

What's in it for us?

A discussion of the various options the Philippines might take to benefit from Taiwan's New Southbound Policy

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What is the New Southbound Policy?

The New Southbound Policy (NSP) is Taiwan's approach in adapting to the changing international conditions particularly in the Indo-Pacific region. Speaking at the 2017 Yushan Forum, President Tsai Ing-wen defined the NSP as Taiwan's new "regional strategy for Asia" which is an economic strategy coupled with people-to-people relations. It aims to strengthen Taiwan's relationships with the 18 countries in the region, namely the ten ASEAN countries (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam), six countries in South Asia (Bangladesh, Bhutan, India, Nepal, Pakistan, and Sri Lanka), Australia, and New Zealand.² In the past, Taiwan had adopted similar strategies to engage its neighbors. The 1990s saw the 'Go South' policy of then Taiwanese President Lee Teng-hui and the 'New Go South' policy of President Chen Shui-bian. Both policies focused on increasing Taiwan's commercial expansion into Southeast Asia. However, the objectives of the two policies

do not differ much as they both aimed to reduce the economic reliance of Taiwan on the People's Republic of China (PRC). President Tsai Ing-wen's NSP departs from the previous policies in emphasizing people-to-people engagements between Taiwan and the 18 countries.³ This focus on enriching relationships seems to be the value added by the Tsai administration in the evolution of Taiwan's relations with its neighbors.

The NSP's other objective is to have Taiwan become relevant in the international scene again. The implementing principles of the NSP are defining Taiwan's future role in regional development and creating a "new model for economic development" which will make Taiwan the model for the entire region.⁴ This could mean that Taiwan is designing an economic strategy that will make the country the recognized center of trade in the region. According to Dr. Alan Hao Yang, Executive Director of the Center for Southeast Asian Studies of the National Chengchi University in Taiwan, the NSP is Taiwan's way of preventing the country's exclusion from

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² Lee I-Chia, "Tsai gives pledges at Yushan Forum," *Taipei Times*, October 12, 2017, <http://www.taipetimes.com/News/taiwan/archives/2017/10/12/2003680187>.

³ Bonnie S. Glaser, Scott Kennedy, Derek Mitchell, and Matthew P. Funaiolo. *The New Southbound Policy: Deepening Taiwan's Regional Integration (A Report of the CSIS China Power Project)* (Lanham, MD: Rowman & Littlefield, 2018), 10.

⁴ "Guidelines for the New Southbound Policy," New Southbound Policy, accessed September 18, 2018, <https://www.newsouthboundpolicy.tw/English/PageDetail.aspx?id=92bf03e0-6176-4374-85e7-06520ed3e9f2&pageType=SouthPolicy&AspxAutoDetectCookieSupport=1>.

international engagements while contributing to social connectivity and civic engagements in the region.⁵

The Philippines could benefit from the NSP in various ways. However, it is important to identify which of these would be the most favorable to pursue and determine the approaches the country should take in order to benefit fully from the NSP. Thus, the objective of this policy brief is to explore how the Philippines can maximize the NSP in those selected areas.

How is the New Southbound Policy implemented?

Michael Ignacio, Director of Commercial Affairs of the Manila Economic and Cultural Office (MECO) in Taipei, has expressed that MECO envisions the Philippines to be the “gateway” of Taiwan to Southeast Asia.⁶ Especially after the signing of the renewed bilateral investment agreement between Taiwan and the Philippines in December 2017, the Philippines is in an excellent position to benefit from Taiwan. To make this possible, however, the Philippines should be mindful of the implementation mechanisms of the NSP. One of the implementation objectives of Taiwan is to pursue a strategy of four key links which involves the facilitation of supply chain links in the region.⁷ The integration of Taiwanese factors into the supply chains of the target countries is part of the NSP’s economic objectives. One example is the plan of the Taiwanese electronics giant New Kinpo Group (NKG) to make the Philippines its main hub in Southeast Asia.⁸ In fact, the Cal-Comp Technology Inc., a subsidiary of NKG, has built manufacturing facilities in Lipa City, Batangas and employs over 6,000 Filipino workers.⁹

Another way of implementing the NSP is through the establishment of institutional networks between Taiwanese institutions and their counterparts in the region. Signing of memoranda of understanding (MOU) as well as memoranda of agreement (MOA) between institutions have been supported by Taiwan’s Ministry of Education. In fact, system-wide linkages between southern Taiwanese universities and the University of the Philippines (UP) has been established in early 2018.¹⁰ This enables scholars from both countries to engage each other directly which is part of the NSP’s stated objective of improving people-to-people engagement.

What are the areas which the Philippines can take advantage of?

