

# Strategies of China's Expansion and Taiwan's Survival in Southeast Asia

## *A Comparative Perspective*

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In October 1949, the People's Republic of China (PRC) was established and China was politically divided into two parts. This was because in December 1949, because of the civil war, the government of the Republic of China (ROC) retreated to Taiwan. Over the past six decades, cross-Straits relations have undergone tremendous transformations. These changes can be categorized into four stages, which have greatly influenced China and Taiwan's relations throughout Southeast Asia.

The first stage, December 1949 to October 1971, was when the PRC had not yet been admitted to the United Nations (UN). There was a military standoff across the Taiwan Straits and political confrontation between the PRC and ROC, who each maintained to the international community that they were the true Chinese representatives. Because of its alliance with the United States, the ROC was able to maintain its formal diplomatic relations with Thailand, the Philippines, and the former Republic of Vietnam,<sup>1</sup> whereas, because of its extensive support for the communist movements in Southeast Asia, the PRC was relatively isolated in the region.

The second stage, from October 1971 to July 1987, was marked by the admission of the PRC into the United Nations and the beginning of Taiwan's political isolation. However, the island's economy continued to grow, branding it as one of the four Asian dragons. Under a "one-China" policy that countries could officially recognize the PRC or the ROC but not both, the PRC was able to block Taiwan from increasing its diplomatic ties. As a result, in 1975, the ROC lost all of its diplomatic relationships in Southeast Asia. Although, by the mid-1980s, the ROC's official diplomatic partners worldwide had been

reduced to only twenty-three, the number of Taiwan's representative offices in foreign countries continued to increase. Because of so-called "pragmatic diplomacy," by 1987 the number of international representative offices had increased to eighty-five.<sup>2</sup>

The third stage was from 1987 to 1997. In July 1987, martial law was lifted in the ROC, which resulted in great progress for cross-Strait relations. In May 1991, the period of mobilization for the suppression of communist rebellion was abolished, officially ending the civil war with the communists on the Chinese mainland.<sup>3</sup> Governmental institutions were recognized, and more interactions between Taiwan and China were slowly initiated, such as the Straits Exchange Foundation (SEF), which was established in Taipei in March 1991, and the Association for Relations Across the Taiwan Straits (ARATS), which was established in Beijing in December 1991. However, both sides were unwavering when it came to diplomacy. Taiwan's economic ties with Southeast Asia continued to grow, while China continued to expand its political influence on the region.

In 1997, the Asian financial crisis marked the beginning of the fourth phase of cross-Strait relations. China's economic power increased, whereas Taiwan's remained relatively unchanged. China was now not only generating its own capital but sending financial aid to economies in the region, making it an economic giant. This trend continues today and has granted China its increasing regional power. China continues to expand its political and economic influence on Southeast Asia, with the intentions of replacing the United States as the regional superpower.<sup>4</sup> This has put Taiwan in the position of no longer competing with China but instead having to struggle to survive, not only in Southeast Asia but also around the world.

China has developed its expansion goals to build up its political economy in Southeast Asia and in doing so has implemented a comprehensive framework for expanded political and economic relations with countries throughout the region. Meanwhile, Taiwan's survival strategy is to continue to prosper economically and to try to build an environment that will allow for political and economic linkages with Southeast Asian countries.

This chapter takes a comparative perspective in examining China's expansion strategy and Taiwan's Southeast Asian survival strategy that have been unfolding since the turn of the century. It argues that China's expansion strategy has established a relatively solid relationship with most Southeast Asian countries. However, it faces challenges that could impede further expansion in the region. And although Taiwan continues to face the challenges of political isolation and economic marginalization, its political resilience may allow for its continued survival in the international community: given the recent democratic shift in Southeast Asia, Taiwan has won more support and friendship across the region than China has been able to keep up with.

CHINA'S EXPANSION STRATEGY IN SOUTHEAST  
ASIA: BUILDING A CHINA-DOMINATED POLITICAL  
ECONOMY IN THE REGION

*China's Political Expansion: Building a China-Dominated  
Political Environment*

During the Cold War era, China was not influential in Southeast Asia, even though by 1991 it had formalized diplomatic relations with all the countries in the region.<sup>5</sup> In 1990, through the implementation of the Good Neighbor Policy, China began to make changes regarding its regional diplomatic relations. After the brutal Tiananmen Square massacre of June 4, 1989, it tried to reshape its image.<sup>6</sup> In August 1990, Chinese premier Li Peng (at that time) visited Indonesia, Singapore, and Thailand. In December 1990, he visited Malaysia and the Philippines. This was the first time that a Chinese leader had, within four months, visited five major countries in Southeast Asia. In 1991, the previously isolated Asian giant was then invited to attend the annual Association of Southeast Asian Nations (ASEAN) meeting, and in July 1996 it was accepted as a full dialogue partner. This laid a sound foundation for the further development of China's diplomatic relations throughout Southeast Asia.

In 1997, because of its strong currency, the Asian financial crisis gave China greater opportunity to expand its engagement with Southeast Asia. While most currencies in Southeast Asia depreciated after the financial crisis, China's currency, the renminbi (RMB), maintained its value. This helped keep other Southeast Asian currencies from depreciating further. The United States and Western-dominated international financial bodies such as the World Bank and the International Monetary Fund (IMF) gave the Southeast Asian countries a hard time when they came to them for help. China, on the contrary, was quick to assist by issuing huge loans and economic assistance to suffering countries in the region.

Since the turn of the century, China has further expanded its political and economic relations with Southeast Asia and attempted to replace the United States as a dominant power in the region by establishing a China-dominated political economy there. Therefore, over the coming century, China's Southeast Asian expansion strategy is designed to bring the region completely under its dominance. The strategy has three elements: (1) getting more involved in regional political affairs; (2) resolving security issues with Southeast Asian countries; (3) establishing a new mechanism over regional affairs.

*Getting More Involved in Regional Political Affairs.* Before 1990, China had limited involvement in regional affairs, despite its cordial relations with Burma and Laos during the Cold War era. However, things changed for the Asian giant in 1991, when it was invited to attend the Twenty-Fourth ASEAN Ministerial Meeting in Kuala Lumpur and then in July 1996, when it was invited to the Twenty-Ninth

ASEAN Ministerial Meeting in Jakarta and accorded the full status of a dialogue partner.

Since the turn of the century, China has continued to strengthen its political relationships with the region's countries. This can be evidenced in the numerous agreements and meetings that have occurred between China and the ASEAN countries. In October 2003, one of the most significant of these was the joint declaration on strategic partnership for peace and prosperity that was signed at the Seventh ASEAN-China Summit in Bali, Indonesia. Around the same time, China signed the Treaty of Amity and Cooperation in Southeast Asia (TAC), making it the first ASEAN dialogue partner to be included in the agreement.<sup>7</sup> China's entry into TAC marked a closer relationship with its southern neighbors.

In October 2010, at the Thirteenth ASEAN-China Summit in Ho Noi, China, ASEAN adopted a four-year partnership plan for 2011–15, which again elevated its bilateral political and strategic cooperation with the organization. In November 2011, China established the ASEAN-China Center (ACC) in Beijing, the first and only intergovernmental organization between China and ASEAN. The ACC is a one-stop information center, designated to promote cooperation in a number of areas, such as trade, investment, tourism, education, and culture. In September 2012, the PRC appointed its first resident ASEAN ambassador to Jakarta and established an official mission statement for its role in ASEAN. This again strengthened its ties with the regional members.

In October 2013, at the Sixteenth ASEAN-China Summit and tenth anniversary of the ASEAN-China strategic partnership, China and ASEAN issued a joint statement on expanding bilateral cooperation in eleven priority areas: agriculture, information technology, human resources development, Mekong Basin development, investment, energy, transport, culture, public health, tourism, and the environment. The statement truly exemplified China's comprehensive cooperation with Southeast Asia.

*Resolving Security Issues with Southeast Asian Countries.* China has a long history of territorial disputes with its Southeast Asian neighbors, most notably a dispute over a number of islands and reefs in the South China Seas that has been ongoing with Vietnam and the Philippines. Previously, China insisted on bilateralism with individual Southeast Asian countries over these territorial and security disputes.<sup>8</sup> However, China now seems to be showing a willingness to join multilateral platforms to manage territorial and security issues. In November 2002, after a series of discussions and meetings, China and the ASEAN countries signed a Declaration on the Conduct of Parties in the South China Sea (DOC). In July 2011, at the Fourteenth ASEAN-China Summit in Bali, Indonesia, guidelines for implementing the DOC were adopted. At the summit, China's then premier Wen Jiabao announced that China would provide RMB 3 billion to establish the China-ASEAN Maritime

Cooperation Fund, in order to assist ASEAN members in areas such as maritime scientific research, connectivity, and navigation safety.

At the Sixteenth ASEAN-China Summit of October 2013, China and ASEAN discussed drafting a Code of Conduct (COC). In 2014, two meetings were held, in order to discuss the implementation of the DOC and further consult on how to develop the COC. These meetings were in March, at the Tenth ASEAN-China Joint Working Groups on the DOC, in Singapore and in April, at the Seventh ASEAN-China Senior Officials' Meeting on the DOC, in Thailand. In May 2014, at the Conference on Interaction and Confidence Building Measures in Asia, Chinese leader Xi Jinping stated, "Matters in Asia ultimately must be taken care of by Asians, Asia's problems ultimately must be resolved by Asians, and Asia's security ultimately must be protected by Asians."<sup>9</sup> This demonstrated China's attempt to engage in closer ties with Asian countries on security issues in the region and to strain relations with the United States and its Southeast Asian partners.

Although the DOC and progress on the COC have been criticized for their inefficiency and slow progress, a multilateral platform has been established for China and ASEAN to discuss and manage its long-standing disputes in the South China Seas. The DOC's signatories have ten points to be carried out, including respect for each other's positions and the promotion of a peaceful, friendly, and harmonious environment in the South China Seas.<sup>10</sup> However, it has become questionable if the DOC and the COC are considered official documents or if all dispute resolution signatories are required to carry them out. Since January 1974, China and Vietnam have been engaging in military confrontation over the Paracel Islands (a group of islands and reefs). In January 1995, Chinese troops also detained a Filipino fishing vessel on Mischief Reef in the East Vietnam Seas. Though tensions in the South China Seas have improved a little since the DOC was signed in 2002, in late March 2014 there were renewed confrontations between China and the Philippines, and in May 2014 there were confrontations with Vietnam.

