

TAIWAN AND SOUTHEAST ASIA: OPPORTUNITIES AND CONSTRAINTS OF CONTINUED ENGAGEMENT

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I. INTRODUCTION

Over the past three decades, Taiwan has seen continued and expanded engagement with Southeast Asia. In the late 1980s and the early 1990s, under LEE Teng-hui's presidency, the Republic of China (hereafter, R.O.C. or Taiwan) started to pursue a set of "Go South" policy initiatives to deepen its ties with the member countries of the Association of Southeast Asian Nations (ASEAN), aimed at securing the island's political and economic interests in the region.¹ At the center of the geopolitical struggle, however, lies the "one-China" principle promoted by the People's Republic of China (hereafter, P.R.C., or mainland China) and the related "one-China" policy adopted by each of the ASEAN countries, which recognizes the P.R.C. over the R.O.C.'s lack of formal diplomatic relations in Southeast Asia. Coupled with the substantial growth of mainland China's economic clout in the region, the one-China policy points to numerous uncertainties in the future of Taiwan-ASEAN relations, which merits a careful examination of the opportunities and constraints which currently exist in Taiwanese engagement with ASEAN countries. In order to elucidate these issues, this research undertakes an exploration of the historical measures Taiwan has implemented to improve ties with the region, followed by an analysis of the effectiveness of these efforts over the past three decades. Evaluating the previous course of Taiwan-Southeast Asia relations is essential in orchestrating feasible "Go South" initiatives for the new government in Taiwan.

This monograph attempts to analyze Taiwan-ASEAN relations from a variety of perspectives: political development, economic cooperation, and cultural engagement, as well as the related dynamics with mainland China. The main argument contends that, on the political and economic fronts, there are two major determinants in calculating the effectiveness of Taiwan's engagement with Southeast Asian countries. The first factor is Taiwan's economic influence *vis-à-vis* mainland China. In the early 1990s, the significant Taiwanese investment and trade presence in Southeast Asia provided leverage and opportunities that Taiwan needed to en-

1. ASEAN was established in Thailand in 1967 by the five original member countries (ASEAN-5) – Indonesia, Malaysia, the Philippines, Singapore, and Thailand. It was later joined by Brunei (1984), Vietnam (1995), Laos (1997), Myanmar (1997), Cambodia (1999). Its objectives, besides the promotion of regional peace and stability, include the acceleration of economic growth, social progress, and cultural development among its member countries. See the ASEAN Declaration (Bangkok Declaration) at <http://asean.org/the-asean-declaration-bangkok-declaration-bangkok-8-august-1967/>.

hance political ties with ASEAN countries. However, after the Asian financial crisis in the late 1990s, Taiwan's relative economic prowess in Southeast Asia steadily declined while mainland China started to actively bolster its trade and investment ties with the region.

The second factor is the overall status of cross-Taiwan Strait relations (hereafter, cross-Strait relations). Cross-Strait peace and stability arguably create more space for Taiwan to engage Southeast Asian countries. When the Taiwan Strait was relatively stable during the first half of President Lee's tenure between 1988 and 1994, Taiwan augmented political relations with Southeast Asian countries. When President MA Ying-jeou promoted cross-Strait peace between 2008 and 2016, Taiwan also made remarkable strides in improving relations with ASEAN countries and strengthening people-to-people connectivity with the region. In contrast, Taiwan encountered more obstacles to "Go South" when cross-Strait relations deteriorated from 1995 to 2000 under Lee's presidency and from 2000 to 2008 under CHEN Shui-bian's.

On the cultural and people-to-people fronts, this monograph argues that Taiwan holds copious amounts of soft power assets through its academic exchanges and developmental assistance programs. Consequently, Taiwan can wield greater soft power in Southeast Asia if it continues to mobilize these resources and expand existing initiatives. Measures, such as further strengthening higher education and tourism ties with ASEAN countries and proactively offering technical assistance and humanitarian aid to the region, can help Taiwan increase its image abroad and in turn promote the island's interests in Southeast Asia.

This monograph is divided into five chapters. Following this introductory Chapter I, Chapter II of this monograph examines the political development of Taiwan's relationships with ASEAN countries under President Lee, President Chen, and President Ma, and analyzes their "Go South" policy initiatives and the mainland China factor in the region. Chapter III focuses on the economic component of Taiwan-ASEAN relations, particularly in the fields of investment, trade, and labor cooperation. Chapter IV evaluates Taiwan's soft power resources and public diplomacy approaches that help the island attract citizens from ASEAN countries and strengthen people-to-people ties. The concluding Chapter V summarizes the main arguments and assesses the prospects of Taiwan-ASEAN relations. As Southeast Asia has been a focal point of the new government's "New Southbound" policy, which was emphasized by President TSAI Ing-wen in her inaugural address, the conclusion also provides some policy suggestions for enhancing the effectiveness of "Go South" strategies.

II. TAIWAN'S "GO SOUTH" POLICY AND THE MAINLAND CHINA FACTOR

This chapter analyzes the "Go South" policy initiatives pursued under the LEE Teng-hui, CHEN Shui-bian, and MA Ying-jeou administrations: whether they strengthened or weakened political ties with Southeast Asia and how they dealt with emerging mainland Chinese influence in the region. The role of ASEAN leaders in engaging with Taiwan and mainland China is also examined, with particular emphasis on their calculations regarding regional stability. In this chapter, Section A discusses how President Lee's policy of pragmatic diplomacy toward ASEAN countries, coupled with the launch of his "Go South" strategy, enabled Taiwan to expand political relations with ASEAN between 1988 and 1994. Section B explores Lee's presidency from 1995 to 2000, examining the challenges posed by heightened tensions across the Taiwan Strait, the Asian financial crisis, and the warming of P.R.C.-ASEAN ties. Section C assesses President Chen's aggressive foreign policy towards ASEAN countries and Beijing's growing leverage in the region vis-à-vis Taipei from 2000 to 2008. Finally, Section D analyzes the viable diplomacy approach taken by President Ma from 2008 to 2016, its effect on Taiwan's overarching engagement with ASEAN countries, and its implications for the TSAI Ing-wen administration.

A. LEE Teng-hui's Pragmatic Diplomacy in Southeast Asia (1988-1994)

LEE Teng-hui's foreign policy was one of pragmatism fueled by Taiwan's economic prowess. No sooner had Lee assumed the presidency after the passing of CHIANG Ching-kuo in January 1988 than he started adjusting the R.O.C.'s foreign affairs strategy, embarking on a diplomatic offensive to raise international visibility. At the national party congress of the ruling Kuomintang (KMT) in July 1988, Lee proclaimed that his administration would adopt a more pragmatic, flexible, and forward-looking approach to upgrade Taiwan's external relations.² He also emphasized the consolidation of existing diplomatic ties and the forging of new allies predominantly through economic cooperation.

Amid a series of major diplomatic setbacks in the 1970s – Taiwan's loss of both the seat representing China in the United Nations in 1971 and formal diplomatic relations with the United States in 1979 – CHIANG

2. Michael Leifer, "Taiwan and South-East Asia: The Limits to Pragmatic Diplomacy," *The China Quarterly*, No. 165 (March 2001), p. 180.

Ching-kuo began modifying CHIANG Kai-shek's "non-coexistence" foreign policy into flexible diplomacy when he became premier of the R.O.C. in 1972.³ Premier Chiang ascended to the presidency in 1978, and, while still insisting that the R.O.C. was the only legitimate government representing the whole of China, Premier Chiang aimed to rejoin international organizations and build substantive relations with countries Taiwan did not have formal diplomatic relations with. Lee's pragmatic diplomacy represented continuity in substantive terms but defined each side of the Taiwan Strait as a separate political entity, a departure from Chiang's self-imposed "one-China" concept. Lee believed as long as dignity and equality can be guaranteed, Taiwan should actively join the international arena and use its growing economic clout rather than be solely concerned with names or forms of participation. Hence, the Lee administration did not demand formal recognition or require the use of the term "Republic of China" when dealing with foreign nations or international organizations.

Under Lee's policy of broader engagement with foreign countries and multilateral organizations, Southeast Asia moved up on Taiwan's strategic radar in the Asia-Pacific. Geographic proximity coupled with Taiwan's burgeoning investment and trade linkages with ASEAN countries in the late 1980s made the Lee administration eager to boost its economic presence in the region. In an analysis of the development of Taiwan-ASEAN economic relations, Michael Leifer noted:

From Taiwan's point of view, engagement with Southeast Asia was initially driven by a genuine interest in reaping economic benefit from trade ties and from the investment advantages of the lower costs of labor and land. The more economically vibrant Taiwan became, the greater its chances of upholding an independent existence on its own terms. In addition, Taiwan set out to cement ties by promoting cultural and academic exchanges as well as by dispatching agricultural advisers. Such ties burgeoned with the growth in trade links. . .⁴

The emergence of Taiwan as a newly industrialized economy in Asia in the 1980s became the main source of its growing economic clout and influence in Southeast Asia. Successful economic developments from the 1960s through the 1990s generated abundant capital and rich technical expertise in Taiwan, facilitating the island's role as a major trading partner and source of foreign direct investment in the region. For example, within

3. Under the policy of "non-coexistence," or "*han zei bu liang li*," the R.O.C. strictly saw itself representing the government of China and refused to coexist with the P.R.C. in the international arena.

4. Leifer, "Taiwan and South-East Asia," *supra* note 2, p. 177.

a few years of Lee taking office in 1988, Taiwan became one of the top-five largest investors in Malaysia, Thailand, Indonesia, and the Philippines. Taiwan-ASEAN trade also experienced double-digit growth in the early 1990s (see Chapter III). Under the banner of Lee's pragmatic diplomacy, Taiwan also set aside ideological differences, establishing economic and other informal ties with the Socialist Republic of Vietnam in 1988. Vietnam's high demand for foreign capital offered Taiwan an opportunity, and thus, the island's first trade mission was welcomed in Hanoi in 1988.⁵ Taiwan then soon became the largest foreign investor in Vietnam – a position that lasted until the mid-1990s.

Given its lack of formal diplomatic ties with ASEAN countries, Taiwan has relied on its economic clout, bypassing typical diplomatic channels to obtain political advantages.⁶ Since the R.O.C. government lost the Chinese Civil War to the Chinese Communist Party (CCP) and retreated to Taiwan in 1949, the P.R.C.'s "one-China" principle has become the dominant factor in minimizing Taiwan's international space. Besides the aforementioned diplomatic setbacks Taiwan suffered in the United Nations and with the United States in the 1970s, a number of diplomatic losses were also experienced in Southeast Asia during that period. In May 1974, Malaysia broke off its ten-year-long counselor relationship with Taiwan and established formal diplomatic relations with mainland China. On April 30, 1975, Taiwan's diplomatic relations with South Vietnam were ended by the Fall of Saigon. Following the reunification of Vietnam, the Philippines and Thailand also switched their diplomatic recognitions from the R.O.C. to the P.R.C. in June and July of that year, respectively. Thereafter, Taiwan was left without any formal diplomatic relations with ASEAN countries.

In the late 1980s, the remaining ASEAN countries without formal diplomatic ties to mainland China, namely Indonesia, Singapore, and Brunei, began preparing to establish or reestablish diplomatic relations with mainland China in the early 1990s. Initially, Indonesia was the first Southeast Asian country to recognize communist China, establishing diplomatic ties with the P.R.C. in January 1950. However, the relationship was frozen in October 1967 after suspicions arose that Beijing had been involved in the September 30, 1965 coup initiated by the Indonesian Communist Party (PKI). The coup resulted not only in the assassination of six Indonesian military generals but also the death of tens of thousands of real and suspected communists, mostly ethnic Chinese, during the subsequent anti-

5. *Ibid*, p. 181.

6. *Ibid*, p. 177.

communist and anti-Chinese movements from October 1965 to mid-1967.⁷ During the two decades that followed, Indonesia under Suharto had great reservations about resuming diplomatic relations with mainland China and bilateral trade was filtered indirectly either through Singapore or Hong Kong. It was not until July 1985 that trade representatives from Indonesia and mainland China reopened direct trade channels by signing a memorandum of understanding in Singapore. This agreement paved the way for the resumption of diplomatic ties between the two countries on August 8, 1990.⁸

Two months after Indonesia reopened its embassy in Beijing, Singapore followed suit and became the last ASEAN founding member state to formalize diplomatic ties with mainland China. The move was not surprising to Taiwan because Singapore announced its intent to normalize relations with the P.R.C. before inviting LEE Teng-hui to visit the city-state in 1989. In fact, Singapore and mainland China had already started high-level engagements and economic exchanges after then-Prime Minister LEE Kuan Yew's first visit to Beijing in 1976, which was followed by DENG Xiaoping's visit to Singapore in 1978. Taiwan was allowed to establish a trade mission in Singapore in March 1969 while Singapore set up a trade representative office in Taipei in June 1979. Singapore also cooperated with mainland China and each country established trade representative offices in the other's territory in 1981. Nine years later, on October 3, 1990, when Singaporean Foreign Minister WONG Kan Seng signed the Joint Communiqué on the Establishment of Diplomatic Relations with his Chinese counterpart QIAN Qichen at the United Nations complex in New York, Wong said that the agreement would simply formalize existing relations between Singapore and the P.R.C., which were already warm.⁹

With the normalization of Brunei-P.R.C. relations in September 1991, all of the ASEAN countries had established diplomatic relations with mainland China, adopting the "one-China" policy that favored Beijing. Faced with the reality of diplomatic isolation from Southeast Asia, LEE Teng-hui's pragmatic approach emerged as the best option for Taiwanese relations with the region. As Lee often expressed during the first

7. Samuel C. Y. Ku, "Indonesia's Relations with China and Taiwan: From Politics to Economics," *Asian Perspective*, Vol. 26, No. 4 (2002), pp. 229-232.

8. *Ibid*; and Lai To Lee, "Taiwan and Southeast Asia: 'Realpolitik Par Excellence?'" *Contemporary Southeast Asia*, Vol. 7, No. 3 (December 1985), p. 218.

9. Hui Min Chew, "Singapore-China ties: 7 things to know about 25 years of diplomatic relations," *The Straits Times*, November 4, 2015; <http://www.straitstimes.com/singapore/singapore-china-ties-7-things-to-know-about-25-years-of-diplomatic-relations>.

few years of his presidency, “formal diplomatic links are not essential to the pursuit of foreign relations.”¹⁰

Like the first visit abroad by Taiwan’s head of state since 1977 (when President YEN Chia-kan traveled to Saudi Arabia), Lee’s visit to Singapore in March 1989, represented the beginning of his pragmatic diplomacy.¹¹ In December 1988, twelve months into his presidency, Lee sent his Foreign Minister LIEN Chan to Singapore to pave the way for his visit to the country several months later. The invitation had officially been sent by Singaporean President WEE Kim Wee, but had undoubtedly been agreed upon and carefully planned by Prime Minister LEE Kuan Yew – a longtime friend of CHIANG Ching-kuo who had visited Taiwan numerous times. In order to make it appear less political, the visit’s official purpose was said to strengthen friendship between the people of Taiwan and Singapore, and promote economic, scientific, and cultural exchange and cooperation between the two islands.¹² As a result, the programs arranged for President Lee’s visit were kept relatively casual. In addition to formal banquets in honor of President Lee, the Singaporean government prepared a visit to Singapore Science Centre’s Omni Theatre where Lee and his delegation viewed a three-dimensional movie.¹³ This scientific visit was also accompanied by then-Singaporean Education Minister Tony Tan, who later became the Deputy Prime Minister of Singapore from 1995 to 2005, and the President of Singapore in 2011.

Despite the trip’s casual nature, political and economic factors remained the most important part of Lee’s historic visit to Singapore. During the four-day visit, Lee was received as the “President from Taiwan,” instead of the “President of the Republic of China,” or the “President of Taiwan.” His belief that substance held more importance than form allowed Lee to claim that, although he was not completely satisfied, he could live with such a “flexible” title.¹⁴ In fact, the significance of “Taiwanization” during Lee’s presidential career would suggest that the “President from

10. Shih-shan Henry Tsai, *Lee Teng-hui and Taiwan’s Quest for Identity*, New York: Palgrave Macmillan, 2005, p.171

11. Jie Chen, *Foreign Policy of the New Taiwan: Pragmatic Diplomacy in Southeast Asia*, Cheltenham, UK: Edward Elgar, 2002, p. 38.

12. “Documentary: Lee’s visits to Singapore and Penghu (no. 007-040102-00002-001),” viewing available at Academia Historica, Taipei, Taiwan (accessed on March 31, 2016).

13. See the photo document on the National Archives of Singapore’s website: <http://www.nas.gov.sg/archivesonline/photographs/record-details/a0910524-1162-11e3-83d5-0050568939ad>.

14. Tsai, *Taiwan’s Quest*, *supra* note 10, p. 173.

Taiwan” was a most respectable and favorable title for Lee.¹⁵ Moreover, the term “president” had a strong official connotation, making it more reasonable for Lee to accept the title. Therefore, as “President from Taiwan,” Lee exchanged views with Prime Minister LEE Kuan Yew, acting President LIM Kim San, Deputy Prime Minister GOH Chok Tong, and the Ambassador from the Philippines to Singapore, Frank Benedicto, covering topics from global politics to bilateral investment and trade relations between the two “Asian Tigers.” It is unknown how deeply they touched upon sensitive Beijing-Taipei-Singapore trilateral issues such as the normalization of Singapore-P.R.C. relations, but LEE Teng-hui appeared to be willing to accommodate Singapore’s diplomatic needs. When asked his opinion about Singapore’s intent to establish diplomatic relations with the P.R.C. during the post-visit press conference in Taipei, Lee said “as long as it does not deteriorate Singapore’s relationship with the Republic of China, or it could maintain the status quo or even improve the relationship, I wouldn’t care too much about it.”¹⁶ Lee’s answer clearly conveyed the pragmatic and flexible elements of his foreign policy agenda.

Lee’s historic visit to Singapore was an opportunity to showcase his strategy of pragmatic diplomacy. During the middle of the trip, Lee publicly said that Taiwan must stand by the principle of maintaining its sovereignty and that the concept of sovereignty should be viewed within the context of economic logic and viability. Lee also emphasized that his adoption of pragmatic diplomacy would be applied in incremental steps.¹⁷ An examination of Lee’s major diplomatic achievements in Southeast Asia demonstrates how Lee’s pragmatic strategy was mainly carried out in the form of international economic agreements, bilateral diplomatic representation, reciprocal high-level official visits, institutionalized economic ministerial meetings, and multilateral economic cooperation. As CHEN Jie noted, incremental advancement in both the quality and quantity of these accomplishments strengthened Taiwan’s standing as a legitimate sovereign state.¹⁸

First, the significant growth of investment and trade relations between Taiwan and Southeast Asian countries in the late 1980s and the early 1990s encouraged the parties involved to seek economic agreements in order to protect their national interests. These relations provided Taipei

15. Taiwanization refers to the process in which Taiwan began to emphasize the importance of its separate culture, society, economy, and nationality, rather than regarding itself solely as an appendage of China.

16. “Documentary: Lee’s visit to Singapore,” *supra* note 12.

17. Tsai, *Taiwan’s Quest*, *supra* note 10, p. 172.

18. Chen, *New Taiwan*, *supra* note 11, p. 22.

legitimacy in negotiating bilateral agreements with Southeast Asian countries, especially investment protection and promotion agreements, double taxation avoidance agreements, and temporary admission of goods agreements. In this context, Singapore led the way for Taiwan-Southeast Asia economic relations by signing two first-of-its-kind economic agreements between Taiwan and an ASEAN country. On April 9, 1990, Singapore and Taiwan signed an investment protection and promotion agreement and a temporary admission of goods agreement. Although these agreements were signed under the name of “Taipei” as opposed to the “Republic of China” – a name that Singapore had previously accepted on agreements signed with Taiwan before 1983, they were substantive and pragmatic, leading to more economic agreements between Taiwan and ASEAN countries. In the years following, Taiwan successfully signed investment protection and promotion agreements with Indonesia (December 1990), the Philippines (February 1992), Malaysia (February 1993), Vietnam (April 1993), and Thailand (April 1996). In addition to the double taxation avoidance agreement reached between Taiwan and Singapore in December 1981, agreements were also signed with Indonesia (March 1995), Malaysia (July 1996), Vietnam (April 1998), and Thailand (July 1999). These economic agreements not only helped protect the rights of Taiwanese businesspeople but also entailed implications for Taiwan’s sovereignty, including mutual recognitions of legitimacy for legal systems, financial systems, and monetary systems.¹⁹

Secondly, as the economies of Taiwan and Southeast Asia became increasingly intertwined, Lee was able to leverage the island’s economic influence to promote the status of Taiwan’s representative offices in the region and their regional counterparts in Taipei. Table 2.1 and Table 2.2 demonstrate the evolution of the names of representative offices involved in Taiwan-ASEAN relations. Due to the lack of formal diplomatic ties between Taiwan and Southeast Asian nations and to avoid antagonizing mainland China, the R.O.C. government was asked to use obscure names for their representative offices in the 1970s and 1980s. Therefore, names such as the “Chinese Chamber of Commerce,” the “Far East Trade Office,” the “Far East Travel and Trade Centre,” and the “Pacific Economic and Cultural Center” were adopted by Taiwanese offices in the region. Similarly, Southeast Asian missions in Taiwan also adopted ambiguous names. For example, visas and other counselor services for Indonesia, Thailand, Malaysia, and the Philippines, were carried out by the “Indonesian Chamber of Commerce,” the “Thai Airways International Ltd. Office,” the “Malaysian Airline Taipei Branch,” and the “Asian Exchange

19. *Ibid*, p.84.

Center, Inc.” These names, however, were far too obscure for Lee to accept under his pragmatic diplomacy strategy. After Lee took office in 1988, Taiwan’s Ministry of Foreign Affairs (MOFA) pushed for the names of their representative offices in Southeast Asia to be changed. Among the ASEAN countries, Indonesia was the first to allow Taiwan to rename the “Chinese Chamber of Commerce” to the “Taipei Economic and Trade Office” (TETO). The renaming took place on October 10, 1989, the R.O.C.’s National Day, which indicated Indonesian goodwill toward Taiwan. TETO in Indonesia became Taiwan’s first representative office in Southeast Asia to use the name of the R.O.C.’s capital, an act that significantly improved Taiwan’s diplomatic representation status.²⁰ Following Indonesia’s example, other ASEAN countries subsequently approved name changes to Taiwan’s representative offices in the region, commonly adopting the name “Taipei Economic and Cultural Office” (see Table 2.1). Likewise, the names of offices representing ASEAN countries in Taiwan were also gradually changed to the “Indonesian Economic and Trade Office,” the “Malaysian Friendship and Trade Centre,” the “Manila Economic and Cultural Office,” and the “Thailand Trade and Economic Office” (see Table 2.2). The Manila Economic and Cultural Office (MECO) was formally transformed from the Pacific Economic and Cultural Center in January 1993. Six months later, former President of the Philippines Corazon Aquino joined the official opening ceremony of MECO in Taipei.²¹ Although Aquino had already been succeeded by Fidel Ramos, her presence at the ceremony undoubtedly represented a significant improvement in Philippines-Taiwan relations. When Singapore established full diplomatic relations with mainland China in 1990, the name “Republic of China” was removed from Taiwan’s representative office in Singapore. However, some scholars argue that the new name “Taipei Representative Office” actually implied full government representation because it did not contain the words “economic” or “cultural.”²² Vietnam signed a representative office establishment agreement with Taiwan in June 1992, allowing Taiwan to set up the “Taipei Economic and Cultural Office” in both Hanoi and Ho Chi Minh City in November of that year. The following year, in July 1993, Vietnam established a representative office in Taipei under the name “Vietnam Economic and Cultural Office.”

20. Ku, “Indonesia’s Relations,” *supra* note 7, p. 238.

21. See the photo document on the Digital Taiwan’s website: <http://catalog.digitalarchives.tw/item/00/3a/a1/a1.html>.

22. Chen, *New Taiwan*, *supra* note 11, p.81.

Table 2.1: The Changing Names of Taiwan's Representative Institutions in Southeast Asia (1988-Present)

Host Countries	Names in Jan. 1988	Set-up Date	Names at Present	Renaming Date
Brunei	Far East Trade and Cultural Centre	June 1978	Taipei Economic and Cultural Office	July 1996
Indonesia	Chinese Chamber of Commerce	Apr. 1971	Taipei Economic and Trade Office	Oct. 1989
Malaysia	Far East Travel and Trade Centre	Aug. 1974	Taipei Economic and Cultural Office	July 1992
Philippines	Pacific Economic and Cultural Center	July 1975	Taipei Economic and Cultural Office	Dec. 1989
Thailand	Far East Trade Office	Feb. 1980	Taipei Economic and Cultural Office	Aug. 1999
Singapore	Trade Mission of the Republic of China	Mar. 1969	Taipei Representative Office	Sept. 1990
Vietnam	No Representation		Taipei Economic and Cultural Office	Nov. 1992 (Set-up Date)
Myanmar	No Representation		Taipei Economic and Cultural Office	Mar. 2016 (Set-up Date)

Sources: MOFA, R.O.C., and Jie Chen, *Foreign Policy of the New Taiwan: Pragmatic Diplomacy in Southeast Asia*, Cheltenham, UK: Edward Elgar, 2002, p. 82.

Notes:

1. Taiwan's representative office in Malaysia was renamed first as Taipei Economic and Cultural Centre in June 1988.
2. Taiwan's representative office in Thailand was renamed first as Taipei Economic and Trade Center in September 1991, and then as Taipei Economic and Trade Office in May 1992.
3. In November 1995, Taiwan established the Taipei Economic and Cultural Representative Office in Phnom Penh, Cambodia. However, after Hun Sen overthrew Prince Norodom Ranariddh in July 1997, Taiwan's representative office in Cambodia was shut down by Hun Sen on July 27, 1997.