Foreign policy programs usually focus on select areas that governments deem important based on their own circumstances and interests. In the case of the NSP, the Taiwanese government identified regional agricultural development, medical and public health cooperation, industrial talent development, industrial innovation and cooperation, and the NSP Forum and Youth Exchange Platform as its flagship programs.¹¹ Without a doubt, the Philippines could benefit from all of these and each area should be explored. For the sake of brevity, however, the policy brief will focus on just two areas, namely agricultural development and educational cooperation. These two areas are discussed, including ways on how the Philippines could take advantage of what Taiwan has to offer, particularly its technology and expertise. Nevertheless, the Duterte administration should be proactive in engaging with Taiwan but at the same time be wary of the consequences this could entail,

⁵ Alan Hao Yang, “Implementing the New Southbound Policy,” (Lecture, Taiwan’s New Southbound Policy: Implications for the Philippines, University of the Philippines Asian Center, July 13, 2018).

⁶ “Philippines envisions itself as gateway for New Southbound Policy, MECO says,” *Taipei Times*, June 18, 2018, <http://www.taipetimes.com/News/taiwan/archives/2018/06/18/2003695072>.

⁷ Office of Trade Negotiations, Executive Yuan and Bureau of Foreign Trade, Ministry of Economic Affairs, *An Introductory Guide to Taiwan’s New Southbound Policy* (Taipei: Office of Trade Negotiations, Executive Yuan, 2017), 33.

⁸ Jennifer Austria, “New Kinpo Group of Taiwan eyes Philippines as main hub in Southeast Asia,” *Manila Standard*, July 12, 2018. <http://manilastandard.net/business/biz-plus/270328/new-kinpo-group-of-taiwan-eyes-philippines-as-main-hub-in-southeast-asia.html>.

⁹ Doris Dumlao–Abadilla, “Cal-Comp set to hold IPO,” *Inquirer.net*, July 2, 2018. <https://business.inquirer.net/253373/cal-comp-set-to-hold-ipo>.

¹⁰ University of the Philippines, “UP, Taiwan HEIs continue exploring collaborations,” University of the Philippines, accessed September 19, 2018, <https://www.up.edu.ph/index.php/up-taiwan-heis-continue-exploring-collaborations/>.

¹¹ Office of Trade Negotiations, Executive Yuan, *The New Southbound Policy: A Practical Approach Moving Full Steam Ahead*, (Taipei: Office of Trade Negotiations, Executive Yuan, n.d.), 4–12.

especially that Beijing might not be in favor of these engagements. The following are some of the policy recommendations for the Philippines in order for the country to maximize the NSP. Unsurprisingly, improving the research and development aspect of agriculture and education figures prominently in the recommendations.

Recommendations

Above all, the Philippines could learn from Taiwan through the sharing of the latter's best practices in agriculture. This can be done by increasing the engagement between Philippine agricultural agencies and their Taiwanese counterparts such as the Philippine Department of Agriculture and its attached agencies forging agreements with Taiwan's Council of Agriculture and its bureaus. For example, representatives from the two governments agreed on the implementation of mutually beneficial programs on agriculture early this year.¹² The agreement included proposals on tropical agriculture infrastructure, greenhouse industry, agricultural technologies exchange, vegetable gene bank management, pesticide research, and livestock/poultry production enhancement.¹³ The NSP's benefits would be much more felt if stakeholders are involved directly. Showcasing of Philippine and Taiwanese agricultural products through conventions and fairs is an excellent way to do this. Evidently, this is an attempt to capitalize on the strengths of each country—Taiwan relying on its technologies and the Philippines depending on its natural resources.

In terms of educational cooperation, the country could benefit from the NSP by taking advantage of the scholarships and educational exchanges offered by Taiwan. Although Filipino applicants could obtain these via individual applications, the program could be more effective if the process is institutionalized. The establishment of MOUs and

MOAs between educational institutions of both countries could promote research collaboration and may increase the Filipino student population in Taiwan. At present, the foreign student population in Taiwan has posted an increase of 32% since 2015 and represents a tangible success of the NSP so far.¹⁴ Among Southeast Asians, however, Filipino students lack representation in Taiwan. The Philippines is not even included in the international student population data in Taiwanese education institutions, unlike other Southeast Asian countries such as Vietnam, Malaysia, and Thailand.¹⁵ Clearly, the Philippine government could do much better in getting more Filipinos to study in Taiwan. For a developing country like the Philippines, sending some of its promising students to Taiwan will be beneficial in the long run as they could learn in disciplines that Taiwanese learning institutions excel at. Consequently, the returning scholars could contribute in developing industries in the country. Technology, in essence, could be transferred from Taiwan to the Philippines.

The benefits of the NSP that Taiwan is offering are relatively clear. The issue, however, is on the readiness of the Philippines in accepting these benefits. The Philippine government, especially on the local level, should be ready for Taiwanese investments. One way to look at this issue is to examine what Taiwan might want in exchange such as skilled labor. According to Herman Joseph S. Kraft, Associate Professor at the UP Department of Political Science and Convenor of the Strategic Studies Program (SSP) of the UP Center for Integrative and Development Studies (UP CIDS), the nature of Filipino workers in Taiwan is special in the sense that most of them are active in the manufacturing and in the high-technology sectors.¹⁶ In other words, Filipino workers are relatively skilled compared to other workers from developing countries. On the other hand, according to Dr. Scott Kennedy, Deputy Director of the Freeman

¹² Huang Tzu-ti, "Taiwan, the Philippines to set up demonstration sites for agricultural exchanges," *Taiwan News*, May 16, 2018, <https://www.taiwannews.com.tw/en/news/3432479>.

