

**TAIWAN'S NEW SOUTHBOUND POLICY
AND PROSPECTS OF INDUSTRIAL
COOPERATION WITH ASEAN**

KONG Tuan Yuen

EAI Background Brief No. 1369

Date of Publication: 12 July 2018

Executive Summary

1. Although China's economic opening-up policy has benefitted the Taiwanese economy greatly, it risks being too over-dependent on the Mainland's economic development and too over-concentrated in particular manufacturing industries.
2. The New Southbound (NSB) policy adopted by the Taiwanese government on 5 September 2016 was to overcome this over-dependency, strengthen economic ties with ASEAN, South Asia, New Zealand and Australia, and achieve regional development and prosperity.
3. It takes the form of industrial collaboration with these economies, particularly with their supply chain, domestic demand markets and infrastructure projects.
4. The competitiveness of ASEAN countries is thus an important indicator of their potential for industrial cooperation.
5. The Taiwanese government has singled out Indonesia, Malaysia, Thailand, Philippines and Vietnam as the first tier group to advance Taiwan's collaborating opportunities, seemingly based on competitiveness in terms of economic growth rate and market size.
6. Vietnam is most significant in Taiwan's NSB policy. Its Competitive Industrial Performance Index has tremendously improved in the last few years. Taiwan has deeply contributed to Vietnam's industrialisation and is the main investor in its productive sectors.
7. Less competitive economies with infrastructure needs have also been highlighted as good potential for establishing long-term cooperation. The Taiwanese government is looking at industrial complementarity with individual ASEAN economy rather than selecting a certain group within ASEAN economies for cooperation.

8. Taiwanese-based companies are also exploring service-embedded manufacturing and producer service through the competitive global team comprising Taiwanese and foreign companies in forming transnational consortiums for industrial cooperation in ASEAN.
9. The long-standing practices of existing Taiwanese companies in ASEAN economies are lessons to be drawn in evaluating what value-added is locally needed and what could be created. Their experience in dealing with local issues would go a long way in paving the way for new entrants to the local business communities in ASEAN.