Thirdly, Lee's pragmatic diplomacy also facilitated an unprecedented number of reciprocal visits from high-level officials in Southeast Asia. During CHIANG Ching-kuo's tenure, only two high-level visits from Taiwanese officials were held in ASEAN countries: Premier SUN Yun-suan's visit to Indonesia in 1981 and Premier YU Kuo-hwa's visit to Singapore in 1987. Under President Lee, Taiwanese officials traveled much more frequently to Southeast Asia. Besides his first visit to Singapore in 1989, Lee also made ice-breaking visits to the Philippines, Indonesia, and Thailand in 1994. Lee's premiers also traveled more to ASEAN countries during Lee's presidency: HAU Pei-tsun visited Singapore in 1990, LIEN Chan travelled to Singapore and Malaysia in 1993, and Vincent Siew visited Malaysia, the Philippines, and Indonesia in 1998. High-level officials from Southeast Asia also conducted visits to Taiwan in the 1990s, including the prime ministers from Singapore and Malaysia, the vice president

from the Philippines, and vice prime ministers from Thailand, Singapore, and Malaysia.²³ Visits at the ministerial level also proliferated – Taiwanese foreign ministers under Lee traveled to Singapore, Thailand, Indonesia, Malaysia, and the Philippines, and received foreign ministers from Singapore, the Philippines, and Malaysia. On the economic side, bilateral economic consultation meetings at the ministerial level were institutionalized with Singapore (since 1990), Indonesia (since 1991), the Philippines (since 1991), Thailand (since 1991), Vietnam (since 1993), and Malaysia (since 1997).²⁴ However, these consultations have become increasingly low-profile and unpublicized due to growing pressure from Beijing.²⁵

Table 2.2: Changing Names of Southeast Asian Representative Institutions in Taiwan (1988-Present)

Countries	Names in Jan. 1988	Set-up Date	Names at Present	Renaming Date
Indonesia	Indonesian Chamber of Commerce	June 1971	Indonesian Economic and Trade Office	Jan. 1995
Malaysia	Malaysian Airline Taipei Branch; and Malaysian Culture and Trade Exchange Centre	1977; 1983	Malaysian Friendship and Trade Centre	June 1988
Philippines	Asian Exchange Center, Inc.	Mar. 1976	Manila Economic and Cultural Office	Dec. 1989
Thailand	Thai Airways International Ltd. Office	Feb. 1976	Thailand Trade and Economic Office	Sept. 1992
Singapore	Office of the Singapore Trade Representative	June 1979	Singapore Trade Office	Sept. 1990
Vietnam	No Representation		Vietnam Economic and Cultural Office	July. 1993 (Set-up Date)
Brunei	No Representation		Brunei Darussalam Trade and Tourism Office	Oct. 2002 (Set-up Date)
Myanmar	No Representation		Myanmar Trade Office	June 2015 (Set-up Date)

Sources: The websites of the Southeast Asian representative offices in Taiwan; and Jie Chen, *Foreign Policy of the New Taiwan: Pragmatic Diplomacy in Southeast Asia*, Cheltenham, UK: Edward Elgar, 2002, p. 83.

Notes:

23. *Ibid.*, p. 84.

24. *Ibid.*, p. 83.

25. See “Taiwan Seeks to Sign an ECA at the Ministerial Meeting between Taiwan and the Philippines,” *United Daily News*, December 03, 2015; <http://udn.com/news/story/6/1354996>.

1. Exact months of set-up dates for the Malaysian representative institutions are unknown in both cases. In June 1988, the two institutions were merged to become Malaysian Friendship and Trade Centre.
2. The Philippine representative office in Taiwan was renamed to MECO on the document in December 1989 and the transformation was completed in January 1993.
3. Cambodia set up the Phnom Penh Economic and Cultural Representative Office in Taipei in January 1996. However, in retaliation for Hun Sen's decision to close Taiwan's representative office in Cambodia on July 27, 1997, R.O.C.'s MOFA ordered the closure of Cambodia's representative office in Taiwan on July 28, 1997.

Lastly, Taiwan benefitted from Lee's pragmatic diplomacy in the international arena. Shortly after Lee assumed the presidency in 1988, Taiwan resumed participation in the Asian Development Bank's (ADB) annual meetings under the name "Taipei, China."²⁶ Even though the R.O.C. was one of the founding members of the ADB, launched in 1966, it was forced to change its membership name to "Taipei, China" when the ADB accepted the P.R.C.'s participation in 1986. Under CHIANG Ching-kuo, Taiwan boycotted the ADB's annual meetings from 1986 to 1987. Lee's disposal of the exclusive "one-China" principle, however, created flexibility in his foreign policy. Therefore, Lee sent Taiwan's Central Bank Governor CHANG Chi-cheng to the ADB annual meeting in Manila in April 1988 and even authorized his Finance Minister Shirley Kuo to attend the annual meeting in Beijing in 1989.²⁷ Since then, Taiwan's officials have joined the ADB's annual meetings but would place "under protest" placards next to the "Taipei, China" nameplates (in 1998, the name was changed to "Taipei,China").²⁸ Taiwan also joined the Asia-Pacific Economic Cooperation (APEC) forum under the non-inflammatory name "Chinese Taipei" in November 1991 and was offered observer status in the General Agreement on Tariffs and Trade (GATT) as a "Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu" in September 1992. Moreover, Taiwan's Central Bank not only joined the Association of Directors of Southeast Asian Central Banks (SEACEN) as the "Central Bank of China, Taipei" in January 1992 but also hosted SEACEN's 1994

26. The name "Taipei, China" was changed to "Taipei,China" (space deliberately omitted after the comma) by the ADB in 1998 after Hong Kong's 1997 return to China. To differentiate from Hong Kong's participation as "Hong Kong, China," the ADB adopted the name "Taipei,China" for Taiwan. See "The History of Ministry of Finance, R.O.C." at <http://museum.mof.gov.tw/ct.asp?xItem=3760&ctNode=41&mp=1>.

27. *Ibid.*

28. *Ibid.*

annual meeting in Taipei.²⁹ Multilateral achievements, coupled with progress in bilateral relations between Taiwan and ASEAN countries, significantly increased Taiwan's international profile and enhanced Lee's domestic popularity.

Building on momentum from the advancing ASEAN-Taiwan relations, LEE Teng-hui officially launched his "Go South" policy at the beginning of 1994. This policy was the apex of initiatives that Lee took with respect to advancing Taiwan's relations with Southeast Asia through pragmatic diplomacy. Concerned about the risks inherent in increasing Taiwan's economic interdependence with mainland China, Lee encouraged Taiwanese companies to look to their neighbors in the south, hoping to further expand foreign direct investment in Southeast Asia rather than mainland China and Hong Kong. The "Guidelines for Strengthening Economic and Trade Ties with Southeast Asia," a three-year plan adopted by the R.O.C.'s Executive Yuan in early 1994, laid out policy goals for the "Go South" strategy. The plan's objectives included assisting Taiwanese companies in identifying favorable production and distribution bases in ASEAN, expanding financial services to Taiwanese business in the region, co-developing industrial zones in Vietnam, the Philippines, and Indonesia, promoting investment and trade relations with ASEAN, reducing the degree of trade dependence on mainland China, and helping Southeast Asian countries create job opportunities.³⁰ The policy effectively helped grow Taiwan's investment in Southeast Asia. Between 1994 and 1996, when the three-year plan of the "Go South" policy was initially implemented, Taiwan's total approved investment in Southeast Asia significant grew to over US\$13.7 billion – approximately double that of US\$6.7 billion between 1991 and 1993 (see the next chapter for details).

The Lee administration's decision to "Go South" was also encouraged by the January 1992 signing of the ASEAN Free Trade Area (AFTA) agreement in Singapore. The AFTA agreement contained a Common Effective Preferential Tariff (CEPT) arrangement that was designed to eliminate tariff barriers among Southeast Asian countries, integrate ASEAN economies into a single production base, and create a regional market of more than 500 million people. Under CEPT, tariffs on a wide range of

29. Chen, *New Taiwan*, *supra* note 11, p. 83; when mainland China joined SEACEN in 2011, Taiwan's membership name was changed to "Central Bank, Chinese Taipei," see <http://news.ltn.com.tw/news/focus/paper/467437>.

30. Samuel C.Y. Ku, "The Changing Political Economy of Taiwan's and China's Relations with Southeast Asia: A Comparative Perspective," in Khai Leung Ho and Samuel Ku, eds., *Southeast Asia and China: Global Changes and Regional Challenges*, Singapore: Institute of Southeast Asia Studies, 2005, p. 264; and Chiang, "Go South Policy," *supra* note 25.

products traded in the region were gradually reduced to 0 to 5 percent.³¹ The AFTA also sought to eliminate non-tariff barriers. Lee knew that if Taiwan grew its business presence in ASEAN during this trade liberation process, Taiwanese companies in the region would benefit from the integrated production base and market.

As soon as Lee announced his “Go South” policy he began what he characterized as “vacation diplomacy” to Southeast Asia, arranging a number of meetings and golf outings with regional leaders.³² In February 1994, President Lee, Foreign Minister Frederick Chien, Minister of Council for Economic Planning and Development Vincent Siew, KMT treasury czar LIU Tai-ying, and Chief Executive Officer of the China Trust Bank KOO Lien-sung paid unprecedented visits to the Philippines, Indonesia, and Thailand during the Chinese New Year holiday. Lee’s initial visit to these three countries, where Taiwan had no diplomatic ties but substantial investments, was a powerful symbol of his administration’s “Go South” commitment to ASEAN and a significant success in his pragmatic diplomacy.

The first stop on his 1994 ice-breaking trip was Subic Bay, where Lee held a luncheon with President Fidel Ramos. Lee and Ramos agreed that both sides should work together on infrastructure development projects such as Subic Bay’s industrial park, a project modeled on Taiwan’s export processing zones. During the meeting, Ramos requested technical assistance from the Taiwan Power Company to solve problems with electricity shortages in the Philippines. Ramos and Lee also agreed to improve the rights of overseas Filipino workers in Taiwan (see the next chapter for more details). Right after the luncheon, Lee flew directly to Bali, Indonesia to continue his “vacation diplomacy.” It is worth noting that the Lee delegation was greeted at the airport by then-Minister of Research and Technology B.J. Habibie, who would later become President of Indonesia after Suharto’s fall in 1998. According to sources, Habibie was key in facilitating Lee’s trip to Indonesia and accompanied him throughout his travels in Bali and Bandung.³³ During his stay in Bali, Lee met with President Su-

31. Vincent Wei-cheng Wang, “The Logic of China-ASEAN FTA: Economic Statecraft of ‘Peaceful Ascendancy,’” in Khai Leung Ho and Samuel Ku, eds., *Southeast Asia and China: Global Changes and Regional Challenges*, Singapore: Institute of Southeast Asia Studies, 2005, p. 24.

32. Edward A. Gargan, Taiwan Pushes to Rebuild Its Position in Global Community, *The New York Times*, June 26, 1994.

33. “Documentary: Lee’s visits to the Philippines, Indonesia, and Thailand in 1994 (no. 007-040102-00003-002),” viewing available at Academia Historica, Taipei, Taiwan (accessed on March 31, 2016).

harto over a three-hour luncheon to discuss economic cooperation, Taiwan's "Go South" policy, ASEAN-Taiwan relations, and possibility of Lee attending the APEC summit, scheduled to be held in Bogor, Indonesia that year.³⁴ During formal meetings and some informal meetings on the golf course, both sides agreed to jointly develop Indonesia's natural gas and heavy chemical industry, increase sugar and salt production, and improve infrastructure on Batam Island.³⁵ During questioning by the Taiwanese press, Habibie said, "Your country is now the third [largest] investor in my country, I think [there is a] big possibility that one day you will be number one, and in fact, why not?" Habibie also promoted Batam Island as a favorable investment destination, claiming that it could become a base for Taiwanese companies offering banking, financing, trading, and other services to ASEAN.³⁶

The final stop on Lee's "private vacation" was Thailand, where he visited the renowned tourist destination of Phuket Island for three days before flying to Bangkok. Though Prime Minister Chuan Leekpai cancelled his meeting with Lee because of pressure from Beijing, his Deputy Prime Minister Amnuay Viravan hosted a dinner for Lee in Phuket. During the meeting, the two discussed issues in Taiwan-Thailand bilateral economic cooperation, particularly Taipei's quota for Thai migrant workers in Taiwan.³⁷ Importantly, despite numerous official protests from mainland China, Thailand's monarch King Bhumibol Adulyadej received Lee in his palace in Bangkok – the only capital city Lee visited on his trip. During their 70-minute meeting, the parties exchanged views on agricultural cooperation for the Royal Project in northern Thailand. They agreed to enhance technical collaboration between Taiwanese and Thai agricultural experts with the shared goal of converting opium fields in northern Thailand into fruit and vegetable plantations (for details of Royal Project, see Chapter IV).³⁸

B. Political and Economic Obstacles to LEE Teng-hui's "Go South" Policy (1995-2000)

Lee's "vacation diplomacy" tour in Southeast Asia succeeded in raising Taiwan's international profile, especially after meeting with President Ramos, President Suharto, and King Bhumibol. However, behind the façade of warming ties, obstacles to closer bilateral and multilateral political

34. *Ibid.*

35. Tsai, *Taiwan's Quest*, *supra* note 10, p. 193

36. "Lee's visits to the Philippines, Indonesia, and Thailand," *supra* note 33.

37. Chen, *New Taiwan*, *supra* note 11, p. 116.

38. "Lee's visits to the Philippines, Indonesia, and Thailand," *supra* note 33.

relations between Taiwan and ASEAN countries proliferated. Though Lee had directly lobbied Suharto for permission to attend the 1994 APEC summit in Indonesia, his efforts were not rewarded. In 1996, the Philippines hosted an APEC summit for the first time. Despite the fact that the event was held at the Subic Bay Freeport Zone, which Taiwan helped develop, Lee failed to convince the Ramos administration to allow him to attend. Lee also attempted to become a dialogue partner in ASEAN, citing Taiwan's substantial economic ties with the region. At the 1992 ASEAN Ministerial Meeting, the Foreign Ministers of Singapore and the Philippines proposed this idea with their regional counterparts.³⁹ However, nothing was achieved and Taiwan remained excluded from ASEAN ever since.

Another ASEAN-centered forum Taiwan lobbied to participate in was the ASEAN Regional Forum (ARF). Established in Bangkok in 1994, the ARF encompasses the ASEAN countries and other nations such as mainland China and the United States. The forum aims to foster constructive dialogue and consultation among its participants on political and security issues of common interest and concern.⁴⁰ In 1996, mainland China proposed a rule that required admission of a new member to be approved by all existing members, effectively blocking the way for Taiwan's participation.⁴¹ Beijing objected to Taiwanese participation on the ground that membership in the ARF, as in the United Nations, was a prerogative of sovereign states.⁴² When mainland China became a member of the "track-two" Council for Security Cooperation in the Asia Pacific (CSCAP) in 1996, Beijing again applied the "one-China" principle to Taiwan's membership, though participation was on a non-official basis. Though Taiwan was allowed to send scholars in individual capacity to CSCAP meetings, they have only been offered in places of subordinate working groups rather than in plenary sessions.⁴³ From mainland China's perspective, Taiwan's full participation in APEC, ARF, and even CSCAP would implicitly confirm the island's view of its independent status.

Undoubtedly, the status of cross-strait relations highly influences ASEAN leaders' calculations regarding their level of engagement with Taiwan. Stable cross-strait relations create an environment for Southeast Asian governments to more easily deal with Taipei, while a tense atmosphere across the Taiwan Strait allows these countries to side with Beijing

39. Chen, *New Taiwan*, *supra* note 11, pp. 87-88.

40. Ralf Emmers, Joseph Chinyong Liow, and See Seng Tan, "*The East Asia Summit and the Regional Security Architecture*," Baltimore, Maryland: Maryland Series in Contemporary Asian Studies, 2009, p. 10.

41. Chen, *New Taiwan*, *supra* note 11, p. 88.

42. Leifer, "Taiwan and South-East Asia," *supra* note 2, p. 174.

43. *Ibid.*

under the “one-China” policy. In April 1993, Chairman of the Taipei-based Straits Exchange Foundation (SEF), KOO Chen-fu, held an unprecedented meeting in Singapore with his Chinese counterpart WANG Dao-han, President of the Beijing-based Association for Relations Across the Taiwan Straits (ARATS). The historic “Koo-Wang talks,” facilitated by LEE Kuan Yew, sent a message to the world that representatives from mainland China and Taiwan could sit together and sign agreements based on the principles of equality and reciprocity. Improved cross-strait relations from 1993 to 1994 arguably created some manoeuvre room for ASEAN leaders to engage Taiwan. This is exemplified by LEE Teng-hui’s “private” trip to Southeast Asia in February 1994 when political leaders from the Philippines, Indonesia, and Thailand received Lee in their countries despite pressure from Beijing.

However, political relations between Taiwan and Southeast Asian countries stagnated and even deteriorated, during the 1995-1996 Taiwan Strait Crisis. On June 9, 1995, President Lee traveled to the United States on a visa granted by President Bill Clinton to pay a “private” visit to his alma mater, Cornell University in Ithaca, New York. Lee delivered a speech, titled, “Always in My Heart,” to an audience of 4,000 people, emphasizing Taiwan’s successful economic development and political democratization. Beijing viewed this visit as an act of separatism and reacted by conducting a series of missile tests into the waters surrounding Taiwan from July 1995 to March 1996. Beijing also threatened to use force against Taiwan if either Lee or the candidate for the Democratic Progress Party (DPP) was elected in the island’s first popular presidential election in March 1996. The crisis not only led to a stand-off between the naval forces of the United States and mainland China but also raised deep concerns among ASEAN countries. Given that their diplomatic ties with mainland China were firm and their leverage over Beijing was extremely limited, most ASEAN leaders had no choice but to side with mainland China. In order to maintain peace and stability in the region, ASEAN countries urged Taiwan not to provoke mainland China by challenging the P.R.C.’s “one-China” principle. For example, Malaysian Prime Minister Mahathir Mohamad publicly stated that Taiwan should play the role of an economic entity, instead of a nation-state.⁴⁴ Thai Prime Minister Banharn Silpa-archa went so far as to say that mainland China had a right to carry out military exercises “within its own territory.”⁴⁵ The city-state of Singapore was the

44. Ku, “The Changing Political Economy,” *supra* note 30, p. 269.

45. Chen, *New Taiwan*, *supra* note 11, p. 92.

only regional voice willing to urge caution on mainland China with a message delivered through a public statement by LEE Kuan Yew.⁴⁶ cross-Strait military conflict is not in Singapore's national interests. Strong historical links between Taiwan and Singapore on defense and security through the "Starlight" program (the implementation of which Singapore has relied on Taiwanese support for training space and large scale exercises since 1975) meant that a cross-Strait military conflict was not in Singapore's national interests.

In a similar vein, the sudden escalation of tensions across the Taiwan Strait in 1999 forced ASEAN to stand with mainland China. During an interview with *Deutsche Welle* (Voice of Germany) in the Office of the President on July 9, 1999, LEE Teng-hui surprisingly brought up his "Two States Theory," arguing that:

The 1991 constitutional amendments have designated cross-Strait relations as a state-to-state relationship or at least a special state-to-state relationship, rather than an internal relationship between a legitimate government and a renegade group, or between a central government and a local government. Thus, the Beijing authorities' characterization of Taiwan as a "renegade province" is historically and legally untrue. . . . Moreover, in 1991, amendments to the Constitution designated cross-Strait relations as a special state-to-state relationship. Consequently, there is no need to declare independence.⁴⁷

Shortly after Lee dropped his "Two State Theory bombshell," as SU Chi dubbed it, Chinese President JIANG Zemin ordered that cross-Strait consultations between ARATS and SEF cease.⁴⁸ As tensions rose, the foreign ministers of Southeast Asian countries issued a joint communique on July 24, 1999, at the 32nd ASEAN Ministerial Meeting in Singapore. Their declaration stated, "we expressed our concern over the tension that arose in the Taiwan Strait after 9 July 1999, which could seriously affect regional peace and stability and prospects for economy recovery. We hoped for a quick and peaceful return to normalcy. We reaffirmed our commitment to our One China Policy."⁴⁹ This collective declaration was the first

46. Leifer, "Taiwan and South-East Asia," *supra* note 2, p. 181.

47. Chi Su, *Taiwan's Relations with Mainland China: A tail wagging two dogs*, New York: Routledge, 2009, p. 53.

48. *Ibid.*, pp. 52-85.

49. See the full text of the joint communique at http://www.asean.org/?static_post=joint-communique-the-32nd-asean-ministerial-meeting-amm-singapore-23-24-july-1999.

of its kind for the ASEAN ministerial forum – a major diplomatic victory for Beijing over Taiwan.⁵⁰

Increases in diplomatic challenges that Taipei faced in ASEAN countries during the late 1990s can also be attributed to warming ties between mainland China and Southeast Asia. Although mainland China's economic power and political image were severely damaged by the Tiananmen crisis on June 4, 1989, which consequently provided Taipei some leeway for regional diplomacy, Beijing attempted to stabilize its political economy and improve ties with its neighbors in the south. At the CCP's Fourteenth Party Congress in October 1992, strengthening mainland China's economic relations with Southeast Asia was placed on the national economic policy agenda for the first time.⁵¹ Since then, mainland China has gradually increased its economic engagement with ASEAN countries. According to statistics from the ASEAN Secretariat, mainland China's trade with ASEAN surged from US\$8.9 billion in 1993 to US\$16.7 billion in 1996. During that same period, Taiwan's trade with ASEAN also grew from US\$14.3 billion to US\$24.1 billion, remaining ahead of mainland China as a trading partner of ASEAN. However, in 1998, after the Asian financial crisis, ASEAN's trade with mainland China surpassed its trade with Taiwan for the first time, valuing at US\$20.4 billion and US\$12.7 billion respectively.⁵²

The expansion of P.R.C.-ASEAN ties is exemplified by the formation of institutionalized dialogues between the parties. Between 1994 and 1995, the ASEAN-China Joint Committee on Economic and Trade Cooperation and the ASEAN-China Joint Science and Technology Committee were established. By early 1997, three other parallel dialogue frameworks were also convened, including the senior official level China-ASEAN political consultation, the ASEAN-China Joint Cooperation Committee (ACJCC), and the ASEAN Beijing Committee.⁵³ The ASEAN-China Business Council was also established in 1997, promoting ties between the private sectors. Most importantly, mainland China was accorded Full Dialogue partner status in ASEAN at the 29th ASEAN Ministerial Meeting in Indonesia in July 1996, an upgrade from the title of Consultative Partner it had held since 1991. In December 1997, in the

50. Christopher R. Hughes, "China's membership of the ARF and the emergence of an East Asian diplomatic and security culture," in Jurgen Haacke and Noel M. Morada, eds., *Cooperative Security in the Asia-Pacific, The ASEAN Regional Forum*, New York: Routledge, p. 64.

51. Ku, "The Changing Political Economy," *supra* note 30, p. 271.

52. See ASEAN Statistical Yearbook, 2003, pp. 66-67, 70-71.

53. Swee-Hock Saw, Lijun Sheng, and Kin Wah Chin, "An Overview of ASEAN-China Relations," in Saw, Sheng, and Chin, eds. *ASEAN-china relations: Realities and prospects*, Singapore: Institute of Southeast Asian Studies, 2005, pp. 1-2.

wake of the Asian financial crisis, the ASEAN Plus Three (APT) was initiated; membership including the ASEAN countries, mainland China, Japan, and South Korea. At the first APT informal summit, China and ASEAN issued a joint statement, titled “ASEAN-China Cooperation Towards the 21st Century,” agreeing to “promote good neighborly and friendly relations, increase high-level exchanges, strengthen the mechanism of dialogue and cooperation in all areas to enhance understanding and mutual benefit.”⁵⁴ The joint statement also explained, “ASEAN member states reaffirmed their continued adherence to the one China policy,” representing the first time ASEAN countries collectively acknowledged the “one-China” policy.⁵⁵

By the late 1990s, ASEAN had already engaged Beijing in many aspects of regional cooperation, reducing maneuverability for Taipei’s pragmatic diplomacy in Southeast Asia. Nonetheless, Taipei continued trying to gain support from ASEAN countries by using its economic leverage, a tactic which proved beneficial during the Asian financial crisis. To help smooth the flow of currency, the R.O.C. Central Bank deposited around US\$1.2 billion into the state banks of Indonesia, Malaysia, the Philippines, and Thailand. In order to ease the burden of troubled Taiwanese companies in the region, the Central Bank also provided US\$1.1 billion of special funding to branches of Taiwanese banks in countries affected by the crisis.⁵⁶ KMT-backed enterprises such as the China Development Corporation (CDC) also established a holding company named “Southeast Asia Investment Company.” The company launched its “buying cheap” campaign with more than US\$300 million in capital allocated to its special funds for Southeast Asia.⁵⁷ The CDC made acquisitions at bargain prices in the banking and manufacturing industries of Thailand, Malaysia, and Indonesia as conglomerates in the region began to collapse.⁵⁸ As CDC President Benny Hu put it, “this is the worst financial crisis in Asia, and it is a once-in-a-lifetime opportunity.”⁵⁹

The urgent need for Taiwan’s financial assistance during the crisis permitted several high-level visits between Taiwan and ASEAN countries, even though visits above the ministerial level had been suspended since

54. See the full text of the joint statement at http://asean.org/?static_post=joint-statement-of-the-meeting-of-heads-of-stategovernment-of-the-member-states-of-asean-and-the-president-of-the-people-s-republic-of-china-kuala-lumpur-malaysia-16-december-1997.

55. *Ibid*; and Chen, *New Taiwan*, *supra* note 11, p. 162.

56. Chen, *New Taiwan*, *supra* note 11, p. 113.

57. Author’s interview with Benny T. Hu, Taipei, Taiwan, March 28, 2016.

58. *Ibid*; and Chen, *New Taiwan*, *supra* note 11, pp. 113-131.

59. Keith B. Richburg, “Exploiting Asia’s Crisis: Taiwan Buys Up Bargains and Widens Its Influence,” *The Washington Post*, January 22, 1998.

LEE Teng-hui's diplomatic tour to Southeast Asia in 1994. Vice President LIEN Chan visited Singapore and Malaysia in February 1998, Premier Vincent Siew visited Indonesia and the Philippines in January 1998, and Malaysia (with Foreign Minister Jason Hu) in April 1998. Economic Minister WANG Chih-kang traveled to Kuala Lumpur in September 1998 for the second Malaysia-Taiwan economic ministerial forum.⁶⁰ In January 1998, a 70-member Taiwanese trade delegation also completed a journey through Thailand, Malaysia, Indonesia, and the Philippines.⁶¹ Southeast Asian leaders also traveled to Taipei during the 1997-1998 period, including Indonesian Economic Affairs Minister Ginandjar Kartasasmita, Indonesian Trade Minister Bob Hasan, and Malaysian Deputy Prime Minister and Finance Minister Anwar Ibrahim.⁶² In November 1997, Singaporean Prime Minister GOH Chok Tong and Malaysian Prime Minister Mahathir Mohamad also made transit stops to Taipei within the same 24 hour time-period to hold talks with Premier Vincent Siew about how Taiwan could help during the crisis.⁶³

These visits and initiatives, driven by economic considerations during a time of acute financial adversity in the region, provided opportunities for Taiwan to "Go South" and gain long-term influence in ASEAN countries. However, from the mid-1990s onward, Taiwan was gradually replaced by mainland China as a critical economic partner of ASEAN. On top of that, poor investment conditions, in Southeast Asia economies that were hit the hardest during the financial crisis, drove away a large amount of Taiwanese investment in the region. Many of these countries were later drawn closer to mainland China through economic incentives. The Lee administration extended its "Go South" policy for another three years from 1997 to 1999 and tried to expand the policy to include New Zealand and Australia by changing the policy name to "Guidelines for Strengthening Economic and Trade Ties with Southeast Asia, New Zealand, and Australia." However, the Lee administration rarely used the rhetoric "Go South" from the onset of the Asian financial crisis in 1997 until President Lee stepped down in May 2000.

