact of Taiwan's "New Southbound Policy". The results of the study show that although Tsai Ing-wen has always insisted on promoting the development of the "New Southbound Policy" since she came to power in 2016 and hopes to use it to reduce the high economic dependence on mainland China and expand Taiwan's political survival space on the international stage, but in essence, the "New Southbound Policy" did not achieve Tsai Ing-wen's original goal. On the contrary, the economic ties between Taiwan and the mainland are still deepening and consolidating. From a certain perspective, the implementation of the "New Southbound Policy" has indeed promoted Taiwan's economy toward diversification and has achieved multi-level economic development. However, based on the huge economic volume of mainland China, as mainland China releases the control of the Covid-19 epidemic, many companies in Taiwan will not be able to ignore the re-communication and connection with the mainland economy. The economic ties between the two sides will remain close for a long time to come.

**Keywords:** New Southbound Policy Mainland China Taiwan Tsai Ing-wen

### Introduction

In the past 4 decades, mainland, China and Taiwan has kept closed economic relations and with the development of economic of mainland, China, the economic development of Taiwan need to depend on the cooperation largely with mainland, China and due to the huge economy, Chinese economic has an important influence on the Taiwan's development. When Tsai Ing-wen became the new leader of Taiwan government, she proposed 'New Southbound Policy (NSP)' in 2016, whose main political attentions to reduce the high-dependency on the mainland economy and take positive steps to develop and strengthen the economic collaboration with Southeast countries and some countries in South Asia in order to gain more flexibility in economic. At the same time, because Tsai Ing-wen rejects to agree with 'One China, two systems' and insist on that Taiwan should obtains its own political existence space,

which leads the huge rift in economic cooperation between mainland and Taiwan and makes Chinese government blame and criticize Tsai Ing-wen administration raguously. While NSP makes a difference to the important regions of Asia, Taiwan government also takes advantage of this policy to develop new economic partnership relations.

But the outbreak of Covid- 19 has a bad impact on the development of New Southbound Policy, Taiwan government need to pay attention on the containing the spread of virus and make economic policies to promote the recovery and development of economic. To some extent, whether Taiwan government has enough capitals to invest and assist some countries in Southeast Asia and New Southbound Policy will continue help the development of Taiwan government, which is also a serious test. On the other hand, when Biden replaced the Trump and became the new president of United States, even though Biden administration advocates that US will strengthen the bilateral relations with Taiwan government, from the process of in power, people still can't see any practical actions and plans on the improvement of Taiwan-US relations, so there is an unsure issue on whether Taiwan New Southbound Policy will gain the Biden Administration's support and help. When Tsai Ing-wen reelected the new leader of Taiwan government in 2021, it means that Tsai Ing-wen government also continue to take proactive steps to implement New Southbound Policy and let this policy preform more important effect.

Therefore, in this paper, I will concentrate on discussing these parts: (a) how Taiwan government implements New Southbound Policy;(b) the causes and motivations of New Southbound Policy; (c) the specific implications of New Southbound Policy on Taiwan economy.

### **The Proposal and Process of New Southbound Policy**

Since the mainland China decided to launch the reform and open in 1978, Taiwan enterprises gave numerous amounts of investment and assistance to the many industries of mainland, China (Yang, 2018). With the help of Taiwan enterprises and businessmen, many Chinese industries can have the enough capitals and technologies to support the fast development and many Taiwan companies and enterprise also can make full use of significant periods and sufficient labor resources to expand related industries scales, so the economic relations were extremely close between mainland China and Taiwan. In every administration of Taiwan government before Tsai Ing- wen administration, leaders attach enough importance to develop and establish economic relations and collaboration with Southeast Asia countries, which is also called Southbound Policy. But Taiwan government considers that there are numerous labor resource and broad marker in mainland, China so it pays main attentions to give more investment in many fields of mainland China, and this is called Westward Policy (Wu & li, 2017). While Tsai Ing-wen elected the new leader of Taiwan government successfully in 2016 and she emphasized that Taiwan should take New Southbound Policy as the main development plan in order to reduce the dependency on mainland China and expand the range and scale between Taiwan and countries in southeast Asia. One of the most important economic statecrafts is that Taiwan is an independent country and not a part of People Republic of China (PRC), especially on opposing 'One China Policy, which also attracts a number of serious criticism and blame and has a bad impact on the bilateral relations between mainland, China and Taiwan. For Chinese government, One China Policy is the most significant and fundamental principle, and Chinese government opposes any form of Taiwan independency and Chinese government expresses that it will try everything to defeat the actions of Taiwan independence. Based on the attitude, this needs

NSP as the important way to enhance the Taiwan's voice in international society (Li, 2018). At the same time, there are some new changes between Southbound Policy and New Southbound Policy.

