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**Taiwan-Myanmar Relations Within the Framework of the New  
Southbound Policy**

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# ***Taiwan-Myanmar Relations Within the Framework of the New Southbound Policy<sup>1</sup>***

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## **ABSTRACT**

This article combines the study of Taiwan's New Southbound Policy, a multifaceted foreign policy focused on building up ties with countries in Southeast Asia and beyond, with a case study of Taiwan-Myanmar relations from a perspective of political relations, economic cooperation and Taiwan's (un)recognizability in Myanmar (Taiwan's soft power in Myanmar). The first part of the paper lays out a comparison of the present policy, introduced in 2016, with the southbound policies of the previous Taiwanese administrations, and provides a brief analysis of why President Tsai Ing-wen's policy has the potential to enhance Taiwan's soft power and increase the island's presence in Southeast Asia. With the ongoing trade war between the United States and China, investment relocation from China is expected to take place more than ever. The second part of the paper provides a comprehensive description of the Taiwan-Myanmar relations after Myanmar's state-led transformation and opening up to the world in 2011, and explains the main aspects and determinants of the relationship between two countries that share a commonality in the form of a neighboring potential hegemon they both wish to balance against. Myanmar is developing at its own pace, and therefore, it requires patience for Taiwan's efforts to invest in the country and create social ties within to come to fruition. In the meantime, Taiwan has to work hard on building its international image and promoting its unique status as the world's only culturally Chinese democracy.

**Keywords:** Taiwan-Myanmar relations, New Southbound Policy, soft power

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## 1. INTRODUCTION

This research delves into the Taiwan<sup>3</sup>-Myanmar<sup>4</sup> relations within the framework of the New Southbound Policy (*xin nanxiang zhengce*), a multifaceted foreign policy focused on expanding Taiwan's presence across the Indo-Pacific, put forward by the Democratic Progressive Party (DPP)<sup>5</sup> President Tsai Ing-wen in 2016.

The paper provides a brief analysis of the above-mentioned policy, as well as a comparison of similar southbound policies by previous Taiwanese governments. *What makes the third Southbound Policy more prone to succeed than the previous ones?* It is argued that President Tsai Ing-wen's Southbound Policy will, more than the previous southbound policies, enhance Taiwan's soft power and increase the island's presence in Southeast Asia, but on the other hand, it will not succeed at counterbalancing the cross-strait economic integration. While diversifying Taiwan's economy remains crucial, the Tsai Ing-wen administration believes that by cultivating interpersonal connections Taiwan can more effectively be integrated into the region.

In times when the United States put forth its Indo-Pacific Strategy and South Korea its New Southern Policy, Taiwan's New Southbound Policy reinforces Taiwan's narrative of an alternative Chinese model and emphasizes equal partnership with other countries in a two-way sharing of resources. The policy emphasizes the use of soft power and the so-called "warm power" to persuade and co-opt others to pursue Taiwan's interests in international relations.

Myanmar's recent state-led transformation and opening-up to the world creates new opportunities for Taiwan. *What are the main aspects and determinants of a fruitful relationship between the two countries?* The main argument is that just like Taiwan, also Myanmar wants to balance against China, a potential hegemon in the region, and is looking for new partners. However, Myanmar is a country with many restrictions still in place and investing in Myanmar may not bring any results in the short term.

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<sup>3</sup> The author refers throughout the paper to the Republic of China (ROC) as "Taiwan" and the People's Republic of China (PRC) as "China". The use of the adjective "Taiwanese", especially when referring to people, should be understood in a territorial sense (from the territory of Taiwan) rather than a statement of identity.

<sup>4</sup> The author uses the country names "Myanmar" to refer to the current situation, "Burma" to refer to the pre-1989 era; and "Burmese" as an adjective to refer to the people and the official language (although some other authors may also use "Myanmar" or even "Myanmarese" as an adjective).

<sup>5</sup> The DPP is a pro-Taiwan independence party embracing the Taiwan Independence Clause (1991), Resolution on Taiwan's Future (1999), and Normal State Resolution (2007).

To answer the proposed research questions, a qualitative research approach based on observation, document study and interviews has been chosen after careful consideration from literature<sup>6</sup> and discussions on approaches to good research. Qualitative data for this research do not actively manipulate the phenomenon under investigation. The approach to data collection and analysis is methodical but allows for greater flexibility than in quantitative research.

Relevant data to this study is collected through the study of primary (government documents, interviews) and secondary sources (books, articles) analyzed by the analytico-synthetic and logical-historical document-analysis method. To comparing the various attempts of Taiwan to diversify its trade relations in the past decades the historical comparative method has been applied. It is, however, through interviews that the researcher can best access the interpretations that participants have regarding events, which have or are taking place. The author has interviewed non-Chinese Burmese people from the Yangon area for the purpose of analyzing the (un)recognizability of Taiwan/Taiwanese in Myanmar, as well as Taiwanese business people and people working for various companies that are currently living or have lived in Myanmar, and representatives of the *Taiwan External Trade Development Council* (TAITRA), as well as other experts relevant to the field of study. Informants were handpicked on the assumption that they represent interesting cases for the study (purposive non-probability sampling), relying on the author's personal connections to establish initial contact and then use the snowball method to recruit more respondents.

Empirical research helps build upon what is already known and this case combines extensive research of the New Southbound Policy with the case study on Taiwan-Myanmar relations. The author is neither Taiwanese nor Burmese and thus does not run the risk of being biased or leaning towards one side, while at the same time, she has extensive knowledge and a good understanding of both countries (due to having worked and lived in both for many years).

As with any study, there are limitations that should be noted. There is a lack of previous research studies on the topic and government issued brochures and leaflets on the New Southbound Policy and its progress, such as the *2018 Progress & Prospect: Taiwan's New Southbound Policy* by the Bureau of Foreign Trade at the Ministry of Economic Affairs, do not provide much information on Taiwan's cooperation with Myanmar. Instead, these materials focus mainly on the prioritized countries, which Myanmar clearly is not. Also,

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<sup>6</sup> See works of Earl Babbie, Bridget Somekh, Cathy Lewin, Paul C. McIntyre, and Bent Flyvbjerg.

securing interviews with relevant Taiwanese government stakeholders was very time consuming and often did not lead anywhere, mostly due to the rigid hierarchical system in the government agency structures and there have been many less interviews of this kind than what was hoped for at the beginning of the research. Moreover, interviews conducted with Burmese (non-Chinese-identifying) people from the Yangon region conducted for the purpose of identifying Taiwan's (un)recognizability in Myanmar should be considered as illustrative only, since the amount of respondents does not constitute a sufficient sample size for statistical measurement.