60. Xiu-lan Chen, "WANG Chih-kang visits Malaysia today," *China Times*, September 03, 1998; <http://forums.chinatimes.com/report/malaysian/90303.htm>.

61. Richburg, "Exploiting Asia's Crisis," *supra* note 59.

62. Chen, *New Taiwan*, *supra* note 11, pp. 159-160.

63. Lawrence Chung, "Rare Taiwan visits spur talk of aid to S.E. Asia," *Reuters*, November 28, 1997.

C. CHEN Shui-bian's Diplomatic Aggression towards Southeast Asia (2000-2008)

On March 18, 2000, CHEN Shui-bian's unanticipated victory in Taiwan's presidential election created uncertainty in the Asia-Pacific region. As the first Taiwanese president nominated by the Democratic Progressive Party (DPP) – a party that has long held a pro-Taiwan independence stance, Chen's words on cross-Strait relations and foreign affairs were carefully examined not only by political leaders in the United States, mainland China, and Taiwan but also by policymakers in ASEAN and North-east Asia. As heir to the "chess game" left by his predecessor LEE Teng-hui, Chen's decision on whether or not to continue the "special state-to-state relationship" policy would lead to either conciliatory or confrontational cross-Strait relations.⁶⁴ Developments across the Taiwan Strait would have an undeniable effect on the whole of East Asia. For example, if cross-Strait relations deteriorated uncontrollably, the United States would likely become involved in an armed intervention and implement economic sanctions against mainland China, which would immediately and directly impact Japan, Korea, and ASEAN.⁶⁵

Due to this regional security concern, Singaporean Prime Minister GOH Chok Tong and Senior Minister LEE Kuan Yew traveled to Beijing and Taipei, respectively, in the wake of Chen's victory. In April 2000, one month before Chen's inauguration, Goh visited Chinese President JIANG Zemin and Chinese Premier ZHU Rongji in Beijing. Goh was the first foreign leader to visit Beijing after Taiwan's presidential election in 2000. During an interview in Hong Kong, Goh urged moderation on both sides and advised Chinese leaders that how they decided to handle cross-Strait relations would affect the security and stability of the Asian region.⁶⁶ In September 2000, four months after Chen took office, LEE Kuan Yew paid a "private" visit to Taipei to meet Chen, his advisers, and opposition leaders: LIEN Chan, Vincent Siew, and James Soong. During his visit, Lee said "the Chinese people on both sides of the Strait can lessen their problems by establishing easier relations over the years." When asked whether Beijing and Taipei would be able to find common ground on which cross-Strait talks might resume, Lee argued "there is no reason why talks cannot be resumed if both sides return to the basis on which the 1993 Wang-Koo

64. "Majority of people in Taiwan want the status quo," *The Straits Times*, October 1, 2000.

65. *Ibid.*

66. Barry Porter, "Beijing serious about war threat to Taiwan, says Goh," *South China Morning Post*, April 18, 2000.

talks were started, that is, the 1992 Consensus, with each declaring its own position.”⁶⁷

On the one hand, as LEE Kuan Yew observed, both LIEN Chan and Vincent Siew of the Kuomintang (KMT) and James Soong of the People First Party (PFP) supported the 1992 Consensus. On the other hand, Chen of the DPP referred to it as the 1992 “Spirit” instead of the 1992 “Consensus” – mainly because pro-independence fundamentalists in Taiwan strongly opposed the “one-China” connotation of the 1992 Consensus. It is worth noting that even after 20 years, these terms remained a source of debate between presidential candidates Eric Chu of the KMT, TSAI Ing-wen of the DPP, and James Soong of the PFP during Taiwan’s 2016 presidential election campaign.

In April 2000, as the Minister of the Mainland Affairs Council (MAC) in Taiwan, SU Chi created the term “1992 Consensus” to encapsulate the tacit understanding reached by two semi-official organizations, the Taipei-based SEF and the Beijing-based ARATS, following their 1992 meeting in Hong Kong. The implicit understanding was that both sides could still uphold the “one-China” principle while agreeing to disagree on its definition. In mainland China, the 1992 Consensus incorporated the “one-China” principle to safeguard the territorial integrity of the People’s Republic of China. In contrast, Taiwan’s KMT emphasized the respective interpretations stating that the “one-China” was the Republic of China, which was an independent sovereign country in accordance with the R.O.C. Constitution.⁶⁸ The argument that the 1992 Consensus laid the foundation for the 1993 Koo-Wang talks was widely accepted by KMT leaders and LEE Kuan Yew during Chen’s era; however, Chen and TSAI Ing-wen, who served as Minister of the MAC from 2000 to 2004, never publicly stated that they supported the 1992 Consensus.

Without mutual trust between Taipei and Beijing, cross-strait relations were highly fluid under Chen’s presidency – despite the “Five Nos” pledged in Chen’s inaugural address on May 20, 2000:

... as long as the CCP regime has no intention to use military force against Taiwan, I pledge that during my term in office, I will not declare independence, I will not change the national title, I will not push forth the inclusion of the so-called “state-to-state” description in the Constitution, and I will not promote a referendum to change the status quo in regards to the question of independence or unification. Furthermore, the abolition of the

67. “Majority of people in Taiwan,” *supra* note 64.

68. Bao-chiun Jing, “Ma-Xi meeting and the arts of words,” *Bangkok Post*, November 20, 2015.

National Unification Council or the National Unification Guidelines will not be an issue.⁶⁹

While the “Five Nos” temporarily alleviated tensions across the Taiwan Strait, mainland China insisted that Chen was evasive regarding “one-China.” Therefore, JIANG Zemin adopted the so-called “listening to his word, monitoring his deeds” approach toward the Chen administration. During the first 18 months of Chen’s tenure, under the peaceful waters of the Taiwan Strait, both sides harbored deep suspicions of the other’s true intentions.⁷⁰ The tensions finally surfaced shortly after Chen’s DPP became the single largest party in Taiwan’s legislature, following the December 2001 legislative election. In 2002, despite what he pledged on the first day of his presidency, Chen proposed hosting referendums on whether to change the status of cross-Strait relations and establish a new constitution. Chen first called for the “rectification of the name of Taiwan and the writing of Taiwan’s constitution” in a conference held by the World Federation Taiwanese Associations on March 17, 2002.⁷¹ Then on August 3, during a videoconference with the same organization, Chen said, “Taiwan and China are standing on opposite sides of the Strait, there is one country on each side (*yibian yiguo*).”⁷² He also called for the consideration of legislation that would enable a referendum to decide the future of Taiwan. Chen’s pro-independence rhetoric went far beyond LEE Teng-hui’s “Two States Theory,” and, unsurprisingly, drew strong criticism from Beijing. As Richard Bush notes, “the *yibian yiguo* episode solidified China’s mistrust of him and its inclination to prepare for the worst.”⁷³ Since that incident, cross-Strait relations continued on a downward spiral until the last day of Chen’s presidency in May 2008.

In July 2002, the Chen administration decided to adopt a more aggressive diplomatic approach vis-à-vis mainland China, a tactic commonly translated as “scorched-earth diplomacy.” Chen’s National Security Council Secretary General CHIOU I-jen introduced the strategy during a closed-door meeting at the Taiwanese Ministry of Foreign Affairs. Following the meeting, Chiou’s words were leaked to the press, publicizing the island’s foreign policy strategy under Chen’s presidency. Chiou believed that Taiwan could light so many diplomatic fires (“set fire everywhere” was his phrasing) that Beijing would be deprived of the resources needed to harass Taiwan at regional forums. Chiou referred specifically to

69. Su, *Taiwan’s Relations*, *supra* note 47, p. 117.

70. *Ibid.*

71. *Ibid.*, p. 182.

72. Richard C. Bush, *Untying the Knot: Making Peace in the Taiwan Strait*, Washington, D.C.: Brookings Institution Press, 2005, pp. 69-70.

73. *Ibid.*

the October 2001 APEC summit in Shanghai where the top representative from “Chinese Taipei” was absent due to a dispute over Chen’s request to attend the summit in person.⁷⁴ The “scorched-earth” strategy was designed to aggressively compete with P.R.C. diplomacy through diplomatic offensives. High-level visits to as many countries as possible were planned under the logic that “success will bring diplomatic breakthroughs; failure will win sympathy at home. Either way, Taiwan gains.”⁷⁵

Chen’s diplomatic offensive began in Indonesia when Vice President of Taiwan, Annette Lu, paid a much-publicized visit to the country. On August 14, 2002, Lu flew to Bali via Jakarta, hoping to meet Indonesian officials in the capital of the country before her “vacation” in Bali. After a lengthy delay, followed by denied entry to Jakarta, Lu traveled to Bali and told reporters that she was visiting Indonesia on holiday and mainland China had no right to meddle with her personal travel plans. She said, “traveling is my basic right. Mainland China can persecute mainland Chinese. It is not qualified and has no right to persecute others.”⁷⁶ After spending two nights in Bali, Lu was allowed to return to the Indonesian capital on August 16. Although Taiwanese media reported that Lu met with President Megawati Sukarnoputri in Jakarta, Foreign Minister Hassan Wirajuda immediately denied having arranged any private or official meeting with Lu. The Indonesian government also reaffirmed the country’s support of a “one-China” policy. Lu’s first attempt at arranging a high-level meeting in Southeast Asia, therefore, was arguably a failed example of Taipei’s “vacation diplomacy.”

In the months following Lu’s unpleasant trip to Bali and Jakarta, Taiwan suffered another diplomatic blow. On December 15, 2002, a day after the Jakarta Post broke the story of President Chen’s plans to visit Indonesia for three days, Taipei was forced to abort the secretly-arranged trip at the last minute. Originally scheduled to visit Bali, Yogyakarta, and Jakarta, Chen planned to hold meetings including one with Yogyakarta Governor Sri Sultan Hamengkubuwono X.⁷⁷ However, news of the meeting drew protests from Beijing, forcing Jakarta to adhere to the “one-China” policy again. Hassan Wirajuda then declared that he would not allow Chen to enter Indonesian territory for any reason. Indonesian Foreign Ministry Spokesman Marty Natalegawa also told reporters, “we have learned from the past that Taiwanese leaders often take political advantage of their private visits to Indonesia’s tourist resorts,” adding that, “Chen Shui-bian is

74. Su, *Taiwan’s Relations*, *supra* note 47, p. 183.

75. *Ibid.*

76. “Taiwan’s VP flies into Jakarta row,” *BBC News*, August 15, 2002.

77. “Economic sanctions depend on Jakarta’s response, says Taipei,” *The China Post*, December 19, 2002.

not welcomed here.”⁷⁸ The reactions and comments from the Indonesian government illustrated the increasingly difficult conditions Taiwan’s diplomatic offensive would encounter in Southeast Asia. On the one hand, leaders in ASEAN were unwilling to be used by Chen for his own political gain.⁷⁹ They astutely observed the deterioration of cross-strait relations and avoided the diplomatic fires Chen’s aggressive foreign policy was setting. On the other hand, ASEAN leaders were influenced by mainland China as it became more assertive and confident in expanding its engagement with the region in the early 2000s. Mainland China’s economic clout in ASEAN countries rose after the 1997 Asian financial crisis when it became the number one trading partner for many Southeast Asian countries. Consequently, while similar pressures from mainland China were not always effective in blocking high-level visits between Taiwan and ASEAN during the 1990s, Beijing’s growing regional influence effectively shrank Taipei’s international maneuverability, reducing the island’s diplomatic opportunities in ASEAN countries at the beginning of the 21st century.

In the early 2000s, in accordance with the 1997 “ASEAN-China Cooperation Towards the 21st Century” joint statement, mainland China continued strengthening mechanisms of dialogue and cooperation with ASEAN by building on previously existing structures.⁸⁰ On November 4, 2002, mainland China and ASEAN signed two new agreements: the Declaration on the Conduct of Parties in the South China Sea and the Joint Declaration of ASEAN and China on Cooperation in the Field of Non-Traditional Security Issues.⁸¹ The non-traditional security issues referred to illegal drug trafficking, people-smuggling and the trafficking of women and children, sea piracy, terrorism, arms-smuggling, money-laundering, international economic crime, and cybercrime. ASEAN and mainland China agreed to address the problems that “have become important factors of uncertainty affecting regional and international security and are posing new challenges to regional and international peace and stability.”⁸² In contrast, Taiwan, was completely excluded from these regional cooperation mechanisms.

78. Deborah Kuo, “Taiwan Lodges Protest Against Indonesian Foreign Minister’s Remarks,” *Central News Agency*, December 17, 2002.

79. Su, *Taiwan’s Relations*, *supra* note 47, p. 184.

80. Jie Chen, “Taiwan’s Diplomacy in Southeast Asia: Still Going-South?” in Khai Leong Ho, Samuel Ku, eds., *China and Southeast Asia: Global Changes and Regional Challenges*, Singapore: Institute of Southeast Asian Studies, 2005, p. 250.

81. See the full text of the joint declaration at http://www.asean.org/?static_post=joint-declaration-of-asean-and-china-on-cooperation-in-the-field-of-non-traditional-security-issues-6th-asean-china-summit-phnom-penh-4-november-2002-5.

82. *Ibid.*

In November 2001, mainland China and ASEAN announced their intent to create a free trade area (FTA) within the decade, aimed at creating the world's largest FTA and covering 1.7 billion consumers. In November 2002, during the Eighth ASEAN-China Summit in Phnom Penh, Cambodia, ASEAN leaders and Chinese Premier ZHU Rongji signed a Framework Agreement on Comprehensive Economic Co-operation. This framework provided the legal basis for ASEAN and mainland China to negotiate further agreements, leading to the creation of the ASEAN-China Free Trade Area (ACFTA) in January 2010.⁸³ The agreement went into force on July 1, 2003, becoming the first FTA that ASEAN concluded with an external party.⁸⁴ According to Vincent Wang, ACFTA was essential for mainland China's "peaceful rise" – the foreign policy strategy promoted by President HU Jintao and Premier WEN Jiabao from late 2003 to early 2004.⁸⁵ Wang argues that the ACFTA helped to cultivate goodwill among mainland China's neighbors, maintain peace and security in the region, defuse U.S. influence in Southeast Asia, and secure important markets and raw materials needed for mainland China's economic security.⁸⁶ Southeast Asian countries also viewed the signing of the FTA with mainland China as in their national interests and a rational step toward benefiting from mainland China's burgeoning domestic markets. After the P.R.C.'s accession into the World Trade Organization (WTO) in December 2001, ASEAN foresaw the benefits that would arise from the phasing-in of mainland China's pledged economic liberalization. ASEAN also perceived the ACFTA as a catalyst that would accelerate their integration into the AFTA and a stratagem to engage larger trading partners such as Japan and the United States.⁸⁷

On October 8, 2003, during ASEAN's Ninth Summit, both mainland China and India acceded to ASEAN's Treaty of Amity and Cooperation (TAC). Accession to the TAC, which was first negotiated in 1976 and subsequently amended to allow non-regional countries to accede, is seen not only as a symbol of ASEAN's emphasis on multilateral processes, but also

83. Wang, "China-ASEAN FTA," *supra* note 31, p. 18.

84. See the full text of the agreement at: http://www.asean.org/?static_post=framework-agreement-on-comprehensive-economic-co-operation-between-asean-and-the-people-s-republic-of-china-phnom-penh-4-november-2002-4.

85. Wang, "China-ASEAN FTA," *supra* note 31, pp. 34-35.

86. *Ibid.*

87. *Ibid.*

as the signatory's commitment to engagement in Southeast Asia.⁸⁸ Immediately after acceding to the TAC, mainland China and ASEAN also signed the Joint Declaration of the Heads of State/Government of the Association of Southeast Asian Nations and the People's Republic of China on Strategic Partnership for Peace and Prosperity, seeking to further expand its influence in the region. While these initiatives did not end lingering suspicions between mainland China and Southeast Asia – especially regarding territorial disputes in the South China Sea – closer political, economic, and cultural ties between ASEAN and mainland China certainly raised Beijing's leverage in the region vis-à-vis Taipei.

Facing the challenges of rising Chinese influence in Southeast Asia, an increasingly integrated ASEAN, and growing Taiwanese dependence on Chinese markets after each ascended into the WTO (for details, see Chapter III), the Chen administration resumed Lee's "Go South" rhetoric in July 2002. During his speech at the annual Asia Taiwanese Chambers of Commerce (ASTCC) meeting – an organization established in 1993 by the Lee administration to expand ties with Southeast Asia – Chen pledged to rekindle the "Go South" policy. He called on Taiwan to strengthen economic relations with Southeast Asia to reduce the island's increasing economic dependence on mainland China, a situation he believed could jeopardize national security and weaken Taiwan's position in future negotiations with mainland China.⁸⁹ The Chen administration had actually already extended Lee's "Go South" policy – the "Guidelines for Strengthening Economic and Trade Ties with Southeast Asia, New Zealand, and Australia" – from the end of 1999 to the end of 2003.⁹⁰ However, Chen's "Go South" rhetoric in 2002 signaled that Southeast Asia had become a huge priority in Chen's foreign policy strategy. Interestingly, his "Go South" pledge emerged around the same time that his leadership brought up the terms "scorched-earth diplomacy" and "one country on each side." Within that context, it is not surprising that Vice President Annette Lu chose a Southeast Asian country as the target of her first diplomatic offensive in August 2002.

Whether Lu's visit to Indonesia should be considered an accomplishment is debatable. However, during Chen's first term, the "Go South" campaign experienced tangible achievements. For example, in October

88. Mark E. Manyin, Michael John Garcia, and Wayne M. Morrison, "U.S. Accession to ASEAN's Treaty of Amity and Cooperation (TAC)," Library of Congress Congressional Research Service, May 5, 2009. pp. 1-2.

89. Chen, "Still Going-South?" *supra* note 80, p. 250.

90. The guidelines were again renewed in 2004 and 2007 under Chen. The second phase of the guidelines were implemented from 1997 to 1999, the third phase from 2000 to 2003, the fourth from 2004 to 2006, and the fifth from 2007 to 2009.

2002, Brunei established its first representative office in Taiwan under the name “Brunei Darussalam Trade and Tourism Office.” In terms of high-level visits, Taiwanese Minister of Economic Affairs LIN Yi-fu led trade and investment delegations to the Philippines, Malaysia, Thailand, and Vietnam between October 2002 and January 2003. During the visits, Lin also held ministerial level economic consultation meetings with his counterparts in Thailand, Malaysia, and Vietnam.⁹¹ In Thailand, Lin and Thai Minister of Industry Somsak Thepsutin held the first industrial cooperation meeting between Taiwan and Thailand – the first ministerial-level meeting since their second bilateral economic consultation meeting in 1991.⁹² In the Philippines, Lin also met Philippine President Gloria Macapagal Arroyo to discuss investment and migrant worker issues.⁹³

ASEAN leaders also reciprocated with high-level visits to Taiwan. Besides LEE Kuan Yew’s September 2002 trip to Taiwan, the Deputy Secretary-General of the ASEAN Secretariat TRAN Duc Minh also visited the island in December 2002 to exchange views with Taiwanese officials regarding the latest AFTA developments.⁹⁴ In 2004, the Chen administration received three cabinet leaders from the Philippines, including Secretary of Interior and Local Government Angelo T. Reyes, Secretary of Labor and Employment Patricia Santo Tomas, and Secretary of Trade and Industry Cesar Purisima.⁹⁵ Though the Chen administration made some strides in its “Go South” campaign, continued engagement remained highly restricted in the realm of economic affairs. As LEE Kuan Yew said at the World Economic Forum’s East Asia Summit in 2003, “let’s play economics as economics and let’s play politics as politics.”⁹⁶ Concerned about pressure from Beijing and rising tensions across the Taiwan Strait, ASEAN countries avoided touching upon political ties when they dealt with the Chen administration. It is clear that Chen’s diplomatic achievements in ASEAN were not as remarkable as LEE Teng-hui’s “Go South” attainments (discussed in the previous section).

The reelection of CHEN Shui-bian on March 20, 2004 not only polarized Taiwanese society but also fueled regional tensions and raised serious questions about Chen’s intentions to pursue *de jure* independence

91. “Special Report: The Problems and Solutions of the Go South Policy,” MOEA, R.O.C., March 26, 2003, pp. 6-16; <http://npl.ly.gov.tw/npl/report/920326/3.pdf>.

92. See the R.O.C. Bureau of Foreign Trade Yearbook 2002.

93. “Special Report,” *supra* note 91, p. 16.

94. *Ibid.*, p. 8.

95. See the R.O.C. Foreign Relations Yearbook 2004 at http://multilingual.mofa.gov.tw/web/web_UTF-8/almanac/almanac2004/08/08_01_01.htm

96. Edna Koh, “Taiwan wants to restart S’pore FTA talks,” *The Straits Times*, October 15, 2003.

during his second term. Facing instability across the Taiwan Strait, in the wake of Chen's reelection, Singaporean leaders once again flew from the Strait of Malacca to Beijing and Taipei, respectively. In June 2004, Senior Minister LEE Kuan Yew visited Beijing to meet with HU Jintao and WEN Jiabao. During an interview with Singaporean newspaper *Lianhe Zaobao*, Lee said Hu and Wen emphasized that Beijing would not watch idly as Taiwan moved towards independence. Lee also believed that no country in Southeast Asia or East Asia would encourage Taiwan to declare independence.⁹⁷

In the following month, Deputy Prime Minister LEE Hsien Loong of Singapore, the Prime-Minister-in-waiting and son of LEE Kuan Yew, paid a four-day visit to the island which drew Beijing's ire. Unlike his father's trips to Taiwan in 2000 and 2002, LEE Hsien Loong's "private" visit to the island in 2004 provoked an extremely furious response from mainland China. Beijing asserted that intermediaries were not needed and a trip by Lee in any capacity to Taipei damaged relations between mainland China and Singapore.⁹⁸ Given the rise of mainland China and its growing influence in the region in the early 2000s, mainland China's assertiveness over Southeast Asia and Taiwan had grown even more salient by the middle of the decade. Even though Lee reiterated that his unofficial visit did not change or contradict Singapore's consistent position of maintaining the "one-China" policy and opposing Taiwan independence, Beijing saw it as a violation of commitment to the "one-China" policy and requested Lee abort the trip.⁹⁹ Consequences from Beijing's disagreement came immediately during Lee's visit when the Governor of the People's Bank of China ZHOU Xiaochuan cancelled a trip to Singapore, where he had planned to give a lecture. According to SU Chi, Beijing also cancelled the Singapore Fireworks Festival scheduled to be held in Shanghai that year and put bilateral free trade agreement negotiations with Singapore on hold.¹⁰⁰

To defend his visit to Taipei, Lee hosted a question and answer session with the Singaporean press immediately following his trip. Lee said his job was to see to the well-being of Singapore, which was dependent on a peaceful and stable regional environment. As the incoming Prime Minister, and to better assess how the situation across the Taiwan Strait might evolve, Lee said he wanted to update himself on cross-Strait relations and

97. Su, *Taiwan's Relations*, *supra* note 47, p.253.

98. "China fury at Singapore deputy PM trip to Taiwan," *Reuters*, July 13, 2004.

99. "Q&A with DPM Lee on his visit to Taiwan" Consulate-General of the Republic of Singapore, July 19, 2004; http://www.mfa.gov.sg/content/mfa/overseasmission/shanghai/archive_press_statements/2004/200407/press_200407.html

100. Su, *Taiwan's Relations*, *supra* note 47, p.253.

understand first-hand how the Taiwanese observe their position.¹⁰¹ Against Chinese pressure, Lee went to Taiwan to meet Taiwanese leaders and U.S. representatives, including President Chen, KMT Chairman LIEN Chan, Taipei City Mayor MA Ying-jeou, and Director of the American Institute in Taiwan Douglas Paal. Lee perceived cross-Strait issues to be a potential flash point, arguing that “a conflict across the Strait will have dire consequences not just for the involved parties, but the entire region, and for many years.”¹⁰²

On August 22, 2004, during his first National Day Rally speech as Prime Minister, Lee again explained his reasoning behind the Taipei visit and expressed his concerns about regional security. Beyond reaffirming Singapore’s stance on the “one-China” policy, Lee also stated that a real risk of miscalculation and mishap existed across the Taiwan Strait and that “if war breaks out across the Strait, we will be forced to choose between the two sides.” He then added that “as a friend of both sides, any decision is going to be painful, but if the conflict is provoked by Taiwan, then Singapore cannot support Taiwan.”¹⁰³ Lee’s message stressed that he was opposed to Chen’s pursuit of Taiwan’s independence. Lee directly pointed out that “a move by Taiwan towards independence is neither in Singapore’s interests nor in the region’s interests. If Taiwan goes for independence, Singapore will not recognize it. In fact, no Asian country is going to recognize it.”¹⁰⁴

LEE Hsien Loong’s strong words on cross-Strait relations were clearly in opposition to Chen’s pro-independence ambitions. On top of that, Singaporean Foreign Minister George Yeo delivered a statement at the United Nations General Assembly on September 24, 2004, criticizing pro-independence forces in Taiwan. Yeo pointed out that “to push towards independence by certain groups in Taiwan is most dangerous because it will lead to war with mainland China and drag in other countries. At stake is the stability of the entire Asia-Pacific region.”¹⁰⁵ Yeo’s remarks drew a strong rebuke from Taiwanese Foreign Minister CHEN Tang-shan. During a meeting with a pro-independence group, Chen used a crude statement to describe how Yeo had just been fawning over Beijing by criticizing Taipei. He continued, saying “even a country as large as a piece of dried

101. “Q&A with DPM Lee,” *supra* note 99.

102. *Ibid.*, and “China fury at Singapore,” *supra* note 98.

103. See LEE Hsien Loong’s speech at National Day Rally 2004, Singapore, August 22, 2004; <http://www.nas.gov.sg/archivesonline/speeches/view-html?filename=2004083101.htm>.

104. *Ibid.*

105. See George Yeo’s statement at the 59th Session of the United Nations General Assembly, New York, September 24, 2004; http://www.mfa.gov.sg/content/mfa/overseasmission/newyork/archive/plenary/2004/200409/press_200409.html.

nasal mucus can swagger around to criticize Taiwan at the United Nations. Where is the justice in the world?"¹⁰⁶ The spat between Singapore and Taiwan illustrated that CHEN Shui-bian's "scorched-earth diplomacy" and pro-independence stance failed to strengthen Taiwan's international standing. Instead, the Chen administration was burned by the fire they fueled when Taiwan lost the support of its long-time ally, Singapore. Losing Singapore's support turned the regional environment more hostile toward Taiwan at the beginning of Chen's second term.