Compared with Southbound Policy, these new changes mainly perform three fields, including: economic cooperation, cultural communication, and education.

(a) economic cooperation: in the traditional Southbound Policy, Taiwan government concentrates on the setting up and developing economic relations with ten countries in the southeast Asia. While NSP expands the range of economic collaboration from the ASEAN to some countries in south Asia, such as India, Bangladesh, Bhutan, Nepal, Pakistan, and Sri Lanka and regards India as the core country. Taiwan government argues that the scale of population in India is like mainland China, and it can make full use of this merit to transmit many production lines and factories from mainland China to India, which also can reduce expensive cost of labors in mainland China. During the process, Taiwan government is also to continue to keep the stable and consistent investment and cooperation in Southeast Asia (Wu & Li, 2017).

(b) cultural communication: One of the most significant fields of NSP is that Taiwan needs to take proactive steps to boost the frequency and times of cultural communication between Taiwan and many countries in southeast Asia and other regions. By implementing this policy, Taiwan can use its soft power and culture to make a difference on the decision-making and choices of other countries so that Taiwan can gain more cognition from other countries and regard Taiwan as the representative of Chinese culture (Liu, 2021). At the same time, Taiwan gains a full and comprehensive support from international society in confronting the challenge and threat from mainland, China.

(c) Education's main direction is to make Taiwan government push more privileged polices in attracting more students and increase the quantity from other countries and regions to let many international students add up more understanding about Taiwan. And Taiwan government encourages more international labors and other countries people to work and immigrate in Taiwan for offsetting the disadvantaged influence of labor- shortage (Chen & Zhang, 2020).

Therefore, Tsai Ing-wen administration also wish to rely on the NSP to make Taiwan gain more support and assistance in the international level.

### **The Motivation and Purpose of New Southbound Policy**

For Tsai Ing-wen administration, NSP is one of the most significant parts in the process of being in power and how it will be implemented by Taiwan government, to some extent, it means that whether achieves NSP's goal and purpose successfully. According to many articles on the NSP's causes and purpose, it can be divided into 3 level of analysis, and I will concentrate on this different level of analysis to explain why NSP need to be designed and implemented for Taiwan government.

#### **1) Level 1 Leadership**

Tsai Ing-wen, as the only female leader in the history of Taiwan politics, has a special political views and concepts which are largely different from former leader Ma Ying-jeou. For Tsai Ing-wen and Democracy Progress Party (DPP), she argues that Taiwan is supported to look for more political existence space and enhance the level of voice in the international society (Templeman, 2020). Based on the democratic poll by National Chengchi University (2021), near 80% Taiwanese reject to support the 'One Country, Two Systems' and argue that

the future of Taiwan should be decided by all the Taiwanese rather than mainland, China. From the perspective of poll, there is tremendous number of people in Taiwan in supporting Tsai and her political arguments, so Tsai can make full use of this public opinion to gain a comprehensive support. On the other hand, because Tsai always rejects to accept 'One Country, Two Systems' and on the other hand, in recent years, due to the rise of labors' cost in mainland, China and Taiwan internal labor-shortage, Taiwan government is forced to find a more appropriate way to lower the expansive cost of labors. While many ASEAN countries provide a tremendous number of young labors and broad international market, these advantages become catalyst in promoting the implement of NSP (Wang, 2020). In addition, on account of establishment of RCEP, many countries in Asia are important members of RECP but Taiwan finds the role of Taiwan is gradually lowering in the economic circle in Asia. The proposal of NSP can help Taiwan government stabilize the bilateral relations with many countries in Asia and strengthen the economic cooperation in the whole Asia (Yang, 2018).