Along with the DOC and the COC, China and ASEAN have made progress regarding nontraditional security issues that have become prevalent since the turn of the century. In November 2002, at the Sixth ASEAN-China Summit, China and ASEAN leaders signed the Joint Declaration of ASEAN and China on Cooperation in the Field of Non-traditional Security Issues.<sup>11</sup> Since then, Chinese leaders have reiterated China's intention to cooperate with Southeast Asia on nontraditional security issues. This was exemplified on October 30, 2006, when at the Tenth ASEAN-China Summit China's premier at that time, Wen Jiabao, stated that China and ASEAN should expand their already thriving economic networks and deepen cooperation on cross-border issues concerning counterterrorism, transnational crimes, maritime security, rescue operations, and disaster relief.

In 2009, China and ASEAN signed a renewed five-year (2010 to 2014) Memorandum of Understanding on Cooperation in the Field of Non-traditional Security

Issues.<sup>12</sup> Since then, China has provided a series of training workshops for ASEAN members to implement a plan of action on such issues, and their scope has expanded to include illegal trafficking of drugs and narcotics.

*Establishing a New Mechanism over Regional Affairs.* The United States has for decades been a dominant power in world politics. Since the turn of the century, China has risen as Asia's economic and political giant. It has been developing new mechanisms on international affairs, particularly with regard to the Asia-Pacific region. In February 2001, the Boao Forum for Asia (BFA) was formally inaugurated. This exemplified China's intention to establish a platform for handling affairs in the Asia-Pacific region. The forum consists of twenty-six Asian countries and Australasian states, and the PRC is not only a founding member but also a driving force in the international nongovernmental, nonprofit organization.

Permanent headquarters are located in Boao, Hainan, in southern China. According to Article 3 of the BFA Charter, the BFA was designed to promote and strengthen economic exchanges, interaction, and cooperation within the region and between the region and other parts of the world. Article 3 also stipulates that the BFA is to "provide high-level venues for dialogues between government leaders, private enterprises, academia, and regional associations, in order to discuss, exchange, and develop ideas in the scope of economic, social, environmental and related issues." The most significant issues are discussed at its annual general meetings, and the BFA sponsors other meetings and forums that address other Asian-related concerns and issues, such as the Youth Forum in 2010, the International Capital Conference in 2011, the Asia Financial Cooperation Conference in 2012, the SME Conference (for small and medium-sized enterprises) in 2013, and the Energy, Resources and Sustainable Development Conference in 2014.<sup>13</sup> Clearly, the BFA has become a significant platform for Asian leaders, influential enterprises, and academics to engage in comprehensive dialogue over a wide range of issues.

Chinese leaders and government officials regularly participate in BFA annual meetings, and numerous other political leaders, business tycoons, and prestigious academics are invited as well. In 2008, when the BFA was also celebrating the thirtieth anniversary of China's open-door policy, the twentieth anniversary of Hainan Province's Special Economic Area, and the opening of the 2008 Olympics in Beijing, the ROC's then vice-president Vincent Siew was invited to attend.<sup>14</sup> This resulted in a historic meeting between the ROC vice-president and the then PRC president Hu Jintao. It was indeed a significant year for China. Meanwhile the number of BFA participants kept increasing: at BFA 2003 there were 1,000 delegates; at BFA 2008, there were 1,700; and at BFA 2015 there were 2,800. International participants have included business tycoons, such as Bill Gates at BFA 2013 and 2015 and Indian tycoon Ratan Tata at BFA 2014. Tata was the first Indian

citizen to be appointed as a BFA board member. This was a unique appointment considering the strained relationship between China and India at the time.

Since the BFA's founding in 2001, it has become quite clear that China intends to use it to expand its dominance in Asian-related affairs and to further alienate the United States by blocking it from participating. According to Indonesian political analyst Bambang Suryono, "The Boao Forum will strongly push for the integration of Asia, as well as the development of a common destiny for a more closely-knit Asian community."<sup>15</sup>

### *A China-Dominated Economic Expansion*

Throughout the twentieth century, China was not as economically influential in Asia as Japan, the United States, or even the four Asian "Dragons" (Hong Kong, Singapore, South Korea, Taiwan). In 2002, however, China implemented its "go global" policy, which has transformed its economic relations in the region. China's economic expansion goals are to establish a China-dominated economy throughout Southeast Asia by (1) increasing trade with Southeast Asia; (2) expanding investment in the Southeast Asian region; (3) becoming a major source for tourism revenue in the Southeast Asian region; and (4) developing an agenda for increasing geo-economic development.

*Increasing Trade with Southeast Asia.* The volume of international trade reflects a country's capacity to increase its economic strength. The higher the volume of foreign trade a country engages in, the more powerful the economy of that country. Usually the bigger and more powerful countries, such as China and the United States, can engage in more international trade. Before the outbreak of the Asian financial crisis, China's economic role in Southeast Asia was insignificant because of its relatively small trade volume with other countries in the region. In 1997, China was ranked as ASEAN's eighth-largest trading partner, after Japan, the United States, Hong Kong, Taiwan, South Korea, the United Kingdom, and Germany.<sup>16</sup>

However, because of the sustained growth of the Chinese economy during the Asian financial crisis, in 2000 China became ASEAN's sixth-largest export market, taking 3.5 percent of the market share and becoming its fourth-largest importer with 5.2 percent of its imports.<sup>17</sup> In 2010, China exceeded Japan, the United States, and the Europe Union to become ASEAN's largest export market (12.1 percent market share) and import market (15.9 percent market share) (see tables 10 and 11). In 2011, Japan exceeded China as ASEAN's largest export market, but China sustained its leading position as ASEAN's largest importer in that year and was ASEAN's largest export market. In 2012, China further increased its trade with Southeast Asia, taking a 12.2 percent share of ASEAN's total exports and 16.2 percent of its total imports. These trends were generally maintained throughout 2015 are predicted to continue in the coming years. A burgeoning trade with

TABLE 10 ASEAN's leading export markets (% of market share), 2010–15

	2010	2011	2012	2013	2014	2015
ASEAN	25.0	26.4	25.8	26.0	25.5	25.9
China	12.1	11.4	12.2	11.8	9.2	11.3
Japan	9.8	11.7	10	9.7	9.3	9.6
USA	9.5	8.6	8.6	9.0	9.5	10.9
EU	10.9	10.2	10	9.8	10.3	–

SOURCES: Figures for 2010 and 2011 come from ASEAN, *ASEAN Statistical Yearbook 2012* (Jakarta: ASEAN Secretariat, 2013), 78; figures for 2012 from the *ASEAN Economic Community Chart Book 2013* (Jakarta: ASEAN Secretariat, 2013), 22; and figures for 2013 to 2015 from ASEAN Statistics, [http://asean.org/storage/2016/06/table21\\_as-of-30-Aug-2016-2.pdf](http://asean.org/storage/2016/06/table21_as-of-30-Aug-2016-2.pdf), accessed October 10, 2016.

TABLE 11 Leading ASEAN importers (% of market share), 2010–15

	2010	2011	2012	2013	2014	2015
ASEAN	25.9	23.6	22.8	22.4	22.5	21.9
China	15.9	15.5	16.2	17.4.0	17.5	19.4
Japan	10.8	11.2	11.2	9.5	8.8	11.4
USA	9.0	8.1	7.5	7.4	7.3	7.6
EU	9.8	9.4	9.6	9.8	9.4	–

SOURCES: Figures for 2010 and 2011 come from ASEAN, *ASEAN Statistical Yearbook 2012* (Jakarta: ASEAN Secretariat, 2012), 78; figures for 2012 from ASEAN, *ASEAN Economic Community Chart Book 2013* (Jakarta: ASEAN Secretariat, 2013), 22; and figures for 2013 to 2015 from ASEAN Statistics, [http://asean.org/storage/2016/06/table21\\_as-of-30-Aug-2016-2.pdf](http://asean.org/storage/2016/06/table21_as-of-30-Aug-2016-2.pdf), accessed October 10, 2016.

Southeast Asia has given China a faster growth rate in international trade volume than its other leading trading partners. As the PRC's imports have increased throughout Southeast Asia, these countries have suffered greater trade deficits and have become more economically dependent on the Asian superpower. The PRC has become Southeast Asia's largest trading partner, with a share of exports now exceeding, and a share of imports far exceeding, those of Japan, the EU, and the United States. With increasing economic integration and regionalization, China will continue to maintain its trade dominance in the region.

*Expanding Investment in Southeast Asia.* Foreign direct investment (FDI) is another indicator of the strength of a country's economy. The stronger a country's economy, the more foreign investment a country is able to deliver. Countries like Japan, the United States, and China all exemplify this.

Throughout the twentieth century, because of its weak economy, China invested only an insignificant amount in Southeast Asia. According to ASEAN's statistics, before the year 2000 China's share of FDI in Southeast Asia was less than 1 percent (table 12).<sup>18</sup> From 1995 to 2003, it was at an average of 0.29 percent per annum,

TABLE 12 China's FDI share in ASEAN (%)

	1995	2000	2005	2011	2012	2013	2014	2015
China	0.49	0.19	1.4	8.1	4.7	5.1	5.4	6.8
Japan	20.12	4.03	15.5	10.0	20.8	19.8	12.1	14.5
USA	15.38	22.79	7.7	9.4	9.7	5.7	11.3	10.2
EU	17.98	35.83	27.5	30.4	15.8	19.6	19.2	16.4

SOURCES: Figures for 1995 and 2000 come from ASEAN, *ASEAN Statistical Yearbook 2004* (Jakarta: ASEAN Secretariat, 2004), 146; figures for 2005 from *ASEAN Statistical Yearbook 2012* (Jakarta: ASEAN Secretariat, 2012); figures for 2011, 2012, and 2013 from ASEAN Statistics table 27, "Top ten sources of foreign direct investment inflows in ASEAN," [www.asean.org/wp-content/uploads/images/2015/january/foreign\\_direct\\_investment\\_statistic/Table%2027.pdf](http://www.asean.org/wp-content/uploads/images/2015/january/foreign_direct_investment_statistic/Table%2027.pdf), accessed February 10, 2015; and figures for 2013–15 from ASEAN Statistics, <http://asean.org/storage/2015/09/Table-272.pdf>, accessed October 10, 2016.

whereas the United States had an average of 16.47 percent at that time and Japan came second with 12.90 percent of Southeast Asia's FDI.<sup>19</sup>

Since 2010, China has begun to expand its investment in ASEAN. As a result its total FDI gradually expanded from 1.4 percent in 2005 to 8.1 percent in 2011. It did decline in 2012 to 4.7 percent, but in 2014 it went up to 5.4 percent, and in 2015 it increased again to 6.8 percent (table 12). Since 2011, China has become the third-largest foreign investor in Southeast Asia, a dramatic change from its status in the late twentieth century. Given a growing national economy, China will without a doubt continue to increase its regional economic significance and investment in Southeast Asia.