After his second inauguration in May 2004, Chen became further preoccupied with "Taiwanization" and Taiwan's independence agendas. As a result, a large portion of Taiwan's diplomatic resources were appropriated to support pro-independence policies. Taiwan's drive for participation in the United Nations and the "rectification" of Taiwan's name to alter any China-related name designations to Taiwan reflected the growth of Taiwanese identity. However, Chen's initiatives neither generated support from ASEAN countries in Taiwan's United Nations campaign nor did they encourage ASEAN countries to change the name of Taiwan's representative offices in the region. Today, most of Taiwan's offices in Southeast Asia remain under the name "Taipei Economic and Cultural Office." Moreover, due primarily to Taipei's insistence on using the name "Taiwan" as a signatory, the Chen administration failed to sign a free trade agreement with Singapore.¹⁰⁷ In December 2005, the scope of regional architecture expanded significantly through the establishment of the East Asia Summit (EAS). EAS members included ASEAN countries, Australia, mainland China, India, Japan, South Korea, and New Zealand, later incorporating Russia and the United States in 2011. However, Taiwan continued to be even more marginalized in the Asia-Pacific as it was left out of the expanding regional architecture provided by the EAS.

President Chen's diplomatic frustrations were further exacerbated by his mere two visits to Southeast Asia, each made under the guise of "technical landings" in Indonesia, first in Bali in 2005 and in Batam in 2006, and lasting less than 24 hours. Because of the drastic deterioration of Taiwan-ASEAN relations, Southeast Asian politicians who visited Taipei during Chen's second term were mostly congressional leaders rather than incumbent government officials.¹⁰⁸ Chen's confrontational approach to

106. Laurence Eyton, "Behind the Taiwan-Singapore spat," *Asia Times Online*, October 1, 2004.

107. Su, *Taiwan's Relations*, *supra* note 47, p. 183, and Koh, "S'pore FTA talks," *supra* note 96.

108. See the R.O.C. Foreign Relations Yearbooks from 2004 to 2008, <http://www.mofa.gov.tw/NewsNoHeadOnlyTitle.aspx?n=19C2F1F943CBD946&page=2&PageSize=10>

foreign policy and advancements toward independence for Taiwan not only failed to shore up diplomatic support from Southeast Asia but also put Taipei on a collision course with both Beijing and Washington.¹⁰⁹ All in all, Chen's diplomatic engagement with ASEAN was overshadowed by Beijing's rising influence in the region and Chen's controversial *de jure* Taiwan independence policies, which increased political polarization on the island as well as diplomatic isolation abroad.

D. MA Ying-jeou's Viable Diplomacy in Southeast Asia (2008-2016)

In May 2008, MA Ying-jeou came to office determined to promote cross-Straits reconciliation and put an end to the confrontational foreign policy adopted by his predecessor CHEN Shui-bian. To leaders from Washington, Beijing, and in ASEAN capitals, Ma's firm commitment to cross-Straits peace and regional stability came as a significant relief. During his first inaugural address, Ma emphasized that his administration would strive to maintain the cross-Straits status quo of "no unification, no independence, and no use of force" under the framework of the R.O.C. Constitution. He also claimed that both sides of the Taiwan Strait should resume negotiations based on the 1992 Consensus of "one China, respective interpretations."¹¹⁰ In terms of Taiwan's international space, Ma called for a "diplomatic truce" with mainland China in an effort to end longstanding practices of "checkbook diplomacy" – in which each side tries to lure the other's allies to switch diplomatic recognition by offering large sums of foreign aid. Evidently, Ma attempted to transform cross-Straits relations and Taiwan's foreign relations from being perceived in a negative light to a more positive one, which was achieved through cooperation and collaboration rather than competition.

Of course, no unilateral action on the part of Taiwan or mainland China can send cross-Straits relations on a positive trajectory. As HUNG Kwei-bo has put it, "it takes two to tango."¹¹¹ During the Boao Forum on Hainan Island in April 2008, the foundation for rationalizing cross-Straits economic relations was laid when Taiwanese Vice President-elect Vincent

109. Dennis V. Hickey, "President Ma Ying-jeou and Taiwan's Internal and External Challenges," in Seyom Brown, Cal Clark, Hiroki Takeuchi, and Alex Tan, eds. *Taiwan at a Turning Point*, Baltimore, Maryland: Maryland Series in Contemporary Asian Studies, 2009, p. 29.

110. See the full text of Ma's inaugural address in 2008 at <http://www.chinapost.com.tw/taiwan/national/national-news/2008/05/21/157332/p3/Full-text.htm>.

111. Kwei-bo Huang, *In Pursuit of Gradual Stabilization and Peace Dividends: Cross-Taiwan Strait Relations and Their Influence on the Asia Pacific*, Baltimore: Maryland Series in Contemporary Asian Studies, 2011, p. 5.

Siew met with Chinese President HU Jintao on the sidelines of the conference to discuss a number of economic initiatives.¹¹² Hu responded positively to President-elect Ma's conciliatory approach to cross-Strait relations with his "four continuations" – continuing to promote cross-Strait economic and cultural cooperation, continuing to promote direct flights and mainland Chinese tourism to Taiwan, continuing to care for and safeguard the appropriate rights of the Taiwanese people, and continuing to encourage the resumption of cross-Strait negotiations.¹¹³ Upon this framework and within a month of Ma's inauguration, SEF-ARATS negotiations reconvened for the first time in a decade. On June 13, 2008, SEF Chairman CHIANG Pin-kung and ARATS President CHEN Yunlin signed a transportation pact in Beijing that would allow regular "weekend charter flights" to cross the Taiwan Strait starting from July 2008. Chiang and Chen also agreed to the Cross-Strait Agreement on Travel by Mainland Residents to Taiwan, initially enabling up to 3,000 mainland Chinese tourists to visit Taiwan each day for a maximum of ten days.¹¹⁴ Following the first "Chiang-Chen Talks" in Beijing, both sides met again in November 2008 in Taipei and concluded four agreements for direct cross-Strait scheduled flights, direct cross-Strait sea shipping, direct cross-Strait postal services, and food safety.¹¹⁵

The rapid unfolding of cross-Strait rapprochement successfully turned this former East Asian flashpoint into a peaceful Strait. This development was quickly applauded by ASEAN leaders. At the 41st ASEAN Ministerial Meeting in Singapore on July 21, 2008, Foreign Ministers of the ten ASEAN countries issued a joint communique, stating, "We welcomed the positive development in relations across the Taiwan Strait. We expressed our hope that cross-Strait relations would continue to improve."¹¹⁶ Compared to the escalating tensions across the Strait during President Chen's era, President Ma's cross-Strait policy undoubtedly alleviated regional security concerns among ASEAN countries.

This positive reaction from the ASEAN foreign ministers appeared to justify Ma's "viable diplomacy" – an approach of warming ties with mainland China while expanding Taiwan's role in the international arena.

112. Hickey, "President Ma Ying-jeou," *supra* note 109, p. 33.

113. "MM Lee says Taiwan unlikely to enjoy more int'l space, despite easing China-Taiwan tension," *Channel NewsAsia*, May 9, 2008.

114. The terms of the agreement were further softened in early 2009. See Hickey, "President Ma Ying-jeou," *supra* note 109, P. 33, and Huang, *Peace Dividends*, *supra* note 111, p. 7.

115. Huang, *Peace Dividends*, *supra* note 111, pp. 8-9.

116. See the full text of the joint communique at http://www.asean.org/?static_post=joint-communique-of-the-41st-asean-ministerial-meeting-one-asean-at-the-heart-of-dynamic-asia-singapore-21-july-2008-2.

During his eight-year presidency, Ma had argued many times that his foreign policy, based on a “sincere, low-key, principled, and surprise-free approach,” successfully transformed Taiwan’s global image “from a troublemaker to a peacemaker, and from a liability to an asset.”¹¹⁷ Ma’s *modus vivendi* strategy generally received positive responses from Southeast Asia. For example, when then-Philippine Secretary of Finance Margarito Teves visited Taipei in March 2009, he said that “it was possible for Taiwan to join the ASEAN family in the future as long as its government continues to adopt a non-confrontational policy with China and to strengthen a barrier-free and close economic cooperation with East Asian countries.”¹¹⁸ Moreover, Taiwanese diplomats in Southeast Asia appeared to have had greater access to high-ranking officials in the region after Ma took office. Former Minister of the Mainland Affairs Council Andrew Hsia, who served as Taiwan’s Representative to Indonesia from 2009 to 2013, said that he was able to meet most of the ministers of the Indonesian cabinet as the top envoy from Taipei. He attributed improved Taiwan-Indonesia relations to cross-strait reconciliation.¹¹⁹

Ma’s vision of Taiwan-ASEAN relations was one of ambition. During an international press conference on his first day in the office, Ma proposed forming an “ASEAN Plus Four” forum. He pointed out that Taiwan was left out in the regional economic integration as ASEAN had already signed FTAs and started negotiating details with mainland China in 2002 (ASEAN-China Free Trade Area), South Korea in 2005 (ASEAN-Korea Free Trade Area), and Japan in 2008 (ASEAN-Japan Comprehensive Economic Partnership). Given Taiwan’s trade-dependent economy and large investment presence in ASEAN, Ma said it was Taiwan’s ultimate goal to be included in the economic integration between Southeast Asia and Northeast Asia, adding that “if we can have ASEAN Plus Three, why not ASEAN Plus Four?”¹²⁰ Concerned about the island’s marginalized role in the regional architecture, Vice President Vincent Siew also said that Taiwan should strive to become a dialogue partner with ASEAN.¹²¹

117. “Retrospective on and Prospects for Viable Diplomacy,” President Ma’s address to the Ministry of Foreign Affairs. June 26, 2015; <http://www.taiwan.gov.tw/public/Data/512791371.pdf>.

118. “Philippine minister says “possible” for Taiwan to join ASEAN framework,” *BBC Monitoring Asia Pacific*, March 27, 2009.

119. Author’s interview with Andrew Hsia, Taipei, Taiwan, March 30, 2016.

120. Vincent Low Seng Guan, “President Ma Ying-jeou again proposes ASEAN+4 (Taiwan),” *Organisation of Asia-Pacific News Agencies*, May 22, 2008.

121. “Vice President voices hope for Taiwan’s inclusion in ASEAN,” *Central News Agency*, July 30, 2008.

In order to achieve these goals, Ma actively lobbied political leaders from ASEAN such as Philippine Senator Francis Escudero.¹²² In late 2008, Ma also instructed the Ministry of Foreign Affairs (MOFA) to establish an ASEAN task force – a strategic inter-agency group that reports on ASEAN affairs to the National Security Council before making suggestions to the president. Former Foreign Minister Francisco Ou stressed that the establishment of the task force on ASEAN was a clear indication that, under Ma’s “viable diplomacy” strategy, Taiwan’s diplomacy in the region would be more proactive and pragmatic as opposed to passive and inactive.¹²³ In addition to the task force, MOFA in October 2009 set up an ASEAN-focused think tank, the Taiwan ASEAN Studies Center (TASC), under the Chung-Hua Institution for Economic Research. Moreover, as suggested by Foreign Minister Timothy Yang, MOFA in 2012 created the ASEAN Affairs Section under its Department of East Asian and Pacific Affairs.¹²⁴ While the existing Southeast Asian Affairs Section focused on bilateral issues with the ten ASEAN countries, the newly-founded ASEAN Affairs Section worked primarily on multilateral issues in Southeast Asia such as the South China Sea, ASEAN regional architecture, and regional economic integration, such as exploring the feasibility of joining the Regional Comprehensive Economic Partnership (RCEP).¹²⁵ These initiatives illustrated the elevated status of ASEAN in Ma’s foreign policy agenda.

Therefore, despite the fact that Ma never used the term “Go South” during his presidency – not least because of its political implication that Taiwan’s investment and trade should avoid “going west” to mainland China – his foreign policy intrinsically emphasized enhancing ties with ASEAN countries.¹²⁶ Besides the aforementioned initiatives led by MOFA, the Ministry of Economic Affairs (MOEA) continued to implement the fifth “Guidelines for Strengthening Economic and Trade Ties with Southeast Asia, New Zealand, and Australia” passed by the Chen administration in 2007. In 2010, MOEA changed the name of the policy back to the “Guidelines for Strengthening Economic and Trade Ties

122. “Taiwan wants free trade ties with ASEAN: president,” *Central News Agency*, July 15, 2008.

123. “MOFA to set up a special unit on ASEAN,” *Central News Agency*, September 14, 2008.

124. Author’s interview with Timothy Yang, Taipei, Taiwan, April 1, 2016.

125. RCEP is a proposed FTA between the ten ASEAN member countries and Australia, mainland China, India, Japan, South Korea, and New Zealand. The negotiations were launched in November 2012.

126. Kwei-bo Huang and Rong-hui Chou, “The Retrospect and Influence of Taiwan’s “Southward Policy”,” *Zhan-wang yu tan-suo* (Prospect & Exploration), Vol. 12, No. 8 (August 2014), pp. 67-69.

with Southeast Asia,” signaling the government’s focus on forging stronger trade and investment relations with ASEAN.¹²⁷

Despite Ma’s initiatives, Taiwan’s inclusion in the regional architecture still hinged on cross-Strait ties as well as decisions made in mainland China. Taipei’s efforts to establish ties with ASEAN as a whole were heavily clouded by Beijing’s strong influence in the region. As LEE Kuan Yew pointed out in May 2008, “an ASEAN-Taiwan agreement is not easy because ASEAN functions on consensus and there are several ASEAN members that maintain strong ties with China. They will not want to displease China.”¹²⁸ Lee also asserted that Taiwan was unlikely to be included in the ASEAN dialogues because the issues discussed included security and political affairs, issues Beijing did not want Taiwan to get involved in. From mainland China’s perspective, these topics were reserved for sovereign states. In a similar vein, the Secretary-General of ASEAN, Surin Pitsuwan, hinted during the Fourteenth ASEAN Summit in March 2009 that Taiwan’s pursuit of free trade pacts with ASEAN would face challenges due to the “one-China” policy. He said, “The ball is in Taiwan and China’s court,” meaning ASEAN countries were willing to work towards free trade pacts with Taipei; however, the onus would fall on Taiwan and mainland China to ascertain a way of cooperation so that ASEAN members could engage with both sides without renegeing on the “one-China” policy.¹²⁹ Former Malaysian Foreign Minister Syed Hamid Albar also argued that if Taiwan wanted to join the ASEAN Plus Three, Taiwan would have to first address political issues with mainland China.¹³⁰

On the bilateral economic side, the mainland China factor also obstructed Taiwan’s efforts to negotiate trade pacts with Southeast Asian countries such as Singapore and the Philippines. In the case of Singapore, LEE Kuan Yew stressed that “Singapore-Taiwan relations should not develop faster than Taiwan’s ties with mainland China.” Based on this position, Lee argued that “Singapore will only be able to sign a FTA with Taiwan if Taiwan improves its relations with mainland China.”¹³¹ Clearly, Beijing would not tolerate seeing its diplomatic allies sign FTAs with Taiwan before concluding its own agreement with Taiwan.

127. The Ma administration implemented the sixth phase of the Guidelines from 2010 to 2012 and the seventh phase from 2014 to 2016.

128. Jay Chen, Charles Kang, and Y.F. Low, “Taiwan FTA hinges on cross-strait ties: Singapore minister mentor,” *Central News Agency*, May 8, 2008.

129. “Taiwan to pursue closer trade ties with ASEAN states – ministry,” *BBC Monitoring Asia Pacific*. March 1, 2009.

130. “Ma hopes ECFA will help ties with ASEAN,” *The China Post*. December 17, 2009.

131. Chen, *et al*, “Taiwan FTA” *supra* note 128.

In order to pass these political hurdles, the Ma administration endeavored to negotiate a free trade deal with mainland China during the first year of Ma's tenure. In June 2010, representatives of SEF and ARATS successfully signed the Economic Cooperation Framework Agreement (ECFA) during the fourth "Chiang-Chen Talks" in Chongqing. Despite opposition from the DPP, the ECFA was ratified by the Legislative Yuan in August 2010 and went into effect in September 2010. As Taipei expected, the signing of ECFA instantly led to the resumption of talks on a FTA-like agreement between Taipei and Singapore in August 2010. After three years of negotiations, the two Asian Tigers finally signed the Agreement between Singapore and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Partnership (ASTEP) on November 7, 2013 – the first and, so far, the only FTA-like agreement that Taiwan has achieved with ASEAN countries. Meanwhile, Taipei and New Zealand signed the Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu on Economic Cooperation (ANZTEC) on July 10, 2013. Both ASTEP and ANZTEC exemplified the Ma administration's breakthroughs in concluding economic cooperation deals with Asia-Pacific countries following the ECFA, which seemingly relaxed Beijing's attitude towards Taiwan's trade negotiations with other countries.¹³²

The successful FTA-like negotiations with Singapore and New Zealand encouraged Taipei to pursue economic cooperation deals with its trading partners in the region rather than with ASEAN as a group. In the words of Rodolfo Severino, former Secretary-General of ASEAN, "Taiwan would do well to seek to strike deals with individual ASEAN countries, rather than with ASEAN as a group, on the basis of the WTO framework and whatever template emerges from its discussion with Singapore."¹³³ On the one hand, Taiwan would have a better chance to avoid being economically marginalized in the region. On the other hand, "ASEAN countries would hopefully have the benefit of increased trade and investments from Taiwan-based companies without incurring problems with Beijing."¹³⁴ Taking into account the geopolitical situation and calculation described by Severino, the Ma administration was likely to

132. Joshua Meltzer, "Taiwan's Economic Opportunities and Challenges and the Importance of the Trans-Pacific Partnership," *The Brookings Institution*. January 2014, p. 9; <http://www.brookings.edu/research/papers/2013/09/30-taiwan-trans-pacific-partnership-meltzer>.

133. Rodolfo C. Severino, "ECFA not the Way for Taiwan, ASEAN," *The Straits times*, August 31, 2010.

134. *Ibid.*

tone down rhetoric on “ASEAN Plus Four” and becoming a dialogue partner of ASEAN from 2011 onwards, as indicated from a lack of formal open-source statements. Instead, Ma prioritized negotiating bilateral economic cooperation agreements (ECAs) – a type of FTA-like agreement that is similar to the ones Taiwan signed with Singapore and New Zealand – with Thailand, Malaysia, Indonesia, and the Philippines, especially after the conclusion of ASTEP with Singapore in 2013.

However, the progress of Taiwan’s ECAs with ASEAN countries still hinged on the development of cross-Strait relations. In March 2014, student protestors from the Sunflower Movement took over the Legislative Yuan to protest the Cross-Strait Service Trade Agreement, which was signed by the SEF and the ARATS in June 2013 in Shanghai. The protesters – mostly undergraduate students – questioned the procedure and substance of the agreement, calling the pact a “Black Box” and arguing that it would make Taiwan vulnerable to mainland Chinese political influence. The impact of the Sunflower Movement has been extensive: not only have efforts by Taiwan to further liberalize its trade with mainland China faltered but the island’s endeavors to ink trade deals with ASEAN countries have also lost momentum as well. Bangkok, Kuala Lumpur, Jakarta, and Manila have been more cautious with the pace of trade negotiations with Taipei since the Sunflower Movement.¹³⁵ The ECA feasibility studies, jointly conducted by non-governmental think tanks in Taiwan and the respective countries, were completed with Indonesia in December 2012, Thailand in July 2013, Malaysia in March 2014, and the Philippines in September 2014; however, none of these countries concluded an ECA with Taiwan within the last two years of Ma’s tenure.

In spite of the domestic and external obstacles to Taiwan’s attempt to sign FTA-like agreements with ASEAN countries, the Ma administration made strides in enhancing Taiwan-ASEAN ties under the banner of viable diplomacy. In addition to the signing of ASTEP with Singapore, Ma’s tangible achievements in the region included opening the first-ever representative office, Taipei Economic and Cultural Office, in Myanmar in March 2016, establishing the Taipei Economic and Trade Office in Surabaya, Indonesia in December 2015, setting up the semi-official Taiwan External Trade Development Council (TAITRA) office in Yangon, Myanmar in November 2013, adding Malaysia and Indonesia to the visa-waiver program already authorized by Singapore, and reaching electronic visa service deals with the Philippines and Myanmar in favor of Taiwanese

135. A similar view was expressed by LIN Chu-chia, see “Lin: Taiwan needs to speed up to go out,” *China Times*, April 9, 2014; <http://www.chinatimes.com/realtimenews/20140409002522-260407>.

short-term travelers. The Ma administration also facilitated ministerial-level consultation talks with ASEAN countries, although most kept extremely low-profile and unpublicized. In terms of bilateral agreements, the Ma administration signed a total of 36 agreements with Southeast Asian countries, enhancing cooperation in education, transportation, agriculture, fishery, tourism, immigration, anti-human trafficking, and anti-crime.¹³⁶

Ma also traveled to Singapore for the first time since assuming the presidency to pay respects to the late Minister Mentor LEE Kuan Yew after Lee passed away in March 2015. He traveled to Singapore for the second time in November 2015 to meet with Prime Minister LEE Hsien Loong after his historic meeting with XI Jinping. LEE Hsien Loong even posted the photo of him and Ma on his Facebook page, directly addressing Ma by President. He wrote, “Caught up with President Ma Ying-jeou over tea this evening. Glad his meeting here went well. Hope this will lead to greater stability and prosperity for the region.”¹³⁷ The preceding meeting in Singapore was in 1989 when LEE Teng-hui visited LEE Kuan Yew in the city-state and was received as the “President from Taiwan.”

Besides Ma’s visits to Singapore, there were a number of high-level exchange visits between officials from Taiwan and ASEAN countries. The ministerial-level officials that the Ma administration had received included Philippine Secretaries of Trade and Industry Peter Favila and Gregory Domingo, Philippine Secretary of Energy Angelo Reyes, Philippine Secretary of Finance Margarito Teves, Philippine Secretary of Labor and Employment Marianito Roque, Indonesian Minister of Manpower and Transmigration Muhaimin Iskandar, Malaysian Minister of Science, Technology and Innovation Maximus Ongkili, and Thai Minister of Labor Chalmchai Sri-on. Several former ASEAN leaders such as LEE Kuan Yew, Mahathir Mohamad, and Fidel Ramos also traveled to Taiwan during Ma’s presidency. As for Taiwanese ministers’ publicized visits to the region, Ministers of Economic Affairs YIIN Chii-ming, SHIH Yen-shiang, and John Deng visited Singapore, Thailand, Indonesia, Malaysia, and the Philippines; Ministers of Foreign Affairs Timothy Yang and David Lin visited Malaysia and Myanmar; and Ministers of Finance LEE Sush-der and CHANG Sheng-ford visited Vietnam. Reciprocal high-level government officials’ visits under President Ma clearly outnumbered those under President Chen.

Ma often attributed these diplomatic breakthroughs to peaceful cross-strait relations grounded in the 1992 Consensus. When interviewed by

136. Author’s correspondence with an official from MOFA, R.O.C.; and see MOFA’s Treaty and Agreement Database at <http://no06.mofa.gov.tw/mofatreatys/IndexE.aspx>.

137. See LEE Hsien Loong’s Facebook page at <https://www.facebook.com/leehsienloong>.

CNN anchorwoman Christiane Amanpour on March 24, 2016, Ma argued that “the peaceful development of cross-Strait ties have a spillover effect.” He said cross-Strait relations and Taiwan’s relations with ASEAN countries, the United States, Japan, and the European Union reinforce each other; therefore, “the 1992 Consensus is not just between the two sides of the Taiwan Strait, it also has fundamental international significance.” Ma’s points were cogent, at least with respect to ASEAN. It is in ASEAN’s interests to see stable cross-Strait relations, as it would allow ASEAN countries to engage and cooperate with Taipei with lower risks of antagonizing Beijing. This, to a certain degree, explained why Singapore was willing to host the unprecedented Ma-Xi meeting in 2015. LEE Hsien Loong, like his father LEE Kuan Yew, was also supportive of the use of the “1992 Consensus” to maintain peace across the Taiwan Strait. In this sense, providing a platform for Ma and Xi to highlight that the 1992 Consensus was the foundation for both sides to cooperate was a gain for Singapore because it promoted cross-Strait stability. The Ma-Xi meeting also illustrated Ma’s policy of “mutual non-recognition of sovereignty, and mutual non-denial of governing authority,” which he had actively advocated since his second inaugural address on May 20, 2012.¹³⁸ During an interview with the *Wall Street Journal* on March 29, 2016, LEE Hsien Loong said that the basis for cross-Strait progression was the “constructive ambiguity” in the 1992 Consensus. However, Lee was concerned about the DPP’s stance on the 1992 Consensus, asserting, “there is now ambiguity about that ambiguity. So, that puts the whole edifice in question.”¹³⁹

In her inaugural address on May 20, 2016, President TSAI Ing-wen said she respected the historical fact that “in 1992, the two institutions representing each side across the Strait (SEF & ARATS), through communication and negotiation, arrived at various joint acknowledgements and understandings.” She also pledged to “conduct cross-Strait affairs in accordance with the Republic of China Constitution, the Act Governing Relations Between the People of Taiwan Area and the Mainland Area, and other relevant legislation.” The references to the “areas,” as Richard Bush notes, “could be taken to imply that they are part of the same country and

138. See the full text of Ma’s inaugural address in 2012 at <http://www.chinapost.com.tw/taiwan/national/national-news/2012/05/21/341720/Full-text.htm>.

139. “PM Lee Hsien Loong’s interview with Wall Street Journal (WSJ) on 29 March 2016,” Prime Minister’s Office, Singapore; <http://www.pmo.gov.sg/mediacentre/pm-lee-hsien-loongs-interview-wall-street-journal-wsj#eight>.

so satisfy Beijing.”¹⁴⁰ Despite her ambiguous position on the 1992 Consensus, Tsai’s remarks represent further attempts to reassure Beijing that she seeks positive cross-Strait relations. However, Tsai’s policies will continue to be challenged by Beijing’s decisions on which cross-Strait communications will be cut off, how to handle Taiwan’s international space, and how to manage the unofficial aspects of its peaceful development policy.¹⁴¹ As David Brown and Kevin Scott have argued, Beijing’s “choices will be shaped by the conflict between its interests in treating a government that does not accept its core principles differently from one that does, while still pursuing its interest in cultivating good will among the people of Taiwan.”¹⁴² Thus, Tsai will have to strive to develop a set of feasible policies that can maintain the peaceful status quo in the Taiwan Strait and strengthen economic and political ties with Southeast Asia.

