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戰略與評估

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論文

郭育仁

解析日本 2018 年防衛計畫大綱

Jyun-yi Lee

Taiwan's New South Bound Policy and the Prospect of Security Cooperation with Southeast Asia

Roy Chun Lee

Gordon Sun

Economic Relationship between Taiwan and ASEAN and the Implications of the New Southbound Policy

Chau-Chyun Chang, Li-Yen Ma, Ling-Chun Chen, Shu-Hung Lee, Jai-Yi Lin

Looking South: Taiwan's Approach to Forging Manufacturing Partnership with Southeast Asian Countries under the New Southbound Policy

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戰略與評估

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目錄

論文

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編者的話

本期《戰略與評估》收錄之四篇文章中，第一篇是中山大學郭育仁教授的大作，其餘三篇英文文章係以專題形式發布。2018 年 9 月 14 日，國防安全研究院與美國蘭德公司聯合舉辦「台灣的南方轉向」（Taiwan's Southward Pivot）工作坊，以蔡英文總統提出的「新南向政策」為主軸，探討台灣與東南亞及南亞國家的經貿與安全關係。該場會議計有七篇論文發表，作者包括蘭德公司亞太政策中心的執行長 Rafiq Dossani；蘭德公司資深研究員 Rich Girvin；中華經濟研究院台灣 WTO 及 RTA 中心李淳副執行長與台灣經濟研究院景氣預測中心孫明德主任；工業技術研究院產業科技國際策略發展所張超群副所長、馬利艷業務副總監與其他同仁；遠景基金會國際事務組黃美鳳組長；國防安全研究院王尊彥與陳蒿堯助理研究員；國防安全研究院李俊毅助理研究員等。這七篇論文先於會議接受學者專家的評論，復於修改後由 Rafiq Dossani 與李俊毅擔任客座主編提供修改建議，最後再經《戰略與評估》編委會的審查，是經歷數次修正後的研究成果。本期將刊出以台灣與東南亞關係為主題的三篇論文，並將於下期刊出之以台灣與南亞關係為主題之其他四篇論文。

解析日本 2018 年〈防衛計畫大綱〉

郭育仁

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摘　　要

2018 年 12 月 18 日安倍內閣通過 2018 年〈防衛計畫大綱〉與〈中期防衛力整備計畫〉，大幅增加 2019 到 2023 年國防預算為 27 兆 4 千 7 百億日圓。〈防衛大綱〉明確定義日本安全環境急速變化的嚴峻與不確定性，以及七大安全威脅：國際權力平衡急速改變的嚴峻與不確定性、彈道飛彈攻擊、海空威脅、新領域威脅、島鏈威脅、多領域同步飽和攻擊、以及核武。〈防衛大綱〉也強調日本必須積極建構「多領域統合防衛力」且質量兼備的防衛力，而非延續過去政策主軸，特別在取得攸關存亡的太空、網路、與電磁頻譜的戰略優勢。也再次確認美日同盟對日本安全的不可或缺，以及建構多邊安全體系的重要性。

關鍵詞：日本國防政策、防衛計畫大綱、中期防衛力整備計畫、多領域統合防衛力

An Analysis on Japan's 2018 National Defense Program Guidelines

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Abstract

Abe Cabinet passed new National Defense Program Guidelines (NDPG) and Medium Term Defense Program on December 18, 2018 and decided to amount Japan's 2019-2023 defense budget to 27 trillion and 470 billion JPY. The new NDPG clearly defines Japan's rigorous and highly uncertain security environment and seven major threats including rapid change of international balance of power, ballistic missile, air and sea threats, new domains, island chain invasion, multi-domain and simultaneous saturated attacks, and nuclear weapons. 2018 NDPG also emphasizes that Japan needs to actively establish Multi-Domain Defense Force, especially in the fields of space, cyber, and electromagnetic spectrum, but not extension of previous policy. The NDPG also confirms the critical importance of the U.S.-Japan Alliance and multifaceted and multilayered security structure to Japan's security.

Keywords: *Japanese Defense Policy, National Defense Program Guidelines, Medium Term Defense Program, Multi-Domain Defense Force*

壹、前言

2018 年 1 月 22 日安倍晉三首相在第 196 次國會發表施政方針時強調：[1]「北韓核武與彈道飛彈發展已形成前所未有的嚴重威脅，日本周邊安全環境是戰後最嚴峻也不為過」（北朝鮮の核・ミサイル開発は、これまでにない重大かつ差し迫った脅威であり、我が国を取り巻く安全保障環境は、戦後、最も厳しいと言っても過言ではありません）。安倍進一步指出，為因應日漸嚴峻的安全環境變化，將在 2018 年底以前修訂〈防衛計畫大綱〉（防衛計画の大綱，防衛大綱），「專守防衛」當然是大前提，[2]但此次〈防衛大綱〉的修訂「不是延續以往的政策軸線，而是為保護國民安全，確認日本真正需要的防衛能力」（従来の延長線上ではなく国民を守るために真に必要な防衛力のあるべき姿を見定めてまいります）。

安倍的政策宣示後，執政的自民黨政務調查會（政調會）、安全保障調查會、國防部會於 2018 年 5 月 25 日召開聯席會議，歸納過去研究會對〈防衛大綱〉與〈中期防衛力整備計畫〉（中期防衛力整備計画，中期防）修訂的政策意見，並彙整出最終建議書草案（新たな防衛計画の大綱及び中期防衛力整備計画の策定に向けた提言（案）について）。[3]5 月 29 日，自民黨政調會正式提出〈新防衛計畫大綱與中期防衛力整備計畫制訂之建議：跨域防衛構想的實現〉（新たな防衛計画の大綱及び中期防衛力整備計画の策定に向けた提言～「多次元横断（クロス・

[1] 首相官邸，〈第百九十六回国会における安倍内閣総理大臣施政方針演説〉，《総理の演説・記者会見など》，2018 年 1 月 22 日，《首相官邸》，https://www.kantei.go.jp/jp/98_abe/statement2/20180122siseihousin.html。

[2] 参議院，〈参議院議員小西洋之君提出専守防衛の改変に関する質問に対する答弁書〉，《質問主意書》，2015 年 10 月 6 日，《参議院》，http://www.sangiin.go.jp/japanese/joho1/kousei/syuisyo/189/toup/t189400.pdf#search=%27%E5%B0%88%E5%AE%88%E9%98%B2%E8%A1%9B%27。

[3] 自民党，〈新たな防衛計画の大綱及び中期防衛力整備計画の策定に向けた提言（案）について〉，《2018 年 05 月 21 日(月)～2018 年 05 月 27 日(日)までの会議情報》，2019 年 3 月 28 日，《自民党》，https://www.jimin.jp/activity/conference/weekly.html?wk=-44。

ドメイン）防衛構想」の実現に向けて～），[4]並於 6 月 1 日由政調會長中谷元提交建議書給安倍首相。[5]

在防衛省與自民黨政調會整合〈防衛大綱〉初步草案後，首相官邸在 2018 年 8 月 29 日召開「安全保障與防衛力懇談會」（安全保障と防衛力に関する懇談会，安保懇），[6]並由國家安全保障局提出草案供進一步討論。2018 年 11 月 16 日，自民黨與公明黨組成「聯合執政黨新防衛大綱工作小組」（与党・新たな防衛計画の大綱等に関する WT，Working Team）[7]做為兩黨〈防衛大綱〉草案討論與政治共識建立的主要平台，尤其針對高政治敏感性的議題，例如「敵基地反擊能力」、新三領域反制能力、[8]出雲號改造、F-35 戰機採購案、以及〈防衛大綱〉措詞。[9]12 月 11 日第五次聯合執政黨工作小組會議通過〈防衛大綱〉草

[4] 自民党，〈新たな防衛計画の大綱及び中期防衛力整備計画の策定に向けた提言～「多次元横断（クロス・ドメイン）防衛構想」の実現に向けて～〉，《ニュース》，2018 年 5 月 29 日，《自民党》，https://jimin.jp-east-2.storage.api.nifcloud.com/pdf/news/policy/137478_1.pdf?_ga=2.117785609.1688573038.1549777031-1702964171.1492704477。

[5] 首相官邸，〈自由民主党安全保障調査会・国防部会による新たな防衛計画の大綱及び中期防衛力整備計画の策定に向けた提言申入れ〉，《総理の一日》，2018 年 6 月 1 日，《首相官邸》，https://www.kantei.go.jp/jp/98_abe/actions/201806/01jimin_teigen.html。

[6] 首相官邸，〈「安全保障と防衛力に関する懇談会」（第 1 回会合） 議事要旨〉，《安全保障と防衛力に関する懇談会》，2018 年 8 月 29 日，《首相官邸》，http://www.kantei.go.jp/jp/singi/anzen_bouei2/dai1/gijiyousi.pdf。

[7] 自民党，〈与党・新たな防衛計画の大綱等に関する WT（第 1 回）について〉，《2018 年 11 月 12 日(月)～2018 年 11 月 18 日(日)までの会議情報》，2019 年 3 月 28 日，《自民党》，https://www.jimin.jp/activity/conference/weekly.html?wk=-19。

[8] 新三大戰略領域為太空、網路、與電磁頻譜（Electromagnetic Spectrum）。

[9] 自民党，〈与党・新たな防衛計画の大綱等に関する WT（第 2 回）について〉，《2018 年 11 月 19 日(月)～2018 年 11 月 25 日(日)までの会議情報》，2019 年 3 月 28 日，《自民党》，https://www.jimin.jp/activity/conference/weekly.html?wk=-18；自民党，〈与党・新たな防衛計画の大綱等に関する WT（第 3 回）について〉，《2018 年 11 月 26 日(月)～2018 年 12 月 02 日(日)までの会議情報》，2019 年 3 月 28 日，《自民党》，https://www.jimin.jp/activity/conference/weekly.html?wk=-17；自民党，〈与党・新たな防衛計画の大綱等に関する WT（第 4 回）について〉，《2018 年 12 月 03 日(月)～2018 年 12 月 09 日(日)までの会議情報》，2019 年 3 月 28 日，《自民党》，https://www.jimin.jp/activity/conference/weekly.html?wk=-16。

案，並確認〈中期防〉五年（2019-23 年）總計 27 兆 4 千 7 百億日圓預算、增購 105 架 F-35 戰機（63 架 F-35A、42 架 F-35B）、同意統合幕僚監部新設統合司令部建立統合幕僚長與副長的分工，[10]並於 12 月 14 日提交給安倍首相。[11]

2018 年 12 月 18 日安倍內閣通過 2018 年〈防衛大綱〉與〈中期防〉，大幅增加 2019 到 2023 年國防預算為 27 兆 4 千 7 百億日圓。[12]〈防衛大綱〉共分七大部分：制訂宗旨、日本周邊安全環境、防衛基本方針、強化防衛力優先事項、自衛隊體制、防衛力基礎、與注意事項。

不同往例，〈防衛大綱〉開宗明義強調，自主保衛和平與安全是日本做為獨立國家的基本責任（我が国が独立国家として第一義的に果たすべき責任であり）。[13]日本須正視目前安全環境急速變化的嚴峻與不確定性，積極建構「跨域」（クロス・ドメイン，cross-domain）[14]且質量兼備的防衛力，而非延續過去政策主軸，特別在取得攸關存亡的太空、網路、與電磁頻譜（Electromagnetic Spectrum）的戰略優勢。也再次確認美日同盟嚇阻力對日本安全的不可或缺。

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10 公明党，〈与党ワーキングチーム 骨子案を大筋了承 「いずも」改修、専守防衛の範囲 新大綱と中期防〉，《ニュース》，2018 年 12 月 12 日，《公明党》，https://www.komei.or.jp/komeinews/p17860/。

11 公明党，〈首相「重く受け止め運用」 「いずも」改修 多機能の護衛艦として 与党 WT、新大綱と中期防で確認書提出〉，《ニュース》，2018 年 12 月 15 日，《公明党》，https://www.komei.or.jp/komeinews/p18106/。

12 防衛省，〈「平成 31 年度以降に係る防衛計画の大綱について」及び「中期防衛力整備計画（平成 31 年度～平成 35 年度）について」〉，《防衛大綱と防衛力整備》，2018 年 12 月 18 日，《防衛省》，http://www.mod.go.jp/j/approach/agenda/guideline/2019/pdf/20181218.pdf、http://www.mod.go.jp/j/approach/agenda/guideline/2019/pdf/chuki_seibi31-35.pdf。

13 防衛省，〈平成 31 年度以降に係る防衛計画の大綱について〉，《防衛大綱と防衛力整備》，2018 年 12 月 18 日，頁 1，《防衛省》，http://www.mod.go.jp/j/approach/agenda/guideline/2019/pdf/20181218.pdf。

14 防衛省，前揭書，頁 9，《防衛省》，http://www.mod.go.jp/j/approach/agenda/guideline/2019/pdf/20181218.pdf。

貳、日本安全環境變化與威脅

〈防衛大綱〉明確定義日本面對的七大安全威脅：國際權力平衡急速改變的嚴峻與不確定性、彈道飛彈攻擊、海空威脅、新領域威脅、島鏈威脅、多領域同步飽和攻擊、以及核武。

首先、〈防衛大綱〉以最多篇幅直指中國的綜合威脅與破壞國際秩序的單邊行為，包含：1.大幅增加國防預算目標 21 世紀中全面建成「世界一流軍隊」性，並以核武、飛彈、海空戰力為主，全面急速強化軍事的質與量且缺乏軍事透明。2.急速發展能癱瘓指揮系統與反衛星武器等太空、網路、與電磁頻譜領域優勢。3.發展反飛彈防禦、登陸能力、建構長程兵力投射，強化「反介入/區域拒止」(Anti-Access/Area Denial, A2/AD)能力，阻止他國在中國周邊的軍事接近與擴展。4.推動國防工業與軍事研發的軍民融合政策，致力研發尖端軍事科技。5.強化海上執法機關與軍隊的合作。6.擴大東海海空域軍事活動，並在釣魚台周邊派遣軍艦進行例行活動、公務船間歇性侵入領海。7.頻繁進出太平洋，擴大太平洋與日本海海空域軍事活動，進出路徑與部隊編成日趨多元化。8.大規模且急速於南海填海造陸並軍事化，同時擴大海空軍事活動。中國的軍事動向已經成為日本、區域與國際社會強烈的安全隱憂(我が国を含む地域と国際社会の安全保障上の強い懸念となっており)。[15]

第二、中國與俄羅斯在政經與軍事領域挑戰美國，試圖改變國際與區域秩序，加速權力平衡變化與不確定性。並以「混合戰」(hybrid war)[16]模糊軍事與非軍事手段，結合軍事與執法機關威脅他國主權以及運用網路操縱他國輿論，試圖形成利己的國際與區域秩序。這些灰色事態沒有明顯徵兆，但可能發展成更加嚴重的事態。

第三、北韓近年：1.頻繁試射彈道飛彈，快速強化飽和與機動攻擊能力。2.核武技術趨於成熟，可能達成核武小型化與彈頭化(既に実現しているとみられる)。3.不對稱戰力：以大量網軍與特戰部隊竊取機

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[15] 防衛省，前揭書，頁 4，《防衛省》，http://www.mod.go.jp/j/approach/agenda/guideline/2019/pdf/20181218.pdf。

[16] North Atlantic Treaty Organization, "NATO's response to hybrid threats", July 17, 2018, 《NATO》https://www.nato.int/cps/en/natohq/topics_156338.htm.

密情報與攻擊重要基礎設施。北韓的軍事動向「嚴重且迫切威脅日本安全，對區域與國際和平與安全有明顯危害」（我が国の安全に対する重大かつ差し迫った脅威であり、地域及び国際社会の平和と安全を著しく損なうものとなっている）。[17]〈防衛大綱〉強調國際社會必須合作以「完全、可驗證且不可逆」（complete, verifiable and irreversible dismantlement, CVID）方式，銷毀北韓所有大規模殺傷性武器與彈道飛彈。

第四、美國仍保有最大綜合國力，但中俄的戰略性競爭在不同領域挑戰美國，試圖改變世界與區域秩序。美國持續前緣部署維持對同盟國與夥伴國的安全承諾，但也謀求增加責任分擔。並將印太地區置於優先，強化同盟和夥伴關係。

第五、資通信與軍事科技的急速創新，導致各式威脅跨越國界，太空、網路及電磁頻譜等新領域突破傳統陸海空等傳統領域成為現代戰爭的主要特徵，未來作戰模式更加難以預測。各國追求新領域的科技優勢並致力取得尖端科技應用於武器研發如人工智慧（Artificial Intelligence, AI）、自律性無人武器系統，成為「遊戲規則改變者」（Game Changer）。此外網路與太空科技也廣泛應用於民生用途，如受攻擊將嚴重影響國家與國民安全。

第六、安全威脅日趨擴大與複雜化，成為國際社會今後必須面對的重要課題：1. 制訂太空與網路領域的國際規範。2. 海洋安全：公海上以單邊行為主張國家權力，影響各國飛航行自由。3. 核子、生物、化學等「大規模殺傷性武器」（Weapon of Mass Destruction, WMD）與彈道飛彈的擴散。4. 國際恐怖主義。

〈防衛大綱〉認定主要國家發生大規模武力衝突的可能性很低，但安全環境明顯急趨於嚴峻與高度不確定性。2013 年〈防衛大綱〉的「統合機動防衛力」[18]整合陸海空戰力，已無法有效因應威脅。中俄威脅已

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[17] 防衛省，前揭書，頁 5，《防衛省》，http://www.mod.go.jp/j/approach/agenda/guideline/2019/pdf/20181218.pdf。

[18] 防衛省，〈平成 26 年度以降に係る防衛計画の大綱について〉，《防衛大綱と防衛力整備》，2013 年 12 月 17 日，《防衛省》，

由傳統戰場擴大至太空、網路、電磁頻譜，嚴重威脅傳統領域指揮管制通訊與情報（指管通情）。須引進美軍「跨域作戰」概念，強化統合幕僚監部整合新舊戰略領域的戰力。

參、強化部隊統合運用

總體而言，2018 年〈防衛大綱〉第三到第六部分（防衛基本方針、強化防衛力優先事項、自衛隊體制、防衛力基礎）提出三大重點：第一、強化部隊統合運用。第二、調整陸海空自衛隊體制。第三、強化美日同盟與構築多邊安全體系。〈防衛大綱〉提及強化統合幕僚監部統合運用部隊的四大項目包含「多領域統合防衛力」（多次元統合防衛力，Multi-Domain Defense Force）、太空網路電磁頻譜能力、常態持續情監偵體系（常續監視體系）、以及「整合防空與飛彈防禦」（Integrated Air and Missile Defense, IAMD）。

一、多領域統合防衛力

〈防衛大綱〉核心概念「多領域統合防衛力」強調，整合太空、網路、電磁頻譜等新領域與傳統陸海空領域，即跨域與跨軍種的統合作戰能力，至關重要（死活的に重要になっている）。[19]大幅強化統合幕僚監部與統合幕僚長在跨域作戰統合運用的軍令角色：1.強化與「有機融合」[20]各領域能力（全ての領域における能力を有機的に融合し），大幅提升整體防衛力的加乘效果，克服個別領域劣勢。2.整合太空、網路及電磁頻譜與傳統領域能力、建立常續監視體系、綜合防空與反飛彈能力、強化島鏈防衛（包含距外、機動部署、續戰性與耐戰性）、以及海空優能力，以同時因應大量與多種海空威脅。3.優先挹注資源加強太空、網路、電磁頻譜能力，整合各領域強化指揮管制與通訊與情報（指管通情）能力。4.平時到緊急事態的無縫（シームレス）任務執行。須強化因應各種事態的任務續戰性與耐戰性。5.部隊運用策略：強化統合幕僚監部功

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https://www.mod.go.jp/j/approach/agenda/guideline/2014/pdf/20131217.pdf。

19 防衛省，前揭書，頁 9，《防衛省》，
http://www.mod.go.jp/j/approach/agenda/guideline/2019/pdf/20181218.pdf。

20 有機融合：推動陸海空自衛隊在任務、組織、指揮、訓練、裝備、人員等進行跨域作戰能力的整合。

能，建構跨域作戰體制與部隊統合運用策略，促進自衛隊在新舊領域的整合並迅速發揮整體戰力。

二、太空、網路、電磁頻譜能力

運用衛星進行情報收集、通訊、定位為跨域作戰必備能力。第一、建立「太空專門部隊」（宇宙領域專門部隊）統合運用太空能力。第二、建構地面至太空常續監視體系，確保隨時阻斷敵人指管通情的能力：1.採購「太空警戒監視」系統（Space Situational Awareness, SSA）、太空光學望遠鏡、與 SSA 雷射測距裝置。2.擴充 X 波段衛星通訊網，強化指管通情能力。3.運用準天頂衛星、情報衛星（Information Gathering Satellite, IGS）、與商用超小型衛星，確保備援性（冗長性）。第三、結合民間科技、強化「宇宙航空研究開發機構」（Japan Aerospace Exploration Agency, JAXA）與美國及相關國家合作。

網路的情報通訊網是自衛隊各種任務的基礎。第一、建立自衛隊共同「網路防衛部隊」（サイバー防衛部隊），提升指揮通訊系統與網路抗打擊性，強化情報收集與調查分析能力。第二、強化常續監視自衛隊的情報與通訊網路。第三、遭受攻擊時，能隨時阻斷敵人網路攻擊的反制能力、以及管控遭攻擊範圍與迅速恢復。第四、與民間及同盟國進行對話、合作與聯合演訓，掌握網路安全最新風險、對策與技術動向。

電磁頻譜應用範圍快速擴展，已成為現代戰爭的第一線領域，對跨域作戰至為關鍵。第一、統合幕僚監部新設專門單位統合運用電磁頻譜與企劃能力，以強化情報通信能力、情報共享體制、與提升癱瘓敵人雷達與通訊之能力。第二、提升「自動警戒管制系統」（Japan Aerospace Defense Ground Environment, JADGE），推動「防衛情報通信基盤」（Defense Information Infrastructure, DII），整頓自衛隊系統連結與數據鏈。第三、採購 F-35A 戰機與網絡化電戰裝置、提升 F-15 戰機與 EP-3 偵察機性能、引進「距外電戰機」（スタンド・オフ電子戦機）。第四、研發高功率電戰裝備（高出力の電子戦装備）、高功率微波裝置（高出力マイクロウェーブ装置）、電磁脈衝彈（Electromagnetic Pulse, EMP）等，能癱瘓敵方雷達與通訊的裝備。

三、常續監視體系

整合全領域能力，建構常續情報警戒監視與偵察體系（Intelligence, Surveillance & Reconnaissance, ISR），嚇阻事態發生與惡化。第一、新領域：新編太空領域專門部隊、共同網路防衛部隊、強化統合幕僚監部統合運用電磁頻譜能力，常續監視太空、網路、電磁頻譜領域，預防事態發生，並收集與分析相關情報。平時至緊急事態確保太空、網路、電磁頻譜優勢，發生攻擊時，具備阻止與排除攻擊能力。第二、傳統領域：於日本周邊包含太平洋側海空域進行常續監視，強化早期預警能力。1.採購多功能新型護衛艦（Frigate Multipurpose, FFM）、潛艦、巡邏艦、P-1 巡邏機、SH-60J 與 SH-60K 巡邏直升機、艦載型無人機、E-2D 早期預警機、Global Hawk 無人機。2.延役現有護衛艦、潛艦、P-3C 巡邏機、SH-60J 與 SH-60K 巡邏直升機。提升 P-1 巡邏機、E-767 早期預警機、超視距雷達（Skywave Over-the-horizon radar, Skywave OTH）性能。3.新型護衛艦採多梯次輪勤增加運轉天數並搭配新型巡邏艦。4.引進實驗潛艦提高潛艦部隊使用率。5.航空警戒管制部隊新編一個警戒航空團，整備太平洋側島嶼作為運用移動式雷達之基地，維持無縫的常續監視體系。

四、綜合防空與反飛彈能力

第一、整合陸自地對空飛彈與反飛彈部隊、海自神盾艦、與空自地對空飛彈部隊，建立統合運用與多層防護體系，以同時因應大量多種空中威脅並管控損害。第二、提升現有神盾艦（Guided Missile Destroyer, DDG）與愛國者三型飛彈（PAC-3）能力。第三、採購陸基神盾系統（Aegis Ashore）、標準三型飛彈（SM-3 Block IB, SM-3 Block IIA）、愛國者三型增程飛彈（PAC-3 MSE）、遠程艦對空飛彈（SM-6）、中程地對空飛彈。第四、強化飛彈偵測與尾隨能力，統一指揮各種防空裝備。採購「自動警戒管理系統」與「防空指揮管制系統」（Air Defense Command and Control System, ADCCS）。第五、研發新型固定式雷達、E-2D 共同作戰能力（Cooperative Engagement Capability, CEC）、通用型護衛艦（General-Purpose Destroyer, DD）、聯合射控系統（Fire Control Network, FC Network）、與衛星搭載 2 波長紅外線感應器。第六、陸自新編兩支反飛彈部隊、空自維持地對空飛彈部隊的 24 個高射隊，並將 6 個高射群改編為 4 個高射群。第七、飛彈以及游擊與特戰攻擊同時發生時，提升警戒監視、搜索與殲滅攻擊核電廠等重要設施的敵軍之能力。採購警

戒監視設備、機動戰鬥車、CH-47JA 運輸直升機、無人機等。第八、持續檢討日本防空與反飛彈能力，強化美日共同嚇阻力。

肆、調整陸海空自衛隊體制

〈防衛大綱〉提及調整陸海空自衛隊體制以強化全時全境的跨域作戰能力，包含三大項目：島鏈防衛、取得與維持海空優、以及改革國防工業。

一、島鏈防衛

第一、機動部署能力：1.強化統合幕僚監部統一指揮調度與管理運輸能力。2.建構海上運輸共同部隊，強化快速大規模運送基本作戰部隊與後勤支援的統合運輸能力。3.空中運輸明確分工，採購 C-2 運輸機與 CH-47JA 運輸直升機，加速部署 V-22 魚鷹式直昇機。4.新編「兩棲機動打擊部隊」（水陸機動連隊），強化與海自艦艇的聯合演訓。5.基本作戰部隊（一個機動師團、兩個機動旅團）配備能空運的機動戰鬥車、新編「機動打擊部隊」（即応機動連隊）、持續部署警備部隊至西南諸島、新編地對空飛彈部隊與地對艦飛彈部隊。

第二、「距外」（standoff）防衛能力：1.採購距外武器，從敵人威脅區外打擊進犯的艦艇與登陸部隊：聯合打擊遠程飛彈（joint strike missile, JSM）、聯合空對地距外飛彈（joint air-to-surface standoff missile, JASSM）、遠程反艦飛彈（long range anti-ship missile, LRASM）、島嶼防衛的高速滑空彈與地對艦飛彈。2.研發高超音速飛彈（hypersonic missile）。

第三、提升續戰性和耐戰性（持続性・強靭性の強化）：提升彈藥與燃料補給、海上運輸線安全、與重要基礎設施防護。1.分散、修復、與替換自衛隊運用基礎，多層次提升耐戰性。2.改革後勤補給提升效率與裝備妥善率。3.面對飛彈與軍機等空中攻擊，管控損害並維持自衛隊戰力基礎。4.面對游擊與特戰攻擊，保護核電廠等重要設施並搜索與殲滅入侵部隊。

二、維持海空優

有效因應攻擊，保持海空優是極其重要之事（極めて重要）。機動部署時須確保海空優，阻止進犯部隊的逼近與登陸。難以保持海空優

時，從距外阻止逼近與登陸。喪失海空優時，須全力奪回。

空優：第一、改編航空警戒管制部隊的 8 個警戒群與 20 個警戒隊為 28 個警戒隊，常續監視日本空域。新編一個警戒航空團與一個戰機飛行隊，強化因應灰色事態與長時間滯空進行警戒監視與管制。新編一個無人機飛行隊，進行偏遠地區情報收集與緊急事態空中監視。第二、提升整體空防能力：1.採購 F-35A 與 F-35B 戰機取代不適現代化的 F-15 戰機。2.採購 KC-46A 空中加油機並新編一個空中加油飛行隊，擴大戰機部隊與警戒航空部隊任務範圍。3.強化太平洋側空防，改裝出雲級多功能直升機護衛艦（Helicopter Destroyer, DDH），必要時搭載 F-35B 戰機因應空域攻擊與警戒監視。4.提升 F-15 戰機電戰能力、搭載距外飛彈、提高飛彈搭載量。第三、新編一個空中運輸飛行隊，遂行地面部隊的機動部署。第四、提升 F-2 戰機網路化作戰能力。

海優：第一、進行常續監視海域、反潛戰、反水雷戰，確保日本周邊海域與航道安全：1.建立四個核心護衛艦隊群：一艘直升機護衛艦與兩艘神盾艦。2.建立兩個護衛隊群提升各種任務能力：採購新型護衛艦（FFM）與掃雷艦。3.新編巡邏艦部隊（哨戒艦部隊），強化周邊海域平時警戒監視。4.採購 MCH-10 運輸直升機與 US-2 救難飛行艇。5.延役現有護衛艦。第二、強化潛艦部隊，進行日本周邊水下常續監視。引進實驗潛艦，提升潛艦部隊運用效率。提升水下無人載具（unmanned underwater vehicles, UUV）在水下與水面活動能力，強化周邊海域常續監視。第三、升級 P-1 巡邏機隊，進行情報收集與警戒監視。第四、採購陸基增程反艦飛彈與空對艦飛彈。導入滯空無人機強化太平洋側監視能力。