*Becoming a Major Source for Tourism Revenue in Southeast Asia.* Tourism is another indicator that can exemplify a country's economic strength. The stronger a country's economy, the more tourists it will attract, both domestically and internationally. The more one country promotes another country's tourism, the more important that country becomes to the country that is hosting the tourists. Throughout the twentieth century, Europeans, Americans, Japanese, and residents of the four Asian Dragon countries were the largest contributors to the Southeast Asian tourist industry. At that time, China was insignificant in ASEAN's tourism. In 1995, Chinese visitors to Southeast Asian countries were only 2.8 percent of the market share in the region, compared with Japan's 11.1 percent, Taiwan's 7.2 percent, and America's 4.9 percent.<sup>20</sup>

Since the turn of the century, the numbers of Chinese tourists have increased greatly throughout Southeast Asia. In 2000, China had a market share of 5.9 percent, which increased to 6.3 percent in 2007, 10.4 percent in 2012, and 12.4 percent in 2014 (table 13). However, it should be noted that even in 2000 the 5.9 percent share meaning that of individual countries it was the second-largest source, after Japan, of tourists arriving in Southeast Asia. Since 2007, it has achieved a 6.3 percent share and become the individual country constituting the largest source of

TABLE 13 Percent share in visitor arrivals to ASEAN countries, by country of origin

	1995	2000	2005	2007	2011	2012	2013	2014
China	2.8	5.9	5.9	6.3	9.0	10.4	12.4	12.4
Japan	11.1	9.9	5.9	5.9	4.5	4.8	4.8	4.8
USA	4.9	5.0	4.4	4.1	3.5	3.3	3.1	3.1
EU	14.5	13.6	11.3	12.5	12.1	9.1	8.5	8.8

SOURCES: Figures for 1995 and 2000 are from ASEAN, *ASEAN Statistical Yearbook, 2004* (Jakarta: ASEAN Secretariat, 2004), 228–29; figures for 2005 and 2007 from ASEAN, *ASEAN Statistical Yearbook, 2012* (Jakarta: ASEAN Secretariat, 2012), 168; figures for 2011 and 2012 from ASEAN Statistics, table 30, “Top Ten Country/Regional Sources of Visitors to ASEAN,” [www.asean.org/wp-content/uploads/images/resources/2014/Jan/StatisticUpdate28Jan/Tourism%20Update/Tabl%2030.pdf](http://www.asean.org/wp-content/uploads/images/resources/2014/Jan/StatisticUpdate28Jan/Tourism%20Update/Tabl%2030.pdf), accessed February 10, 2015; and figures for 2012 to 2014 from ASEAN Statistics, [www.asean.org/storage/2015/11/tourism/Table\\_30.pdf](http://www.asean.org/storage/2015/11/tourism/Table_30.pdf), accessed October 10, 2016.

international tourist arrivals in Southeast Asia (ASEAN tourist industry). Since 2007, the percentage of Chinese tourists in Southeast Asia has increased significantly and continues to grow, whereas the percentages of Japanese and American tourists in the region have been in decline. This trend, which is expected to continue for years to come, illustrates another way that China is exerting dominance in the region.

*Developing an Agenda for Geo-Economic Development.* In 1989, the Asia-Pacific Economic Cooperation (APEC) forum began. The United States at first dominated this forum. But between 2000 and 2008, because of President Bush’s involvement in antiterrorism diplomacy, American leadership was often absent from APEC meetings. Not until July 2009, at the annual ASEAN Regional Forum, when former US secretary of state Hillary Clinton announced implementation of the “Returning to Asia Policy,” did the United States resume taking interest in Asia-Pacific affairs. Since then, high-level officials from the United States have reiterated this policy at various international events. In January 2012, US president Barack Obama announced that by 2020 the United States would be reconsidering its global military strategy by deploying 60 percent of its military in the Asia-Pacific.<sup>21</sup>

During the Bush administration, when American presence in Asia was in decline, China was expanding its economic relations and political influence in Southeast Asia. In November 2000, at the Fourth ASEAN-China Summit, Chinese premier Zhu Rongji proposed a free trade area with ASEAN. In November 2001, it was officially announced, and on November 4, 2002, it was enacted at the Sixth ASEAN-China Summit. In 2010, ASEAN laid the foundation for its senior members to participate in the ASEAN-China Free Trade Area (AFTA), and in 2015 newer members gained membership.<sup>22</sup> Although AFTA is

essentially an economically oriented agreement, political influence in the region came with it. The geo-economic platform allowed China to build a closer relationship with ASEAN countries.

In November 2012, Xi Jinping became the secretary general of the Chinese Communist Party (CCP), and in March 2013 he became the PRC's president.<sup>23</sup> As president he continued China's expansion policy in neighboring Southeast Asia. In September 2013, during his visit to Kazakhstan, he proposed the New Silk Road Economic Belt, the land-based component of his "One Belt, One Road" development strategy to link China through central and western Asia to Europe. In October 2013, in a speech at the Indonesian parliament, he proposed the maritime component of this strategy, the Twenty-First Century Maritime Silk Road, and declared his intention to draw on the China-ASEAN Maritime Cooperation Fund in order to accomplish China's grand development plan.

Xi reiterated this aggressive geo-economic strategy in November 2014 at the APEC Summit and then again in 2015 at the BFA. According to him, China would be investing US\$50 billion into the Asian Infrastructure Investment Bank (AIIB) and US\$40 billion into the Silk Road Fund—signaling Xi's intentions of making rising China the "center of a new Asian order."<sup>24</sup> Despite resistance from the United States, the AIIB got a resounding positive response from Southeast Asian countries and major European countries, including the United Kingdom, Germany, France, and Italy.<sup>25</sup> On April 15, 2015, China announced that fifty-seven countries were founding members of the AIIB.

Around the same time, Chinese premier Li Keqiang was also expanding China's financial diplomacy in Southeast Asia. In November 2014, when Li visited Myanmar for the Twenty-Fifth ASEAN Summit, he announced that China would provide ten ASEAN members US\$20 billion in soft loans for infrastructure projects.<sup>26</sup> In December 2014, Li attended the fifth summit of the Greater Mekong Subregion (GMS) in Bangkok, where he pledged another huge amount, US\$11.5 billion, to the five GMS neighboring countries,<sup>27</sup> including US\$1 billion in funding for interconnected infrastructure, US\$490 million in aid to alleviate poverty, and US\$10 billion in special loans.<sup>28</sup> Li also announced that China would help Thailand build its first eight-hundred-kilometer standard-gauge railway line, which would cost an estimated US\$10.6 billion.<sup>29</sup> In addition to rail cooperation, the Chinese premier pledged to help prevent flooding in the area by investing US\$16.4 million to dredge waterways along the Mekong River.<sup>30</sup>

In addition to the "One Belt, One Road" geo-economic strategy and increasing financial assistance to Southeast Asian countries, there are reports that China is proposing to undertake the ambitious strategy of building a megatransportation system that will link up China and Southeast Asia.<sup>31</sup> This will help the Southeast Asian countries improve their local infrastructures and economies and will also expand China's economic and political influence in the region.

*Challenges for China's Expansion Strategy in Southeast Asia*

Yet even as China is aggressively increasing its expansion strategy in Southeast Asia, it is facing four major challenges.

*Southeast Asian Perceptions of a Chinese Threat.* China's expansionist policy to Southeast Asia has won friends throughout the region, but the rising hegemonic power does not seem to be winning great respect from its southern neighbors. This is mainly because of the escalation of China's territorial disputes with Southeast Asian countries in the South China Sea. Unlike the United States, which is generally considered to be a stabilizing power in Southeast Asia, China is often regarded as a threat to the countries throughout the region. This is the first challenge that China must face.

Despite the DOC and the COC that were signed between China and ASEAN, conflict continues with Vietnam and the Philippines over the sovereignty of disputed islands and reefs in the South China Seas. On May 2, 2014, China unilaterally placed a HD-981 oil rig in Block 143 of Vietnam's Exclusive Economic Zone. China then protected itself by moving in almost eighty ships, including People's Liberation Army navy warships. The situation worsened when Vietnam dispatched its Coast Guard to defend its territorial jurisdiction and the Chinese commander ordered its ships to use water cannons to deliberately damage the Vietnamese vessels. In this case Chinese aggression also caused several injuries to the Vietnamese crew.

China and Vietnam held a series of meetings after the incident. However, in June 2014, during a press conference, Chinese foreign minister spokesman Hong Lei maintained China's firm position that they had deployed the oil rig within China's traditional territory. ASEAN foreign ministers also issued public statements expressing serious concerns over China's actions in the South China Seas and urged all parties to abide by international laws and regulations, including the DOC, the COC, and the United Nations Convention on the Law of the Sea. Although the statement did not mention China by name, it implicitly expressed support for Vietnam.<sup>32</sup> Japan and the United States extended their support to Vietnam by characterizing China's actions as provocative.

The Vietnamese initiated a nationwide anti-China movement, protesting against the Chinese "invasion" of Vietnam's territorial waters. In southern Vietnam, violent protesters even took over a number of foreign factories and shops and destroyed their doors, windows, and internal equipment.<sup>33</sup> Unfortunately, the majority of businesses damaged were Taiwanese-owned factories and shops, because protesters mistakenly regarded them as Chinese owned. One Taiwanese manager working in Vietnam said in an interview that the Vietnamese protests were actually aimed at Chinese staff working in Taiwanese-owned factories, making the Taiwanese and their properties scapegoats in the incidents.<sup>34</sup> Vietnam had

held anti-China campaigns earlier in 2012 and again in 2013 over a similar sovereignty dispute in the South China Seas. But the May 2014 protest was the largest to ever be held in typically Buddhist Vietnam and coincided with the escalation of tremendous anti-Chinese sentiment.

China has threatened not only Vietnam but also the Philippines. During their annual security talks in 2015, the Philippines' foreign undersecretary Evan Garcia and top US diplomat for East Asia Daniel Russel made a joint statement in a press conference that China's land reclamation in the disputed South China Seas was "massive" and "a clear violation" of the 2002 accord. They did however support the freedom to navigate seas that were not under any country's jurisdiction.<sup>35</sup> In early July 2016, when the Permanent Court of Arbitration in the Hague made the ruling in favor of the Philippines and against China's South China Seas claims, Filipino activists held a protest rally in front of the Chinese Consulate in Manila, calling for a "Chexit" and demanding that China pull out of Philippine territorial waters.<sup>36</sup>

In July 2016, the Philippines' position changed when President Rodrigo Duterte came to power. In late September 2016 in Hanoi he stated that he wanted to suspend ongoing joint military maneuvers with the United States, the Philippines' long-standing ally, in the disputed South China Seas. From his inauguration on, he took an aggressive attitude toward then president Barak Obama and US policies in Asia.<sup>37</sup> In September 2016, as a result of these aggressions, Obama, while attending the ASEAN Summit in Vientiane, canceled meetings with Duterte.<sup>38</sup> This move may change the political relationship between the Philippines and the United States and between the Philippines and China. In any case, many Southeast Asian countries seem to be very concerned about the revival of an aggressive Chinese Empire.

