

Thinking ASEAN

From Southeast Asia On Southeast Asia

+
INFOGRAPHIC
Focus on ASEAN

*Against All Odds, the
New Southbound Policy
and ASEAN's Continued
Engagement with Taiwan*

*The Hope Coated
with Challenges -
Taiwan looks south
to ASEAN*

*ASEAN and the IMF:
Working Together to Unlock Digital
Economy Potential as Key Driver of
Region's Economic Growth*



Contents

A Note From the Editor	I
Articles	2
ASEAN and the IMF: Working Together to Unlock Digital Economy Potential as Key Driver of Region's Economic Growth	2
The Hope Coated with Challenges - Taiwan looks south to ASEAN	8
Against All Odds, the New Southbound Policy and ASEAN's Continued Engagement with Taiwan	13
Infographic	18
Focus on ASEAN	18
ASEAN Round-Up	20
Indonesia says death toll in Sulawesi quake rises past 2,000	20
Indonesia opens 2018 Asian Para Games in heartwarming ceremony	21

A note from the editor

Dear readers:

Welcome to the October 2018 issue of the monthly Thinking ASEAN!

Whilst we may be winding into the final few months of the year, there will be no rest for the region as all interested stakeholders gear up for next month's ASEAN Summit and Related Meetings in Singapore. Having said that, the ten ASEAN Leaders did gather on the Indonesian island of Bali this month, as part of the Annual Meetings of the International Monetary Fund and World Bank Group (IMF-WBG); providing an important opportunity for Indonesia and ASEAN to showcase its economic opportunity and potential to the world.

In this sense, our lead article this month looks at the Annual Meetings of the IMF-WB and is written by Nika Pranata (Researcher, Economic Research Center – Indonesian Institute of Sciences (LIPI)). Entitled 'ASEAN and the IMF: Working Together to Unlock Digital Economy Potential as Key Driver of Region's Economic Growth', the article traces the mistakes made by ASEAN Member States and the IMF during the Asian Financial Crisis, the lessons learned from it, and how the two sides can work together to unlock the region's digital economy potential.

Meanwhile the second article is by Shan-Hua Yu (National Chengchi University, Taipei) who writes on 'The Hope Coated with Challenges – Taiwan looks south to ASEAN.' Taipei has long sought closer relations with ASEAN member-states, launching the 'New Southbound Policy' since 2016. The article makes the case for Taipei to ensure the policy stays regardless of diplomatic challenges.

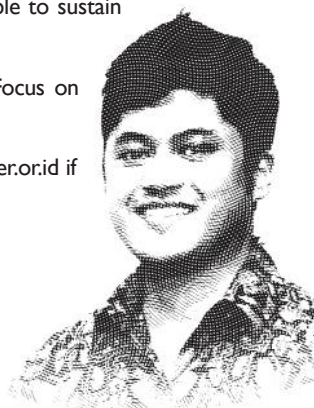
Lastly, Hana Hanifah (Researcher, ASEAN Studies Program, The Habibie Center) responds by providing a Southeast Asian view with an article entitled, 'Against All Odds, the New Southbound Policy and ASEAN's Continued Engagement with Taiwan.' Her article focuses on the question of why and how ASEAN countries have been able to sustain good relations with Taiwan despite all the challenges.

As usual, we present an infographic that this month covers Focus on ASEAN.

Don't hesitate to drop me a line at thinkingasean@habibiecenter.or.id if you have comments, input, or prospective submissions.

Happy reading!

Best regards from Jakarta



From Southeast Asia On Southeast Asia

Thinking ASEAN is a monthly publication that aims to provide insightful, cogent and engaging perspectives on issues central to contemporary Southeast Asia and the ASEAN member states. It is a product of The Habibie Center, with the generous support of the Republic of Korea's Mission to ASEAN.

The content of *Thinking ASEAN* does not reflect the official opinion of The Habibie Center or institutions related to the publication. The Habibie Center was founded by Indonesian President Bacharuddin Jusuf Habibie in 1999 as an independent, non-governmental and non-profit organization to promote the democratization and modernization of the country.

Responsibility for the information and views expressed in *Thinking ASEAN* lies entirely with the author(s). For comments, suggestions and prospective contributions, the Managing Editor of *Thinking ASEAN* can be reached at thinkingasean@habibiecenter.or.id.

Project Supervisors

Rahimah Abdulrahim

Executive Director,
The Habibie Center

Hadi Kuntjara

Deputy Director for Operations,
The Habibie Center

Editor in Chief

A. Ibrahim Almuttaqi

Thinking ASEAN Team

Askabea Fadhilla

Fina Astriana

Muhamad Arif

Hana Hanifah

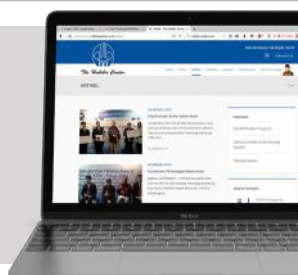
Vierna Tasya Wensatama

Wirya Adiwena

Lany Sekar

Anissa Dini

FIND OUR UPCOMING
AGENDA ON   
@HABIBIECENTER



The Habibie Center was founded by Bacharuddin Jusuf Habibie and family in 1999 as an independent, non-governmental, non-profit organisation. The vision of The Habibie Center is to create a structurally democratic society founded on the morality and integrity of cultural and religious values.

The missions of The Habibie Center are first, to establish a structurally and culturally democratic society that recognizes, respects, and promotes human rights by undertaking study and advocacy of issues related to democratization and human rights, and second, to increase the effectiveness of the management of human resources and the spread of technology.

ASEAN and the IMF: Working Together to Unlock Digital Economy Potential as Key Driver of Region's Economic Growth

IMF

Source: el-universal.com



Nika Pranata,
*Researcher, Economic Research Center – Indonesian Institute
of Sciences (LIPI)*

Overview of ASEAN – IMF Relations

It has been two decades since the occurrence of the Asian Financial Crisis in 1997. The year marked close relations between ASEAN and the IMF. The assistance provided by the IMF in the form of loans at that time was considered ineffective. In fact, numerous criticisms came from economists and scholars stating that the provided assistance worsened the crisis (Gan & Li, 1999). Furthermore, Indonesia and Thailand were the two worst affected ASEAN Member States (AMS) with Indonesia's GDP declining by more than 13 percent whilst Thailand's GDP dropped more than 7% in 1998 (World Bank, 2018). At that time, instead of formulating specific policies based on local economic characteristics of the assisted countries, the IMF applied a one fit for all approach for every assisted country.

For instance, generally, the IMF obliged the assisted countries to tighten its monetary policy by increasing interest rates significantly and closing down or capitalizing some private banks as well as reducing subsidies and social security. The IMF mistakenly treated the crisis as a conventional macroeconomic crisis whilst the crisis itself was a financial crisis in which the latter should be treated differently (Sterland, 2017). In addition, the IMF also applied numerous and strict conditions for assisted countries in order to be able to obtain economic stimulus for the IMF. Such requirements made the assistance inflexible and hard to adjust to

overcome the root cause based on local economic characteristics.

This ineffective assistance has left a negative stigma of the IMF and its intervention particularly for ASEAN Member States. This also has made the region try to be less dependent on the IMF's assistance. One of the efforts to reduce dependency was by forming that ASEAN+3 that includes the 10 ASEAN Member States and three other large Asian countries namely China, Japan, and South Korea, in which the collaboration started in December 1997 and was institutionalized in 1999. Then, in 2000 the ASEAN +3 and Hong Kong central banks made a cooperation regarding financial safety net called the Chiang Mai Initiative (CMI). It is an agreement in the form of a network of bilateral currency swaps and repurchase agreements among its members to face international liquidity problem. Furthermore, this agreement was then multilateralized in 2010 into a single contractual agreement named the Chiang Mai Initiative Multilateralization (CMIM) with the nominal amount of the agreement reaching USD 240 billion (AMRO, 2017). Recently, the cooperation is not only in terms of financial stability but has also widened into a regional macroeconomic surveillance by institutionalizing the former ASEAN+3 into the ASEAN+3 Macroeconomic Research Office (AMRO) in 2016.

Moreover, realizing that they made mistake with regards to its Asian Financial Crisis approach, since then the

IMF has been reforming and learning from the past mistakes although they are still unsure the exact cause of the Crisis and their response. Instead of heavily emphasizing on a detailed requirement list of financial assistance through loans, currently, the IMF has focused on finding the root cause of the crisis and determining the appropriate specific policies in order to resolve the crisis as well as prioritizing social security programs to protect the poor and vulnerable. Noticing that Asian countries particularly AMS have played an important role in the global economy, the IMF has also improved its governance and provided a greater say to Asian countries by raising the voting portion and representation of them.

Furthermore, in relations to the establishment of the ASEAN +3 and AMRO, both parties do not see each other as a threat, but it is seen as a further potential of cooperation and collaboration. For instance, the IMF is often invited in the discussions and meetings of ASEAN +3. More importantly, the IMF intends to strengthen the regional safety net in the form of CMIM that has a size of USD 240 billion into a global safety net by working intensively with the ASEAN + 3 and CMIM. In addition, the IMF member countries have committed to provide additional bilateral loan resources to the IMF in order to expand its financial assistance capacity to USD 1 trillion (Furusawa, 2017).

Moreover, the latest approach of the IMF

At that time, instead of formulating specific policies based on local economic characteristics of the assisted countries, the IMF applied a one fit for all approach for every assisted country.

in signaling the significance of ASEAN is by choosing one of the most influential AMS, Indonesia, as the host country for the 2018 Annual Meetings of the IMF and the World Bank Group. Besides that, the IMF is also keen to lessen its negative stigma. In doing so, before the meetings, IMF Managing Director, Christine Lagarde, made a statement that Indonesia does not need loans from the IMF as the Indonesian economy is currently well-managed. In addition, the IMF also made a contribution of about USD 131 million to assist with the Lombok and Sulawesi Earthquake and Tsunami Disaster response in Indonesia (IMF, 2018c).

