



Soft Power and Taiwan's New Southbound Policy

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Introduction

The New Southbound Policy (NSP) is a new approach of Taiwan's foreign policy. It has been a strategic mission for Taiwan under the President Tsai Ing-wen administration. Since resuming the presidential position of Taiwan, which is officially called the Republic of China (RoC), she paid serious attention on the policy and made it as one of the priorities in Taiwan's foreign policy. Only within three months after winning the election in March 2016, precisely in September, she formally adopted the policy.

The research seeks to investigate the background of how President Tsai came to a decision. This departs from the assumption that no policy shaped in a vacuum, no exception with the NSP. The policy, indeed, presumably was promulgated in a certain context. As such, the research seeks to investigate economic, political, and social contexts around which the NSP has become Taiwan's new strategy of prioritizing its engagement in three regions, including Southeast Asia, South Asia, and Oceania.

Existence is one of the most basic state needs. To keep its existence, any country should make all kinds of efforts aiming to secure the need. Taiwan also deals with such an issue. The country has a dilemma in its relations with the People Republic of China (PRC).¹ On one hand, it could take benefit from economic and trade relationship with the PRC. On the other hand, Taiwan has faced a serious threat from the PRC, which claims its sovereignty over the country. By claiming its sovereignty over Taiwan, the PRC has consistently compelled any country that intends to restore its diplomatic relation with the PRC to adopt the "One China policy" favouring the PRC. As a result, Taiwan has been left with a few of diplomatic relationships. Of more than 200 countries in the world, Taiwan diplomatically has only 16 diplomatic allies.²

Having such hindered position, Taiwan has unsurprisingly made effort to secure its existence. One of the ways is carried out through foreign policy, and the NSP can be

¹ Karl Ho, Cal Clark, and Alexander C. Tan, "The New Southbound Policy", in Hans Stockton and Yao-Yuan Yeh, eds. *Taiwan: The Development of an Asian Tiger*, Lynne-Rienner Publishers, Boulder, 2020, p.139.

² Alan H. Yang and Jeremy H. C. Chiang, "Enabling Human Values in Foreign Policy: The Transformation of Taiwan's New Southbound Policy", *Journal of Human Values*, Vol.25, No.2, 2019, p.76.

seen as is part of the efforts. However, as indicated before, the international context is not the only factor which shapes the NSP. As will be elaborated below, the domestic factor also matters. It can thus be argued here that the adoption of the NSP is essentially based on considerations that reflect the meeting between international and domestic factors.

Argumentation of Analytical Frameworks

Substantively, the New Southbound Policy is not a new Taiwan's foreign policy. In the 1994, the former President Lee Teng-hui (1988-2000) was the first leader who initiated the "Go South" policy. Some scholars suggest some analytical frameworks to explain both the "Go South" and the "New Southbound" policies. Ngeow Chow Bing, for example, asserted that the policies can be seen as part of Taiwan's grand diplomatic strategy. He argued that the strategy reflects the Presidents' worldview about foreign affairs, such as the future projection of Taiwan dealing with its relation with the PRC, approaches, assessments, and alignments that should be pursued under contemporary global/regional dynamics. He further underlines that the strategies reflected in President's phrase or jargon.³ President Lee Teng-hui, for instance, said that his foreign policy was a "pragmatic diplomacy". President Chen Shui-bian ran an "offensive diplomacy", while President Ma defined his diplomatic strategy as "viable diplomacy, and President Tsai claimed that her diplomatic strategy was "steadfast diplomacy".

Two other scholars, Bo-jiun Jing⁴ and Rachel Sun⁵ suggested that the "Go South" policies, including the New Southbound Policy; can be explained through the theory of hedging. Both scholars refer to Goh who defined hedging as:

a set of strategies aimed at avoiding (or planning for contingencies in) a situation in which states cannot decide upon more straightforward alternatives such as balancing, bandwagoning, or neutrality. Instead, they cultivate a middle position that forestalls or avoids having to choose one side [or one straightforward policy stance] at the obvious expense of another.⁶

Hence, hedging is a risk-management strategy in which "one devises a viable alternative in preparation for a worst-case scenario".⁷ Hedging is thus a diplomatic strategy under an uncertain environment, with a set of multiple approaches, to reduce potential threats while maximizing the existing opportunities.

According to Jing and Sun, Taiwan faced such an uncertain situation. On one side, Taiwan has been marginalized in diplomatic affairs because of the PRC's aggressive claim. As said, the PRC has consistently claimed its sovereignty over Taiwan coupled with

³ Ngeow Chow Bing, "Taiwan Go South Policy: Déjà vu All Over Again?", *Contemporary Southeast Asia*, Vol.39, No.1, 2017, p.98-100.

⁴ Bo-jiun Jing, "Go South" Going South? Assessing Taiwan's "New Southbound" Policy and the China Factor in Southeast Asia', Ying-Jeau Ma, ed., *Chinese (Taiwan Yearbook of International Law and Affairs*, Vol.35, 2017.

⁵ Rachel Sun, "Assessing Taiwan's "New Southbound" Policy and the China Factor", Proceeding of 77th IASTEM International Conference, Taipei, Taiwan, 26-27 September, 2017.

⁶ Evelyn Goh, "Meeting the China Challenge: The U.S. in Southeast Asian Regional Security Strategies", *Policy Studies Series*, Vol. 16, 2005, p.2.

⁷ Yasuhiro Matsuda, "Engagement and Hedging: Japan's Strategy toward China", *The SAIS Review of International Affairs*, Vol.32, No.2, 2012, p.112.

launched ‘one China’ diplomatic policy, and even threaten to launch military action if Taiwan proclaims its independence. On the other side, the PRC experienced dramatically rising economic and political influence, including in Southeast Asia. This phenomenon made Taiwan economically marginalized as well.

Facing such a huge challenge, through the “Go South” policies Taiwan employed a hedging strategy involving both balancing and engagement elements. To balance the PRC’s rising power, Taiwan politically and militarily relies on the US back up and support; while economically undertakes economic engagement with South and Southeast Asian countries. If the “Go South” policies merely organized unilateral actions, particularly to find a cheap manufacturing base in the two regions; the “New Southbound” policy has wider agenda by seeking bilateral partnerships involving exchanges of personnel, capital, technology, culture, and education.¹² In Jing’s words, Taiwan’s hedging strategy under the “New Southbound” policy targeting South and Southeast regions has operationalized through two economic components, namely “economic pragmatism” and “economic diversification”.⁸

The hedging theory seems persuasive to explain Taiwan’s “Go South” policies, including the “New Southbound” policy. However, I argue that hedging strategy should not be limited to the realist approach. As elaborated above, the hedging strategy carried out through “Go South” policies primarily aimed at counter-balancing the PRC. The goal heavily characterizes the realist approach assuming that the core problem of international politics is “insecurity and competition”.⁹

Although having convincing explanatory power on the “Go South” policies, in my view, the Realist approach suffers some academic limitations in explaining the complexity of the policies, particularly the “New Southbound” policy. First, the realist approach, that merely focusses on the diplomatic role of state actor; tends to overlook diplomatic engagement of non-state actor. Indeed, in multilateral or bilateral partnerships, diplomacy is no longer exclusively carried out at the state level. Although the leading actors of diplomacy remain the diplomatic officials of states, a new broader approach of diplomacy— namely multi-track diplomacy—has increasingly involved the role of diplomatic actors beyond the state, including civil society.¹⁰ As the flagship of President Tsai’s foreign policy, the “New Southbound” policy, which substantively contains people-centered agendas; may expect the diplomatic role of non-state actors. Second, the realist approach that primarily relies on hard power also neglects the importance of soft power in global diplomacy. The “New Southbound” policy conceptually also concerns the element of soft-power, such as culture.

Unlike the employed approached employed by several studies above, this research alternatively discusses the New Southbound Policy from a different angle. Although it remains to embark from the hedging concept, I will use the soft power approach. There are some arguments for this. Besides the elaborated academic reason above, practically, the power approach is helpful to appraise the New Southbound Policy. This because soft-

⁸ Bo-jiun Jing, *op.cit.*, p.185.

⁹ Stephen M. Walt, “The enduring Relevance of the Realist Tradition”, in Ira Katznelson and Helen V. Milner, eds., *Political Science: State of the Discipline*, W.W. Norton & Company, New York, 2002, p.200.

¹⁰ D. Wehrenfennig, “Multi-Track Diplomacy and Human Security”, *Human Security Journal*, Vol.7, 2008, p.80.

power diplomacy is not exclusively the prerogative of great powers. Hence, the soft power diplomacy would be reasonably well-employed by middle-power countries like Taiwan.