## **2. TAIWAN'S NEW SOUTHBOUND POLICY**

The New Southbound Policy was introduced by the DPP in September 2015 during the presidential election campaign, at the party's celebration of its 29th anniversary at a reception at the Far Eastern Hotel in Taipei, and has later become the flagship program of President Tsai Ing-wen. The policy envisions directing Taiwanese investment into 18 countries<sup>7</sup> in South Asia, Southeast Asia, and Australasia, however, it is designed to go beyond an economically oriented policy, with trade and investment being only one component of a diverse and multifaceted partnership based on strong people-to-people, cultural, educational and research linkages.

The policy was introduced at a time of slowing economic growth and rising wages in China, while investment opportunities in Southeast were booming. Tsai Ing-wen, DPP's chairwoman and presidential candidate at the time, said: "ASEAN and India are poised to become two of the world's largest economic bodies. Strengthening our overall relations is a natural choice for Taiwan as we diversify our economic and trade ties."<sup>8</sup> The policy is an outcome of a more globalizing world and a more intricate geo-political and geo-economic environment. The rationale behind the policy is threefold: an expected rapid economic growth of South and Southeast Asia in the coming decades and China's economic slowdown; Taiwan's desire for greater and more diversified regional participation; and complicated cross-strait relations with a deepening economic dependency on China.

Taiwan's economic development has in recent years relied on China to a relatively large extent. China has for years been Taiwan's largest trade

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<sup>7</sup> The 18 countries under the New Southbound Policy: Thailand, Indonesia, Philippines, Malaysia, Singapore, Brunei, Vietnam, Myanmar, Cambodia, Laos, India, Pakistan, Bangladesh, Nepal, Sri Lanka, Bhutan, Australia and New Zealand.

<sup>8</sup> Ying-wen Tsai, "Fostering Peace through Global Contribution: A Pragmatic and Sustainable Approach to Taiwan's Foreign Policy," speech at the 29th DPP anniversary diplomatic reception, 22 September 2015.

partner. China and Hong Kong together absorb 40% of Taiwan's exports, accounting for 70% of Taiwan's GDP. The New Southbound Policy's aim is to gain a strong foothold in Southeast Asia's fast-growing economies and with that, diversify Taiwan's economic relations away from China.

With the DPP in power, Taiwan abandoned its hedging strategy under former President Ma Ying-jeou and moved towards increasingly more amicable relations with the United States. During President Ma Ying-jeou's presidency, Taiwan was a hedging partner of the United States, with security reliance on the United States and economic dependence on China. President Tsai Ing-wen's aim is to re-orient Taiwan economically and enhance the regional connection with Southeast Asian in areas of soft power, supply chains, regional markets and people-to-people contact.

The policy can be seen as a proactive way to simultaneously promote Taiwan's international participation in regional integration (agricultural, cultural, educational, technological and economic assets) while maintaining stable cross-strait relations. Although it is expected that Taiwanese corporations choose alternative locales away from China to build manufacturing facilities, the New Southbound Policy should not be seen as a choice between moving southwards (South and Southeast Asia) or westwards (China).

Taiwanese governments have long expressed their willingness to be included in regional groupings. Even being a major economic power in the Asia Pacific region and an important trade partner in the world, Taiwan has been restricted from bilateral or multilateral economic cooperation such as for example the Association of Southeast Asian National (ASEAN).<sup>9</sup> Nevertheless, the New Southbound Policy considers ASEAN as an extension of Taiwan's domestic market. ASEAN has been pushing for regional integration for almost five decades and the ASEAN Community is now of strategic importance to Taiwan with its 600 million people, over US\$6 trillion in GDP, and US\$4.5 trillion in trade volume.<sup>10</sup> Myanmar is a member of ASEAN and with the reform process that started in 2012 an interesting new market for Taiwan. Besides that, Taiwan has a substantial number of Southeast Asian communities, including the Burmese, living in the country.

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<sup>9</sup> Taiwan participates, although in a very restrained way, for example in the Asia-Pacific Economic Cooperation (APEC), the Asia Development Bank (ADB), and the World Trade Organization (WTO).

<sup>10</sup> Alan H. Yang, "Contextualizing Taiwan's New Southbound Policy in ASEAN Community: The Need to Prioritize Mutual Interests," *Prospect Journal*, No. 16, 2016.

It is now imperative for Taiwan to get more involved in the ASEAN Community and deepen ties with Southeast Asian societies. The New Southbound Policy may not be able to create a formal participation of Taiwan in these region's official economic arrangements, but can link Taiwan to these regions and re-position the country into a more strategic place.

### **2.1. Looking back at previous southbound policies**

Previous regimes in Taiwan have since the 1990s drafted strategies to approach Southeast Asian countries, either in the form of a specific policy or by including South and Southeast Asia in the economic strategic map.

The first wave of a southwards-looking strategy started in 1993 with the Go South Policy (also called Southward Policy) introduced by the Nationalist Party (KMT)<sup>11</sup> President Lee Teng-hui. It was set to provide Southeast Asian states as a strategic alternative to the Chinese market and redirect Taiwan's capital from China to Southeast Asia. This was to be done by investments from KMT-affiliated and state-run companies in Southeast Asia and foreign aid flows to targeted countries.

According to Alan H. Yang, the Go South Policy was basically a hedging strategy. Taiwan was economically stronger than China and therefore China was unable to fully preclude Taiwan from economic interactions with ASEAN members. Southeast Asia was, however, still subordinate to cross-strait relations and Taiwan's engagement in the region was politically trapped by the One-China principle.

After the 1997 Asian Financial Crisis, his second term as President, Lee Teng-hui mistook the crisis for an opportunity. Among other undertakings, the Lee Teng-hui administration created a holding company called the Southeast Asia Investment Company to conduct mergers and acquisitions in ASEAN.<sup>12</sup> A few opportunistic companies took advantage of Southeast Asian companies that had financial troubles, but all in all, the crisis deterred most business people from making major investments. Although the President urged Taiwanese businesses to invest in Southeast Asia, the crisis scared most of them away from Southeast Asia and to China, which had then just begun market reforms.

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<sup>11</sup> The Nationalist Party (Koumintang, KMT) was founded shortly after the Xinhai Revolution of 1911 and ruled China until 1949, when it lost to the rival Communist Party and fled to Taiwan, where it continued to govern in an authoritarian manner until 1971.

<sup>12</sup> Bonnie S. Glaser, Scott Kennedy, Derek Mitchell, and Matthew P. Funaiolo, *The New Southbound Policy: Deepening Taiwan's Regional Integration*, New York: Rowman & Littlefiels, 2018.