Digital Economy as Priority Issue in 2018 Annual Meetings of the IMF and the World Bank Group

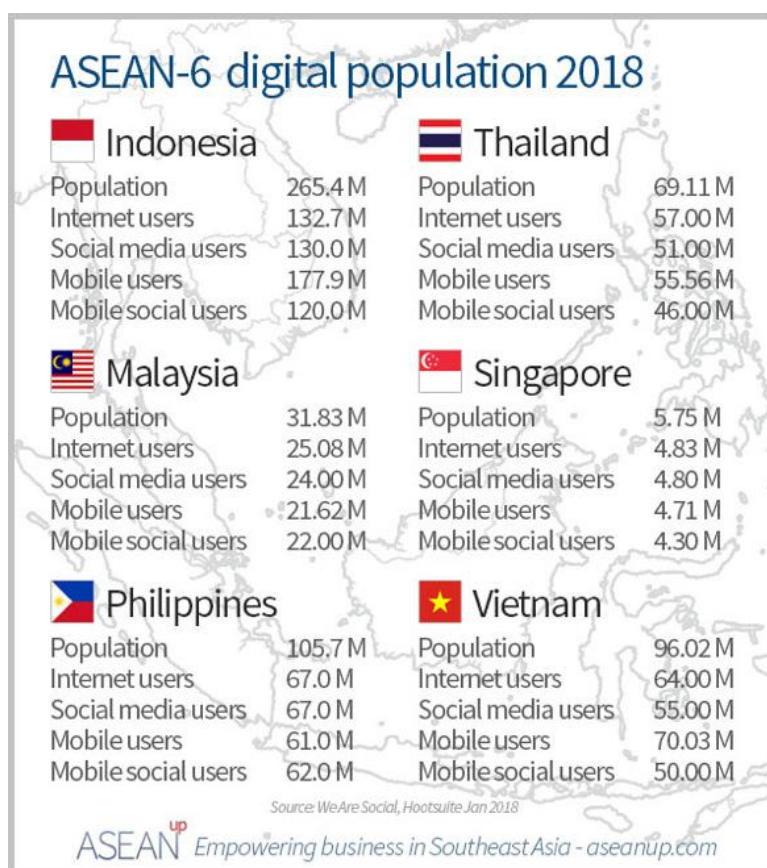
The 2018 Annual Meetings of the IMF and the World Bank Group is the largest financial and economic meetings in the world. By far, it is also the biggest event

related to financial and economic that has ever been held by Indonesia. It was held on October 12 – 14, 2018 in one of the well-known global tourist destination, Bali. It succeeded in bringing about 32,000 participants from 189 countries comprising finance ministers, central bank governors, investors, businessman, NGOs, economists, scholars, journalists, and other delegates (Aisyah, 2018). Such number of participants is by far the largest numbers in the meeting's history. This grand event is a very good momentum not only for Indonesia as the host country, but also for ASEAN in which Indonesia is part of the region, to be able to collaborate with the world. It has to be able to prioritize mutual interests of the region. There are several issues discussed in the meetings with digital economy is one of the priority issue.

The decision to put digital economy as a priority issue in the meetings is not

by accident as the sector has proven to be the new source of global economic growth and is currently growing at a breakneck pace. It also contains vast potential waiting to be unlocked. As for ASEAN, the region's economy combined is currently the 5th largest in the world. It also has the 3rd largest population in the world with more than 600 million inhabitants and where more than half of them are under 30 years old. Such an age group is known as digital natives who demand for faster, efficient, and borderless services which can be implemented in digital services. In addition, there is a large and growing number of technology-literate people in ASEAN represented by approximately 35% of smartphone penetration. Furthermore, by 2025, the majority of ASEAN people will be dominated by digital natives which are familiar with the use of internet and services that requires complex technology (A.T. Kearney, 2015).

Figure 1. ASEAN-6 Digital Population 2018



Source: ASEAN UP (2018)

In terms of harnessing the potential of the digital economy, ASEAN has reaped economic benefits from this sector. Billions of dollar has been invested in ASEAN's prominent startups which has transformed them into giant digital companies in the world. There are 6 unicorn startups - a tech/digital company valued more than USD 1 billion – in ASEAN which are dominated by e-commerce platforms and ride hailing

services. Those startups are Go-Jek, Tokopedia, Traveloka which originated from Indonesia and Grab, SEA, and Lazada from Singapore. This does not include the amount of jobs generated by those startups. Go-Jek alone has generated more than 1 million jobs (Venkatesan, 2018). Although, it has yielded significant benefits to the economy, the truth is there are vast opportunities and potential that have not been unlocked. For instance,

although ASEAN is one the most populous regions, it only accounts for less than 1% of the global retail e-commerce market (Figure 2). This does not include other sectors that have large potential in terms of digital economy such as Financial Technology (FinTech), logistics integration using blockchain and the Internet of Things (IoT), and other potential sectors.

Figure 2. Global Retail e-Commerce Market 2015



Source: Wong (2016)

Moreover, realizing the immense potential of the digital economy, the annual meetings launched an initiative related to formulating strategy in harnessing economic advantages of the sector called "Digital Economy for All"¹¹ (DE4All) which was supported by three special agendas namely "Disruptive Technology and Inclusive Development – What Works?", "Harnessing Technology for Inclusive Growth", and "The Bali Fintech Agenda". Those efforts are meant to link cooperation and collaboration among the government, industry, and other related parties based on 5 digital economy pillars comprised of infrastructure, digital financial services, innovation within

entrepreneurship, digital ecosystem, and digital literacy (Pratama, 2018).

Unlocking ASEAN Digital Economy Potential

Recently, the digital economy has played crucial role for ASEAN economy as it has proven to yield economic advantages to the region. Yet, it has not reached its full potential. It still contains untapped massive potential to be explored. Therefore, in order to reap the potential of its digital economy and for the sake of mutual benefits, it is better for ASEAN to implement the following policy recommendations:

- **Harmonize and Modernize Legal Frameworks at Regional Level**

This recommendation was also proposed in an IMF Policy Paper as a product of The Bali Fintech Agenda of 2018 Annual Meetings of the IMF and World Bank Group. Great variation of regulations among AMS, as shown in Figure 3, will hinder the penetration of region's digital economy, hence, the region has to harmonize the legal frameworks particularly regulations that are closely related to the digital economy such as privacy

and data protection, spectrum and infrastructure, consumer rights, online dispute resolution, and other relevant legal frameworks. In addition, considering that services in the digital era implement unconventional business processes,

it is also important for the region to adapt to changes by modernizing its legal frameworks as the failure of regulations to adapt may hamper the digital services business. For instance, in Indonesia, the classification of Go-Jek services has

generated uncertainty whether it is classified as platform services or public transport company exposing the fact that existing regulations have been outpaced by recent developments.

Figure 3. Inharmonious Digital Economy Related Regulations Among ASEAN Member States

		ASEAN						Comments
		MY	SG	ID	TH	PH	VN	
Industry structure	Cap on foreign ownership of operators	70%	-	65%	49%	20%	49%	SG has no restriction; varying restrictions in other countries
	MVNO allowed	✓	✓	✗	✓	✓	✓	ID disallows MVNO, though might change in future
Spectrum and infrastructure	Spectrum sharing allowed	✓	✓	✗	✗	✓	✓	ID and TH explicitly prohibit sharing; spectrum sharing and trading in MY only allowed on a case-by-case basis
	Passive infrastructure sharing mandated or allowed	✓	✓	✓	✓	✓	✓	Most countries allow passive infra-sharing; SG and VN decide on case-by-case basis
	Spectrum trading allowed	✓	✓	✗	✗	✓	✓	ID and TH prohibit trading; PH spectrum trading needs prior approval from NTC
Cybersecurity, privacy, and data protection	Government initiatives or agencies to protect cybersecurity	✓	✓	✓	✓	✓	✓	MY, SG, TH, and PH have both national cybersecurity agencies and plans; ID no cybersecurity agency; VN has fragmented rulings under different acts
	Specific act on data privacy or protection	✓	✓	✓	✓	✓	✓	SG, MY, and PH have detailed acts; ID privacy regulation underway; TH has passed only data protection bill; VN has fragmented privacy-related rulings

Source: A.T. Kearney (2015)

• Foster regional cooperation

In the current borderless era, instead of competing fiercely and taking down each other, cooperation and collaboration is crucial to speed up the business expansion. As for the e-commerce sector, partnership between marketplace and local logistics providers in each AMS will be beneficial for ghd involved parties. The best example of such partnership is shown by Alibaba's investment in Singapore Post.

• Shorten the Gap of ASEAN Digital Divide

Economic inequality among AMS is not only the problem of ASEAN, as the region also has a noticeable gap in terms of internet and broadband penetration. Only 20-30% of Lao, Myanmar, and Cambodia population have access to the internet whilst in more developed AMS such as Singapore and Malaysia the figure reaches 75-85%. Worse gap is

experienced in fixed broadband subscriptions where in some AMS the subscribers are left behind from other AMS as the price of it in the former group is considerably expensive (IMF, 2018b). Such a condition will create roadblocks for ASEAN as a region to reach its potential. Therefore, AMS should collaborate in order to provide universal and affordable internet access.