In addition to cross-Strait relations, at the center of the current geopolitical struggle lied the sovereign disputes over the islands and waters in the South China Sea, as well as the mega-trading blocs Trans-Pacific Partnership (TPP) and RCEP.¹⁴³ In regards to the South China Sea issue, Ma had emphasized Taiwan’s sovereignty and effective control over Taiping Island (Itu Aba) – the largest naturally-occurring island feature in the South China Sea’s highly contested Spratly group. In January 2016, Ma flew to Taiping to demonstrate that it was a self-sufficient island capable of sustaining human habitation and economic life and therefore, based on Article 121 of the United Nations Convention on the Law of the Sea (UNCLOS), was entitled to an exclusive economic zone (EEZ). Ma’s visit highlighted the R.O.C.’s claim that Taiping was an “island” rather than a “rock,” which would not generate its own EEZ, as the lawyer from the Philippine side claimed during the hearing of Philippine’s South China Sea arbitration case against mainland China.

Taking advantage of the global attention on his first visit to Taiping Island as the Taiwanese President, Ma presented his South China Sea Peace Initiative Roadmap, calling for “creating a cooperation and development mechanism with equal participation and resource sharing among

140. Richard Bush, “Tsai’s inauguration in Taiwan: It could have been worse,” *The Brookings Institution*, May 23, 2016; <http://www.brookings.edu/blogs/order-from-chaos/posts/2016/05/23-tsai-ing-wen-inauguration-taiwan-bush>.

141. See David G. Brown and Kevin Scott, “China-Taiwan Relations: Taiwan Sets a New Direction,” *Comparative Connections*, Vol. 18, No. 1 (May 2016), p. 74.

142. *Ibid.*

143. TPP is a free trade agreement signed on February 4, 2016, among twelve countries, including Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam.

all parties concerned in the region.”¹⁴⁴ Ma’s “roadmap” was based on his South China Sea Peace Initiative introduced at the International Law Association - American Society of International Law (ILA-ASIL) Asia-Pacific Research Forum in Taipei on May 26, 2015. The initiative focused on respecting the principles of UNCLOS, ensuring freedom of navigation, and setting aside sovereignty issues in favor of collaborative development in the South China Sea. Over the past two decades, Taiwan was only invited to join the “track-two” Workshops on Managing Potential Conflicts in the South China Sea initiated by Indonesia and funded by Canada. Given Taiwan’s lack of participation in regional negotiations and consultations relating to the South China Sea, Ma’s visit was arguably an effective measure to increase the visibility of Taiwan’s role as both an important claimant and a supporter for peaceful resolution of disputes in the South China Sea. To secure Taiwan’s national interests, it is crucial for the TSAI Ing-wen administration to continue reinforcing Taiwan’s sovereign claim over Taiping Island while lobbying ASEAN countries for Taiwan’s involvement in negotiations and activities in the South China Sea. As Lynn Kuok analyzed, Taiwan’s inclusion in code of conduct negotiations, even just as an observer or guest, “is a pragmatic and necessary way of managing conflict of the South China Sea.”¹⁴⁵

In terms of the TPP and RCEP, Taiwan has been seeking membership in both in order to better participate in regional economic integration. As the Ma administration often stressed, the members of the TPP and RCEP accounted for 35 percent and 57 percent of Taiwan’s external trade in 2014, respectively. In sum, they accounted for 70 percent of the island’s total trade, which indicates that Taiwan’s major trading partners will become even more economically integrated once these agreements come to effect.¹⁴⁶ Facing this challenge, Taiwan’s bid to participate in the TPP and RCEP has bipartisan consensus on the island. However, Taiwan’s inclusion in these multilateral trade agreements is a function of decisions made in Beijing. Mainland China is driving RCEP and holds significant economic and political influence over signatories in the U.S.-backed TPP, particularly Malaysia and Brunei.¹⁴⁷ This strategic reality facing the Tsai

144. Shannon Tiezzi, “From South China Sea Island, Taiwan’s President Presents ‘Roadmap’ for Peace,” *The Diplomat*, January 29, 2016; <http://thediplomat.com/2016/01/from-south-china-sea-island-taiwans-president-presents-roadmap-for-peace/>.

145. Lynn Kuok, “Tides of Change: Taiwan’s evolving position in the South China Sea and why other actors should take notice,” *The Brookings Institution*, May 22, 2015, pp.17-20.

146. “President Ma meets Professor Kishore Mahbubani, Dean of Lee Kuan Yew School of Public Policy at National University of Singapore,” News Release, Office of the President, R.O.C., November 27, 2014; <http://english.president.gov.tw/Default.aspx?tabid=491&itemid=33801&rmid=2355>.

147. Jing, “Ma-Xi meeting,” *supra* note 68.

administration will result in an uphill struggle to form feasible policies that will allow Taiwan to participate in the regional economic integration of the Asia-Pacific.

III. TAIWAN'S ECONOMIC TIES WITH SOUTHEAST ASIAN COUNTRIES

This chapter evaluates the development of Taiwan-ASEAN economic relations over the past three decades, focusing on three major components: investment, trade, and labor cooperation. Section A examines the evolution of Taiwan's investment footprint in Southeast Asia from the 1980s to the present. Section B analyzes Taiwan's trade linkages with ASEAN countries and their weight in the island's overall trade portfolio. Both sections also assess how Taiwan's "Go South" policy affected investment and trade relations between Taiwan and Southeast Asia, analyzing especially the effects under the LEE Teng-hui presidency. Lastly, Section C discusses migrant labor ties between Taiwan and Southeast Asian countries – particularly Indonesia, the Philippines, Thailand, and Vietnam. This chapter provides policy recommendations for strengthening these three major linkages to forge stronger Taiwan-ASEAN economic relations.

A. Taiwan's Investment in Southeast Asia

Taiwan has long been an active and major investor in Southeast Asia. In the late 1980s, the island had already successfully transformed itself into one of Asia's newly industrialized economies (NIEs), becoming one of the "Four Asian Tigers," along with Hong Kong, Singapore, and South Korea. The effective implementation of import substitution industrialization (ISI) in the 1950s and export-led industrialization (EOI) in the 1960s and 1970s under CHIANG Ching-kuo's leadership contributed not only to remarkably fast industrial growth in Taiwan but also to the island's huge trade surplus and continued possession of one of the world's largest foreign-exchange reserves since the 1980s.¹⁴⁸

This economic development, however, drew complaints from the United States about its trade deficit with Taiwan, creating political pressure on the island to allow the New Taiwan dollar (NTD) to appreciate. The pressure eventually drove the Central Bank of the Republic of China (CBC) to loosen foreign exchange market interventions in 1986, allowing

148. By 1987, Taiwan's foreign currency reserve had reached US\$76.7 billion, the second largest reserve in the world at that time. See John Q. Tian, *Government, Business, and the Politics of Interdependence and Conflict across the Taiwan Strait*, New York: Palgrave Macmillan, 2006, p. 65.

the value of the NTD to appreciate against the U.S. dollar (USD).¹⁴⁹ The USD to NTD exchange rate rapidly declined from 1 to 37.84 in 1986 to 1 to 26.41 in 1989, reaching a record low of 1 to 25.16 in 1992.¹⁵⁰ In other words, in the span of six years, the NTD appreciated approximately 50 percent against the USD, which posed a challenge to Taiwan's export industries and incentivized its businesses to invest in production capabilities overseas. In this context, Southeast Asia became a popular region for Taiwanese outgoing investment not only because of its geographic proximity to Taiwan but also because of its rich endowments in natural resources, labor supply, and spacious industrial land. These economic characteristics complemented Taiwan's abundant capital, managerial skills, and technical expertise which developed along with Taiwan's rapid economic growth in the second half of the twentieth century.¹⁵¹

Aside from the drastic appreciation of Taiwan's currency, an expanded Taiwanese business presence in Southeast Asia was simultaneously prompted by internal factors such as Taiwan's skyrocketing land prices, robust labor unions, and surging labor costs.¹⁵² In 1984, Taiwan's government introduced the Labor Standards Law, protecting worker's rights for the first time. Subsequently, the labor pension fund was launched in 1986, significantly raising the cost of labor on the island.¹⁵³ Unfavorable labor and land costs were compounded by mounting public concern over the effects of industrial pollution on the environment, making Taiwan's domestic business environment hostile to labor-intensive industries.¹⁵⁴ In light of these challenges in Taiwan and the aforementioned favorable factor endowments in Southeast Asia, a large number of small and medium enterprises (SMEs) in manufacturing industries moved their operations from Taiwan to ASEAN countries after 1987 – the year the CBC relaxed its foreign exchange controls on capital movements.¹⁵⁵

These factors drove the expansion of Taiwan's outbound investment five to six years prior to the official launch of President LEE Teng-hui's

149. Jia-Dong Shea, "Taiwan's Foreign Exchange Policy," April 28, 2014, pp.10-11; <http://www.econ.sinica.edu.tw/>.

150. See "Foreign Exchange Rates of New Taiwan dollar, Hong Kong dollar, and Renminbi," Cross-Strait Economic Statistics Monthly, No. 120, Table 46, August 2002, Mainland Affairs Council, R.O.C.; http://www.mac.gov.tw/ct.asp?xItem=57684&ctNode=5720&mp=1&xq_xCat=2002.

151. Chen, "Still Going-South?" *supra* note 80, p. 233.

152. Chen, *New Taiwan*, *supra* note 11, p. 109.

153. San Gee, "The Effects of NT Dollar Variations on Taiwan's Trade Flows," in Takatoshi Ito and Anne O. Krueger, eds., *Macroeconomic Linkage: Savings, Exchange Rates, and Capital Flows*, Chicago: University of Chicago Press, 1994, p. 96.

154. Chen, *New Taiwan*, *supra* note 11, pp.105-108.

155. See CBC website at <http://www.cbc.gov.tw/ct.asp?xItem=857&CtNode=481&mp=2>.

“Go South” policy in 1994, which encouraged Taiwanese companies to expand foreign direct investment in Southeast Asia rather than mainland China. Table 3.1 shows Taiwan’s investment in ASEAN countries from 1959 to 2000, specifically pointing out annual investment during Lee’s twelve-year tenure as president from 1988 to 2000. From 1988 to 1989, Taiwan’s total approved investment in the ASEAN-5 members, including Vietnam and Cambodia, totaled more than US\$4.55 billion.¹⁵⁶ Investment during these two years exceeded the island’s previous 29 years of cumulative investment in these countries, valued at US\$3.64 billion. During Lee’s first six years in office from 1988 to 1993, Taiwan’s total approved investment in the aforementioned countries reached US\$15.4 billion, accounting for about 81 percent of the island’s cumulative investment in Southeast Asia from 1959 to 1993.

The heavy influx of capital into the region made Taiwan one of the leading sources of foreign investment in Southeast Asia, rivaling both Japan and the United States.¹⁵⁷ By 1988, Taiwan was already the second largest foreign investor in Thailand, Malaysia, Indonesia, and the Philippines. By the first half of 1989, the island also became the largest foreign investor in Malaysia and the Philippines.¹⁵⁸ Foreign investment in Vietnam was not allowed until 1988 after Hanoi initiated its “*Doi Moi*” economic policy, which transformed the centrally planned economy to a market planned economy, enacted the Foreign Investment Law, and opened the door to international capital. Since then, Vietnam has emerged as arguably the most popular country for Taiwanese investment. While Lee and his technocrats were still crafting the “Go South” policy in 1993, Taiwan was already ranked as the largest foreign investor in Vietnam, second largest in Malaysia (behind Japan), third in Indonesia (behind Japan and Hong Kong), fourth in Thailand (behind Japan, Hong Kong, and the United States), fifth in the Philippines (behind Japan, the United States, Hong Kong, and the United Kingdom), and thirteenth in Singapore.¹⁵⁹

Lee’s policies expanded Taiwan’s commercial ties with ASEAN even further. From 1994 to 1996, when the “Go South” policy was first implemented, Taiwan’s total approved investment in Southeast Asia increased to over US\$13.71 billion – about double that of the US\$6.69 billion from 1991 to 1993 (see Table 3.1). After this dramatic growth in investment, Taiwan became the largest foreign investor in Malaysia and the

156. ASEAN-5: Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

157. Tain-Jy Chen, *Taiwanese Firms in Southeast Asia*, Cheltenham, UK: Edward Elgar, 1998, p. 36.

158. Chen, *New Taiwan*, *supra* note 11, p. 109.

159. Chiang, “Go South Policy,” *supra* note 25.

third largest (up from fifth) in the Philippines in the first half of 1995.¹⁶⁰ This growth also sustained Taiwan's position as Vietnam's largest foreign investor until replaced by Singapore in late 1995.¹⁶¹

By building on the foundation laid by Taiwanese business communities in major cities like Kuala Lumpur, Penang, Jakarta, Bandung, Bangkok, and Manila, the Lee administration encouraged state-owned enterprises (SOEs), KMT-operated firms, and private companies to directly invest in several new locations. These places, highlighted in the "Go South" policy statement, included Batam Island, Indonesia, the Tan Thuan area of Ho Chi Minh City, Vietnam, and Subic Bay, Philippines.¹⁶² In order to allocate more resources to these areas and help develop existing and new industrial zones, Taiwan's Ministry of Economic Affairs (MOEA) established joint task forces on the Batam development project with Indonesia, the Subic Bay Industrial Park with the Philippines, and the Tan Thuan Export Processing Zone (EPZ) as well as other industrial zones and city planning projects with Vietnam. As Minister of Economic Affairs CHIANG Pin-kung said in a September 1995 interview, "Our priority targets are still Indonesia, Vietnam, and the Philippines. We don't emphasize Malaysia or Thailand as much because so many Taiwan investors are already there."¹⁶³ Chiang also stressed the importance of industrial zones in the region because of their ability to pull Taiwan investors together, gaining strength in numbers.¹⁶⁴

160. Xiangming Chen, "Taiwan Investments in China and Southeast Asia: 'Go West, but Also Go South,'" *Asian Survey*, Vol. 36, No. 5 (May 1996), p. 454.

161. Chen, *New Taiwan*, *supra* note 11, p. 109.

162. Chiang, "Go South Policy" *supra* note 25, pp. 3-5.

163. Fei-yun Wang, "Solving Problems Is Our Job," *Taiwan Today*, September 1, 1995; <http://www.taiwantoday.tw/ct.asp?xItem=136&ctNode=2198&mp=9>.

164. *Ibid.*

Table 3.1: Taiwan's Investment in Southeast Asia (1959-2000)

Countries	Thailand		Malaysia		Philippines		Indonesia		Singapore		Vietnam		Cambodia		Total		
	cases	sum	cases	sum	cases	sum	cases	sum	cases	sum	cases	sum	cases	sum	cases	sum	
1959-1987	120	345.15	175	151.23	97	16.81	10	2660.55	64	465.30	0	0	0	0	0	466	3639.04
1988	308	859.90	111	306.12	86	109.90	16	913.00	3	6.40	0	0	0	0	0	524	2195.32
1989	214	892.20	191	799.70	190	148.70	19	513.20	6	5.20	1	1.00	0	0	0	621	2360.00
1990	144	782.70	270	2347.83	158	140.70	94	618.30	10	47.60	17	251.00	0	0	0	693	4188.13
1991	69	583.50	182	1326.17	109	12.00	58	1057.30	13	12.50	36	520.90	0	0	0	467	3512.37
1992	44	289.90	137	574.70	27	9.10	23	563.30	11	8.80	37	561.60	0	0	0	279	2007.40
1993	61	215.40	86	331.18	21	5.40	20	127.50	12	69.50	49	421.30	0	0	0	249	1170.28
1994	88	477.50	100	1122.76	42	267.80	48	2487.50	19	100.70	78	518.60	2	0.56	377	4975.42	
1995	102	1803.90	123	567.80	34	13.60	89	567.40	20	31.60	65	1239.70	19	14.41	452	4238.41	
1996	66	2785.20	79	310.40	22	7.40	111	534.60	54	165.00	48	534.30	34	163.73	414	4500.63	
1997	62	414.30	63	480.40	16	13.10	101	3419.40	27	230.30	68	247.80	63	44.38	400	4849.68	
1998	69	253.60	74	263.40	19	5.41	91	165.45	56	158.18	72	440.60	25	144.26	406	1430.90	
1999	86	211.10	66	70.26	18	4.98	91	3309.70	19	324.52	92	172.90	15	55.39	387	4148.94	
2000	120	437.41	92	241.07	10	0.97	68	116.30	40	219.53	140	280.50	24	36.64	494	1332.42	
Accumulated	1553	10351.76	1749	8893.02	849	755.87	839	17054.66	354	1845.13	703	5190.20	182	459.37	6229	44548.94	
Total																	
Investor Rank			3		3		5		5		N.A.		2		2		N.A.

Source: Southeast Asian governments' statistics compiled by Department of Investment Services, Ministry of Economic Affairs (MOEA), R.O.C.; see "Special Report: Guidelines for Strengthening Economic and Trade Ties with Southeast Asia, New Zealand, and Australia," MOEA, R.O.C., April 25, 2001, Appendix 3; <http://npl.ly.gov.tw/npl/report/900425/5.pdf>.

Notes:

1. "Investor Rank" indicates how Taiwan's cumulative investment rank compares to other leading investor countries in the same ASEAN country.
2. Statistics for Taiwan's investment in the Philippines do not include investment in export processing zones or the Subic Bay Freeport Zone.

Among the three aforementioned projects emphasized by the Lee administration, the Tan Thuan EPZ and Subic Bay Industrial Park were successful; however, Batam was not as positive as expected. The Tan Thuan EPZ, modeled after Taiwan's Kaohsiung EPZ, was established in 1991 and functioned as a joint venture between the KMT-backed Central Trading & Development Cooperation (CT&D) and Vietnam's Tan Thuan Industrial Promotion Corporation (TTIPC).¹⁶⁵ With the help of CT&D's capital and managerial expertise, Vietnam's first EPZ developed into one of the most efficiently-run EPZs in Asia, according to the 1999 rankings of Economist Intelligence Unit and Euromoney Corporate Location Magazine.¹⁶⁶ Today, the Vietnamese government touts the EPZ as one of its "Doi Moi" policy successes, showing it off to former Japanese Prime Minister Keizo Obuchi and former U.S. President Bill Clinton when they visited Vietnam in 1998 and 2000, respectively.¹⁶⁷ Following their success at Tan Thuan, the CT&D-TTIPC joint venture launched the Phu My Hung Corporation to develop urban infrastructure in the southern part of Ho Chi Minh City. The iconic Phu My Hung urban area became another successful Taiwanese investment project in Southeast Asia.

Subic Bay Industrial Park, unlike the Tan Thuan EPZ, received assistance from both the government-controlled Taiwan International Cooperation and Development Fund (TaiwanICDF) and the KMT-backed United Development Corporation (UDC).¹⁶⁸ In order to help convert the former U.S. naval base into a special economic and free-port zone, TaiwanICDF agreed to provide a phase-one loan of US\$23.58 million to finance construction costs on the 105 hectares of land in 1993.¹⁶⁹ In 1994, Taiwan and the Philippines established the Subic Bay Development Management Corporation (SBDMC), a joint venture between the local government, the Subic Bay Metropolitan Authority (SBMA), and the UDC. In 1995, nearly 50 Taiwanese companies including Acer, Taiwan's leading computer manufacturer, signed contracts to build factories and facilities in the Subic

165. TTIPC was set up by the Ho Chi Minh City People's Committee. See Richard Marshall, *Emerging Urbanity: Global Urban Projects in the Asia Pacific Rim*, New York: Spon Press, 2003, p.140.

166. *Ibid.*

167. See "Obuchi completes events for official visit to Vietnam," *Asian Political News*, December 21, 1998; and "Vietnam: Tan Thuan – a most successful EPZ model in Vietnam," *Thai News Service*, September 26, 2006.

168. Before 1996, TaiwanICDF was known as the International Economic Cooperation Development Fund (IECDF); UDC is a joint venture formed by the KMT-backed China Development Cooperation and the R.O.C. government-supported Century Development Cooperation.

169. See <http://www.icdf.org.tw/ct.asp?xItem=5642&ctNode=30032&mp=2> TaiwanICDF's website at

Bay Industrial Park, committing to invest at least US\$200 million.¹⁷⁰ By 1998, 74 percent of the available land was leased, and TaiwanICDF financed the project's expansion with a phase-two loan of US\$17.1 million to develop an additional 42 hectares of land.¹⁷¹ Despite the fluctuations of the 21st century global economy, Subic Bay Industrial Park's convenient location and stable infrastructure have continued to attract new investment. As of March 2016, almost 100 percent of the phase-one land was leased and 90 percent of the phase-two land was leased.¹⁷²

Batam Island did not receive as much investment from Taiwan as Tan Thuan and Subic Bay. In 1990, Taiwanese investors established the Kwang Hwa Industrial Park in Batam, competing with other industrial estates such as Singapore's Batamindo Industrial Park. Although the project initially drew a large number of potential investors from Taiwan, the amount invested was limited – primarily due to the high labor costs and the lack of government-sponsored backers behind the project.¹⁷³ By 1992, Taiwan contributed only 2.1 percent of the total foreign investment in Batam, trailing behind the 45.4 percent from Singapore, 15.7 percent from the United States, 11.8 percent from Japan, 11.3 percent from Hong Kong, and 4.5 percent from the Netherlands.¹⁷⁴ Despite the Lee administration's promise to make Batam one of the "Go South" investment a priority in 1994, neither state-backed corporations nor TaiwanICDF came to support this development project. In contrast, Batamindo Industrial park was developed and functioned as a joint venture between Singapore's Economic Development Bureau and Indonesia's Salim Group, which provided better employee housing and reliable electricity system for factories. By 1996, Batamindo Industrial park contributed approximately half of the US\$2,094 million cumulative investment in Batam Island.¹⁷⁵

Mainland China's strong economic growth in the early 1990s also had a serious impact on investment prospects at Batam Island and other areas in Southeast Asia. As part of his famous tour of southern China in

170. Tsai, *Taiwan's Quest*, *supra* note 10, p. 194.

171. See TaiwanICDF Annual Report 1998, p. 52; http://www.icdf.org.tw/web_pub/20071218175614ANNUAL%20REPORT%201998_p51-57.pdf; and TaiwanICDF's website at <http://www.icdf.org.tw/ct.asp?xItem=6327&ctNode=30032&mp=2>.

172. "Report on Investment Opportunities in Subic Bay," Taiwan International Ports Corporation, Ltd, March 20, 2016; http://report.nat.gov.tw/ReportFront/report_detail.jsp?sysId=C10500225.

173. Wang, "Solving Problems," *supra* note 163.

174. Chen, "Taiwan Investments," *supra* note 160, p. 455.

175. Karen Peachey, Martin Perry, Carl Grundy-Warr, *Boundary and Territory Briefing: The Riau Islands and Economic Cooperation in the Singapore Indonesian Border Zone*, Durham, UK: University of Durham, 1998, p. 28.

early 1992, DENG Xiaoping traveled to the special economic zones (SEZs) of Shenzhen and Zhuhai. Soon after, in order to help rebuild the confidence of foreign investors in mainland China after the Tiananmen crisis of 1989, the Chinese Communist Party (CCP) confirmed its “socialist market economy” policy roadmap at the Fourteenth Party Congress in October 1992. Favorable land and labor conditions in mainland China resulted in new competition for Southeast Asia over foreign direct investment and light industrial exports. Despite the low cost of labor in Indonesia, Thailand, Malaysia, and the Philippines, the cost of labor in mainland China was even lower.¹⁷⁶ The CCP’s liberalization of land use rights also contributed to China’s competitiveness. For example, the governments of both mainland China and Indonesia maintained state ownership of land but mainland China granted leases of up to 50 years, while Indonesia only allowed a maximum land lease of 30 years at Batam.¹⁷⁷

According to LI Kui Wai, utilization of FDI in mainland China increased from US\$46.5 billion in 1985 to US\$585.6 billion in 1998 resulting in 24.3 percent average annual growth of utilized FDI between 1991 and 1998.¹⁷⁸ Given that total world investment is relatively constant in the short run, China’s accelerated FDI in the early 1990s could only have happened at the expense of other Asian economies.¹⁷⁹ As shown in Table 3.2, mainland China’s annual FDI growth skyrocketed from 25 percent in 1992 to 156 percent in 1993, outpacing investments in Indonesia, Malaysia, Thailand, and the Philippines combined. From 1993 to 2013, mainland China attracted more FDI inflows than ASEAN countries, making the P.R.C. the largest recipient of FDI in the developing world for two decades.¹⁸⁰

176. Kui Wai Li, *Capitalist Development and Economism in East Asia: The Rise of Hong Kong, Singapore, Taiwan and South Korea*, London: Routledge, 2003, p. 172.

177. Chung-fang Chang, “Waiting for Its Ship to Come in – Indonesia’s Batam Island,” *Sinorama Magazine*, September 1994.

178. Li, *Capitalist Development*, *supra* note 176, p. 173; in official P.R.C.’s statistics, “utilized FDI” is the actual value of investment that has already materialized in mainland China.

179. *Ibid.*, p. 161.

180. See ASEAN Investment Report 2015, p.3; <http://www.asean.org/storage/images/2015/November/asean-investment-report/ASEAN%20Investment%20Report%202015.pdf>.

Table 3.2: Annual Growth in FDI (%) of ASEAN-4 (Indonesia, Malaysia, Thailand, and the Philippines) and Mainland China (1991-1998)

Year	Indonesia	Malaysia	Thailand	Philippines	Mainland China
1991	60	40	38	-6	3
1992	36	71	-18	3	25
1993	20	30	5	-58	156
1994	13	-3	-15	443	145
1995	5	-13	-27	29	23
1996	106	-5	51	-8	6
1997	42	13	13	4	14
1998	-42	-20	59	-18	11

Source: Kui Wai Li, *Capitalist Development and Economism in East Asia: The Rise of Hong Kong, Singapore, Taiwan and South Korea*, London: Routledge, 2003, p. 172.

Drawn by the lucrative opportunities in mainland China, Taiwanese investors actively joined the investment fever in 1991 after Taipei's ban on investment in mainland China was partially lifted in 1990.¹⁸¹ A shared language and culture helped lower barriers to entry for Taiwanese businesspeople in mainland China. Moreover, preferential treatments such as tax breaks or tax waivers were offered to Taiwanese companies by the Chinese government.¹⁸² These favorable conditions, coupled with mainland China's cheap production base and huge market potential, attracted a significant amount of capital inflow from Taiwan to mainland China.¹⁸³ In 1992, Taiwan's total approved investment in mainland China was valued at just US\$247 million. In 1993, this figure dramatically increased to US\$3,168 million, accounting for 66 percent of Taiwan's total overseas investment in that year.¹⁸⁴

Following this dramatic increase in Taiwanese investment, the LEE Teng-hui administration began to worry about the risks inherent to increasing Taiwan's economic interdependence with mainland China. In a speech at a business convention in September 1996, President Lee urged Taiwanese investors interested in mainland China to move more slowly and advocated a policy of "No Haste, Be Patient." This policy required that all

181. The "Regulations on Managing Indirect Investment and Technological Cooperation in the Mainland Area" went into effect in October 1990, partially lifting Taiwan's ban on investment in mainland China.