The importance of soft power has risen in line with the changing characteristics of international relations. Since the end of the Cold War, in line with the prevalence of the universal principle of humanity, there has been a changing view on the nature of power. The increasing global commitment to realize a 'good life' for human beings has made the realist concept of 'power to hurt'¹¹ less legitimate. Alternatively, the forms of power with its characteristics of being "less transferable, less coercive, and less tangible", which Joseph Nye Jr. called 'co-optive power' or more popular as 'soft power' got its significance in global interactions.¹² The changing forms of legitimate power, in turn, influenced the ways of diplomacy. As displayed in the table above, dealing with the techniques of influence in diplomacy, there are at least two different system references. To influence others, the method of diplomacy lies in the three different spheres of human reality, namely personal, social, and physical. Under the Realist perspective, state leaders may use persuasion to get an agreement with other actors. If it fails, they may utilize bargaining method. If this still does not work, they may use the threat of force.

Table 1. Different Techniques of Influence in Diplomacy

System reference				
Perspective	Actor	Personal	Social	Physical
Realism	State	persuasion	bargaining	force
Soft power	State & society	Identity/ branding	attraction	resources

Source: Developed from Johan Galtung and Mari Holmboe Ruge, "Patterns of Diplomacy: A Study of Recruitment and Career Patterns in Norwegian Diplomacy", *Journal of Peace Research*, Vol.2, No.2, 1965, p.104; and Joseph S. Nye Jr., "Public Diplomacy and Soft Power", *The Annals of the American Academy of Political and Social Science*, 2008, Vol.616, p.94-96.

The soft-power perspective has a different system of reference. In terms of actors, as displayed on table 1, the soft power perspective sees that diplomacy is open for both state leaders and society in general. In the course of actions, to "getting others to want what you want";¹³ at the personal sphere, the soft-power approach highlights identity-building or branding. In the social realm, it stresses attraction, while in the physical one relies on soft-power resources. In behavioral terms, Joseph Nye Jr. sees that soft power is an attractive power, while in terms of resources, "soft power resources are the assets that produce such attraction".¹⁴ Any country relies mainly on three different resources. First, its culture that can attract others. Second, its political values are acceptable at home and abroad. And, the third is its foreign policies which are seen to be legitimate and have

¹¹ Thomas C. Schelling, *Arms and Influence*, Yale University Press, London, 1966.

¹² Joseph S. Nye Jr., "Soft Power", *Foreign Policy*, Vol.80,1990, p.167

¹³ *Ibid.*, p.96

¹⁴ Joseph S. Nye Jr., "Public Diplomacy and Soft Power", *The Annals of the American Academy of Political and Social Science*, 2008, Vol.616, 2008, p.95.

moral authority.¹⁵ Having such different components from those of hard power, soft power becomes an alternative approach in contemporary time.

Table 2. Military Hard Power: People Republic of China (PRC) and Taiwan Compared

	China	Taiwan
Total active forces	2,035,000	169,000
Ground forces	965,000	94,000
Navy	260,000	40,000
Air force	395,000	35,000
Reserve	510,000	1,657,000
Tanks	5,400	650
Aircraft	3,227+	504+
Submarines	59	4
Naval ships	86	26
Artillery	9,834+	2,093
Defence Budget (2022)	\$ 230 billion (2022)	\$ 19 billion (2023)

Source: David Brown, "China and Taiwan: A really simple guide", *BBC News*, August 8, 2022; and Chad de Guzman, "Taiwan Is Extending Conscription. Here's How Its Military Compares to Other Countries", *Time*, January 6, 2023.

Related to cross-strait relations between the PRC and Taiwan, the concept of soft power seems relevant to be used as a tool of analysis, particularly from the Taiwan side. The main reason for that is, in terms of hard power what it has is clearly unequal compared to the PRC, which has been the main threat so far. In terms of the military, as shown in table 2, all aspects of Taiwan are far behind its rival. Only in terms of reserve personnel, Taiwan excels by having three times the number of PRC soldiers. But many believe that Taiwan's reserve personnel are not properly trained and it is doubtful to be able to fight effectively. Because it lost in almost all aspects of hard power, soft power is the remaining power dimension left for Taiwan to use in the international arena, particularly in balancing the PRC strategy. So, through the New Southbound Policy Taiwan intends to maximize its soft power in the implementation of its foreign policy, particularly in Asia and Oceania regions. It is therefore reasonable to explore and assess the New Southbound Policy through soft power perspective.

“Go South” and “New Southbound” Policies Compared

As said before, the New Southbound Policy (NSP) is not a new policy. It is even termed as the 'GSP 3.0',¹⁶ because it is the second reinvigoration of Taiwan's 'Go South' policy since being adopted in the 1990s. The former President Lee Teng-hui (1988-2000) was the initiator of the 1990s “Go South” policy. The next President, Chen Shui-bian (2000-2008), inherited the policy. After being interrupted during President Ma Ying-jeou's administration (2008-2016); President Tsai Ing-wen, who was elected in 2016, modified it by launching her own version of the New Southbound policy. As there are different motive, substance and context of the policies, it is crucial to compare them.

¹⁵ *Ibid.*, p.96.

¹⁶ Ngeow Chow Bing, “Taiwan Go South Policy: Déjà vu All Over Again?”, *op.cit.*, p.97.

President Lee's main reason for taking the "Go South" policy was economic calculation, particularly to increase investment and trade relationships with Southeast Asian countries to gradually reducing economic overdependence on the PRC.¹⁷ Similarly, President Chen's main motive was also mainly economy. He also wanted to lessen Taiwan's economic reliance on the PRC by expanding Taiwan's investment in Southeast Asia. However, Chen had a different strategy by facilitating a support system for Taiwan business in the region to diversify Taiwan's investment.¹⁸ The obsession with reducing economic dependence on mainland China was because of deep suspicion of the PRC's economic miracle and its integration with other Asian regions.¹⁹ There had been discomfort among Taiwan's leaders over their country's economic dependency on the PRC. Moreover, the two former Presidents—Lee Teng-hui and Chen Sui-bian— were considered as "independence-leaning" Taiwan leaders.²⁰

President Ma Ying-jeou had a different approach. Although paying attention to Southeast region, he never formally proclaimed the "Go South" policy. The main reason was to keep away from the impression that Taiwan's investment and trade should avoid "Going west" to PRC, which had been the main market for Taiwan's export.²¹ But President Tsai revived the "Go South" policy by officially proposing the "New Southbound" policy in 2016. Compared to "Go South" policies, many see the recently adopted "New Southbound" policy is different from the previous one. As shown on table 3, there are differences in many aspects ranging from their missions up to assessments. Although both have an identical mission, that is to overturn Westbound policy lessening Taiwan's economic reliance on PRC; in other aspects the two policies are different, such as their scope partner countries, policy content, and assessments. In essence, compared to previous "Go South" policy; the New Southbound Policy is more comprehensive and far-reaching. About the mission, for example, both are substantively the same; but in terms of strategy the NSP places it as part of a Taiwan's brand newly regional strategy.

The scope of work is also different. The "Go South" policy focuses on economics and trade. In the New Southbound Policy (NSP), these two fields are only part of a wider mission. The NSP, in essence, is a comprehensive policy. In 16 May 2016, the meeting on International Economic and Trade strategy which was convened by President Tsai Ing-wen, insisted that the NSP "aims to redefine Taiwan's important role in Asia's development, identify a new direction and a new driving force for a new stage of economic development, and create future value".²² So, compared to "Go South" policy, which only had one objective, that was 'to make money', the NSP has vary objectives called 'Five Ms' including 'make money, make jobs, make friend, make families, and make values'. To get this, a strategy needs to pursue. The meeting underlined that four key links should be

¹⁷ Bo-jiun Jing, "Go South" Going South? Assessing Taiwan's "New Southbound" Policy and the China Factor in Southeast Asia', *op.cit.*, p.181.

¹⁸ Bonnie S. Glaser, Scott Kennedy, Derek Mitchell, and Matthew P. Funaiolo, *The New Southbound Policy: Deepening Taiwan's Regional Integration*, a report of the CSIS China power project, Rowman & Littlefield, Boulder, 2018, p.8.

¹⁹ Ngeow Chow Bing, *loc.cit.*

²⁰ *Ibid.*

²¹ Bo-jiun Jing, *loc.cit.*

²² Office of Trade Negotiation, Executive Yuan, "New Southbound policy' Guideline and Action Plan", <https://www.ev.gov.tw/otnen/64C34DCA8893B06/3d192c26-1c2d-48ad-b9d2-ocbea14b1abo>. [accessed on 20 December 2022]

activated: soft power, supply chain, regional markets, and people-to-people links.²³ So, in terms of assessment; while the “Go South” policy only covered economic and trade issues; the NSP goes beyond that to deepening a more comprehensive partnership.