*Confrontation with Major Powers in the Region.* China's second challenge is to confront the increasing involvement of other major powers in Southeast Asia, such as Japan and the United States. Japan has also recently been engaging in territorial disputes with China over the Diaoyu Islands (in Chinese) or Senkaku Islands (in Japanese) in the East China Seas. In December 2012, when Japanese prime minister Shinzo Abe took office, he began a counter-China policy, which quickly escalated tensions between Japan and China. Over the last three years, Mr. Abe has visited most Southeast Asian countries and promised more assistance to the countries in the region. After the prime minister's successful visit to the United States in late April 2015, Japan also strengthened its military ties with the United States.<sup>39</sup> In early February 2015, Japan's defense minister, General Nakatani, also stated that Japan was "deepening its cooperation with the US" and that the situation in the South China Seas had had an impact on their national security.<sup>40</sup> General Nakatani also indicated that Japan was committed to enhancing Vietnam's and the Philippines' surveillance capabilities.

Since July 2009, the United States has taken an even stronger position in Southeast Asia, particularly since Secretary of State Hillary Clinton announced the Asia rebalancing policy. In July 2010, at the Forty-Third ASEAN Foreign Ministers' Meeting, Secretary Clinton stressed that the United States would stay in Asia because of its "national interest in freedom of navigation, the maintenance of peace and stability, and respect for international law in the South China Sea. . . . The US shares these interests not only with ASEAN members but with other maritime nations and the broader international community."<sup>41</sup>

In November 2011, during his participation in the Sixth East Asia Summit (EAS), together with most Southeast Asian leaders, US president Barack Obama directly confronted Chinese premier Wen Jiabao over China's recent expansion in the South China Seas. Barack Obama was the first US president to attend the EAS.<sup>42</sup> In January 2012, President Obama further announced that by 2020 the United States would be deploying 60 percent of its military to the Asia-Pacific area, a measure that was directly aimed at increased Chinese aggression in the region. In April 2014, on his Asian trip, in a discussion of the Philippines' issues involving the resource-rich Spratly Islands, President Obama said, "Our commitment to defend the Philippines is ironclad and the United States will keep its commitment, because allies never stand alone. . . . International law must be upheld. Freedom of navigation must be preserved. . . . Disputes must be resolved peacefully and not by intimidation or by force."<sup>43</sup> In early April 2015, President Obama also declared that "where we get concerned with China is when it is not necessarily abiding by international norms and rules and is using its sheer size and muscle to force countries into subordinate positions."<sup>44</sup>

Members of the US congress also expressed a strong opposition toward China's recent land reclamation and expansion in the Spratly Islands. In mid-March 2015, four leading US senators (John McCain, Bob Corker, Jack Reed, and Bob Menendez) wrote letters to US secretary of state John Kerry and US secretary of defense Ash Carter, indicating that China's recent actions in the South China Sea were "a direct challenge, not only to the interests of the United States and the region, but to the entire international community."<sup>45</sup> They also claimed that the United States should take "specific actions" to slow down or stop China's land reclamation activities.<sup>46</sup>

Given the recent stance of Japan and the United States, speculation has risen that the partners are developing a containment policy toward China, thus escalating the possibility of a confrontation between China and major powers in Southeast Asia. This is a true challenge that China has to seriously face.

*The Widening Economic Gap between China and Southeast Asia.* Since the beginning of the century, China has improved its economic relations with Southeast Asian countries. It has also exhibited a more accelerated economic development

than its southern neighbors. This has widened the economic gap between China and most countries in Southeast Asia. In 2000, as exhibited in table 14, China's GDP per capita was US\$949, only slightly higher than that of the four least developed countries in Southeast Asia, Cambodia, Laos, Myanmar, and Vietnam. But as China's economy has continued to grow, its GDP per capita has risen. In 2015, China's GDP per capita reached US\$7,925, falling behind only that of the three most modern nations in Southeast Asia, Singapore, Brunei, and Malaysia. Given China's huge population of 1.3 billion, it is clear that China's economic strength and potential far exceeds that of the entire Southeast Asian region, whose population totals only six hundred million people. As the table shows, in 2013, compared with all the other Southeast Asian countries, China enjoyed the second-highest economic growth rate. Its economy is projected to increase in the near future as the economic gap between China and Southeast Asia continues to widen.

Table 14 also shows that while China widens its gap with the economically weaker countries, it is narrowing its gap with Malaysia, Brunei, and Singapore, which are still ahead of the hegemonic power. In 2015, for example, China's GDP per capita was US\$7,925, only a little less than Malaysia's (US\$9,657). This greatly contrasts with China's GDP in 2000, which was only US\$949, whereas Malaysia's was US\$3,844 that same year. Thailand's GDP per capita in 1996 was US\$3,134, much higher than China's US\$703 in that same year. However, in 2011, for the first time, China's GDP per capita (US\$5,447) exceeded Thailand's (US\$5,116). Since then, the GDP per capita gap between the two countries has continued to widen. In 2015, China's GDP per capita was US\$7,925, compared with Thailand's US\$5,737 for the same year. Given China's massive economy and growth rate, compared with that of its neighbors in the South, a feeling of unfairness has been growing in the region.

*Rising Tensions between New Chinese Immigrants and Local People.* Finally, tensions between new Chinese immigrants and native people in Southeast Asian countries have increasingly become a challenge that the Chinese must face. At the turn of the century, when China began expanding its trade and investment into Southeast Asia, Chinese immigrants began moving into most of the countries, bringing with them Chinese products, shops, restaurants, hotels, and casinos. Some of these Chinese investments have been very controversial, considering the massive environmental problems that construction projects such as dams and highways have caused. These investments have also caused local people to lose their land and jobs.

China's recent increasing investments in Laos exemplify this. One Laotian businessman from the Lao People's Democratic Republic stated he was afraid his people were gradually losing their autonomy, since they were gradually losing their land and wealth to Chinese expansion in their countries.<sup>47</sup> One Hong

TABLE 1.4 Economic gaps between China and Southeast Asian countries, 1996–2011  
(GDP per capita in US\$ and GDP growth rates)

	China	Brunei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam
1996	703	17,096	312	1,167	393	4,766	109	1,184	25,127	3,134	337
1998	821	11,961	268	488	244	3,257	144	896	20,892	1,900	361
2000	949	18,469	288	807	375	3,844	192	978	23,007	1,976	403
2002	1,135	17,158	309	932	369	3,884	136	956	21,098	2,001	440
2004	1,490	21,863	392	1,105	487	4,877	191	1,039	25,791	2,501	555
2006	2,069	29,922	515	1,636	645	5,902	233	1,351	30,053	3,164	725
2009	3,744	28,454	735	2,362	913	7,215	538	1,828	37,960	3,946	1,128
2011	5,447	42,431	881	3,497	1,262	9,962	868	2,339	51,247	5,116	1,404
	6,808	39,678	1,046	3,466	1,505	10,420	916	2,706	55,183	5,678	1,908
2013	(7.7%)	(-1.8%)	(7.0%)	(5.8%)	(8.2%)	(4.7%)	(7.5%)	7.2%	(3.9%)	(2.9%)	(5.4%)
2014	7,587	41,505	1,105	3,526	1,741	11,153	1,277	2,854	55,904	5,892	2,053
	7,925	30,942	1,198	3,357	1,831	9,657	1,246	2,850	52,744	5,737	2,109
2015	(5.9)	(-0.6)	(7.1)	(4.8)	(7.6)	(5.0)	(7.1)	(5.8)	(2.0)	(2.8)	(6.7)

SOURCES: China's figures are from World Bank, "GDP per Capita (Current \$US)," <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>, and "GDP Growth (Annual %)," accessed March 12, 2015, <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>. Figures for the 1996 to 2006 ASEAN countries statistics come from ASEAN, *ASEAN Statistical Yearbook 2003* (Jakarta: ASEAN Secretariat, 2003) and *ASEAN Statistical Yearbook 2008* (Jakarta: ASEAN Secretariat, 2008); figures for 2009 to 2013 ASEAN GDP per capita figures are from ASEAN, table 7, "Gross Domestic Product per Capita in ASEAN, at Current Prices (Nominal), in US Dollars as of December 2014," [www.asean.org/storage/2015/01/macroeconomics/T7-dec14.pdf](http://www.asean.org/storage/2015/01/macroeconomics/T7-dec14.pdf); ASEAN's 2013 economic growth rates are from ASEAN, table 2, "Selected Key ASEAN Macroeconomic Indicators as of December 2014," [www.asean.org/storage/images/2015/01/annual\\_selected\\_key\\_indicators/table2\\_as%20of%20December%202014\\_R2.pdf](http://www.asean.org/storage/images/2015/01/annual_selected_key_indicators/table2_as%20of%20December%202014_R2.pdf); 2015 growth rates are from World Bank, "GDP Growth, Annual Percent," <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>, accessed February 12, 2015.

Kong media outlet described China's recent economic expansion in Laos and subsequent tensions between Chinese immigrants and the Laotian people as "reckless nationalism."<sup>48</sup>

Different lifestyles and cultures have also caused clashes between new Chinese immigrants and local people. For example, since the turn of the century, roughly one million Chinese have relocated in Singapore, making it the country that has taken on the largest number of Chinese immigrants. However, there is a great gap between them and local Singaporeans, mainly because of their ignorance regarding the local culture and the strict Singaporean legal system. In the May 2011 general election, the ruling People's Action Party (PAP) suffered a loss in one of its group's representative constituencies.<sup>49</sup> This was mainly because many Singaporeans were not satisfied with the perennial PAP government's immigration policy. When asked about the new Chinese immigrants, one local Singaporean said, "Singaporeans look down on mainlanders as country bumpkins and they look down on us because we don't speak proper Chinese."<sup>50</sup>

Two decades of firsthand field study data collection in all of the Southeast Asian countries except East Timor clearly show rising tensions between new Chinese immigrants and locals in Singapore, Thailand, Malaysia, Indonesia, and the Philippines. Recently anti-immigration sentiment has been increasing in Thailand as well. However, currently this seems to be aimed more at cheap migrant labor from neighboring Myanmar, Laos, and Cambodia than at the Chinese.<sup>51</sup>

#### TAIWAN'S SURVIVAL STRATEGY IN SOUTHEAST ASIA: MAINTAINING TAIWAN'S POLITICAL ECONOMY IN THE REGION

##### *Taiwan's Political Survival: Sustaining Substantial Relations with Southeast Asia*

In contrast to China, with its aggressive Southeast Asian expansion strategy, the comparatively smaller and diplomatically weaker Taiwan has had to develop a survival strategy in order to maintain its political economy in the region and to develop partnerships with its Southeast Asian neighbors. In the political arena, Taiwan's goal is to sustain the substantial relationships that it already maintains with major countries in Southeast Asia. This entails (1) rejecting an antagonistic "scorched-earth diplomacy" such as that practiced by former president Chiu Shui-bian, and adopting the "diplomatic truce" approach developed by President Ma Ying-jeou, and (2) increasing Taiwan's political interactions with major countries throughout Southeast Asia.