三、改革國防工業

（一）改革裝備體系

強化統合幕僚監部功能，從統合運用角度改革裝備體系。同時基於各自衛隊核心能力，進行裝備通用化與最適用化、統一採購共用裝備、減少軍機種類、淘汰不重要裝備、以及中止或修改低成本效益（cost-effectiveness）的計畫。整合各自衛隊裝備體系，引進尖端新裝備同時延長裝備使用年限並提升性能，確保防衛力必要與充分的質與量。強化包含研發在內的裝備「生命週期」（ライフサイクル，life cycle）計畫管理，減低生命週期成本，提升成本效益比。「選擇與集中」（選択と

集中)尖端科技,重點投資,改革研發程序與效率,大幅縮短研發時間。運用人工智慧(AI)於情報分析與部隊運用決策等。採購無人機(Unmanned Aerial Vehicles, UAV)、水面無人載具(Unmanned Surface Vehicles, USV)、水下無人載具、並推動無人化科技研發。應用遠距遙控科技於新型護衛艦(FFM)、潛艇、與雷達站等。

（二）強化技術基礎

1.優先重點投資 AI 等能「改變賽局」(ゲーム・チェンジャー,game change)的尖端科技,確保戰略裝備與科技優勢。從未來統合運用角度修正中長期科技預測,從戰略角度籌劃未來中長期軍事科技研發方向。2.推動「選擇與集中」投資最尖端科技,合理化研發流程,大幅縮短研發時間:島嶼防禦高速滑空彈、新型地對艦飛彈、水下無人載具、高超音速飛彈等的研發。並研發初期運用「批次化」(ブロック化,block)、[21]「模組化」(モジュール化,module)等方法,驗證科技應用或分析替代方案,提前了解裝備性能。3.活用「安全保障技術研究推進制度」,[22] 推動尖端民用科技轉為軍用。以公開招募提案,預劃未來防衛力所需的研發,鼓勵企業先期投資,激發民間研發能量。並擴大與大規模投資改變局勢科技的美國等國家的合作與互補關係,推動共同研發。4.運用與創設智庫調查與分析國內外先進科技趨勢,早期發現與育成創新及萌芽技術。

（三）最適化裝備採購制度

1.確保自衛隊裝備的質與量,須盡可能低價取得高性能裝備,預算編列需進行徹底的成本控制。活用包含長期契約在內的所有有助提升裝備採購效率的制度,擴大「效益後勤」(Performance Based Logistics, PBL)契約運用,以提升裝備維護的實際效果。確保高妥善率,擴大應用高成本效益的契約制度、官商間後勤補給資訊共享、推動國際採購高精密 3D 列印與零組件。2.強化裝備採購的「生命週期」計畫管理。推進裝備取得的效果與效率,制定適當制度降低裝備從開發到量產階段的成

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[21] 批次化即量產武器裝備時,因應需要進行小規模改良,但改良幅度不致改變武器型號時,便以 block 區分不同量產批次。批次化能提升武器後勤與維修的精準度。

[22] 防衛裝備廳於 2015 年提出的研發制度。

本。歸結民間領域製造裝備品的成功案例、活用民間知識，積極推動計畫競爭式的競標制度、嚴格管制成本，以裝備的「生命週期」進行計畫管理，提升實效與靈活度。在擴大計畫管理的裝備時，須考慮包含「生命週期」成本、型號、計畫改進等，以提升標準。關於換算無市場價格的裝備，應改善計算方式，仔細精算製造裝備所需的加工成本，以合理計算成本費用，以利建構裝備採購的適當價格標準資料庫。3.成本效益比低的國內採購，應考慮直接進口以減低成本。減少獨有專用的型號，以促進國內與國際企業間的競爭。並推動國際聯合研發與生產以及海外轉移。4.強化「外國軍售」（Foreign Military Sales, FMS）採購合理化：基於交貨日期管理的重要性，透過協商與美國政府緊密合作。盡量整合日本與美軍採購裝備的型號與時間點，執行採購過程，適時適當的進行管理。

（四）強化防衛產業基礎

國防工業對防衛裝備的生產、運用、取得與維護是不可缺的基礎。確保高性能裝備的生產與妥善率，需克服少量多樣的高成本化、國際競爭力不足等問題。1.導入企業評價制度做為評比標準、提供企業獎勵、改革契約制度、引進民間知識與技術、與強化裝備供應鏈，以創造理想競爭環境。推動軍用科技轉為民用，以及民間科技轉為軍用。調查裝備供應鏈強化風險管理。促進日本國防工業參與進口裝備的維修與採購。2.防衛裝備品出口須符合防衛裝備移轉三原則，在政府一體策略下，推動裝備出口。預防裝備與重要科技外流，須加強智慧財產權管理、技術管理、與情報保全。運用日本科技優勢與進行國際聯合研發與生產。並以此為基礎進行可能的企業整合與重組，強化與效率化日本防衛產業。

伍、強化美日同盟與構築多邊安全架構

〈防衛大綱〉強調美日同盟是保障日本安全不可或缺的基礎，日本必須以美日同盟為主體並基於「積極和平主義」（積極的平和主義），[23]積極建構「多邊多層」（Multifaceted and Multilayered）的安全架構，以建

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[23] 参議院，〈参議院議員藤末健三君提出積極的平和主義の定義と英訳に関する質問に対する答弁書〉，《質問主意書》，2015 年 9 月 11 日，《参議院》，http://www.sangiin.go.jp/japanese/joho1/kousei/syuisyo/189/touh/t189270.htm。

構理想的安全環境，維護日本與區域的穩定與安全。

一、強化美日同盟

依〈美日防衛合作指針〉（The Guidelines for U.S.-Japan Defense Cooperation）[24]發揮日本的主體作用，強化美日同盟的嚇阻力與應變力：1.平時至緊急事態，強化情報共享、深化任務合作與政策調整（特別是太空與網路）、綜合防空與反飛彈、共同演訓、共同 ISR 活動、擴大共同嚇阻措施與協商、共同任務與計劃的制定與更新、強化對美軍機艦防護與後勤支援。2.擴大合作領域：a.維護自由開放的海洋秩序，於印太地區提高美日軍事態勢、協助建構海洋能力、「人道與災害救援」（Humanitarian Assistance/Disaster Relief, HA/DR）、打擊海盜等。b.推動裝備通用與網路共享、支援美軍於日本周邊持續活動、確保日本維修美製裝備的能力、情報與情報保全合作。c.促進共同理解防衛力強化的優先領域。d.以「外國軍售」（FMS）有效率取得美國尖端裝備並推動共同研發。e.推動共同使用設施與區域，以提高耐戰性。3.確實執行駐日美軍政策，推動駐日美軍再編維持嚇阻力。

二、建構「多邊多層」（Multifaceted and Multilayered）安全架構

此外以美日同盟為主體建構「多邊多層」安全網絡，以建構理想的安全環境。強化與維持美國對日本與印太地區的承諾，以自由開放印太構想（自由で開かれたインド太平洋），[25]與共享價值與安全利益的夥伴國家密切合作。考量地區特點與各國情勢，推動多邊多層安全合作：促進兩國與多國的安全合作：高層交流、政策對話、聯合演訓、防衛裝備與技術、「能力構築」（Capacity Building），[26]提升自衛隊與各國軍隊的共同操作性等安全合作。

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[24] 防衛省，〈日米防衛協力のための指針〉，《日米安全保障体制》，2015 年 4 月 27 日，《防衛省》https://www.mod.go.jp/j/approach/anpo/shishin/shishin_20150427j.html。

[25] 外務省，〈自由で開かれたインド太平洋の維持・促進に向けた日米協力の例〉，《日米首脳会談》，2018 年 9 月 26 日，《外務省》，https://www.mofa.go.jp/mofaj/files/000403218.pdf。

[26] 防衛省，〈防衛省・自衛隊による能力構築支援〉，《各国との安全保障協力・対話、防衛協力・交流》，2019 年 3 月 27 日，《防衛省》，https://www.mod.go.jp/j/approach/exchange/cap_build/。

第一、澳洲：進行外交和國防部長「2 + 2 對話機制」，[27]推動聯合演訓、提升共同操作性、裝備與技術合作、能力構築計畫合作。加強美日澳共享價值和戰略利益合作關係。第二、印度：加強「全球戰略夥伴關係」(戦略的グローバル・パートナーシップ)，[28]運用「2＋2 對話機制」，[29]推動海洋安全合作、聯合演訓、裝備與技術合作。同時加強美日印三國合作。第三、東南亞：支持東協（ASEAN）主體與一體性，推動聯合演訓、裝備與技術合作、能力構築等兩國與多國合作。第四、韓國：推動廣泛的安全合作，穩固合作基礎。繼續加強美日韓三國合作。第五、英法：穩定印太地區海洋秩序，運用「2 + 2 對話機制」，[30]推動聯合演訓、防衛裝備與技術合作，共同協助第三國的合作。加強與「北大西洋公約組織」(North Atlantic Treaty Organization, NATO）與歐盟合作。第六、加拿大和紐西蘭：推動聯合演訓、共同協助第三國的合作。

第七、中國：促進相互理解和信任，推進多層次對話、談判與交流。促使中國對印太地區和平與穩定，履行負責與建設性角色。促使中國遵守國際行為準則、提高軍事透明度。啟用「中日防務當局海空聯絡機制」（日中海空連絡メカニズム）[31]避免意外狀況。冷靜堅決因應中國在日本周邊海域活動。第八、俄羅斯：增進相互了解與信任，從「2 + 2 對話機制」[32]到高層交流與廣泛政府機關交流，深化聯合演訓。第九、太

27 外務省，〈日豪外務・防衛閣僚協議（「2＋2」)〉，《オーストラリア連邦》，2018 年 10 月 10 日，《外務省》，https://www.mofa.go.jp/mofaj/area/australia/2plus2/index.html。

28 外務省，〈日インド特別戦略的グローバル・パートナーシップのための東京宣言〉，《日・インド首脳会談（概要)》，2014 年 9 月 1 日，《外務省》，https://www.mofa.go.jp/mofaj/files/000050478.pdf。

29 外務省，〈日印首脳会談〉，《インド》，2018 年 10 月 29 日，《外務省》，https://www.mofa.go.jp/mofaj/s_sa/sw/in/page1_000692.html#section2。

30 外務省，〈第 3 回日英外務・防衛閣僚会合〉，《第 3 回日英外務・防衛閣僚会合（「2＋2」)》，2017 年 12 月 14 日，《外務省》，https://www.mofa.go.jp/mofaj/files/000317793.pdf；外務省，〈第 5 回日仏外務・防衛閣僚会合（「2＋2」)〉，《フランス共和国》，2019 年 1 月 11 日，《外務省》，https://www.mofa.go.jp/mofaj/erp/we/fr/page4_004640.html。

31 海上自衛隊幹部学校，〈日中海空連絡メカニズム　－運用開始の意義と評価－〉，《コラム》，2018 年 6 月 6 日，《海上自衛隊幹部学校》，https://www.mod.go.jp/msdf/navcol/SSG/topics-column/col-105.html。

32 外務省，〈日露外務・防衛閣僚協議（「2+2」)〉，《ロシア連邦》，2017 年 3 月 20 日，

平洋島國：自衛隊靠港或降落時，利用自衛隊能力與特長，促進交流與合作。第十、中亞、中東與非洲：建立與加強合作關係包括高層交流。聯合國維和活動相關的能力構築等合作。第十一、多邊框架：東亞峰會（East Asia Summit, EAS）、東協國防部長擴大會議（ASEAN Defense Ministers' Meeting-Plus, ADMM Plus）、東協區域論壇（ASEAN Regional Forum, ARF）。

三、因應全球性議題

第一、海洋安全：開放與安定的海洋是身為海洋國家日本的和平繁榮基礎。確保印度洋飛航自由與安全，推動與印度、斯里蘭卡與東南亞沿岸國強化海上安全能力的合作。聯合演訓、裝備與技術合作、能力構築、情報共享、積極靠港、打擊海盜、「海域體認」（Maritime Domain Awareness, MDA）等合作。積極展現日本維護海洋秩序與安定的意志與能力。第二、太空領域：參與相關國家的磋商、情報共享、多國演習，促進整體「太空警戒監視」（SSA）與衛星能力等各領域合作。第三、網路領域：加強共享威脅識別、網路攻擊對策、參與多邊演習等。第四、大規模殺傷性武器、彈道飛彈、敏感科技擴散：與相關國家及國際組織推動不擴散、參與「致命自律性武器系統」（Lethal Autonomous Weapons Systems, LAWS）相關議題的國際聯合軍備控制與裁軍活動。第五、國際維和：以 2015 年「新安保法制」（平和安全法制）[33]為基礎，考慮派遣目的、對象國狀況、政經關係等。善用累積的經驗、人力資源養成、派遣擔任當地任務指揮部的重要成員、在日本擅長的能力構築領域等積極貢獻。長期穩定運用吉布地的自衛隊基地，以打擊海盜實現區域的安全合作。

陸、結論

從新〈防衛大綱〉與〈中期防〉的內容與制訂過程可歸納九項結論。第一、變動中的日本國家安全體制。雖然〈防衛大綱〉不斷強調日本安

《外務省》，https://www.mofa.go.jp/mofaj/erp/rss/hoppo/page1_000316.html。

33 首相官邸，〈国の存立を全うし、国民を守るための切れ目のない安全保障法制の整備について〉，《安倍内閣総理大臣記者会見》，2014 年 7 月 1 日，《首相官邸》，https://www.kantei.go.jp/jp/96_abe/statement/2014/0701kaiken.html。

全環境正急遽改變，但國家安全保障戰略並未同步修改，主因有三：首先，國際局勢仍具高度不確定性的快速變化當中，特別是中美貿易戰、美朝去核化談判、與川普的連任仍充滿未知數。其次，如果安倍在 2019 年推動修憲成功，勢將徹底改變日本國家安全體制。最後，若修憲未果，安倍內閣改革安全體制的備案也將大幅牽動國家安全保障戰略。

第二、建立部隊運用雙軌制。2013 年〈防衛大綱〉雖強調統合運用概念但僅限於傳統戰略空間，雖提及太空、網路、與電磁頻譜的重要性，但未提及結合新戰略領域的跨域作戰。新〈防衛大綱〉除維持陸海空自衛隊傳統核心能力的部隊運用外，特別強調統合幕僚監部在跨域作戰的統合運用軍令權：新三領域、常續監視體制、綜合防空與反飛彈能力等。

第三、統合幕僚監部的政策影響力與軍令權大增。過去部隊運用權多歸屬各自衛隊，統合幕僚監部的統合運用功能非常有限。2018 年〈防衛大綱〉提出新舊戰略領域的跨域作戰，大幅強化統合幕僚監部與統合幕僚長的實質軍令指揮權以及政策影響力。

第四、自衛隊任務範圍擴大與性質改變。新〈防衛大綱〉提及的自衛隊任務範圍已由 2013 年〈防衛大綱〉強調的西南諸島延伸至太平洋側的海空域。也透過美日同盟與印太構想的多邊多層安全網絡，將自衛隊任務範圍從維護南海與印度洋海域與航道安全，一路延伸至國際維和任務的東非吉布地基地，並強調會長期穩定運用。此外，〈防衛大綱〉強調自衛隊必須擁有在太空、網路、電磁頻譜領域，主動阻斷敵人攻擊的反制能力。換言之，自衛隊專守防衛的任務性質也須與時俱進對應現代戰場型態的改變。

第五、「敵基地反擊能力」的化整為零。新〈防衛大綱〉雖未納入「敵基地反擊能力」，卻開始逐步落實各項必要能力的建構，如配套的大規模武器系統的整備、跨域作戰的指管通勤與常續監視體系的建立、軍事準則（military doctrine）的更新、以及新的任務整合與訓練等。

第六、出雲號改裝的本質。〈防衛大綱〉強調改裝後的出雲號並非憲法不允許的裝備，政府見解從未改變。實際上出雲號在 2008 年設計時便設想做為軍機的臨時載台與訓練平台，而非常態部署的航母。出雲號做為反潛與兩棲作戰載台，戰略威脅性遠高於輕航母。實在毋須看圖說故事臆測日本企圖以出雲號做為輕航母的陰謀論。

第七、學術界反戰不動如山。新〈防衛大綱〉雖不斷強調研發與應用尖端軍事與民間科技於現代戰爭的重要性，尤其在太空、網路、電磁頻譜領域。但日本學術界堅決反戰及拒絕與防衛省合作的態度並沒有改變。日本學術會議在 2017 年 3 月 24 日發佈《關於軍事性安全保障研究》聲明（軍事的安全保障研究に関する声明），繼承 1950 年與 1967 年拒絕以戰爭目的進行研究的兩個聲明。[34]嚴厲批判防衛裝備廳的「安全保障技術研究推進制度」可能造成政府介入學術研究以及背離研究者原意將研究成果轉為軍事目的。並要求各大學對相關研究主題進行審查。新〈防衛大綱〉與〈中期防〉只是口號式不斷強調與民間共同研發的重要性，卻未提出具體有效的方法。

第八、國防工業欲振乏力。令人訝異的是，新〈防衛大綱〉並沒有針對振興日本國防工業提出任何具強大市場誘因的具體對策。〈防衛大綱〉提及的多年期契約、PBL、「生命週期」計畫管理、競爭型契約制等作法已是陳腔濫調。多年期契約只是把原來防衛省與各承包商的「非正式默契」契約化，避免之前富士重工因 AH-64D 攻擊直昇機個案提告防衛省的尷尬局面，[35]並沒有提供新的市場誘因。日本國防工業畸形的產業結構：[36]寡頭獨佔、轉包給數以千計的軍需中小企業、以及國防生

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[34] 1950 年「絕不進行戰爭目的科學研究」聲明（戦争を目的とする科学の研究は絶対にこれを行わない）。日本学術会議，〈戦争を目的とする科学の研究には絶対従わない決意の表明〉，《提言・報告等【1950 年（昭和 25 年）】》，1950 年 4 月 28 日，http://www.scj.go.jp/ja/info/kohyo/01/01-49-s.pdf；1967 年「不進行軍事目的科學研究之聲明」（軍事目的のための科学研究を行わない声明）。日本学術会議，〈軍事目的のための科学研究を行なわない声明〉，《提言・報告等【967 年（昭和 42 年）】》，1967 年 10 月 20 日，http://www.scj.go.jp/ja/info/kohyo/04/07-29-s.pdf。

[35] 防衛省在 2001 年向富士重工訂購 62 架美國波音公司授權製造的 AH-64D 攻擊直昇機。富士重工表示事前曾與防衛省達成共識，由富士重工與中下游製造商共同墊付四百多億日圓授權製造權利金與生產線設備採購費用，再平均分攤到每架的採購單價。但防衛省從 2002-2007 年採購 13 架後便片面終止契約。2010 年 1 月 15 日富士重工正式提出民事訴訟，向防衛省追討墊支的剩餘費用。2015 年 1 月 29 日東京高等裁判所做出判決，防衛省必須賠償 351 億 2394 萬日圓。SUBARU，〈訴訟（控訴審）の判決に関するお知らせ〉，2015 年 1 月 29 日，《SUBARU》，https://www.subaru.co.jp/press/news/2015_01_29_174/。

[36] 郭育仁，〈武器出口禁令下的日本國防工業〉，《遠景基金會季刊》，第 14 卷第 3 期，2013 年 7 月，頁 1-54。

產的副業化與邊緣化的狀況日益嚴重，導致核心技術外流的極高風險。日本大型重工體質的不願也無法競爭的現狀：[37]頂尖人才與設備皆投於高回收的商業研發與生產、國防生產部門缺乏專業國際談判與投標的人才、知識、與體制。在三菱重工完成 38 架 F-35A 的授權製造後，新增採購的 105 架皆採整機進口的狀況下。日本國防工業的延命方式，只能靠 F-2 後繼機的自主研發生產。

第九、釜底抽薪的嚇阻力。防衛能力上，日本正致力「抵銷戰略」（off strategy）與戰略科技研發，但前景不明。防衛體制上，推動修憲鬆綁自衛隊運用的任務性質與範圍，以有效因應周邊威脅。預料如果在能力與體制上都無法因應日漸升高的威脅，日本可能採釜底抽薪的嚇阻力。然而安倍將如何有策略地挑戰和平憲法與相關限武法規值得深入觀察。

[37] 郭育仁，〈日本國防工業的非競爭體質與澳洲潛艦個案〉，2016 年 5 月 16 日，《台北論壇》，http://140.119.184.164/view_pdf/285.pdf。

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Taiwan's New South Bound Policy and the Prospect of Security Cooperation with Southeast Asia

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Abstract

This paper contends that Taiwan's New Southbound Policy is not just a trade and economic policy, but should be located at the strategic level and taken as part of Taiwan's foreign and security policy. To seek a common ground on which the goal of "forging a sense of community" may be achieved, the paper briefly explores national security policy and practice of five ASEAN members, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam. It is found that the South China Sea issue and the rise of China may not necessarily be a common concern for the five countries. Instead, they all prioritize maritime security and other internal security issues. To establish some commonality between Taiwan and the Southeast Asian countries, this paper suggests that Taiwan should first promote itself as a case to test the notion of "rules-based order," because even if China may not be taken as an existential threat for Southeast Asian countries, it's rise to a hegemon still poses certain risks that need to be managed collectively. Second, the paper suggests that Taiwan may seek security cooperation with its neighbors through capacity-building/enhancing projects that are concrete and less politically sensitive, so as to cultivate substantial relationships on a step-by-step basis.

Keywords: *Securitization, Political Security, Maritime Security, New Southbound Policy, Southeast Asia*

台灣的新南向政策及其與東南亞之安全合作前景

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摘　要

本文申論台灣的新南向政策不應僅被視為一個經貿政策，而亦應在戰略層次上被定位為安全與外交政策之一環。由於新南向政策的目的之一為建立「共同體意識」，本文乃藉由簡要回顧東協五個成員國–印尼、馬來西亞、菲律賓、泰國、與越南–的安全政策與實踐，試圖識別台灣與這些國家之間可有的共同基礎。本文發現，南海議題與中國的崛起並不必然是這五個國家的共同關切；相對的，它們皆將海事安全與其他內部安全的議題列為政策的優先考量。因此，為建立台灣與這些國家之間的共通性，台灣首先應將自身表述為「以規則為基礎的國際秩序」之試金石，因為即使中國並不被東南亞國家視為生存威脅，其之崛起為區域霸權的事實仍帶來某些風險，並需要區域國家的集體經營。其次，台灣應透過能力建構的計畫尋求與周邊國家的安全合作，因為這些計畫既符合其具體需求，政治上的敏感度亦相對較低，而有助於以逐步的方式建構實質的關係。

關鍵詞：安全化、政治安全、海事安全、新南向政策、東南亞

I. Introduction

On August 16, 2016, Taiwan's President Tsai Ing-wen convened a meeting on international economic and trade strategy and adopted the "Guidelines for the New Southbound Policy." The New Southbound Policy (hereafter, the NSP) aims at strengthening Taiwan's relations with Southeast Asian countries, South Asian Countries, Australia and New Zealand through economic collaboration, talent exchange, resources sharing, and forging regional links. In the two stated "overall and long-term goals" the first stipulates that the policy seeks to forge a "sense of economic community" between Taiwan and the target countries, while the second also refers to the cultivation of "mutual trust and sense of community."[1]

The official discourse posits the NSP as a trade and economic policy. As a trade and economic policy, however, the goal of forging a "sense of economic community" seems redundant. In both theory and practice, the development of inter-state economic relations in terms of integration is usually described as evolving from free trade area to custom union, common market, economic union, and to political union.[2] Major regional integration projects such as the North America Free Trade Area (NAFTA), Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and Regional Comprehensive Economic Partnership (RCEP) are instances of the first stage, while the most "mature" case of regionalism, the European Union, is at the stage of economic union. Regardless of what stage they are at, none of these projects requires or foresees an element of "sense of community." It is therefore contended that if the NSP is driven by the pursuit of economic interests, a sense of economic community is not a

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1 "President Tsai convenes meeting on international economic and trade strategy, adopts guidelines for 'New Southbound Policy'," Office of the President, Taiwan, August 16, 2016, http://english.president.gov.tw/Default.aspx?tabid=491&itemid=37868&rmid=2355.

2 John J. Wild, Kenneth L. Wild & Jerry C.Y. Han, *International Business: The Challenges of Globalization* (Upper Saddle River, N.J.: Pearson Prentice Hall, 2010, 5th edition), pp. 218-220.

necessary condition but an overstatement.

There is therefore some space for the NSP to be re-interpreted. For some, the emphasis on "people to people connectivity" is crucial and is what makes the NSP more of a social-economic policy than pure economic diplomacy.[3] This paper suggests that the NSP should be located at the strategic level and taken as part of Taiwan's foreign and security policy. There are two reasons for this. First, what makes the *New* Southbound Policy "new" is its reference to the "Southward Policy" that was put forth in 1993-4. One objective of the latter, among others, was "to create local job opportunities, facilitate economic development, and raise the income level, so as to substantiate Taiwan's relationships with Southeast Asian countries and enhance its role in *regional security system*."[4] Second, what makes the NSP to emphasize a southern orientation is a desire to manage if not halt the business sector's inclination to move "westwards" to China. The politics of "south versus west" in Taiwan dated back to 1995 when the ex-Democratic Progression Party (DPP) Chair Hsu Hsin-liang crafted the term "boldly heading west" [大膽西進] to encourage the people of Taiwan to engage with China with confidence and braveness. In this context, redirecting Taiwan's business to South and Southeast Asia is never a pure economic reasoning but reflects a political and security calculation that aims to reduce Taiwan's economic reliance on the Chinese market so as to counter the danger of China's "using economics to promote unification" [以經促統] strategy.

Political and security concerns are intrinsic to the NSP, although it has to be made clear that this judgement is not the official stance. The NSP implies re-positioning Taiwan from being at the margin of China to being

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3 Cf. Hsin-Huang Michael Hsiao & Alan H. Yang, "Repositioning Taiwan in Southeast Asia: Strategies to enhance People-to-People Connectivity," *NBR Brief*, January 11, 2018, http://www.nbr.org/research/activity.aspx?id=832.

4 "Joint Meeting Record of the Foreign and Overseas Compatriot Affairs, Economics, and National Defense Committees, the 2nd Session of the 2nd legislature," *Legislative Yuan Bulletin*, Vol. 82, No. 73, December 22, 1993, p. 417. Italics added.

part of a wider region that is now called the "Indo-Pacific." Forging a "sense of economic community" is not only about trade and economic interests, but also about securing Taiwan's economic, social, and political autonomy.

Based on this tenet, this paper explores Taiwan's security relations with Southeast Asian countries, i.e. member states of the Association of Southeast Asian Nations (ASEAN). The second section briefly reviews the current security relations between Taiwan and ASEAN and discusses the reasons for their weak ties. To close the gap and identify common ground on which a sense of community may be constituted between Taiwan and its southern neighbors, the third section explores the security discourse and practice of some of the ASEAN members. The fourth section then proposes some possible areas of cooperation. The final section concludes the findings.

II. A Glance at Taiwan- ASEAN Security Relations

Taiwan's current security relations with ASEAN and its member states are weak. The only inter-state military cooperation is Project Starlight, a Taiwan-Singapore agreement signed in 1975 regarding the training of Singaporean troops in Taiwan. At the regional level, Taiwan has been excluded from the ASEAN-led security architecture such as the foreign ministerial-level ASEAN Regional Forum (ARF), the leader-level East Asia Summit (EAS), and the defense ministerial-level ASEAN Defense Ministers Meeting Plus (ADMM+).[5] Taiwan can only take part in semi-official platforms such as Shangri-La Dialogue (SLD) and Track 2 processes like the Council for Security Cooperation in the Asia-Pacific (CSCAP).

There are three reasons for Taiwan's absence in regional security cooperation. First, since the end of World War II, the United States has maintained a hub-and-spokes system of bilateral alliances in Asia with the

[5] For a discussion on security cooperation in East Asia, see Cheng-Chwee Kuik, "Institutionalization of Security Cooperation in East Asia," in Alice D. Ba, Cheng-Chwee Kuik, and Sueo Sudo, eds., *Institutionalizing East Asia: Mapping and Reconfiguring Regional Cooperation* (Abingdon: Routledge, 2016), pp. 81-106.

United States at the center.[6] This arrangement provided little incentives for the "spokes," which included South Korea, Japan, Taiwan (up to 1980), the Philippines, Thailand, Australia and New Zealand (the US-New Zealand security relationship suspended in 1986) to engage in defense and security cooperation. Only since 2000 or so and facing uncertain US security commitment to the region as well as the rise of China have some of the Asian countries begun to establish bilateral security ties among themselves.[7]

Second, China has established diplomatic relations with all the ASEAN members by 1991, with its "one-China principle" severely constraining the space in which the ASEAN members can engage with Taiwan.[8]

Third, China's fast-growing economy provides benefits for countries in the region. In the 1997-1999 Asian economic crisis, ASEAN members found International Monetary Fund (IMF) conditions intrusive, inappropriate, and insensitive to the environment where the affected countries found themselves, and also questioned the reluctant stance of the US. On the contrary, China not only pledged to help Thailand, but also upheld its promise of not devaluing its currency. This contrast made it possible that China began to be perceived by ASEAN as a valuable partner, if not a regional leader.[9] China is now ASEAN's largest—and ASEAN is China's third largest—trading partner. Their import-export relations can be summarized as Figure 1.