Table 3. Lee Teng-hui’s “Go South” policy (1994) vs Tsai Ing-wen’s “New Southbound” Policy (2016)

	Go South Policy	New Southbound Policy
Mission	To overturn the Westbound economic strategy and its reliance on China’s policies	To overturn the Westbound economic strategy and establish a brand new regional strategy, developing in an Asian regional policy which independence of China’s policies
Responsible Sectors	1. Kuomintang and its party-run business 2. Council for Economic Planning and Development and State-owned Enterprise Commission at Ministry of Economic Affairs	<i>Coordination:</i> Office of the President, national Security Council, and Office of Trade Negotiation <i>Implementation:</i> 13 public sectors, including Ministries of Economic Affairs, Transportation and Communications, Labour, Culture, Science and Technology, Council of Agriculture, Overseas Community Affairs, Indigenous Peoples, and Hakka Affairs. <i>Civil Society:</i> Taiwan-Asia Exchange Foundation with Public-Private-People Partnership
Partner Countries	12 Countries <i>Southeast Asia:</i> Singapore, Malaysia, Indonesia, Philippines, Thailand, Brunei Darussalam, Vietnam, Laos, Myanmar, Cambodia. <i>Oceania:</i> Australia, New Zealand	18 Countries <i>Southeast Asia:</i> Singapore, Malaysia, Indonesia, Philippines, Thailand, Brunei Darussalam, Vietnam, Laos, Myanmar, Cambodia <i>Oceania:</i> Australia, New Zealand <i>South Asia:</i> India, Sri Lanka, Pakistan, Bangladesh, Nepal, Bhutan.
Policy Content	It focuses primarily on economic and trade cooperation	It includes but not limited to economic and trade cooperation <i>Public sector:</i> Four flagship programs (economics, education, public health, and agriculture) with other projects conducted by Ministries of Cultures, Science and Technology, Labour, Interior, and Transportation and Communications and Council of Indigenous Peoples, Hakka Affairs, and Overseas Community Affairs. <i>Civil Society:</i> Fifth flagship program (TAEF) with its five core actions programs such as Think Thank Collaboration, Civil Society Connectivity, Regional resilience, Taiwan-Asian Young Leaders Engagement (TAYLE), and Cultural Exchanges. <i>Yushan Forum</i> as a signature platform for demonstrating public and civil society collaboration The policy has been multifaceted and comprehensive with a specific focus on people
Policy keywords	<i>One M:</i> Make money	<i>Five M:</i> Make money, make job, make friends, make families, and make values
Assessment	The policy starts with and stops at economic and trade	The policy goes beyond economics and trade, deepening comprehensive partnership

Source: “The New Southbound Policy: Strategizing Taiwan’s Warm Power Practice”, *TAEF Research Series 007*, Special Issue, October 2022, pp.22-23. [modified]

²³ *Ibid.*

Apart from programs in public sector, the NSP also deals with private and civil society sectors. Hence, in its implementation of the NSP is basically the practice of the so-called "the P-P-P-P configuration",²⁴ stands for Public sector, Private sector, and People (civil society/NGO's) Partnership. This broad field of work has implications for its management. In contrast to the "Go South" policy which only involved two public sectors institutions under the Ministry of Economic Affairs, the NSP has involved 12 Ministry-level institutions to manage public sector programs with five flagship cooperation programs, including economic, trade, and industrial under the Ministry of Economic Affairs (MoEA), regional agriculture under Council of Agriculture, international medical and public health under the Ministry of Public Health and Welfare (MoHW), social connectivity under the Office of Trade Negotiation (OTN) and the Ministry of Foreign Affairs (MoFA) in partnership with Taiwan-Asia Exchange Foundation (TAEF), and education cooperation and talent cultivation under the Ministry of Education (MoE).

The NSP has also focused on people-centred programs. This differentiates it from the 1990s Go South Policy which was limited to conduct at the public sector. Under the NSP, President Tsai's administration has encouraged Taiwan NGO's to have collaboration at the civil society level with the partner agencies at the targeted regions. The TAEF, for example, has managed five flagship programs, such as Think Tank collaborations, people connectivity, and cultural exchanges. At the same time, many Taiwan NGO's have managed programs which contributed to international development as part of the implementation of people-centred programs, such as education, public health and medical care, humanitarian aid, community empowerment, and employment services. The 2020 TAEF survey shows there has been 35 Taiwanese NGO's which implemented 194 developments and service projects across the NSP countries.²⁵

Having such various programs, the NSP has thus utilized a lot of the budget and assets. President's Tsai administration designated significant financial allocation to the NSP. For the initiative's budget, for example, is expanded by 63 per cent from \$131 million in 2017 to \$241 million in 2018.²⁶ Of the amount, the largest parcels of the budget are allocated to support various programs under the Ministry of Economic Affairs and Ministry of Education, with the amount of \$96.1 million and \$56.5 million. In October 2017, the Tsai administration reportedly provided a \$3.5 billion budget plan to finance infrastructure projects in the NSP countries.

Driving Factors of The New Southbound Policy

The New Southbound Policy (NSP) basically is a creative policy. Besides being comprehensive. It has various programs, it is. Although it substantively is such a kind of a rejuvenation of "Go South" policy, it is indeed a new approach of Taiwan foreign policy. A member of President's think tank said:

The NSP is basically a continuation of the "Go South" policy, [it is indeed] a continuation of countering the "Go West" policy [economically leaning to PRC]. But

²⁴ "The New Southbound Policy: Strategizing Taiwan's Warm Power Practice", *TAEF Research Series 007*, Special Issue, October 2022, p.19.

²⁵ *Ibid.*, p.34.

²⁶ Bonnie S. Glaser, *et.al.*, *The New Southbound Policy: Deepening Taiwan's Regional Integration*, A Report of the CSIS-China Power Project, Rowman & Littlefield, Boulder, 2018.p.4-5.

it [the NSP] creates a more independent [policy] trying to develop a more comprehensive and diversified relationship with Southeast Asia, South Asia, and Oceania countries [in which] 18 countries are involved. It is not only a supplement or a correction to China's policy. It is [indeed] a regional policy of its own merit.²⁷

The description reflects that the NSP is a determination and huge project. Arguably, there are many factors which drove a formulation of the policy. The sections below analyses possible determinant factors.

Economic Factor

During the 2016 presidential campaign, the economy was one of the main focuses of the debate. Taiwan's declining economy and widening wealth inequality were two central political issues.²⁸ Both President candidates have political will to deal with these two issues. Their political will cannot be separated from Taiwan's political modernization which has reached full-fledged and mature democracy with a critical electorate. Kerry Brown describes it as follows:

Taiwan ... has embraced modernity within the political realm. That means the sixth presidential election held since 1996 with universal franchise for those over 21 will be passionate and dynamic but peaceful. Tsai and her opponent, Hung Hsiu-chu from KMT [Kuomintang], will mainly have to deal with an electorate that wants to hear their does not so much on grand geopolitical issues like cross-strait relations, but on how they propose to energize the Island's economy, whose performance has been sub-optimal for the last decade.²⁹

Yet, there was a conflicting position between the two competing candidates. Although both see economic growth is important to maintain, their strategies to achieve it are different. In KMT's view, to gain economic growth needs to deepen economic ties with PRC. However, the presidential candidate from Democratic Progressive Party (DPP)–Tsai Ing-wen–refused that strategy by saying that “it has left Taiwan too reliant on and vulnerable to China.”³⁰ The argument seems realistic given the fact that PRC is the main market of Taiwan's export. As displayed on table 4, between 2010 up to 2015 Taiwan's export to PRC reaching around 40% of its total export.

Such Tsai's critically economic view became one of main driver for her to adopt the New Southbound policy. In her inaugural address as a newly elected President in May 2016 she would maintain the status quo of cross-Strait relations But, at the same time in economic aspect she would depart from her predecessor President Ma Ying-jeou's economic policy. The statement reflects her anxiety over President's Ma who prioritized the relationship with the PRC which led to “Taiwan economic overdependence on the PRC, vulnerability to Beijing weaponizing its independence”.³¹ Reflecting the potential economic threat caused by President Ma's prioritization of the Westbound policy, President Tsai underlined that the NSP primary goal is to “bid farewell to our past

²⁷ Interview with Professor Michael Hsiao, the Chairman of TAEF, Kaohsiung, November 5, 2022.

²⁸ Linda van der Horst, “The Rise of Taiwan's ‘Third Force’”, *The Diplomat*, January 06, 2016.

²⁹ Kerry Brown, “Taiwan's Modernity and the 2016 Elections”, *The Diplomat*, July 27, 2015.

³⁰ Linda van der Horst, “The Rise of Taiwan's ‘Third Force’”, *The Diplomat*, January 06, 2016.