• Ease Intra-Region Labour Mobility

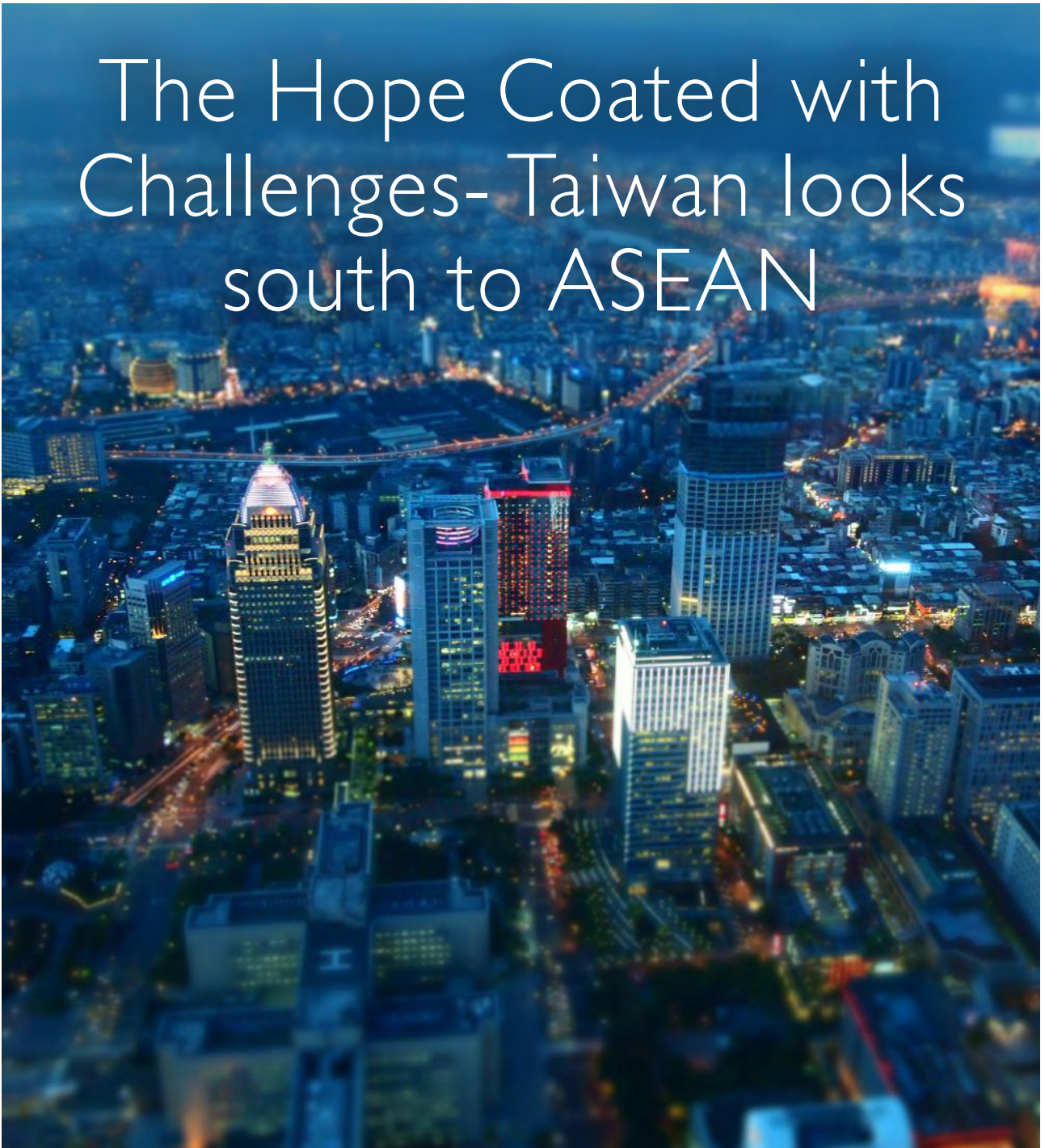
As the digital services industry implements high-technology in running its businesses, the sector requires high-skilled labour, especially those with ICT expertise, to support it. The availability of such qualified labours may not be sufficient for some AMS which eventually generate labour shortages for the industry. Therefore, ASEAN should find ways to further ease intra-region mobility of skilled labour. This, amongst others, can be facilitated through the expansion of existing ASEAN Mutual Recognition Arrangements.

Furthermore, to fasten the process of unleashing the full potential of ASEAN's digital economy, it is better for ASEAN to cooperate with the IMF in some areas with a highlight that the cooperation should be built based on mutual interests. The IMF itself through its Managing Director, Christian Lagarde, stated that the IMF is committed to work together with ASEAN in creating a smarter and fairer economy (IMF, 2018a). Moreover, the partnership might be in the form of economic analysis, financial resources, and capacity development. An emphasis should be aimed on financial resources as digital-related business services is a heavy intensive capital business that require massive amount of funds in order to survive and expand its businesses. In addition, the financial assistance should also be in the form of investment, not loans, as digital-related business has a high risk profile.

References

- A.T. Kearney. (2015). The ASEAN Digital Revolution. Retrieved from <https://ink.library.smu.edu.sg/cgi/viewcontent.cgi?article=1043&context=ami>
- Aisyah, R. (2018). Annual Meetings participants surpasses govt target. Retrieved from <http://www.thejakartapost.com/news/2018/10/07/annual-meetings-participants-surpasses-govt-target.html>
- AMRO. (2017). Overview of The Chiang Mai Initiative Multilateralization (CMIM). Retrieved from <http://www.amro-asia.org/wp-content/uploads/2017/02/For-website-updating-Overview-of-CMIM.pdf>
- ASEAN UP. (2018). The 6 Tech Unicorns of Southeast Asia. Retrieved from <https://aseanup.com/tech-unicorns-southeast-asia/>
- Furusawa, M. (2017). What We Have Seen and Learned 20 Years After the Asian Financial Crisis. Retrieved from <https://blogs.imf.org/2017/07/13/what-we-have-seen-and-learned-20-years-after-the-asian-financial-crisis/>
- Gan, C., & Li, G.W. (1999). The economic characteristics of the Asian crisis and the IMF economic stimulus recovery program. Canterbury: Lincoln University. Commerce Division. Retrieved from https://researcharchive.lincoln.ac.nz/bitstream/handle/10182/594/cd_dp_69.pdf;sequence=3
- IMF. (2018a). ASEAN and the IMF: Working Together to Foster Inclusive Growth. Retrieved from <https://www.imf.org/en/News/Articles/2018/02/25/sp022718-jakarta-MD-asean-and-the-imf-working-together-to-foster-inclusive-growth>
- IMF. (2018b). Finance & Development. Retrieved from <https://www.imf.org/external/pubs/ft/fandd/2018/09/pdf/asean-digital-economy-infographic-feng.pdf>
- IMF. (2018c). Statement by IMF Managing Director Christine Lagarde on her Visit to Lombok, Indonesia, October 8, 2018. Retrieved from <https://www.imf.org/en/News/Articles/2018/10/08/pr18383-statement-by-imf-managing-director-christine-lagarde-on-her-visit-to-lombok>
- Pratama, A. (2018). IMF-WBG Luncurkan Digital Economy for All. Retrieved from <http://www.digination.id/read/011837/imf-wbg-luncurkan-digital-economy-for-all>
- Sterland, B. (2017). The Asian financial crisis 20 years on: Lessons learnt and remaining challenges. Retrieved from <https://www.brookings.edu/opinions/the-asian-financial-crisis-20-years-on-lessons-learnt-and-remaining-challenges/>
- Venkatesan, A. (2018). How GO-JEK manages 1 million drivers with 12 engineers (Part 1). Retrieved from <https://blog.gojekengineering.com/how-go-jek-manages-1-million-drivers-with-12-engineers-part-1-978af9ccfd32>
- Wong, C. (2016). 7 THINGS YOU NEED TO KNOW ABOUT MALAYSIA'S NATIONAL ECOMMERCE STRATEGIC ROADMAP. Retrieved from <https://www.go-ecommerce.my/article/7-things-you-need-know-about-malaysia's-national-ecommerce-strategic-roadmap>
- World Bank. (2018). GDP Growth (annual%). Retrieved from <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=ID-TH>

The Hope Coated with Challenges- Taiwan looks south to ASEAN



Skyline

Source: pxhere/CC0 Public Domain



Shan-Hua Yu,
National Chengchi University, Taipei

On September 18, U.S. President Donald Trump announced plans to place tariffs on US\$200 billion worth of Chinese products, intensifying the ongoing trade war between the world's two largest economies, with major consequences on the rest of the world. Taiwan, along with others are also suffering from the trade war, especially since Taipei's trade relies heavily on China, with 41% of its export going to China and 19.9% of imports coming from the mainland.¹ The latest step in the ongoing trade war has pushed away many Taiwanese producers from mainland China to avoid the rising high cost and tariff, with many looking at relocating to Southeast Asia,² where Taiwan has the geographical edge over its competitors. Meanwhile, ASEAN presents an enormous opportunity for Taiwanese businesses because Taiwan's export to ASEAN countries is up to US\$ 58.6 billion in 2017³ whilst the large population of migrant workers and their second generation in Taiwan is also a plus. Unfortunately this advantage is not fully utilized by either Taiwan or ASEAN largely because of the sensitivities of the One-China Policy, which deters the latter from fully cooperating with Taiwan, in addition to the Taiwan's domestic politics whereby the continuity of Taipei's approach to Southeast Asia is not guaranteed.

From 2016, Taiwan has launched the New Southbound Policy (NSP) towards Southeast Asia, South Asia, Australia and New Zealand, to enhance its cooperation with 18 countries. Yet, the reasons why the New Southbound policy is initiated, how far it can go under the challenge from China and how the Taiwanese administration should take action to continue its southbound strategic plan to strengthen its economic ties with the target countries are worth discussing. This article aims to articulate these challenges that the Taiwanese administration faces when implementing the New Southbound Policy, and it also intends to explain why the One-China Policy and the domestic political

situation in Taipei may influence Taiwan's cooperation with ASEAN countries, which are important issues that the Taiwanese administration should not overlook.

Why the New Southbound policy is initiated and Taiwan's current situation.

From the geo-political aspect, building ties with neighbours is an important matter in the era of globalization and regional cooperation. Looking back to the history of Taiwan's economic strategy for its development and global engagement, it is not the first time Taipei has put emphasis on the Southeast Asia area. In 1993, Lee Teng-hui announced the 'Go South Policy' after the ASEAN members held their 1992 Singapore Summit.⁴ During that time, Taiwan's space for engaging with the outside world was shrinking due to China's greater assertiveness; thus, Lee initiated the strategy of "Pragmatic Diplomacy"⁵ to break through the obstacles ahead, and the Go South Policy was born under this concept. Yet, during 1997-1998⁶, the economic crisis broke out and an anti-Chinese movement erupted, both of which were big shocks to the Southern Policy. At the same time, China was accelerating its rapid development, attracting the attention of foreign investors.⁷

When Chen Shui-bian was in office during 2000-2008, he started to implement the second 'Go South Policy' in 2003. As Chen belongs to the "independence-leaning" Democratic Progressive Party (DPP), as a result, he wanted to reduce Taipei's economic reliance with China. Thus, enhancing relations with Southeast Asia became the focus of his strategy. Nonetheless, in 2008, Kuomintang (KMT) - the party long in power in Taiwan's history regained power. Its political intention is not strongly prone to independence but a vague relationship with mainland China under the 1992 Consensus, in which both sides agree that there is only "one China" but allows each other to interpret differently and separately

the concept of who is the legitimate governing body as long as both agree that there is only one China.⁸ Thus, during the administration of Ma Ying-jeou, tensions between Taiwan and China somehow abated and cross-straits cooperation increased.