*Transforming "Scorched-Earth Diplomacy" into a "Diplomatic Truce".* Since the turn of the century, Taiwan has experienced several transfers of political power.

The Democratic Progressive Party (DPP) was elected for two terms from 2000 to 2008, and the Chinese Nationalist Party (the Kuomintang, or KMT) was elected to serve for the next two terms, from 2008 to 2016. DPP president Chen Shui-bian and KMT president Ma Ying-jeou took very different approaches to dealing with China. The DPP administration took a more antagonistic political approach that negatively affected Taiwan's relations throughout Southeast Asia.

During his presidency, President Chen initiated his "scorched-earth diplomacy," a zero-sum game in which Taiwan went to great lengths to induce China's diplomatic partners to defect in the hopes of increasing Taiwan's number of diplomatic partners at China's expense. This strategy was developed with the intention of gaining more political-economic ground for Taiwan. Some scholars, such as Yasuhiro Matsuda, contend that Chen's diplomacy was mainly instigated by a change in DPP internal politics, while others such as Elizabeth Larus argue that Taiwan was using a soft-power approach to win more international recognition.<sup>52</sup> In any event it backfired, causing contention and deterioration in cross-Straits and Southeast Asian relations—and irritating the US government to the point that when Chen was on a May 2006 diplomatic visit to Latin America, it refused to allow his aircraft a refueling stop in San Francisco.<sup>53</sup> China already mistrusted President Chen because of his promotion of "Taiwanization" policies, which China perceived as controversial and as a possible move toward Taiwanese claims of independence, so it ramped up its own competitive maneuvers by blocking Taiwan in many international arenas and made aggressive diplomatic strides, causing Taiwan to lose nine of its diplomatic partnerships and thereby reducing the number of countries with which it had official diplomatic relations from thirty to twenty-one.

In 2002, despite his continuing implementation of Taiwan's "southward policy" of cultivating relations with Southeast Asia, Chen's confrontations with China destabilized Taiwan's relations with its Southeast Asian allies.<sup>54</sup> During the 1990s, Taiwan had had frequent exchanges with its Southeast Asian neighbors, with several visits from high-level government officials, including former president Lee Teng-hui's visits to three Southeast Asian countries in February 1994. Also from 1991 to 1996, Indonesia's former state minister for research and technology, Mr. Habibie, visited Taiwan three times. During Chen's administration, these types of exchanges were greatly reduced. In mid-August 2002, when vice-president Annett Lu paid an unexpected visit to Indonesia, under duress from China, the Indonesian government publicly announced that Taiwan was an integral part of the PRC.

In May 2008, when President Ma Ying-jeou took office, he initiated a diplomatic truce with China. This improved relations not only across the Taiwan Straits but also with one of Taiwan's longest political and economic allies, the United States. His rationale was that given China's rising influence around the world, it was better to show goodwill toward the mainland, since this would result in a more stable and peaceful environment for Taiwan. Ma's approach greatly reduced

Chinese obstruction and allowed Taiwan to operate more freely in international arenas. During his administration from 2008 to 2016, Taiwan maintained all but one of its diplomatic partnerships and made great strides with its diplomacy in Southeast Asia.

On May 20, 2016, President Tsai Ing-wen was sworn into office. She immediately initiated a “new southward policy” aimed at strengthening Taiwan’s overall relations in Southeast Asia to an even greater extent than her predecessors had done. This may benefit Taiwan’s international relationships, but since the president is unwilling to accept the 1992 Consensus, the success of this policy is in a very tenuous position. Since her inauguration, relations across the Taiwan Straits have deteriorated. Over coming years, China may seriously obstruct Taiwan’s political and economic activities in Southeast Asia.

*Engaging in More Political Interactions with Southeast Asia.* Throughout President Ma’s administration, cross-strait relations were more peaceful, so Taiwan was able to engage in more political interactions with countries of Southeast Asia. Taiwan received visits from high-level government officials from Southeast Asia’s most significant countries and engaged in high-level bilateral talks and meetings. However, these were usually not publicized in the media.

In 2010, for instance, Taiwan and Singapore entered talks on a bilateral economic partnership agreement. On November 7, 2013, both parties signed the Agreement between Singapore and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Partnership (ASTEP).<sup>55</sup> Then on March 25, 2015, after receiving notice of the death of Singapore’s former prime minister Lee Kuan Yew, under a status of special circumstances, President Ma Ying-jeou made a private trip to pay his last respects to the Singaporean leader and founding father of the city-state. In early November 2015, Singapore hosted a historical meeting between President Ma Ying-jeou and his Chinese counterpart, President Xi Jinping. However, it did not result in any agreements being signed between the two leaders.<sup>56</sup> Singapore has been the only country so far to win the trust of both of these hostile governments, which indeed exemplifies the special relationship they have.

Vietnam has been the Southeast Asian country that has received the largest investment from Taiwan. After President Ma came to office, Taiwan’s relationship with Vietnam also greatly improved. In January 2009, Taiwan and Vietnam signed the Scientific and Technological Cooperation Agreement. In September 2011, Minister of Finance Lee Shuh-der visited Vietnam and witnessed the signing of Taiwan and Vietnam’s Memorandum of Understanding on Financial Cooperation; and in May 2012, Taiwan and Vietnam signed the Memorandum of Understanding on Tourism Cooperation.<sup>57</sup> In November 2012 the first Taiwan-Vietnam Conference on Tourism Cooperation was held in Taipei. According to Vietnam’s

statistics, 409,385 Taiwanese visited Vietnam in 2013, an increase of 13.39 percent from 2012, making Taiwan Vietnam's fifth-largest source of international tourists. In 2013, more than ninety thousand Vietnamese visited Taiwan, a 40 percent increase from 2012.<sup>58</sup> In 2014, Taiwan held approximately 150,000 Vietnamese migrant workers, ninety thousand Vietnamese wives, and five thousand Vietnamese students.<sup>59</sup> The two countries are expected to continue building close ties in the years to come.

Taiwan's political relationship with Indonesia is also noteworthy. From 2009 to 2013 there were several high-level exchanges between the two countries, including visits from Indonesia's minister of education and minister of economics in 2010; in 2011 the minister of economics returned to Indonesia. In 2013, the minister of finance, the minister of the Economic Development Council, and the minister of education visited.<sup>60</sup> The chair of the Overseas Chinese Affairs Council visited in 2009 and 2012, and the chair of the Mainland Affairs Council visited in 2009 and 2013. Over the same years, high-level Indonesian officials who visited Taiwan included the minister of fisheries, Fadel Muhammad, in 2010 and 2011; the minister of labor, Muhaimin Iskandar, in 2011; the deputy minister for coordinating economic affairs, Rizal Lukman, in 2013; and the deputy minister of agriculture, Rusman Heriawan, in 2013. In 2010 Indonesia and Taiwan signed the "One Village, One Product, and Agri-Business Cooperation Plan," and in 2012 they signed a memorandum of understanding on cooperation with regard to immigration affairs, human trafficking, and smuggling prevention, along with an agreement on agricultural and technical cooperation.

Because of President Ma's improvement of political relations, most Southeast Asian countries granted Taiwanese citizens either visa-free privileges, as in Singapore and Malaysia, or arrival visas, as in Thailand, Indonesia, Cambodia, Laos, Brunei, and Timor Leste.<sup>61</sup> In 2011, Malaysia was the last major country in Southeast Asia to grant a visa-free status to Taiwanese citizens. On account of these privileges, the Taiwanese now enjoy easier access, not only to trade and invest in Southeast Asia, but also to engage in more social and cultural interactions across the region.

Since May 2016, President Tsai Ing-wen hopes to promote a much stronger relationship between Taiwan and its Southeast Asian allies. Taiwan expects to engage in more political interactions with its southern neighbors, despite possible obstruction from China.

*Taiwan's Economic Survival: Strengthening Taiwan's Economic Links  
with Southeast Asia*

By the 1990s, Taiwan had already established a sound economic foundation in Southeast Asia. If Taiwan's was to continue its economic success in the region was to continue, it would need to develop stronger economic links with its southern

neighbors and continue signing economically oriented agreements and memorandums. In September 2011 Taiwan and Vietnam signed an agreement on customs administrative cooperation, and in October 2014 Taiwan and the Philippines signed a memorandum of understanding on the promotion of trade and investment. With the signing of these official documents, politically isolated Taiwan could possibly do three things to strengthen its economic relations in Southeast Asia: (1) strengthen Taiwan's economic relations with Southeast Asian countries; (2) build a platform for regional economic interactions; (3) continue attempts at joining regional economic blocs.

*Strengthening Taiwan's Economic Relations in Southeast Asia.* As indicated earlier, foreign investment and the volume of foreign trade are two important indicators of a country's economic strength and relationships with other countries. The more foreign trade and investment one country engages in with another country, the closer the economic relations of the two countries.

Prior to 1980, Taiwan did not engage much in trade and investment in Southeast Asia because of its comparatively low level of economic development. However, from the mid-1980s on, Taiwan began strengthening its economic relations with Southeast Asia, partly because of the appreciation of Taiwan's currency against the American dollar and partly because of Taiwan's rapid economic development that began in the early 1980s.<sup>62</sup>

In 1990 Taiwan's trade with Southeast Asia's ten ASEAN countries totaled only US\$11.02 billion, but in 1995 this increased to US\$25.54 billion, and in 2000 it increased to US\$38.71 billion.<sup>63</sup> With the implementation of its southward policy, Taiwan has continued to augment its trade throughout Southeast Asia. In 2005, its total trade volume was US\$48.53 billion. In 2010 it increased to US\$70.84 billion and in 2014 to US\$93.64 billion. However in 2015, there was a noticeable decline to US\$79.3 billion (table 15). Taiwan's trade share with Southeast Asia greatly expanded in from 9 percent in 1990 to 13.4 percent in 2000 and 15.6 percent in 2015 (table 15). Another significant point is that since 2010 Southeast Asia is Taiwan's second-largest trading partner, exceeded only by China.

In September 2014, at the opening ceremony of the 2014 Asian MICE (Meetings, Incentives, Conferences, and Events) Forum, W.S. Chiang (Taiwan's deputy director of the Bureau of International Trade) pointed out that Southeast Asia was gradually becoming a great exhibition platform for global enterprises and manufacturing industries and that the Taiwanese government would continue to make efforts to develop the economy in this part of the world.<sup>64</sup> This statement exemplifies how Taiwan has been sustaining efforts to strengthen its economic relations with countries throughout Southeast Asia.