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6 Christopher Hemmer & Peter Katzenstein, "Why is There No NATO in Asia? Collective Identity, Regionalism, and the Origins of Multilateralism," *International Organization*, Vol. 56, No. 3, 2002, pp. 575-607.

7 Patrick Cronin, et al., *The Emerging Asia Power Web: The Rise of Bilateral Intra-Asian Security Ties* (Washington, D.C.: Center for a New American Security, 2013).

8 With Vietnam on January 18, 1950, Myanmar/Burma on June 8, 1950, Cambodia on July 19, 1958, Laos on April 25, 1961, Malaysia on May 31, 1974, the Philippines on June 9, 1975, Thailand on July 1, 1975, Indonesia on August 8, 1990, Singapore on October 3, 1990, and Brunei on September 30, 1991.

9 Alice D. Ba, "China and ASEAN: Renavigating Relations for a 21st-Century Asia," *Asian Survey*, Vol. 43, No. 4, 2003, pp. 635-638.

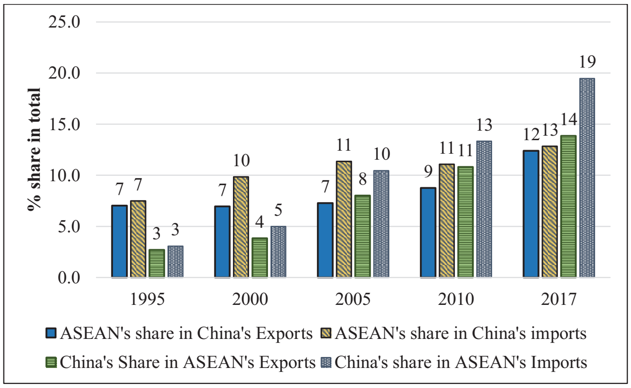

Figure 1 Presence of ASEAN and China in Each Other's Markets

Source: Sanchita Basu Das, "Do the Economic Ties between ASEAN and China Affect Their Strategic Partnership?" *ISEAS Perspective*, Issue: 2018, No. 32, June 2018, p. 4, https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2018_32@50.pdf

ASEAN members are hence caught in a dilemma. On the one hand, the rise of China, especially its growing assertiveness in South China Sea under President Xi Jinping in recent years, has led to concerns of China's ambition and the impacts of the US-China rivalry on regional order and stability. On the other hand, China's economic growth and enormous market have made it attractive to many countries in the region. Put together, the security environment in East Asia is uncertain and complex. It renders the strategic behavior of many ASEAN members to be described as hedging, which is manifested in such behavior as military modernization; an increase in generalized, multi- lateral security cooperation; the absence of any overt balancing; and simultaneous bridge-building with China and the US.[10]

In this context, it is difficult for Taiwan to expand its security relations with ASEAN members. For Taiwan to craft a sense of (economic) community with its Southern neighbors, it is insufficient to stress the perceived or real threat that China's military power may pose to the region,

[10] Cf. Van Jackson, "Power, Trust, and Network Complexity: Three Logics of Hedging in Asian Security," *International Relations of the Asia-Pacific,* Vol. 14, No. 3, September 2014, p. 336.

as the image of China is ambiguous that it represents both political and military risks and economic opportunities. Moreover, for Taiwan to response to the call for its contribution to the US "Free and Open Indo-Pacific Strategy," some common ground other than the Chinese threat has to be identified.[11]

To explore how Taiwan can advance its security ties with ASEAN members, this paper takes the idea of "regional security complex" (RSC) put forth by Buzan and Waever as a reference. Generally speaking, Buzan and Waever's work suggests that the study of international security should focus on the regional level, because on the one hand, security dynamics are inherently relational and no nation's security is self-contained, while on the other hand, many threats travel more easily over short distances than long ones, rendering global security more like an aspiration than a reality.[12] Their work therefore first focuses on the states' practices of securitization and desecuritization, and then determines from the constellations of these practices the boundaries of a security complex as well as its features. For the purpose of this paper, the main implication of RSCs is to take a closer look at how ASEAN and some of its members understand their security environment, i.e. what are thought of as threats to national and/or regional order and stability and what are not, so as to identify potential areas of cooperation for Taiwan and its Southern neighbors.

III. Security Policy and Practice of ASEAN Member States

In this section the security policy and practices of Indonesia, Malaysia, the Philippines, Thailand and Vietnam will be briefly discussed. Among the ten ASEAN member states, Indonesia and the Philippines are the two largest countries in archipelagic Southeast Asia, while Malaysia, Thailand and Vietnam are major powers (in relation to Cambodia, Laos and Myanmar) in

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11 Central News Agency, "Taiwan Urged to Think Creatively on 'Indo-Pacific' Strategy," *Taiwan News*, July 25, 2018, https://www.taiwannews.com.tw/en/news/3490393.

12 Barry Buzan and Ole Waever, *Regions and Powers: The Structure of International Security* (Cambridge: Cambridge University Press, 2003), pp. 43, 45.

the peninsular. The state of Singapore is peculiar in terms of size and socio-economic development. As the main purpose of this paper is to identify possible areas for security cooperation between Taiwan and Southeast Asia, the case of Singapore will be left aside.

A. Indonesia

President Joko Widodo, "Jokowi," came into office on October 20, 2014, and has promoted the strategy of "Global Maritime Fulcrum" (*GMF*), which re-affirms Indonesia's identity as a maritime big power.[13] In April 2016, the Indonesian government published the *Defense White Power 2015* (*DWP*) to implement the *GMF*.[14] The *DWP* claims that the regional security dynamics have brought to Indonesia various traditional, non-traditional, and hybrid threats, which together can be classified into two categories. The first category consists of the so-called "factual threats," i.e. dangers that are known and can occur at any time. These include radicalism, separatism and armed uprisings, natural disasters, border trespassing, piracy and natural resources theft, epidemics, cyber attacks and espionage, as well as trafficking and drug abuse. The second category refers to "non-factual threats," i.e. open conflict threats or conventional wars, which are deemed "unlikely to affect Indonesia at present and in the future."[15] Indonesia's national security concerns hence focus more on internal and non-traditional security issues than on external threats, as the government "assumes its neighbouring countries are friendly countries who shared commitment in maintaining regional security and stability."[16]

Indonesia's security practices in recent years generally match the tone

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[13] Lyle J. Morris and Giacomo Persi Paoli, *A Preliminary Assessment of Indonesia's Maritime Security Threats and Capabilities* (Santa Monica, Calif.: RAND, 2018); Evan Laksmana, "Indonesian Sea Policy: Accelerating Jokowi's Global Maritime Fulcrum?" Asia Maritime Transparency Initiative, CSIS, March 17, 2017, https://amti.csis.org/indonesian-sea-policy-accelerating/.

[14] Ministry of Defence of the Republic of Indonesia, *Defence White Paper 2015* (Jakarta: Ministry of Defence, 2015).

[15] Ministry of Defence, Indonesia, *Defence White Paper 2015,* pp. 24-25.

[16] Ministry of Defence, Indonesia, *Defence White Paper 2015,* p. vi.

of the *DWP*. President Jokowi's foreign policy places emphasis on drawing foreign investment, while his security policy prioritizes maritime security. As a result, Indonesia keeps an "equidistant diplomacy" with China and the US. With respect to its relations with China, while incidents of fishing rights led Indonesia to rename the northern reaches of its Exclusive Economic Zone in the South China Sea as the North Natuna Sea in July 2017, both sides managed to retain good relations.[17] On September 29, 2017, China leased two pandas to Indonesia to mark their friendship.[18] With respect to Indonesia-US security relations, the two countries tend to focus on narrow issues, as the Trump administration prefers bilateralism in its economic policy and mini-multilateralism in security policy (e.g. the Quad of the Indo-Pacific Strategy that includes the US, Japan, Australia and India), while President Jokowi prioritizes commerce to geopolitics. In January 2018, then US Secretary of Defense James Mattis visited Indonesia and Vietnam. The main topics in his trip to the former included counter-terrorism, the training of Indonesia's special forces unit known as Kopassus, and maritime security cooperation.[19]

With respect to security cooperation with other states, President Jokowi spoke over the phone with the Philippines' President Duterte on June 22, 2017, agreeing to increase joint efforts to fight Islamic terrorism in the region.[20] South Korean President Moon Jae-in paid a state visit to Indonesia

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17 Tom Allard and Bernadette Christina Munthe, "Asserting Sovereignty, Indonesia Renames Part of South China Sea," *Reuters*, July 14, 2017, https://uk.reuters.com/article/uk-indonesia-politics-map-idUKKBN19Z0YU.

18 Angie Teo, "Indonesia Welcomes Giant Pandas on Loan from China," *Reuters*, September 28, 2017, https://www.reuters.com/article/us-indonesia-pandas/. indonesia-welcomes-giant-pandas-on-loan-from-china-idUSKCN1C329A

19 Alex Horton, "Secretary Mattis Seeks Ties with Once-Brutal Indonesia Special Forces Unit, with an Eye on China," *Washington Post*, January 23, 2018, https://www.washingtonpost.com/news/checkpoint/wp/2018/01/23/secretary-mattis-seeks-ties-with-once-brutal-indonesia-special-forces-unit-with-an-eye-on-china/?utm_term=.98bad48489f7.

20 Haeril Halim, "Jokowi, Duterte Talk on the Phone about Terrorism, Security," *Jakarta Post*, June 24, 2017, http://www.thejakartapost.com/news/2017/06/24/jokowi-duterte-talk-on-the-phone-about-terrorism-security.html.

on November 9, 2017, and his meeting with President Jokowi focused on bilateral trade and economic relations.[21] On May 30, 2018, Prime Minister of India Narendra Modi in his trip to Indonesia declared with President Jokowi to form a Comprehensive Strategic Partnership between the two countries on the basis of "shared vision on maritime cooperation in the Indo-Pacific." In the domain of security and defense cooperation, the two countries agreed to continue regular security dialogues and meetings, enhance exchanges of armed forces, conduct joint exercise and training, and promote bilateral cooperation in countering terrorism, intelligence, law enforcement, and coordinated patrol.[22]

B. Malaysia

On January 1, 2017, the Malaysia government approved the *National Security Policy* that was set to be reviewed in every three years. It indicates that "Malaysia's national security refers to a state of being free from any threat, whether internally or externally, to its core values." The nine core values include territorial sovereignty and integrity, socio-political stability, national integration, good governance, economic integrity, social justice, sustainable development, people's security, and international recognition. It is clear that the threats to these values come from traditional as well as non-traditional security issues. Accordingly, the *National Security Policy* identifies thirteen threats, amongst which the top three concerns are "fragility of national unity," "challenges facing the nation's democratic system," and "illegal immigrants and refugees," with "disputes over territorial claims" ranking the fourth. This order suggests that as a multi-ethnic federation, Malaysia places internal security, i.e. the integrity of the state and the harmony among the people, as its top concern. It is worth

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21 He-suk Choi, "Moon Hopes to Give Shape to Southeast Asian Vision on Tour of Region," *Korea Herald*, November 9, 2017, http://www.koreaherald.com/view.php?ud=20171109000883.

22 "India-Indonesia Joint Statement during visit of Prime Minister to Indonesia (May 30, 2018)," Ministry of External Affairs, Government of India, May 30, 2018, https://www.mea.gov.in/bilateral-documents.htm?dtl/29932/IndiaIndonesia+Joint+Statement+during+visit+of+Prime+Minister+to+Indonesia+May+30+2018.

mentioning that the *National Security Policy* seems to downplay the importance of territorial disputes in the South China Sea. In the section of "disputes over territorial claims," no specific geographic term is mentioned. When the South China Sea is referred to, it is used to illustrate Malaysia's strategic interest as well as the threat of transnational crime in that area.[23]

The 1Malaysia Development Berhad (1MDB) scandal led to Prime Minister Najib Razak's defeat in the May 2018 election and Dr. Mahathir Mohamad's return to power, and seemed to mark a change of Malaysia's foreign and security policy. To achieve internal harmony and stability, Malaysia under Mahathir's first term (1981-2003) emphasized on economic development. In a recent interview, Mahathir explained that "if Malaysian politics is unstable, its economic development will be jeopardized. If Malaysian economy is backward, its security will be threatened…As such, the best strategy to manage Malaysia's national security is through combining political and economic factors as a thrust to its philosophy."[24] Along this line of reasoning and with China's economic open-up since 1978, commerce between Malaysia and China grew steadily. China has become Malaysia's largest trading partner and its largest source of foreign investment, while Malaysia under Najib's term (2009-2018) also embraced China's investment and several projects of the "Belt and Road Initiative" in particular. As anti-corruption became a main appeal of the Mahathir-led opposition in the 2018 election, Malaysia's deals with China in Najib's era also became a target for the new government. On August 20, 2018, Mahathir announced during his trip to China that the Chinese-funded \$20 billion East Coast Rail Link (ECRL) project and a natural gas pipeline project in Sabah would be canceled because the deals were unfair and Malaysia was not able to afford.[25] This move was interpreted by some as Malaysia's "resetting" its

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23 National Security Council, Malaysia, *National Security Policy*, January 1, 2017, https://www.mkn.gov.my/media/story/English-National_Security_Policy.pdf.

24 Ruhanie Ahmad, "Security matrix enhances nation's core values," *New Straits Times*, September 13, 2018, https://www.nst.com.my/opinion/columnists/2018/09/410836/security-matrix-enhances-nations-core-values.

25 "Malaysia's Mahathir cancels China-backed rail, pipeline projects," *Reuters,* August 21, 2018,

relations with China.[26]

On closer look, Mahathir's attitudes toward China do not signify a sea change as some might have expected. The ECRL project was renegotiated in April 2019 to offer more opportunities for Malaysian local companies.[27] With respect to the South China Sea disputes, Mahathir commented that "[a] warship attracts other warships" and that ASEAN countries patrol the disputed waters by small boats "to deal with pirates, not to fight another war."[28] When asked about choosing between China and the US if forced to, Mahathir replied that he would prefer the economic largesse of Beijing, emphasizing the need to navigate the relationship between the two countries.[29] This, however, does not mean that Malaysia is leaning towards China. While the unpredictability of the Trump administration may be worrying, Malaysia nevertheless maintains regular military exchanges with the US, manifested in 14–16 bilateral and multi-lateral exercises each year, various military education and training programs, and visits.[30] These

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https://www.reuters.com/article/us-china-malaysia/malaysias-mahathir-cancels-china-backed-rail-pipeline-projects-idUSKCN1L60DQ.

[26] Richard Heydarian, "For Prime Minister Mohammad Mahathir, revisiting China's Malaysian projects is part of resetting a relationship," *South China Morning Post*, September 1, 2018, https://www.scmp.com/news/china/diplomacy/article/2162339/mahathir-revisiting-chinas-malaysian-projects-part-resetting; John Teo, "Resetting ties with China," *New Straits Times*, August 21, 2018, https://www.nst.com.my/opinion/columnists/2018/08/403587/resetting-ties-china.

[27] "Renegotiated ECRL offers plenty of opportunities for local contractors," *New Straits Times*, April 19, 2019, https://www.nst.com.my/news/nation/2019/04/480971/renegotiated-ecrl-offers-plenty-opportunities-local-contractors.

[28] "Better not to have warships in Malaysian waters," *The Sun Daily*, June 6, 2018, https://www.thesundaily.my/archive/better-not-have-warships-malaysian-waters-EUARCH553213; Cheng-Chwee Kuik and Chin Tong Liew, "What Malaysia's 'Mahathir doctrine' means for China-US rivalry," *South China Morning Post*, August 20, 2018, https://www.scmp.com/week-asia/geopolitics/article/2160552/what-malaysias-mahathir-doctrine-means-china-us-rivalry.

[29] Bhavan Jaipragas, "I'd side with rich China over fickle US: Malaysia's Mahathir Mohamad," *South China Morning Post*, March 8, 2019, https://www.scmp.com/week-asia/politics/article/2189074/id-side-rich-china-over-fickle-us-malaysias-mahathir.

[30] "Office of Defense Cooperation," U.S. Embassy in Malaysia, n.d., https://my.usembassy.gov/embassy/government-agencies/office-of-defense-cooperation/.

suggest that Malaysia undertakes an equidistance approach to the two great powers, which also reflects the country's tradition of holding a "pragmatic, principled and neutral attitude."[31]

C. The Philippines

In April 2017, the Philippine office of the President published *National Security Policy 2017-2022* (*NSP 2017-2022*), which provides guidance and a comprehensive approach in addressing the Philippines' national security challenges. In April 2018, *National Security Strategy 2018* (*NSS 2018*) was further adopted and published to implement *NSP 2017-2022*.[32] The overarching principle of *NSP 2017-2022* is that "national security and economic development are closely intertwined and mutually reinforcing concepts." According to this rather broad understanding of national security, *NSP 2017-2022* lists three pillars underpinning national security, eight national security interests, and a twelve-point national security agenda, all of which are followed and elaborated by *NSS 2018*.

For the Philippines, national security priorities are placed on internal security and economic development. "Resolving internal armed conflicts remains ours [the Philippines'] top security concern and a key cornerstone of our peace and development strategy."[33] The Philippines has long been tackling issues such as crime, militancy, piracy, and terrorism. The issue of terrorism has drawn regional and international attention. The country faces, on the one hand, challenges from communist insurgency by the New People's Army (NPA), which President Rodrigo Duterte declared to be a terrorist group in December 2017.[34] On the other hand, there are also

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31 National Security Council, Malaysia, *National Security Policy*, p.9.

32 Office of the President of the Philippines, *National Security Policy 2017-2022 (NSP 2017-2022)*, April 2017, https://www.nsc.gov.ph/attachments/article/NSP/NSP-2017-2022.pdf; Office of the President of the Philippines, *National Security Strategy 2018*, April 2018, http://www.officialgazette.gov.ph/downloads/2018/08aug/20180802-national-security-strategy.pdf.

33 Office of the President of the Philippines, *National Security Strategy 2018*, p. 7.

34 "Country Report: Philippines," *Economist Intelligence Unit*, August 27, 2018, p.4,

threats from various Islamist militant groups, in particular the Muslim-dominated areas of Mindanao. The siege of Marawi City, Mindanao, by ISIS inspired Maute group in May 2017 was described as the "most serious terror event" in Southeast Asia since the 2002 Bali bombings.[35] This has led President Duterte to place Mindanao under military rule, which was further extended to the end of 2018.[36] The root causes of these internal security problems, as *NSP 2017-2022* points out, include poverty and social injustice, widespread economic inequality, poor governance, abuse and control of political power, and marginalization of cultural communities.[37] These are also the causes of other internal security and public safety problems such as illegal drugs, piracy and armed robbery, smuggling and kidnapping activities, and related maritime and border security issues. As a result, both *NSP 2017-2022* and *NSS 2018* place internal armed conflicts, terrorism and transnational crimes before overlapping territorial claims and maritime domain issues, prevention (governance and development) before treatment (military enforcement), and people (or society) before the state. Even the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) was established following a referendum held on January 21, 2019, and the political power was transferred to former rebels, the Moro Islamic Liberation Front (MILF), the causes of social instability remain.[38]

As for the external security environment, *NSP 2018* declares that the country "has not faced any direct threat of foreign armed invasion since the

https://country.eiu.com/FileHandler.ashx?issue_id=167038800&mode=pdf.

35 Audrey Morallo, "Marawi Siege 'Most Serious Terror Event' in Southeast Asia in Past 15 Years," *Philstar*, August 25, 2017, https://www.philstar.com/headlines/2017/08/25/1732611/marawi-siege-most-serious-terror-event-southeast-asia-past-15-years#8tMluuH2571SD7j4.99.

36 Euan McKirdy, "Philippines Congress Extends Martial Law in Mindanao," *CNN*, December 13, 2017, https://edition.cnn.com/2017/12/13/asia/mindanao-martial-law-extension-intl/index.html. The Bangsamoro Autonomous Region in Muslim Mindanao was established after a popular vote held on January 21, 2019.

37 Office of the President of the Philippines, *National Security Policy 2017-2022*, p. 10.

38 "The Jolo Bombing and the Legacy of ISIS in the Philippines," *IPAC Report* No. 54, March 5, 2019, http://file.understandingconflict.org/file/2019/03/Report_54.pdf.

end of World War II, but there are newly evolving regional security uncertainties," which refer to "the bitterly contested South China Sea and the Pacific Ocean, where competing interests of superpowers and other countries converge."[39] *NSP 2017-2022* recognizes the South China Sea (West Philippine Sea) dispute as "the foremost security challenge to the Philippines' sovereignty and territorial integrity," and vows to handle this "complex and delicate issue" through diplomacy and with prudence. Partly because of this, it is claimed that "a continuing US security presence in the Asia-Pacific is a stabilizing force," and "the US remains as the sole defense treaty ally of the Philippines." China on the other hand is described as "generating policy concerns not only among developed countries…but also the ASEAN nations due to socio-cultural interactions, significant trade and investments, as well as territorial claims in the WPS [West Philippine Sea]." The Philippines thus calls for international support for a rules-based regime, which includes respect for the Award of the Permanent Court of Arbitration in July 2016, the implementation of the Declaration of Conduct (DOC), an urge to the conclusion of a Code of Conduct (COC), and other legalization activities under the United Nations Convention on the Law of the Sea.[40]

In practice, the items raised in the Philippines' security cooperation with other countries tended to focus on internal security as well. For instance, the governments of the Philippines, Indonesia and Malaysia signed the Trilateral Cooperative Arrangement (TCA) on 14 July 2016 to conduct trilateral maritime patrols to safeguard the tri-border area against illegal activities at sea. On the part of the Philippines, the particular threats are from the Abu Sayyaf Group (ASG), an Islamic extremist group based in southern Philippines and declared allegiance to the Islamic State (IS).[41]

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39 Office of the President of the Philippines, *National Security Strategy 2018*, pp. 7-8.

40 Office of the President of the Philippines, *National Security Policy 2017-2022*, pp. 13, 14, 21.

41 Mary Fides A. Quintos, "Finding Solutions for Maritime Security Challenges in the Tri-Border Area," *CIRSS Commentaries*, Vol. IV, No. 27 November, 2017, http://www.fsi.gov.ph/finding-solutions-for-maritime-security-challenges-in-the-tri-border-area/.

When Japan, Indonesia, Australia, Singapore, and China offered their security assistance to the Philippines in 2017-2018, a common theme revolved around countering terrorism and capacity-building. In President Duterte's meeting with Malaysian Prime Minister Mahathir Mohamad on July 16, 2018, the former pointed out the need to address terrorism and violent extremism in the region, as well as transnational crime such as piracy and armed robbery at sea and the illegal drug trade. President Duterte also expressed appreciation for Malaysia's role in facilitating peace negotiations between the Philippine government the Moro Islamic Liberation Front (MILF).[42]

Since his inauguration, President Duterte has made several criticisms of the US and expressed a friendly attitude towards China. This has led some to conclude that there is a shift of the Philippines's foreign policy, and therefore marks a deviation from the tone in *NSP 2017-2022*. Upon closer look, however, President Duterte has maintained the Philippines' security agreements with the US. Only on issues that are related to South China Sea and may cause tension in bilateral relations was there a change in foreign policy behavior. It may hence be argued that President Duterte attempts to exercise a level of agency in his interaction with the two great powers.[43]

D. Thailand

In May 2014, General Prayuth Chan-ocha led a coup and was named Prime Minister on August 21, 2014. The junta government threw out the old constitution and proposed a new one. In the new constitution that was signed off by King Vajiralongkorn on April 6, 2017, Section 65 stipulates that a national strategy should be set out as a goal for sustainable

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[42] Edith Regalado, "Duterte, Mahathir Vow Stronger Philippines-Malaysia Ties," *Philstar*, July 17, 2018, https://www.philstar.com/headlines/2018/07/17/1834227/duterte-mahathir-vow-stronger-philippines-malaysia-ties.

[43] Richard Javad Heydarian, "Philippines: Foreign Policy Manoeuvres to Address Dynamic Security Environment," in Ron Huisken, ed. *Regional Security Outlook 2018* (Canberra: Council for Security Cooperation in the Asia Pacific, 2018), p. 36.

development of the country. The stated reason behind this is to ensure progress in critical areas will not be disrupted or discontinued by political expediency, and hence a long-term national strategy is required to function as guidelines for the existing 5-year Economic and Social Development Plans. For that purpose, the junta government put forth the *Thailand: 20-Year National Strategy (2017-2036),* which was approved unanimously by the National Legislative Assembly on July 6, 2018.

Not much detail has been revealed about *Thailand: 20-Year National Strategy (2017-2036).* What is known is that the vision is "Security, Prosperity, Sustainability," and there are six key strategies including: national security; competitiveness enhancement; development and empowerment of human capital; boarding opportunity and equality in society; environmental-friendly development and growth; and performing and improving government administrative. The concept of "security" in the vision first refers to the state of being "secure and safe from natural disasters and changes from within the country and outside the country at all levels," and then to those objects to be secured, i.e. the nation, society, people, and natural resources and the environment.[44]

The latest (twelfth) 5-year *Economic and Social Development Plan (2017-2021)* provides more information. Among the 10 strategies it lists the fifth is "Strategy for Reinforcing National Security for the Country's Progress towards Prosperity and Sustainability." In that section external security is occasionally mentioned, and the primary concerns are defending and glorifying the monarchy; creating solidarity within the society; people in the southern border provinces; the readiness to combat both traditional military threats and non-traditional security threats such as terrorism, cybersecurity, maritime security, health, and disaster prevention and

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[44] Churnrurtai Kanchanachitra, et al., *Thai Health 2017: Empowering Vulnerable Populations Creating an Inclusive Society* (Nakhon Pathom: Institute for Population and Social Research, Mahidol University, 2017), pp. 111-112.

mitigation.[45]

It follows that for Thailand, national security generally means internal security. It does not seem to worry much about the rise of China, the South China Sea dispute, and the rivalry between the US and China. Thailand's security cooperation with the two is mainly out of political and diplomatic concerns. After the coup in 2014, the US and several western countries downplayed their relations with the junta government, making it possible for China to advance bilateral ties. The Thai cabinet approved the purchase of three submarines from China in April 2017 and agreed to buy armored personnel carriers and tanks from China in May. The act of procurement has three implications. First, it reflects a trend of military modernization in Southeast Asia. Second, it enhances the status of the junta government and the role of the military, as the purchase of submarines was highly controversial in domestic politics and even with the military. The move hence appears more out of political concerns than out of necessity. Third, the deal of submarines signifies warming Thailand-China relations, as China refused to sell submarines to Thailand in 2006 on the ground that the latter is a US ally.[46]

Thailand's engagement with China appears to draw the US towards rapprochement, especially after the junta government promised to hold general elections at some point. In June 2017, the US agreed to sell four Black Hawk military helicopters;[47] Secretary of State Rex Tillerson visited Bangkok in August 2017, marking the restoration of high level exchanges between the two countries;[48] the US scaled back its attendance at Cobra

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45 Office of the National Economic and Social Development Board, *The Twelfth National Economic and Social Development Plan (2017-2021)* (Bangkok: Office of the Prime Minister, 2017), pp. 149-159.

46 "A military engagement," *Economist Intelligence Unit*, June 23, 2017, https://country.eiu.com/article.aspx?articleid=795612663&Country=Thailand&topic=Politics&subtopic=Forecast&subsubtopic=International+relations.

47 "U.S. Plans to Sell Black Hawk Helicopters to Thailand," *Reuters*, June 29, 2017, https://www.reuters.com/article/us-usa-thailand-idUSKBN19K193.

48 "Trump Says Wants to Reduce U.S. Trade Deficit with Thailand," *Reuters*, October 3, 2017, https://www.reuters.com/article/us-usa-trump-thailand/trump-says-wants-to-reduce-u-s-trade-deficit-with-thailand-idUSKCN1C729U.

Gold in February 2018.[49]

Thailand's security relations with the US and China therefore have become complicated. It strengthens the ties with China while remaining a tradition ally with the US.

E. Vietnam

Vietnam published its third and latest defense white paper, *Vietnam National Defence*, in 2009. In the white paper a set of challenges to Vietnam's national security is listed, and the issues include: the lagging behind of its economy; the interference of hostile forces to undermine national solidarity and to incite violence and separatism; sovereign rights and jurisdiction over the territories in the East Sea [South China Sea]; non-traditional security issues such as illegal trafficking of weapons and drugs; piracy, organized trans-national crimes, terrorism, illegal migration and immigration; environmental degradation, climate change, and epidemics.[50] Facing these challenges, the white paper on the one hand reiterates the "three no's" principles of its defense strategy, i.e. no to foreign military bases; no to foreign military alliances; and no to using a third country to oppose another, while on the other hand stresses the importance of defense cooperation with other countries.[51]

In January 2016, the cabinet approved the *Overall Strategy for International Integration Through 2020, Vision to 2030* (hereafter, *Overall Strategy*). While it looks to "peace, stability and development" in the Asia-Pacific region, certain risks such as an armed conflict between major powers as a result of the shift of power relations, an arms race, and more complicated territorial and maritime disputes, remain. The ASEAN is

49 "Huge US Military Force Arrives for Exercises in Thailand," *Express*, February 13, 2018, https://www.express.co.uk/news/world/918317/US-military-thailand-marines-exercises-cobra-gold.

50 Ministry of National Defence, Socialist Republic of Vietnam, *Vietnam National Defence* (Hanoi: Ministry of National Defence, 2009), pp. 17-18.