The second wave of the southwards-looking strategy began in 2002 when DPP President Chen Shui-bian attempted to reintroduce Lee Teng-hui's southbound policy. This proved ineffective since he introduced the policy in a period of post-Global Financial Crisis when China's economy and domestic market were expanding rapidly. Taiwan's investment in ASEAN steadily grew in the 2000s, but in 2009 sharply plummeted from US\$10.4 billion down to US\$2.04 billion.<sup>13</sup> According to Kwei-bo Huang, Chen Shui-bian's policy was an obvious failure since Taiwanese investors continued to perceive China as a more attractive investment destination than the countries of Southeast Asia.<sup>14</sup> It was actually during Chen Shui-bian's presidency that high trade dependence on China emerged in Taiwan.

In 2008, KMT President Ma Ying-jeou introduced the "10 plus 3 plus 1", not a policy *per se*, but a framework that proposed to bring Taiwan to the "ASEAN plus 3" regime.<sup>15</sup> During his presidency, however, moving south was not a priority.

The third wave started with the launch of the New Southbound policy in 2016. When Tsai Ing-wen took office, cross-strait relations had a mediocre outlook and China's political and economic influence on Taiwan had increased. On the other hand, emerging markets in South and Southeast Asia enjoyed a higher GDP growth than before, among them Myanmar with 6.5% (in 2016), and the economic growth of China had slowed down a bit. Whereas prior initiatives focused almost exclusively on trade, President Tsai Ing-wen's policy is a people-focused strategy aimed at incorporating Taiwan into the economic and social structures of Southeast Asia in the absence of official diplomatic ties.

## ***2.2. Implementation of the new policy and outcomes thus far***

The core goals of the New Southbound Policy include updating economic agreements with target countries and encourage small and medium enterprises to invest overseas. According to the Guidelines for the New Southbound Policy from August 2016, the project seeks to enhance links between Taiwan and South and Southeast Asian countries in the areas of economic and trade relations, science and technology, and culture; to share

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<sup>13</sup> --, "Taiwan Investment Statistics for ASEAN Countries," *Taiwan ASEAN Studies Center*, 2012.

<sup>14</sup> Kwei-bo Huang, "Taiwan's New Southbound Policy: Background, Objectives, Framework and Limits," *UNISCI Journal*, No. 46, 2018.

<sup>15</sup> The ASEAN+3 includes the ASEAN countries and China, Japan, and South Korea. The 1 in the so-called 10+3+1 refers to Taiwan, although former President Ma Ying-jeou had originally proposed a 10+4 framework (ASEAN plus China, Taiwan, Japan, and South Korea).



resources, talent, and markets; and to establish mechanisms for wide-ranging negotiation and dialogue.<sup>16</sup>

The above-mentioned Guidelines were developed by the New Southbound Policy Office (headed by Director James Huang) and were followed by the implementation phase under the Office of Trade Negotiations (headed by Minister without Portfolio John Deng) with the New Southbound Policy Work Plan providing specific directions and objectives for the 11 agencies and 12 ministries that are part of the strategy.<sup>17</sup>

The ministries are responsible for allocating funds (which they receive from the Executive Yuan) for the initiative. Thus far, the Ministry of Economic Affairs and the Ministry of Education have dedicated the largest amounts. In 2017, the Executive Yuan budgeted a total of US\$131 million for the New Southbound Policy implementation, while in 2018, the amount almost doubled up to US\$241 million.<sup>18</sup>

In 2017, the New Southbound Policy slightly shifted to now focus on collaboration in innovative industries, cooperation in medicine, youth exchange, regional agricultural development, and talent cultivation. The Office of Trade Negotiations also outlined e-commerce, infrastructure, and tourism as three potential fields of cooperation.<sup>19</sup>

The policy is not one without challenges. China's enormous power remains the biggest obstacle to increasing Taiwan's engagement with its target countries. China is the number one trading partner in most of the countries in Southeast Asia, and should China decide that Taiwan's New Southbound Policy is inimical to Beijing's One-China principle, it could shy these countries

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<sup>16</sup> --, "President Tsai Convenes Meeting on International Economic and Trade Strategy, Adopts Guidelines for New Southbound Policy," *Office of the President, Republic of China (Taiwan)*, 16 August 2016.

<sup>17</sup> Involved agencies: Central Bank, Council of Agriculture, Council of Indigenous Peoples and its subsidiaries, Environmental Protection Administration, Financial Supervisory Commission, Hakka Affairs Council and its subsidiaries, National Development Council and its subsidiaries, Office of Trade Negotiations, Overseas Community Affairs Council, Public Construction Commission, and Tourism Bureau (under the Ministry of Transportation and Communications).

Involved ministries: Ministry of Culture, Ministry of Defense, Ministry of Economic Affairs, Ministry of Education, Ministry of Finance, Ministry of Foreign Affairs, Ministry of Health and Welfare, Ministry of the Interior, Ministry of Justice, Ministry of Labor, Ministry of Science and Technology, and Ministry of Transportation and Communications.

<sup>18</sup> Bonnie S. Glaser, Scott Kennedy, Derek Mitchell, and Matthew P. Funaiole, *The New Southbound Policy: Deepening Taiwan's Regional Integration*, New York: Rowman & Littlefields, 2018.

<sup>19</sup> Alan H. Yang, "Strategic Appraisal of Taiwan's New People-Centered Southbound Policy: The 4Rs Approach," *Prospect Journal*, No. 18, 2017.

away from Taiwan and cause a complete failure of the policy. Even without this huge elephant in the room, there are doubts about the sustainability of the New Southbound Policy due to funding issues and the lack of a strong coordination between the agencies that are engaged.<sup>20</sup> Looking into the future, it becomes very clear that the policy can only work if there are sufficient funds, a good coordination, and favorable conditions in terms of the cross-strait relations.

With that said, the New Southbound Policy has begun to translate rhetoric into reality. It has proven to be an effective approach for Taiwan to diversify its foreign relations, to penetrate states in the wider Indo-Pacific, to jump-start changes in its own society, and to partner with major powers in common efforts in the region.

Taiwan government statistics indicate increases in areas such as tourism, education, trade, and investment, some of which have surpassed previous targets. From 2018 onwards, ASEAN as a bloc became Taiwan's second largest trading partner next to China, receiving a boost of about 14% for exports and about the same for imports.<sup>21</sup> Moreover, there has also been progress in some specific priority areas, such as the One Country One Center program, which links six Taiwanese hospitals with six Asian countries – Indonesia, India, Malaysia, the Philippines, Thailand, and Vietnam. This program takes advantage of the soft power of Taiwan's medical expertise and seeks to expand bilateral cooperation, hold trainings, bolster supply chains, work on disease prevention and regulatory harmonization.<sup>22</sup>

All in all, successes can be seen both at home and abroad. Domestically, the New Southbound Policy has helped challenge certain perceptions about other countries and reinforce aspects of Taiwan's multiculturalism and better accommodate the needs of other racial and religious groups residing in the country. Internationally, the new policy has provided a platform to partner with other countries and align strategies, namely working alongside the United States to contribute to the wider Indo-Pacific region and reinforce Taiwan's own portrayal in the region.<sup>23</sup>

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<sup>20</sup> Kwei-bo Huang, "Taiwan's New Southbound Policy: Background, Objectives, Framework and Limits," *UNISCI Journal*, No. 46, 2018.