182. Tian, *Conflict across the Taiwan Strait*, *supra* note 148, p. 67.

183. *Ibid.*

184. Data acquired and calculated from the Investment Commission, MOEA, R.O.C.; http://www.moeaic.gov.tw/system_external/ctrl?PRO=PubsCateList&cid=5.

investments in mainland China be reported to the government and not exceed US\$50 million without special governmental approval.¹⁸⁵ Moreover, MOEA detailed a list of prohibited investments in mainland China, including real estate, insurance, and seventeen different manufacturing products. Major infrastructure projects such as railways, harbors, airports, mass transit systems, industrial zones, and power plants were also included in the prohibited list.¹⁸⁶ However, the “No Haste, Be Patient” policy was ineffective in preventing Taiwanese companies from skirting restrictions and moving parts of their business to the mainland where they benefited from much lower operational costs. Statistics from Taiwan’s Investment Commission of MOEA show that in 1997 as much as 60 percent of Taiwan’s outward investments went to mainland China while only 9 percent went to ASEAN countries.¹⁸⁷

Besides the favorable business environment in mainland China, decreasing Taiwanese investments in ASEAN can also be attributed to the impact of the 1997 Asian financial crisis. Taiwan’s overseas investment were noticeably withdrawn from the suffering economies of Thailand, Indonesia, Malaysia, and the Philippines between 1997 and 1998. In Thailand, for example, FDI from Taiwan plummeted from US\$2,785 million in 1996 to US\$414 million in 1997, falling even further to US\$254 million in 1998. Taiwanese investments in Indonesia also fell from US\$3,419 million in 1997 to US\$165 million in 1998 (see Table 3.1).

Though the 1997 financial crisis devastated many companies, some Taiwanese export-oriented companies in the region actually benefited from the depreciation of currencies during that time period such as the Thai First Enamel Co. Ltd, founded by LIU Shu-tien, a follower of Lee’s “Go South” policy in the early 1990s and current President of the Thai-Taiwan Business Association, which exports enamel and stainless steel teakettles to the United States, Europe, and Japan. The massive fall of the Thai Baht between 1997 and 1998 resulted in cheaper exports encouraging overseas sales which turned the company’s losses into profits.¹⁸⁸ However, as a result of the 1997 financial crisis, many Taiwanese investors suffered huge losses and were forced to abandon investments in ASEAN countries or divert their capital to mainland China.

185. T.Y. Wang, “Lifting the ‘No Haste, Be Patient’ Policy: Implications for Cross-Strait Relations,” *Cambridge Review of International Affairs*, Vol. 15, No. 1 (2002), p. 132.

186. *Ibid.*

187. Investment Commission, *supra* note 184.

188. Author’s interview with LIU Shu-tien, Bangkok, Thailand, February 15, 2016.

This trend continued and the gap between Taiwan's investments in mainland China and ASEAN widened under both CHEN Shui-bian's presidency from 2000 to 2008 and MA Ying-jeou's from 2008 to 2016. In 2001, Chen and his Mainland Affairs Council Minister at the time, TSAI Ing-wen, relaxed regulations for investment to mainland China. Guided by their "Active Openness and Effective Management" policy, the Chen administration reversed Lee's "No Haste, Be Patient" approach, lifting the US\$50 million cap on individual investments to mainland China. This policy also opened up a direct investment channel for the first time, allowing Taiwanese companies to invest in mainland China without first transferring capital through subsidiaries in third party locations such as Hong Kong or Singapore.¹⁸⁹

After Ma took office in May 2008, Taiwan began proactively expanding cross-strait economic relations; signing the Economic Cooperation Framework Agreement (ECFA) and agreements on postal services and air and sea transport with mainland China. Each side also signed agreements on investment protection and customs cooperation, aimed to create a better environment for business on both sides of the Taiwan Strait.¹⁹⁰ These cross-strait agreements facilitated investment opportunities for Taiwanese businesses interested in Chinese markets. From 1991 to 2005, approximately 53.3 percent (US\$47.3 billion) of Taiwanese investment that accumulated overseas went to mainland China.¹⁹¹ When President Ma succeeded President Chen in May 2008, this percentage had already increased to 55.9 percent (US\$69.0 billion) over the last seventeen years.¹⁹² Under Ma's presidency, the figure increased from 5.5 percent to 61.4 percent total (US\$154.9 billion) from January 1991 through December 2015 – while 4.3 percent went to Singapore (US\$10.9 billion), 3.2 percent went to Vietnam (US\$8 billion), 1.1 percent went to Thailand (US\$2.8 billion), 0.5 percent went to the Philippines (US\$1.4 billion), and 0.4 percent went to

189. "Explanation of the Active Openness and Effective Management Policy," MAC, R.O.C., November 7, 2001; <http://www.mac.gov.tw/ct.asp?xItem=68176&ctNode=6621&mp=1>.

190. Cristina Garafola and Bao-chiun Jing, "Will China's Leadership Transition Lead to a New Cross-Strait Policy?" *The SAIS Review of the International Affairs*, Feb 2, 2013; <https://saisreviewdc.wordpress.com/2013/02/02/will-chinas-leadership-transition-lead-to-a-new-cross-strait-policy/>

191. See "Taiwan Approved Outward Investment by Country (Area)," Cross-Strait Economic Statistics Monthly, No. 160, Table 13, March 2006, MAC, R.O.C; http://www.mac.gov.tw/ct.asp?xItem=52072&ctNode=5720&mp=1&xq_xCat=2006.

192. See "Taiwan Approved Outward Investment by Country (Area)," Cross-Strait Economic Statistics Monthly, No. 186, Table 13, May 2008, MAC, R.O.C; http://www.mac.gov.tw/ct.asp?xItem=51035&ctNode=5720&mp=1&xq_xCat=2008.

Indonesia (US\$1.1 billion).¹⁹³ These figures illustrate why public concern regarding Taiwan's perceived over-reliance on Chinese markets has increased.

Irrespective of the Chen administration's pledge to "Go South" again in 2002, Taiwan's investment in Southeast Asia between 2002 and 2006 did not reach pre-Asian financial crisis levels. According to former R.O.C. Foreign Minister Eugene Chien, due to the relatively stronger economic growth in mainland China compared to Southeast Asia in the early 2000s, ASEAN countries struggled to compete with mainland China for Taiwanese investment.¹⁹⁴ Table 3.3 shows Taiwan's annual investment in ASEAN countries from 2001 to 2015. Between 2002 and 2007, Taiwan's total approved investment in ASEAN countries amounted to US\$12.2 billion – much lower than the US\$21.7 billion of total investments from 1992 to 1997. However, sluggish investment ties between ASEAN countries and Taiwan turned around in 2008. Boosted by huge FDI outflows into Vietnam that year, Taiwan's annual investment in ASEAN reached a record high of US\$12.5 billion in 2008. Under Ma's presidency, ASEAN countries continued to attract a large portion of Taiwan's total approved investment. The US\$16.7 billion worth of Taiwanese investments in ASEAN countries from 2009 to 2014 surpassed Taiwan's investment levels under Chen from 2002 to 2007. As of year-end 2015, Taiwan remains the third largest foreign investor in Thailand, fourth largest in Malaysia and Vietnam, seventh in Cambodia, and tenth in Indonesia.

193. See "Taiwan Approved Outward Investment by Country (Area)," *Cross-Strait Economic Statistics Monthly*, No. 274, Table 10, February 2016, MAC, R.O.C; http://www.mac.gov.tw/public/MMO/MAC/274_10.pdf.

194. Author's interview with Eugene Chien, Taipei, Taiwan, March 31, 2016.

Table 3.3: Taiwan's Investment in Southeast Asia (1959-2015)

Countries	Thailand		Malaysia		Philippines		Indonesia		Singapore		Vietnam		Cambodia		Total	
	cases	sum	cases	sum	cases	sum	cases	sum	cases	sum	cases	sum	cases	sum		
Year																
1959-2000	1553	10351.76	1786	9225.66	824	982.08	885	12774.15	316	1391.00	523	5265.93	168	4277.52	6055	40418.10
2001	50	158.69	88	296.58	9	11.99	69	83.85	26	378.30	132	1968.61	7	56.97	381	2954.99
2002	41	62.93	64	66.29	22	236.35	50	83.18	27	25.76	187	576.40	4	6.83	395	1057.74
2003	57	338.83	57	163.69	22	47.11	49	117.54	15	26.40	184	720.63	1	1.34	385	1415.54
2004	53	268.53	78	109.09	22	29.52	41	68.87	18	822.23	156	666.33	7	16.69	375	1981.26
2005	57	417.66	71	113.64	20	25.30	43	133.39	16	97.70	179	808.25	6	15.52	392	1611.46
2006	63	284.30	70	110.48	27	38.05	27	218.62	18	806.30	135	623.86	15	50.75	355	2132.36
2007	49	247.75	41	118.79	28	444.84	31	51.40	9	1194.11	216	1933.81	13	39.94	387	4030.64
2008	47	222.81	32	256.07	18	28.95	46	306.23	14	697.63	166	10954.86	8	21.45	331	12488.00
2009	32	155.56	32	209.38	8	4.67	47	118.43	6	36.70	89	1544.71	6	27.16	220	2096.61
2010	39	139.57	41	407.76	21	33.38	58	85.40	8	32.70	116	1603.94	18	91.83	301	2394.58
2011	40	197.94	23	439.87	23	74.10	94	530.80	12	448.59	69	506.15	22	82.09	283	2279.54
2012	58	376.20	13	56.08	2	58.54	75	487.00	19	4498.66	60	278.73	23	97.23	250	5852.44
2013	41	230.30	18	39.94	10	70.57	90	306.53	10	158.29	75	576.63	16	85.17	260	1467.43
2014	42	101.10	30	197.74	11	67.49	95	1565.42	17	136.77	101	553.79	7	29.12	303	2651.43
2015	52	432.00	24	297.00	13	121.28	66	166.68	19	230.03	87	757.00	14	47.25	275	2051.24
2015 Growth Rate %	23.8	327.3	-20.0	50.2	18.2	79.7	-30.5	-89.35	11.8	68.2	-13.9	36.7	100	62.3	-9.2	-22.6
Accumulated Total	2274	13985.93	2468	12108.06	1080	2274.22	1766	17097.49	550	10981.17	2475	29339.62	335	1096.86	10948	86883.35
Investor Rank		3		4		N.A.		10		N.A.		4		7		

Source: Southeast Asian governments' statistics compiled by Department of Investment Services, Ministry of Economic Affairs (MOEA), R.O.C.; <http://www.dois.moea.gov.tw/asp/relation3.asp>.

Notes:

1. "Investor Rank" indicates how Taiwan's cumulative investment rank compares to other leading investor countries in the same ASEAN country.
2. In this updated version, some of the figures from 1959-2000 do not match the cumulative figures representing the same timeframe in Table 3.1 due to static adjustments made by MOEA between 2000 and 2015.

As more investors from different countries flocked to Southeast Asia for its promising economic prospects, the region became a competitive destination for FDI. In the 1990s, Taiwanese firms led Asia-Pacific investments in ASEAN countries, ahead of mainland China, South Korea, and Australia. However, Taiwanese FDI outflows to the region were outpaced by the aforementioned countries in the 2000s. Data from the ASEAN Secretariat shows that from 2006 to 2014, Taiwan ranked as the ninth largest source of FDI in ASEAN, after the European Union, ASEAN, Japan, the United States, mainland China, Hong Kong, South Korea, and Australia (in descending order, with the European Union being the largest investor).¹⁹⁵ ASEAN countries offer lucrative investment opportunities for many reasons, not the least of which are the region's young demographics and comparatively dynamic economies.¹⁹⁶

If Taiwan is to maintain its position as a top ten investor in ASEAN, businesses should seek investment opportunities that correlate with the rising middle classes in ASEAN's developing members. Traditionally, Taiwanese companies have heavily invested in ASEAN's manufacturing industries – such as electrical machinery, textiles, ferrous and non-ferrous metals, and chemicals – exporting the products to the United States and European countries. However, the growth of ASEAN's middle classes creates an opportunity for those countries to shift economic activity from export-oriented manufacturing toward domestic consumption. Taiwanese businesses should see ASEAN as a new consumer market and structure their investment strategies accordingly. For example, LIU Shu-tien of the Thai First Enamel Co. Ltd recently began investing in factories that manufacture enamel steel teakettles specifically tailored for ASEAN consumers.¹⁹⁷

Another opportunity to grow Taiwan's investment presence in ASEAN can be found in the financial industry. Given their abundant capital resources, Taiwanese banks are in a good position to tap into ASEAN's financial markets either by collaborating with local banks through mergers and acquisitions or by setting up new branches in the region. Increased

195. See "Foreign Direct Investment Inflows to ASEAN by Source Country, 2006-2013," ASEAN Statistic Yearbook 2014, P. 110, http://asean.org/?static_post=asean-statistical-yearbook-2014; and "ASEAN Statistics Top ten sources of foreign direct investment inflows in ASEAN, 2012-2014," <http://www.asean.org/storage/2015/09/Table-27.pdf>.

196. James L. Schoff, "U.S.-ASEAN relations: Hiding in Plain Sight," *Carnegie Endowment for International Peace*, February 10, 2016; <http://carnegieendowment.org/2016/02/10/u.s.-asean-relations-hiding-in-plain-sight/itr0>.

197. Author's interview with LIU Shu-tien, *supra* note 188.

Taiwanese banking presence in ASEAN also benefits Taiwanese businesses in the region. It is easier for Taiwanese banks to evaluate the credit conditions of Taiwanese investors in Southeast Asia, ensuring these investors have better access to corporate financing and facilitating more investment. In 2013, former Chairman of the Financial Supervisory Commission (FSC), TSENG Ming-chung, initiated a policy to promote the expansion of Taiwanese banks into the Asia-Pacific market – Southeast Asia in particular. Tseng’s “Asia Cup” strategy began easing regulatory hurdles for Taiwanese companies in the banking, insurance, and securities brokerage sectors.¹⁹⁸ For example, in January 2015, Taiwan’s legislature passed the FSC’s Banking Act amendment, easing overseas investment limits in the banking sector from 40 percent of paid-in capital (share capital) to 40 percent of net worth (assets minus liabilities). According to Tseng, the amendment was expected to release US\$16 billion (NT\$500 billion) in capital for potential offshore merger and acquisition bids.¹⁹⁹ As of March 2016, Taiwanese banks have established branches and representative offices in 175 overseas institutions in Southeast Asia, accounting for 38 percent of Taiwan’s 458 overseas banking institutions.²⁰⁰ Taiwanese banks have even set up representative offices in Myanmar, eleven total, thus far. Among them, E.Sun Commercial Bank obtained preliminary approval to establish a branch in the country in March 2016.²⁰¹ Once the branch officially becomes operational, it will support Taiwanese companies investing in Myanmar and help Taiwan forge stronger investment relations with this developing country in Indochina.

B. Taiwan-Southeast Asia Trade Relations

Taiwan’s strong investment presence in Southeast Asia has facilitated greater Taiwan-ASEAN trade relations. Primarily due to their familiarity with Taiwan’s business networks and confidence in the quality of Taiwanese products, Taiwanese businesses based in ASEAN often import raw materials, parts and components, and machines and equipment from Taiwan, later exporting their finished or semi-finished products back to the island.²⁰² Taiwanese investment in ASEAN expanded quickly in the

198. Author’s interview with TSENG Ming-chung, Taipei, Taiwan, April 1, 2016.

199. *Ibid*; and see Jackie Horne, “Taiwan’s banks eye wider regional role,” *FinanceAsia*, June 17, 2015; <http://www.financeasia.com/News/398349,taiwans-banks-eye-wider-regional-role.aspx>.

200. “Overview of Banking Sector of the First Quarter of 2016,” Financial Supervisory Commission, R.O.C.; <http://www.banking.gov.tw/webdowndoc?file=/stat/bas/31140.zip>.

201. “Four more banks get Myanmar license,” *Channel NewsAsia*, March 06, 2016; <http://www.channelnewsasia.com/news/business/four-more-banks-get/2577036.html>.

202. Chen, *New Taiwan*, *supra* note 11, p. 110.

late 1980s making ASEAN the third largest trading partner of Taiwan by 1990, after the United States and Japan, and before Hong Kong and Germany. Taiwan-ASEAN trade increased from 6.4 percent of Taiwan's total foreign trade in 1986 to 9.0 percent in 1990. Taiwanese exports to the region also rose from 5.4 percent to 10.2 percent of the island's total export value during the same time period, elevating ASEAN to Taiwan's fourth largest export market.²⁰³

In the 1990s, ASEAN became an even more important trading partner of Taiwan after President Lee's "Go South" policy came into effect in 1994. The Taiwan-ASEAN trade relationship experienced double-digit growth from 1990 to 1995 with a remarkable 23.0 percent growth rate in 1994 and 26.4 percent in 1995 (see Table 3.4). ASEAN replaced Japan as Taiwan's third largest export market in 1994, when Taiwanese exports to the region grew at a rate of 21.7 percent, followed by 30.8 percent in 1995. By the time the Lee administration completed the first three-year phase of its "Go South" strategy in 1996, trade between ASEAN and Taiwan had reached US\$26.7 billion, exceeding 1993 trade numbers by over US\$10 billion.

Although the Taiwan-ASEAN trade relationship was briefly stalled by the 1997 Asian financial crisis, Taiwan's trade with the region recovered after 1999. In 1998, Taiwan-ASEAN trade suffered a negative growth rate for the first time in the 1990s, shrinking 17.5 percent. However, trade bounced back with a 17.3 percent growth rate in 1999 followed by 34.5 percent growth in 2000. In the wake of the Asian financial crisis, Lee's economic technocracy created various business assistance programs designed to support Taiwanese trade relations. The programs included measures which brought more business delegations to the region, provide up-to-date political and economic risk analysis to Taiwanese business communities, and offered Taiwanese exports more credit insurance. Lee also expanded the "Relending Facility" service – a scheme which extended credit lines to Taiwanese and foreign financial institutions from the Export-Import Bank of the Republic of China (Eximbank). In turn, these entities used their increased credit lines to lend funds to their clients for the importation of goods from Taiwan.²⁰⁴ These policies effectively helped reduce the risks faced by Taiwanese companies, promoting Taiwan's trade with ASEAN during the financial crisis.

203. *Ibid*, and data from Bureau of Foreign Trade, MOEA, R.O.C; <http://cus93.trade.gov.tw/FSCI/>.

204. See "Special Report: Guidelines for Strengthening Economic and Trade Ties with Southeast Asia, New Zealand, and Australia," MOEA, R.O.C., April 25, 2001; <http://npl.ly.gov.tw/npl/report/900425/5.pdf>; and Eximbank website: <http://www.eximbank.com.tw/en-us/BankServices/RelendingFacility/Pages/RelendingFacility.aspx>.

Table 3.4: Taiwan's Trade with ASEAN (1989-2015)

Value in US\$ million; Share in percent

Year	Exports				Imports				Total Trade			
	World	ASEAN			World	ASEAN			World	ASEAN		
		Value (US\$ m)	Growth Rate (%)	Share (%)		Value (US\$ m)	Growth Rate (%)	Share (%)		Value (US\$ m)	Growth Rate (%)	Share (%)
1989	66,304	5,505	-	8.30	52,264	3,233	-	6.19	118,568	8,738	-	7.37
1990	67,214	6,853	24.50	10.20	54,715	4169	28.93	7.62	121,929	11,022	26.14	9.04
1991	76,178	7,530	9.87	9.88	62,860	5072	21.67	8.07	139,038	12,602	14.34	9.06
1992	81,468	8,448	12.20	10.37	72,003	6291	24.03	8.74	153,471	14,740	16.96	9.60
1993	85,092	9,419	11.49	11.07	77,059	7020	11.59	9.11	162,151	16,439	11.53	10.14
1994	93,037	11,459	21.67	12.32	85,347	8753	24.69	10.26	178,383	20,213	22.96	11.33
1995	111,656	14,984	30.76	13.42	103,547	10561	20.64	10.20	215,204	25,545	26.38	11.87
1996	115,939	15,498	3.43	13.37	102,368	11195	6.01	10.94	218,307	26,693	4.50	12.23
1997	122,078	16,317	5.29	13.37	114,422	13391	19.62	11.70	236,500	29,708	11.30	12.56
1998	110,580	11,870	-27.26	10.73	104,662	12650	-5.53	12.09	215,241	24,520	-17.46	11.39
1999	121,588	14,293	20.41	11.75	110,685	14478	14.44	13.08	232,273	28,770	17.33	12.39
2000	148,316	18,476	29.27	12.46	140,005	20231	39.74	14.45	288,321	38,707	34.54	13.42
2001	126,314	15,358	-16.87	12.16	107,966	16082	-20.51	14.90	234,279	31,440	-18.77	13.42
2002	135,313	16,451	7.12	12.16	113,238	16674	3.68	14.72	248,550	33,125	5.36	13.33
2003	150,595	18,131	10.21	12.04	128,007	17541	5.20	13.70	278,602	35,672	7.69	12.80
2004	182,364	24,026	35.51	13.17	168,751	20376	16.16	12.07	351,114	44,401	24.47	12.65
2005	198,424	27,363	13.89	13.79	182,610	21170	3.90	11.59	381,035	48,534	9.31	12.74
2006	224,013	31,193	14.00	13.92	202,695	23403	10.55	11.55	426,708	54,595	12.49	12.79
2007	246,673	36,301	16.38	14.72	219,248	23789	1.65	10.85	465,922	60,090	10.06	12.90
2008	255,625	38,927	7.23	15.23	240,444	25678	7.94	10.68	496,069	64,604	7.51	13.02
2009	203,671	30,586	-21.43	15.02	174,367	19835	-22.76	11.38	378,038	50,421	-21.96	13.34
2010	274,596	41,961	37.19	15.28	251,233	28884	45.62	11.50	525,829	70,845	40.51	13.47
2011	308,253	51,541	22.83	16.72	281,434	32796	13.54	11.65	589,687	84,337	19.04	14.30
2012	301,177	56,547	9.71	18.78	270,469	31531	-3.86	11.66	571,646	88,078	4.44	15.41
2013	305,437	58,768	3.93	19.24	269,893	32605	3.41	12.08	575,330	91,374	3.74	15.88
2014	313,692	59,529	1.30	18.98	274,022	34114	4.63	12.45	587,714	93,644	2.48	15.93
2015	280,384	50,929	-14.45	18.16	228,616	28323	-16.98	12.39	508,999	79,252	-15.37	15.57

Source: Bureau of Foreign Trade, Ministry of Economic Affairs. <http://cus93.trade.gov.tw/FSCI/> (compiled by the author).

Despite the disruption caused by the 1997-1998 Asian financial crisis, Taiwan-ASEAN trade ties steadily increased under Lee's presidency. From 1989 to 2000, trade between Taiwan and ASEAN more than quadrupled from US\$8.7 billion to US\$38.7 billion, accounting for 13.4 percent of Taiwan's total trade value in 2000 (see Table 3.4). This trade growth sustained ASEAN's position as Taiwan's third largest trading partner and export market at the end of the twentieth century.

At the start of the new millennium, an unprecedented peaceful party turnover from President LEE Teng-hui to the new administration of President CHEN Shui-bian took place in Taiwan - a huge step forward for democracy on the island. President Chen faced challenges immediately when Taiwan's economy suffered its first recession since 1951. In April 2000, a month before President Chen took office, Taiwan's stock market index

was over 10,000 points. However, it dramatically dropped to under 5,000 points in July 2001 as Taiwan's GDP simultaneously contracted 1.26 percent in the same year.²⁰⁵ This recession was undeniably affected by the burst of the dot-com bubble and subsequent economic downturn in the United States. Yet, the Chen administration's lack of effective economic strategy and sudden decision to halt the construction of the Fourth Nuclear Power Plant, combined with lingering political gridlock in Taipei, further exacerbated the island's economic downturn.²⁰⁶ As a result, Taiwan's trade with the world and with ASEAN decreased 18.7 percent and 18.8 percent respectively in 2001.

In order to diversify Taiwan's portfolio of trade partners, in July 2002 Chen followed the footsteps of his predecessor Lee and rekindled the "Go South" policy. By further strengthening Taiwan's trade and investment ties with ASEAN countries, the Chen administration hoped to reduce the island's economic dependence on mainland China. Although Taiwan's trade with ASEAN gradually recovered after the recession in 2001, probably boosted by Chen's emphasis on Southeast Asia, ASEAN's share of Taiwan's trade with the world remained fairly static, hovering between 12.7 percent and 13.4 percent from 2000 to 2008. In contrast, after mainland China and Taiwan joined the World Trade Organization (WTO) in 2001 and 2002, respectively, the cross-Strait share of Taiwan's total trade value rose substantially. In 2004, the year of Chen's reelection, mainland China surpassed ASEAN and the United States to become Taiwan's second largest trading partner (after Japan) and largest export destination. In 2005, mainland China became Taiwan's largest trading partner (16.7 percent of Taiwan's total trade) and maintained that position ever since.²⁰⁷

Deepening trade relations across the Taiwan Strait again raised Taiwanese concerns about over-reliance on Chinese markets, particularly exports into mainland China and Hong Kong. In 2007, 40.7 percent of Taiwan's total exports went to mainland China (25.3 percent) and Hong Kong (15.4 percent). From 2008 to 2014, that number hovered between 40 percent and 42 percent; however, in 2015, total exports to mainland China and Hong Kong dropped slightly to 39 percent (25.4 percent went to mainland China and 13.6 percent went to Hong Kong).²⁰⁸ These figures are often cited by President Ma to refute criticisms that his policies have made Taiwan more dependent on Chinese markets.

205. See Taiwan's GDP statistics provided by the Directorate General of Budget, Accounting and Statistics (DGBAS), R.O.C.; <http://www.stat.gov.tw/point.asp?index=1>.