51 Ministry of National Defence, *Vietnam National Defence*, pp. 19-24.

expected to encounter internal as well as external challenges arising from major power rivalry and economic competition. In this context, Vietnam needs to enhance its defense and security capacity, while promotes "politic, defense and security integration" both regionally and internationally. The *Overall Strategy* finds Vietnam's efforts in integration not as effective as has expected. In the domain of security and defense cooperation, it stresses the importance of Russia, India, and Japan, while putting Australia and Israel as potential partners. The role of the ASEAN is emphasized, but neither the US nor China is mentioned.[52]

For Vietnam the danger of involving in an armed conflict with China—whether because of the US-China rivalry or because of the South China Sea disputes—is real and Vietnam has to be prepared. Given the overall strategy of omnidirectional engagement, the recent Vietnam- China relations may be described as what former Prime Minister Nguyen Tan Dung once termed "cooperation and struggle."[53] China is Vietnam's largest trading partner and shares Vietnam's nominal political ideology, and Vietnam has maintained diplomatic, military, and party-to-party channels to engage with China. Yet, their stances on South China Sea appear to be unreconciliatory. For instance, the Vietnamese government instructed the local subsidiary of Spanish energy firm, Repsol, to suspend operations in the South China Sea after pressure from China in July 2017 and March 2018, respectively.[54]

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52 "Overall Strategy for International Integration through 2020, Vision to 2030," *VGP News*, January 31, 2016, http://news.chinhphu.vn/Home/Overall-strategy-for-international-integration-through-2020-vision-to-2030/20161/29060.vgp.

53 Anh Duc Ton, "Vietnam's Maritime Security Challenges and Regional Defence and Security Cooperation," *Soundings Papers*, No. 14 (Canberra: The Sea Power Centre - Australia (SPC-A), Royal Australian Navy, 2018), p. 22.

54 Jose Elías Rodríguez, "Repsol Says Drilling Suspended on Vietnam Oil Block Disputed by China," *Reuters*, August 3, 2017, https://www.reuters.com/article/us-southchinasea-vietnam/repsol-says-drilling-suspended-on-vietnam-oil-block-disputed-by-china-idUSKBN1AI27D; James Pearson and Henning Gloystein, "Vietnam Halts South China Sea Oil Drilling Project under Pressure

In contrast to Thailand's case, where the US's suspension of financial assistance and halting of joint programs in response to the coup in 2014 have brought Thailand closer to China, Vietnam's struggle against China on South China Sea issues has helped the warming of its ties with the US. On May 23, 2016, President Obama announced the US has lifted its embargo on sales of lethal weapons to Vietnam.[55] On November 12, 2017, President Trump in his state visit to Vietnam reaffirmed with President Tran Dai Quang the importance of freedom of navigation, overflight, and unfettered commerce in the South China Sea and the commitment to a rules-based approach to resolving maritime disputes, among others.[56] US Secretary of Defense James Mattis visited Vietnam in January 2018, and US Navy aircraft carrier, *USS Carl Vinson*, made a historical port call in Vietnam and anchored off the coast of Da Nang on March 5.[57] The US also transferred six Metal Shark Patrol Boats to Vietnam later on to enhance the latter's capacity in maritime law enforcement.[58]

Vietnam also seeks to deepen its relations with Japan. Prime Minister Shinzo Abe during his visit to Vietnam in January 2017 announced offering six patrol boats to Vietnam.[59] In June 2017, Vietnam's Prime Minister Nguyen Xuan Phuc visited Japan and both sides reached consensus on the

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from Beijing," *Reuters*, March 23, 2018, https://www.reuters.com/article/us-southchinasea-vietnam/vietnam-halts-south-china-sea-oil-drilling-project-under-pressure-from-beijing-idUSKBN1GZ0JN.

55 "Obama Lifts US Embargo on Lethal Arms Sales to Vietnam," *BBC News*, May 23, 2016, https://www.bbc.com/news/world-asia-36356695.

56 "President Donald J. Trump's Trip to Vietnam," The White House, November 12, 2017, https://www.whitehouse.gov/briefings-statements/president-donald-j-trumps-trip-vietnam/.

57 Thomas Maresca, "U.S. 'supercarrier' USS Carl Vinson Makes Historic Port Call in Vietnam," *USA Today*, March 5, 2018, https://www.usatoday.com/story/news/world/2018/03/05/uss-carl-vinson-arrives-vietnam/394324002/.

58 "The United States Transfers Six Metal Shark Patrol Boats to Vietnam," US Embassy & Consulate in Vietnam, March 29, 2018, https://vn.usembassy.gov/pr03292018/.

59 Ankit Panda, "Japan Pledges 6 New Patrol Boats for Vietnam Coast Guard," *The Diplomat*, January 17, 2017, https://thediplomat.com/2017/01/japan-pledges-6-new-patrol-boats-for-vietnam-coast-guard/.

future of the Trans-Pacific Partnership (TPP) after the US withdrawal as well as upgrading Vietnam's maritime security capabilities.[60] In April 2018, Defense Ministers of both countries signed a "Joint Vision Statement," which was further reiterated in the "Japan-Vietnam Joint Statement" announced in President Tran Dai Quang's visit to Japan in May. On the part of defense cooperation, both sides agreed to strengthen component-to-component exchanges, including visits to Vietnam by the Japan Self-Defense Forces' vessels and aircraft, and promote cooperation in such areas as human resources training, defense equipment and technology, aviation search and rescue, military medicine, United Nations peacekeeping operations, cybersecurity and humanitarian assistance and disaster relief (HA/DR).[61]

IV. Mapping Areas of Common Security Interests

From the discussion above, security issues of the five ASEAN members are summarized as follows.

Table 1 Security Issues of Selected Southeast Asian Countries

Cases	*Primary security referent*	*Origin(s) of threat*	*Nature of threat*	*Security interests*
Indonesia	• state	• internal legitimacy	• weak state apparatus	• counter-terrorism • maritime security
Malaysia	• state • society	• internal legitimacy • external	• weak state apparatus	• domestic unity • counter-terrorism • maritime security

60 "Japan and Vietnam Deepen Economic and Security Co-operation," *Economist Intelligence Unit,* June 23, 2017, https://country.eiu.com/article.aspx?articleid=1265517510&Country=Vietnam&topic=Politics&subtopic=Forecast&subsubtopic=International+relations&u=1&pid=1367066520&oid=1367066520&uid=1.

61 Ministry of Foreign Affairs of Japan, "Japan-Viet Nam Joint Statement on the Occasion of the State Visit by the President of the Socialist Republic of Viet Nam to Japan," June 2, 2018, https://www.mofa.go.jp/files/000368992.pdf.

		recognition		• territorial integrity
The Philippines	• state	• internal legitimacy • external recognition	• weak state apparatus	• separatism • counter-terrorism • maritime security • territorial integrity
Thailand	• regime • state	• internal legitimacy	• civil-military relations • weak state apparatus	• counter-terrorism • maritime security
Vietnam	• state	• external recognition	• China	• maritime security • territorial integrity

Source: the author's analysis.

The five countries studied here all have complex security issues, but their primary concern can be conceptualized as "political security," which is about "threats to the legitimacy or recognition either of political units [i.e. the state] or of the essential patterns (structures, processes or institutions) among them."[62] To put in more blunt words,

> Political threats are aimed at the organizational stability of the state. Their purpose may range from pressuring the government on a particular policy, through overthrowing the government, to fomenting secessionism, and disrupting the political fabric of the state so as to weaken it prior to military attack. The idea of the state, particularly its national identity and organizing ideology, and the institutions which

[62] Barry Buzan, Ole Waever and Jaap de Weldes, *Security: A New Framework for Analysis* (Boulder, Colo.: Lynne Rienner, 1998), p. 144.

express it, are the normal target of political threats.[63]

Among the five countries studied, Indonesia, the Philippines, Thailand, and to a lesser degree, Malaysia, share certain commonalities. Indonesia, the Philippines, and Thailand all have problems of separatist movements and radical extremism—for instance, Abu Sayyaf Group in Mindanao, the Philippines; West Papuan independence movements in Indonesia; and insurgencies in Southern Thailand—that contest the very idea of the state in each country. Thailand in addition encounters an issue of regime security, as the coup in 2014 has put the legitimacy of the junta government in question. Malaysia does not face threats of terrorism and separatism as much as the three neighbors do, but its multi-ethnic nature still renders unity of both the state and society a top national security concern. Consequently, for these four countries, the origin of the threat is mainly from within, i.e. an internal legitimacy crisis, although the dispute between the Philippines and China over South China Sea also adds a dimension of external threat to the former's conception of national security. As for the root cause or nature of the internal insecurity, these four countries all suffer from a lack of strong institutions that underpin a robust state apparatus to govern the national space effectively. What follows is that issues belonging to the category of "policing" are turned into "security" ones that traverse the boundaries between external and internal security.[64] Problems originated within one country can "spill over" and become external threats to other countries, and vice versa. The use of armed forces, a crucial difference between the police and military, can turn inwards. Hence, apart from counter-terrorism, the four countries all list domestic uprising, piracy, smuggling, drugs, trans-national crimes, etc. as prioritized security issues and areas of interest for

63 Barry Buzan, *People, States and Fear: An Agenda for International Security Studies in the Post-Cold War Era* (Boulder, Colo.: Lynne Rienner, 1991, 2nd edition), pp. 118-119.

64 For a discussion on internal/external security and the blurring boundaries between the two, see Didier Bigo, "When Two Become One: Internal and External Securitisations in Europe," in Morten Kelstrup and Michael Williams, eds., *International Relations Theory and The Politics of European Integration: Power, Security and Community* (London: Routledge, 2000), pp. 171 - 204.

international cooperation.

For Vietnam, the main security concern is state sovereignty and territorial integrity, i.e. its claims of sovereignty over part of South China Sea are contested by China. While Vietnam also stresses the importance of maritime security and international cooperation in that regard, the targets are mainly Chinese activities in the disputed area.

Where is the discussion leading? Three propositions are discussed as follows:

A. Asense of community cannot be forged based on the threat of China

For many people of Taiwan, political and military threats from China cannot be over-emphasized. China poses an existential threat to Taiwan's autonomy and *de facto* independence. For the ASEAN members studied in the previous section, however, the image of China is ambiguous and not necessarily a threatening one. Indonesia, Malaysia and Thailand do not see China as an external threat that its rising (up to some point) needs be countered. The Philippines takes the South China Sea issue as "the foremost security challenge to the Philippines' sovereignty and territorial integrity," but it—together with Malaysia—nevertheless aims to manage it through political/diplomatic means rather than resorting to the use of force. Even Vietnam, which does not rule out the possibility of an armed conflict with China and actively seeks cooperation with other powers to balance China, maintains regular part-to party exchanges and close economic relations with the northern neighbor. As one study observes,

> The approaches of the United States and regional powers to China's South China Sea policy fall into three different categories: "balancing," "accommodating," and "hedging." Using this framework, Vietnam and the Philippines—under President Aquino but less so under President Duterte—tend to proactively balance against China. By contrast,

Indonesia, Malaysia, Brunei, and Singapore have assumed a more restrained hedging strategy, while Cambodia, Laos, Thailand, and Myanmar have at times sought to accommodate China.[65]

This affirms that the ASEAN members have different stances on China. The division also hinders ASEAN to reach consensus when it comes to great power relations. In the 51st ASEAN Foreign Ministers' Meeting (AMM) and Related Meetings, for instance, it was reported that Indonesia Foreign Minister Retno Marsudi once circulated a document among ASEAN Foreign Ministers, aiming to craft a common position on the "Indo-Pacific Strategy."[66] The attempt was failed as the Joint Communique only states that the Ministers "discussed some of the new initiatives proposed by ASEAN's external partners… such as the concepts and strategies on the Indo-Pacific, the Belt and Road Initiative (BRI) and the Expanded Partnership for Quality Infrastructure."[67]

It is therefore suggested that for Taiwan to find certain common ground on which to forge a sense of community with its southern neighbors, stressing the threat of China is not an ideal strategy. It also follows that the US' "Free and Open Indo-Pacific Strategy" may not be as attractive as one might have expected, primarily because the image of China is ambiguous in Southeast Asia.

B. Taiwan can be a litmus test for a "rules-based order"

Having said that, given that some of the ASEAN members do see China as a potential threat or danger (the Philippines and Vietnam), "the China factor" can still function as a crucial element in Taiwan's security

65 Anh Duc Ton, "Vietnam's Maritime Security Challenges and Regional Defence and Security Cooperation," p.19.

66 "ASEAN crafts position on US 'Free and Open Indo-Pacific' Strategy," *Nikkei Asian Review*, August 2, 2018, https://asia.nikkei.com/Politics/International-Relations/ASEAN-crafts-position-on-US-Free-and-Open-Indo-Pacific-strategy.

67 "Joint Communique of the 51st ASEAN Foreign Ministers' Meeting," ASEAN, August 2, 2018, p. 23, http://asean.org/storage/2018/08/51st-AMM-Joint-Communique-Final.pdf.

relations with the target countries of the NSP. In other words, even if China is not seen as an outright threat, its rising to become a regional great power or "hegemon" does pose certain uncertainty to the region, and uncertainty is best managed through collective mechanisms or rules. Taiwan's *de facto* independence, autonomy and democratic ways of life can in this context be presented as a litmus test for regional order. If a military confrontation across the Taiwan Strait erupts without prior provocation form Taiwan, it would be fundamentally challenging for China to withhold its self-promoted image as a peaceful and responsible power.

In recent years, notions like "rules-based order" and "rule of law" have become popular words in international politics and have been reiterated by several leaders and governments.[68] Taiwan can be taken as a test case for these notions as well as other values such as law abiding, democracy, and human rights and should promote the idea as such. In so doing, the fate of Taiwan is linked with that of its southern neighbors (and others as well), thereby forming a common ground. It may well be argued that these values are largely internal and insufficient to create common cause against an external threat, but this move is one of the limited options Taiwan can adopt. In addition, given that the notion of a "rules-based order" refers to norms as well as laws to be followed by the states, it also speaks to ASEAN's "preventive diplomacy," as the prevention of disputes and conflicts from arising and escalating involves a consensual model for states to take

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[68] "The 13th IISS Asian Security Summit -The Shangri-La Dialogue-Keynote Address by Shinzo ABE, Prime Minister, Japan," Ministry of Foreign Affairs of Japan, March 30, 2014, https://www.mofa.go.jp/fp/nsp/page4e_000086.html; "Prime Minister's Keynote Address at Shangri La Dialogue (June 1, 2018)," Ministry of External Affairs, India, June 1, 2018, https://www.mea.gov.in/Speeches-Statements.htm?dtl/29943/Prime+Ministers+Keynote+Address+at+Shangri+La+Dialogue+June+01+2018; "Briefing on The Indo-Pacific Strategy," US Department of State, April 2, 2018, https://www.state.gov/r/pa/prs/ps/2018/04/280134.htm; "Remarks by Secretary Mattis at Plenary Session of the 2018 Shangri-La Dialogue," US Department of Defense, June 2, 2018, https://dod.defense.gov/News/Transcripts/Transcript-View/Article/1538599/remarks-by-secretary-mattis-at-plenary-session-of-the-2018-shangri-la-dialogue/.

actions.[69]

C. Common security interests rather than threats should be emphasized

The findings of this paper indicate that internal and maritime security issues are priorities in the national security agenda of the five countries studied, as Table 1 shows. It follows that for Taiwan to enhance its security relations with Southeast Asian countries, these issues can serve as the common ground for cooperation. The security environment of Taiwan, however, is very different from that of the five countries. While the possibility of Taiwan under terrorist attack cannot be ruled out, it is not taken as serious and likely; while there are indeed problems of trans-national crime, smuggling, drugs, piracy, and so on, these occur occasionally and fall within the domain of policing and public safety, not national security. Security cooperation between Taiwan and the Southern neighbors on these issues hence may appear unpractical.

This does not mean, however, that there is no room for Taiwan to maneuver. The fact that the chance is low for Taiwan to suffer from terrorist attacks does not mean that its nationals are free from such threats. As terrorism is a national security issue in several Southeast Asian countries, counter-terrorism training can become an item of common interests. For instance, it was reported that the Ministry of Foreign Affairs of Japan will provide funding to encourage Japanese small and medium enterprises to take training courses on counter-terrorism and abduction prevention measures in some Japanese as well as overseas cities, so that they are better prepared when doing business abroad.[70] This example suggests that

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[69] "ASEAN Regional Forum (ARF) Concept and Principles of Preventive Diplomacy," ASEAN Regional Forum Inter- Sessional Support Group Meeting on Confidence Building Measures (ISC on CBMs), Hanoi, April 22-24, 2002, http://www.asean.org/uploads/archive/arf/9ARF/ISG-CBM-HaNoi/Doc-5.pdf.

[70] "Minister of Foreign Affairs Will Hold Counter-Terrorism Training for Small and Medium Enterprises for the First Time," *Kyodo News*, August 22, 2018, https://tchina.kyodonews.net/news/2018/08/6b5d42c2eda5.html (in Mandarin Chinese).

"capacity building" in security-related domains can be a common ground for regional security cooperation. The government of Taiwan and its agencies may develop international programs along this line of reasoning. As the NSP also puts emphasis on people-to-people connectivity, it is time for the strategies of resources sharing and forging regional links to move beyond students exchanges programs and tourism promotion, among others.

V. Conclusion

This paper is based on the idea that the NSP is not just a trade and economic policy, but also part of Taiwan's foreign and security policy. From this point of view, while the government of Taiwan engages with its southern neighbors in various domains, the dimension of security should also be addressed. Admittedly, given the limited international space Taiwan has, this is not an easy task. An initial step to do so, it is suggested, is to look into what and how those southern neighbors securitize, i.e. what they see as threats to their national security and how they act on those threats or dangers, because any community is constituted on certain common grounds, whether a common enemy or common interests.

This paper briefly explores national security policy and practice of five ASEAN members, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam. It is found that the South China Sea issue and the rise of China may not necessarily be a common concern for the five countries. Even for the Philippines, Malaysia and Vietnam, which have overlapping sovereign claims over South China Sea with China, they also try to maintain good relations with the latter. Consequently, emphasizing the "Chinese threat" may not be a good strategy for Taiwan to advance its ties with these countries, because both securitization and desecuritization are at work in the region. Rather, the five countries under investigation all prioritize maritime security and its related issues. Seeking cooperation in these domains may yield more results for Taiwan.

It is therefore suggested that instead of emphasizing the South China Sea disputes, Taiwan should promote itself as a case to test the notion of "rules-based order." If China assaults Taiwan without the latter's provocation, then it cannot assert itself as a responsible power; if the US and others in the Indo-Pacific region allow this to happen, then "rules-based order" is nothing more than hot air. This at least establishes some commonality between Taiwan and the Southeast Asian countries. This paper also suggests that Taiwan may seek security cooperation with its neighbors through capacity-building/enhancing projects that are concrete and less politically sensitive, so as to cultivate substantial relationships on a step-by-step basis.

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Economic Relationship between Taiwan and ASEAN and the Implications of the New Southbound Policy

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ABSTRACT

Taiwan's economy has entered a challenging phase. The two pillars that have underpinned Taiwan's growth for the last two decades, namely ICT/semiconductor centered industrial structure and deep integration with China, are increasingly unsustainable. Uncertainties created by the US-China economic rivalry and intensified competition from emerging countries have exacerbated the situation. In response to these tests, Taiwan's President Tsai Ing-wen introduced the New Southbound Policy (NSP) to promote economic diversification and closer relationship with ASEAN and other Southeast Asian countries. The timing of the NSP might be perfect at this juncture, but uncertainties and challenges remain. This paper starts with a discussion on Taiwan's economic difficulties, followed by an analysis on the current trade and investment relations with Southeast Asian countries, and offers thoughts on the success and challenging factors of a closer economic relation.

Keywords: *Taiwan, Southeast Asia (SEA), ASEAN, trade, investment, New Southbound Policy (NSP)*

由台灣與東協經貿關係論新南向政策之意涵

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摘　要

台灣經濟進入了一個充滿挑戰的階段。過去二十年支撐台灣成長的兩大支柱，亦即資通訊及半導體製造為中心的產業結構，以及與中國的深度經濟融合，正日益難以為繼。美中經濟對抗造成的不確定性以及來自新興國家的激烈競爭使局勢更加嚴峻。面對此等挑戰，蔡英文總統推動的新南向政策，在此關鍵時刻有其重要性，但仍存在不確定性和挑戰。本文首先討論了台灣的經濟困難，進而分析了當前與東南亞國家的貿易和投資關係，並提出了提升經濟關係更加緊密的成功和挑戰因素的建議。

關鍵詞：台灣、東南亞、東協、貿易、投資、新南向政策

I. Introduction

Taiwan's economic performance since the 1980 has been denoted as the "Taiwan Miracle" and it was one of the four "Asian Tigers" with South Korea, Hong Kong and Singapore.[1] But Taiwan is standing at a critical crossroad with competition from China, the rest of Asia and beyond. Economic growth momentum is evidently slowing down in recent years. The GDP growth rate is failing to match most of Taiwan's peer neighbors, and wages remain stagnated at the 1998 level.[2] Reasons for these challenges include, inter alia, slowness in industrial structure transformation, lack of creative and high value-added new industries and inefficient services industry. Facing these problems, former and current governments all attempt to introduce a combination of industrial, financial, monetary, trade and investment polices to overcome the predicament and elevate Taiwan's economy to the next level.

The current government in Taiwan under President Tsai Ing-wen introduced two major undertakings since she took office in 2016, namely the "5-plus-2 (5+2) Industrial Innovation Plan" and the "New Southbound Policy" (NSP). The NSP is a regional strategy with the view of forging closer economic, social and people-to-people connectivity with 18 countries in the South East Asia, South Asia, Australia and New Zealand.[3] Yet as current priority focuses on 6 partners, namely India, Indonesia, Malaysia, the Philippines, Thailand and Vietnam, we also narrow the discussion to India and members of the Association of Southeast Asian Nations (ASEAN) in this paper.

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1 Fu-Lai Tony Yu, "The Architect of Taiwan's Economic Miracle: Evolutionary Economics of Li Kuo-Ting," *Global Economic Review,* Vol. 36, No.1, March 2007, pp. 53-56.

2 Chung-Hua Institution for Economic Research (CIER), *The policy implications of low wages on labor market and possible policy reactions* (低薪資對我國勞動市場的影響與政府因應策略), Ministry of Labor commissioned research series, 2015, pp. 14-17, https://www.mol.gov.tw/media/2688509/104 年度-低薪資對我國勞動市場的影響與政府因應策略.pdf.

3 As all these partner countries are located south of Taiwan, this is why it is referred to as the "Southbound" Policy.

While it is too early to assess the outcome of the two primary programs, the changing landscape of the economic structure in China, the rising tension of the Cross-Strait relationship, and the fallout of the US-China trade war warrant a good starting point, insofar as timing is concerned. Still many challenges lie ahead and success is not guaranteed.

Against this background, the first part this paper introduces the macroeconomic trends and industry development phases in Taiwan. It is followed by discussion on Taiwan's trade and investment in general and with selected ASEAN countries. In the third part the content and objectives of the "5+2" Plan and NSP programs, as well as the implication of the US-China trade tension in promoting economic relations with ASEAN partners is discussed.

II. Taiwan's macroeconomic performance and challenges

A. Evolution of Taiwan's macroeconomic development

Taiwan's economic development can be divided into several distinct phases from 1952 to 2017. The initial phase started with self-sufficiency import substitution policy in the 1950, gradually moved into light industry development phase in the 1960. Starting in the 1970, Taiwan moved to the more advanced level of promoting the development of basic and heavy industries and technology-intensive industries in the 1990. [4] The Information and Communication Technologies (ICT) sector has since then until today dominated Taiwan's manufacturing sector and has since become a hallmark for Taiwan's role in the global supply network.

During the last 60 years, Taiwan's GDP has increased from 1.4 billion USD in 1952 to 573.2 billion in 2017, and per capita income also increased to 24,936 USD from 140 USD in 1952 (Table 1). The pattern of GDP

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[4] National Development Council, *Economic Development, R.O.C. (Taiwan) 2017* (Taipei: National Development Council, 2017), pp. 9-11, https://www.ndc.gov.tw/News_Content.aspx?n=5CC81BD78364FACB&sms=8FF4788B5E260516&s=9C025155707F0BC6.

growth can be divided by different development stages. Growth rate accelerated from 1950s-1960s with the take-off of light-industry sectors. Growth was most significant in the 1980 and 1990, with the development of capital-intensive and Information and Communications industries. GDP in 1980 grew near 3 times than the previous decade, and per capita GDP also near doubled in 1990. The speed of growth slowed down after the 1990 due to lack of spearhead industries similar to the ICT sectors in 1980 and the increased level of competition in the global supply network.

Table 1 Taiwan GDP and Industrial Structure (1952-2017)

Unit: %; USD

		1952-59	1960	1970	1980	1990	2000	2010-17
GDP	USD billion	1.4	5.0	33.9	152.7	304.2	392.1	573.2
	Per Capita (USD)	140	356	1,951	7,805	13,947	17,531	24,936
	Growth Rate (%)*	8.7	9.9	10.9	8.5	6.6	3.8	3.4
Unemployment Rate (%)*		3.9	3.3	1.7	2.1	2.0	4.4	4.2
Inflation Rate (%)*		-	4.8	8.9	4.4	2.9	1.0	1.0
Industrial Structure (%)	Agriculture	26.8	16.6	8.8	4.8	2.4	1.7	1.7
	Industry	25.6	35.9	43.3	41.0	31.4	31.1	35.4
	-ICT industry	-	-	-	5.3	9.4	14.2	16.7
	Service	47.6	47.6	48.0	55.0	66.4	66.0	62.8

Source: Directorate General of Budget, Accounting and Statistics (DGBAS), National Statistics, https://eng.stat.gov.tw/mp.asp?mp=5.
*GDP growth rate, employment rate and inflation rate are average of the period; other indicators are the end year of period.

In the last decades, low unemployment and inflation rates have been one of the hallmarks of Taiwan's economic development performance. Through its successful export and industry promotion policy, unemployment rate had decreased from 3.9% in 1950s to 1.7% in 1970s. Although employment rate increased after 1980 from 2.1% to 4.2%, it remains below U.S. and Europe levels. The Taiwan government was able to keep a steady inflation rate even during several global upheavals in the past (e.g. inflation rate was 8.9% during the 1970 oil crises). Inflation rate is as low as 1.0% from 2000 till 2017. One reason of low inflation rate is the stability of utility services (electricity, water, oil/gas etc.) costs offered by state-owned enterprise (SOE) such that the government was able to maintain steady price levels.

It is of note that fluctuation in Taiwan's GDP growth has been increasingly apparent after the 1997 global financial crisis, and remained sluggish since 2010 (Figure 1). As most international organizations, including OECD and IMF, are downgrading the forecast for 2019-20 global economic outlook, [5] addressing issues associated with economic slowing-down and exploring new driving forces for sustainable economic growth thus becomes increasingly critical policy agenda for Taiwan.

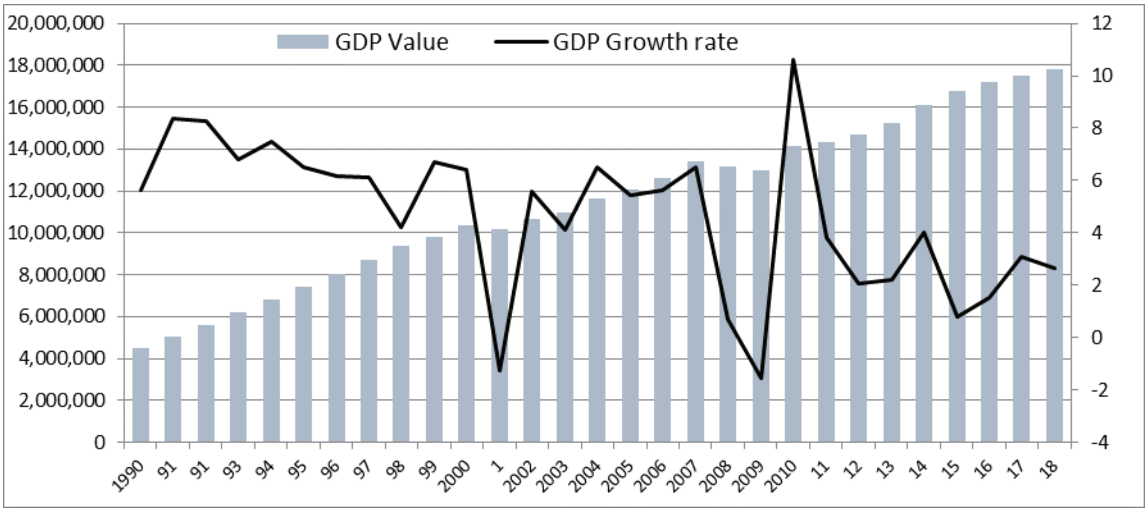

Figure 1 Changes in Taiwan's GDP value and growth rate

Source: Directorate General of Budget, Accounting and Statistics (DGBAS), National Statistics, https://eng.stat.gov.tw/mp.asp?mp=5.

B. Major phases of Taiwan industrial structure reforms

Taiwan's major industry structures went through dynamic reforms in the last four decades as well. Right after WWII, the agriculture sector was the key economic sector, accounting for 26.8% of the GDP, which was higher than the manufacturing sector's share of 25.6% in 1959.[6] As policy started to encourage the development of the manufacturing sector focusing

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5 The latest outlook forecast from OECD is available at: OECD, "OECD Economic Outlook May 2019," http://www.oecd.org/eco/outlook/economic-outlook/.