<sup>21</sup> Mark Bryan Manantan, "How Taiwan stands up to China through soft power", *Asia Pacific Pathways to Progress Foundation*, 5 March 2019.

<sup>22</sup> "Progress & Prospect: Taiwan's New Southbound Policy," *Ministry Of Economic Affairs, Bureau Of Foreign Trade*, 2018.

<sup>23</sup> Prashanth Parameswaran, "Assessing Taiwan's New Southbound Policy," *The Diplomat*, 23 April 2019.

The New Southbound Policy reinforces Taiwan's narrative of an alternative Chinese model, founded on values of democracy, rule of law and human rights. It emphasizes the use of soft power to persuade and co-opt others to pursue Taiwan's interests. Taiwanese politicians have articulated a new term for Taiwan's new diplomatic rationale: "warm power," which is in contrast with China's "sharp power" used to influence political systems in other countries. Warm power views other countries as sustainable development partners, not subordinate targets for economic exploitation. Taiwan emphasizes equal partnership in a long term and a kind of a sharing (of resources and experiences) that goes both ways.<sup>24</sup> By putting forward the vision of the region as an economic community built around people-to-people ties, the New Southbound Policy rallies international support for Taiwan's de facto sovereignty and helps prove its self-governing capacity.<sup>25</sup>

Strong people-to-people exchanges circumvent the lack of formal diplomatic relations and facilitate various interactions be it government-to-government relations, academic exchanges or cooperation in the fields of agriculture and aquaculture, technology, public health, industrial chains, and talent development. Taiwan has invested heavily in expanding cultural and educational exchanges to help promote a better understanding of South and Southeast Asian cultures, languages, and business practices among the people of Taiwan.<sup>26</sup> In 2017, ASEAN surpassed China as the major source of foreign students in Taiwan, and in 2018, one quarter of all incoming tourists to Taiwan came from the New Southbound Policy target countries.<sup>27</sup>

As for foreign students, both sides of the Taiwan Strait compete for attracting those who wish to study Mandarin. Taiwanese universities do so by promoting "the study of simplified and traditional Chinese characters in a free and democratic society."<sup>28</sup> Taiwan is also trying to highlight other areas of study, however, there are currently not enough English-taught courses offered by Taiwanese universities.

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<sup>24</sup> Alan H. Yang and Jeremy Chiang, "Taiwan Is Retaking the Initiative With Its New Southbound Policy," *The Diplomat*, 23 October 2018.

<sup>25</sup> Mark Bryan Manantan, "How Taiwan stands up to China through soft power", *Asia Pacific Pathways to Progress Foundation*, 5 March 2019.

<sup>26</sup> Bonnie S. Glaser, Scott Kennedy, Derek Mitchell, and Matthew P. Funaiolo, *The New Southbound Policy: Deepening Taiwan's Regional Integration*, New York: Rowman & Littlefiels, 2018.

<sup>27</sup> "Progress & Prospect: Taiwan's New Southbound Policy," Ministry Of Economic Affairs, Bureau Of Foreign Trade, 2018.

<sup>28</sup> Bonnie S. Glaser, Scott Kennedy, Derek Mitchell, and Matthew P. Funaiolo, *The New Southbound Policy: Deepening Taiwan's Regional Integration*, New York: Rowman & Littlefiels, 2018.

Taiwan also employs more than 600,000 migrant workers from these countries, among them many Burma-born ethnic-Chinese that left their native country decades ago. There is even a "Burma Street" (also called "Little Burma") in Taipei with signboards written in both Burmese and Chinese.<sup>29</sup> According to the Taiwan's Myanmar Overseas Chinese Association, there were more than 40,000 ethnic-Chinese who migrated from Burma/Myanmar to Taiwan and settled around that area, and the population continues to grow with the community's Taiwan-born second generation.<sup>30</sup>

The second-generation immigrants offer important interpersonal resources that could be used to foster partnerships with Southeast Asian countries and work for Taiwan's government in positions that require Southeast Asian foreign language expertise. In 2016, there were almost 200,000 children of immigrants registered in Taiwanese school.<sup>31</sup> Under the new policy, they are being empowered to develop not only technical, but also language skills (by introducing Southeast Asian languages to primary and secondary schools, and offering university credits for Southeast Asian languages in degrees that would typically not acknowledge such courses). Also, more Southeast Asian Studies degree programs at universities are being established across Taiwan.

### ***2.3. Impact of the US-China trade war on the policy***

Against China's Belt and Road Initiative, Taiwan is actively counteracting Beijing's moves in the region with its own strengths and own regional vision. It aims to strengthen Taiwan's importance in the region and find the country's niche within the region. While the Belt and Road Initiative is more focused on improving regional infrastructure, Taiwan's projects are more about people and soft power, supporting tourism, education, health-care, technology, small and medium enterprises, and agriculture (although there are also some infrastructure projects: power plants, petrochemical plants, electronic toll collection systems, rail transport, and environmental engineering).<sup>32</sup> Moreover, with the ongoing trade war between the United States and China,

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<sup>29</sup> The "Burma Street" (Huaxin Street in Zhonghe District, New Taipei City) has its origins in the Chinese Civil War, when KMT troops fighting the Communists were forced to flee over the border to neighboring Burma. After the civil war many troops were trapped in Burma until they were repatriated to Taiwan. In the decades that followed, thousands more moved to Taiwan.

<sup>30</sup> Tin Htet Paing, "Taipei's Huaxin Street: Myanmar Community in Taiwan," *The Irrawady*, 15 January 2018.

<sup>31</sup> Bonnie S. Glaser, Scott Kennedy, Derek Mitchell, and Matthew P. Funaiole, *The New Southbound Policy: Deepening Taiwan's Regional Integration*, New York: Rowman & Littlefields, 2018.

<sup>32</sup> --, "The New Southbound Policy: A Practical Approach Moving Full Steam Ahead," *Office of Trade Negotiations, Executive Yuan*, 2018.

investment relocation from China is expected to take place more than ever.

Understandably, Myanmar has eyes on the US-China trade war, and wants to attract investment that currently flows out of China, typically to Vietnam, mostly because of the cheap land and affordable labor. Due to rising labor costs in Vietnam, there has been a spillover to neighboring Cambodia, and with time could reach also Myanmar. It certainly has the potential to attract labor-intensive manufacturers and retailers (due to anticipated growth in the consumer retail sector).