In a decade, China has rapidly developed into one of the world powers with its market becoming extremely competitive. Given the situation, Tsai Ing-wen from the DPP party believed a re-orientation was needed to enable Taiwan to stand strong amidst the downward trend. Also, Tsai Ing-wen aims to realize the party's political idealism—to weaken the bonds between Taiwan and China. Thus since 2016, Tsai Ing-wen has been pushing the New Southbound Policy (NSP), which is viewed as a new strategic blueprint to build connection with Southeast Asia, South Asia, Australia and New Zealand and to distance Taiwan's focus away from China. The recent trade war between the U.S. and China also gives investors a reason to relocate from China to the southbound countries. As a whole, these three 'Go South' policies have the same intention-- decreasing the capital inflow into China, along with the political purpose of reducing China's influence.

Nowadays, the New Southbound Policy (NSP) aims to reinforce economic and trade cooperation, talent exchange, resource sharing and regional connectivity.⁹ There are five major flagship programs: Regional Agriculture Development, Medical and Public Health Cooperation and the Development of Industrial Chains, Industrial Talent Development, Industrial Innovation and Cooperation, and New Southbound Policy Forum and Youth Exchange Platform¹⁰. Taiwan's investment focuses on Vietnam, Indonesia, Thailand, Malaysia and Singapore¹¹, mainly on manufacturing industry and the banking and insurance sector¹². Since international trade and business¹³ are what Taiwan's economy mainly relies on, being competitive in the global market with an appropriate strategy and supportive policy cannot be overemphasized, especially in the face of the competition from countries

Taiwan has now only two agreements with the southbound countries: ASTEP (Agreement between Singapore and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Partnership) and ANZTEC (Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu on Economic Cooperation).

like Japan, Korea, China, India, Australia, New Zealand and so forth, which can sign FTAs and form an alliance with the ASEAN more easily without diplomatic obstacles.

Taiwan has now only two agreements with the southbound countries: ASTEP (Agreement between Singapore and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Partnership) and ANZTEC (Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu on Economic Cooperation). As a matter of fact, Taiwan is facing the dilemma of signing FTAs with these countries, since China opposed this kind of agreements that give the impression of state-to-state relations¹⁴; meanwhile, ASEAN countries also dare not challenge China for fear of losing their trade opportunities and foreign investments from Beijing. This will influence Taiwan's competence when it has higher cost due to the tariff. Taiwan acknowledges the importance of Southeast Asia; thus, challenges ahead should be discussed.

Challenges that Taiwan Faces toward ASEAN region and recommendations

- **Special Diplomatic Status**

In 2016, the FDI inward flows in ASEAN is up to US\$98 billion¹⁵. When countries are initiating policies to capture in Southeast Asia market, like the China's Belt and Road Initiative and South Korea New Southern Policy, Taiwan has no excuse to be out of this competition, but due to politics and diplomatic factors, Taiwan finds its way blocked. Diplomatic factor is always the biggest obstacle to cooperating with its neighbors, largely because of the one-China policy. They find it difficult to negotiate with Taiwan as they do not have diplomatic relationship.

In contrast, China, Japan, Korea is included as ASEAN+3, meaning that they have better chances to build the economic partnership with the ASEAN members and join the shared platform with one

another. In addition, many of Taiwan invested industries in Southeast Asia are overlapped with those of other countries but Taiwan does not have diplomatic relations with ASEAN countries. Namely, how will Taiwan find the way to be as competitive as the countries with diplomatic ties and FTAs and make their joint ventures compete with others have already become a central and urgent issue that the Taiwanese administration is faced with. Yet, the diplomatic situation is even harsher now than before due to the political issue of the ruling party – the DPP, which China cannot tolerate as Beijing insists on cross-strait unification. On the other hand, ASEAN countries do not want to harm their own trade if doing business with Taiwan when China is watching closely¹⁶. For example, in 2016, China publicly criticized Singapore for undermining its One China Policy by cooperating with Taiwan. China tries to discourage Singapore from forming ties with Taiwan by warning or taking some

actual actions; thus, Taiwan has much more difficulties and the competition is fierce when countries around are also putting forth the Southeast Asia policy.

Therefore, having good cross-strait relation with China is a big issue ahead of building good relations with ASEAN countries. It is a crucial premise for Taiwan when dealing the international affairs with any other countries, especially as there has always been rivalry between Taiwan and China in Southeast Asia. To have a better negotiation with the ASEAN countries, resolving the cross-strait relation comes first and cannot be overlooked.

- **Liberal Democracy Feature**

To begin with, when Taiwan attempts to enter FTA negotiations with ASEAN countries, in addition to diplomatic problems, domestic public opinion is also important. Taiwan is a liberal democracy, of which its citizens' voice counts a lot. According to the criteria for Most Favored Nation (MFN) and the National Treatment, it is a matter of give and take. Everything is a double-edged sword, that is, if Taiwan were not to have a FTA, high tariffs would be imposed on some products such as steel. Also, agriculture may become even more vulnerable and less competitive compared to the imported products if the agricultural sector must open up. This may arouse people awareness and raise intensive debates around Taiwan. Taiwan is a liberal society with the right of free speech; thus, to date, there have been several protests against entering the WTO or signing economic cooperation agreements. Indeed, during 2003-2004, there were a number of 'Rice Bombing' incidents, whereby protesters planted bombs along with the notes of "no importing rice" in public areas to urge the administration not to enter the WTO as it would

harm domestic agriculture. In addition, the signing of the Economic Cooperation Framework Agreement (ECFA) with China has long been an uncompleted task since 2010, with people protesting against the harm to domestic industries and hazard to Taiwan's interest¹⁷. Generally speaking, as Southeast Asia has the agriculture advantage over Taiwan, the negotiation of economic cooperation agreements should be dealt with carefully considering both domestic and diplomatic aspects.

Second, the continuity of the policy will also be challenged by changes in administration, which is one of the characteristics of the liberal democracy. The two main political parties in Taiwan have the opposite attitude towards cross-strait relation – the Democratic Progressive Party (DPP), which is independence-leaning, holding the belief that Taiwan is an independent sovereign state; on the other side, Kuomintang (KMT) agrees on the 1992 consensus, choosing to maintain a vague relationship with China; thus, China also has its own opinion upon the two parties, adjusting its stance depending on which party is ruling. The arguments will have a great impact on diplomatic aspect, especially the continuity of the NSP and the development process. The term of the mandate for the ruling administration in Taiwan is four years, nonetheless, the achievement of the policy should be ongoing in the long term. That is to say, New Southbound Policy may be questioned and its renewal is dependent on who wins the next Taiwanese elections.

Last but not least, given that ASEAN countries are different from one another, each having its respective culture, language, politics, and so forth, it is a must to cultivate professionalism of the diplomatic staff so as to go deep into each state, which calls for long

periods of training and experience accumulations. Now in Taiwan, there are only eight universities, two official institutions and two private ones that concentrate on Southeast Asia studies¹⁸. It seems that there is still a long way to go when it comes to producing enough related professional talents with the necessary understanding of Southeast Asia. In a word, the personnel training should not be interrupted and stopped due to changes in administration since it is a long term investment. In short, to have good development in the ASEAN region, the policy should continue to go on regardless of which party holds power.

Conclusion

The hopes that Taipei witness are the market and the great potential ahead that Taiwanese companies can capture and expect in Southeast Asia. The challenges that it face are the tariff barriers when trying to enter the market and the sensitivities of Beijing. It is a responsibility for the Taiwanese administration concerned to be sure of having enough experts in ASEAN countries, and to negotiate favorable economic cooperation agreements so as to make Taiwanese businesses competitive in a better environment with less obstacles and limitations. To conclude, the continuity of the New Southbound policy and the relation with China should be taken care of by Taiwan's administration regardless of which party is ruling.

The implementation of the New Southbound Policy calls for long-term strategies and full understanding of the main countries in Southeast Asia and good cross-strait relation. Maybe this is one of the very issues that Taiwan has to deal with prior to any external cooperation.