6 Industry sector includes the process of raw materials and other non-manufacturing activities.

on light manufacturing, its ratio of GDP increased to 35.9% in 1969 while agriculture sector's share reduced to 16.6%; the share of GDP for the services sector essentially remained unchanged in the this 20-year period. The manufacturing sector's GDP ratio reached its peak at 44% in 1985 due to the rapid expansion of capital-intensive manufacturing activities. Subsequently manufacturing sector ratio decreased to the lowest point of 29% in 2000 but returned to 35% in 2016.

For the services sector, its development and contribution to Taiwan's economy started to take off only after the 1980's. The main driver is that as Taiwan's economy entered a double-digit growth period, standard of living and demand for modern services also increased. In 2017, the services sector stands at 62.9% of the GDP. The speed of decline for the economic importance of the agriculture sector is significant. Until the 1960, the agriculture sector was the backbone of Taiwan's economy, yet its share of GDP began to dive into an almost free-fall style descent. Since the year 2000, agriculture sector's share has stayed at around 2% of the total GDP (1.7% in 2017). That said, agriculture remains a politically and culturally important sector. Thus, initiatives have been introduced to create a next-generation agriculture sector in Taiwan, which will be further discussed in the next section.

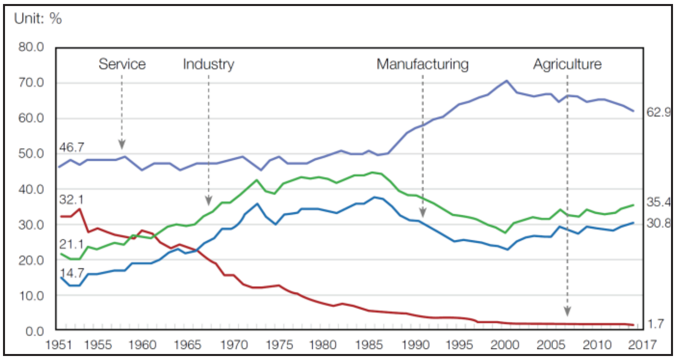

Figure 2 Percentage of GDP by Output of Major Industries in Taiwan

Source: National Development Council, *Economic Development, R.O.C. (Taiwan) 2017* (Taipei: National Development Council, 2017), p. 20, https://www.ndc.gov.tw/News_Content.aspx?n=5CC81BD78364FACB&sms=8FF4788B5E260516&s=9C025155707F0BC6.

After the 2009 global financial crisis, Taiwan's manufacturing sector's economic contribution went up again. Correspondingly, the growth rate for services sector declined since 2000. One possible reason behind this is that the market size of Taiwan's services sector is relatively small, and some key services sectors such as healthcare, financial and utilities, are still dominated by the public sector (through SOEs or directly supplied by government agencies). Taking the financial sector as the example, Huang and Jiang find that the domination of SOE banks constrains the intensity of competition, thus resulting in slowness in introducing innovation in Taiwan's banking sector.[7] Second, with off-shore manufacturing started to accelerate in the 1990's, demand for supporting services (e.g. financial, logistics, accounting and ICT services) also declined accordingly. Further, the process of services internationalization in Taiwan has been slow, with most services providers competing only in the domestic market.

For the manufacturing sector, the importance of the ICT manufacturing has continued to increase since the start of the 1990s. Taiwan remains a key global ICT manufacturing today. On average, the ICT sector's share of total production value of the manufacturing sector remains at 34% in recent years and is on the rise (Table 2). This is supported by strong external demand for smartphones and other innovation products. Key characteristic for Taiwan's ICT sector is the OEM (Original Equipment Manufacturer) business model. From final products such as computer in 1980s to components in 2010s, Taiwan's ICT companies served as contract manufacturers for the IBM in 1980, Dell & HP in 2000, and Apple Inc. in recent years.

[7] Tai-Hsin Huang and Dian-Lin Jiang, "The Causality between Market Competition and Innovation in Taiwan's Banking Sector (我國銀行業市場競爭度與金融創新之關聯)," *The CBC Journal* (中央銀行季刊), Vol. 36, No.2, June 2014, pp. 15-52.

Table 2 Current economic and industrial development in Taiwan (2016)

Major manufacturing sectors	Share of output (%)	Production index (2011=100)
Metal machinery	28.72	96.7
Information electronics	34.13	118.02
Chemical industry	25.94	103.96
Commodity industry	11.21	100.54

Source: Industrial Development Bureau, Ministry of Economic Affairs (MOEAIDB), "Industrial Development in Taiwan," April 2018, p.6, https://tinyurl.com/y4rqvrwz.

III. Taiwan's trade and investment relations with ASEAN

A. Bilateral trade relationship with ASEAN countries

Taiwan is highly trade-dependent. The average trade dependency rate (total trade value as % of GDP) for Taiwan was 103% between 2014 and 2016, with export dependency at 56%, and import dependency at 47%. For comparison, trade dependency rates for China, Korea and Japan stand at 37%, 31% and 78% respectively.[8]

This high degree of trade dependence implies that Taiwan is sensitive to changes in the international trading environment. As reflected in Figure 3, Taiwan's trade performance was directed affected by the global downturns in 2001, 2009 and 2014-15. Although rebounds occurred after each crisis, this fluctuation still reflects Taiwan's vulnerability to the global trade environment. Another notable development is the steady decline of exports since 2012 (Figure 3). This suggests that there are long-term and structural issues at work rather than merely cyclical effects. In addition to the off-shoring of manufacturing development discussed above, increased intensity of competition from China, ASEAN and other emerging economies, as well as the change in global supply chain structure due to automation are

[8] Based on World Bank, "Trade (% of GDP)," https://data.worldbank.org/indicator/NE.TRD.GNFS.ZS.

some of the possible structural factors in this regard. Finally, the uncertainties created by the on-going U.S.-China trade war further exacerbate the situation and outlook in the foreseeable future.

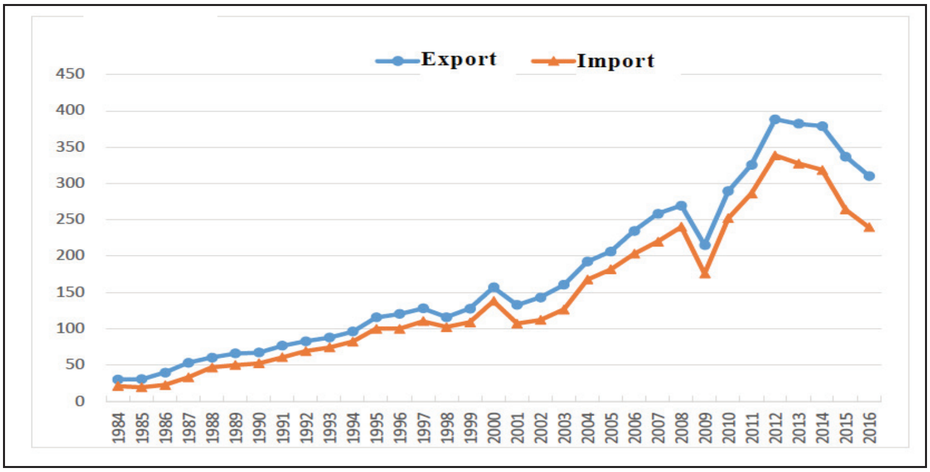

Figure 3 Changes in Taiwan's Trade in Goods

Source: Directorate General of Budget, Accounting and Statistics (DGBAS), National Statistics, https://eng.stat.gov.tw/ct.asp?xItem=37408&CtNode=5347&mp=5.

In 2017, Taiwan's trade reaches USD 576.6 billion, with export values at USD 317.3 and import USD 259.3 billion respectively (Table 3). The main products exported are consistent with the manufacturing structure discussed above, with ICT components and products account for 45% of total export. Other major export categories include commodity related products (metal, oil, chemicals, plastics, rubber, textile) accounts for 30%, and machine, transportation and electrical products stands at 20%. With respect to export markets, top export destinations are China, Hong Kong, US, EU and several NSP partners.

China is the single most important export destination for Taiwan, and top market for almost all export categories except transportation, mining, and textile. The U.S. is the largest market for Taiwan's transportation products (mainly auto parts targeting the after-sale market), and ASEAN is the major market for Taiwan's mining and textile products. Collectively, major NSP partners (i.e. Singapore, Vietnam, the Philippines, Malaysia, Thailand, India and Indonesia) accounts for 19.1% of Taiwan's total export in 2017, making the block number two trading partners next to China. Nonetheless, exports to both India and Indonesia are relatively insignificant.

Table 3 Taiwan's main export markets

Partners	2013	2014	2015	2016	2017
Total exports (USD billion)	**303.7**	**313.6**	**280**	**280.5**	**317.3**
Share of total export (%)					
China	26.8	26.2	25.4	26.3	28
Hong Kong, China	12.9	13.6	13.6	13.7	13
United States	10.7	11.1	12.2	12	11.7
EU(28)	8.3	8.5	8.5	8.8	8.6
Japan	6.3	6.3	6.9	7	6.5
Singapore	6.4	6.5	6.2	5.8	5.6
South Korea	4	4	4.5	4.6	4.6
Viet Nam	2.9	3.2	3.4	3.4	3.3
Philippines	3.2	3	2.7	3.1	3.0
Malaysia	2.7	2.7	2.5	2.8	3.3
Thailand	2.1	1.9	2	2	1.9
Middle East	1.9	2	1.9	1.7	2
Australia	1.2	1.1	1.1	1.1	1
India	1.1	1.1	1	1	1
Indonesia	1.7	1.2	1.1	1	1
Africa	1.1	0.9	0.8	0.7	0.6
Other	1.1	1.1	0.8	0.3	0.6

Note: Grey column denotes major NSP partner countries.
Source: Authors' compiling from: Bureau of Foreign Trade, MOEA, "Trade Statistics-Export/Import Value (By Country)," https://cus93.trade.gov.tw/FSCE010F/FSCE010F?menuURL=FSCE010F.

Another unique feature of Taiwan's export portfolios is the high level of intermediate products. As demonstrated in Figure 4, the most significant change of Taiwan's export structure in the past 25 years is the rapid decline of consumer (final) products, falling from 27.35% in 1996 to 18.01% in 2016. Contrarily, contribution of intermediate inputs, including raw materials, capital goods, and parts/components increased from 72.65 to 81.99%. However, the export structure varies across different markets. For example, while 20% of Taiwan's export to ASEAN countries is consumer products, it accounts for only 8% of Taiwan's export to China. The fact that 61% of Taiwan's export to China is capital goods (e.g. machineries or work stations) directly corresponds to the high level of off-shore manufacturing investments by Taiwanese firms in China.

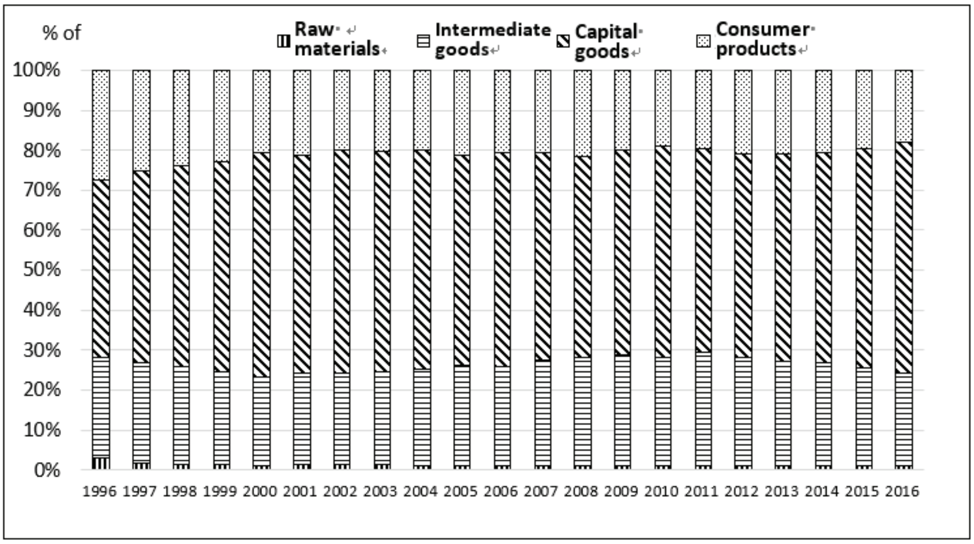

Figure 4 Changes in Taiwan's export portfolios (1996-2016)

Source: Calculated based Bureau of Foreign Trade, MOEA, "Trade Statistics," https://cus93.trade.gov.tw/FSCE010F/FSCE010F/.

Collectively ASEAN is the second largest export market of Taiwan; export value was 57.7 billion USD, accounting for over 18% of total export in 2017. ASEAN is also Taiwan's third largest import source, accounting for near 12% of import in 2017. Of note is that while China remains Taiwan's largest export market, its importance has been declining overtime in the decade, while export to ASEAN 10 countries is on the rise; Yet the degree of change has been incremental (Table 4). As for the change in Taiwan's import from China and ASEAN, there is a noticeable increase of import from China since 2009, and it surpasses Japan to becomes Taiwan's largest import source in 2014. At the same time, import level from ASEAN remains constant in the last decade, with a minor decrease in 2017.

Table 4 Trend in Taiwan's trade to China and ASEAN (2011-2017)

Year	China as % of Taiwan's total		ASEAN-10 as % of Taiwan's total	
	Export	Import	Export	Import
2011	28.02	14.31	15.28	11.50
2012	27.24	15.49	16.72	11.65
2013	26.80	15.12	18.78	11.66
2014	26.78	15.78	19.24	12.08
2015	26.18	17.53	18.98	12.45
2016	25.40	19.33	18.16	12.39
2017	26.36	19.08	18.30	11.78

Source: Authors' compiling from Bureau of Foreign Trade, MOEA, "Trade Statistics-Export/Import Value (By Country)," https://cus93.trade.gov.tw/FSCE010F/FSCE010F.

Among the ASEAN-6 countries, Singapore is the 6th largest trading partner of Taiwan globally, and most important partner in the ASEAN region. This is followed by Vietnam, Malaysia, the Philippines, Thailand and Indonesia. Table 5 shows the distribution of products that Taiwan exports to the ASEAN-6 in 2017. The major trade products between Taiwan and Singapore are semiconductor and oil related products due to similar technology and petrochemical industry structure (Table 5).

Vietnam is the 2nd largest export market of Taiwan to ASEAN, but the structure of products exported from Taiwan is different for other ASEAN countries. Because of investment-led trade, Taiwan's exports to Vietnam are labor-incentive light industry raw material or semi-finished products such as metal, machine, textile, chemical, rubber & plastics, optical and engineer's products. The main items that Taiwan imported from Vietnam are semiconductor, ceil-phone, shoes, cement, glass, and seafood. Similar to Singapore, the main products between Taiwan and Malaysia are semiconductors, refined oil, PCB board, and other electronics components. Refined oil and transportation are the major products that Taiwan exported to the Philippines and Thailand. Indonesia is not the main trading partner of Taiwan among ASEAN 6, accounting for just 5% of Taiwan export to ASEAN-6 countries. But Indonesia is a major import source of commodity products such as coal, natural gas and crude oil ASEAN.

Table 5 Main Taiwan Export Products to ASEAN 6 countries (2017)

Sectors	Singapore	Vietnam	Malaysia	Philippine	Thailand	Indonesia
Unit: USD 10 Million						
Electronics	**53**	5	**24**	12	7	1
Mining	23	2	11	**61**	0	3
Metal	7	30	19	11	**25**	10
Machine	15	29	12	8	18	**17**
Textile	1	**64**	3	6	10	**16**
Chemical	14	34	16	7	19	10
Rubber & Plastics	7	41	17	8	17	11
ICT products	**30**	18	19	10	17	6
Optical, Precision	22	34	**20**	13	7	3
Engineering equip.	18	21	**20**	13	19	9
Transportation	9	11	9	**21**	**36**	15

Note: Top 2 products to each country are highlighted in grey color.
Source: Authors' compiling from Bureau of Foreign Trade, MOEA, "Trade Statistics," https://cus93.trade.gov.tw/FSCE010F/FSCE010F/.

B. Investment relationship with ASEAN

In early stages of Taiwan economic development, inward foreign direct investment (FDI) was significantly higher than outward FDI. Initially, foreign capital invested in Taiwan went into areas of textile, umbrella, furniture, toys and other light-industry products manufacturing. Inflow capital helped Taiwan's economy to gradually move from light to capital-intensive industries and export grows quickly. Inward FDI also brings in industry know-how, management models, and new technology, which facilitated in refining overall productivity of Taiwan. Over time, Taiwanese companies were able to generate capital stock capacities. As Taiwan's production costs starts to increase (due to factors such as higher labor costs and stricter environmental regulation) and the NT dollars significantly appreciated in the 1980s, outward FDI became larger than inward (Figure 6). Over time Taiwan has become a major investor in the

Asia Pacific region.

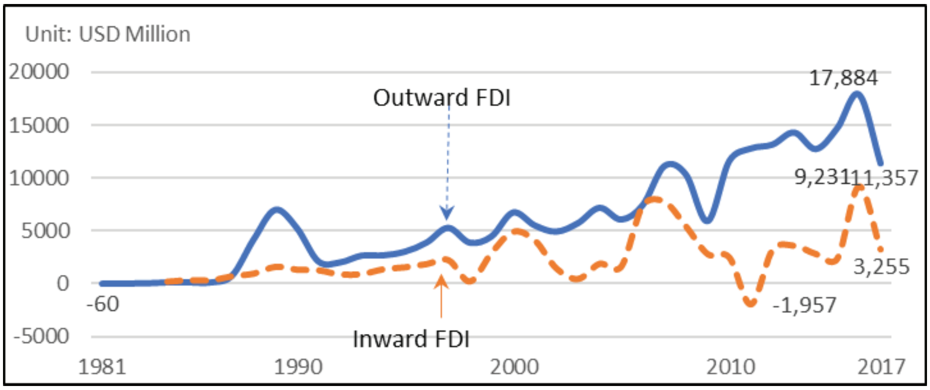

Figure 6 Taiwan FDI trend (1981-2017)

Source: Authors' compiling from Central Bank of the Republic of China (Taiwan), "CBC Statistics," https://cpx.cbc.gov.tw/Tree/TreeSelect.

The total accumulated outward FDI from Taiwan is USD 298.2 billion from 1952 to 2017 according to Taiwan Ministry of Economic Affair statistics (Table 6). On average, 58% of the outward FDI goes to China, which is followed by Latin America (15%), ASEAN (11%) and North America (5%). This structure remained basically unchanged in 2017 with China receiving 44% of Taiwan's FDI and British Caribbean following as the second largest destination of Taiwan's investment.

Taiwan businesses started to invest in China directly after 1991 when the government restrictions were relaxed. Investment to China increased because of similar culture, language, physical proximity and most importantly cost-saving incentives. Subsequently the 45% sharp depreciation of the Chinese RMB in 1994, and the 1998 Asia financial crisis that have critically affected ASEAN economy are some of the factors contributing to the acceleration of Taiwan's FDI to China by especially small and medium enterprises. The percentage of Taiwan outward FDI to China rose up from 0% to 42% in the period of 1991-2000 and investment to ASEAN declined to 12% from 32% in 1952-1990 period.

The second wave of outward investment took place in early 2000s. Taiwan ICT OEM companies started to move their manufacturing base to the Yangzi River Delta in China and the scale of investment became significantly larger during this period. At policy level, Taiwan government's position during late 1990 to early 2000s was to encourage investment to the ASEAN region instead of China based on economic security reasons. But many ASEAN countries were still recovering from the 1998 financial crises, and China's rapidly growing economy, potential market size and investment incentives were all taking off, so FDI to China (and British Caribbean) continued to increase. The supply chain built in China since 2000s has moved up from final assembly lines to upper stream parts and components manufacturing, implying that not only the quantity of FDI is on the rise, so is the level of manufacturing quality.[9]

Table 6 Geographical distribution of Taiwan's outbound investment (1952-2017)

Unit: %

	Accumulated FDI (298.2 billion US dollars)			
	1952-2017	1952-1990	1991-2000	2001-2017
China	58	0	42	62
ASEAN 6*	11	32	12	10
Latin America (mainly British Caribbean Islands)	15	16	28	13
North America	5	43	10	4
	Top 5 destination in recent years			
	2014	2015	2106	2017
China	58.5	50.5	44.4	44.4
British Caribbean Islands	17.6	13.3	12.5	28.4
Singapore	0.8	1.1	7.1	4.4
United States	1.6	1.7	1.5	4.0
Viet Nam	3.7	5.7	2.1	3.3

Source: Investment Commission, Ministry of Economic Affairs (MOEAIC), Monthly Report, https://www.moeaic.gov.tw/english/news_bsAn.jsp.

The reason for British Caribbean Islands (i.e. Cayman and Virgin

9 Min-Wen Hu, et al., "The Transformation of Investment Portfolio by Taiwan Firms in China (臺灣企業對大陸地區投資行為轉變之研究)," *Bank of Taiwan Journal* (臺灣銀行季刊), Vol. 61, No. 1, March 2010, pp. 295-307.

Islands) to become the second largest destination of Taiwan's FDI is primarily regulatory circumvention[10]. Taiwan has until today a stringent regulation regime that requires all outbound FDI intended for China that is larger than USD 1 million to apply for prior approval by the investment review commission; FDI going elsewhere is not subject to such requirement. Further, there is an annual ceiling for aggregate investment to China by a single company. For instance, the annual ceiling for each natural person or SMEs is set at USD 2.7 million. In order to bypass the approval process (and ceiling), many Taiwanese SMEs opted to move capital to the British Caribbean Islands, which are well-known tax heaven and allows mail-box companies to operate as the transit place for capital.

As subsequent movement of capital from the British Caribbean are not monitored by Taiwanese authorities, it is difficult to estimate the final destinations and level of investment that goes from British Caribbean to China and other places, although it is reasonable to suspect a large portion of the such FDI is intended for China. An indirect evidence is that the British Virgin Island is also the second largest source of accumulated inbound FDI in China in 2017.[11] By the same token, part of Taiwan's investment in ASEAN could also go through similar indirect channels. In both cases, the actual levels of Taiwanese FDI in China and ASEAN are likely to be significantly higher than the official figures.

Business environment of China has been changing rapidly since 2005. One key development in 2005 was the Chinese decision to reform the exchange rate regime, including the appreciation of RMB against the US dollar. The introduction of floating exchange rate against the U.S. currency

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10 Jung-Pao Kang, "Strategies to Refrain Restrictions on Investment in China: Examples Starting from ASE Group (臺資企業的兩岸悲情分析—由日月光併購案談起)," *Prospect & Exploration Monthly* (展望與探索), Vol. 4, No. 12, December 2006, pp. 1-4.

11 Ministry of Commerce of the People's Republic of China, *Report on Foreign Investment in China 2017* (中國外商投資報告), July 26, 2018, http://images.mofcom.gov.cn/wzs/201804/20180416161221341.pdf.

resulted in at least 30% appreciation of the RMB in the last 10 years.[12] Labor and land cost also began to increase, tax incentives started to phase out and many restrictions were introduced to the "3H1L" industries - high energy-using, high pollution, high input, and low efficiency.[13] The cost of production for the labor-intensive industries such as textile or footwear manufacturing increased swiftly. The trend made many Taiwan-based business start to rethink their future investment decision. If they still want to stay in Chinese coastal provinces, they are now compelled to increase productivity and reduce pollution. Alternatively, Chinese inland provinces, back to Taiwan or migrate to ASEAN countries also became possible options. As the business environment of Chinese inland provinces may become as challenging as their coastal peers in the near future, and Taiwan's environment remain unsuitable for traditional labor-intensive industries, ASEAN thus became an increasingly attractive alternative for the next generation investment area for Taiwan.

Taiwanese investment to ASEAN-6 countries stands at USD 2.8 billion in 2017, a growth rate of 25.3% from 2016. Accumulated total FDI of Taiwan to ASEAN 6 countries reached USD 32.6 billion from 1952 to 2017. 41% of the investment is in Singapore, followed by Vietnam (28%), Malaysia (11%), Thailand (10%), Philippine (6%), and Indonesia (5%). The level of FDI going to these partners varied across time. Malaysia, the Philippines and Thailand were the major recipient countries before 1990, with Singapore and Vietnam became the leaders since 1991. The accumulated investment in Singapore and Vietnam is near 70% of total FDI by Taiwan in ASEAN-6 countries from 1952-2017. Of note is that as Singapore serves as the forward base for Taiwan (and other countries) investment to the ASEAN region, actual level of investment to other

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[12] Chris Isidore, "China revalues yuan: Move away from fixed dollar peg could lessen competition for U.S. firms, raise import prices," *CNN*, July 21, 2005, https://money.cnn.com/2005/07/21/news/international/china_yuan/.

[13] "'3H1L' industries (「三高一低」企業)," *people.cn (人民網)*, September 25, 2008, http://cpc.people.com.cn/BIG5/134999/135000/8104690.html.

ASEAN countries thus should be considerably higher than the official figures.

Table 7 Distribution of Taiwan's Investment to ASEAN-6 Countries (1952-2017)

Unit: %

	1952-2017 Accumulated total FDI at 32.6 billion US dollars	1952-1990	1991-2000	2001-2017
Singapore	41	7	27	45
Vietnam	28	0	17	31
Thailand	11	23	17	10
Malaysia	10	36	22	6
Philippine	6	24	7	5
Indonesia	4	9	10	3

Source: Investment Commission, Ministry of Economic Affairs (MOEAIC), Monthly Report, https://www.moeaic.gov.tw/english/news_bsAn.jsp.

Taiwan's FDI to the ASEAN-6 countries was limited before 1985. Since Vietnam opened its market for FDI in 1987, in tandem with Taiwan government's 1st generation "Southbound" policy that was introduced in 1993, Taiwan's investment to Vietnam started to take off. Yet the impact of the 1997 Asia financial crisis and the 1998 anti-Chinese protest in Indonesia severely affected Taiwan investors' confidence, and the amount of investment went to below USD 10 billion per year until 2007. In the most recent 10 years, FDI to ASEAN-6 countries regained momentum with a number of large investment cases, such as Taiwan's Advanced Semiconductor Inc. investment in Singapore in 2007, MediaTek's acquisition of Singapore's MStar Semiconductor Inc., and, most notably, Formosa Petrochemical's USD 11.6 billion investment in Vietnam for a major steel factory project.[14]

[14] "Formosa Ha Tinh Steel added a new investment of USD 1 billion (台塑河靜鋼廠 新增

With respect to country distribution of Taiwan's investment to the ASEAN-6 countries, Singapore is the largest recipient county of Taiwanese investment, with an accumulated USD 13.5 billion of FDI to Singapore. Main investment sectors include high-tech manufacturing, financial, transportation and retail sales service. The second largest destination of Taiwanese investment is Vietnam with USD 9.2 billion (apparently most of the investment of the Formosa Petrochemical steel factory came indirectly from Taiwan). Accumulatively, Taiwan ranked the 4th largest FDI source of Vietnam after South Korea, Japan and Singapore. The main sectors Taiwan is investing in Vietnam are mainly labor-intensive manufacturing, such as textiles, footwear, foodstuff, plastic products, furniture and machines.

For the remaining ASEAN-6 countries, the accumulated investment to Thailand, Malaysia, Philippine and Indonesia are USD3.6, 3.1, 1.9 and 1.4 billion respectively. Electronic, electrical and financial are the major industries of Taiwan investment to these countries. Taiwan companies has increased investment in Cambodia in recent years, accumulating to USD1.1billion and the main industry is textiles. There is a significant portion of Taiwan's FDI to ASEAN that is in the services sector, especially in the financial and transportation services. Taiwan's investment to the Philippines financial services accounts for almost half of the accumulated investment to the country. Vietnam appears to be the only exception with Taiwanese investment mainly going for the manufacturing sector. Investment to other ASEAN countries such as Laos, Myanmar and Brunei are few due to lack of qualified workforce, infrastructure and supply chains.

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10 億美元投資)," *China Times (中時電子報)*, July 26, 2017, http://www.chinatimes.com/newspapers/20170726000046-260202.

Table 8 Sectoral distribution of Taiwan's Investment to ASEAN-6Countries (1952-2017)

Unit: %

	Industry				Service	
	Food & Textile	Chemical & Rubber	Metal & Machine	Electronic & Electrical	Retail	Financial
Singapore	1	3	0	29	12	47
Vietnam	15	13	53	6	2	8
Thailand	13	6	3	34	4	35
Malaysia	31	5	7	13	4	33
Philippine	16	3	3	29	1	46
Indonesia*	21	15	7	6	4	25

*Agriculture 2% and Mining 11%.
Source: Investment Commission, Ministry of Economic Affairs (MOEAIC), Monthly Report, https://www.moeaic.gov.tw/english/news_bsAn.jsp.

IV. Future prospect of Taiwan ASEAN economic relationship

A. Taiwan's economic challenges

Economic development in Taiwan faces a number of challenges. First, while foreign trade remains to be a major contributor of Taiwan's economy, its ability to underpin and stimulate economic and wage growth is decreasing. Several unfavorable conditions offer partial explanations to this situation, including, among other things, competition from China and other emerging economies and the migration of Taiwan manufacturing firms to overseas bases.

Second, as discussed above, GDP growth for Taiwan has been sluggish and is well below other Asian Tigers in recent years. At the same time wage growth has stagnated since 2002, and domestic demand remains weak. One factor contributing to this economic standstill is the slowness in industry upgrading and transformation relative to competitors. As a result, there is increasing number of Taiwan products competes in price rather than quality and functionality, thus undermining the ability to grow.[15]

The rise of China as a competitor execrates the situation. In the last decade China has accelerated in building its own supply chain across many industries that are competing directly with Taiwan, including for instance, steel, petrochemical, LCD Panel and electronics.[16] As China advances in manufacturing capacity, its comparatively low price and the preferential treatment obtained under its free trade agreement with ASEAN, China's export market share expansion in ASEAN market significantly outpaced that of Taiwan. As demonstrated Table 9. Chinese export market share (as % of total export to ASEAN) in the ASEAN region has increased 170% between 2006 to 2017 (from 11.4 to 19.5%), while Taiwan's market share remains on average 5.6% at the same time period.