With the increasing trade tensions between China and the United States and Taiwan's heavy involvement in the Chinese supply chain it is time for a diversifying strategy. TAITRA, set up almost 50 years ago to facilitate trade and promote Taiwan brands through organizing exhibitions, matchmaking sessions and publicity campaigns, recently conducted a research about Taiwanese businesses in China and their outlook regarding the US-China trade war. The answers create a mixed image: (1) some are not affected by the trade war because they only produce for the Chinese domestic market; (2) others adopted a hedging strategy and run key facilities in China, while at the same time they open new ones in countries like Vietnam or Indonesia; and (3) the last group actually benefits from the trade war, because they export to the United States through their facilities outside of China.<sup>33</sup>

In any case, this situation speeds up the diversifying strategy for Taiwanese businesses and many look at Southeast Asian countries for setting up their factories there, while some consider bringing their businesses back to Taiwan.

As for suitable Southeast Asian countries, Vietnam seems so far the most convenient place due to its geographical proximity to Taiwan and the favorable conditions, with many industrial parks already in place (ten years ago, Taiwan was the number one investor in Vietnam). Vietnam is becoming overcrowded and Taiwan's government needs to establish new partnerships in other countries and help Taiwanese companies find new locations in other New Southbound Policy countries.

As for Taiwanese businesses returning back to Taiwan, in the last six months, about 80 Taiwanese companies promised to return from China to Taiwan as part of their diversification strategy. All these companies are from the information and communication technology (ICT) sector and due to heavy automation do not rely on labor; instead, what these companies want is land and a good infrastructure (electricity, water).<sup>34</sup>

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<sup>33</sup> Interview with TAITRA's Vice Chairman Shih-chung Liu, Taipei, June 2019.

<sup>34</sup> Ibid.

### 3. TAIWAN-MYANMAR RELATIONS

Myanmar is strategically located on a tri-junction between South Asia, Southeast Asia and China. The country covers an area of 676,577 km<sup>2</sup> and is home to 51.4 million people, including two million ethnic Chinese. It is also one of the poorest countries in the world with 32% (2015) of the population living below the national poverty line.<sup>35</sup>

A brief account of the political history of Burma/Myanmar will be helpful for understanding the interactions between the two countries in this case study. Burma gained independence from Britain in 1948, and until 1962 was led by a civilian government. The military took power in a coup and ruled under different names until 2010. Decades of the "Burmese way to socialism" during the Cold War turned a prosperous country into one of the poorest in the region. The country was economically deeply impoverished and with weak diplomatic links to the rest of the world. With the seven-step roadmap toward democracy, a new constitution, and flawed elections the junta's rule officially ended in Myanmar. In 2011, a new quasi-civilian government was established, although the *Tatmandaw* (military) continues dominance in many aspects.

Both Taiwan and Myanmar have the same large neighbor and important economic partner that poses a threat to each of them. Just like Taiwan, also Myanmar wants to balance against China, a potential regional hegemon. For many years, China and Myanmar were strong allies - uneven but nevertheless reciprocal and mutually beneficial. Although the *Tatmandaw* never completely trusted any external major power, due to isolation and economic sanctions it moved closer to China in order to seek both military and economic assistance. Under Myanmar's military dictatorship up until 2009, China had invested around US\$10 billion in the country.<sup>36</sup> In return, China gained access to Myanmar's rich natural resources and moved closer to gaining passage to the Bay of Bengal. However, Myanmar's military leaders were well aware of the dangers of being too close to China and in the late 1990s adopted a new strategy by encouraging industrialized states to invest in the country. With the opening up of the country, Myanmar finally managed to get more players into the playing field. Nevertheless, China remains the most important player in Myanmar's economy and trade, and vice-versa, Myanmar is an important trade outlet for China's landlocked inland provinces, and strategically, Myanmar is important for China to achieve its long-term two-ocean objective

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<sup>35</sup> --, "Statistics: Poverty indicators of Asia and Pacific countries," *Asian Development Bank*, 2019.

<sup>36</sup> Phyo Wai, "The Myanmar-China dilemma," *Mekong Eye*, 16 March 2017.

and with China's presence in the Indian Ocean reduce transport time for some of its trade.<sup>37</sup>

### **3.1. Political relations**

After a hiatus of several decades, political and diplomatic relations between Taiwan and Myanmar rekindled, although they remain somewhat limited, mostly due to China's insistence on the One-China principle. Since the introduction of the New Southbound Policy, Taiwan has stepped up medical cooperation, relaxed visa requirements and increased trade promotion missions to the country.

Looking back, Taiwan has a long historical connection with Myanmar. A significant part of Taiwan's population came to the island from Burma in the 1950s. Many of them still have relatives or connections in Myanmar and they could become the bridges for closer bilateral relations.<sup>38</sup>

Although Myanmar is not among the six prioritized countries of the New Southbound Policy (India, Indonesia, Malaysia, the Philippines, Thailand, Vietnam), recent economic and political reforms in Myanmar have presented a number of opportunities to Taiwan.<sup>39</sup> Myanmar's GDP growth rate has neared 7% over the last few years, the country boasts low operating costs and a young workforce, and many import and export companies are benefiting from the recent opening up of the country.<sup>40</sup> Burmese sectors ripe for investment from Taiwan span from agricultural machinery, through food processing, to ICT and medical care.

In response to intensified links between the two countries, TAITRA and the Taiwan International Cooperation and Development Fund (Taiwan ICDF) set up their branches in Myanmar.

TAITRA set up the Taiwan Trade Center Yangon Branch in 2013 to promote business-to-business exchanges, organize trade shows, and help with overall

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<sup>37</sup> The two-ocean strategy's aim is to avoid the Malacca Strait in the event of a conflict. Since nearly 80% of China's trade is carried out by sea through the Strait of Malacca, the Indian Ocean and the Suez Canal, China developed port facilities around the Indian Ocean (string of pearls strategy) to secure own trade and energy supplies along the sea lanes dominated by the US navy. These so-called pearls include ports in Myanmar, Bangladesh, Sri Lanka, the Maldives and Pakistan.

<sup>38</sup> Eric Gau, "Looking South Episode #29: Focus on Myanmar," *ICRT*, 6 November 2017.

<sup>39</sup> --, "New Southbound Policy: David T.W. Lee Listed Six Prioritized Countries," *Liberty Times Net*, 19 September 2016.

<sup>40</sup> --, "Asian Development Outlook 2019," Asian Development Bank, 2019.

navigation in the Burmese market. However, in Myanmar, the center's ability to assist seems limited, as one of my Taiwanese interviewees in Myanmar remarked: "This is [a] country built on relationships, [with] no relationship, [there is] no work. So they can't really help the company to grow in local [terms]. But they have exposure - [they organize] expos and seminars, but [they are] just not big enough."

Taiwan ICDF, the Taiwan's Foreign Ministry-funded international aid organization, established its Myanmar Branch Office in 2014 to offer assistance to Myanmar's government on rice cultivation and photovoltaic and solar energy introduction, among others.