³¹ “The New Southbound Policy: Strategizing Taiwan's Warm Power Practice”, *op.cit.*, p.6.

overreliance on a [China] single market.”³² Having this, the projected changing orientation of Taiwanese *taishang* (businessmen) to Southeast Asia regions, to some extent, is driven by the anxiety over the PRC to “using business to steer politics”.³³

Table 4 : Percentage of Taiwan’s Exports Going to Major New Southbound Policy Trading Partners and to China and Hongkong 2010-2017

	2010	2015	Change 2010 - 2017	2017	Change 2015 -2017
New Southbound Policy Trading Partners					
Singapore	4.4	6.1	2.7	5.6	- 0.5
Malaysia	2.0	2.5	0.5	3.3	0.8
Philippines	2.2	2.6	0.4	3.0	0.4
Thailand	1.9	2.0	0.1	2.0	0.0
Australia	1.2	1.2	0.0	1.0	- 0.2
Indonesia	1.9	1.1	- 0.8	1.0	- 0.1
Total	13.6	15.5	2.9	15.9	0.4
China and Hong Kong					
China	28.0	26.7	- 1.3	28.0	1.3
Hong Kong	13.8	13.0	- 0.1	13.3	- 0.7
Total	41.8	40.4	- 1.4	41.0	0.6

Source: National Development Council, *Taiwan Statistical Data Book 2018*, pp.226-227; and Karl Ho, Cal Clark, and Alexander C. Tan, “The New Southbound Policy”, in Hans Stockton and Yao-Yuan Yeh, eds. *Taiwan: The Development of an Asian Tiger*, Lynne-Rienner Publishers, Boulder, 2020, p.146.

Yet, it seems not easy for Taiwan to reduce Taiwan's economic reliance on PRC. Historically, two initiated political will were not congruent with the desired economic balance.³⁴ During the implementation of President Lee’s Go South policy aiming to overturn the Westbound policy; it turns out that in the period 1991 to 1995 exports to PRC increased from 10% to 17%. Moreover, from 2000 to 2005, under the pro-independent President, Chen Shui-bian, Taiwan’s exports to PRC even jumped sharply from 16% to 28%. Meanwhile, under President Ma Ying-jeou who was inclined to maintain the Westbound policy; Taiwan export to PRC slightly increase. Even until the first year of the implementation of the NSP, Taiwan’s economy has continually heavily depended on mainland China. As shown on table 4, the 2017 figure indicates that Taiwan’s export

³² Hunter Marston and Richard C. Bush, “Taiwan’s Engagement with Southeast Asia is Making Progress under The New Southbound Policy”, Taiwan-U.S Quarterly Analysis series, July 30, 2018; <https://www.brookings.edu/opinions/taiwans-engagement-with-southeast-asia-is-making-progress-under-the-new-southbound-policy/> [accessed 28 January, 2023]

³³ Chun-yi Lee, “Assessing the first years of Taiwan’s New Southbound Policy: The case of Vietnam”, in Gunter Schubert and Chun-yi Lee, eds., *Taiwan during The First Administration of Tsai Ing-wen*, Routledge, London, 2022, p.291-292.

³⁴ Karl Ho, Cal Clark, and Alexander C. Tan, “The New Southbound Policy”, *op.cit.*, p.140.

continued predominantly go to the PRC accounted for more than 40% of its total export, compared to only 15 % of the combined export to the six NSP trading partners.

Another identical pattern deals with Taiwan's Southbound investment, in which until the commencement of the NSP the PRC had also become the main destination.³⁵ Between 2000 up to 2001 Taiwan's foreign direct investment (FDI) were 34 and 39 per cent respectively. Ironically, under the 'Active Opening' policy adopted by the pro-independent President–Chen Shui-bian–Taiwan's FDI even peaked at 84 per cent in 2010. Although in subsequent years it tended to decrease, until the adoption of the NSP in 2016 the proportion of Taiwan's FDI to PRC still reached 44% of the total,³⁶ which was the largest compared to investment to other countries. The main driver of the continuing dominance of Taiwan's FDI in the PRC is "too many Taiwanese *taishang* or businessmen who still like to invest in PRC".³⁷ Cultural similarity and geographic proximity,³⁸ coupled with the established networks and built trust are the main factors that make them feel comfortable to invest there.³⁹

However, overreliance on the PRC is not the only worrying aspect for Taiwan's economy. There is another domestic economic problem which is understated but crucial to solve. It is related to Taiwan's stages of economic transformation.⁴⁰ In the 1950s, the country experienced an economic transformation from the agriculture sector to the industry. The occurred basic transformation was orientation to import-substitution in light industry forms resources with productive capabilities in agriculture and light industry. From the 1960s up to early 1970s Taiwan witnessed export-stimulation liberalization accompanied by the emergence of entrepreneurial skills of small business. Entering the 1970s to 1990s, Taiwan experienced industrial upgrading marked by the emergence of state-led heavy industry. This stage commenced high tech industry, establishing productive capabilities in heavy industry coupled with upgraded entrepreneurial to sophisticated products.

The stages of economic transformation above have led Taiwan to become one of economic power in Asia. Its economic maturation had triggered an economic miracle with high growth. Industrialization that occurred in the 1970s to 1980s was able to drive economic growth of 9.3 per year. However, the transformation in the long run has the "seeds of its destruction".⁴¹ The argument is that the increase in social welfare due to economic miracles, at a certain point, start pricing out of the low cost manufacturing product niche in the global economy. As shown in figure 1, industrial internationalization, which has brought prosperity and human resource development in turn has an impact on stagnating economic growth and growing inequality. There has been a contradiction here. On one hand, Taiwan has been very successful in developing high-tech industries. On the other hand, this country has lost most of its basic industries. The proportion of exports

³⁵ *Ibid.*, p.144.

³⁶ *Ibid.*, p.145.

³⁷ Interview with Professor Michael Hsiao, the Chairman of TAEF and a member of President's think tank, Kaohsiung, November 5, 2022.

³⁸ Karl Ho, Cal Clark, and Alexander C. Tan, "The New Southbound Policy", *op.cit.*, p.139.

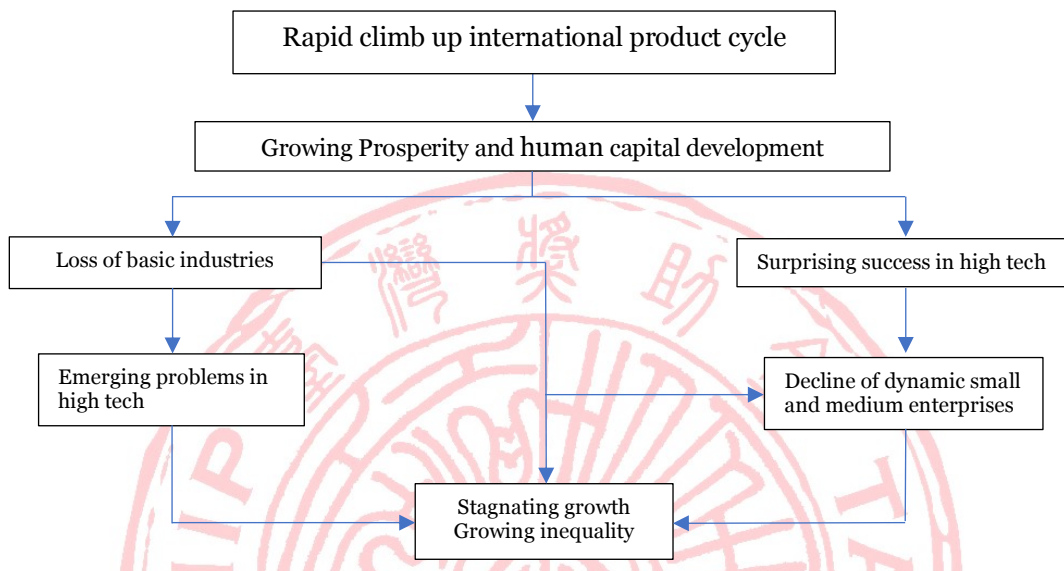
³⁹ Interview with Wen-pin Lin, Professor who has specialization in political-economy, Kaohsiung, November 17, 2022.

⁴⁰ Karl Ho, Cal Clark, and Alexander C. Tan, "The New Southbound Policy", *op.cit.*, p.135.

⁴¹ *Ibid.*, p.136.

from Small and Medium Enterprises (SME's) has fallen sharply, from 70 per cent in 1982 to only 28 per cent in 2006. One of the reasons is the intense competition with low-cost producers from developing countries, including PRC. The side effect of this economic maturation has thus threatened Taiwan's economic reputation for "growth with equity".⁴²

Figure 1: Dynamic of Economic Maturation in Taiwan



Source: Karl Ho, Cal Clark, and Alexander C. Tan, "The New Southbound Policy", in Hans Stockton and Yao-Yuan Yeh, eds., *Taiwan: The Development of an Asian Tiger*, Lynne-Rienner Publishers, Boulder, 2020, p.137.

Against the background, one of the NSP dimension is therefore Taiwan's newly economic and trade strategy. In a meeting on economic and trade strategy—chaired by President Tsai herself—held in August 16, 2016; it was asserted that by adopting the NSP Taiwan wanted to redefine "[its] important role in Asia's development identify a new direction and a new driving force for a new stage of economic development, and create future value", with a long-term goal—among others—of creating "a new cooperation mode that seeks mutual benefits and win-win situations ... [and] "to forge a 'sense of economic community'".⁴³ Even President Tsai Ing-wen herself believes that Taiwan could play a crucial role in the projected community by saying that "a more connected Taiwan can be the driving force behind such regional cooperation".⁴⁴ The intended sense of economic community would in turn help Taiwan economy from the outside in.