This direction of change creates great uncertainties for Taiwan, and the most challenging part is perhaps China's ambitious industry policy in the semiconductors sector and eventually the "Made in China 2025" grand program. As discussed above, the ICT sector is the single most important manufacturing sector both in terms of production and export values. Schott et al. compare the value of Taiwan's top export product categories vis-à-vis that of Japan and Korea and find that Taiwan's industry structure is highly concentrated (and thus dependent) on the ICT sector, especially semiconductors manufacturing (accounting for 25% of total export).[17] In

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15 Yi-Ling Lin and Tzu-Ting Yang,"Decoupling of Wage Growth and Productivity Growth in Taiwan: an Empirical Investigation (經濟成長、薪資停滯?初探台灣實質薪資與勞動生產力成長脫鉤之成因)," *Economic Literature* (經濟論文), Vol. 46, No. 2, June 2018, pp. 263-322.

16 Wen-Juan Wang, "Discussion on the Creation of the Red Supply Chain (紅色供應鏈形成環境之探討)," *Economic Outlook Bi-Monthly* (經濟前瞻), No.177, May 2018, pp.79-86.

17 Jeffrey J. Schott, Cathleen Cimino-Isaacs, Zhiyao (Lucy) Lu and Sean Miner, "Prospects for Taiwan's Participation in the Trans-Pacific Partnership," Peterson Institute for International Economics, PIIE Briefing 16-7, September 2016, p.10, https://www.piie.com/system/files/documents/piieb16-7.pdf.

contrast, Japan's top export (auto and auto parts) account for 13.8% of Japan 's total export value, and Korea's number one item (also semiconductors) accounts for only 9.9%. This implies that Taiwan is sensitive and vulnerable to any change in the global ICT and semiconductors supply chain.

Table 9 Changes in Taiwan and China 's Exports to ASEAN 10

Unit: %

Period	Export Growth Rate		Market Share	
	Taiwan	China	Taiwan	China
2008	8.0	18.9	4.9	11.9
2009	-23.4	-13.0	4.8	13.4
2010	35.4	31.3	5.0	13.4
2011	17.8	21.9	4.9	13.5
2012	8.6	14.2	5.0	14.5
2013	9.1	12.2	5.4	16.0
2014	3.0	7.5	5.6	17.4
2015	-10.7	2.2	5.5	19.8
2016	-2.8	1.0	5.4	20.0
2017*	16.0	11.8	5.6	19.5

*January-October
Source: Data retrieved from CEIC Database, https://www.ceicdata.com/en.

Unfortunately for Taiwan, the development of a domestic semiconductor sector is also considered as a vital step for both economic development and national security by China. As such, China introduced an import substitution policy in 2014 under the framework of the "Guideline for the Promotion of the Development of the National Integrated Circuit (IC) Industry."[18] As part of the effort, Chinese government has since established the IC Industry Investment Fund with initial funding of 140 billion RMB and aims to raise another 200 billion RMB (USD 31.6 billion) in 2018.[19]

[18] China State Council, "Guideline for the Promotion of the Development of the National Integrated Circuit Industry," 2014, https://members.wto.org/CRNAttachments/2014/SCMQ2/law47.pdf.
[19] "China Is Raising Up to $31.5 Billion to Fuel Chip Vision," *Bloomberg*, March 1, 2018, https://www.bloomberg.com/news/articles/2018-03-01/china-is-said-raising-up-to-31-5-

The short-term objective of the Guideline and the Fund is to double the sales value of Chinese domestic IC sector by 2020 (thus reducing reliance on imports) and enter the global supply chain. With competition from China with sufficient state-backed funding, the pressure for Taiwan to reduce dependency on semiconductors and to diversify is mounting.

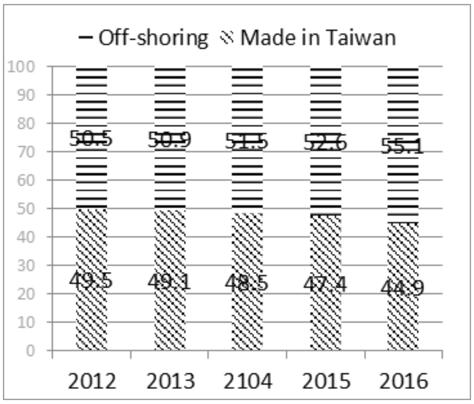
A second associated yet distinct uncertainty for Taiwan is the high level of off-shore manufacturing activities. According to MOEA's annual survey, the level of off-shore manufacturing has increased significantly in recent years. On average, more than 55% of manufacturing activities for major product categories (see Figure 7) took place outside Taiwan in 2016 (Figure 7(A)). Further, significant quantities of off-shore production activities have migrated to China. As indicated in Figure 7(B) below, the highest level of off-shore manufacturing happens to be in the ICT sector (computers and associates, smartphones etc.), with over 93% of the manufacturing took place outside Taiwan (and 98% of which is in China). This is followed by electrics (70.6%; with again 98% in China), optical (47.3%, with 95% of which in China) and electronics (47%, with 80% of which in China).

High production cost is one of the primary reasons for this structure. Another important reason is Taiwan's lagging behind in joining the regional economy integration process, due mainly to the China factor. To date Taiwan is the only major trading economy in the Asia Pacific region that has not been able to have FTAs with other trading partners except with Singapore and New Zealand. For the purpose of comparison, South Korea, for instance, has 15 FTAs with 52 countries as of 2017, and has another 8 FTAs (24 countries) under negotiation.[20] Consequently Taiwanese export faces discriminatory treatment across the board in many industries except ICT because of the ITA agreement.

billion-to-fuel-chip-vision.

[20] Korea Customs Service, "Current status of FTAs pushed for," February 2017, http://www.customs.go.kr/kcshome/main/content/ContentView.do?contentId=CONTENT_ID_000002320&layoutMenuNo=23225.

(A) Taiwan's level of off-shore manufacturing in recent years



(B) Distribution of sectors and off-shore manufacturing locations

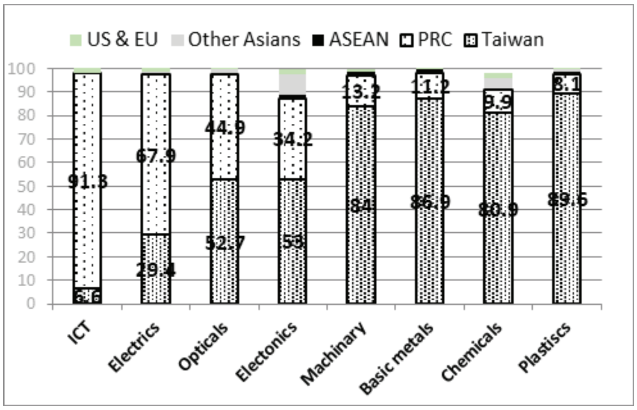


Figure 7 Level and Distribution of Taiwan's off-shore manufacturing activities by products and partners (% of total production)

Source: Department of Statistics, MOEA, "Export Orders Survey," https://dmz26.moea.gov.tw/GMWeb/investigate/InvestigateBA.aspx.

The high level of off-shore manufacturing and China-concentration issue reflect a number of policy implications. First and foremost, while not commensurate in absolute numbers, the rapid migration of manufacturing activities off shore implies graduate loss of job opportunities in the manufacturing sector.[21] Second, with the speed of economic hollowing-out, there are genuine concerns associated with economic security considerations in light of cross-strait economic competition. Third, China-concentration implies Taiwan is exposed to a considerably higher level of risk in the economic rivalry between the U.S. and China. This is because an important part of the off-shoring manufacturing in China is either OEM activity on behalf of U.S. branding companies, or the production/assembling of final

[21] Chung-Hua Institution for Economic Research (CIER), *The policy implications of low wages on labor market and possible policy reactions*, pp. 55-62.

products targeting the U.S. market.[22]

As reported by the US Congressional Research Services,[23] annual orders for products from U.S. buyers are much larger than the reported level of annual U.S. imports from Taiwan. For example, while U.S. imports from Taiwan in 2013 were USD 38 billion, export orders from U.S. firms was more than three time in value ($107.2 billion). CRS also noted that gap between U.S. direct imports from Taiwan and U.S. export orders to Taiwan firms continues to broaden over the last 10 years.

Figure 8 Comparison of U.S. Export Orders Placed with Taiwan Firms and U.S. Merchandise Imports from Taiwan: 2000-2013 (USD billions)

Source: Shirley A. Kan and Wayne M. Morrison, "U.S.-Taiwan Relationship: Overview of Policy Issues," Congressional Research Service, CRS Report No. 7-5700, December 2014, p.46, https://fas.org/sgp/crs/row/R41952.pdf.

Fourth, the changing operation environment in China is creating

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22 For a recent analysis of the tri-party trade relationship, see Shu-Fai Yang and Jung-Yi Kao, "The potential impact of the new US trade policy on Taiwan's trade performance (美國川普新政對台灣貿易發展之機會與挑戰)," *Economic Outlook Bi-Monthly* (經濟前瞻), Vol. 173, No. 5, September 2017, pp. 20-25, http://www.cier.edu.tw/site/cier/public/data/173-05 前瞻焦點.pdf.

23 Shirley A. Kan and Wayne M. Morrison, "U.S.-Taiwan Relationship: Overview of Policy Issues," Congressional Research Service, CRS Report No. 7-5700, December 2014, p.46, https://fas.org/sgp/crs/row/R41952.pdf.

pressure for many Taiwanese firms to opt for the "China+1" strategy, i.e. diversification of production capacities outside China. In 1990s and early 2000s, Chinese government provides a comprehensive set of incentives to attract Taiwan companies to relocate in China; Yet these policies started to phase out beginning in the mid-2000ssuch. Meanwhile, other developments, including the appreciation of the RMB, labor cost increase, removal of tax incentives and restrictions on "3H1L" (high energy-used, high pollution, high input and low efficiency) industries, are all taking place at the same time period. In short, the cost advantage of China is rapidly diminishing and many Taiwan companies face challenges of finding alternatives outside China.

ASEAN seems to be a perfect candidate. But the environment of ASEAN has its own shortcomings, and not suitable all industries due to under-developed infrastructures, short supply of qualified labor force and electronics supply chain. As such, only some traditional industries such as metal, petrochemical, textile have already made their decision and moved to ASEAN. Still the macro and long-term trend in China warrants ASEAN to become a favorable attraction for Taiwan companies considering the China+1 approach.[24]

B. Taiwan's new economic initiatives and the role of the NSP

In responding to the challenges discussed above, the current government under President Tsia Isng-wen introduced two major economic policy undertakings when she took office in May 2016. The first is the "5+2

[24] It is worth noting that the issue of aging of business leaders is bringing complication to the process. Most of the prominent and major multinational companies in Taiwan, such as TSMC, Hon Hai-Foxconn, Acer, ASUS, petrochemical (Formosa Petrochemical), and metal (China Steel), etc., are still managed by first-generation entrepreneurs. This is even true for many SMEs. According to the Economist magazine, Taiwan's business bosses are the oldest in the Chinese-speaking world: the average age is approaching 62 years old: "Taiwanese bosses are the Chinese-speaking world's oldest," *Economist*, January 11, 2018, https://www.economist.com/news/business/21734486-future-leadership-problem-many-family-run-firms-including-foxconn-worlds-biggest.

Industrial Innovation Plan" (hereinafter 5+2 Plan). The second is the "New Southbound Policy" (hereinafter the NSP). The 5+2 Plane was launched in 2016 to provide the center pillar of industrial transformation and development framework. The seven (5+2) innovative industrial pillars are: the Asia Silicon Valley (focusing on introducing Internet of Things to next-generation manufacturing), smart machinery, green energy technology, biomedical industry, defense industry, new-generation agriculture, and the circular economy.[25]

The official objective of the 5+2 plan is to transform industrial innovation, moving towards high-value-added, service-oriented business models. It envisions achieving industrial innovation, job creation, equitable wealth distribution, and sustainability. The economic rationales however intend to address many of the challenges discussed above, namely the two concentration (product and production base) issues by encouraging and diversifying Made-in-Taiwan manufacturing, as well as to modernize and create new jobs for the services sector. As for the NSP, it is designed to elevate relationship with ASEAN and six other partners (India, Nepal, Bangladesh, Sri Lanka, Australia and New Zealand) in this region through the following four key areas of cooperation:[26]

- Soft power connectivity: enhancing cooperation through, inter alia, medical, education, technology, agricultural cooperation and small and medium enterprises cooperation.
- Supply chain connectivity aims to enhance economic ties through supply chain integration, focusing on the following priorities: ICT, domestic demand-oriented industries, energy and petrochemicals, new agriculture, and financial services.

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[25] "5+2 Innovative Industries Plan," Executive Yuan, Taiwan, https://english.ey.gov.tw/iip/B0C195AE54832FAD.

[26] Complete introduction of the NSP policy is available at: Office of Trade Negotiations of Executive Yuan and Bureau of Foreign Trade, MOEA, "An Introductory Guide to Taiwan's New Southbound Policy," September 19, 2017, https://www.ey.gov.tw/File/75DCF5BD02AC64E7.

- Linking regional markets: through two-way investment and trade relationship and strengthening linkages among different markets via soft (i.e. legal and regulatory) and hard infrastructure.
- People-centered approach and People-to-people connectivity through intensified people-to-people interaction via education, tourism and culture exchanges.

In the initial stage, the NSP received mixed reactions. Critics argued that the NSP is vague and hollow without any apparent “new” elements. Especially the meaning of NSP as a “people-centered” economic policy is confusing. Second, as the NSP covers a total of 18 countries, there is lack of the sense of priority. In addition, there are concerns that the NSP would exacerbate the industry hollowing-out problem by encouraging g more Taiwan firms to invest in ASEAN and other NSP partners.

While there are merits in these critics, it is important to note that the NSP is not an economic-only policy after all. As a matter of fact, the policy rationale that underpins NSP goes beyond trade and investment promotions. As reflected in the “Guidelines for the New Southbound Policy,”[27] the ultimate goal of the NSP is to “gradually build up mutual trust and a sense of community.” Yang argues that the NSP aims to achieve the “4Rs,” namely relocation, reinvention, reinvigoration, and reform. Relocation means to enhance and relocate Taiwan’s role and capacity in the ASEAN and other NSP regional network with the view of demonstrating that Taiwan is willing and able to make contributions to the development and prosperity in this region. Reinvention implies Taiwan’s willingness to reinvent its partnership as a member of the community for the mutual benefit of Taiwan and NSP partners. For reinvigoration factor, it is to elevate engagement and connectivity with both public and private stakeholders in the region. Finally, the NSP policy also plays a role in promoting reform agenda in Taiwan, including the mind-set and institution framework in engaging with NSP

[27] Office of Trade Negotiations of Executive Yuan and Bureau of Foreign Trade, MOEA, “An Introductory Guide to Taiwan’s New Southbound Policy,” p. 32.

partners.[28]

This is not to say that trade and investment promotion is outside the scope of the NSP; to the contrary there are still strong economic elements in the NSP program. For instance, one of implicit economic rationales of the NSP is indeed to address the China-dependent concern by way of encouraging diversification of economic relations with NSP partners and providing facilitations to enhance access to the domestic markets of NSP partners.

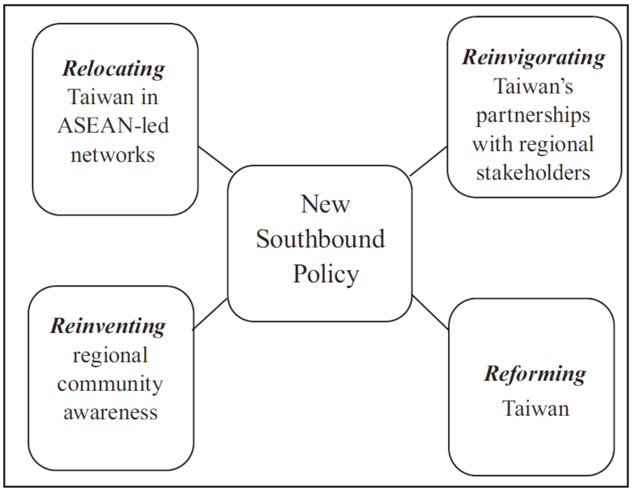

Figure 9 The 4Rs in NSP Objectives

Source: Alan H. Yang, "Strategic Appraisal of Taiwan's New People-Centered Southbound Policy: The 4Rs Approach," *Prospect Journal,* No.18, October 2017, p. 8.

In responding to some of the shortcomings discussed above, the NSP policy made consequent adjustments and new directions were introduced in mid-2017. First it is now focusing on the implementation of five "Flagship" Programs and three "Areas with Major Prospective". The five Flagship Programs include: 1). Regional Agricultural Development, 2). Medical and

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[28] Alan H. Yang, "Strategic Appraisal of Taiwan's New People-Centered Southbound Policy: The 4Rs Approach," *Prospect Journal,* No.18, October 2017, pp. 1-34.

Healthcare Cooperation and the Development of Industrial Chains, 3). the Industrial Talent Development, 4). Industrial Innovation and Cooperation, and 5). the New Southbound Policy Forum and Youth Exchange Platform. The three “Areas with Major Prospective” are: Cross-border E-commerce, Tourism, and Infrastructure development. Second the NSP is targeting for the time being six priority partners, namely India, Indonesia, Malaysia, the Philippines, Thailand and Vietnam.[29]

Consistent with the 4Rs objectives, economic elements in the NSP must now take into account the need of the NSP partners and the development dimension of trade and investment in the effort to achieve “win-win” mutual benefit in the process. The objective is to share Taiwan’s achievements and advantages in both “soft power” and manufacturing experiences. In this regard, the economic roles of the five NSP “Flagship” programs have to be read in tandem with, for example, the 5+2 Plan to understand the connection of Taiwan’s diversification effort with both the supply chain and domestic market of the NSP partners (Figure 10). Similarly, the Industrial Talent Development flagship program contributes to the effort in addressing the lack of qualified labor issues in ASEAN countries and India.

[29] Office of Trade Negotiations of Executive Yuan and Bureau of Foreign Trade, MOEA, “An Introductory Guide to Taiwan’s New Southbound Policy,” p. 30.

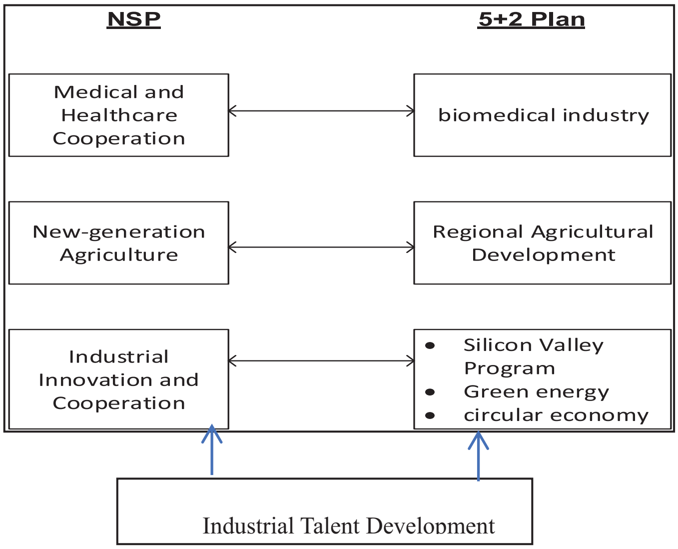

Figure 10 The relationship between the NSP Flagship programs and the 5+2 Plan

Source: Authors' own figure.

Taking the Medical and Healthcare Cooperation and the Development of Industrial Chain Flagship Program (The NSP Healthcare Flagship Program) as an example, one of the short-term assignments under the program is to establish a regional network on the prevention of dengue fever. At the same time, supply chain connectivity initiative will try to link healthcare services provider, made-in-Taiwan monitoring information system and future dengue fever vaccine (under development) with the collaborating ASEAN partner's healthcare stakeholders.[30] A network of healthcare professionals and regulators will be created through capacity-building and training programs provided for healthcare and medical professionals from the 5 priority ASEAN countries plus India. Finally, the program also pursues regulatory confidence-building and

[30] "The medical and public health cooperation and the development of industrial chains flagship project of the New Southbound Policy," Health & Welfare NSP Project Office, CIER, March 31, 2018, https://nsp.mohw.org.tw/cp-2-151-a6047-1.html.

understanding with the view of harmonization in the long run.

Most of the projects under the NSP Healthcare Flagship Program are designed to accommodate the development need of the NSP partners rather than direct trade and investment facilitations, it however creates essential enabling factors for Taiwan's medical products and healthcare service providers through enhancing connectivity with the local medical and healthcare networks and lowering of regulatory and other policy impediments. These underpinning factors would improve the market access opportunities for Taiwanese business and service providers. This is the role NSP plays in promoting intensified economic relationship with NSP partners and in facilitating enhanced economic engagement in the 5+2 new areas outside ICT manufacturing.

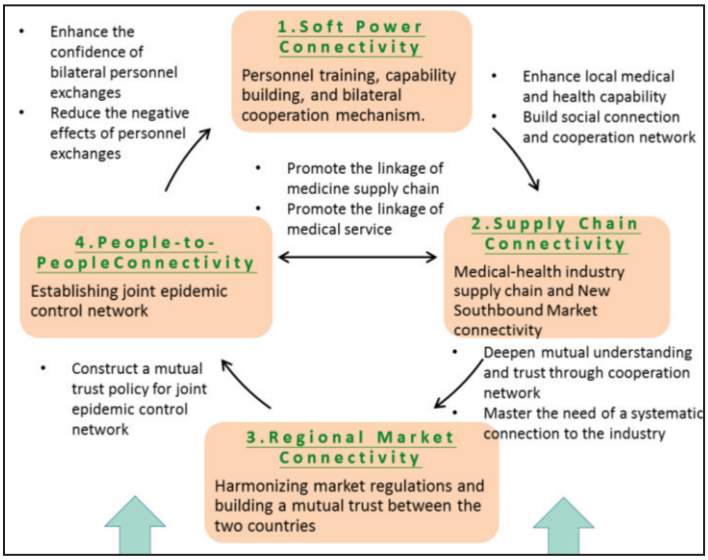

Figure 11 The framework of the NSP Flagship Program on Medical and Healthcare Cooperation and the Development of Industrial Chain

Source: "Objectives and Five Main Points of the Medical & Health New Southbound Policy," Health & Welfare NSP Project Office, CIER, October 21, 2016, https://nsp.mohw.org.tw/cp-2-172-b841e-1.html.

There are of course constraints and limitations to the NSP policy. The Cross-Strait political tension between Taiwan and PRC might impel China to create obstacles for Taiwan to achieve the 4Rs in NSP by leveraging its political and economic 'sharp' power.[31] Taiwan's relative lack of experiences in investigating, understanding and reflecting the need of ASEAN and other NSP partners also render the risk of mismatch between what Taiwan is trying to promote and what ASEAN and other NSP partners really want. Finally, many of the Taiwanese firms that are considering moving their production base to ASEAN are SMEs, who often do not have many experiences in operating in non-Chinese speaking environment. The ability for Taiwan government to offer timely assistance and facilitations is a challenging test as well.

C. The challenges and opportunities of the US-China trade war

Global trade has been overshadowed by the trade war between the U.S. and China. In the first year of the Trump Administration, the possibility of trade sanctions was widely considered lip services for the sake of creating bargaining chips. Those threats were made real and prominent, however, when the U.S. announced on June 15, 2018, a definite date to implement 25 percent punitive tariffs on made in China products worth USD 50 billion. Taiwan and the rest of the world trade community are all on high alert as regards the potential economic fallout. Yet there are opportunities as well.

After a bilateral negotiation hat ended without any resolution,[32] President Trump announced a definite Section 301 tariff sanction list against China starting July 6, 2018.[33] The first U.S. list includes 818 product items

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31 See for example, Christopher Walker and Jessica Ludwig, "The Meaning of Sharp Power: How Authoritarian States Project Influence," *Foreign Affairs*, November 16, 2017, https://www.foreignaffairs.com/articles/china/2017-11-16/meaning-sharp-power.

32 For a chronicle timeline of U.S. –China trade war and past negotiation undertakings, see: Dorcas Wong and Alexander Chipman Koty, "The US-China Trade War: A Timeline," *China Briefing*, September 11, 2019, https://www.china-briefing.com/news/the-us-china-trade-war-a-timeline/.

33 "Statement on Steps to Protect Domestic Technology and Intellectual Property from China's Discriminatory and Burdensome Trade Practices," White House, May 29, 2018,

(amounting to USD34 billions of import value from China) that will be subject to an additional 25 percent tariff. There is also a second list of 284 products (worth USD16 billion) that has come into effect on August 23. Beijing immediately published its own list of products subject to additional tariffs in retaliation with matching values and effective dates.

With the tariffs in place, the overture of the US-China trade war has started, with only the scale, length and battlefields yet to be confirmed. In response to Chinese retaliation, the U.S. implemented a third list of worth USD 200 billion, earmarked for an extra 10 percent tariff on September 27, 2018.[34] After another failed attempt to reach an agreement on May 2019, the tariffs on the third list were increased to 25 percent on May 10, 2019. As of June 2019, the size China-made products that are subject to additional 25 percent tariff accounts for almost half of the total Chinese imports to the U.S. (valued at USD539 billion in 2018).[35] Despite the fact that the two sides agreed to resume negotiation at the 2019 G20 meeting in Osaka, President Trump announced on 5th August 2019 that the US will levy additional 10 % tariff on the remaining Chinese import (worth USD300 billion) after an unsatisfied round of talk from September 1.[36] Once in effect, virtually all products originated from China are subject to US additional tariffs sanction.

Assessment of the first U.S. list reflects the fact that more than half of the list (421 items) constitutes machinery and apparatus, especially relating to work stations and platforms, followed by motors, electronic components and devices and related products (186 items), and instrument and optical

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https://www.whitehouse.gov/briefings-statements/statement-steps-protect-domestic-technology-intellectual-property-chinas-discriminatory-burdensome-trade-practices/.

34 Office of the United States Trade Representative, "Request for Comments Concerning Proposed Modification of Action Pursuant to Section 301: China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation," July 17, 2018, https://ustr.gov/sites/default/files/301/2018-0026%20China%20FRN%207-10-2018_0.pdf.

35 United States Census Bureau, "Trade in Goods with China," https://www.census.gov/foreign-trade/balance/c5700.html.

36 "Timeline: Key dates in the U.S.-China trade war," *Reuters*, August 10, 2019, https://www.reuters.com/article/us-usa-trade-china-timeline/timeline-key-dates-in-the-u-s-china-trade-war-idUSKCN1UZ24U.

devices (117 items). These three product categories account for almost 90 percent of the list. The second U.S. list includes many new product categories that are, according to the U.S. authority, identified as closely related to the China's "Made in China 2025" policy. The most notable features in the second list are a large number of petrochemical and plastic products such as polyethylene, and the inclusion of semiconductor-related products. Finally, in the proposed final list of USD 300 billion, two main categories of products affected will be smart phones (worth USD 44.8 billion) and laptop computers (USD 38.7 billion), accounting for almost 30 percent of the list in terms of value.[37]

It is noteworthy that the scope of U.S. sanctions goes beyond trade to include possible restrictions on Chinese investments in technology-sensitive industries and export controls in similar areas. As China imported only USD150 billion worth of U.S. products in 2017, this suggests that China will have to find new targets if it wishes to maintain its tit-for-tat retaliatory approach. Restrictions on U.S. investment and boycotting U.S. brands are just some of the options China has employed in the past, and which remain open to Beijing.

Although the U.S.-China trade war directly applies only to products originating from the U.S. or China, Taiwan's high dependence on offshore manufacturing in China and the deep involvement of the Chinese supply networks do not bode well in terms of the impact on Taiwan's economy. As discussed above, 70 percent of Taiwan's foreign ICT orders (including smart phones and laptop computers) are now manufactured in China; For machinery and electronics, which are also the main targets of the U.S. punitive tariffs, the shares are around 60 percent. These Taiwanese manufacturers will likely be the first group of industries to bear the cost of the trade war. Many studies suggest it will be among those hardest hit by the

[37] Finbarr Bermingham, "Donald Trump 'declares war on Christmas', as new trade war tariff leaves firms with little room to manoeuvre," *South China Morning Post*, August 2, 2019, https://www.scmp.com/economy/china-economy/article/3021141/donald-trump-declares-war-christmas-new-trade-war-tariff.

trade spat due to their extensive operations in China.[38] With the U.S. still expanding the tariff list, the victims are sure to grow. Worse still, many suggest the economic tension between the U.S. and China could be a long-term, strategic struggle. If this is the case, we are witnessing merely the opening chapter.

For Taiwan, despite all the impacts and costs, the trade war offers paradoxically the opportunity to reconsider our economic and trade structure with China and other partners. Specifically, as the "U.S.-China-Taiwan" triangle that has underpinned Taiwan's economic growth for the last 20 years appears to be increasingly unsustainable, finding and creating a new framework, or doubling down on efforts related to the NSP appears to be further justified by this external impetus.