Since Taiwan lacks formal diplomatic ties with the New Southbound Policy countries, it has to use creativity to foster bilateral cooperation. Taiwan maintains contact with countries that are not its diplomatic allies via Taipei representative or economic and cultural offices.<sup>41</sup> The one in Myanmar, called *Taipei Economic and Cultural Office in Myanmar* (replacing *Taiwan ICDF Myanmar Branch Office*) began operation in March 2016 to provide consular services in addition to promoting exchanges between the two sides in areas of trade and investment, agriculture and fisheries, labor, education, culture, and tourism.

Before 2016, Myanmar affairs were handled by the *Taipei Economic and Cultural Office in Bangkok*, Thailand. This in itself constitutes a considerable change from the time when Burma/Myanmar was considered a client state of China and links with Taiwan were very limited.

The Myanmar government also opened a reciprocal institution, the Myanmar Trade Office, operated by the country's Ministry of Commerce, in Taipei in 2015.

Taiwan added Myanmar to the list of countries with streamlined visa application procedures and many Burmese can now apply online with no visa charge (before people had to travel to Bangkok in Thailand to apply for a Taiwanese visa). As a result, the number of visitors from Myanmar to Taiwan has increased by more than 50%.<sup>42</sup>

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<sup>41</sup> Taiwan's diplomatic allies: Eswatini (1968), Holy See (1942), Kiribati (2003), Marshall Islands (1998), Nauru (1980–2002, 2005), Palau (1999), Solomon Islands (1983), Tuvalu (1979), Belize (1989), Haiti (1956), Saint Kitts and Nevis (1983), Saint Lucia (1984–1997, 2007), Saint Vincent and the Grenadines (1981), Guatemala (1933), Honduras (1941), Nicaragua (1962–1985, 1990), and Paraguay (1957).

<sup>42</sup> Eric Gau, "Looking South Episode #29: Focus on Myanmar," *ICRT*, 6 November 2017.



*China Airlines*, Taiwan's national carrier, now offers five to seven weekly flights from Taiwan Taoyuan International Airport to Yangon International Airport, with over thirty thousand Taiwanese making the trip to Myanmar every year.<sup>43</sup>

Also, the Ministry of Education provides scholarships to citizens of Myanmar to study in Taiwan. It is expected that with the New Southbound Policy framework such links will only deepen.

### **3.2. Economic cooperation**

Taiwan has since the late 1950s invested in Southeast Asian countries more than \$80 billion and facilitated the setup of labor-intensive industries such as food, plastic, and textile product manufacturing, but Myanmar was for many reasons mostly left out from this endeavor.<sup>44</sup> Nevertheless, some Taiwanese business people venture into Burma/Myanmar more than 20 years ago and invested in agriculture, fishery, and real estate. In the past, Taiwanese companies typically teamed up with the Japanese to enter the Burmese market (due to China's strong influence in the country and the good image the Japanese enjoy in Myanmar).

Since Myanmar adopted a more open policy in 2011, bilateral relations have gradually improved, especially in trade and investment. Altogether, more than 250 Taiwanese enterprises (including 34 companies listed on the Taiwan Stock Exchange) have invested in Myanmar across such industries as agriculture, banking, electronics, footwear and textiles.<sup>45</sup>

Although investors need to be aware of many challenges, namely poor infrastructure and a lack of skilled workers, incentives and relaxed regulations, such as expedited customs clearance, tariff exemptions and tax holidays for the first five years, can be the tipping point for many.

Three years ago several Taiwanese banks applied for licenses to operate in Myanmar and E. Sun Commercial Bank has received approval to open a branch office (it now operates in nine countries, mostly in Asia), while 11 other banks have established representative offices to gather market intelligence.

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<sup>43</sup> Return flight prices range between US\$400 and US\$650, with cheaper flights offered by Malindo Air and Malaysia Airlines with a stopover in Kuala Lumpur and Viet Jet with a stopover in Hanoi.

<sup>44</sup> Alan H. Yang and Michael H. H. Hsiao, "Tai-shang (Taiwan Business) in Southeast Asia: Profile and Issues," in Kim Young- Chan, ed., *Chinese Global Production Networks in ASEAN*, London: Springer, 2016.

<sup>45</sup> Kelly Her, "Untapped Potential," *Taiwan Today*, 1 July 2019.

Many Taiwanese investors have expressed their desire to establish a Taiwan industrial park with better terms and conditions that would attract companies that can form a cluster in order to reduce production costs. This year, a Taiwanese investor, Golden Myanmar Investment Co., signed a Memorandum of Understanding with the Yangon Region Government on the establishment of such a park, the Yangon Htantabin Technology Park. The goal is to attract about 300 overseas manufacturers from the electronics, footwear, garment, textile and toy sectors.<sup>46</sup> The proposed project is a major milestone for Taiwan investment in Myanmar. It will allow companies to deepen collaboration and share experiences and resources.

In terms of numbers, with stronger bilateral relations between Taiwan and Myanmar, the bilateral trade volume has slowly increased (see Table 1). The bilateral trade volume has steadily increased between 2010 and 2014, up to US\$328.6 million, then sharply decreased due to the weak global economy. Since then, the trade volume continued growing, in 2018 reaching US\$342.7 million.

While the above-described numbers may not be a direct outcome of the new policy they are showing a positive trend and that is a good sign. The New Southbound Policy is a project that aims to create long-term partnerships that benefit the region today and tomorrow.

**Table 1: Taiwan-Myanmar trade 2010-2018 (in USD and %)**

Year	Rank	Volume	Share
2018	64	342,676,082	0.055
2017	65	295,458,123	0.051
2016	62	281,863,486	0.055
2015	64	270,386,873	0.053
2014	69	328,575,052	0.056
2013	69	281,469,241	0.049
2012	72	221,797,981	0.039
2011	73	207,022,279	0.035
2010	75	170,797,444	0.032

Source: "Trade Statistics," Ministry of Economic Affairs, Bureau of Trade, 2019.

Export has more than doubled, from US\$107.3 million in 2010 to US\$271.4 million in 2018, with its rank moving from 67th down to 50th largest trade partner (see Table 2). Taiwan's major exports to Myanmar consist of woven synthetic fabrics, feathers, iron or non-alloy steel products, etc.

<sup>46</sup> Kelly Her, "Untapped Potential," *Taiwan Today*, 1 July 2019.