The NSP goal above is not a wishful thinking, but it instead relied on a realistic calculation. The phrase of "a driving force for a new stage of economic development" is crucial here. It is undeniable that the condition of Taiwan's economy over the last few

⁴² *Ibid.*

⁴³ "New Southbound Policy' Guideline and Action Plan", <https://www.ev.gov.tw/otnen/64C34DCA8893B06/3d192c26-1c2d-48ad-b9d2-0cbea14b1abo>, [accessed December 24, 2022]

⁴⁴ "President Tsai attends opening of Yushan Forum", November 11, 2018, <https://english.president.gov.tw/News/5552> [accessed 4 January 2022]

decades very likely to contribute to the formulation of the NSP. As said before, one of the prominent challenge for Taiwan is the stagnation of its economy, which hit the SME's and put its reputation "Growth and Equity" at risk. Hence, President Tsai Ing-wen herself insisted that Taiwan's SME's should play a crucial economic role in the NSP,⁴⁵ hoping that it allows to boast its survival. With its comprehensive approach, the NSP hopefully also matters for Taiwan's industries. It is clearly stated in its practical concept:

The New Southbound Policy embraces a new approach to people-to-people connections in industrial talent development. With people-centric bilateral exchanges and resource sharing as its objectives, the policy helps Taiwanese industries implant high-quality human resources.⁴⁶

As part of economic and trade strategy, the practical concept is aimed to solve the existing Taiwan's economic problem from the outside in.

Yet, as a grand regional strategy, the NSP not merely deals with practical matter. To achieve its goals, the NSP also promotes Taiwan's soft power. On many occasion, Taiwan's leaders has repetitively promoted soft power-related missions. In her address at the 2018 Yushan Forum, for example, President Tsai Ing-wen insisted by modifying the former Vice President of the Philippines' words:

Another key element of this policy, that is the New Southbound Policy, is to promote a sustainable prosperity for our future generations. That is reflected in our theme this year: "Working Together for Regional Prosperity." ... I want to borrow a quote from former Vice President [Teofisto] Guingona of the Philippines. At last year's Yushan Forum, he said: "We help each other. The Philippines to help Taiwan, and Taiwan to help the Philippines". I take this quote to heart, because more broadly, it is the spirit of everything we're doing at the Yushan Forum and the New Southbound Policy. That is: "Taiwan can help Asia, and Asia can help Taiwan."⁴⁷

President Tsai's affirmation above can be seen as part of Taiwan's nation-branding efforts. She seemingly wanted to send a clear signal that her country is caring and very open to carry out equal and mutually beneficial cooperation with Asian countries, especially the NSP target countries. Interestingly, the effort of making the positive image of Taiwan is also accompanied by emphasizing that Taiwan is not a threat. As a newly regional policy, the NSP is indeed based on the spirit of sincerity and there is no hidden agenda for any geopolitical ambition and expansion of influence. Minister Without Portfolio and Office of Trade Negotiations—John Deng—expressly stated:

The goal of the Southbound Policy is simple and clear. Under the new Southbound Policy initiative, Taiwan intends to engage in a wide range of negotiations and dialogue with 18 [NSP targeted] countries ... The partnership is aimed at achieving

⁴⁵ "Inaugural address of ROC 14th-term President Tsai Ing-wen", Office of Trade Negotiations, Executive Yuan, May 20, 2016, https://www.moea.gov.tw/MNS/otn_e/content/Content.aspx?menu_id=19316

⁴⁶ "The New Southbound Policy: A Practical Approach Moving Full Steam Ahead", 2017, downloaded from <https://www.ey.gov.tw>, [accessed December 19, 2022]

⁴⁷ "President Tsai attends opening of Yushan Forum", <https://english.president.gov.tw/News/5552> [accessed January 3, 2023]

multifaceted cooperation and establishing mutual prosperity. The initiative does not seek to advance Taiwan's geopolitical stature or influence, but intends for Taiwan to play a proactive role in the region by expanding and enhancing trade cooperation with neighboring countries through resource sharing and people-to-people exchanges"⁴⁸

By showing its spirit of sincerity, Taiwan has tried to make its positive image among the partners in the region. Through the NSP, it wants to brand itself as a kind and caring country in a sense that it not only intends to cooperate but also offers to be a problem solver. As asserted by Michael Hsiao in the 2018 Yushan Forum, that "as a vital solution and resource provider for the region, Taiwan is not a question, but an answer instead."⁴⁹ With its economic and technological power, Taiwan guarantees that its presence "is not only contributing to the sustainability of supply chain but also facilitating the survival chain and innovative business eco-system in the region."⁵⁰ The insistence of being a helper and problem solver has been revived over times. In her address in the 21 Yushan Forum, President Tsai Ing-wen once again reiterated the commitment. She said:

During a previous Yushan Forum, Chairman [Hsin-Huang Michael] Hsiao made a keen observation: "Taiwan is not a problem but rather a solution." Taiwan, through its evolution as an economic powerhouse and a vibrant democracy, is indeed part of the solution to emerging challenges with ramifications on a global scale, from climate change and new diseases, proliferation and terrorism, to human trafficking and threats to supply chains. Despite being excluded from international organizations, Taiwan has striven to adhere to international protocols. Taiwan has also been working proactively and diligently with like-minded partners on the development of the region.⁵¹

The statement explicitly once again underlines how Taiwan leaders see its soft power elements, such as economic power, democracy, obedience to the international rules, and concern for common problems, are important for 'weaponizing' the NSP for the success of its missions. This strategic step is extremely crucial to do in the midst of PRC's continuous efforts to marginalize Taiwan in the international arena.

Since the beginning of the NSP implementation, Taiwan government has seriously driven both public and private sectors joining forces to share Taiwan's economic advantages in the three targeted regions. So far, there are various achievements.⁵² During the first year of the NSP implementation, both government and private firms have signed a total of 69 Memorandum of Understanding (MoUs) and letters of intent (LoI) for cooperation with the New Southbound Countries. At the same time, trade in the regions also well-developed. In 2017 alone, trade between Taiwan and New Southbound Countries grew by 15 per cent. A similar trend also occurred in the reciprocal investment.

⁴⁸ John Deng, Minister Without Portfolio and Office of Trade Negotiations, quoted in "An Introductory Guide to Taiwan New Southbound Policy", p.2.

⁴⁹ "The New Southbound Policy: Strategizing Taiwan's Warm Power Practice", *op.cit.*, p.12.

⁵⁰ *Ibid.*, p.8.

⁵¹ "President Tsai addresses opening of 2021 Yushan Forum", <https://english.president.gov.tw/NEWS/6173/new%20southbound%20policy> [accessed November 24, 2022]

⁵² "President Tsai attends opening of Yushan Forum" (2018-10-11), *loc.cit.*

Taiwan's investment in the NSP countries went up by 54 per cent, while investment by the partner countries in Taiwan also rose by 15 per cent.

Over a period of five years since its implementation, the NSP had showed various achievements.⁵³ In addition to having produced more 80 signed agreement and MoUs, Taiwanese investment in the targeted countries has steadily increased. During the first half of 2021 it rose by 58.87 per cent year-on-year. Likewise, the New Southbound Policy countries' investment in Taiwan escalated by 57.5 per cent. Interestingly, Taiwan's investment in ASEAN countries accounted for 35.1 per cent of the overall investment, in which it surpassed the 25.8 per cent investment in PRC. With all these achievements, the New Southbound Policy seems to have been working and successful to fulfil its economic objective, at least part of it, particularly in reducing economic overreliance on PRC.

Geopolitical Factor

Conceptually the New Southbound Policy (NSP) offers non-military cooperation and partnership in the sense of economic community. But its formulation cannot be separated from the geopolitical strategic context that Taiwan has face for decades. Internationally, Taiwan faces a serious threat, particularly from People Republic of China (PRC). With its rising power the latter country has strengthened its influence to impair Taiwan's international standing. As said before, the PRC's 'One China Policy' has hindered the country from diplomatic ties and international organizations. Recently, in regionalization Taiwan has also been excluded from the China-led Regional Comprehensive Economic Partnership (RCEP) and the Comprehensive and Progressive Trans-Pacific Partnership (CPTPP), two trade pacts which includes Asia-Pacific countries.⁵⁴

Since the beginning, President Tsai Ing-wen has realized the challenges in which Taiwan has been marginalized from the international community. So, having international space is crucial for Taiwan to struggle for. On May 2016, in her inaugural speech President Tsai Ing-wen asserted her concern about the challenges under new circumstances. She said:

Over the past 30 years, Asia and the world have undergone dramatic changes. And governments have become increasingly concerned over global and regional economic stability and collective security. Taiwan has always played an indispensable role in the region's development. But in recent years, regional dynamics have been changing rapidly. If Taiwan does not effectively use its strengths and leverage to proactively participate in regional affairs, it will not only become insignificant, it may even become marginalized and lose the ability to determine its own future.⁵⁵

Having such a difficult geopolitical position, it is therefore imperative for Taiwan to creatively find any strategy to overcome it. In her speech in the commemoration of Taiwan's National Day in October 10, 2017; President Tsai Ing-wen explicitly addressed