### (2) Level 2 Country/State

On the analysis of country, many scholars indicates that NSP is influenced by two factors, including the limitation of Taiwan government and attraction of other countries. On the one hand, in the past of many years, the development of Taiwan economic need to depend on the collaboration of mainland, China and if the bilateral relations between Taiwan and mainland, China suffer from severe blow, it will have an extremely impact on the Taiwan economic. According to the statistics, near 40% of total exports are in mainland, China (including Hongkong), it means that Taiwan keeps high dependency on mainland, China. So, for Taiwan government, it is necessary to take some steps to reduce the high-dependency and improve the outputs in other countries rather than China (Soong & Lan, 2021). Based on this serious situation is also proposed by Taiwan government.

### (3) Level 3 Structure

Pluralism is one of the most significant guiding ideologies in Taiwan government and Tsai Ing-wen administration emphasizes that Taiwan should participate in the international affairs comprehensively and establish friendly cooperation with most of countries which owns and support Pluralism. However, the performance of pluralism for Taiwan is to reject to accept the 'One China Policy' and insists that Taiwan is an independent country, especially in protecting precious freedom and democracy. Because Taiwan government declaims that Taiwan is a beacon of democracy and freedom in Asia, democracy and freedom are the most important values and basement of Taiwan society (Hsiao & Yu, 2020). But this argument will incur anger and criticism from mainland, China, so it is evident and necessary for Taiwan government to rely on the assistance and support from the international society, while NSP can be understood that Taiwan rely on the economic methods to exchange for political sympathy and aid from other countries, which also explains why NSP expands the range of cooperative countries.

Finally, I argue that pluralism, is the most significant cause in influencing the production of Taiwan's social values and is the biggest difference between Taiwan society and mainland, China and Taiwan need to depend on pluralism to broaden the existence space. Then Tsai and her special political thinking make an important difference to the development of NSP, and if there is no Tsai Ing-wen, Taiwan can't find a new way to develop, so leadership can be regarded as the second important reason. Comparing to both factors, the factor of country is limited so it is the third important cause.

**Implications and Effects: Evaluating New Southbound Policy**

New Southbound Policy not only has an important influence on the development of Taiwan economic and accomplishment of Tsai Ing-wen political purpose, but also the process of implement, it has some risks and threats. From the perspective of advantage, one vital implication is to consolidate the key status of semi-conductor in the global production chain and promote the recovery of economic effectively during the virus period. According to the Kuo and Vidra (2021) research, the International Monetary Fund's (IMF) predicts that Taiwan's economic will decline by 4% in 2020, but the practical economic data demonstrated that this argument is not accurate, especially for the development of semi-conductors industry. During the period of Covid-19, most of countries came across the shortage of semi-conductors' chips, which affects the production of many economic fields and many export-oriented countries can't be able to launch the conventional manufacture (Marinova & Bitri, 2021). While Taiwan government makes full use of NSP and giant advantage of semi-conductors to take a leading role in the global production and contain the bad impact from virus, promoting the development of economic powerfully. Due to the semi-conductors, many ASEAN countries and other countries in Asia need to depend on the economic collaboration with Taiwan government. In addition, the other important implication of NSP is to enhance the Tsai Ing-wen political prestige and gain a comprehensive support from public. NSP's score principle is to push the diverse development and establish diversified economic ties with many countries, which meets the most of Taiwanese political requirement, because over half of Taiwanese agree that Taiwan should gain more political space in the international society. The proposal of NSP can seize the needs well and to some extent let Taiwan gain a more support and assistance from different countries. So, Tsai Ing-wen administration also makes full use of NSP to expand its political arguments and influence on the Taiwanese. After discussing the good implications of NSP, there are still some important risks and challenges even uncertainties. It has three important risks, respectively including United States, Mainland, China and a few countries' attitudes.