In light of the on-going tension, many Taiwanese investors in China have considered the possibility of relocating from China (perhaps a new definition of the NSP's Relocation objective). President Tsai openly wishes that relocation to focus on NSP countries. This is a logical reaction to the situation, yet one needs to take into account the characteristic of Taiwanese investment in China to understand the potential outcome. This is because over the years, Taiwan businesses' participation in the Chinese economy has evolved. While the 'World Factory' incentive remains valid for many Taiwan companies, the domestic Chinese market has become increasingly important as well. One indication is the dramatic increase of investment in the Chinese services sector by Taiwanese investment since 2010. For example, the sector accounted for 40.58 percent of total Taiwan investment to China for both 2012 and 2013, an increase from just 10 percent in 2007.[39]

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[38] See a summary of the impact assessment: "How trade war with U.S. can hurt growth in China and beyond," *Reuters*, July 6, 2018, https://www.reuters.com/article/us-usa-trade-china-economics-explainer/how-trade-war-with-u-s-can-hurt-growth-in-china-and-beyond-idUSKBN1JV37K.

[39] Chung-Hua Institution for Economic Research (CIER), *A Study on the Changing Patterns of Taiwan's Outbound Investment in China*, Report commissioned by the Investment Commission MOEA, 2018, pp. 15-20.

This change in investment structure is only part of the new profile of Taiwanese investment in China: those in the manufacturing sector are now also part of the Chinese domestic supply network. There is a lack of reliable survey investigating the level of involvement of Taiwanese companies in the so-called ‘Red Supply Chain,’ but Taiwan Semiconductor Manufacturing Company (TSMC)’s USD 3billion investment in Nanjing is just one of the high-profile cases already in place.

In short, there are now at least three categories of Taiwan investments in China, including Made-in-China products but for the U.S. and other foreign markets, Made-in-China products mainly for the Chinese domestic market, and service providers targeting for Chinese consumers. Each category faces a different scenario in light of the trade war, with those that primarily use China as a manufacturing base for U.S. market likely to be hit the hardest. Fallout on Taiwan investment that are members of the Red Supply Chain will be commensurate to the level of impact on the Chinese final products in the U.S. market. Finally, Taiwan service providers in the Chinese services sector will be, for the time being, the least affected, as the outlook for the Chinese economy is still looking positive in the short run. They will certainly feel the pain as well if the overall Chinese economy suffers a slowdown, due to a potential prolonged trade war, which extends into different policy areas.

Given the above categorizations, it is likely that Taiwan investment seeking to relocate investment because of the trade war will be found among category A. Yet this group of Taiwan investors was already leaving China before the trade war due to rapidly rising production costs. The intensity of that investment has since declined rapidly. In 2017, China only captured 38.5 percent (USD9 billion) of Taiwan’s total outbound investment of USD24 billion. In the same time period, the allocation of investment to ASEAN almost tripled, growing from 6.3 percent of the total in 2010 to 16.7 percent in 2017. This is not to say that the U.S.-China trade war has no bearing on the trend of Taiwan investment migration away from China. The tariffs provide new impetus to accelerate the process.

Of note is that Taiwan and other foreign investors are probably more inclined to reduce but not completely terminate their operations in China, as the longevity and intensity of the trade war remains uncertain and China continues to be a major economic power. Further, there are also costs associated with migration, such that when the cost of relocation is larger than the extra tariffs impose by US, the trade war will be an unlikely reason to move. The NSP certainly will facilitate category A Taiwan investments migration and relocation toward ASEAN and India. Taking into account the historical investment pattern, Vietnam, Malaysia and Thailand will be key partners in the NSP arena. How to lower the cost of migration to NSP will be a critical assignment for the Taiwan government.

V. Conclusions and Suggestions

Taiwan's economic relation with ASEAN partners is on the rise, but the increase has been incremental and gradual; until today China remains the single most important economic partner for Taiwan. Nonetheless, the timing for Taiwan to diversify its relationship with China and to elevate ties with ASEAN is right, as there is an increasing number of companies who want to jump on the China+1 bandwagon. The likelihood of U.S.-China trade conflicts further accelerates the process.

As such, the introduction of the New Southbound Policy by President Tsai's administration reacts rightfully to the context. Yet there are challenges and limitations. If all things went according to plan, it is likely that Taiwan's economic relationship with ASEAN countries will continue to grow and enter a new high point in the next few years. Yet there are challenges ahead, which require further attention.

The US-China trade war undoubtedly creates new impetus to accelerate the "Going South" process, especially given the fact that all made-in-China products are now subject to US punitive tariffs from September 2019. This development indicates that not only ICT sectors but also all products that are currently manufactured in China for the US market face similar pressure in finding new production locations and re-building supply network. It is true that US and China are still engaged in negotiation with the view of finding at least partial solutions, yet the unpredictability of the tariff war, in tandem with the uncertainty created by the still evolving technology war, suggest that even if US and China is able to reach some kind of agreement in the near future, the incentive to re-configurate current supply network remains valid and strong.

The NSP in this regard comes in a right timing, yet caution is needed. First although the NSP started as a regional economic policy, its objectives and people-centered approach imply the policy has a much broader agenda than trade and investment. This agenda is in fact what makes the NSP "new" comparing to several previous and unsuccessful policies. As such, as expectations are growing for the NSP to play a role in mitigating the adverse effect of the US-China trade war, it is important for the NSP policy to remain on its intended path and committed to the policy's original mission. Second, if Taiwan wants to reduce its economic dependency on China, it is equally important to attract Taiwan investments in categories B and C to join the migration bandwagon, and facilitating access to local ASEAN and India markets is a critical factor to achieve this objective. This suggests that the content and priority of the NSP need to be updated in a dynamic way. Finally, for the sake of Taiwan's job opportunities and wage growth, it would be most beneficial if Taiwan investments come back home. So in addition to the NSP, we might consider launching a "New Homebound Policy" (NHP) as well.

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Looking South: Taiwan's Approach to Forging Manufacturing Partnership with Southeast Asian Countries under the New Southbound Policy

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Abstract

This paper discusses Taiwan's approach to forging manufacturing partnership with Southeast Asian countries under the New Southbound Policy (NSP) as well as the prospect of future collaboration. The study is divided into four sections. Section one gives an overview of Taiwan's previous Southeast Asia-related policy initiatives and Taiwan's investment and trade relations with Southeast Asian countries in the past thirty years. Section two elaborates on the promotion of first-phase collaboration with six NSP target countries, which are prioritized based on a series of social, economic and industrial development indicators. Target sectors for collaboration are also suggested. In the third section, results of a survey on industry investment preference as well as case studies of Taiwan companies already established in the region are presented to offer an overview of Taiwanese enterprises' current operation and future investment

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trend in Southeast Asia. In the fourth section, it is suggested that six sectors will benefit the most from industrial collaboration between Taiwan and six NSP target countries, and four aspects for future collaboration model are identified.

Keywords: *Southeast Asia, ASEAN, industrial collaboration, New Southbound Policy (NSP), investment*

南向新望：臺灣於新南向政策下與東南亞國家製造業合作模式初探

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摘　要

本文主要探討臺灣在「新南向政策綱領」的框架下，與東南亞國家於製造業合作之模式與展望。本研究共分四部分進行討論，首先回顧臺灣過去 30 年來推動之多項南向政策計畫，以及東南亞產業投資與經貿交流概況。第二部分進一步闡述透過社會、經濟及產業評估等指標，篩選出六個新南向首波合作國家與目前適合鏈接之產業。第三部分透過產業問卷調查結果，搭配東南亞臺商成功案例，說明目前臺商在東南亞布局概況，以及未來於東南亞可能投資趨勢。最後綜合分析，彙整出臺灣與首波合作國家進行產業鏈結，最可能受惠的六大產業，並勾勒未來與六國產業合作模式的四大構面。

關鍵詞：東南亞、東協、產業合作、新南向政策、投資

I. Introduction

With its continuing growth in population, GDP and trade, Asia has become an increasingly important center of global economy. Responding to the shifting global economy landscape, Taiwan, as a member of the Asian community, has also been seeking measures to accommodate the changes and ensuing challenges. The New Southbound Policy (NSP) proposed by the administration of President Tsai Ing-wen in 2016 is one of the initiatives set out to address the new scene. Through the New Southbound Policy, which targets ten ASEAN states, six South Asian countries, Australia and New Zealand as potential strategic partners for regional social and economic cooperation, Taiwan aims to build more new networks as well as strengthen old ties in the region. Industrial collaboration is regarded as one of the endeavors to achieve the purpose.

II. The Industrial Collaboration Policy Promoted under the New Southbound Policy

The New Southbound Policy is not Taiwan's first move seeking further collaboration with Southeast Asian countries. In this section, the evolution of previous southbound policies is introduced, followed by an overview of Taiwan's industrial investments in the region for the past three decades. The aim of strengthening industrial cooperation with NSP target countries to forge a more comprehensive value chain is then elaborated. Lastly, the opportunities and challenges of industrial collaboration between Taiwan and NSP target countries are further evaluated.

A. Taiwan's Industrial Investments in Southeast Asia in the Past 30 Years

Having established itself as an export-oriented, open economy, Taiwan sees foreign direct investment as an important strategy for expansion into overseas markets. China was the first important destination, in the 1970s and subsequently. However, in search of cheaper labor cost and market expansion, Taiwan initiated its first southbound policy, composed of two phases, during the tenure of former President Lee Teng-hui in the 1990s. The first phase was the launch of "Enhancing Trade Work Program for Southeast Asia Region" between 1994 and 1996, targeting Southeast Asian countries particularly Thailand, Malaysia, Indonesia, Philippines, Singapore, Vietnam, and Brunei. The purpose was to encourage state-owned Taiwanese enterprises and private small and medium enterprises to invest in Southeast Asia. As part of the first phase, Taiwan signed investment protection, double tax avoidance and fiscal compliance agreements with various SEA countries.

The second phase involved the launch of "Enhancing Trade Work Program for Southeast Asia, New Zealand and Australia Region" between 1997 and 2002. This initiative added Laos, Myanmar, Cambodia, Australia, and New Zealand to the target countries. Due to the ongoing financial crisis taking place in Asia at the time, the foremost important mission for Taiwan Government involved assisting Taiwanese companies already relocated southbound to survive through the crisis, expanding the eligibility for applying export re-financing, increasing export insurance line and scale in order to assist Taiwanese companies with the acquisition of working capital.

The second wave of Southbound Policy was launched by former President Chen Shui-bian between 2002 and 2003. This phase aimed to enhance the financing, commercial and management links for Taiwanese companies in Southeast Asia. To achieve this, government policy supported Taiwanese companies to identify and establish channels for marketing and collaboration in addition to investment finance. The policy also promoted the signing of free trade agreements with Southeast Asian countries.

A third wave of Southbound Policy titled "Enhancing Trade Work Program for Southeast Asia, New Zealand and Australia Region" was promoted between 2014 and 2016 during the tenure of former President Ma Ying-jeou. The policy aimed to promote the research and practice of collaboration in trade, investment, finance, labor, energy, and education fields with Southeast Asian countries.

Under the leadership of President Tsai Ing-wen, the "New Southbound Policy Program" was promulgated on August 17, 2016 to add six South Asian countries, in addition to ASEAN, Australia and New Zealand. The latest southbound policy emphasizes on people-oriented economic strategy and seeks to conduct multi-tier and comprehensive dialogues with ASEAN, South Asia, Australia, and New Zealand. The focus now includes talent creation through strategies such as support for vocational education of overseas talent within Taiwan. The policy encourages new immigrants to participate in new southbound work with proactive lifting of regulations and restrictions on people flow, logistics and cash flow, and control of business.

See Table 1 for a summary of previous Taiwan southbound policies and its latest version. In common parlance, the first three waves of southbound policies are collectively known as the old southbound policy. The policy promulgated in August, 2016 is referred to as the New Southbound Policy (NSP).

Table 1 Previous and Current Southbound Policies of Taiwan

	President Lee Teng-hui		President Chen Shui-bian	President Ma Ying-jeou	President Tsai Ing-wen
Policy and Promotional Period	Launched the "Enhancing Trade Work Program for Southeast Asia Region" between 1994 and 1996 (First Phase)	1997-2016			2016/5 ~ Present
		"Enhancing Trade Work Program for Southeast Asia, New Zealand and Australia Region" between 1997 and	Re-initiated the Southbound Policy between 2002 and 2003	"Enhancing Trade Work Program for Southeast Asia, New Zealand and Australia Region" (7th Phase) between 2014 and	Announced the "New Southbound Policy Program" on 2016/8/7

		2002		2016	
Countries Covered	Thailand, Malaysia, Indonesia, Philippines, Singapore, Vietnam, Brunei	Added Laos, Myanmar, Cambodia, Australia, New Zealand	Southeast Asian Countries	Southeast Asian Countries	Southeast Asian Countries, Six South Asian Countries (India, Sri Lanka, Bangladesh, Nepal, Bhutan, Pakistan), New Zealand,
Main Contents	• Encourage d KMT Party-own ed business, state-owne d business and civil small and medium enterprises invested in Southeast Asia. • Signed "Investme nt Protection Agreemen t" with Philippine s, Singapore, Malaysia, Indonesia, Thailand, and Vietnam. • Signed "Agreeme nt for the Avoidance of Double Taxation	• Proactively assisted Taiwanese companies to cope with the impact from financial crisis. • Strengthene d the economic and business information collection of the SEA countries. • Expanded export insurance and the eligibility for applying export re-financin g, line and scale. • Increased delegations for trade expansion	• Diversifie d the possible risk of Taiwanese companies with investmen t in China on a big move. • Assisted Taiwanese companies to establish marketing channel, industrial collaborati on and labor accessing Southeast Asia. • Enhanced the investmen t financing support system for Taiwanese companies in	• High-level governme nt officials led the delegation s for marketing expansion. • Establishe d sales channels and brands. • Aimed to promote the research and practice of collaborati on in trade, investmen t, finance, labor, energy, and education fields with SEA countries.	• The communicatio n with Mainland China is still open. • People-oriente d economic strategy. • Played the role of innovator, sharer and service provider. • Four links: Soft power, supply chain, regional market, and people-to-peo ple. • Conducted multi-hierarch y and comprehensiv e negotiation and conversation with ASEAN, South Asia, New Zealand, and Australia. • Integrated with

	and the Prevention of Fiscal Evasion" with Singapore, Malaysia, Indonesia, and Vietnam. • Established special collaboration work team. • Senior government officials frequently visited SEA countries. • Held meetings with trade or energy minsters. • Enhance the title and ranking of interchange agencies between Taiwan and some SEA countries.	in SEA countries.	Southeast Asia. • Provided Taiwanese companies investing in Southeast Asia with services for business management and investment convenience. • Promoted niche industry for investment in Southeast Asia. • Proactively promoted the negotiation and signing of free trade agreement in SEA countries.		vocational education, industry development and fostering of new southbound talents; encouraged new immigrants to participate in new southbound work. • Lifted restrictions on people flow, logistics and cash flow as well as business control. • Encouraged and assisted the civil organizations with participation in new southbound work.

Source: Ming-huan Liu, "Opportunity for TPP and ASEAN," speech delivered at Taiwan Stock Exchange Corporation (TWSE), December 28, 2016, Taipei, Taipei 101. Cited from Shu-mei Wu, "Opportunity for TPP and ASEAN: Report on IEK Special Lecture," *Securities Services Review*, No. 657, February 2017, pp. 99-100.

Table 2 provides data on Taiwan's investment to five ASEAN countries over the last 60 years. The cumulative cases of direct investment from Taiwan to five ASEAN countries surpassed 11,000 cases while the cumulative investment amount reached USD 77,675 million. Vietnam, Indonesia and Thailand were key recipients. The table suggests that Taiwan plays an important role in foreign direct investment in Southeast Asia.

Table 2 Taiwan's FDI to Five ASEAN Countries, 1959-2017 (September)

Country		Vietnam	Indonesia	Thailand	Malaysia	Philippines
Local Investment Statistics (1959-2017 September)	No. of Cases	2,515	2,614	2,349	2,500	1,091
	Amount (USD Million)	30,875	17,582	14,338	12,370	2,507

Source: Department of Investment Services & Investment Commission, Ministry of Economic Affairs, R.O.C., "Monthly Report," https://www.moeaic.gov.tw/news.view?do=data&id=1197&lang=en&type=business_ann.

B. New Southbound Policy Promotes Industrial Value Chain Cooperation between Taiwanese and SEA Industries

In recent years, ASEAN and South Asian countries have become important export markets for Taiwan due to the growth in trade with these countries. Redrafting applicable policy to strengthen the exploration of ASEAN and South Asian markets are intended to support outbound trade strategies. The new policy aims to change the previous investment models of using SEA countries as OEM production bases for export to domestic market oriented investment.

The logic for doing so is to leverage their growth potential. According to Global Insight, the average annual economic growth rate for 10 ASEAN countries and 6 South Asian Countries between 2017 and 2022 could reach 4.9% and 6.0% respectively, outperforming the global economic growth rate of 3.1%. Moreover, the ASEAN and South Asian population is relatively young with 70% of population aged under 40 years, and the middle-class is on the rise. These factors indicate large domestic consumption potential.

According to the statistics released by the Ministry of Finance, Taiwan's export to ASEAN countries in 2006 reached USD 27,586 million, constituting 13.9% of total export amount. Taiwan's export to ASEAN countries in 2017 reached the amount of USD 58,572 million, constituting 18.4% of total export amount. The export to ASEAN more than doubled in the last 10 years, indicating the increasing dependence of Taiwan on export to ASEAN countries.

As of 2015, the cumulative direct investment of Taiwanese companies in ASEAN countries had reached USD 86,900 million, second only to Taiwan's direct investment in Mainland China. Furthermore, the number of blue-collar workers from overseas working in Taiwan is 680,000 people as of 2016[2], mostly from Indonesia, Vietnam, Philippines, and Thailand. Interestingly, the number of foreign spouses reached 517,000 people by July 2016, an indicator of the closeness of relations between Taiwan and ASEAN.[3]

The New Southbound Policy Program consists of four aspects: trade cooperation, talent exchange, resource sharing, and regional links. As noted earlier, compared with the old southbound policy emphasizing on the trade and investment relation with Southeast Asia, the New Southbound Policy emphasizes people-oriented strategies, such as bilateral exchanges in the fields of industry, talent, tourism, culture, and education between Taiwan and target countries. Table 3 summarizes the intent of the NSP, summarized by the phrase "One Prospect, Three Concepts, Four Aspects, and Six Guidelines."

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2 Ministry of Labor, R.O.C., "Statistics of Labor," 2015, http://statdb.mol.gov.tw/statis/jspProxy.aspx?sys=210&kind=21&type=1&funid=q13012&rdm=i9LaYIqq.

3 National Immigration Agency, R.O.C., "Statistics of Work," 2016, https://www.immigration.gov.tw/5382/5385/7344/7350/8887/.

Table 3 Content of New Southbound Policy

Policy	Content	
One Prospect	Create reciprocal and win-win collaboration model and establish "sense of community."	
Three Concepts	Long-term Cultivation; Diverse Opening; Bilateral Reciprocity	
Four Aspects	Trade Cooperation	Expand the bilateral exchange of trade and investment with partner countries, promote the integration of industry supply chain, link with domestic market, and establish new trade partnership.
	Resource Sharing	Intensity the exchange of scholars, students and industry human resource from both sides, promote the supplement and sharing of talent and resources with partner countries.
	Talent Exchange	Promote collaboration in medical health, technology, culture, tourism, agriculture, small and medium enterprises, promote the living standards of partner countries, and extend soft potential of Taiwan.
	Regional Chains	Expand the multi-lateral and bilateral systematic collaboration with partner countries, intensify negotiation and conservation, and dissolve controversies and discretions, and jointly promote regional security and prosperity.
Six Guidelines	Promoting Tourism	Provide convenience measures such as visa waiver, landing visa, electronic visa to eight ASEAN countries.
	Business Opportunities in Halal Industry	The food industry shall acquire Halal certificate and Islamic financing operation model.
	Industrial Collaboration	Promote industrial collaboration using conversation mechanism. Sign industry MOU to promote bilateral cooperation.
	Investment Promotion	Update investment insurance agreement, promote ASEAN strategic partnership program and assist Taiwanese companies with investment in clusters.
	Trade Expansion	Expand trade communication platform, sign bilateral economic cooperation agreement, boost export dynamics.
	Education Development	Establish ASEAN and South Asian scholarship program and encourage bilateral talent exchange.

Source: Executive Yuan, R.O.C., "Proposal of New Southbound Policy," September 26, 2016, https://www.ey.gov.tw/Page/5A8A0CB5B41DA11E/86f143fa-8441-4914-8349-c474afe0d44e.

C. Opportunities and Challenges of the NSP's Industrial Collaboration

The opportunities and challenges of industrial collaboration between Taiwan and NSP target countries are discussed in this section.

With regard to internal strengths, Taiwanese companies are familiar with the operation of international supply chain and market expansion model. Taiwan has the industry policy and regulatory environment suitable for the long-term stable development of industries, which can be helpful for the industrial upgrade and transformation in NSP countries. Moreover, Taiwan also owns solid R&D technology foundation and has accumulated many processing technology skills in industries such as semi-conductors, information communication, machine tools, and components. Finally Taiwanese companies are good at quick response to market demand and utilization of existing resources for innovation.

The internal weaknesses include that the majority of Taiwanese companies are small and medium enterprises with limited resources, which affect the competitiveness in international market with difficulty in establishing brand image. Moreover, the progress of Taiwan participating in regional economic integration is slow and is adverse to industry export. The differences in religion, belief, culture, and customs between Taiwan and NSP target countries are substantial. Taiwan's financial institutions have limited operational bases in New Southbound countries, making it difficult for local Taiwanese companies to receive financing.

With regards to external opportunities, the majority of young consumer population and the rise of middle-class ranking in NSP target countries spur the domestic consumer market. Additionally, Taiwanese companies' marketing efforts in NSP target countries in the past have influence on local industries and can attract more Taiwanese companies to proceed and form an industry cluster. Taiwanese companies can also expand business opportunities using FTAs signed by NSP target countries.

External threats come from competing countries such as Japan, Mainland China and South Korea which have long cultivated the market in the region; the insufficient infrastructure development and shortage in talents and professional technicians in most NSP target countries; and unstable political situations. Companies ready to invest and market in NSP target countries should carefully think about how to use their own advantages and resources to grasp the opportunity and overcome the challenges, in order to turn crisis to opportunity.

Table 4 summarizes the SWOT analysis of industrial collaboration between Taiwan and NSP target countries.

Table 4 SWOT Analysis of Industrial Collaboration between Taiwan and NSP Target Countries

Strength	Weakness
• Taiwanese companies are familiar with international supply chain operations and market expansion models. • Taiwan has an industrial policy and regulatory environment that is suitable for the long-term and stable development of the industry, which is very helpful to the industrial upgrading and transformation of the NSP target countries. • Taiwan has a solid foundation of R&D technology. In the past, Taiwan has accumulated many experiences in process technologies for the semiconductors, communications, machinery, and component industries. • Taiwanese firms are able to respond quickly to market demand and make good use of existing resource innovations.	• Taiwan's industry is mostly composed of SMEs whose resources are limited, which affects competitiveness in the international market and is difficult to establish brand image and visibility. • Slow progress in participating regional economic integration, which is not conducive to Taiwan's industrial exports. • Great difference and gap in religious beliefs and cultural customs from those in the NSP target countries. • Taiwan's financial institutions have limited deployment in NSP target countries, and Taiwanese companies have difficulties in financing at locals.

Opportunity	Threat
• There are many young-age and rise of the middle class consumers which have driven domestic consumption in NSP target countries. • In the past, the deployment of Taiwanese companies in NSP target countries has exerted influence on local industries and helped attracting more Taiwanese companies to form industrial clusters locally. • Official policy supports the expansion of business in NSP target markets. • Use FTA which have been negotiated by NSP target countries or RCEP and CPTPP that they have participated in to further expand Taiwan's market opportunities.	• Competing countries such as Japan, China, and South Korea have been working hard in NSP target countries for a long time. • The infrastructure and professional technical personnel in NSP target countries are insufficient. • The politics is unstable, and there is often a gap between policy-making and implementation. • The cost of local utilities and wages are rising and there are frequent strikes from the labor associations.

Source: Researchers' Analysis, ISTI of ITRI

III. Industrial Collaboration with Major Southeast Asian Countries

To better allocate resources, six NSP target countries are prioritized, based on a series of social, economic and industrial development indicators, for the first-phase collaboration. Four criteria for selecting sectors for industrial collaboration are further elaborated, and target sectors for collaboration are then suggested.

A. Selection Criteria for Industrial Collaboration with Southeast Asian Countries

The NSP aims to promote the integration of Taiwan's industrial value chain with that of NSP target countries. To better allocate resources, six NSP target countries are selected for the first-phase collaboration.

Table 5 illustrates the criteria for the selection of the first-phase collaboration countries, including factors such as economic growth rate, market size, degree of manufacturing development, degree of industrial linkage with Taiwan, per capita income, and human resources, etc. In the first phase of selection, India, Indonesia, Thailand, Malaysia, the Philippines, and Vietnam were prioritized. Other countries will be added for industrial collaboration in the future. It is estimated that the economic growth rates of the six prioritized countries will reach 5% to 8% by 2018, much higher than the global economic growth rate of 3.1%, and the population (demographic dividend) will reach 1.82997 billion, accounting for more than 25% of the world's total population with relatively abundant labor force and a vast young consumer population.

According to the "2016 Global Manufacturing Competitiveness Index" report released by Deloitte, India, Thailand, Malaysia, Vietnam and Indonesia were ranked the 11^{th}, 14^{th}, 17^{th}, 18^{th} and 19^{th}, respectively, out of 40 countries, indicating that the five prioritized countries have the potential to be assisted by Taiwan's past experiences in the manufacturing industry for technological upgrading, industrial transformation, and supply chain value-adding. At present, there are more than 10,000 Taiwanese firms investing in the six prioritized countries, demonstrating that the degree of industrial linkage between the six countries and Taiwan is already quite high. In addition, the per capita income of those six countries is between 2,000-10,000 US dollars, while the median is at 4,495 US dollars, indicating that the future wage growth potential is high as well. Driven by the growth of the middle class, the market of durable and luxury goods consumption will be boosted. Finally, regarding the important human resources factor, students from the six prioritized countries account for about 20-50% of the population of the same age, indicating that the six countries have at least certain amount of high-quality human capital.

Table 5 Selection Criteria of Target Countries for First-Phase Collaboration

	Estimated Economic Growth Rate by 2018	Market size (Demographic Dividend)	Global Manufacturing Competitiveness Index Ranking	Linkage with Taiwanese Industry	Per capita Income (US$)	Rate of University Students among the Population of the Same Age Group
India	7.7%	13.34 billion	11	Approx. 80 Taiwanese firms	1,600	23.9%
Indonesia	5.5%	0.26 billion	19	2000 Taiwanese firms	3,440	31.3%
Thailand	3.5%	67.24 million	14	3000 Taiwanese firms	5,720	52.5%
Malaysia	5.0%	31 million	17	1750 Taiwanese firms	10,570	29.7%
Philippines	6.2%	0.102 billion	-	1170 Taiwanese firms	3,550	35.8%
Vietnam	6.3%	94.92 million	18	1700 Taiwanese firms	1,990	30.5%
Taiwan	1.87% (2017f)	23.52 million	7	-	23,231 (2016f)	70.7%

Source: World Bank Open Data, "GDP Growth & Population," 2017, https://data.worldbank.org; Deloitte, "2016 Global Manufacturing Competitiveness Index," https://www2.deloitte.com/content/dam/Deloitte/us/Documents/manufacturing/us-gmci.pdf ; Ministry of Education, R.O.C., "Statistics of Education," 2016, https://stats.moe.gov.tw/; Directorate General of Budget, Accounting and Statistics, Executive Yuan, R.O.C., "National Statistics," https://eng.stat.gov.tw/.

B. Focus of Collaboration Industries in Short-to-Medium Term

In the previous section, the six first-phase industrial collaboration countries were recommended for selection based on economic indicators. In this section, industrial assessment indicators are added to explore the potential for focused collaboration industries for short, medium, and long-term between Taiwan and the six countries.

First, four major selection strategies are used to identify collaboration industries. These include future development needs of partner countries, willingness of collaboration, Taiwan's strengths and output capacity, and level of involvement of third parties (competitors). Then, the economic classification index of the World Economic Forum (WEF)'s competitiveness report is used as the second selection criterion. Based on the development phase of each country, WEF classifies countries as three types: resource-driven, efficiency-driven, and innovation-driven. These principles are taken into consideration for selecting the industries for collaboration. Finally, bilateral discussions between Taiwan and the six prioritized countries were conducted to reach the consensus.

Table 6 Selection Strategies for Collaboration Industries between Taiwan and Six Prioritized Countries

Strategies	Consideration Points
I. Future Development Needs of Partner Countries	• Market demand • Government's medium and long-term industrial promotion policy direction and key issues for the urgent development of domestic industrial development
II. Willingness of Collaboration	• Industry chain complementarity • The degree of interaction between the industries of the two countries/experience of past collaboration • The urgency of the need of the country
III. Taiwan's Strengths and Output Capacity	• Global industry competitiveness • Technology/system export experiences or certification

IV. Level of Involvement of Third Parties (Competitors)	• International/domestic industrial competition structure • Action of potential competitors

Source: Industrial Development Bureau (IDB), Ministry of Economic Affairs (MOEA), "Forging New Supply Chain Partnership in the Asia-Pacific Region,". November 29, 2017, p.7 (in Chinese) https://www.moea.gov.tw/mns/ssc/news/wHandNews_File.ashx?file_id=59614.