⁵³ "President Tsai addresses opening of 2021 Yushan Forum", *op.cit.*

⁵⁴ Jeremy Olivier, "New Southbound Policy Offers New Prospects for 2022", <https://topics.amcham.com.tw/2021/12/new-southbound-policy-prospects-2022/>, [accessed December 12, 2022]

⁵⁵ "Full Text of President Tsai's Inaugural Address (2016-05-20)", *CommonWealth Magazine*, Vol.597, <https://english.cw.com.tw/article/article.action?id=90>, [accessed November 19, 2022]

that the purpose of the "New Southbound Policy" is "to hold a more advantageous position in international society."⁵⁶ This statement indicates that the adoption of the New Southbound Policy (NSP) is part of Taiwan's serious efforts to exit from its internationally marginalized position. As argued by Joyce Lin, Director of the ASEAN Studies Centre at Tamkang University; the NSP can be interpreted as Taiwan's attempt to "increase [its] international space" for strategic maneuverability.⁵⁷

The NSP reflects a new approach in Taiwan foreign policy. It is basically a strategy to redefine the country's position under the dynamic of existing regional architecture. In her speech in the 2017, President Tsai asserted that it is important for Taiwan to stay alert to any development in the surrounding regions. According to her, the NSP is one of the answers to the latest developments. She said:

As Asia is changing, Taiwan too must change. Rapid economic, social, and political changes in the region are bringing a host of new opportunities and challenges. ... Redefining Taiwan's role in the region is one of my highest priorities as president. To be clear, the New Southbound Policy is our new "Regional Strategy for Asia." We intend to work with countries in the region and around the world to deepen and broaden our presence in South and Southeast Asia.⁵⁸

Against the background, it is very likely that the NSP is an answer to the rapidly changing geopolitical dynamics in the Pacific region marked by greater competition. Hence, the NSP is basically "the President Tsai Ing-wen's signature foreign policy and regional strategy for Asia [which] builds on the above-mentioned needs from the inside out."⁵⁹

Recently, the urgency of expanding international space mounted. This happens particularly since President Tsai—who has a tougher stand for Taiwan's independence—came to power in 2016. While refusing the PRC's 'One China policy she cogently insisted that "everything was negotiable except two things: our freedom and our future."⁶⁰ As a reaction to this President Tsai's stand, President PRC—Xi Jinping—stated that PRC 'will not cede "a single inch of land",⁶¹ pointing to the island country that has long been claimed as part of PRC's territory. Additionally, following President Tsai's 2016 inaugural speech, the PRC warned her by insisting that if she failed to meet Beijing's demand, borrowing Xin Jinping's word "the earth will move and the mountain will shake".⁶² This indicates

⁵⁶ "President Tsai delivers 2017 National Day Address" (2017-10-10), <https://english.president.gov.tw/NEWS/5231/new%20southbound%20policy>, [accessed November 26, 2022]

⁵⁷ Quoted in Hunter Marston and Richard C. Bush, "Taiwan's Engagement with Southeast Asia is Making Progress under The New Southbound Policy", *op.cit.*

⁵⁸ "President Tsai's remarks at Yushan Forum: Asian Dialogue for Innovation and Progress" (October 11, 2017), <https://english.president.gov.tw/NEWS/5232/new%20southbound%20policy>, [accessed 24 November 2022]

⁵⁹ "The New Southbound Policy: Strategizing Taiwan's Warm Power Practice", *op.cit.*, p.19.

⁶⁰ "Tsai Ing-wen: A Legal Eagle Soars to Become Taiwan's First Female President", <https://www.freiheit.org/sudost-und-ostasien/tsai-ing-wen-legal-eagle-soars-become-taiwans-first-female-president>, [Accessed January 19, 2023]

⁶¹ Chen-Sheng Hong and Logan Pauley, "Taiwan's New Southbound Policy Meets the US Free and Open Indo-Pacific Strategy", *The Diplomat*, June 28, 2018.

⁶² Jacques deLisle, "Taiwan's quest for international space in the Tsai era: Adapting old strategies to new circumstances", in June Teufel Dreyer and Jacques deLisle, eds., *Taiwan in the Era of Tsai Ing-wen: Changes and Challenges*, Routledge, London, 2021. p.240

that the PRC did not hesitate to use military means to realize its demands. Since then, the PRC has enlarged its efforts and strengthen its military pressure to undermining Taiwan's international space.⁶³ Unsurprisingly, therefore, President Tsai repetitively defines the increasing challenge by underlining the importance of preserving national security while still commits to promote “regional stability and peace under the principles of national interests, freedom and democracy”.⁶⁴ In her 2017, President Tsai strongly reiterated:

We live in an era of rapid change. Governments around the world are re-thinking their overall national security strategies and the direction of their future development. This is especially true in Taiwan, given the unpredictable geopolitical environment we live in. As seen by the increasingly frequency of air and sea activities by the People's Liberation Army, China's intention to expand their military presence in the region has become increasingly evident. Furthermore, ... the lack of overall progress in regional economic and trade integration, and the continued possibility of geopolitical conflicts, mean that Taiwan cannot afford any miscalculations. Therefore, one of my foremost tasks since taking office has been to find Taiwan's position and its path forward, amid these many regional and global variables. Taiwan may not be big, but we are very determined to defend our country. Here, I solemnly pledge that ... "Self-sufficiency in national defense" is not just a slogan. Meanwhile, in international economics and trade, we've seen the US propose a "free and open Indo-Pacific" policy. Mainland China has its One Belt, One Road [OBOR] policy. ... These initiatives show that all the countries in our region want to establish closer economic and trade ties. Taiwan also has its own strategy. The New Southbound Policy is our key regional strategy for Asia. Already, we've seen positive responses from South and Southeast Asian countries.⁶⁵

The statement indicates at least two insistences. First, Taiwan views that the PRC is the main threat. Second, the type of menace is not only in form of military threat, but also the international regimes which potentially exclude Taiwan from international community. Taiwan perceives these to potentially threaten its national security.

Amidst the unfavourable regional developments, President Tsai did not want to miscalculate. She thought that the NSP is crucial to propose to anticipate the potential threat. In the 2017 National Day address, President Tsai insisted:

The purpose of the "New Southbound Policy" is for us to hold a more advantageous position in international society. I also want to use this opportunity to tell our friends from around the world that faced with a rapidly changing Asia-Pacific region, Taiwan is ready to play a more important role in shaping regional prosperity and stability.⁶⁶

⁶³ *Ibid.*

⁶⁴ “Tsai Ing-wen: A Legal Eagle Soars to Become Taiwan’s First Female President”, *loc.cit.*

⁶⁵ “President Tsai holds 2017 year-end press conference”, December 29, 2017, <https://english.president.gov.tw/NEWS/5313/new%20southbound%20policy>, [accessed November 19, 2022]

⁶⁶ “President Tsai delivers 2017 National Day Address”, <https://english.president.gov.tw/NEWS/5231/new%20southbound%20policy>, [accessed November 22, 2022]

Referring to the President's statements above, one of the prime motives to adopt the NSP is the PRC's regional strategy. Although there are many international regime initiatives, for Taiwan the real menacing initiative is the PRC's Belt Road Initiative (BRI). Hence, as a regional strategy, the NSP's strategic aim seems to primarily alternate the PRC's BRI. Until quite recently, Taiwan has seen the PRC as the biggest threat to its national security and regional security. In her remarks at the 2022 Yushan forum, to anticipate the PRC's threat President Tsai gave a symbolic warning that regional democracies must create a new economic framework. She cogently asserted:

The Indo-Pacific region is now the world's fastest-growing and most influential region. This is also the region that will shape the course of the 21st century and our future. But in recent years the Indo-Pacific has also come to face serious challenges. Our region's security and economic order are threatened by the expansionist [and] ambitions of authoritarian regimes and their coercive tactics. The democratic values and rules-based order we in the region have long worked to uphold are now being eroded by these actions.⁶⁷

The rivalry between the PRC's BRI initiative and the Taiwan's NSP is unavoidable. Previously known as the PRC's One Belt One Road (OBOR) proposal, the BRI was adopted in 2013, while the Taiwan's NSP was launched in 2016. So, it is understandable if the two regional initiatives are "too close to compete".⁶⁸ Moreover, as shown on table 5, the two policies also have an overlapping aspect. In terms of targeted region, "the countries on the [BRI] maritime belt are identical to those targeted by Taiwan's NSP."⁶⁹

Dealing with their substances, the PRC's BRI and Taiwan's NSP are basically different. As indicated, there are only two similarities between the two. Apart from the regional policy formula, both of them also have the same targets as countries in Southeast Asia and South Asia. As shown in table 5, there are some differences between the two policies. The BRI was effectively enacted earlier, that was in 2013; while the NSP was launched three years later. In addition, the BRI is an official relationship as the representation of state relationships (intergovernmental relations); whereas the NSP is more of the relationship in non-state sector (non-governmental relationship). The backbone of the relationships is also different. The BRI depends more on the PRC's hard power with various proposed projects primarily in infrastructure facilities such as highways, railways and harbours. Meanwhile, in contrast, the NSP insists on Taiwan's soft power targeting the private sector and building people-to-people relationships, covering cultural and creative industries, medical services, and digital content.