206. Wang, "No Haste, Be Patient," *supra* note 185, p. 135.

207. Data acquired from Bureau of Foreign Trade, MOEA, R.O.C; <http://cus93.trade.gov.tw/FSCI/>

208. *Ibid.*

The fact is, Taiwan has put more eggs into its ASEAN export basket over the past decade. As Table 3.4 shows, exports to ASEAN countries represented 13.9 percent of Taiwan's total exports in 2006 and 15.2 percent in 2008. That figure further increased to 19.2 percent in 2013 and slightly dropped to 18.2 percent in 2015, with Singapore representing about one third of Taiwanese exports to ASEAN (6.1 percent), followed by Vietnam (3.4 percent), the Philippines (2.6 percent), Malaysia (2.5 percent), and Thailand (2.0 percent).²⁰⁹ Taken as a whole, ASEAN is currently Taiwan's second largest export partner after mainland China, and before Hong Kong, the United States, and Japan. Concerning the origins of Taiwan's main imports, ASEAN is Taiwan's third largest import partner after mainland China and Japan, and before the United States and South Korea (see Table 3.5). Despite the plunge of Taiwan-ASEAN trade during the global financial crisis of 2008-2009 (see Table 3.4), Taiwan's bilateral trade with ASEAN more than doubled between 2000 and 2015. In 2015, Taiwan-ASEAN trade exceeded US\$79 billion, making ASEAN the second largest trading partner of Taiwan after mainland China, and before the United States, Japan, and Hong Kong.

Table 3.5: Top Five Taiwan's Trade Partner Countries or Areas (2015)

Value in US\$ million; Share in percent

		Exports		Imports			Total Trade		
		Value (US\$ m)	Share (%)		Value (US\$ m)	Share (%)		Value (US\$ m)	Share (%)
1	Mainland China	\$71,209	25.4	Mainland China	\$44,183	19.3	Mainland China	\$115,392	22.7
2	ASEAN	\$50,929	18.2	Japan	\$38,700	16.9	ASEAN	\$79,252	15.6
3	Hong Kong	\$38,043	13.6	ASEAN	\$28,323	12.4	United States	\$60,658	11.9
4	United States	\$34,249	12.2	United States	\$26,409	11.6	Japan	\$57,975	11.4
5	Japan	\$19,274	6.9	South Korea	\$13,026	5.7	Hong Kong	\$39,479	7.8
	Top Five Subtotal	\$213,704	76.3	Top Five Subtotal	\$150,641	65.9	Top Five Subtotal	\$352,756	69.4
	Other	\$66,680	23.7	Other	\$77,974	34.1	Other	\$156,243	30.6
	Total	\$280,384	100	Total	\$228,615	100	Total	\$508,999	100

Source: Bureau of Foreign Trade, Ministry of Economic Affairs (compiled by the author).

As Table 3.6 shows, Taiwan was ASEAN's sixth largest trading partner outside of the ASEAN bloc in 2014, accounting for 4.3 percent of

ASEAN trade. Mainland China was the largest external trading partner (13.9 percent), followed by Japan (9.7 percent), the United States (9.5 percent), the European Union (8.2 percent), and South Korea (5.3 percent). Given the relatively small size of Taiwan's population and land area, the value of Taiwan-ASEAN trade is quite significant. Trade of goods between ASEAN and Taiwan has been concentrated in electrical equipment, mineral fuels, machinery and mechanical appliances, and plastics. Indonesia and Brunei were the only ASEAN countries that ran a goods trade surplus with Taiwan in 2014 mainly because they exported a large amount of energy related goods to Taiwan. Taken as a whole, ASEAN ran a trade deficit of US\$29.3 billion with Taiwan in 2014.

Sustaining Taiwan's role as a significant trading partner of ASEAN, however, has been confronted by challenges from the ongoing regional economic integration. The ASEAN Economic Community (AEC), officially launched in January 2016, is expected to further integrate the region's economies over and above the mega-trading blocs of the Regional Comprehensive Economic Partnership (RCEP) and the Trans-Pacific Partnership (TPP). As Joshua Meltzer has noted, these economic initiatives will impact Taiwan. Participation in RCEP could increase Taiwan's GDP by up to 4 percent and boost exports by over 6.5 percent.²¹⁰ In contrast, according to Meltzer, if Taiwan continues to be left out of the Asia-Pacific's new economic regionalism, the island "will be harmed by these FTAs' trade diversion effect – whereby Taiwan's exports lose out in FTA markets due to increased competition from imports from other FTA partners."²¹¹ To solve these economic challenges, Taiwan must prudently engage with the United States and mainland China in order to join the regional economic integration and be included in multilateral or bilateral economic cooperation agreements. Meanwhile, Taiwan should also effectively integrate and mobilize its public and private resources in ASEAN to forge stronger trade relations and increase its participation in regional supply chains. Taiwan's trade and development offices (TAITRA and TaiwanICDF), *de facto* diplomatic presence (MOFA's representative offices in the region), and strong network of Taiwanese business associations across Southeast Asia would be a good place to start.

210. Meltzer, "Opportunities and Challenges," *supra* note 132, p. 11.

211. *Ibid.*

Table 3.6: Top Ten ASEAN's Trade Partner Countries or Areas (2014)

Value in US\$ billion; Share in percent

		Exports		Imports			Total Trade		
		Value (US\$ b)	Share (%)		Value (US\$ b)	Share (%)		Value (US\$ b)	Share (%)
1	ASEAN	\$330.3	25.6	ASEAN	\$278.2	22.5	ASEAN	\$608.6	24.1
2	Mainland China	\$152.5	11.8	Mainland China	\$198.0	16.0	Mainland China	\$350.5	13.9
3	Japan	\$124.4	9.6	Japan	\$121.8	9.9	Japan	\$246.2	9.7
4	United States	\$122.9	9.5	United States	\$117.9	9.5	United States	\$240.8	9.5
5	European Union	\$114.5	8.9	European Union	\$92.3	7.5	European Union	\$206.9	8.2
6	Hong Kong	\$85.3	6.6	South Korea	\$82.1	6.6	South Korea	\$135.0	5.3
7	South Korea	\$52.8	4.1	Taiwan	\$68.8	5.6	Taiwan	\$108.3	4.3
8	Australia	\$45.5	3.5	India	\$25.9	2.1	Hong Kong	\$99.4	3.9
9	India	\$41.9	3.2	Australia	\$22.5	1.8	Australia	\$68.1	2.7
10	Taiwan	\$39.5	3.1	Hong Kong	\$14.1	1.1	India	\$67.9	2.7
	Top Ten Subtotal	\$1,109.7	85.9	Top Ten Subtotal	\$1,021.8	82.7	Top Ten Subtotal	\$2,131.5	84.3
	Others	\$182.7	14.1	Others	\$214.4	17.3	Others	\$397.1	15.7
	Total	\$1,292.4	100	Total	\$1,236.2	100	Total	\$2,528.6	100

Source: ASEAN Merchandise Trade Statistics Database (compiled/computed from data submission, publications and/or websites of ASEAN Member States' national ASEAN Free Trade Area (AFTA) units, national statistics offices, customs departments/agencies, or central banks); http://www.asean.org/storage/2016/01/statistic/table20_asof121Dec15.pdf.

Notes:

1. Preliminary data (as of December 21, 2015).
2. Some figures may not sum up to totals due to rounding errors.

C. Southeast Asian Migrant Workers in Taiwan

Taiwan officially opened up its labor market to migrant workers in October 1989 when the government allowed foreign laborers to work on high-priority national infrastructure projects in Taiwan for the first time. However, before then, the island's private sector was already hosting a large number of undocumented low-skill workers from Southeast Asia. As early as the mid-1980s, due primarily to severe labor shortages and relatively higher wages in Taiwan, thousands of undocumented migrant workers from Southeast Asia began to flock to Taiwan for jobs. Many of them

entered Taiwan on tourist visas and worked illegally.²¹² By 1987, it had been reported that about 70,000 migrant workers from the Philippines, Thailand, and Malaysia had either illegally entered Taiwan or overstayed their six-month tourist visas in order to join the workforce on the island. The illegal jobs were mainly in the shoemaking, textile, food processing, and construction industries.²¹³

Although the substantial influx of foreign workers in the 1980s relieved Taiwan's labor shortages to some extent, it created social problems because of the lack of laws that regulated and recognized the status of foreign workers. Without proper legal protection, migrant workers were vulnerable to exploitation by their Taiwanese employers. For example, labor recruiters frequently enticed Filipino and Thai workers to Taiwan with false promises of high wages and comfortable living conditions. On top of that, recruiters often withheld workers' passports and portions of their salaries as brokerage fees. Without legal protection, these foreign workers were left with few options. In order to address both the issues of undocumented foreign workers and the continuation of the labor shortage, Taiwan's government finally promulgated the Employment Service Act in 1992, legalizing the hiring of blue-collar foreign laborers and regulating all foreign workers across industries. Under this law, the government hoped to eventually replace the estimated 40,000 to 50,000 undocumented foreign workers in the private sector with legal contract laborers.²¹⁴

Since the enactment of the 1992 Employment Service Act, the number of blue-collar workers from Southeast Asia and the industries in which they are allowed to work have grown steadily. According to the statistics of Taiwan's Ministry of Labor (see Table 3.7), between 1995 and 2015, the total number of legal migrant workers in Taiwan has more than tripled from 189,051 to 587,940. Before 2005, Thailand and the Philippines were ranked the largest and the second largest sources of migrant laborers in Taiwan, with their workers respectively representing 30 and 29 percent of Taiwan's total foreign labor force at the end of 2005. However, the number of Indonesian workers in Taiwan has risen rapidly since 2006, making Indonesia the largest source of foreign laborers on the island. By the end of 2015, 236,526 Indonesian laborers were in Taiwan accounting for 40 percent of total blue-collar foreign workers on the island, followed by 169,981 Vietnamese persons (29 percent), 123,058 Filipino persons (21 percent, and 58,372 Thai persons (10 percent).

212. Dorothy S. Liu, "The 1992 Employment Service Act and the Influx of Foreign Workers in Taiwan," *Pacific Rim Law & Policy Journal*, Vol. 5, No. 3, (1996), p. 604.

213. *Ibid.*, p. 605.

214. *Ibid.*, p. 613.

Table 3.7: Foreign Laborers in Taiwan by Nationality (1995-2015)

Unit: Person

Year	Indonesia	Malaysia	Philippines	Thailand	Vietnam	Mongolia	Total
1995	5,430	2,071	54,647	126,903	-	-	189,051
2000	77,830	113	98,161	142,665	7,746	-	326,515
2005	49,094	13	95,703	98,322	84,185	79	327,396
2010	156,332	10	77,538	65,742	80,030	1	379,653
2015	236,526	1	123,058	58,372	169,981	-	587,938

Source: Workforce Development Agency, Ministry of Labor, R.O.C.

Notes:

1. The statistics are drawn from year-end data. For example, December 31, 1995, December 31, 2000, and so on.
2. Compiled by the author from MOL Yearly Bulletin 2010, P. 332, Table 13-5: Foreign Workers in Productive Industries and Social Welfare by Nationality. And Monthly Bulletin, March 2016, P. 203, Table 12-3: Foreign Workers in Productive Industries and Social Welfare by Nationality.

Among the five Southeast Asian countries that have migrant labor ties with Taiwan, Vietnam is the late comer in Taiwan's labor market. In the 1980s, Vietnam sent its citizens to work in the Soviet Union and Eastern Europe. However, following economic and social crises in the region in the 1990s, Hanoi was forced to look to different destinations for its migrant laborers and negotiate terms of employment with other governments.²¹⁵ As a result, a sizable number of Vietnamese workers started to move to Japan, South Korea, and Taiwan. In November 1999, the first batch of 34 Vietnamese workers arrived in Taiwan. Despite the fact that from 2005 to 2015 Taiwan's Ministry of Labor enforced a ban on the employment of Vietnamese laborers in the social welfare and fishing industries due to high desertion rates, the number of Vietnamese workers in Taiwan rose steadily, driven primarily by their growth of hiring in Taiwan's manufacturing sector.²¹⁶ Since 2008, Vietnam has become Taiwan's second largest source of migrant laborers.

In terms of the industries in which the migrant workers serve in Taiwan, Indonesian laborers are mostly working in the field of social welfare while Filipinos, Thais, and Vietnamese laborers are primarily employed in the manufacturing sector. Table 3.8 shows the industry distribution of migrant workers in Taiwan. Besides the social welfare and manufacturing

215. Chen, *New Taiwan*, *supra* note 11, p.115

216. See the press release on July 15, 2015, from MOL, R.O.C.; <http://www.mol.gov.tw/announcement/2099/23158/>

sectors, Indonesian workers contribute to 76 percent of Taiwan's total foreign laborers in the fishing industry while Thai laborers constitute 46 percent of the foreign workforce in construction sector. By the end of February 2016, approximately 75 percent of the Indonesian laborers are employed as social welfare workers, such as domestic helpers and caretakers. Meanwhile, 94 percent of the Thai laborers, 87 percent of the Vietnamese laborers, and 76 percent of the Filipino laborers serve in the manufacturing industry, particularly fabricating metal products, electronic parts and components, machinery and equipment, basic metals, plastics products, textiles, and food products and animal feeds.²¹⁷

Table 3.8: Foreign Laborers in Taiwan by Industry and Nationality (As of February 2016)

Unit: Person						
Industry	Indonesia	Malaysia	Philippines	Thailand	Vietnam	Total
Fishing	7,732	-	1,643	23	842	10,240
Manufacturing	50,256	1	93,890	54,432	147,425	346,004
Construction	1,526	-	40	3,107	2,105	6,778
Social Welfare	179,310	-	28,346	564	19,446	227,666
Total	238,824	1	123,919	58,126	169,818	590,688

Source: Workforce Development Agency, Ministry of Labor (MOL), R.O.C.

Note: Compiled by the author from MOL Monthly Bulletin, March 2016, P. 204, Table 12-4: Foreign Workers in Productive Industries and Social Welfare by Industry and Nationality.

The growing number of Indonesian social welfare workers in Taiwan reflects the island's rising demand for domestic workers, which is caused primarily by its aging society. According to Taiwan's Directorate General of Budget, Accounting and Statistics (DGBAS), as of November 2015, Taiwan's aging index – the number of seniors 65 years and older per every 100 youth under the age of 15 – was 91.6, a drastic increase from 52.0 at the end of 2005.²¹⁸ This demographic trajectory correlated with the growth of the island's foreign workers in social welfare, which was caused by the increase of the Indonesian laborers. Between 2005 and 2015, the total number of Taiwan's foreign workers in social welfare grew from 144,015

217. Data acquired from MOL Monthly Bulletin, March 2016, P. 204, Table 12-4: Foreign Workers in Productive Industries and Social Welfare by Industry and Nationality.

218. Chen Cheng-wei and Y.F. Low, "Taiwan's population aging rapidly," *Central News Agency*. February 9, 2016; <http://focustaiwan.tw/news/asoc/201602090008.aspx>; and "Age-specific distribution of population, dependency ratio, index of aging and median age," National Statistics, R.O.C.; http://eng.stat.gov.tw/public/data/dgbas03/bs2/yearbook_eng/y010.pdf.

to 224,356, with Indonesian domestic workers increasing from 41,906 to 177,265. This trend is clear and is expected to continue to accommodate the needs of Taiwan's aging population.

However, as Indonesia plans to gradually phase out sending female domestic workers overseas, Taiwan may encounter severe shortages of domestic workers. On February 13, 2015, Indonesia's President Joko Widodo said in a speech in Solo, Central Java, "I have given Manpower Minister a target to come up with a clear roadmap on when we can stop sending female domestic workers. We should have pride and dignity."²¹⁹ Prior to his speech, Widodo visited Malaysia, Brunei, and the Philippines. Because Indonesia was one of the few countries in the world supplying domestic workers, he felt ashamed and upset when discussing related issues with his Malaysian counterpart. A few weeks later, Nusron Wahid, the head of the Agency for the Placement and Protection of Indonesian Migrant Workers, said in an interview that Indonesia would follow President Widodo's policy of bringing Indonesian domestic caretakers home. Wahid stressed that this ban would gradually be implemented in 2017 and would include workers in the Asia-Pacific region including Taiwan, Hong Kong, and Malaysia, regions that currently host a significant number of Indonesian domestic workers.²²⁰ This followed the May 2015 announcement, which banned Indonesia's human resource agencies from sending new domestic workers to 21 countries in the Middle East.²²¹

Whether the Widodo administration will actually follow through with the plan regarding the Asia-Pacific region remains to be seen. However, it is certain that Indonesia will continue to request that Taiwan help improve the working conditions of its migrant workers. For instance, Wahid has urged Taiwan to ensure that wages for Indonesian domestic workers fulfill minimum wage requirements, work hours are limited to a level consistent with Taiwan's Labor Standards Act, and domestic workers are provided with dormitories.²²² With respect to salary, foreign workers in the social welfare sector – unlike those employed in manufacturing, fishing, and construction industries – do not enjoy the regular monthly minimum wage of NT\$20,008 (US\$625) guaranteed by the Labor Standards Act in Taiwan.

219. Zubaidah Nazeer, "Indonesia will stop sending its women to work as maids overseas, says Jokowi," *The Straits Times*, Feb. 14, 2015; <http://www.straitstimes.com/asia/se-asia/indonesia-will-stop-sending-its-women-to-work-as-maids-overseas-says-jokowi>.

220. Wen Lii, "Ministry looks to Burmese workers to solve shortage," *Taipei Times*, March 01, 2015; <http://www.taipetimes.com/News/taiwan/archives/2015/03/01/2003612508>.

221. Anita Rachman, "Indonesia Bans Maids in 21 Middle East Countries," *The Wall Street Journal*, May 4, 2015; <http://blogs.wsj.com/indonesiarealtime/2015/05/04/indonesia-bans-maids-in-21-middle-east-countries/>.

222. Lii, "Burmese workers," *supra* note 220.

It was not until September 2015 that Taiwan's Ministry of Labor, after an unprecedented multilateral negotiation with Indonesia, the Philippines, Thailand, and Vietnam, agreed to raise the minimum wage by seven percent for domestic workers to NT\$17,000 (US\$531) from NT\$15,840 (US\$495) – the salary level of the previous 18 years.²²³ The raise was indeed a step forward in improving the working conditions for foreign domestic workers. However, if the Taiwanese government supports equal rights for migrant workers, its Ministry of Labor must continue to reform the wage system for foreign domestic workers either by following the Labor Standards Act or by collaborating with the Legislative Yuan to pass the Domestic Worker Protection Act, which currently remains in limbo in the Executive Yuan.

The more-than-two-decade-long cooperation on migrant laborers between Taiwan and Southeast Asia has not only helped relieve labor shortage pressure on Taiwan's economy but also provided job opportunities and generated remittances for blue-collar workers from Southeast Asia, especially Indonesia, the Philippines, Thailand, and Vietnam. In 2015, Taiwan's Ministry of Labor announced the plan to introduce agricultural and industrial workers from Myanmar on a trial basis. If the initial attempts are successful, Taiwan can expand this cooperation with Myanmar to other industries such as the social welfare and fishing sectors. However, this requires an adequate number of Burmese translators and interpreters on the island to facilitate better communication with workers from Myanmar.

If Southeast Asian migrant laborers are treated fairly and welcomed by Taiwanese society, the workers can serve as the bridge between Taiwan and ASEAN countries. In recent years, Taiwan's civil society has paid more attention to the rights of migrant workers, driving government officials and legislators to engage in related legal reforms. For example, the amendment to the Employment Service Act that allows foreign domestic workers to work a total of 14 years instead of 12 was passed in October 2015.²²⁴ Although the extension is conditional upon domestic workers' language and professional skills, the amendment provided flexibility for experienced domestic helpers and caretakers to plan their careers. In terms of helping foreign workers continue to utilize their skills back in their home countries, LIU Shu-tien has suggested that the Taiwanese government should consider establishing a foreign worker database where Southeast Asian laborers in Taiwan can register (their names and skills) at their

223. See the press release on August 28, 2015, from the Ministry of Labor, R.O.C.; <http://www.mol.gov.tw/announcement/2099/23599/>.

224. Alison Hsiao, "Duration of stay for foreign workers extended." *Taipei Times*, September 19, 2015; <http://www.taipetimes.com/News/taiwan/archives/2015/09/19/2003628075>

discretion. Liu, the President of the Thai-Taiwan Business Association, has argued that sharing a human resource database with Taiwanese business associations in Southeast Asia will help Taiwanese companies recruit well-trained workers who are already familiar with Taiwan's business environment and culture. This can also be beneficial to the workers and their respective countries because it will help them secure jobs and contribute to employment back home, creating a win-win-win situation for laborers, business owners, and governments.²²⁵

IV. TAIWAN'S SOFT POWER AND PUBLIC DIPLOMACY IN SOUTHEAST ASIA

This chapter analyzes Taiwan's soft power resources and how the island uses public diplomacy to mobilize public support in Southeast Asian countries. Whereas hard power is used by international actors to induce change in other actors via military or economic might, Joseph Nye's definition of "soft power is the ability to affect others to obtain the outcomes one wants through attraction rather than coercion or payment."²²⁶ Hard power is the ability to force change through threats or inducements while soft power is the ability to shape outcomes by attraction and persuasion. Given the international political and economic challenges that Taiwan faces, particularly vis-à-vis mainland China in Southeast Asia, Taiwan has a limited amount of hard power to exercise in the region. In this sense, Taiwan should fully embrace the concept of soft power to help improve its relationships with ASEAN countries and promote its interests in Southeast Asia.

According to Nye, "soft power is attractive power," and a country's soft power rests primarily on its resources such as culture, political values, and foreign policy.²²⁷ Taiwan has preserved and cultivated high culture such as competitive higher education, as well as indigenous Chinese and Taiwanese art and literature. The island also serves as a hub of popular culture including music, movies, television programs, and food, particularly among ethnic Chinese populations throughout the world. In terms of political values, Taiwan's vibrant democracy has not only encouraged the formation of an open society but also sustained a number of free and fair elections. This openness is an invaluable soft-power asset in the interna-

225. Author's interview with LIU Shu-tien, *supra* note 188.

226. Joseph S. Nye, Jr., "Public Diplomacy and Soft Power," *The Annals of the American Academy of Political and Social Science*, Vol. 616 (March 2008), p.94.

227. Joseph S. Nye, Jr., *Soft Power: The Means to Success in World Politics*, New York: PublicAffairs, 2004, pp. 6-11.

tional arena. As Gary Rawnsley notes, Taiwan's successful liberal democracy gives the island far more soft power capacity than mainland China "because credibility works within and helps shape an enabling environment and the PRC is denied access to this environment because of the authoritarian nature of its political system."²²⁸ Furthermore, based on Nye's argument, government in a liberal society cannot and should not control culture because "the absence of policies of control can itself be a source of attraction."²²⁹ It is therefore fair to say that Taiwan's liberal-democratic political system and values without any cultural control serves as a source of soft power.

With respect to foreign policy, Taiwan is a regional leader in humanitarian aid. The R.O.C.'s Ministry of Foreign Affairs (MOFA) and its semi-official International Cooperation and Development Fund (TaiwanICDF) have actively partnered with the non-governmental organizations (NGOs) in Taiwan to provide technical support and humanitarian aid to developing countries, as well as rescue work in areas hit by natural disasters.²³⁰ These activities, which Taiwanese presidents have often referred to as the fulfillment of obligations to the international community and the promotion of human rights, are also among the island's sources of soft power.

Taiwan has also incorporated the concept of public diplomacy into its foreign policy platform. In the words of Nye, public diplomacy tries to attract foreign populations by drawing attention to soft power resources "through broadcasting, subsidizing cultural exports, arranging exchanges, and so forth."²³¹ Or according to Philip Altbach and Patti Peterson, public diplomacy consists of engaging, informing, and influencing citizens of other countries.²³² In this regard, Taiwan in recent years has dedicated more effort towards the formation of public diplomacy strategies that can mobilize the resources necessary to produce and reinforce the island's soft power. This chapter argues that within Southeast Asia, Taiwan holds a significant amount of soft power assets in academic and cultural exchanges as well as in technical assistance and humanitarian aid. If Taiwan

228. Gary D. Rawnsley, "Taiwan's Soft Power and Public Diplomacy," *Journal of Current Chinese Affairs*, Vol. 43, No. 3 (2014), p. 166.

229. Nye, *Soft Power*, *supra* note 227, p. 17.

230. Rawnsley, "Taiwan's Soft Power," *supra* note 228, p. 169.

231. Nye, "Public Diplomacy," *supra* note 226, p. 95.

232. Philip G. Altbach and Patti McGill Peterson. "Higher Education as a Projection of America's Soft Power," in Yasushi Watanabe and David McConnell, eds., *Soft Power Superpowers: Cultural and National Assets of Japan and the United States*, New York: Routledge, 2008, p. 38.

can continue to use public diplomacy to mobilize these resources, the island will wield much more soft power in Southeast Asia.

A. Academic and Cultural Exchanges and People-to-People Connectivity

A key component of public diplomacy, as Nye points out, is “building long-term relationships that create an enabling environment for government policies.”²³³ Nye argued that there are three dimensions of public diplomacy, which all require long-term cultural relationships. While the first two dimensions – daily and strategic communication – focus on government information and both domestic and foreign press corps, the third dimension emphasizes academic and cultural exchanges. According to Nye, “the development of lasting relationships with key individuals over many years through scholarships, exchanges, training, seminars, conferences, and access to media channels” is the third dimension of public diplomacy.²³⁴ Taiwan has effectively leveraged its liberal education system and rich Chinese language literature to flourish in this third dimension and attract foreign students and professionals in search of high quality education. With the liberal education system and rich Chinese language literature cultivated by Taiwan’s democratic society, Taiwan has adequately utilized this third dimension to attract foreign students and professionals seeking higher education.

Table 4.1 demonstrates the number of ASEAN students in Taiwanese colleges and universities between 2009 and 2015. During this period, the Southeast Asian countries that sent the most students to Taiwan are Malaysia, Indonesia, Vietnam, and Thailand. The number of Malaysian students in Taiwanese colleges and universities grew substantially from 5,181 in 2009 to 14,946 in 2015 (188 percent growth). The numbers of Indonesian and Vietnamese students also increased from 2,277 to 4,394 (93 percent growth) and from 2,774 to 4,043 (46 percent growth) respectively. Although Singapore is not a major source of international students in Taiwan – not least because of its own well-established higher education system and its relatively small population size – the number of Singaporean students rose from 228 in 2009 to 747 in 2015 (228 percent growth). In recent years, the majority of ASEAN countries have sent an increasing number of students to Taiwan (Myanmar, Cambodia, and Laos are the exceptions). Taken as a whole, the total number of ASEAN students more than doubled from 12,866 in 2009 to 26,756 in 2015 (108 percent growth),

233. Nye, *Soft Power*, *supra* note 227, p. 107.

234. *Ibid*, p. 109.

making ASEAN the second largest source of non-R.O.C. students in Taiwan (see Table 4.2).