If comparing the years 2010 (before Myanmar's transition) and 2018 (after the introduction of the New Southbound Policy), import has remained on the more or less same level, with a mere US\$63.5 million in 2010 and only slightly more in 2018 (see Table 2), only 0.025% of Taiwan's GDP. However, in 2013 and 2014, Taiwan imported almost the double with as much as US\$103.6 million, before numbers decreased again. Taiwan's major imports from Myanmar consist mostly of wood, oil seeds and oleaginous fruits, refined copper, copper alloys, etc.<sup>47</sup>

**Table 2: Taiwan's Export to and import from Myanmar (in USD)**

Year	Export	Import
2018	271,354,598	71,321,484
2017	238,238,766	57,219,357
2016	212,114,446	69,749,040
2015	217,033,067	53,353,806
2014	225,018,931	103,556,121
2013	179,770,898	101,698,343
2012	145,510,914	76,287,067
2011	132,713,167	74,309,112
2010	107,276,574	63,520,870

Source: "Trade Statistics," Ministry of Economic Affairs, Bureau of Trade, 2019.

Taiwan's cumulative investment in Myanmar between 1952 and 2018 amounted to US\$182 million, mainly in the sectors of financial services, insurance, textiles, accommodation, food service, and real estate.<sup>48</sup> Currently, Myanmar ranks as Taiwan's 64th largest trading partner.

One thing is the numbers but how about Taiwan's soft power, often portrayed as the spirit of the New Southbound Policy? Soft power is indispensable to foreign policy toolkits, which is especially true for a small polity as Taiwan. Capitalizing on its soft power features, Taiwan tries to shape its external environment in pursuit of its diplomatic influence. Soft power, and in Taiwan's case also "warm power" is used to persuade and co-opt other countries to engage in Taiwan's interests in the region.

### **3.3. Taiwan's (un)recognizability in Myanmar**

It has been argued that President Tsai Ing-wen's Southbound Policy will enhance Taiwan's soft power, however, the prospect of Taiwan's ability to

<sup>47</sup> --, "Taiwan-Myanmar Economic Relations," *Ministry Of Economic Affairs, Bureau Of Foreign Trade*, 2019.

<sup>48</sup> Ibid.

shape the preferences of the Burmese people through appeal and attraction thus far looks quite bleak.

Soft power is contrasted with hard power, which has historically been the predominant realist measure of national power. The currency of soft power is very different and we can speak of culture, political values, and foreign policies here. Soft power resources are the assets that produce attraction, which then often leads to acquiescence.

In Myanmar, ordinary people have a problem differentiating between Taiwan/Taiwanese and China/Chinese, while in business, the difference between Taiwan and China is much better known (and also, what matters the most, is the price and quality).

Over thirty non-Chinese Burmese, of all sexes and ages, living in the Yangon area, and a handful of Taiwanese living and having lived in Myanmar, have been interviewed for the purpose of better understanding the (un)recognizability of the *Made in Taiwan* brand in Myanmar.

Many of the interviewees did not have any single association with Taiwan; others wrongly identified some Chinese brands as Taiwanese; and a few mentioned foods, drinks, electronics, cosmetics, movies, singers and medical care in association with Taiwan. On the other hand, people who had previous experience with Taiwan spoke very highly of the island and of what it had to offer.

What definitely came up the most was hot pot (in Yangon there is a famous restaurant chain called Shabu Shabu that is run by a Taiwanese) and bubble milk tea. Although the fame of bubble milk tea is not a direct outcome of the New Southbound Policy, the drink is now part of Taiwan's food diplomacy and the slogan "*Taiwan Bubble Tea, Bubble Up Your Life*" has been used to bolster the drink's identification as a Taiwanese product. In Yangon, there are several shops that serve this drink, for example BoBoBaBa or Chatime.

Along with foods and drinks also fruits, namely papaya, watermelon (most watermelon in Myanmar is known as 'Taiwan Watermelon') and tomatoes were often mentioned. With regard to fruits, one interviewee also mentioned the Known-You Seed Company, a 1968-founded Taiwanese seed cultivation and distribution business that started offering its products in Myanmar in 1994. Today, the company runs several seed production facilities and demonstration farms and training centers. About 90% of watermelon seeds in Myanmar

come from the firm. Fruits with the 'Taiwan' label have a reputation for quality and sell for higher prices.<sup>49</sup>

Many people mentioned cosmetics and electronics. Brands such as HTC, ASUS and ACER are quite popular among the people of Myanmar. The most well known name from Taiwan is HTC, since former CEO Peter Chou was born in Mandalay.

In the cultural arena, people are very much aware that Teresa Teng, whose popularity was at the peak throughout the 1970s and 1980s, was from Taiwan. Among more recent Taiwanese musical interprets known to the Burmese was the boy band F4, formed after the huge success of the drama Meteor Garden. Taiwanese dramas and movies also seem quite well known, with mentions of for example Goodbye, Dragon Inn (2003). People also mentioned Midi Z., a Myanmar born movie director, who currently resides in Taichung.

For ethnic Chinese, especially in upper Myanmar, education is what Taiwan is best known for. Another area is medical care; again, people who speak Mandarin and have prior connection with Taiwan would know it is a good place to seek high quality medical care.

Those people who differentiate between Taiwanese and Chinese products live mostly in bigger cities, such as Yangon, Mandalay and Taunggyi, and prefer *Made in Taiwan* from *Made in China*, especially in terms of quality.

After speaking to many interviewees the author came to realize that one thing is associating imported products and another is differentiating people. People are quite confused about the different *Tayoks*.<sup>50</sup> In Burmese, Chinese people are referred to as Tayok while the state-run press frequently refers to China as *pauk hpaw*, meaning sibling. Only the young generation, mostly students, and people with higher education and a general knowledge of world affairs recognize the difference between Taiwanese, Hongkongnese and Mainland Chinese. People in the Shan states usually know the difference - many of them have Chinese ancestors, speak different dialects of Chinese and have long had the culture of importing goods from China, Taiwan, Hong Kong, as well as other countries. According to one of the respondents, most of the Burmese people think that "everybody who has narrow eyes, fair skin and speaks Chinese is considered Chinese," while another said: "Most Burmese people know only that black is Indian and white is Chinese."

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<sup>49</sup> Kelly Her, "Untapped Potential," *Taiwan Today*, 1 July 2019.

<sup>50</sup> The word *Tayok* is derived from the word Tarok, a corruption of the word Turk by which Burmese referred to Mongol invaders from China in the 13th century.

One respondent delved into the past and described his previous lack of understanding as follows: "I grew up in the 1980s and 1990s in Rangoon. I went to university there and was pretty well read, but to be honest, I didn't know how to distinguish Mainland Chinese cultural exposure from Taiwanese. I listened to Teresa Teng, read the Burmese translation of martial arts epics by Jin Yon, but at the time I viewed them merely as part of the broader Chinese culture. It was only after immigrating to the US that I realized they were Taiwanese [Jin Yon was not Taiwanese, he was born in Zhejiang Province and later moved to Hong Kong]." There are many people that consider Taiwan a part of China and the name Chinese Taipei, often heard in Myanmar, is not helping either.