¹³ Ibid.

¹⁴ Keoni Everington, "Number of SE Asian students in Taiwan surpass Chinese," *Taiwan News*, April 27, 2018, <https://www.taiwannews.com.tw/en/news/3416324>.

¹⁵ Ministry of Education, Taiwan, "Overview of overseas students in colleges and universities," in Everington, "Number of SE Asian students in Taiwan."

¹⁶ Herman Joseph S. Kraft, "Philippine Perspectives on Taiwan's New Southbound Policy," (Lecture, Taiwan's New Southbound Policy: Implications for the Philippines, University of the Philippines Asian Center, July 13, 2018).

Chair in China Studies of the Center for Strategic and International Studies (CSIS), readiness to the NSP means that the necessary infrastructure should be in place in order to maximize the policy. He specifically stated in a lecture that having electricity reforms in the Philippines should make the supply cheaper and therefore would make the country more attractive to Taiwanese investors.¹⁷ Thus, these two considerations should be looked into by the government.

Additionally, the MECO in Taipei should receive ample support from Manila. The de facto embassy could be more effective if it is well-equipped and adequate. However, getting more funding for MECO might be challenging since the government would not want to jeopardize its commitment to the One-China policy. Another consideration is that it has a non-governmental character and therefore has to get most of its operating expenses not from the government treasury directly but from the verification fees it handles on behalf of the Philippines' Department of Labor and Employment (DOLE) and the consular fees paid by those wishing to visit the Philippines.¹⁸ Thus, improving the MECO involves indirectly increasing the fees that are being collected by promoting trade, overseas employment, and tourism between Taiwan and the Philippines. In other words, getting more from the NSP involves a coordinated approach among Philippine agencies.

Seemingly, the greatest challenge in taking advantage of the NSP is external in nature, i.e. the objection of China to most of the networks and agreements that Taiwan and the Philippines are building. This is not easy to overcome given the sensitivity of cross-strait relations and the status of the region in general. However, the Philippine government could probably mitigate this in the following ways. Firstly, the Duterte administration should try to avoid engaging Taiwan in political matters explicitly. Although one would argue that it would be difficult to identify which issues are “political” and which are not, it would be best if the focus of the engagement remains in the

economic and socio-cultural domains. Secondly, the government should start to adopt a more diligent approach with regard to cross-strait relations and the One-China policy. In a lecture on Taiwan's NSP, Assistant Professor Kraft stated that from the perspective of a developing country like the Philippines, there is nothing wrong with engaging Taiwan and China at the same time.¹⁹ After all, the two countries have different things to offer. Lastly, local governments in the Philippines should step up by having their elected local officials take the initiative to work with Taiwan. Local governments, especially those north of Manila, could formulate proposals that would jumpstart the improvement of their respective communities since Taiwan would be very much willing to help given its own agenda.

Further research on the topic could deal with the processes that are involved in the bilateral and multilateral networks that are being established by the NSP. In addition to this, studies which would assess the impact of the NSP to target countries, especially in trade and investments, provide much potential. Evaluation studies would benefit the government agencies of both countries in adapting to changes especially in the dynamic Indo-Pacific region.

Conclusion

The New Southbound Policy is a promising policy for the region. The Duterte administration should be proactive in getting as much as it can from the NSP. After all, Taiwan has been attracting countries to engage with them to regain its relevance in the international scene and the Philippines should take advantage of this opportunity. However, given the current complex international situation, dealing with Taipei could bring unintended results such as political pressure from China which could adversely affect sectors in the Philippine economy. However difficult, the key seems to be finding a balance between Taipei and Beijing. As mentioned above, Taiwanese engagements in the Philippines should focus instead on the level of local rather

¹⁷ Scott Kennedy, “The context of Philippine-Taiwan relations with regard to the New Southbound Policy,” (Lecture, Taiwan's New Southbound Policy: Implications for the Philippines, University of the Philippines Asian Center, July 13, 2018).

¹⁸ *Funa v. Manila Economic and Cultural Office and Commission on Audit*, G.R. No. 193462, February 4, 2014, accessed September 19, 2018, https://www.lawphil.net/judjuris/juri2014/feb2014/gr_193462_2014.html.

¹⁹ Kraft, “Philippine Perspectives on Taiwan's New Southbound Policy.”

than on the national government. In this way, the Taiwanese could compete with China without really confronting it head on—a conflict that they would most likely lose anyhow. As for the Philippines, this seems to be the most pragmatic approach. Should the Philippines find this balance, the country would be in a much better position to get more from the NSP, and maybe even from Taiwan’s rival on the other side of the strait.

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