The concentration of Taiwan's foreign investment also shows how the island is strengthening economic relations with Southeast Asia. Since the early 1990s,

TABLE 15 Taiwan's Southeast Asian trade totals (in US\$ billion) and trade share (%), 1988–2015

Year	1990	1995	2000	2005	2008	2010	2012	2013	2014	2015
Trade volume	11.02	25.54	38.71	48.53	64.60	70.84	88.07	91.37	93.64	79.3
Share of total trade	9.0	11.8	13.4	12.7	12.9	13.4	15.3	15.8	15.9	15.6

Source: Taiwan's trade share and totals with Southeast Asia calculated at Bureau of Foreign Trade, Ministry of Economics, Republic of China, <http://cus93.trade.gov.tw/FSCI/>, accessed October 10, 2016.

Taiwan has gone from not having much foreign investment in Southeast Asia to greatly expanding investment throughout the region.<sup>65</sup> In 1994, Taiwan's investment in Southeast Asia peaked to US\$5.1 billion, but after 1998 and the Asian financial crisis it went into decline. The 1990s were actually Taiwan's golden age of investment in Southeast Asia, and at that time Taiwan was one of the leading foreign investors in the region—especially in Vietnam, where for more than two decades Taiwan was been either its largest or its second-largest source of foreign investment.

Since the beginning of the century, Taiwan's investment in Southeast Asia has seen many ups and downs (as exemplified in table 16). It peaked in 2008, when Taiwan made a combined regional investment of US\$12.4 billion. Three years after the global financial meltdown in 2008, Taiwan's investment in Southeast Asia went into decline, but in 2012 it again expanded to US\$5.8 billion. However, from 2013 to 2015, investment totals fluctuated (table 16). Despite these fluctuations over the last two decades, the table demonstrates Taiwan's continued interest in investing in Southeast Asia.

*Building a Platform to Connect Taiwan with Southeast Asia.* Over the last three decades, Taiwan has initiated a series of policies to stimulate economic growth and strengthen economic relations with countries in the Asia-Pacific region. During the 1990s, the then ruling KMT government proposed the establishment of an Asia-Pacific Regional Operations Center (APROC) to make Taiwan a hub for regional economic activities. This proposal, however, was not successful because of the democratic transfer of power to the DPP in May 2000, when President Chen Shui-bian assumed office. The new government then proposed the “Green Silicon Island” as the new plan for Taiwan's future economic development. Unfortunately, in May 2008, when KMT president Ma Ying-jeou took office, the plan was discontinued.

At first President Ma tried to revive the APROC, but in 2012 he proposed the Free Economic Pilot Zones (FEPZs). Its main goal was to make Taiwan a free economic zone so that it could strengthen economic relations with countries throughout the Asia-Pacific region. The main FEPZ directives were to implement deregulation, open markets, internationalization, institutional reform, and international

TABLE 16 Taiwan's 1990–2015 investment in Southeast Asia (in US\$ billion)

1959–89	1990	1994	1997	2000	2004	2008	2010	2012	2013	2014	2015
5.1	4.1	5.1	4.8	1.6	1.9	12.4	2.3	5.8	1.3	2.7	2.1

SOURCE: "Wōguó zài dōng xié gèguó tóuzī tǒngjī biǎo" [China's investment statistics in the ASEAN countries], [http://twbusiness.nat.gov.tw/old/pdf/inv\\_3.pdf](http://twbusiness.nat.gov.tw/old/pdf/inv_3.pdf).

alignment in order to allow the free movement of money, people, and goods. Ma claimed that FEPZs would align Taiwan's open market with other regional economies, provide tax incentives for land acquisition, promote cross-border industrial cooperation, and build a high-quality environment for business. August 2013 marked the beginning of the FEPZs' first stage, which included six of Taiwan's harbors. The second stage required several laws to get passed, but a series of disputes between the KMT and its DPP opposition stopped the proposal from going any further.

Now President Tsai Ing-wen's administration is implementing the new southward policy, making an even stronger attempt to expand Taiwan's overall relations throughout Southeast Asia. Although Taiwan's internal political disputes occasionally affect the implementation of economic development initiatives, Taiwan has no other choice but to go forward.

*Continuing Attempts to Join Regional Economic Blocs.* Southeast Asian countries are represented by the ten members of ASEAN.<sup>66</sup> This organization has successfully accomplished a number of free trade agreements with major neighboring countries, including its 10 Plus 1, 10 Plus 3, and 10 Plus 6, and it continues to expand its economic cooperation and integration.

Recently, the emergence of two more regional economic blocs has attracted a great deal of international attention. These are the Regional Comprehensive Economic Partnership (RCEP) and the Trans-Pacific Partnership (TPP). The RCEP was introduced in November 2011 at the Nineteenth ASEAN Summit and was composed of members from the 10 Plus 6<sup>67</sup>. In November 2012, at the Twenty-First ASEAN Summit in Cambodia, it was endorsed by all sixteen leaders of its member countries. Its goal is to build an open trade and investment environment to boost economic growth, enhance economic cooperation, and deepen economic integration throughout the region. In June 2016, the sixteen participating states completed its thirteenth round of negotiations over related issues, including stipulations regarding goods and services, investment, intellectual property, and dispute settlement. Although talks are behind schedule, progress has been going smoothly and a final draft is expected soon.

The TPP is essentially an extension of the Pacific Three Closer Economic Partnership (P3 CEP), which includes Chile, Singapore and New Zealand. In 2005 it

was renamed the Trans-Pacific Strategic Economic Partnership (TPSEP, or P4) in order to include Brunei. In January 2008, The United States showed an interest in talking with the P4 countries, and when President Barack Obama assumed office in January 2009 he too reaffirmed America's commitment to the TPP. Since the end of 2014, participating countries have held nineteen formal rounds of negotiations over TPP-related issues, such as cooperation and capacity development, cross-border services, e-commerce, financial services, government procurement, intellectual property, and elimination of tariffs and other trade and investment barriers.

Although Taiwan is part of the Asia-Pacific region, it is politically isolated and therefore faces a multitude of challenges in joining these regional economic blocs. There are at least four ways a country can participate in ASEAN: as a full member, an observer, a candidate member, or a dialogue member. Over the past three decades, Taiwan has made great efforts to establish a connection with ASEAN.<sup>68</sup> However these have been derailed by China's ongoing political and economic obstruction,<sup>69</sup> which continues to threaten Taiwan's economic development.

In September 2013 the Taiwan government officially announced its interest in joining the RECP and the TPP. On February 17, 2014, at an international conference in Taipei, President Ma Ying-jeou stated that Taiwan had made it an "unshakable goal" to join the RCEP and TPP and would be "simultaneously carrying forth" a bid to join the two trade blocs as expeditiously as possible.<sup>70</sup> Ma also stated that in 2013 Taiwan already had a 34.4 percent total trade share with the twelve nations that were participating in TPP trade negotiations and a 56.6 percent trade share with the sixteen states negotiating the RCEP.<sup>71</sup> On March 29, 2015, at the Boao Forum 2015, Taiwan's vice-president Vincent Siew met with China's president Xi Jinping. The then ROC vice-president expressed Taiwan's willingness to also join the AIIB.<sup>72</sup> Two days later, on March 31, Taiwan's government sent an official application to join the AIIB, seeking to become a founding member of the PRC-led financial body.<sup>73</sup>

Although Taiwan has encountered many obstacles to gaining entrance into regional economic blocs, it has successfully accomplished free trade-like agreements with China, Singapore, and New Zealand. These include the Cross-Straits Economic Cooperation Framework Agreement (ECFA), which became effective in August 2010; the Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Cooperation (ANZTEC), which went into effect on December 1, 2013; and ASTEP, which became effective on March 19, 2014. In March 2013, Taiwan resumed negotiations with the United States over a Trade and Investment Framework Agreement.

One study estimates that about 23 percent to 27 percent of foreign enterprises would increase their investment in Taiwan if the island was able to join these

emerging economic groups in East Asia.<sup>74</sup> Without a doubt, Taiwan must continue striving to joining regional economic groups.

### *Challenges for Taiwan's Survival*

*Political Isolation and an Uncertain Future.* As previously evidenced, Taiwan has successfully established a substantial, stable relationship with major Southeast Asian countries. However, a substantial relationship is not equivalent to a formal diplomatic relationship. Although for more than three decades Taiwan has coped well with this awkward situation, there is still little possibility that it will change in the foreseeable future.

In the past, Taiwan's international survival was primarily due to US support and China's political and economic weaknesses. However, as China develops an increasingly robust political economy, its powerful influence over international politics, its strategic relationship with the United States, and a possible US alliance with China in international affairs make the continued survival of diplomatically isolated Taiwan questionable.

Since July 1987, when the ROC government lifted martial law, there has been an ongoing debate over whether Taiwan should unify with China, maintain the status quo, or seek independence. For decades, China has maintained that it will use military force if necessary to "liberate" Taiwan. In 1992, only 17.6 percent of the population identified exclusively as Taiwanese. However, this percentage has been steadily on the rise, increasing from 36.9 percent in 2000 to 52.7 percent in 2010 and 60.6 percent in 2014. There was a slight decline in June 2016 to 59.3 percent.<sup>75</sup> The percentage of Taiwan's population who identify as exclusively Chinese has also been in decline from 25.5 percent in 1992 to 3.5 percent in 2014 and 3.0 percent in June 2016. The proportion of people who identify as both Taiwanese and Chinese has also been in decline, from 46.4 percent in 1992 to 32.5 percent in 2014, but with a slight increase to 33.6 percent in June 2016.<sup>76</sup>

According to Chengchi University's Election Study Center, the percentage of Taiwanese in favor of maintaining the status quo but eventually moving toward independence has been steadily rising, from 8.0 percent in 1994 to 18.0 percent in 2014 and to 19 percent in June 2016, whereas the percentage of those in favor of maintaining the status quo but moving toward unification has declined from 15.6 percent in 1994 to 7.9 percent in 2014 and to 8.0 percent in June 2016.<sup>77</sup> Therefore, despite China's growing political and economic influence and its diplomatic and economic developments, an increase in the numbers of those claiming a Taiwanese identity has psychologically kept the island distant from the mainland.<sup>78</sup>

China is now Taiwan's largest economic partner, making up roughly 50 percent of its global trade and 70 percent of its FDI. On the basis of ECFA, which Taiwan and China signed in June 2010, it is likely that Taiwan will become increasingly economically dependent on China in the coming years. China intends to

use economic means to accomplish its political goal of unification with Taiwan, but politically isolated Taiwan continues to focus on achieving economic growth without losing its political sovereignty.

Given the changing political economy between Taiwan and China, Taiwan's politicians and citizens face unavoidable serious challenges with regard to Taiwan's future.