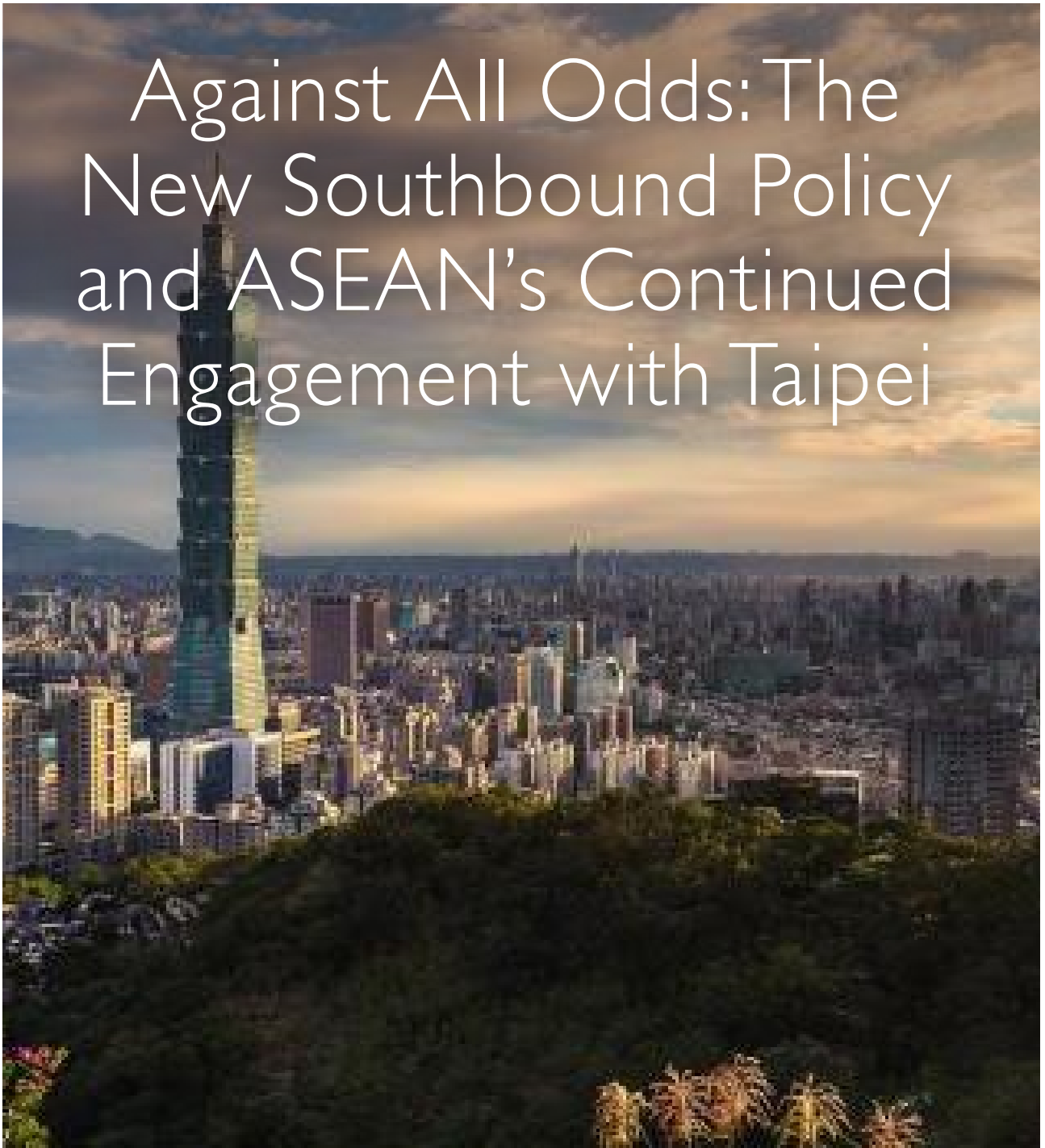
End Note

1. Ministry of Economic Affairs, R.O.C (2018, March 30) 對外貿易與投資. Retrieved from <https://goo.gl/7M1hFd>
2. Cheng Ting-Fang and Kensaku Ihara. (2018, August 16) Trade war fuels Taiwanese producers' withdrawal from China. Retrieved from <https://goo.gl/r8AoLP>.
3. http://www.mof.gov.tw/File/Attach/78186/File_12262.pdf
4. Kwei-Bo Huang (2018) Taiwan's New Southbound Policy: Background, Objectives, Framework And Limits.
5. Ngeow Chow Bing (2017) Taiwan's Go South Policy: Déjà vu All Over Again? Contemporary Southeast Asia Vol. 39, No. 1 (2017), pp. 96–126
6. Ngeow Chow Bing (2017) Taiwan's Go South Policy: Déjà vu All Over Again? Contemporary Southeast Asia Vol. 39, No. 1 (2017), pp. 96–126
7. Tsun-tzu Kristy Hsu (2017) A Review of Taiwan's Old and New Go South Policy: An Economic Perspective. Prospect Journal ; 18 (2017 / 10 / 01), P63 - 87
8. Eleanor Albert (2018, June 15) China-Taiwan Relations. Retrieved from <https://www.cfr.org/background/china-taiwan-relations>
9. Executive Yuan, Republic of China (Taiwan) (2017, May 15) New Southbound Policy achievements Retrieved from https://english.ey.gov.tw/News_Hot_Topic.aspx?n=F24AD2B907DE41B5
10. Kwei-Bo Huang (2018) Taiwan's New Southbound Policy: Background, Objectives, Framework And Limits.
11. Richard C. Bush (2018, July 30) Taiwan's engagement with Southeast Asia is making progress under the New Southbound Policy. Retrieved from <https://goo.gl/9uKUaL>
12. Liao Yu-yang and Kuan-lin Liu (2017, December 15) Taiwanese investment in Southeast Asia up in 2016. Retrieved from <http://focustaiwan.tw/news/aeco/201712150025.aspx>
13. Joshua P. Meltzer (2014, February 24) Taiwan's Economic Opportunities and Challenges and the Importance of the Trans-Pacific Partnership Retrieved from <https://goo.gl/4YyyQz>
14. Ralph Jennings (2014, Mar 24) Protests In Taiwan: A Long-Term Threat To Foreign Trade? Retrieved from <https://goo.gl/9nRpXi>
15. AEC_Chartbook_2017 https://www.aseanstats.org/wp-content/uploads/2018/01/AEC_Chartbook_2017.pdf
16. ASEAN Today (2018, MARCH 12) Why Taiwan's most recent pivot to Southeast Asia is its best yet Retrieved from <https://goo.gl/hJoF5a>
17. Ralph Jennings (2010, JUNE 26) Thousands protest in Taiwan against China trade deal. Retrieved from <https://www.reuters.com/article/us-taiwan-china-protest-idUSTRE65P14C20100626>
18. <http://c058.wzu.edu.tw/category/141100>



Source: pxhere.com

Against All Odds: The New Southbound Policy and ASEAN's Continued Engagement with Taipei



Public building
Source: stimson.org



Hana Hanifah,
*Researcher at ASEAN Studies Program,
The Habibie Center*

In her inaugural speech on May 20, 2016, Tsai Ing-wen announced a new approach for Taipei's external economic policy, called the New Southbound Policy, which targets the ten countries of the Association of Southeast Asian Nations (ASEAN) amongst others. Aside from promoting closer economic cooperation, what separates the New Southbound Policy from Taipei's previous Southward Policy in 1990s and early 2000s is its emphasis on people-centric strategy to sustain economic benefit and build mutual understanding.¹ Despite the critics that point to the policy as a competitor to China's One Belt One Road initiative, the New Southbound Policy has been framed mainly as Taipei's strategy to avoid "overreliance on a single market" by expanding the "scope and diversity of Taiwan's external economy," as well as to expand people-based relations through a soft policy.²

The New Southbound Policy has been welcomed in Southeast Asia. However, it is not without challenges. Taipei's engagement with Southeast Asian countries remains limited due to its unique political standing and the influence of the 'One China' principle. Since entering into diplomatic relations with Beijing, ASEAN countries terminated formal diplomatic ties with Taipei. Moreover, unlike China who has been part of ASEAN's full dialogue partners since 1996, Taipei has been excluded from the formal ASEAN mechanism.³ The Southbound policy's success is also questionable as China remains Taipei's biggest trading partner, accounting for more than 30 percent of Taipei's total

trade.⁴ Furthermore, the alliance between the United States and Taipei, and Beijing's disapproval of it, has also raised the concern over the stability of the region.⁵ Yet, against these hurdles, ASEAN countries continue their engagement with Taipei. Why is that? How do ASEAN countries actually view their relations with Taipei? This article seeks to address the questions by examining ASEAN countries' general position in their engagement with Taipei. It argues that ASEAN countries' approach to the island generally remain pragmatically cautious as they seek to sustain valuable economic partnership with Taipei and at the same time maintaining their commitment to the status quo to avoid instability in the region.

ASEAN countries' relations with Taipei: economic first

It is not surprising that ASEAN member states were chosen to be the main anchor for the New Southbound Policy. Historically, since 1994, when Lee Tenghui officially launched the "Go South" policy, Taipei has been consistently trying to boost its ties with Southeast Asian countries in order to prevent overdependence on China's economy.⁶ Under the current Tsai Ing-Wen's administration, Southeast Asia has also been emphasised as Taipei's main external policy focus, not only to sustain trade and investment ties, but also to boost the tourism sector and people-to-people relations.⁷

From Taipei's standpoint, the region has become particularly attractive due to its rapid economic development. ASEAN countries' abundant young labour forces,

combined with their natural resources endowment, are seen to provide valuable economic potential for investment.⁸ Collectively, ASEAN countries have become Taipei's second largest export market and investment destination.⁹ As of September 2018, a total of 699,379 workers from Indonesia, Philippines, Thailand, and Vietnam migrated to Taipei and have taken different roles in various industries, including agriculture, textiles, electronics, and service sector.¹⁰ In education, Taipei has added the quota of scholarships for Malaysian and Indonesian students to increase the number of ASEAN students studying at universities there.¹¹ In tourism, the number of tourists from ASEAN countries has reportedly grown by 16 percent between 2015 and 2016, supported by Taipei's initiatives such as visa exemption and development of Muslim friendly facilities.¹²

On the other side, Taipei has not become ASEAN Countries' main partner. Despite ASEAN countries' standing as the second largest outward direct investment (ODI) destination and trade partner, its share was far below China. ASEAN-6 (Singapore, Vietnam, Malaysia, Indonesia, Thailand, and Philippines) only accounted for 13 percent of Taipei's total ODI, whilst China accounted for 62 percent of it. On trade, ASEAN-6 only accounted for about 15 percent, which was only half of China and Hong Kong's share.¹³ Meanwhile in Southeast Asia, Taipei's total trade only accounted for 4.2 percent of ASEAN's total trade, only a third of China's total trade, which reached 15.2 percent.¹⁴ Taipei's share of total FDI inflows in ASEAN (1.9 percent) was also not significant compared

Taipei's engagement with Southeast Asian countries remains limited due to its unique political standing and the influence of the 'One China' principle.

to Japan (12.9 percent), United States (12.8 percent), and China's (6 percent) share.¹⁵

In addition, Taipei's engagement with Southeast Asia has not reached the region evenly. Its economic connectivity remains concentrated in Singapore, which is the only member of ASEAN who has a free trade agreement with Taipei. About 42 percent of Taipei's ODI and 31 percent of its trade in the region was concentrated in Singapore.¹⁶ Vietnam is the second biggest partner for Taipei in ASEAN, accounting for 37 percent of ODI and 16 percent of total trade in the region, with particular concentration on manufacturing industries.¹⁷ Meanwhile in Malaysia, Thailand, the Philippines, and Indonesia, Taipei's investment remains very small, each accounting for only about 4 to 6 percent of the island's total ODI in the region.¹⁸

Similar to the trade and investment pattern, Taipei has also not contributed significantly to ASEAN's tourism sector. Tourists coming from Taipei only accounted for about 2 percent of the total tourists in the region, which was way below China with total share of 17 percent in 2015.¹⁹ In education, students from ASEAN countries also still prefer to go to countries such as United Kingdom, Australia, United States, and Japan compared to Taipei.²⁰ Conversely, it seems like the ASEAN region is not amongst the top education destinations of students from Taipei, and it is still not clear whether Taipei's authorities encourage its students to study the region that has increasingly been seen as one of its important partner.