Table 4.1: Southeast Asian Students in Taiwanese Colleges and Universities (2009-2015)

Academic Year/ Country	Unit: Person						
	2009	2010	2011	2012	2013	2014	2015
Malaysia	5,181	5,836	7,256	8,530	10,374	13,024	14,946
Indonesia	2,277	2,279	2,520	2,799	3,223	3,455	4,394
Vietnam	2,774	3,469	3,922	3,915	3,641	3,681	4,043
Thailand	1,017	1,109	1,287	1,250	1,601	1,557	1,481
Singapore	228	232	331	348	452	603	747
Myanmar	997	725	560	449	419	486	579
Philippines	372	352	429	480	570	545	533
Brunei	6	9	17	14	16	31	25
Cambodia	14	6	9	6	4	3	4
Laos	-	2	3	2	5	5	4
ASEAN Total	12,866	14,019	16,334	17,793	20,305	23,390	26,756

Source: Ministry of Education, R.O.C. (compiled by the author).

Note: The statistics include both degree-seeking and non-degree-seeking students.

The growth in scholarships and short-term exchange programs developed by the Taiwanese government and universities partially explain the rapid increase of ASEAN students in Taiwan. The Ministry of Education (MOE) and MOFA have instituted several programs such as the Taiwan Scholarship, the Taiwan Fellowship, and the *Huayu* (Mandarin) Enrichment Scholarship for students who want to pursue degrees, conduct short-term research, or learn Mandarin Chinese in Taiwan colleges and universities. In 2008, MOE also established the Elite Study in Taiwan (ESIT) project office to specifically foster higher education cooperation between Taiwan and Southeast Asia by providing a number of scholarships tailored for students and professionals from the region. For instance, the Vietnamese Elites Study in Taiwan 500 (VEST-500) Scholarship, jointly funded by Taiwan and Vietnam, aims to sponsor 500 Vietnamese university lecturers to obtain doctorates in Taiwan. Similarly, the Elite 600 Scholarship plans to send 600 lecturers or staff members from Thai universities to Taiwan to pursue master's or doctoral degrees. Moreover, ESIT's Aceh Government Scholarship supports students from Aceh Province of Indonesia

to study master's or doctoral degrees in Taiwan. Between 2010 and 2015, the Aceh program has sponsored 150 students to study in Taiwan.²³⁵

Another factor contributing to the increase of ASEAN students in Taiwan is the strong cultural linkage between Taiwan and overseas Chinese communities in the region. Malaysia, for example, is an ASEAN country that has a well preserved Chinese culture with its more than 6.5 million Chinese Malaysians.²³⁶ According to former R.O.C. Foreign Minister David Lin, mainly because Chinese Malaysians and Taiwanese share the Hokkian and Hakka cultures and Mandarin Chinese language, Taiwan and Malaysia have developed strong cultural and educational ties for decades.²³⁷ Before the Ma administration started allowing students from mainland China to study in Taiwan in 2011, Malaysian students were the largest non-R.O.C. student group in Taiwan (see Table 4.1 and Table 4.2). According to CHANG Chi-ping, Representative of the Taipei Economic and Cultural Office in Malaysia, Chinese independent high schools in Malaysia are the primary source of Malaysian students that later pursue higher education in Taiwan. As Chang pointed out, there are 62 Chinese independent high schools funded by the Chinese Malaysian communities and each of these private schools provides secondary education instruction in Mandarin Chinese. Moreover, the Chinese independent high school curriculum and course structure is similar to that in the Taiwanese secondary education system. This in turn is conducive to enabling Malaysian students to successfully continue on to higher education in Taiwanese universities. The existence of this type of school has helped increase the number of Malaysian students in Taiwan, making Taiwan the third largest host country of Malaysian students, after Australia and the United Kingdom.²³⁸ As of March 2016, more than 60,000 Malaysians have studied in Taiwan, many of whom have joined alumni associations to maintain the bonds of friendship under the Federation of Alumni Association of Taiwan Universities in Malaysia. As Chang has described, this Federation has 39 alumni association branches across Malaysia and form a very strong network to encourage and help students to pursue higher education in Taiwan. These former students, who usually return home with a greater appreciation of Taiwanese culture and democratic values, can form a remarkable reservoir of goodwill for Taiwan.

To develop longer lasting relationships with younger ASEAN individuals who may become leaders in the future, Taiwan should seek more

235. See ESIT scholarship information at http://www.esit.org.tw/esit.scholarship.information/index/scholarship_sn/4.

236. Author's interview with CHANG Chi-ping, Kuala Lumpur, Malaysia, March 7, 2016.

237. Author's interview with David Lin, Taipei, Taiwan, April 1, 2016.

238. Author's interview with Chang, *supra* note 236.

educational partnerships with ASEAN countries. Firstly, within Southeast Asia, Taiwan has only signed educational cooperation agreements with two ASEAN countries – one with Thailand in September 2013 and the other one with Vietnam in March 2015. Given the less politicized nature of educational cooperation, there is room for Taiwan to negotiate more education deals and to strengthen educational ties with ASEAN. In this regard, Taiwan may consider establishing an educational cooperation agreement with the Philippines because both sides already signed a memorandum of understanding on such cooperation in May 2012. Malaysia and Singapore are also potential partners for Taiwan to ink agreements on education, not least because they have already established solid cultural relations with Taiwan.

Secondly, Taiwan's MOE has set up Taiwan Education Centers in Thailand, Vietnam, Malaysia, and Indonesia to promote opportunities for higher education in Taiwan. Since MOFA just opened its first Taipei Economic and Cultural Office in Myanmar in March 2016, it is practical for MOE to establish a Taiwan Education Center in Yangon as a foothold in the country. This will help disseminate information about higher education in Taiwan and attract more talented students from Myanmar. In a similar vein, Taiwanese universities should proactively compete for top performing high school students from ASEAN countries. In March 2016, six universities led by National Taiwan University (NTU) announced a first-ever joint recruitment project targeting students from Malaysia, Indonesia, Thailand, Singapore, and Vietnam. This kind of initiative will not only reinforce Taiwan's soft power in the region but also make the campuses more dynamic and diverse with ASEAN elements. As NTU's President YANG Pan-chyr said, "most Southeast Asian students have a global vision and speak more than one language, so they can help internationalize university campuses in Taiwan."²³⁹ Furthermore, Taiwanese universities can utilize the existing network of the Southeast and South Asia and Taiwan Universities President's Forum (SATU President's Forum) to promote academic and cultural exchanges with its member universities in Southeast Asia.²⁴⁰

239. Yu-qian Zheng, "Led by NTU, 6 Taiwan Universities Recruit More Southeast Asian Students," *United Daily News*, March 19, 2016.

240. In 2005, the International Secretariat of SATU Presidents' Forum was established at National Cheng Kung University, Taiwan. According to its website, in 2016, it has 26 member universities in ASEAN, 53 in Taiwan, and 4 in India. See SATU's website at <http://conf.ncku.edu.tw/satu/index.php>.

Table 4.2: Non-R.O.C. Students in Taiwanese Colleges and Universities by Source Country or Area (2009-2015)

Unit: Person

Academic Year/ Country or Area	2009	2010	2011	2012	2013	2014	2015
Mainland China	-	-	12,155	17,454	25,120	33,288	41,951
ASEAN	12,866	14,019	16,334	17,793	20,305	23,390	26,756
Hong Kong	2,001	2,411	2,561	3,083	4,399	6,209	8,260
Japan	2,438	2,620	3,699	4,457	5,726	5,620	6,319
Macau	3,932	4,101	4,352	4,495	4,500	4,721	5,144
South Korea	2,041	2,035	2,505	2,531	3,035	3,488	3,820
United States	2,957	2,950	3,561	3,582	3,439	3,278	3,806
France	834	866	1,045	1,232	1,262	1,623	1,545
Other	7,216	7,816	9,251	9,931	10,475	11,068	12,581
Total	34,285	36,863	55,463	64,558	78,261	92,685	110,182

Source: Ministry of Education, R.O.C. (compiled by the author).

Note: The statistics include both degree-seeking and non-degree-seeking students.

Finally, Taiwanese leaders should leverage ASEAN students' connections with their home countries to facilitate and deepen cultural and economic exchanges. Southeast Asian students can offer invaluable knowledge of the cultural, business, and societal norms in their hometowns and countries of origin. Therefore, they can serve as influential bridges to help Taiwan become further integrated within other regional economies. The Taiwanese government should thus develop better strategies to retain talent from ASEAN countries. By doing so, Taiwan's soft power and economic might will reinforce each other, creating a virtuous circle favorable for Taiwan's interests.

Besides promoting cooperation on higher education with ASEAN, Taiwan should also take steps to help Southeast Asian immigrants and their children to not only become more integrated within Taiwanese society but to also serve as cultural bridges between Taiwan and their countries of ethnic origin in ASEAN. According to Taiwan's National Immigration Agency, as of March 2016, Taiwan has become home to more than 512,000 immigrants who married Taiwanese citizens. At least 140,000 of

these come from ASEAN countries – mostly Vietnam, Indonesia, Thailand, and the Philippines.²⁴¹ The number of second generation children has also surpassed 350,000. About 123,000 of these are middle school or elementary school students who either have a mother or a father from Southeast Asia.²⁴² LIN Li-chan, Taiwan's first immigrant legislator who was inaugurated in February 2016, said the language skills and cultural understanding possessed by immigrants are a source of strength for themselves and for Taiwan. Lin, a Cambodia-born lawmaker in Taiwan, has advocated for the use of this strength to facilitate people-to-people connectivity between Taiwan and ASEAN, helping the former build stronger cultural and business ties with Southeast Asia.²⁴³ For this reason, Lin has actively promoted government-sponsored programs to assist the children of immigrants in visiting their countries of ethnic origin during school breaks to learn about the cultures and languages of their ethnic origin. Moreover, Lin has worked with civil rights groups to improve the domestic environment for ASEAN immigrants by breaking down stereotypes against them. Nowadays, it is still common to find people in Taiwan who hold prejudiced views against Southeast Asians, seeing the latter as low-skilled immigrants who are a burden to society.²⁴⁴ These kinds of stereotypes undercut the island's efforts to strengthen relations with Southeast Asia.

Another effective approach to enhance people-to-people connectivity is to further the promotion of tourism. In 2015, as Table 4.3 shows, about 13.7 percent of Taiwan's record-breaking 10 million visitors were from Southeast Asia while 40.1 percent were from mainland China. As of May 2016, the island only waives visa requirements for tourists from Singapore and Malaysia from among ASEAN member nations. Taiwan should follow in the footsteps of Japan and South Korea and consider granting visa-free access to travelers from Thailand, Brunei, and Indonesia. The more tourists Taiwan attracts from ASEAN countries, the more Southeast Asian publics are exposed to Taiwanese popular culture and democratic values, thereby enriching the island's soft power resources. In the end, any well-formed policy that facilitates people-to-people exchanges will promote

241. Statistics on foreign spouses by nationality in Taiwan (March 2016), National Immigration Agency, Ministry of the Interior, R.O.C.; <http://www.immigration.gov.tw/ct.asp?xItem=1313198&ctNode=29699&mp=1>.

242. Data acquired from National Immigration Agency, Ministry of the Interior, R.O.C.; http://ifi.immigration.gov.tw/ct.asp?xItem=270&ctNode=36534&mp=ifi_zh; and Ministry of Education, R.O.C.; http://stats.moe.gov.tw/files/analysis/son_of_foreign_104.pdf.

243. Author's interview with LIN Li-chan, Taipei, Taiwan, April 1, 2016.

244. Victoria Jen, "In Taiwan, Southeast Asian immigrants finally earn their place in society," *Channel NewsAsia*. January 1, 2016; <http://www.channelnewsasia.com/news/asiapacific/in-taiwan-southeast-asian/2391344.html>.

mutual understanding between ASEAN and Taiwan – a necessary step for Taiwan to effectively “Go South” and participate in regional integration.

Table 4.3: Southeast Asian Visitor Arrivals to Taiwan by Country of Residence (2006-2015)

Unit: Person										
Year	Malaysia	Singapore	Indonesia	Philippines	Thailand	Vietnam	Others	ASEAN Total	World Total	ASEAN/World Ratio
2006	115,202	184,160	90,870	79,993	95,643	-	77,470	643,338	3,519,827	18.3
2007	141,308	204,494	95,572	85,030	90,069	-	83,814	700,287	3,716,063	18.9
2008	155,783	205,449	110,420	87,936	84,586	-	81,577	725,751	3,845,187	18.9
2009	166,987	194,523	106,612	77,206	78,405	-	65,294	689,027	4,395,004	15.7
2010	285,734	241,334	123,834	87,944	92,949	-	79,379	911,174	5,567,277	16.4
2011	307,898	299,599	156,281	101,539	102,902	-	103,756	1,071,975	6,087,484	17.6
2012	341,032	327,253	163,598	105,130	97,712	89,354	8,513	1,132,592	7,311,470	15.5
2013	394,326	364,733	171,299	99,698	104,138	118,467	8,935	1,261,596	8,016,280	15.7
2014	439,240	376,235	182,704	136,978	104,812	137,177	11,159	1,388,305	9,910,204	14.0
2015	431,481	393,037	177,743	139,217	124,409	146,380	13,218	1,425,485	10,439,785	13.7

Source: Tourism Bureau, Ministry of Transportation and Communications, R.O.C. (compiled by the author).

Notes:

1. Others include Brunei, Cambodia, Laos, Myanmar, and Vietnam (2006-2011)
2. In 2015, the number of mainland Chinese visitor arrivals to Taiwan was 4,184,120, accounting for 40.1 percent of Taiwan’s total visitor arrivals during that year.

B. Technical Assistance and Humanitarian Aid

Taiwan also has a long history of offering developmental assistance and humanitarian aid to several ASEAN countries, which helps the island build up goodwill among the nations in Southeast Asia. Ever since Taiwan’s first group of agricultural specialists arrived in Vietnam in 1959, the R.O.C. has dispatched numerous technical missions to the region to assist in rural development, especially in the agricultural sector. In the case of Indonesia, the archipelago country has received agricultural technical missions from Taiwan since 1976. The main goal of these missions has been to boost Indonesia’s agricultural production through improved methods of cultivation and pest control for crops, livestock, and fisheries.²⁴⁵ Throughout the four-decade-long partnership, Taiwanese agricultural support has covered the areas of Java, Sumatra, and Bali. The latest completed project was the “One Village, One Product Agribusiness Project” in Bali. This project, implemented from 2010 to 2015 by TaiwanICDF with nearly US\$100 million, successfully assisted the Bangli and Badung regencies of Bali to increase specialization in orange and asparagus production. Currently, TaiwanICDF focuses on a training project for farmers in Bandung

245. Ku, “Indonesia’s Relations” *supra* note 7, p. 238.

city to improve agricultural operations. These projects have not only helped Indonesian farmers improve their skills and productivity but also enhanced Taiwan's positive image in the country.

Another notable agricultural partnership exists between Taiwan and Thailand's Royal Project Foundation. In 1973, three years after Thai King Bhumibol Adulyadej and R.O.C. Ambassador SHEN Chang-huan discussed how to replace opium poppies with temperate crops on the highland of northern Thailand, Taiwan officially partnered with the Royal Project of Thailand and began to send agricultural experts to northern Thailand to plant temperate fruit trees, vegetables, ornamental flowers, and forest trees. This Thailand-Taiwan cooperation has successfully transformed lands formerly covered by weeds and poppies into lands with high-yielding cash crops. LIN Wei-ho, TaiwanICDF's representative to Thailand and the Project Manager of the ongoing Pathology Prevention and Control of Citrus and Passion Fruit Project in the Royal Project Foundation, said Taiwan's agricultural assistance has significantly improved the livelihood of highland residents in northern Thailand, a long-term technical support the Thai people appreciated.²⁴⁶

Both Taiwan's governmental and non-governmental sectors have contributed to Taiwan's soft power by providing timely humanitarian aid to Southeast Asia in the wake of major natural disasters in the region. For instance, shortly after the 9.0 magnitude earthquake and subsequent tsunamis in the Indian Ocean that struck the coastal areas in Southeast Asia and South Asia on December 26, 2004, the CHEN Shui-bian administration pledged to donate US\$50 million for disaster relief in Indonesia, Thailand, and Sri Lanka.²⁴⁷ NGOs such as the Red Cross Society in Taiwan also played significant roles in tsunami relief – more than US\$25 million of private donations were made by over 200,000 people in Taiwan to the Red Cross tsunami relief project.²⁴⁸ CHEN Charng-ven, former President of the Red Cross Society in Taiwan, said a victim told him, "I don't know where Taiwan is, but I know that the Taiwanese people are kind."²⁴⁹

Taiwan also responded swiftly to the mass devastation caused by Typhoon Haiyan in the Philippines on November 8, 2013. Within ten days after the typhoon made landfall in the Philippines, the Taiwanese government sent more than 680 metric tons of relief supplies to the affected areas, distributed via 18 sorties of C-130 cargo planes and one trip from an

246. Author's interview with LIN Wei-ho, Bangkok, Thailand, February 16, 2016.

247. Luis Huang, "Taiwan will keep low profile in post-tsunami relief: president," *Central News Agency*, January 19, 2005.

248. Jean Lin, "Red Cross shares tsunami stories," *Taipei Times*, December 24, 2005; <http://www.taipeitimes.com/News/taiwan/archives/2005/12/24/2003285797>.

249. *Ibid.*

R.O.C. navy vessel.²⁵⁰ A number of NGOs also provided immediate assistance. The Buddhist Compassion Relief Tzu Chi Foundation, for example, helped build temporary school buildings in the Leyte province, one of the most severely affected areas. LIN Song-huann, Taiwanese Representative to the Philippines, commented that Taiwanese aid for Typhoon Haiyan was one of the most immediate and effective humanitarian efforts initiated by any country at the time.²⁵¹ The provision of typhoon relief significantly enhanced the friendship between Taiwan and the Philippines. As Philippine Representative to Taiwan Antonio Basilio said, “The quick and timely response and the scope and magnitude of this generosity will forever be remembered by our people.”²⁵² As Nye notes, “telling is far less influential than actions and symbols that show as well as tell.”²⁵³ Taiwan’s humanitarian actions convey a far more convincing narrative than words, adding credibility to the island’s public diplomacy in Southeast Asia.²⁵⁴

V. CONCLUSION: PROSPECTS FOR TAIWAN-SOUTHEAST ASIA RELATIONS

Since the late 1980s, Taiwan has sought to both expand its international participation and strengthen bilateral relations with its neighboring countries in Southeast Asia. Under the banners of LEE Teng-hui’s “pragmatic diplomacy” and “Go South” policy, Taiwan not only resumed participation in the Asian Development Bank’s annual meeting in 1988 and joined the Asia-Pacific Economic Cooperation in 1991 but also forged stronger economic ties with Southeast Asian countries and provided developmental assistance to the region, particularly in improving their industrial and agricultural sectors. These efforts, continued under both President CHEN Shui-bian and President MA Ying-jeou in the 21st century, led to Taiwan’s accession into the World Trade Organization in 2002 and the conclusion of a free trade agreement with Singapore in 2013. The incumbent, President TSAI Ing-wen, has also pledged to further buttress economic and cultural ties with Southeast Asia under her “New Southbound” policy. However, Taiwan’s continued engagement with the region, either on a multilateral or a bilateral basis, has been overshadowed by Beijing’s

250. Shu-hua Lee, Pei-chun Tang, and Jay Chen, “As Manila’s ‘nearest friend,’ Taiwan had responsibility to help: Ma,” *Central News Agency*, December 27, 2013; <http://focustaiwan.tw/news/aip/201312270029.aspx>.

251. Author’s interview with LIN Song-huann, Makati, Philippines, March 10, 2016.

252. Elaine Hou, “Philippines thanks Taiwan for typhoon relief at national day event,” *Central News Agency*, June 12, 2014; <http://focustaiwan.tw/news/aip/201406120030.aspx>.

253. Nye, “Public Diplomacy,” *supra* note 226, p. 103.

254. See Rawnsley, “Taiwan’s Soft Power,” *supra* note 228, pp. 169-170.

“one-China” principle and its rising economic and political influence in the region, particularly since the late 1990s.

As discussed in Chapter II, Taiwan under Lee’s presidency effectively leveraged its strong economic clout to the island’s diplomatic advantage in the early 1990s. Lee’s unprecedented trips to the Philippines, Indonesia, and Thailand, coupled with a number of reciprocal high-level visits and economic agreements with Southeast Asian countries, epitomized the elevation of Taiwan-ASEAN relations in general. This momentum, nevertheless, was stopped subsequently by the 1995-1996 Taiwan Strait crisis and the 1997-1998 Asian financial crisis. The former made ASEAN leaders wary of closely engaging Taipei while the latter forced many Taiwanese investors in ASEAN to divert their capital to mainland China. Furthermore, the formation of the ASEAN Plus Three in the wake of the Asian financial crisis enhanced mainland China’s economic ties with ASEAN, later leading to the signing of the initial framework agreement of the ASEAN-China Free Trade Area in 2002. The emergence of closer economic cooperation between mainland China and ASEAN constrained Taiwan’s leeway for further diplomatic engagement in Southeast Asia.

President Chen’s pursuit of a set of aggressive foreign policies and his rekindling of the “Go South” strategy failed to improve political ties with ASEAN. Instead, Taiwan-ASEAN relations turned sour because of Chen’s provocative pro-independence policies that minimized space for ASEAN countries to engage with Taiwan. The downward spiral was reversed after President Ma embarked on cross-Strait reconciliation in 2008, enhancing regional stability in East Asia. Cross-Strait peace was an integral element of Ma’s engagement policy toward Southeast Asia, and more broadly, the “viable diplomacy” and “diplomatic truce” in his foreign policy. However, improved cross-Strait relations did not negate the fact that Beijing continued to block Taiwan’s participation in the regional architecture as a dialogue partner of ASEAN, or to sign free trade agreements with both the whole of ASEAN and its individual member states. Beijing’s strategic rationale was to avoid lending any international dimensions to Taiwan’s participation that would confirm the island’s view of its *de facto* independent status.

In spite of the P.R.C.’s maritime territorial disputes with several ASEAN countries, mainland China remains to be ASEAN’s largest trading partner outside of the ASEAN bloc. Mainland China’s ongoing initiatives such as the Asian Infrastructure Investment Bank and “One Belt, One Road” are expected to strengthen its economic cooperation with ASEAN countries, increasing China’s economic prowess in the region. In order to

benefit economically from mainland China, Southeast Asian countries will unlikely risk ire from Beijing by forging a FTA with Taiwan.²⁵⁵

In her inaugural speech on May 20, 2016, President Tsai reiterated that the new government will promote a “New Southbound” policy in the years ahead, aiming to “broaden exchanges and cooperation with regional neighbors in areas such as technology, culture, and commerce, and expand in particular our dynamic relationships with ASEAN and India.”²⁵⁶ According to Tsai, the overall objective of the policy was to “elevate the scope and diversity of our external economy, and to bid farewell to our past overreliance on a single market” – a clear reference to Taiwan’s perceived reliance on mainland China’s economy.²⁵⁷ Though this was not a brand-new policy goal of reducing the degree of trade and investment dependence on mainland China, it had not been achieved throughout the tenures of Lee, Chen, and Ma.

As noted in details in Chapter III, from 1991 to 2015, approximately 55.9 percent of accumulated Taiwanese overseas investments went to mainland China. On the trade side, mainland China has become Taiwan’s largest trading partner and largest export destination since 2005. Although Taiwan has increased its share of exports to ASEAN countries over the past decade, the island is still largely reliant on its Chinese export market. In order to diversify Taiwan’s investment and trade portfolio, Tsai needs to effectively integrate and utilize Taiwan’s public and private resources in Southeast Asia to facilitate more economic collaboration, embedding Taiwan more deeply in the region.

On the cultural front, the Tsai administration should continue to foster people-to-people connectivity between Taiwan and ASEAN by utilizing public diplomacy that draws attention to the island’s soft power resources. As illustrated in Chapter IV, Taiwan holds a remarkable amount of soft power assets in areas ranging from academic and cultural exchanges to technical assistance and humanitarian aid. The new government must strive to mobilize these resources to wield much more soft power in the region. Moreover, measures such as encouraging two-way tourism and nurturing talents for ASEAN markets, as emphasized by James Huang, head of the New Southbound Policy Office, should be fully

255. A similar view was expressed by Bonnie Glaser, see “CNBC phone interview with Glaser,” May 20, 2016; <http://video.cnbc.com/gallery/?video=3000519250>.

256. On the campaign trail of Taiwan’s 2016 presidential election, TSAI Ing-wen introduced her plan to pursue a “New Southbound” policy at a DPP diplomatic reception on September 22, 2015. See the full text of the speech at <http://english.dpp.org.tw/dpp-29th-anniversary/>; and see the full text of Tsai’s inaugural address in 2016 at <http://english.president.gov.tw/Default.aspx?tabid=1124&itemid=37443&view=home>.

257. *Ibid.*

embraced.²⁵⁸ With respect to the large number of immigrants and migrant workers from Southeast Asia, Taiwan needs to improve and uphold their rights and help them become better integrated in Taiwanese society. These individuals serve as intrinsic cultural linkages between Taiwan and their countries of origin in ASEAN.

Ultimately, the future of Taiwan's engagement with Southeast Asia depends on how effective the island can utilize its economic and cultural resources to foster stronger government-to-government relations and people-to-people ties. It is also predicated upon whether Taipei and Beijing can maintain peaceful and stable cross-Strait relations and develop common ground that is conducive to economic multilateralism and prosperity in East Asia and Southeast Asia.

258. "Taiwan plans visa waiver for Asean visitors," *The Straits Times*, May 28, 2016; <http://www.straitstimes.com/asia/east-asia/taiwan-plans-visa-waiver-for-asean-visitors>.

GLOSSARY OF SELECTED NAMES

CHANG Chi-ping 章計平	HU Jintao 胡錦濤	MA Ying-jeou 馬英九
CHEN Shui-bian 陳水扁	James Huang 黃志芳	Francisco Ou 歐鴻鍊
CHEN Tang-shan 陳唐山	JIANG Zemin 江澤民	Vincent Siew 蕭萬長
CHEN Yunlin 陳雲林	KOO Chen-fu 辜振甫	James Soong 宋楚瑜
CHIANG Ching-kuo 蔣經國	LEE Hsien Loong 李顯龍	SU Chi 蘇起
CHIANG Kai-shek 蔣介石	LEE Kuan Yew 李光耀	Tony Tan 陳慶炎
CHIANG Pin-kung 江丙坤	LEE Teng-hui 李登輝	TSAI Ing-wen 蔡英文
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CHIOU I-jen 邱義仁	David Lin 林永樂	WEE Kim Wee 黃金輝
Eric Chu 朱立倫	LIN Li-chan 林麗嬋	WEN Jiabao 溫家寶
DENG Xiaoping 鄧小平	LIN Song-huann 林松煥	XI Jinping 習近平
GOH Chok Tong 吳作棟	LIN Wei-ho 林維和	YANG Pan-chyr 楊泮池
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