*Economic Marginalization and Future Development.* During the Cold War, Taiwan was branded one of the four Asian Dragons because of its great economic achievements and its early openness to the world. This chapter has demonstrated numerous examples of how the island's deepening economic relations with Southeast Asia have transcended diplomacy. During a speech at the annual dinner of the Asia Society in mid-June 2002, with regard to Taiwan's dynamic economy and vibrant democracy, former US secretary of state Colin Powell stated, "I call Taiwan a problem of a success story." Taiwan's economic achievements have brought it international prestige and have contributed to its democratization.

Since the end of the Cold War in the early 1980s, China and most Southeast Asian countries have also begun to open up to the world. These Asian countries have been actively engaging in the development of economic regionalization. But although Taiwan continues to work toward joining regional economic groups, the PRC's political obstruction keeps it marginalized. Previously, Taiwan's economic achievement was mostly due to the island's liberalness and openness, but now economic marginalization is keeping it from getting fair participation in the increasingly free and integrated Asia-Pacific market. Time will tell what survival mechanisms Taiwan will use in order to survive despite this economic marginalization.

Since the turn of the century, a number of Taiwan's macroeconomic indicators have revealed a decline in its economic development. In 2000, Taiwan's economic growth declined from 6.42 percent to 5.62 percent in 2006, to 2.23 percent in 2013. Since 2011, Taiwan's economic growth has been less than 5 percent, which is particularly striking given that by 2013 most Southeast Asian countries were enjoying growth rates of above 5 percent. Another concern with regard to Taiwan's declining economic development is that public enterprise contribution to the GDP has been below 2 percent since 2004 and government capital contribution to the GDP has steadily been in decline from 2000, when it was at 5.44 percent, to 4.13 percent in 2008 and 2.86 percent in 2014.<sup>79</sup> These figures show that since the turn of the century a weakness in Taiwan's public investment has seriously impeded the island's economic development. This decline has coincided with Southeast Asian economic regionalization while Taiwan remains isolated. If Taiwan continues to be economically marginalized, sustaining future economic development will be a tremendous challenge.

## CONCLUSION

Taiwan's economic development has made it an international sensation and has certainly been instrumental in improving its diplomatic relations with Southeast Asian countries. Although it has enjoyed an improved political economy in the region, it continues to face serious challenges of diplomatic isolation and economic marginalization. This chapter has explored Taiwan's efforts in developing relations with its neighbors to the south. President Tsai Ing-wen's administration will need to continue to expand relations with Southeast Asia. While the new southward policy may appear promising, political isolation, economic marginalization, and China's intervention and obstruction are major barriers that Taiwan will have to face in furthering its relations with Southeast Asia. Although Taiwan does not compete against China in the international community, it cannot keep China from imposing the one-China policy that affects Taiwan's future development politically and economically.

Another noteworthy potential influence on Taiwan's relations with Southeast Asia and its relationship with China is that from the 1950s to the 1980s Asian values were practiced, promoted, and used to support political authoritarianism. This was in stark contrast to Western values, which seem to have become more universally accepted today. However, China continues to promote a culture and value system that advocates Asian values.

Since the late 1980s, many Asian countries have transitioned into democracy. In February 1986, when the People's Power Revolution overthrew former dictator Ferdinand Marcos, the Philippines was the first Asian country to adopt a democratic political system. In July 1987, after an extensive period of martial law was lifted, Taiwan also began to transition into democracy. In February 1988, President Roh Tae-woo was democratically elected as the leader of the Republic of Korea, which signified great political change. Although Thailand has theoretically been a democracy since 1932, in 1997 it revised its constitution. However, with the riots of May 1992, Thailand's democracy is still facing some challenges. Since May 1998 and the downfall of former President Suharto, Indonesia has also implemented democracy.

During the past two to three decades, Asia has demonstrated tremendous democratization. This seems to have become a universal value in the region and includes the Muslim country of Indonesia, the Catholic state of the Philippines, and Buddhist nations such as Taiwan and South Korea. Taiwan may face the difficulty of diplomatic isolation, but the island's democratic transformation has been a role model for countries in the region. This is something China and its leaders will also have to face in the future.

## NOTES

1. The Republic of Vietnam (South Vietnam) was taken over in April 1975 by Communist-led North Vietnam, which ultimately unified Vietnam into one country.

2. *Pragmatic diplomacy* means that despite its diplomatic isolation the ROC government was able to establish semigovernmental offices in friendly countries in order to promote greater economic relationships.

3. On May 20, 1990, President Lee Teng-hui denounced the period of mobilization for the suppression of communist rebellion during a news conference. It occurred within a year of his inauguration as the seventh president of the ROC.

4. One expert contends that China has crafted a strategy using various nonkinetic actions to recast an overall balance of power in Asia that displaces the United States as the dominant force in the region. See Harry J. Kazianis, "Superpower Showdown: America Can Stop Chinese Aggression in Asia," *National Interest*, March 6, 2015, <http://nationalinterest.org/feature/superpower-showdown-america-can-stop-chinese-aggression-asia-12368>.

5. By the mid-1970s, most of Southeast Asia had switched formal diplomatic recognition to China. In August 1990, Indonesia was the first major country in the region to do so, followed by Singapore in October 1990 and Negara Brunei Darussalam in October 1991. Vietnam suspended its relations with China in the late 1970s, but in October 1991 it too restored formal relations.

6. Four of the seven elements of the Good Neighbor Policy have to do with Southeast Asia. See S. D. Muni, *China's Strategic Engagement with the New ASEAN*, IDSS Monograph No. 2 (Singapore: Institute of Defense and Strategic Studies, 2002), 16.

7. TAC was originally signed in February 1976 by ASEAN's original founding members. In December 1987 it began to include other states outside of Southeast Asia.

8. The key reason why China developed bilateralism was that it perceived the territorial disputes to be internal matters between only itself and the other clamant.

9. "China President Speaks Out on Security Ties in Asia," BBC News, May 21, 2014, [www.bbc.com/news/world-asia-china-27498266](http://www.bbc.com/news/world-asia-china-27498266).

10. Leszek Buszynski, "ASEAN, the Declaration on Conduct, and the South China Sea," *Contemporary Southeast Asia* 25, no. 3 (December 2003): 343–61.

11. Nontraditional security issues include the human trafficking of women and children, piracy on the high seas, terrorism, arms smuggling, money smuggling, money laundering, international economic crime, and cybercrime. See "Joint Declaration of ASEAN and China on Cooperation in the Field of Non-Traditional Security Issues 6th ASEAN-China Summit Phnom Penh," November 4, 2002, [http://asean.org/?static\\_post=joint-declaration-of-asean-and-china-on-cooperation-in-the-field-of-non-traditional-security-issues-6th-asean-china-summit-phnom-penh-4-november-2002-2](http://asean.org/?static_post=joint-declaration-of-asean-and-china-on-cooperation-in-the-field-of-non-traditional-security-issues-6th-asean-china-summit-phnom-penh-4-november-2002-2).

12. The first memorandum of understanding was signed in 2004 and expired in 2009.

13. The theme of the 2012 BFA was "Asia in the Changing World: Moving towards Sound and Sustainable Development"; in 2015 it was "Asia's New Future: Towards a Community of Common Destiny."

14. Vincent Siew was also the first high-level government official from Taiwan to attend a BFA meeting.

15. See "2015 Boao Forum to Unite Asia-Pacific Nations, Promote All-Win Aspiration," *Aysor*, March 27, 2015, [www.aysor.am/en/news/2015/03/27/2015-Boao-Forum-to-unite-Asia-Pacific-nations-promote-all-win-aspiration/926202](http://www.aysor.am/en/news/2015/03/27/2015-Boao-Forum-to-unite-Asia-Pacific-nations-promote-all-win-aspiration/926202).

16. ASEAN, *ASEAN Statistical Yearbook 2004*, [http://asean.org/?static\\_post=asean-statistical-yearbook-2004](http://asean.org/?static_post=asean-statistical-yearbook-2004), 70.

17. *Ibid.*, 78.

18. *Ibid.*, 46.

19. *Ibid.*

20. *Ibid.*, 228.

21. On June 2, 2012, at the IISS Eleventh Asian Security Summit, the US secretary of defense Leon Panetta reiterated this policy in his speech. See "The US Rebalance towards the Asia-Pacific: Leon

Panetta,” June 2, 2012, <https://www.iiss.org/en/events/shangri-la-dialogue/archive/sld12-43d9/first-assembly-session-2749/leon-panetta-d67b>, accessed March 7, 2015.

22. The older, more senior members of ASEAN include Thailand, Malaysia, Singapore, Indonesia, the Philippines, and Brunei, whereas newer members include Vietnam, Cambodia, Laos, and Myanmar.

23. In November 2012, at the Eighteenth Central Committee of the CPC, Xi Jinping was appointed both general secretary of the CPC and chair of the CPC Central Military Commission at the same time. These posts are two of the most important positions in China’s political system. In March 2013, Secretary/Chair Xi became president of the PRC.

24. Jeremy Page, “China Sees Itself at Center of New Asian Order,” *Wall Street Journal*, November 9, 2014, [www.wsj.com/articles/chinas-new-trade-routes-center-it-on-geopolitical-map-141559290](http://www.wsj.com/articles/chinas-new-trade-routes-center-it-on-geopolitical-map-141559290). The AIIB is expected to collect US\$100 billion.

25. One major factor that contributed to the creation of AIIB was that the US Congress suspended a resolution to expand the voting weight of member countries in the International Monetary Fund (IMF). In 2010 China decided to establish an international financial body that it could control.

26. “China Plans to Give Loans, Aid to Mekong Neighbors,” *Taipei Times*, December 22, 2014, [www.taipetimes.com/News/world/archives/2014/12/22/2003607336](http://www.taipetimes.com/News/world/archives/2014/12/22/2003607336).

27. The five GMS neighboring countries are Vietnam, Laos, Cambodia, Thailand, and Myanmar.

28. Zheng Limin, “China to Boost Infrastructure of Neighbors with New Aid Offer,” CCTV.com, December 21, 2014, <http://english.cntv.cn/2014/12/21/ART11419129751664937>.

29. *Ibid.*

30. *Ibid.*

31. See David Arase, “China’s Two Silk Roads: Implications for Southeast Asia,” *ISEAS Perspective*, no. 2, January 22, 2015.

32. Carl Thayer, “China’s Oil Rig Gambit: South China Sea Game-Changer?,” *Diplomat*, May 12, 2014, <http://thediplomat.com/2014/05/chinas-oil-rig-gambit-south-china-sea-game-changer/>.

33. One Vietnamese scholar presented a more patriotic interpretation of the anti-China riots by saying that some Vietnamese workers had even formed a human shield to avoid further destruction by the violent protesters. See Huong Le Thu, “The Anti-Chinese Riots in Vietnam: Responses from the Ground,” *ISEAS Perspective*, no. 32, May 27, 2014.