⁶⁷ "President Tsai addresses opening of 2022 Yushan Forum", <https://english.president.gov.tw/News/6346>, [accessed December 12, 2022]

⁶⁸ Interview with Professor Michael Hsiao, the Chairman of TAEF and a member of President's think tank, Kaohsiung, November 5, 2022.

⁶⁹ Chun-yi Lee, "Assessing the first years of Taiwan's New Southbound Policy: The case of Vietnam", *op.cit.*, p.291.

Table 5: PRC's Belt Road Initiative and ROC's New Southbound Policy Compared

Policy	Belt Road Initiative (BRI)	New Southbound Policy (NSP)
Envisaged	2013	2016
Interaction	Official (state-to-state)	Unofficial (people-to-people)
Backbone	Hard power	Soft power
Main actor	State	Non-state
Targeted sector	State sector	Private sector
Targeted countries	Including South and Southeast Asia	South, Southeast Asia, and Oceania
Proposed projects	Construction of Infrastructure (highways, railways, harbours)	Cultural and creative industries, medical services, digital content

Sources: Ping-Kuei Chen, "Taiwan's 'people-centered' New Southbound Policy and its impact on US-Taiwan relations", *Pacific Review*, Vol.33, No.5, 2020, pp.813-841; and Chun-yi Lee, "Assessing the first years of Taiwan's New Southbound Policy: The case of Vietnam", in Gunter Schubert and Chun-yi Lee, eds., *Taiwan during The First Administration of Tsai Ing-wen*, Routledge, London, 2022, pp. 283-302.

Although the BRI and the NSP are identical in the sense that both are regional strategies, their different characteristics are not a coincidence. From Taiwan's perspective, there are several considerations why this country takes a different approach. Taiwan's inability to keep up with the PRC in terms of having hard power elements has pushed Taiwan to be more realistic in formulating its regional strategy. A member of the President Tsai's think tank explained:

China's BRI is a heavy infrastructure investment policy. Meanwhile, the NSP is regular trade and investment as a continuation of the previous 'Go South' policy. It is why the NSP is called the 'Go South' policy. In substance, [it is] no reference to China's One Belt One Road [or BRI] policy. Too much money has been allocated [by China for the BRI] as China is doing state-to-state relationships, focusing on infrastructure projects which are heavy industries, such as highways, railroads, and harbours. To be fair, [the NSP is] no comparison with the BRI. Taiwan has no capability of doing it. Our approach is [merely] to improve Taiwan's relationship with the targeted countries. As Taiwan has no diplomatic relations with the NSP countries, we alternatively make people-centred relationships. So, we have many typical non-governmental diplomacies; while the BRI is more like a state expansion of investment.⁷⁰

Despite the limitations experienced by Taiwan, the decision to launch the NSP was deemed appropriate, even considered visionary. This policy is reasonable for Taiwan to find a way to secure its national security. In their analysis Chen-Sheng Hong and Logan Pauley emphasizes the issue:

In Taiwan's perspective, one of the ways to minimize threats of Chinese retaliation is to diversify its portfolio of friends in the region. As a central initiative in Tsai's foreign policy, the NSP may be the most apt means to help Taiwan maintain important friendships, pivoting away from traditional alliances to cooperative, soft

⁷⁰ Interview with Professor Michael Hsiao, the Chairman of TAEF and a member of President's think tank, Kaohsiung, November 5, 2022.

power relationships. At the same time, the NSP allows for Taiwan to pursue strengthening bilateral and regional relationships without posing any distinct security threats to the mainland.⁷¹

However, this is not the entire story. Taiwan's seriousness in promoting the NSP was also inseparable from the action-reaction process between the PRC and Taiwan regarding their respective regional community initiatives. Professor Michael Hsiao asserts:

The NSP indeed aims to make a balanced regional attention. Taiwan wants to reach out to Southeast Asia and South Asia countries, which Taiwan had neglected for so long because Taiwan concentrated more on looking at the North East region. [Under] the BRI, so many long bends as China has taken over Sri Lanka's harbour and Laos' railroad. China did say [to other countries in the region]: "*Don't go with the New Southbound Policy, let's join the Belt Road Initiative!*". But when Taiwan wanted to join, China said: "*No, thanks!*" We know China does think about its interest, and that is geopolitical calculation. The BRI is thus not merely an investment strategy, it is essentially a geopolitical strategy. China really wants to expand its military, security, and political influence in the regions.⁷²

This story is so far underreported. Given the reasons above, then the seriousness of President Tsai Ing-Wen in implementing the NSP is understandable. The magnitude of the budget allocated for various NSP programs and the intensive promotion of Taiwan's soft power is closely related to the country's long-term interests, those are its existence and national security.

Soft Power Matters

One of the differences between the PRC's Belt Initiative (BRI) and Taiwan's New Southbound Policy (NSP) is dealing with their backbone. If the BRI depends on hard power, the NSP maximizes soft power. The choice to use soft power was not solely due to Taiwan's condition that could not keep up with the PRC's hard power, but the step, arguably, was also part of an alternative strategy in its competition with the PRC's regional initiative to gain sympathy in the regions.

In her 2018 National Day address, President Tsai Ing-wen said that "when the world really sees the beauty of Taiwan, Taiwan will never be alone."⁷³ This statement is as meaningful as it reflects her encouragement to her fellow citizens to participate in shaping Taiwan's positive brand image. The President's assertion reiterated the previous matched statements. As quoted before, in the 2018 Yushan forum she asserted that "Taiwan can help Asia, and Asia can help Taiwan." In addition to this statement, H.H. Michael Hsiao, a member of the President's think tank, also insisted in the Forum that "As a vital solution and resource provider for the region, Taiwan is not a question, but an answer instead."⁷⁴

⁷¹ Chen-Sheng Hong and Logan Pauley, "Taiwan's New Southbound Policy Meets the US Free and Open Indo-Pacific Strategy", *loc.cit.*

⁷² Interview with Professor Michael Hsiao, Kaohsiung, November 5, 2022.

⁷³ "President Tsai delivers 2018 National Day Address" (2018-10-10), <https://english.president.gov.tw/News/5548>, [accessed January 15, 2023]

⁷⁴ Quoted in "The New Southbound Policy: Strategizing Taiwan's Warm Power Practice", *op.cit.*, p.12.

All these statements clearly show that They aims to brand Taiwan as a friendly, caring and generous country.

Taiwan's branding mission is reflected in the NSP objectives. As shown on table 3, the policy keywords are the "Five Ms", including to make profit together, jobs, friends, families, and values. In making profit together, bilateral trade grew significantly, both in investment and export.⁷⁵ Over five years since the NSP was implemented, Taiwan's investment in the targeted countries grew from \$US 2,381,620 to 5,828,351 in 2021. Likewise, the NSP countries' investments to Taiwan rose from \$US235,913 in 2016 to \$US 1,000,538. These positive tendencies seemed steady. As insisted by President Tsai in 2022, that "Taiwanese companies' redirection of their investments to New Southbound Policy countries is now a consistent trend."⁷⁶ At the same time, Taiwan's export also grew well. The country's export to the 18 NSP countries also increased from \$US 594.4 millions to \$US 528.8 millions.

Apart of the objectives, interestingly, Taiwan offers what is called 'warm power'. As indicated, this kind of approach differentiates the NSP from the PRC's BRI. Professor Michael Hsiao elaborates it as follow:

Warm power is people-centred in the sense we want people to feel warm. It is not [merely] cold money and trade, which are just like machines and technologies. More than that, we want people to contact each other, and we want them to have better treatment. Warm power means people can feel good individually and collectively.⁷⁷

By this intention, as written in Box 1, Taiwan wants to share its warmth in resources and experiences to like-minded countries and partners which need them. At the same time, Taiwan also intends to be a friend which is central in solving the problems and indispensable in the everyday life of its partner countries.

Practically, there are at least three main characteristics of the offered 'warm power'.⁷⁸ First, Taiwan wants to show its Asian neighbours the goodwill and sincerity of its government and people. The NSP programs reflect the intention through all areas related to people's daily life, such as innovative industries, human resource development, social exchange, medical cooperation, agricultural development, and cultural exchange. Through these programs, Taiwan strives to promote progress in Asia through cooperation and resource sharing.

Box 1. Warm Power refers to:

1. *Sharing warmth, in terms of resources and experiences to like-minded countries and partners in need;*
2. *Making Taiwan central in its neighbor's daily discussion and making Taiwan indispensable in the everyday life of its partners*

Source: "The New Southbound Policy: Strategizing Taiwan's Warm Power Practice", TAEF Research Series 007, special issue, October 2022, p.16.