Aligning business operations with local demands and policies is one of the important aspects regarding bilateral collaboration. For instance, achieving industrial and national development through adoption of ICT solutions has been at top of the agenda of many NSP target countries, as seen in policies such as Thailand's "Thailand 4.0" and India's "Smart Cities Mission". Taiwan has accumulated substantial industry capacity over the years, serving as a high-end IT and IC product manufacturing and service center. In 2017, Taiwan claimed over 80% global market share for motherboard and laptop production, and worldwide market share of IC foundry service exceeded 70%. In view of Taiwan's capacity and the development demand of partner countries, the ICT-related sector is considered to have great potential for future collaboration.

Table 7 shows the "Sectors for Collaboration with Six Prioritized Countries" planning identified via the aforementioned selection process. For collaboration between Taiwan and Indonesia, sectors including ship-building, ICT (smart city), food technology, and metal processing are prioritized. Collaboration with Thailand is slated to focus on food and biotechnology, textile, smart machinery, and ICT (smart city). Electronics, solar power system, smart machinery and industrial zone development are prioritized sectors for cooperation with the Philippines. Taiwan and India plan to work together in electronic manufacturing, smart city/green technologies, and smart vehicle components industries. Focuses of collaboration with Malaysia are textile, food/medical/cosmetics, information services and smart city. For Vietnam, sectors including basic technologies of light industry, smart application for smart city (such as smart campus and smart illumination), and textile are prioritized.

Table 7 Sectors for Collaboration with Six Prioritized Countries

Country	Sectors
Indonesia	• Ship-building • ICT (Smart City) • Food Technology • Metal Processing
Thailand	• Food and Biotechnology • Textile • Smart Machinery • ICT (Smart City)
Philippines	• Electronics • Solar System • Machinery • Industrial Zone
India	• Electronic Manufacturing • Smart City / Green Technology • Smart Vehicle Components
Malaysia	• Textile • Food, Medical and Cosmetics • Information Services • Smart City
Vietnam	• Basic Technology of Light Industry • Smart Applications of Smart Cities: Smart Campus and Smart Illumination • Textile

Source: Industrial Development Bureau (IDB), Ministry of Economic Affairs (MOEA), "Forging New Supply Chain Partnership in the Asia-Pacific Region,". November 29, 2017, p.7 (in Chinese) https://www.moea.gov.tw/mns/ssc/news/wHandNews_File.ashx?file_id=59614.

C. Collaboration Model between Taiwan and Southeast Asian/South Asian Countries

The results of a survey conducted by Industrial Technology Research Institute (ITRI) and Chinese National Federation of Industries (CNFI) as well as case studies of Taiwan companies already established in the region are presented in this section to offer an overview of Taiwanese enterprises' current operation and future investment preference in Southeast Asia.

(A) Questionnaires from ITRI and CNFI[4]

The NSP is an important foreign trade strategy of Taiwan. In this section, we discuss a survey with which the authors were involved. The ITRI and CNFI had conducted the "Survey Regarding Taiwanese Firms' Investment Preference and Current Status in ASEAN and South Asia" to understand the needs of Taiwan's industrial firms and the investment situation in NSP target countries. The survey conducted in 2017 included the 159 member associations under the Federation and companies under respective member associations. The survey period spanned from February 20 to May 31, 2017. There were a total of 130 valid responses.

When asked about "Has Your Company Invested and Expanded Business in Countries in Southeast and South Asia Regions?" 51% of the 130 respondents indicated that they have already entered the ASEAN and South Asian markets for investment or distribution, 15% of respondents noted that related projects have been under discussion, and 31% have not yet planned to invest in those areas (as Fig. 1 illustrates). Based on the above results, the total number of companies which have established operations in ASEAN and South Asia and those which have been considering entering the markets accounted for 66% of the total responses. It is evident that the interviewed companies have high interest in ASEAN and South Asia regions.

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[4] Source: Chinese National Federation of Industries (CNFI), *Results of Survey Regarding Taiwanese Firms' Investment Preference and Current Status in ASEAN and South Asia*, August 25, 2017.

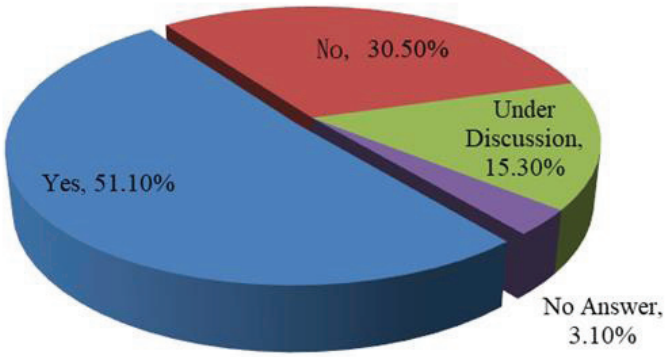

Figure 1. Has Your Company Invested and Expanded Business in Countries in Southeast and South Asia Regions?

Source: Chinese National Federation of Industries (CNFI), *Results of Survey Regarding Taiwanese Firms' Investment Preference and Current Status in ASEAN and South Asia*, August 25, 2017, p.4.

Regardless of whether the respondents have already been in the NSP target countries, companies' preferred destinations for investment are Vietnam (17%), followed by Indonesia (14%), Thailand (13%), and Malaysia (10%), India, the Philippines and Singapore have the same rate as 8%, while those who are interested in Myanmar account for 5%, Cambodia account for 4% and 2% for Bangladesh and Australia; Laos, Pakistan, and Sri Lanka accounted for 1%, respectively as those "other places" companies are interested in. Meanwhile, 5% of the respondents did not disclose their investment interest in the survey (as shown in Fig. 2). Based on the above results, Taiwan companies' preferred investment countries focus on Southeast Asian countries.

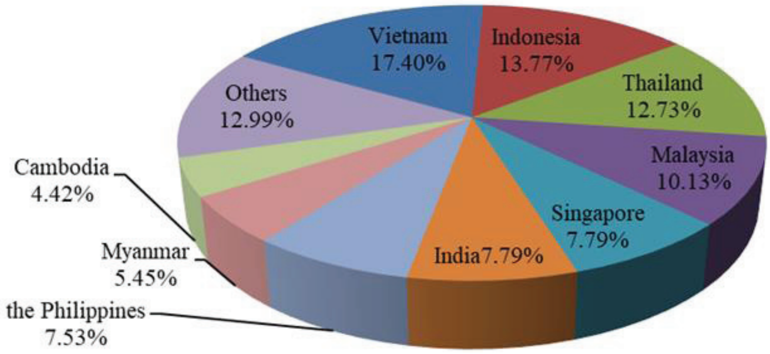

Figure 2. Preferred Countries for Investment

Source: Chinese National Federation of Industries (CNFI), *Results of Survey Regarding Taiwanese Firms' Investment Preference and Current Status in ASEAN and South Asia*, August 25, 2017, p.6.

When asked about the "Preferred Investment Mode at Local Markets", responses showed that the highest proportion is establishing wholly-owned ventures (25%), followed by designated agents and distributors for local business operation (20%), and the rest are establishing branches (19%), joint-ventures with local firms (15%), distribution warehouses (6.6%), R&D sites (2.5%), and 11.17% remained unanswered.

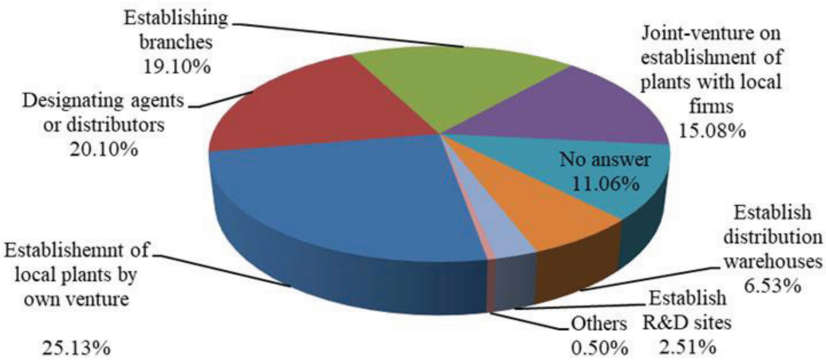

Figure 3. Preferred Investment Mode of Taiwanese Firms

Source: Chinese National Federation of Industries (CNFI), *Results of Survey Regarding Taiwanese Firms' Investment Preference and Current Status in ASEAN and South Asia*, August 25, 2017, p.7.

(B) Cases on Industrial Cooperation between Taiwan and Southeast Asian/South Asian Countries

Over the past three decades, a considerable number of Taiwanese companies have been expanding business into the emerging Asia market. Operation overview and market entry strategy of seven companies in the electronics/information service, smart manufacturing/metal, and light industries are presented to explore potential models for collaboration between Taiwan and NSP target countries.

1. Electronics and Information Services Industry: MediaTek, Acer, APEX, Geosat

Many Taiwanese high-tech companies have extended their reach to ASEAN and South Asian markets in the past 20 years, and have achieved abundant results.-MediaTek has been developing Indian market for 10 years. Acer, which combines brand advantages with innovative services in Thailand, has claimed the top position in the market. APEX has gradually opened the domestic market in India with its home care medical devices. Geosat has endeavored to explore a promising market of smart agriculture in Malaysia with its smart drones.

MediaTek uses three-phase strategy of "finding the leader, chasing the sheep into the sheep yard, and differentiating".[5] It worked with three companies with collaborative interests in India and supported these three companies to grow quickly. They became the leaders that chase the sheep into the sheep yard, and solve all possible problems that might be faced by

5 Chinese National Federation of Industries and Industrial Technology Research Institute, *New Southbound Policy for New Growth* (Taipei: Industrial Development Bureau, Ministry of Economic Affairs, 2017), pp.130-137.

the sheep such as providing maintenance insurance. Using this strategy, MediaTek successfully found out its specific positioning in the smart phone market in India and substantially increased its market share.

To build up its brand trust in Thailand, Acer,[6] the computer manufacturing giant, not only implemented the express service with two-hour completion, but also launched theft insurance in order to address the high theft rate in Bangkok. Acer now is a well-known computer brand in Thailand and has established the record of top market leader for 11 consecutive years. In addition, as Thailand has been promoting the "Thailand 4.0" policy, Acer will expand its business scopes to cloud computing, IoT, VR and AR, and will focus on education, government, healthcare and entertainment fields.

APEX is a company starting from OEM business.[7] It has professional designing and manufacturing capability on home-care medical devices and owns 143 patents. It took six years to successfully promote the "APEX" branded medical anti-decubitus cushion bed to the top leader in Asia. APEX started its journey southwards by choosing the Indian market. The company concluded that to explore the market and run the business smoothly in India, establishing a service model, a team and the best practices are the most important factors.

Geosat's main technology is taking aerial shots with drones, analyzing aerial photos with artificial intelligence into accurate numbers and coordinates. Then, it can further analyze the growth situation of crops and provide accurate fertilizer application advices. They entered the agricultural market with related technologies, launched the innovative services of establishing the digital terrain model to seize the huge business

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[6] Ibid. pp.76-81.
[7] Ibid. pp.176-183.

opportunities in the ASEAN and South Asian agricultural markets.[8]

2. Smart Manufacturing and Metal Industry: China Steel, In Charm

China Steel currently has annual production capacity of 15 million tons, which is much lower than the world-class giants like ArcelorMittal and Baosteel. After in-depth market analysis, China Steel decided to develop the niche-based steel factory and explore the ASEAN and South Asian markets that have increasing demand for steel products.

In the Vietnam market, China Steel cooperated with Nippon Steel & Sumitomo Metal Corporation (NSSMC),[9] the third largest producer in Asia, and established China Steel Sumikin Vietnam Joint Stock Company (CSVC) which greatly reduced geopolitical risks due to the strong diplomatic relations between Japan and Vietnam. With its global expansion and transformation to niche market, China Steel has performed very well in profitability. In 2016, its net profit ratio is ranked No. 1 in Asia's Class 1 steel companies.

In Charm International has been developing the ASEAN market for many years.[10] It originally sold machine tools in Taiwan. After it entered Indonesia in 1990, in addition to working as an agent for machine tools, it also entered the local Japanese automobile supply chain and added the business of selling hardware accessories and setting up a forging factory locally.

To solve the problem of insufficient local senior technicians, In Charm spent three years to set up the Indonesian vocational training school "Formosa Technology Center" in Tangerang, Jakarta, Indonesia. The

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8 Ibid. pp.110-115.
9 Ibid. pp.10-17.
10 Ibid. pp.18-23.

machine tools used in the training school came from Taiwan and the teachers were also hired from Taiwan. When the trainees make procurement decisions in the future, they will inevitably take Taiwanese machine tools as their top priority.

3. Light Industry: Taisun

The ASEAN countries have total population of over 600 million, and half of the population is the middle class with rising consumption capability. Take Vietnam as an example, the average age of the population is only 29 years old, a country with high demographic dividend. Taisun, the Taiwanese company who sells baby diapers in Vietnam, has abundant experiences.

Taisun,[11] known in Vietnam as the "king of brand diapers," used the strategy of villages encircling cities. It set up 120 dealers in Vietnam, with an average of 1-2 dealers in each province, and more than 40,000 retail shops with overall market penetration rate reaching 30%. Currently, its sales volume of diapers ranks the fourth in Vietnam. Starting from Vietnam, Taisun also launched the globalized strategy, with marketing network spreading to more than 20 countries in Europe, USA, Africa, Australia, and Southeast Asia. It has 50% of the market share in Cambodia, and is also the top leader in Reunion Island, Fiji and Tonga.

IV. Prospects for Industrial Collaboration between Taiwan and Southeast Asian/South Asian Countries

Given Taiwan's industry capacity, six sectors are expected to benefit the most from industrial collaboration between Taiwan and six prioritized countries. Meanwhile, four aspects for future collaboration model are also suggested.

[11] Ibid. pp.168-175.

A. Sectors Benefiting the Most from Closer Industrial Ties between Taiwan and Southeast Asian/South Asian Countries

Taiwan has an advantageous manufacturing capacity and a complete industrial ecosystem highly attractive to the NSP target countries. It can use advanced industrial technologies and production capability to provide customized solutions for NSP countries. In addition, Taiwan's industry is characterized by an elaborate division of labor. Over the years, it has established a complete supply chain system, has abundant experience in industrial cluster development, and can replicate the experience of clustering in cooperation with the NSP target countries. Taiwan's industry also has accumulated years of marketing strength which can be shared with the NSP target countries and work together to develop regional and global markets.

Taiwan has comparative industrial advantages in electronics, metal machinery, consumer products and chemicals, green energy, resource recycling and smart cities. All these will benefit most when it is closely integrated with the six prioritized NSP target countries' industrial value chains.

The components of electronic products in the six countries mainly rely on import. In recent years, smart phones and Internet users have grown rapidly. In the future, driven by the demand of mobile communication-related products, the industry will grow rapidly. Metal machinery related industries and the metal demand will also grow rapidly due to the aggressive infrastructure development in the six countries and high growth of the manufacturing industry. The transportation construction drives the demand for machine tools and automobiles components, stimulating the industry to grow rapidly in the future. At present, the consumer products and chemicals industry in the six countries just start to grow, it is in urgent needs of foreign direct investment. With the abundant local natural resources in these countries, the industry will have a chance to flourish in the future. The current economic trend of the six countries is growing, and the demand for various energy and the reuse of resources is enormous, driving the growth of green energy and resource recycling-related industries in the future. In addition, Taiwan has the experience of complete smart city communication technologies application, and can work with the six countries on smart city policy-making and industry-fostering.

B. Possible Industrial Cooperation Models with Individual Country

Based on the above analysis, four aspects for future collaboration model are also suggested, including collaborations in industry, market, system and capacity building, respectively. Following the time span adopted by most NSP target countries for outlining national development plans, a road map for potential collaborations over a period of ten years is proposed, and is composed of short-term goals (2018-2020) and medium and long-term ones (2021-2027).

In terms of industrial cooperation, the focus will be on the key collaboration industries between Taiwan and the six prioritized countries, and the collaboration models include expanding procurement, technical collaboration, product development, process optimization, and cooperation in demonstration sites. In the mid to long term, new cooperation countries and industries including emerging industries will be added as two major goals to increase the diversity of industrial cooperation.

In market cooperation, the focus will be on channels and marketing cooperation as well as business matching in the short-term, and can be extended to brand cooperation in the mid-long term to increase the added value of cooperation. In terms of system cooperation, after the first stage of assessment, there could be four directions for cooperation: cooperation in building up the validation standards, cooperation in setting up the industrial standards, mutual recognition of the test results, and streamlining the operational procedures. Finally, the capacity build-up cooperation will focus on talent training, SME development, industrial clusters, science park planning, innovation and entrepreneurship, etc. to communicate and create the greatest value of cooperation.

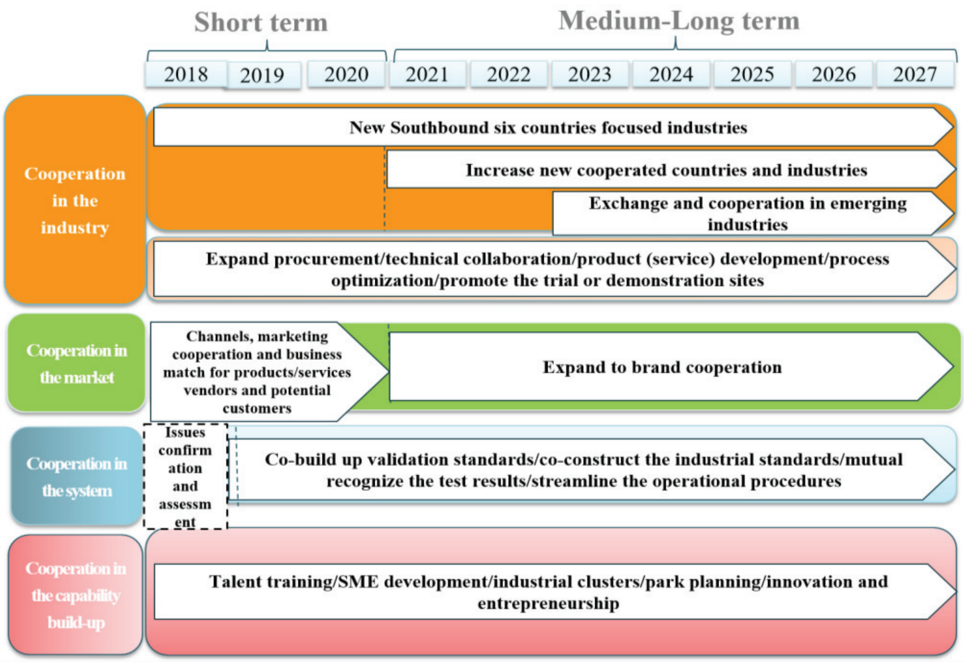

Figure 4 Road Map for Potential Collaborations with NSP Target Countries

Source: Researchers' Analysis, ISTI of ITRI.

V. Conclusion

The NSP aims to promote the integration of Taiwan's industrial value chain with that of NSP target countries. To better allocate resources, six countries are prioritized, based on a series of social, economic and industrial development indicators, for the first-phase collaboration. Target sectors for collaboration with individual countries are also suggested, following four selecting criteria including future development needs of partner countries, willingness of collaboration, Taiwan's strengths and output capacity, and level of involvement of third parties (competitors).

The NSP target countries offer a considerable consumer market with significant growth potential, which Taiwanese companies could benefit more from further industrial collaboration in order to forge closer ties with individual countries along the supply and value chains. Meanwhile, with most NSP target countries endeavoring to promote industrial development, Taiwan could also share its experience on technology innovation, industry cluster development and talent cultivation.

This paper focuses on how short- and mid-term collaboration industries between Taiwan and major Southeast Asian/South Asian countries may be developed under the New Southbound Policy (NSP). Our analysis provides a methodology to select and develop potential cooperation models to integrate bilateral industrial value chains and create a win-win innovative mode for collaboration. Our paper suggests that the cooperation model should concentrate on four major aspects: industry, market, system, and capacity building. Taiwan possesses remarkable manufacturing ability and a complete industrial ecosystem which is capable of providing customized technical and advanced solutions for Southeast Asian countries. Furthermore, in terms of marketing, Taiwan has accumulated many years of experiences that can be shared with SEA countries to co-develop the regional and global markets. On top of that, a complete supply chain has been established in Taiwan over the years due to its specialization and division of labor. This has constructed solid experience in forming industry cluster, which can also be valuable for each other to learn from. Lastly, Taiwan possesses industrial policy and regulatory environment advantageous to long-term industry growth that will be beneficial for both sides to co-create an industry development system in the aspect of institution. To sum up, mutual cooperation will not only stimulate the industrial transformation and upgrading of the manufacturing industries in Southeast Asian counties but also extend the market for Taiwan's industry, achieving mutual benefit and win-win situation.

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十二、研討會論文

（一）中文：作者姓名，〈篇名〉，發表於○○○○研討會（地點：主辦單位，舉辦年月日），頁 x 或頁 x-x。

（二）外文：Author’s full name,“Paper Title,” presented for Complete Title of the Conference (Place of conference: Conference organizer, Date of conference in month day, year), p. x or pp. x-x.

範例

許文堂，〈南沙與西沙-他者的觀點〉，發表於「七 0 年代東亞風雲-台灣與琉球、釣魚台、南海諸島的歸屬問題」學術研討會（臺北：台灣教授學會，2013 年 10 月 27 日），頁 1。

Wen-cheng Lin, “Cross-strait Confidence Building Measures,” presented for Comparing Different Approaches to Conflict Prevention and Management: Korean Peninsula and the Taiwan Strait Conference (Stockholm: Central Asia-Caucasus Institute Silk Road Studies Program, December 16-17, 2005), p.1.

十三、官方文件

（請依個別刊物實際出刊項目，完整臚列）

（一）中文：官署機構，〈文件名稱〉（行政命令類）或《文件名稱》（法律類），卷期（案號），日期，頁 x 或頁 x-x。

（二）外文：Author’s Full Name, “Title of the Article,” Date, Section or Page Numbers.

範例

中華民國總統府，〈總統令〉，《總統府公報》，第 7426 號，中華民國 108 年 5 月 22 日，頁 3。

U.S.-China Economic and Security Review Commission, “USCC 2018 Annual Report,” November 14, 2018.

十四、報刊、非學術性雜誌

（若為社論、短評、通訊稿或作者匿名，則可不列作者欄）

（一）中文報紙：作者姓名，〈篇名〉，《報紙名稱》（出版地），年月日，版 x。（一般性新聞報導可省略作者和篇名，臺灣出版之報紙無須註明出版地。）

（二）中文雜誌：作者姓名，〈篇名〉，《雜誌名稱》（出版地），年月日，頁 x 或頁 x-x。（無須註明第卷第 x 期。臺灣出版雜誌無須註明出版地）

（三）英文報紙：Author’s full name, “Title of the Article,” *Title of the Newspaper*, Date, Section or Page Numbers.

（四）英文雜誌：Author’s full name, “Title of the Article,” *Title of the Magazine*, Date, Page x or pp.x-x.

範例

張晏彰，〈臺美夥伴關係 印太安定力量〉，《青年日報》，2019 年 6 月 19 日，版 3。

陳文樹，〈澎湖空軍基地的設立和演進〉，《中華民國的空軍》，2019 年 6 月 12 日，頁 21。

Jason Pan, “Defense think tank inaugurated,” *Taipei Times*, May 2, 2018, p.3.

Office of Defense Studies, “Commentary: 2012 Pentagon Report on Mainland China's Military Development,” *Defense Security Brief*, July 2012, p.9.

十五、網際網路資料

（一）請依照個別線上網站實際資訊，詳細臚列。

（二）引用網路版報紙的一般報導，無須註明版次，但須附上網址，其餘體例不變。

（三）引用電子報紙雜誌評論文章，或電子學術期刊論文，在頁碼後面註明網址，其餘體例不變，無頁碼者得省略之。

（四）直接引用機構網站的內容，請註明文章標題、機構名稱，日期與網址。

（五）中文：

1. 專書：作者姓名，《書名》(出版地：出版者，出版年)，《網站名稱》，網址。
2. 論文：作者姓名，〈篇名〉，《刊物名稱》，第 x 卷第 x 期，年月，頁 x 或頁 x-x，《網站名稱》，網址。
3. 官方文件：官署機構，〈文件名稱〉(行政命令類)或《文件 名稱》(法律類)，卷期（案號)，日期，頁 x 或頁 x-x，《網站名稱》，網址。
4. 報導：作者姓名，〈篇名〉，《媒體名稱》，日期，網址。

範例

王業立編，《臺灣民主之反思與前瞻》(臺北市：臺灣民主基金會，2016 年)，《台灣民主基金會》，http://www.tfd.org.tw/export/sites/tfd/files/download/book20160830.pdf。

舒孝煌，〈美陸戰隊 F-35B 前進遠征與輕型航艦部署〉，《國防情勢月報》，143 期，2019 年 5 月，頁 36，《國防安全研究院》，https://indsr.org.tw/Download/%E5%9C%8B%E9%98%B2%E6%83%85%E5%8B%A2%E6%9C%88%E5%A0%B1-143.pdf。

中華民國國防部，《106 年國防報告書》，2017 年 12 月，頁 1，《中華民國國防部》，https://www.mnd.gov.tw/NewUpload/歷年國防報告書網頁專區/歷年國防報告書專區.files/國防報告書-106/國防報告書-106-中文.pdf。

游凱翔，〈國防安全研究院掛牌 唯一國家級國防智庫〉，《中央社》，2018 年 5 月 1 日，https://www.cna.com.tw/news/aipl/201805010122.aspx。

（六）外文：

1. 專書：Author(s)’ full name, *Complete title of the book* (Place of publication: Publisher, Year）, p. x or pp. x-x, URL.
2. 論文：Author(s)’ full name, “Title of the article,” *Name of the Periodical*, Vol. x, No. x, Date, p.x or pp.x-x, URL.
3. 報導：Author’s full name, “Title of the article,” *Name of*

the Media, Month Day, Year, URL.

範例

Robert D. Blackwill, *Trump's Foreign Policies Are Better Than They Seem* (New York: Council on Foreign Relations Press, 2019), p. 1, https://cfrd8-files.cfr.org/sites/default/files/report_pdf/CSR%2084_Blackwill_Trump_0.pdf.

Ralph A. Cossa, “Regional Overview: CVID, WMD, and Elections Galore,” *Comparative Connections: A Quarterly E-Journal on East Asian Bilateral Relations*, Vol. 6, No. 1, April 2004, p.1, http://cc.pacforum.org/2004/04/cvid-wmd-elections-galore/.

Colin Clark, “Mattis’ Defense Strategy Raises China To Top Threat: Allies Feature Prominently,” *BreakingDefense*, January 18, 2018, https://breakingdefense.com/2018/01/mattis-military-strategy-raises-china-to-top-threat-allies-feature-prominently/.

十六、第二次引註之格式

首次引註須註明完整之資料來源（如前述各案例），第二次以後之引註可採以下任一格式：

（一）作者姓名，《書刊名稱》或〈篇名〉，或特別註明之「簡稱」，頁 x-x。

（二）如全文中僅引該作者單一作品，可簡略為——作者，前引書（或前引文），頁 x 或頁 x-x。

（三）某一註解再次被引述，簡略為——同註 x，頁 x 或 x-x。

（四）英文資料第二次引註原則相同：op. cit., p.x or pp.x-x（前引書，頁 x 或頁 x-x。）

（五）Ibid. p.x or pp.x-x.（同前註，頁 x 或頁 x-x。）

十七、文末之參考文獻

（一）參考文獻原則上與第一次引述的註釋體例格式相同，惟書籍、研討會論文及博碩士論文無須註明頁數。

（二）所有文獻依前述註釋類別排列，並依中文、英文、其他語文先後排序。

（三）中文著作依作者姓氏筆畫排序，英文著作依作者姓氏字母排序。

（四）將書籍專章列為參考書目時，依專章作者排序。

（五）翻譯作品依翻譯語文類別，中文譯作按譯者姓氏筆畫排序，英文譯作按原作者姓氏字母排列。

（六）同一作者有多篇著作被引用時，按出版時間先後排序。

（七）每一書目均採第一行凸排 2 字元。

出版源由

衡諸 21 世紀國防事務發展趨勢，為整合國防政策之專業研究能量，拓展國際交流合作，以提升整體國防思維，建構符合國家發展、最適資源配置之政策建議，國防部參酌各先進國家國防智庫運作與發展經驗，捐助設立「財團法人國防安全研究院」，並發行本刊。本院設立宗旨：

一、增進國防安全研究與分析。

二、提供專業政策資訊與諮詢。

三、拓展國防事務交流與合作。

四、促進國際戰略溝通與對話。

本刊係國防安全研究院所發行之綜合性政策學術期刊，旨在提供國防安全研究專家與學者之專業諮詢與討論平台，提升我國國防安全研究能量。

稿約

一、《戰略與評估》以探討國防事務、區域安全情勢及戰略研究等議題為宗旨，每年三、六、九、十二月出刊。本刊歡迎學有專精之學者、專家踴躍投稿。

二、論文請依一般學術論文規格撰寫，使用註解，說明來源，並以另紙書明中英文題目、姓名，兩百字以內之中英文摘要及四個關鍵詞。文長以一至二萬字為宜。來稿請附電子檔。來稿請一併示知服務單位、職稱、主要學經歷、研究專長、聯絡地址和電話。

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