**(a) United States**

When Biden became the new president of US, one of his diplomatic attentions is to take proactive and effective means to contain the development of China and defend US leading role in international level and realize more nation interests. Especially at a few months of Biden's term, he emphasized that US would implement more positive steps and continue to consolidate the stable relations with its democratic partners and allies in order to unite all the friends to resist the danger and threats from mainland, China. Because Taiwan is one of the most important elements in confronting the influence of China, White House attaches enough importance to develop the relations with Taiwan, but the issue is whether US will take more practical actions to support the Taiwan's plan, from the present situation, US doesn't take corresponding actions to assist the Taiwan and its NSP. US only regards Taiwan as an important tool to resist the challenges and threats from mainland, China (Dong, 2018). At the same time, because US need to pay attention on the whole Asia region rather than single Taiwan, the help from US is limited and insufficient, and Taiwan still need to depend on itself power to push the implement of NSP.

**(b) Mainland, China**

Due to the strong agreement on One China Principle, Chinese government takes many kinds of measures to respond and punish the Taiwan government, whose performance is to

ban import of some products from Taiwan and introduce some governmental policies to prohibit some people who choose to support 'Taiwan independence' to obtain practical profits from the trade between mainland, China, and Taiwan. At the same time, with the implement of BRI by China and the whole economic comparison between mainland and Taiwan, many ASEAN countries need to consider whether choose to set up deeper economic relation carefully. Once these countries choose to support Taiwan, and they will face large pressure from mainland (Chen, 2017), so these countries tend to cooperate with China rather than Taiwan, and NSP is hard to exert enormous impact on the other countries.

### (c) Some countries' attitudes in Asia

In New Southbound Policy, ASEAN countries are relatively important cooperative objects, but a few ASEAN countries take cautious attitude towards the collaboration with Taiwan, mainly as these countries argue that the practical profits is limited and insufficient, especially comparing to the BRI and RCEP, the scale and quantity of NSP can't compete with BRI and RCEP, so they are willing to choose to rely on the cooperation with mainland, China rather than Taiwan (Chen, 2017). In addition, one of the NSP purposes is to transmit the industry lines from mainland, China to the other countries, but due to the shortage of skillful workers and imperfectness of infrastructure, even though some Taiwan companies try to do it, the production confronts the lack of key ingredients. Therefore, the effect of NSP may be not arrive the anticipated effects.

In total, although Taiwan government tries to push the implement of NSP, and to some extents, it has achieved original goals, from the whole process, NSP still can't change the nature of high-dependency on mainland, China and bring more practical economic profits for Taiwanese. This is a kind of political support rather than economic assistance.

## Conclusion

In this paper, I concentrate on the why Taiwan government need to push NSP and how it will have some impacts on the development of Taiwan economic and other countries. We can see that for Tsai Ing-wen administration, the essence of NSP is to use the economic method to exchange for the political support and assistance from the international society, and the practical effect of NSP is not satisfactory. In the overall economic structure, mainland China still is the largest and most important boosting force in promoting the development and recovery of world economic. For Taiwan government, it still needs to keep enough economic cooperation with mainland, China and it is possible for Taiwan to gain more practical benefits. However, as the Biden administration takes office in 2021 and looks to improve and enhance relations between Taiwan and the US, especially as the Biden administration focuses on the importance and priority of Southeast Asia in containing China's development in the Indo-Pacific region, he has stepped up measures to draw in and consolidate relations with ASEAN, which coincides with the focus of Taiwan's NSP. Therefore, in the coming period, Taiwan's government will closely unite with the Biden administration and align its NSP with Biden's Indo-Pacific strategy to counter China's influence in Southeast Asia, but this approach will also further widen the political differences and divide between the two sides of the Taiwan Strait, leading to a more serious situation in the Taiwan Strait.

This article uses Kenneth Waltz's level of analysis from the perspective of International Political Economy (IPE) to show how Taiwan's NSP was proposed and developed, especially from three different dimensions, such as leadership, country or state, and institution, to analyze why the current Taiwan government proposes NSP and hopes to achieve and improve

Taiwan's political status with the help of NSP. Meanwhile, it also provides a new way of thinking and an analytical framework for the current academic community in analyzing and interpreting the development of Taiwan's NSP while helping to better understand how relationships will be interacted between Taiwan and mainland China and enriching the current research on cross-strait relations. However, the shortcomings of this study still focus too much on the role played by the Taiwanese government in promoting the development of NSP and too little on the response and policy of mainland China, which can still be the focus of future discussions and analyses.

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