The above numbers indicate that Taipei and ASEAN countries ties remain primarily in the economy. Despite the low share of Taipei's trade and investment in the region, the island remains an attractive partner for ASEAN countries due to its comparative advantage in industrialisation and technology.²¹ Furthermore, Taipei is still one of the most popular destinations for ASEAN countries' migrant workers to improve their welfare. Accordingly, Taipei is seen primarily as an economic actor and the partnership with them is mainly driven by pragmatic economic consideration. Whilst it is still too soon to call whether the New Southbound Policy

has been successful in achieving all of its goals, the commitment from Taipei and the targeted ASEAN countries to implement it indicates both parties' interest to maintain the continuity of their relations. Overall, the centrality of economic sector in policy framing has enabled the New Southbound Policy to be well received by ASEAN countries and sustained the engagement between Taipei and the region.

Not just economic, the New Southbound Policy also has some political implications for ASEAN countries. The next section elaborates on that point and explains the general political standing of ASEAN countries in accepting the New Southbound Policy.

Handle with care: Southeast Asia's cautious engagement with Taipei

Other than being emphasised as economic cooperation, the New Southbound Policy has also been framed as a friendly political engagement. The absence of formal diplomatic relations with ASEAN countries has pushed Taipei to creatively foster bilateral engagement through other channels. For example, the Taipei authorities endorses collaboration between local governments through "city diplomacy" to support business relations, trade, and investments between cities in the island and Southeast Asia.²² Collaboration between civil society organisations (CSOs) and non-governmental organisations (NGOs) has been endorsed to forge regional network and deepen the ties between Taipei and ASEAN countries.²³ Furthermore, the New Southbound Policy has also been carefully designed as a strategy to diversify Taipei's cultural and economic linkages in the region, not to compete with China's One Belt One Road initiative or to replace cross-strait ties.²⁴ The policy is framed to be an exercise of soft power, which rests on the principle of mutual benefits and enhancement of socio-cultural relations through intensifying people-to-people relations. It has become a tool for Taipei to escape isolation and remain active, particularly to forge closer attachment with various countries and play a more important role in regional prosperity and stability.²⁵ It was this careful

framing of the New Southbound Policy that makes it acceptable for ASEAN countries.

Political framing of Taipei's policy towards ASEAN countries matters because the region is particularly interested in maintaining stability and staying out of direct confrontation between any major powers, including China. As a region that has often become a stage for power competition between countries who seek political or strategic influence, Southeast Asian countries have generally refer to ASEAN mechanism, principles, and norms to guide the way they interact with each other and external actors so it will not trigger geopolitical competition that might turn the members into rivals and disturb the momentum of nation building and economic development.²⁶ ASEAN's priority in safeguarding regional stability, its openness and willingness to engage with different external actors as to maintain peace and inclusivity, as well as its strong interest to maintain autonomy through the principle of non-intervention and consistent proactive roles in managing regional problems, are considered to be part of the key features that have informed the way Southeast Asian countries build relations with other parties.²⁷ Despite many criticisms, ASEAN mechanism has actually been very helpful to provide predictability and a sense of homogeneity of Southeast Asian countries' general attitude and interest when dealing with external actors. Accordingly, ASEAN countries' acceptance of the New Southbound Policy and their overall engagement with Taipei can also be explained as a reflection of these key priorities and principles.

Essentially, Taipei is seen primarily as an economic actor and partnership with the region is mainly driven by practical consideration of mutual benefit from their economic cooperation. However, mutual benefit alone is not sufficient. ASEAN countries put regional stability as a high priority, so whilst every member state is free to enter into any partnership that is deemed to be mutually beneficial, they should also make sure that the partnership would not threaten the stability of the region. In this regards, Taipei will be perceived as a good friend and the New

Southbound Policy will be welcomed in the region as long as the relations will not disrupt regional stability. With particular priority in the economic sector and Taipei's careful move to emphasise that the policy is not meant to be a political tool to compete directly with China, the acceptance of the New Southbound Policy is not seen to be a violation to the 'One China Principle,' thus it is not something that is particularly threatening to the political stability in the region. It will be interesting for further research to test this assertion and evaluate it against China's perception of the policy in the region.

For ASEAN countries, there is also a perception that relation with Taipei and the implementation of the New Southbound policy will send a signal, particularly to China, that their interests matter and that the link with Taipei is valued in the region. Put simply, ASEAN countries are arguably displaying a signal of autonomy to China when they enter into partnership with Taipei through the New Southbound Policy. Whilst remaining cautious to the possible backlash that could result from closer partnership with Taipei, ASEAN countries have also shown notable determination to display their independence and inclusivity to welcome any actor that they deemed valuable to their interests. This display of autonomy, however, continues to be challenging, and quite possibly dangerous, as there are still some vital interests in the region involving China's strategic security position in the South China Sea as well as their economic presence as one of the biggest partners in trade and investment. ASEAN countries and Taipei should always remain cautious about this.

Links with Taipei is also seen as important to the perceived cultural ties, which came from the people-to-people relations fostered by overseas Chinese living in the region and migrant workers who live in Taipei. Networks of overseas businesspeople from Taipei (*taishang*), which have been present for decades in Southeast Asian countries, have ease the connection to foster the business relations.²⁸ Relative cultural similarities have also seen as a contributing factor to foster the economic relations as adjustment to

social condition is relatively easier. The anti-Chinese sentiment in some Southeast Asian countries is, indeed, one of the biggest challenges to protect the rights of overseas Chinese in the region and sustain good bilateral relations between Taipei and ASEAN countries. The New Southbound Policy's strong commitment in the people connection should also be directed to nurture mutual understanding and ease this sentiment in order to support business and investment in the region.

On the other side, migrant workers from ASEAN countries have existed for years in Taipei, some even settled as a permanent residents and build families with local people, forming cultural and social understanding which could potentially be used to form a sense of community amongst the people. Although there has not been an elaborate research about the impact of Southeast Asian people presence as residence in Taipei, concluding from general observations, it seems like local people have become familiar with Southeast Asian countries, particularly the culture and the people, through their everyday interactions with Southeast Asian people. Some local people have also shown special interest to learn more about Southeast Asian countries, including the language and the culture. This particular kind of bond should be further developed to support the economic and political side of the partnership as both Taipei and ASEAN put strong emphasis on the people element in their policy priority.

Going forward with the partnership, ASEAN countries and Taipei should remain cautious to China's political and economic influence in the region. Taipei's disputed sovereignty and both parties' relative dependence towards China's economy are the main factors that make them vulnerable to possibility of China's coercion. Whilst this obstacle could potentially hinder deeper partnership between Taipei and ASEAN countries, both parties could always try to take advantage of the development of multilateral institutions as well as advancement of technology to sustain economic partnership, exchange of information, and people's connection in order to move forward with the

relationship. Taipei should also make more efforts to understand how ASEAN works and how the institution has shaped interaction in the region to design more precise approach to engage with ASEAN countries and prevent misunderstandings. Taipei should understand that ASEAN countries generally have the interest to remain neutral and autonomous in the middle of its sovereignty dispute with China. For that reason, it is best for Taipei to maintain reasonable expectations and not to push for deeper political attachment to ensure the New Southbound Policy could be implemented in tandem with stable relations with China as well as Southeast Asia.

Conclusion

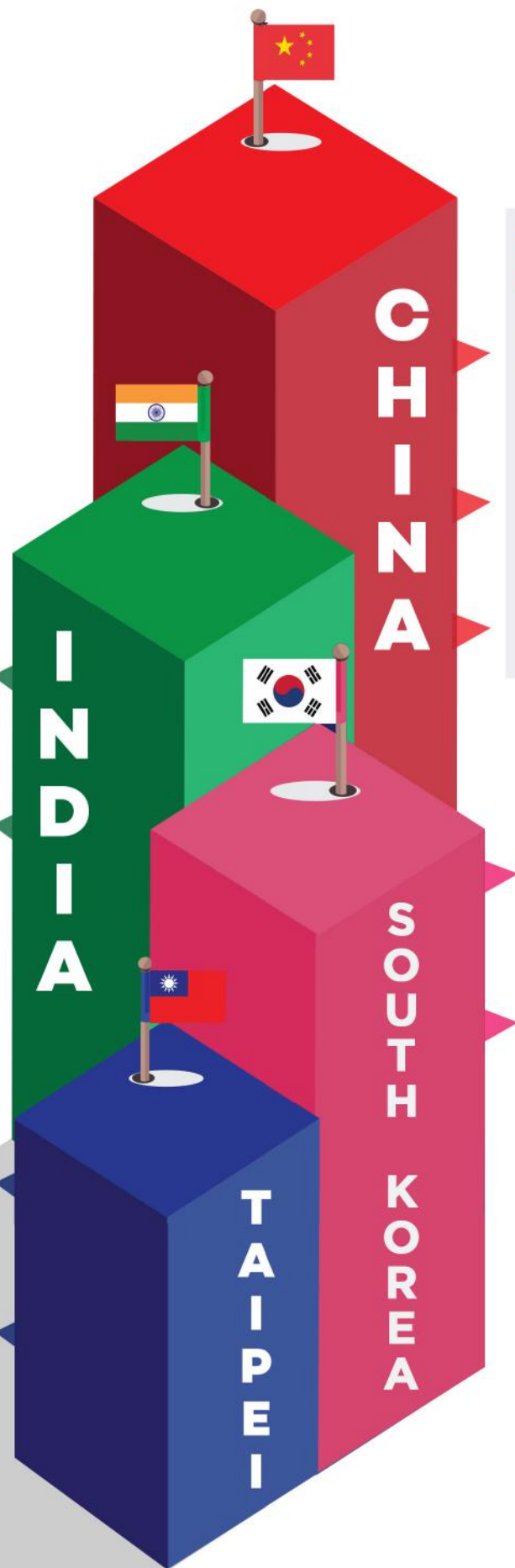
Within the ASEAN region, Taipei is deemed to be a valuable economic partner. However, due to China's persistent strong political and economic influence, Taipei's unresolved dispute with Beijing, which is viewed as a potential threat to regional stability, remains to be one of the most challenging obstacles for Taipei and Southeast Asian countries to deepen their ties. This is the main reason why the New Southbound Policy should continue to be presented mainly as economic partnership that follows ASEAN norms and principles in maintaining regional stability. Taipei's understanding and support to ASEAN's norms and principles will also be helpful to navigate the strategy to deal with ten very diverse nations. In the future, it will be interesting to pay a close attention to the dynamics of domestic politics in the region, including the implication of Malaysia's current election, the upcoming Indonesia's presidential election as well as the prospect of Vietnam's new leadership, and whether they will shift the perception and interest towards Taipei and the New Southbound Policy. The dynamics in the South China Sea as well as the changes in the Indo-Pacific region should also be considered in analysing the future of the New Southbound Policy and Taipei's engagement with Southeast Asia. Overall, against all the odds, as Taipei and ASEAN countries have managed to sustain their attachment to this point, opportunities to continue and improve the relations remain positive.