⁷⁵ Hsin-huang Michael Hsiao, "Taiwan's New Southbound Policy Since 2016: Retrospect and Prospect", presented at the UCLA Asia-Pacific Center, May 4, 2022,

⁷⁶ "President Tsai addresses opening of 2022 Yushan Forum", *op.cit.*

⁷⁷ Interview with Professor Michael Hsiao, Kaohsiung, November 5, 2022.

⁷⁸ Alan H. Yang and Ding-Liang Cheng, "The Yushan Forum and Taiwan's Warm Power", *Foreign Policy Research Institute*, October 18, 2019, <https://www.fpri.org/article/2019/10/the-yushan-forum-and-taiwans-warm-power/>, [Accessed February 15, 2023]

As part of human resource sharing, the existence of Southeast Asian residents in Taiwan is an example. They have become important in Taiwanese's everyday life. Up to 2021, in Taiwan there were 670,000 foreign migrant workers, including 445,000 migrant workers who worked in industrial sector.⁷⁹ Of the latter total number, Vietnam migrant workers accounted for 46 per cent, followed by the Philippines (26 %), Indonesia (15%), and Thailand (13%). Meanwhile, in the social welfare sector there were 225 migrant workers.⁸⁰ Of the total number, Indonesian workers are the largest accounted for 76 per cent, followed by Vietnam (13%), and the Philippines (11%). The attendance of foreign migrant workers has mutual benefits. For Taiwan, their presence is good for running its industrial and social welfare sectors; while for the partner countries it makes up jobs for their citizens.

Second, Taiwan has made efforts to collaborate with the NSP partner countries to create innovative partnerships. The project 'One Country, One Centre' (OCOC), among others, is an example. This project promotes cross-border institutional cooperation between Taiwan's medical centres and those at the region. It also aims to strengthen training medical staff for a better future of the people of the region, health, and the national health system. So far, there are seven centres in seven partner countries, including Myanmar, Thailand, Malaysia, Indonesia, India, and the Philippines.⁸¹

Third, Taiwan is trying to establish long-term cooperation models through institutional cooperation and people-to-people interactions. These projects can stimulate long-term and stable institutionalized cooperation frameworks. Hopefully, they are able to generate substantial and lasting benefits for rural communities and improve the income of local farmers in the NSP targeted countries as well. So far, there are three demonstration farms.⁸² They include the establishment of Modern Agriculture Demo Farm, in Karawang, Indonesia (2016), Button Mushroom Demonstration Farm in Baguio, the Philippines (2017), and Taiwan-Vietnam Demonstration Centre on Rice Seed and Fruit Three Seedling Production, Luang An, Vietnam (2017).

The main question is to what extent have all the implemented programs succeeded in winning the hearts and minds of the government and people in the NSP countries so that they can help to improve Taiwan's positive brand image? It is not easy to answer for at least two reasons. First, Taiwan has limitations and political constraints, particularly the PRC's surveillance and threat. Second, as known, the impact of using soft power usually takes time. It seems that this also applies to Taiwan.

The acceptance of Taiwan's NSP can be detected at two levels, the government and the people. At the government level, the attitude is relatively vague. It is understandable because such acceptance is a sensitive issue, especially concerning its relationship with the People Republic of China (PRC), which strictly implements its 'One China' policy. One of President Tsai's advisers said:

⁷⁹ "The New Southbound Policy: Strategizing Taiwan's Warm Power Practice", *op.cit.*, p.10.

⁸⁰ *Ibid.*

⁸¹ *Ibid.*, p.28.

⁸² Hsin-huang Michael Hsiao, "Taiwan's New Southbound Policy Since 2016: Retrospect and Prospect", presented at the UCLA Asia-Pacific Center, May 4, 2022, <https://www.youtube.com/watch?v=82t3ddrJaZ4>, [accessed August 27, 2022]

The response of the targeted countries to the NSP is ambivalent. Their governments like it because we [Taiwan] provide investment opportunities, cultural assistance, scholarship, and medical assistance, plus various TAEF [Taiwan-Asia Exchange Foundation] programs such as think tank collaboration and NGO cooperation. They [indeed] like it, they welcome [the NSP], but they do it quietly. They are ambivalent in such a way that they cannot come up with government-to-government relationships. So far, they signed all investment protection agreements quietly. They do all of those as long as China does not know it. The primary obstacle is thus the China factor, the China threat. [So], they welcome the NSP as long we do not make noise because of China.⁸³

Similarly, at the community level the effectiveness of the NSP is also not easy to achieve. Apart from China's obstacles, the character of soft power, which requires a long time to achieve results, is also a problem that must be faced. The President's adviser, once again, told me:

Shaping Taiwan's brand image [through the NSP] might take a long time because we are doing public diplomacy. We are talking about soft [power] diplomacy. Taiwan is not an enormous country. We have limited diplomatic relationships with only 15 countries. We cannot do [official] diplomacy through President or Prime minister visit and shaking hands. So we use our representatives, NGOs, scholars, and cultural offices to do public diplomacy.⁸⁴

Nonetheless, during the five years of the NSP's implementation, its results have not disappointed. Three surveys conducted by TAEF in Vietnam (2019), Indonesia (2020) and Thailand (2021) show that all programs under the NSP have effectively helped Taiwan's nation-branding in a good way. These three conducted surveys found that Taiwan's overall image and preference for Taiwanese companies are among the highest among foreign investors.⁸⁵

Table 6. Taiwan image perceived in Vietnam, Indonesia, and Thailand

Images	Vietnam	Indonesia	Thailand
Image of Taiwan	1. Emphasizing honesty; 2. Complying with regulation; 3. Internationalized	1. Technologically advances; 2. Liberal; 3. Advanced in medical and health service.	1. Respect for law and order; 2. Advanced medical healthcare; 3. Friendly.
Image of Taiwan Business	1. Honest 2. Innovative; 3. Internationalized	1. Innovative; 2. Internationalized; 3. Trustworthy.	1. Complying with regulations; 2. Innovative 3. Trustworthy

Source: Taiwan – Asia Exchange Foundation (TAEF)

Furthermore, regarding the NSP, a high percentage of business leaders in Vietnam, Indonesia (75%) and Thailand (93%) will strengthen cooperation with Taiwanese companies under the NSP scheme. In addition, the surveys also revealed that

⁸³ Interview with Professor Michael Hsiao, Kaohsiung, November 5, 2022.

⁸⁴ Interview with Professor Michael Hsiao, Kaohsiung, November 5, 2022.

⁸⁵ "The New Southbound Policy: Strategizing Taiwan's Warm Power Practice", *op.cit.*, p.32.

due to Taiwan's ability to handle the Covid-19 pandemic well, 35 per cent of the total Indonesian respondents expressed a better impression of Taiwan, and 49 per cent of them willing to more willing to cooperate with Taiwanese companies after the pandemic. As for Thailand, up to 90 per cent of respondents said they would cooperate with Taiwanese companies. Additionally, as shown in table 6, from a thematic perspective, Taiwan and Taiwanese companies both received very positive affirmations. The findings indicate that the efforts of the Taiwanese government, especially those done through the NSP, have been working and widely recognized.

Conclusion: Retrospect and Prospect

From the discussion and discussion above, Taiwan has a big problem, especially concerning its existence as a country. Moreover, the country is facing the People's Republic of China (PRC), a big country whose enormous hard power that Taiwan is unable to match. Under such circumstances, as a middle-power country, weaponizing soft power is the best alternative for Taiwan. Perhaps, soft power diplomacy is even the only remaining regional strategy option for Taiwan to maintain its existence at the regional and global levels. In this context, the New Southbound Policy (NSP) has a very strategic value.

Unfortunately, the only remaining policy option is facing challenges both from the international and domestic sides. From the outside, The PRC's constant surveillance and threat always overshadow it. On the domestic side, the rivalry between the two major parties, the Kuomintang (KMT) and the Democratic Progressive Party (DPP), also determines the sustainability of the NSP. The reason for this is the two main parties differ in their policy priority, which could impact the sustainability of the NSP. In this regard, Professor Michael Hsiao emphasized:

If the government changes, the [NSP] policy could also change. There is no guarantee about its continuation because of politics. As you know, there are two rivalry main parties in Taiwan, namely KMT [Kuomintang] and DPP [Democratic Progressive Party]. The KMT is pro-China and intends to increase China's connections, while DPP tends to improve regional relationships. So, it is clear that their ideologies crash each other. The DPP puts regional and global policies on top, while China's policy is underneath. It means China's Policy is part of its regional and global policy. The KMT puts China policy on top as long they want to take care of China first, and then they can take care of the region and globally. So, it is the reverse. The two parties have different ideologies and different worldviews. So, if the KMT wins the next election, it might kill or put the NSP down.⁸⁶

Yet, the prospect of the NSP is ultimately up to the people of Taiwan. With their mature democratic system, they will be able to make the best choices for the future of their country in a peaceful and civilized way.

⁸⁶ Interview with Professor Michael Hsiao, Kaohsiung, November 5, 2022.

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