One of the stakeholders in Taiwan's endeavor in Myanmar is the above-described TAITRA, which brings every year several Taiwanese companies and potential investors to two expos in Myanmar - one in the field of automation and the other in the field of computers, as well as organizes other activities, but according to one of the Burmese interviewees this is not enough: "There's an occasional trade fair but it makes little impact on the public consciousness."

Since soft power is based on its endurance and sustainability, not all hope is lost but Taiwan has to work harder to build its international image and come up with a strategy of how to differentiate itself away from China, especially in a country like Myanmar.

China's image in Myanmar is severely damaged and may impact Taiwan's endeavor in Myanmar. Burmese people generally feel that China exploited Burma/Myanmar during its hard times - purchased Burmese natural resources with cheap prices and supported the military, ignoring democracy, human rights and good governance. Today's Chinese projects in Myanmar are also under attack, mostly for not creating enough jobs for local work forces. Even as the Burmese government welcomes Chinese investments, the civil society pushes back against Chinese economic dominance because of imported Chinese labor, poor environmental standards and debt accumulation.

This said, it seems Taiwanese living in Myanmar are not being discriminated against or treated badly for being mistaken for a *Tayok* from China. "After we mention where we come from, people recognize the difference," said one of my Taiwanese interviewees who used to live in Yangon in 2017. Another Taiwanese interviewee, currently running a business branch providing ICT-related services in Myanmar, said: "In the beginning, I used to claim we are from Taiwan. I won't say that anymore unless I am asked. [It] just creates more problems sometimes. [Although in our field, we do] not have competitors from China (only from other countries), the main equipment is provided by

Huawei or ZTE. A lot of Chinese - if you say you are Taiwanese - they are not happy." The last statement touches on an issue that is outside the scope of this paper; nevertheless, it illustrates quite well the some of the obstacles that Taiwanese business people encounter when doing business abroad.

The opportunity for Taiwan lies in the fact that China's economic might is not doing much for its popularity in Myanmar, and after two decades of intensifying friendship with China, Myanmar is now tilting elsewhere to reduce its dependence. However, Myanmar's relations with China directly affect Myanmar-Taiwan relations, and fundamental difficulties that could destabilize Myanmar-China relations remain. In order to succeed in Myanmar, Taiwan has to sharply distinguish itself from China, best done by using Taiwan's soft power to shape the preferences of the Burmese population through appeal and attraction. Taiwan cannot afford to be seen as continuing a trend of Chinese economic domination in Southeast Asia and should avoid at all cost being seen as anachronistic or even arrogant.<sup>51</sup>

#### **4. CONCLUSION**

Since President Lee Teng-hui in the early 1990s, each Taiwanese leader has more or less stressed the importance of South and Southeast Asia, mostly the latter. In 1994, President Lee Teng-Hui urged Taiwanese business people to invest in Southeast Asia, but the Asian financial crisis marred this plan. In 2002, President Chen Shui-Bian attempted to reintroduce the southbound policy, but the Taiwanese continued investing in China, a more attractive investment destination. During the years of Ma Ying-jeou's presidency moving south was not a priority at all. Then in 2016, President Tsai Ing-wen introduced the New Southbound Policy, an effort to expand Taiwan's presence across the Indo-Pacific by not focusing exclusively on trade and investment, as has been done in the previous initiatives, but by also including a people-focused strategy aimed at incorporating Taiwan into the economic and social structures of Southeast Asia and beyond. The new policy's aim is to gain a strong foothold in Southeast Asia's fast-growing economies along with Australia and New Zealand, and with that, diversify Taiwan's economic over-dependence on China.

China is projected to be the world's largest economy by 2050, India second and Indonesia fourth. The New Southbound Policy is a logical response to the changing global economic situation and the region's geopolitical future;

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<sup>51</sup> For centuries, Chinese merchants and business people have dominated the economies of Indonesia, Malaysia, Singapore, Thailand and Vietnam; and their descendants do so to this day.

Taiwan is building ties with South and Southeast Asia through its own channels.<sup>52</sup>

All this said, Taiwan will be able to build good relations with the ASEAN countries only if China doesn't interfere. If political relations with China worsen, the new policy will surely not bear any fruits. The recent waning cross-strait ties have triggered China's preventive counter-measures and left some New Southbound Policy target countries nervous. That is why the policy needs to be planned and implemented under a clever economic strategic framework that takes into consideration not only China and the United States but also other regional players, such as Japan. If implemented effectively, the New Southbound Policy will still take years to be really productive.

Myanmar is not among the six target countries of the New Southbound Policy, nevertheless, Taiwanese business people have been exploring market opportunities in the newly opening country.

Myanmar's military generals recently opened up the country along the Chinese model of capitalism without democratization, and the media have promoted the country as one of the last remaining lucrative virgin economic markets. Myanmar has rich resources, including oil and gas, and has an abundance of young labor force (although skilled labor is scarce).

Despite the so-called Myanmar Golden Promise, the overall situation in Myanmar is not stable, with many human rights abuses and restrictions in place. The country has been closed to the outside world for decades and its infrastructure and regulatory regime still need time to be developed, and therefore, it requires patience for Myanmar to come to its full potential. Taiwan's efforts to expand and invest in the country and create social ties within may not bring expected results in the short term.

Also, China still remains on top of the statistics of Taiwan's trade relations and changing that is a difficult task for any government. The biggest trading partners are China (including Hong Kong), the United States, Japan and Korea, followed by mostly New Southbound Policy countries, with the exception of Germany, the Netherlands and Saudi Arabia (data from 2018).<sup>53</sup>

Besides trade, Taiwan can also capitalize on its soft power features and shape its external environment to sustain its diplomatic influence. The New Southbound Policy is by many seen as President Tsai Ing-wen's soft power

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<sup>52</sup> Alan H. Yang and Jeremy Chiang, "Taiwan Is Retaking the Initiative With Its New Southbound Policy," *The Diplomat*, 23 October 2018.

<sup>53</sup> --, "Trade Statistics," *Ministry of Economic Affairs, Bureau of Trade*, 2019.



alternative. In the case of Myanmar a lot of work lies ahead. Burmese people in general do not distinguish between Taiwanese and Chinese products and services, not least people. However, in the business circles, the difference is much better known. What plays in Taiwan's soft power favor is that foreign visitors who get a taste of the lifestyle in Taiwan end up loving the country.

As has been demonstrated, the New Southbound Policy, helped by the US-China trade war, provides many opportunities to Taiwan, but is not without its challenges and limitations. Besides resourcing and coordinating, uncertainties lie also in the upcoming elections in 2020, which is directly linked to the question of sustainability of the initiative should Tsai Ing-wen not be elected to a second term. Even if she does, it may take years before the Tsai government's investment will start paying dividends.

Taiwan should continue the attention to this policy, keep explaining its nature and purpose to outside and inside players, and actively promote its heritage and unique status as the world's only culturally Chinese democracy.

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