Endnotes

1. Bureau of Foreign Trade Taiwan (2016), 'New Southbound Policy Promotion Plan,' retrieved from (accessed July 2018): <https://www.newsouthboundpolicy.tw/English/PageDetail.aspx?id=1cbf2e63-d6c0-40f8-86a8-9b2d981ad05a&pageType=SouthPolicy>
2. S. H. Kong (2017), "Taipei New Southbound Policy Not to Counter Beijing's OBOR," *The Sun Daily*, retrieved from (accessed on 19 June 2017): <http://www.thesundaily.my/news/2176401>; X.Y. Li (2016), "Taiwan Plans People-Centric Drive to Wean Itself off China," *The Jakarta Post*, retrieved from (accessed on 19 June 2017): <http://www.thejakartapost.com/seasia/2016/05/31/taiwan-plans-people-centric-drive-to-wean-itself-off-china.html>.
3. S. C. Y. Kuy (1995), "The Political Economy of Taiwan's Relations with Southeast Asia: The Southward Policy," *Contemporary Southeast Asia*, Vol. 17, No. 3 (December, 1995), pp. 282-297.
4. E. Albert (2018), "China-Taiwan Relations," Council on Foreign Relations, retrieved from (accessed on July 2018): <https://www.cfr.org/background/china-taiwan-relations>.
5. Ibid.
6. R. Sun (2017), "Assessing Taiwan's New Southbound Policy and the China Factor," *Proceedings of 77th IASTEM International Conference, Taipei, Taiwan, 26th-27th September 2017*.
7. H. Marston and R. C. Bush (2018), "Taiwan's engagement with Southeast Asia is making progress under the New Southbound Policy," *Taiwan-US Quarterly Analysis*, retrieved from (accessed on July 2018): <https://www.brookings.edu/opinions/taiwans-engagement-with-southeast-asia-is-making-progress-under-the-new-southbound-policy/>
8. Bureau of Foreign Trade Taiwan (2016).
9. Executive Yuan, Republic of China (Taiwan) (2016), "New Southbound Policy Promotion Plan," retrieved from (accessed 19 June 2017): http://english.ey.gov.tw/News_Hot_Topic.aspx?n=D61190201622DA50&sms=B5449820D7077391.
10. Ministry of Labor Republic of China (Taiwan) (2018), "Table 12-5 Foreign Workers in Productive Industries and Social Welfare by Various Type and Nationality," retrieved from (accessed October 2018): <http://statdb.mol.gov.tw/html/mon/c12050.htm>
11. "Why Taiwan's most recent pivot to Southeast Asia is its best yet," *ASEAN Today* (March 12, 2018), retrieved from (accessed on October 2018): <https://www.aseantoday.com/2018/03/why-taiwans-most-recent-pivot-to-southeast-asia-is-its-best-yet/>
12. Ibid. See also Taiwan Tourism Bureau (2016), "Muslim-friendly Environment," retrieved from (accessed August 2018): <https://eng.taiwan.net.tw/ml.aspx?sNo=0020308>
13. Based on cumulative data in 2010-2016 reported by DBS Group Research (2017), "Taiwan: a closer look at the South-bound opportunities," September 19, retrieved from (accessed June 2018): https://www.dbs.com/aics/templatedata/article/generic/data/en/GR/092017/170919_insights_taiwan_and_asean_a_step_closer.xml
14. Based on data in 2015 as of November 2016 from ASEAN Secretariat (2016), "Top ten export markets and import origins 2015," *ASEAN Statistics*, retrieved from (accessed October 2018): https://asean.org/wp-content/uploads/2016/11/Table21_as-of-6-dec-2016.pdf.
15. ASEAN Secretariat and United Nations Conference on Trade and Development (2017), *ASEAN Investment Report 2017 – Foreign Direct Investment and Economic Zones in ASEAN*, ASEAN@50 Special Edition, Jakarta: the ASEAN Secretariat, retrieved from (accessed October 2018): <https://asean.org/storage/2017/11/ASEAN-Investment-Report-2017.pdf>, p. 75.
16. DBS Group Research (2017).
17. Ibid.
18. Ibid.
19. ASEAN Secretariat (2017), "Top ten country/regional sources of visitors to ASEAN," *ASEAN Statistics*, retrieved from (accessed October 2018): <https://asean.org/wp-content/uploads/2015/09/Table-30-checked.pdf>
20. According to data from UNESCO Institute for Statistics (2018), "Global Flow of Tertiary-Level Students," retrieved from (accessed on October 2018): uis.unesco.org/en/uis-student-flow
21. J. Meltzer (2014), "Taiwan Economic Opportunities and Challenges and the Importance of the Trans-Pacific Partnership," *East Asia Policy Paper 2*, January 2014, retrieved from (accessed on October 2018): <https://www.brookings.edu/wp-content/uploads/2016/06/taiwan-trans-pacific-partnership-meltzer-012014.pdf>
22. R. Hsiao (2017), "Can City Diplomacy Promote the New Southbound Policy and Taiwan's International Space?" *Global Taiwan Brief*, vol. 2, issue 29, retrieved from (accessed on October 2018): <http://globaltaiwan.org/2017/07/26-gtb-2-29/>
23. B.S. Glaser, S. Kennedy, D. Mitchell, and M. P. Funairole (2018), *The New Southbound Policy – Deepening Taiwan's Regional Integration*, Washington, DC: CSIS, retrieved from (accessed on June 2018): https://csis-prod.s3.amazonaws.com/s3fs-public/publication/180613_Glaser_NewSouthboundPolicy_Web.pdf?AcoayLFliB9_iAvbmYvP_jM27mEXw5xL
24. Ibid.
25. S. C. Y. Ku (2017), "Strategies of China's Expansion and Taiwan's Survival in Southeast Asia: a Comparative Perspective," in *Taiwan and China: Fitful Embrace*, L. Dittmer (Ed.), Oakland, CA: University of California Press, p. 249-280.
26. See for example ASEAN Secretariat (2012), "Political Achievement," retrieved from (accessed October 2018): https://asean.org/?static_post=political-achievement
27. D. F. Anwar (2018), "ASEAN Ensures Balance of Power in Asia," *Asia Global Online*, April 12, retrieved from (accessed on April 2018): <http://www.asiaglobalonline.hku.hk/asean-southeast-asia-balance-power/>
28. J. Rickards (2017), "Taiwan Looks Southward," *Taiwan Business Topics*, May 11, retrieved from (accessed on October 2018): <https://topics.amcham.com.tw/2017/05/taiwan-looks-southward/>

FOCUS ON ASEAN

There have been a number of policies in the world today that are aimed to strengthen strategic cooperation with ASEAN Member States and to further unlock the region's economic potentials



Act East Policy

Initially focused on trade and development under, 'Look East Policy'

It's taking more strategic direction under a wider Indo-Pacific framework

New Southbound Policy

Aimed to strengthen cooperation with ASEAN Member States, South Asia, and Pacific countries

Focus on trade, development, and people to people exchanges

Strengthening Taipei's soft power

Belt and Road Initiative

A policy of strengthening connectivity through land based 'belt' and maritime 'road'

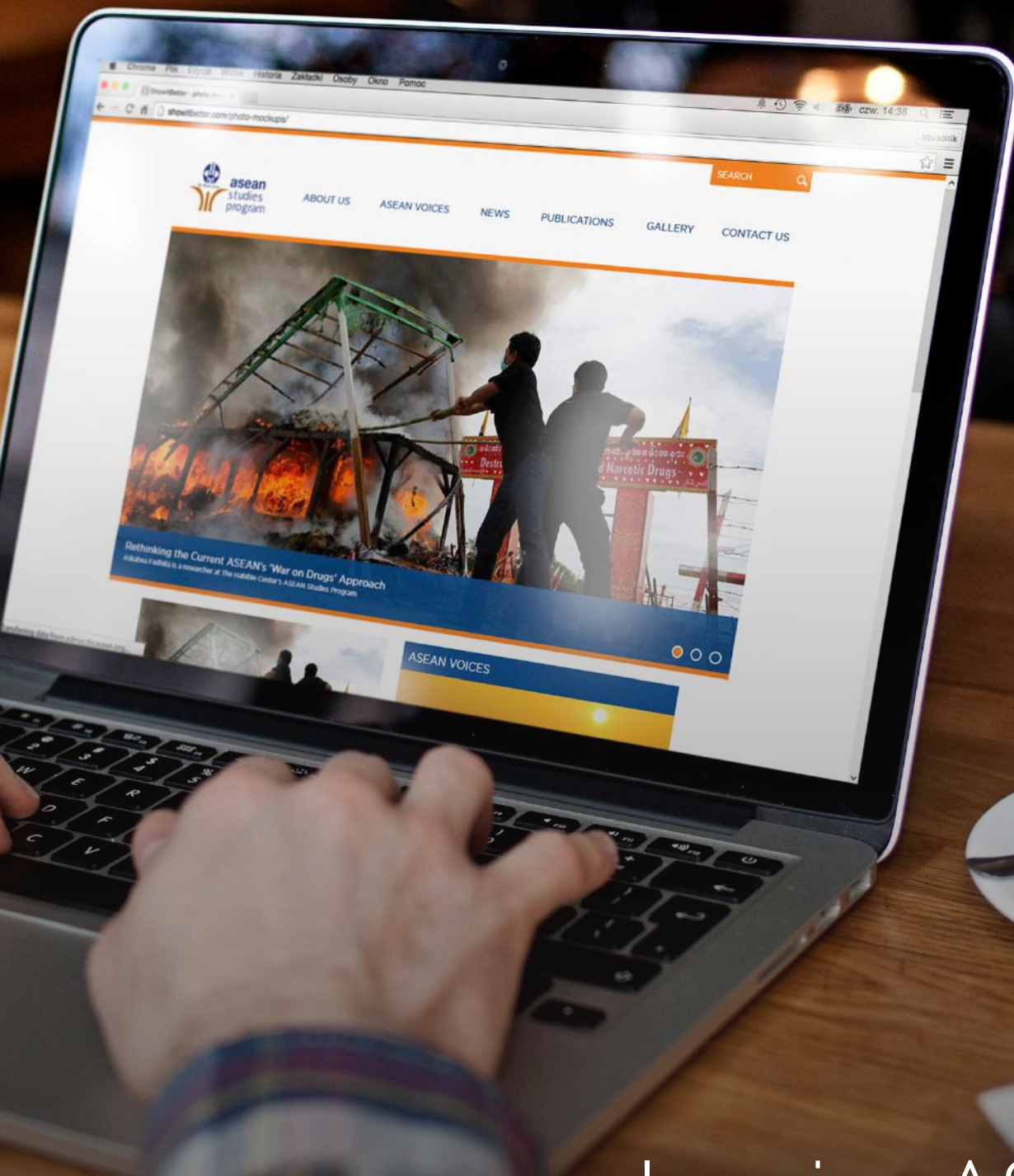
Multiple planned construction projects in 60 countries