34. Taiwanese manager working in southern Vietnam, interview, May 2014.

35. Jim Gomez, “Beijing’s South China Sea Reclamation ‘Massive’: Manila,” *China Post*, January 22, 2015, [www.chinapost.com.tw/asia/regional-news/2015/01/22/427131/Beijings-South.htm](http://www.chinapost.com.tw/asia/regional-news/2015/01/22/427131/Beijings-South.htm).

36. Karlo Mikhail Mongaya, “Filipino Call on China to Do a ‘Chexit’ in the South China Sea,” *Hong Kong Free Press*, July 14, 2016, <https://www.hongkongfp.com/2016/07/14/filipinos-call-china-chexit-south-china-sea/>.

37. “Rodrigo Duterte to End Joint US and Philippine Military Drills,” *Guardian*, September 29, 2016, <https://www.theguardian.com/world/2016/sep/29/rodrigo-duterte-to-end-joint-us-and-philippine-military-drills>.

38. “Obama Cancels Meeting with Philippines President after Duterte Calls US Leader ‘Son of a B\*\*\*\*,’” CNBC, September 6, 2016, [www.cnbc.com/2016/09/05/obama-cancels-meeting-with-philippines-president-after-duterte-calls-us-leader-son-of-a-b.html](http://www.cnbc.com/2016/09/05/obama-cancels-meeting-with-philippines-president-after-duterte-calls-us-leader-son-of-a-b.html).

39. Toko Sekiguchi and Yuka Hayashi, “Shinzo Abe’s Speech to Congress Brings Military Alliance Closer,” *Wall Street Journal*, April 30, 2015, [www.wsj.com/articles/shinzo-abes-speech-to-congress-brings-military-alliance-closer-1430367466?tesla=y](http://www.wsj.com/articles/shinzo-abes-speech-to-congress-brings-military-alliance-closer-1430367466?tesla=y).

40. Mark J. Valencia, “The US, Japan and the South China Sea,” *Diplomat*, February 8, 2015, <http://thediplomat.com/2015/02/the-us-japan-and-the-south-china-sea/>.

41. Hillary Clinton, July 23, 2010, “Remarks at Press Availability,” US Department of State,” <https://2009-2017.state.gov/secretary/20092013clinton/rm/2010/07/145095.htm>.

42. President Obama and most Asian leaders advocated multilateralism over sovereignty disputes in the South China Sea, in contrast with the bilateralism insisted on by the Chinese premier. Jackie Calmes, "Obama and Asian Leaders Confront China's Premier," *New York Times*, November 19, 2011, [www.nytimes.com/2011/11/20/world/asia/wen-jiabao-chinese-leader-shows-flexibility-after-meeting-obama.html](http://www.nytimes.com/2011/11/20/world/asia/wen-jiabao-chinese-leader-shows-flexibility-after-meeting-obama.html).

43. Mark Felsenthal and Matt Spetalnick, "Obama Says U.S. Commitment to Defend Philippines 'Ironclad,'" Reuters, April 29, 2014, [www.reuters.com/article/2014/04/29/us-philippines-usa-obama-idUSBREA3So2T20140429](http://www.reuters.com/article/2014/04/29/us-philippines-usa-obama-idUSBREA3So2T20140429).

44. "US, China Spar over 'Bullying' in the South China Sea," *Taipei Times*, April 11, 2015, [www.taipetimes.com/News/front/archives/2015/04/11/2003615647](http://www.taipetimes.com/News/front/archives/2015/04/11/2003615647).

45. "US Senators Speak Out against China's Territorial Moves," *Taipei Times*, March 21, 2015, [www.taipetimes.com/News/front/archives/2015/03/21/2003614040](http://www.taipetimes.com/News/front/archives/2015/03/21/2003614040).

46. *Ibid.*

47. See Samuel C. Y. Ku, "Laos in 2014: Deepening Chinese Influence," *Asian Survey* 55, no. 1 (January/February 2015): 214–19.

48. Having visited Laos in both September 2002 and September 2014, I share this viewpoint.

49. This is the first time ever that the PAP has lost one of its group representative constituencies.

50. Andrew Jacobs, "In Singapore, Vitriol against Chinese Newcomers," *New York Times*, July 26, 2012, [www.nytimes.com/2012/07/27/world/asia/in-singapore-vitriol-against-newcomers-from-mainland-china.html?\\_r=0](http://www.nytimes.com/2012/07/27/world/asia/in-singapore-vitriol-against-newcomers-from-mainland-china.html?_r=0).

51. Amy Sawitta Lefevre and Panarat Thepgumpanat, "Thailand Cracks Down on Migrant Workers as Anti-immigration Feelings Rise," Reuters, September 29, 2016, [in.reuters.com/article/thailand-migrants-idINKCN11ZoCJ](http://in.reuters.com/article/thailand-migrants-idINKCN11ZoCJ).

52. Yasuhiro Matsuda, "PRC-Taiwan Relations under Chen Shui-bian's Government: Continuity and Change between the First and Second Terms," paper presented at the Brookings-FICS Conference, Taipei, May 23, 2004; Elizabeth Freund Larus, "Taiwan's Quest for International Recognition," *Issues and Studies* 42, no. 2 (June 2006): 23–52.

53. President Chen, however, reluctantly continued without a US stopover on his trip to visit Taiwan's diplomatic partners in Latin America.

54. This is the third term of the southward policy. The first southward policy was implemented from 1994 to 1996, and the second from 1997 to 1999.

55. ASTEP was enacted on April 19, 2014.

56. For more about this historic meeting, see Charlie Campbell, "Leaders of China and Taiwan Meet for the First Time," *Time*, November 11, 2015, <http://time.com/4103732/china-taiwan-xi-jinping-ma-ying-jeou/>.

57. These agreements were drawn up by the Taipei Economic and Cultural Office in Hanoi and the Vietnam Economic and Cultural Office in Taipei.

58. "Taiwanese Arrive in Hanoi to Attend Promotional Event," *Taipei Times*, April 18, 2013, [www.taipetimes.com/News/taiwan/archives/2013/04/18/2003560040](http://www.taipetimes.com/News/taiwan/archives/2013/04/18/2003560040).

59. Taiwan opened its doors to Vietnamese migrant workers in 1999. The number of Vietnamese workers had reached 150,000 by the end of 2014. Taiwan has more migrant workers from Vietnam than any other country that employs many Southeast Asian workers.

Since 1987, Vietnamese women have been marrying Taiwanese men. By the end of 2014, Vietnamese wives were the largest group of foreign wives in Taiwan.

Because of the December 2006 signing of the Education Cooperation Agreement between Taiwan and Vietnam, Vietnamese students make up the largest group of foreign students studying in Taiwan.

60. In January 2014, the Economic Development Council was renamed the National Development Council, after it merged with the Research and Evaluation Council of the Executive Yuan.

61. By the end of 2014, ROC passport holders could enter 135 countries, either without a visa or with an arrival visa.
62. Before 1985, one US dollar was the equivalent of forty Taiwan dollars. However from 1986 to 1988, after its appreciation, one US dollar was equivalent to twenty-five to twenty-six Taiwan dollars.
63. Bureau of Foreign Trade, Ministry of Economics, Republic of China.
64. "Asian Conference Industry Forum 2014," b8efa1ee-91b2-4c6c-8624-4aed8e9b8370.pdf, accessed March 17, 2015.
65. Regarding Taiwan's early investment in China and Southeast Asia, see Xiang Ming Chen, "Taiwan Investments in China and Southeast Asia: 'Go West, but Also Go South,'" *Asian Survey* 36, no. 5 (May 1996): 447–67; Rong Yung King, "Taiwan and ASEAN: Another Approach to Economic Cooperation," *Issues and Studies* 34, no. 11/12 (November/December 1998): 181–201.
66. ASEAN consists of ten countries; East Timor is the only country in Southeast Asia that is not included.
67. The members of the RECP include the ten ASEAN countries plus China, Japan, South Korea, India, Australia, and New Zealand.
68. For Taiwan's economic relations with ASEAN, see Hong Zhao, "Taiwan-ASEAN Economic Relations in the Context of East Asian Regional Integration," *International Journal of China Studies* 2, no. 1 (April 2011): 39–54.
69. China continues to obstruct Taiwan from joining these types of economic groups because of its so-called one-China policy. See, for example, Christopher M. Dent, "Taiwan and the New Regional Political Economy of East Asia," *China Quarterly* 182 (June 2005): 385–86.
70. Ministry of Foreign Affairs, ROC, "President Ma Ying-jeou Attends Seminar on Taiwan's Bid to Participate in TPP and RCEP," press release, February 17, 2014, [www.mofa.gov.tw/EnMobile/News\\_Content.aspx?s=812442E092DF7B2B](http://www.mofa.gov.tw/EnMobile/News_Content.aspx?s=812442E092DF7B2B).
71. Ibid.
72. See "Siew Delivers Message to Xi as Boao Forum Opens," *Taipei Times*, March 29, 2015, [www.taipetitimes.com/News/front/archives/2015/03/29/2003614643](http://www.taipetitimes.com/News/front/archives/2015/03/29/2003614643).
73. Taiwan's last-minute bid to join AIIB came just before the application deadline. See Lawrence Chung, "Taiwan in Last-Minute Bid to Join AIIB as Founding Member," *South China Morning Post*, March 31, 2015, [www.scmp.com/news/china/article/1751994/taiwan-last-minute-bid-join-aiib-founding-member](http://www.scmp.com/news/china/article/1751994/taiwan-last-minute-bid-join-aiib-founding-member).
74. Tung Chen-Yuan, "The East Asian Economic Integration Regime and Taiwan," *Asian Perspective* 34, no. 2 (April/June 2010): 83–112.
75. Election Study Center, National Chengchi University, Taiwan, "Trends in Core Political Attitudes among Taiwanese[sic]," August 24, 2016, <http://esc.nccu.edu.tw/course/news.php?class=203>.
76. Ibid.
77. Ibid.
78. Since the early 1990s, the issue of Taiwanese identity has surged. For early work on Taiwanese identity, see Lowell Dittmer, "Taiwan and the Issue of National Identity," *Asian Survey* 44, no. 4 (July/August 2004): 475–83; Yun-Han Chu, "Taiwan's National Identity Politics and the Prospect of Cross-Strait Relations," *Asian Survey* 44, no. 4 (July/August 2004): 484–512; Chi Huang, "Dimensions of Taiwanese/Chinese Identity and National Identity in Taiwan," *Journal of Asian and African Studies* 40, nos. 1/2 (February/April 2005): 51–70.
79. Directorate General of Budget, Accounting and Statistics, Executive Yuan, ROC.