Has been dubbed China's 'Marshall Plan'

New Southern Policy

Initiated in 2018 by President Moon Jae-in

Aimed to elevate RoK-ASEAN relations to a 'higher level'



Imagine ASEAN
at your fingertips
thcasean.org

ASEAN ROUND-UP

Wirya Adiwena is Head of International Relation of The Habibie Center



Indonesia says Death toll in Sulawesi quake rises past 2,000



The Washington Post,

https://www.washingtonpost.com/world/asia_pacific/indonesia-says-death-toll-in-sulawesi-quake-rises-to-2010/2018/10/09/0ad20c22-cba3-11e8-ad0a-0e01efba3cc1_story.html?utm_term=.48ab4d7fa8c6, 9 October 2018

“JAKARTA, Indonesia — The death toll from the earthquake and tsunami on Indonesia’s Sulawesi island has climbed past 2,000, the disaster agency said Tuesday, as authorities prepared to end the search for thousands of victims feared buried in mud and rubble in the hardest-hit neighborhoods.”

Agency spokesman Sutopo Purwo Nugroho said the toll from the Sept. 28 twin disasters had climbed to 2,010. He said authorities will hold prayers Thursday to mark the end of the search in the Petobo, Balaroa and Jono Oge areas of Palu city, where the quake caused loose soil to liquefy, swallowing houses and burying the occupants with them.

Why it matters:

On Friday, 28 September 2018, Sulawesi Island was hit by a 7.4 magnitude earthquake and tsunami, particularly hitting the towns of Palu, Sigi, and Donggala —. As of 10 October, the death toll had reached 2,010. There are also 671 people reported missing. The figure will likely increase as many bodies remain buried or have not been found.

As a country that is prone to disaster, Indonesia is lacking an early warning system. The National Disaster Mitigation Agency (BNPB) spokesman, Sutopo Purwo Nugroho, mentioned that the early

detection tsunami buoys have not been working since 2012. Indonesia used to have 22 buoys and these buoys should have been connected to a seafloor sensor and transmit advance tsunami warning to the Indonesian Meteorology and Geophysics Agency (BMKG). However, the buoys were suspected to have been disabled by vandalism or stolen by fishermen.

There is also the issue of funding that meant related institutions could not maintain the equipments. The Agency for the Assessment and Application of Technology (BPPT) has calculated the budget for installing the buoys, stating that in order to install four buoys, the Government needs Rp 20 billion and another Rp 10 billion for emergency maintenance. Hence, the total budget needed for four buoys is Rp 30 billion. If Indonesia has 22 buoys, it means the Government should prepare at least Rp 165 billion.

Aside from the lack of early warning system, another issue highlighted during the post-disaster recovery is how the Government manages foreign aid in Sulawesi. After the disaster, other countries have been quick to respond by giving assistance to Indonesia. The Government has received foreign aid from countries such as South Korea, New Zealand, the US, Japan, Malaysia, and Japan. This assistance is coming both from foreign governments as well as foreign non-government bodies.



Some international NGOs also sent their staff to assist in the recovery process, however there have been news mentioning that some independent foreign aid workers were asked to leave the country by the Government of Indonesia. The Government argued that foreign citizens are not allowed to ‘go directly to the field’ but must conduct all activities in partnership with local partners. A spokesperson of the Indonesian Foreign Ministry explained that foreign aid workers must coordinate with national team, local agencies, or non-governmental organizations that take part on rescue and recovery efforts. The policy aims to make the role and functions of foreign aid workers clear so that their assistance will not hamper any rescue and recovery efforts. While the aim of the policy is understandable, the Government should communicate it well in order to reduce any miscommunication with other countries as the ongoing rescue effort should take precedence.



Indonesia opens 2018 Asian Para Games in heartwarming ceremony



The Jakarta Post

<http://www.thejakartapost.com/news/2018/10/07/indonesia-opens-2018-asian-para-games-in-heartwarming-ceremony.html>,
7 October 2018

“Indonesia kicked off the 3rd Asian Para Games at the Gelora Bung Karno (GBK) Main Stadium in Senayan, Jakarta with a heartwarming ceremony on Saturday evening [6 October 2018]. A gigantic “DISABILITY” sign was placed in the middle of the main stadium. Standing in front of the sign was President Joko “Jokowi” Widodo, Indonesian archer Abdul

and a young wheelchair user called Bulan. Arrows were then shot into the air and all at once the “DIS” letters in the sign were shattered, leaving “ABILITY” intact in the middle of the stadium, making the spectators in the venue roar.”

Why it matters:

After the Asian Games concluded earlier last month, Indonesia is hosting another major sporting event which is the Asian Para Games from October 8 to 16, 2018. The event is expected to host 2,831 athletes from 42 countries competing in 18 sports. In order to accommodate people with disabilities, the government needs to provide 300 disability-access Transjakarta buses and transportation from the athlete village to the various venues.

The sporting event plays an important role in raising awareness of the rights and opportunities for people with disabilities, especially in Indonesia. Indonesia is a party

to the UN Convention on the Rights of Persons with Disabilities (UNCRPD) and ratified the convention in 2011. Therefore, Indonesia needs to implement the CRPD and develop policies that are inclusive for people with disabilities. The government has issued several laws that relate to disability, such as social welfare and public services.

However, despite these existing policies, the implementation of the policies remains weak. For example, in the case of Indonesia, there are not many public transports or pavements that are ready to accommodate people with disability. The lack of infrastructure to support them will hinder their involvement in society. In addition, people with disabilities also have barriers in accessing education. Some people also get rejected in public schools. Only a few of them have managed to complete their education until university level.

In a broader context, ASEAN has also paid attention to the welfare of the people with disabilities. ASEAN, through the Task Force



**INDONESIA
2018
ASIAN
PARA
GAMES**

on the Mainstreaming of the Rights of Persons with Disabilities in the ASEAN Community, has finalized the ASEAN Enabling Masterplan 2025: Mainstreaming the Rights of Person with Disabilities that later will be adopted by the ASEAN Leaders in November 2018. Nevertheless, developing and implementing a regional plan will be challenging due to different government system, culture, and ethnicities.

The 2018 Asian Para Games remind us that further efforts need to be taken to help improve the welfare of the people with disabilities. The Indonesian government and other Southeast Asian governments should not only give attention to the disabled people when there is a specific event. They need to continue developing infrastructure and environment that can accommodate disabled people. Moreover, not only government, private sectors, and society in general must also aware of the rights of people with disabilities. They also need to have the same opportunities and deserve to have a better living.



**RENEWABLE
ENERGY
IN ASEAN:**
AN INVESTMENT
GUIDEBOOK

**MARITIME
LOGISTICS IN
ASEAN:**
AN INVESTMENT
GUIDEBOOK

**AGRICULTURE IN
ASEAN:**
TRADE AND
INVESTMENT
GUIDEBOOK

DOWNLOAD OUR GUIDEBOOKS AT
bit.ly/thc-guidebooks

Cover:
Cambodia Temple

Source: pxhere.com/CC0 Public Domain



The ASEAN Studies Program was established on February 24, 2010, to become a center of excellence on ASEAN related issues, which can assist in the development of the ASEAN Community by 2015. The Habibie Center through its ASEAN Studies Program, alongside other institutions working towards the same goal, hopes to contribute to the realization of a more people-oriented ASEAN that puts a high value on democracy and human rights.

The objective of the ASEAN Studies Program is not merely only to conduct research and discussion within academic and government circles, but also to strengthen public awareness by forming a strong network of civil society in the region that will be able to help spread the ASEAN message. With the establishment of ASEAN Studies Program, The Habibie Center aims to play its part within our capabilities to the ASEAN regional development.

ASEAN STUDIES PROGRAM

The Habibie Center
Jl. Kemang Selatan No.98, Jakarta Selatan 12560
(P.) 62 21 781 7211
(F.) 62 21 781 7212

www.habibiecenter.or.id
www.thcasean.org

[facebook.com/habibiecenter](https://www.facebook.com/habibiecenter) [@habibiecenter](https://twitter.com/habibiecenter)



The Habibie Center

The Habibie Center Building

Jl. Kemang Selatan No. 98, Jakarta Selatan 12560

P. +62 21-781 7211 F. +62 21-781 7212

f facebook.com/habibiecenter @habibiecenter

www.habibiecenter.or.id



9 772502 072014