

**EFFORTS OF TAIWAN'S NEW SOUTHBOUND POLICY IN SUPPORTING THE
ECONOMY THROUGH TAIWAN'S EXPORT COOPERATION WITH ASEAN
DURING THE COVID-19 PANDEMIC**

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ABSTRACT

The Covid-19 pandemic attacked the world and had a very extraordinary impact. This pandemic has changed the order of economic and health aspects and changes in people's social interactions. Taiwan's exports to ASEAN itself were affected so that they experienced a decline, especially in 2020 the export value decreased by 1.3 percent due to the Covid-19 pandemic, several causes of which were a decrease in international prices for oil and gas products and steel products. The New Southbound Policy is one of Taiwan's strategies towards Taiwan's economic and trade relations with the aim of redefining Taiwan's role in the development of the Asian region. This research aims to find out the efforts made by Taiwan's New Southbound Policy in boosting the economy through Taiwan's export cooperation with ASEAN during the Covid-19 Pandemic. The method used in this research is descriptive qualitative method. Data collection techniques were obtained by literature study, namely in the form of books, journals, and other literature related to this research. In addition, this study uses the concept of foreign policy and national interest as a framework for research analysis. The results of this study indicate that Taiwan's foreign policy, namely the New Southbound Policy, was formulated to improve Taiwan's internal economy and can be recognized internationally. During the Tsai Ing wen era, Taiwan reinstated the New Southbound Policy because Taiwan had national interests, especially in improving the export sector's national economy. With this policy, Taiwan succeeded in increasing the value of exports to ASEAN during the pandemic.

Keywords: *New Southbound Policy, Export, Taiwan, ASEAN*

1) INTRODUCTION

The Covid-19 pandemic attacked the world and had a very extraordinary impact. This pandemic has changed the order of economic and health aspects and changes in people's social interactions. This situation makes the government in every country face a very dilemmatic choice to save the economy without sacrificing public health. Taiwan's new southbound policy to demonstrate that it has tariff advantages has successfully encouraged Taiwanese companies to invest and export diversity and market risk. (Chow, 2021) Taiwan is a country in Asia that has a strong and growing economy. Taiwan has very advanced technology, especially in the information and communication technology (ICT) sector. Cooperation with Taiwan in the economic and technological fields can help increase ASEAN's competitiveness in this field. Through this policy, ASEAN is the main target because ASEAN is one of the main markets for Taiwan's exports which has great potential for economic cooperation. In addition, ASEAN countries also share many similarities with Taiwan, such as culture, language, and geography which make it easier for Taiwan to strengthen economic relations with ASEAN countries.

Taiwan's exports to ASEAN itself were affected so that they experienced a decline, especially in 2020 the export value decreased by 1.3 percent due to the Covid-19 pandemic, several causes of which were a decrease in international prices for oil and gas products and steel products. However, exports of technology products such as ICs, printed circuit boards, computer parts, and semiconductor equipment experienced an increase driven by the stay-at-home-economy (economic activity caused by the tendency of people to spend more time at home), as well as The shift in the production chain to ASEAN has also boosted the demand for electronic equipment spare parts, so that opportunities are widening due to the large use of technology that can increase the demand for electronic equipment spare parts. The growth of technology companies in ASEAN has driven an increase in demand for semiconductor equipment, laptops, cellphones, and communication equipment, resulting in an increase in Taiwan's exports to ASEAN in 2021. (Tahun 2021 Nilai Ekspor Taiwan ke Asean Lampau USD 70 Miliar , 2022) The policy taken by Taiwan, namely the New Southbound Policy, gives Taiwan advantages to encourage Taiwanese companies to be able to invest and diversify market risk.

The New Southbound Policy is one of Taiwan's strategies towards Taiwan's economic and trade relations with the aim of redefining Taiwan's role in the development of the Asian region. (Anonim, 2016) This strategy aims to highlight new assets that will drive Taiwan's economic expansion. This policy has four main objectives namely Promoting economic cooperation, sharing skills, sharing resources, and fostering regional relations. The implementation of these policies is not only limited to trade and investment issues, but also covers issues of health, tourism, culture, migration, education, and technology. With this policy, it is hoped that the Taiwanese government can start negotiations and dialogue with ASEAN and South Asian countries as well as New Zealand and Australia to build close cooperation and jointly achieve regional development and prosperity.

The New Southbound policy under Tsai Ing Wen's government has another advantage, namely the large economic potential in the target country, especially ASEAN countries. The acceleration of regional integration centered on Southeast Asia in recent years has changed Taiwan's general perception of the region and the business operations of Taiwanese companies. The strong economic outlook and rising costs of labor and land in mainland China make ASEAN's diverse economies an alternative for Taiwanese businesses. (Glaser, Kennedy, & Mitchel, 2018)

ASEAN is Taiwan's main target because ASEAN countries are countries that have the potential to develop and become developed countries. Southern countries are also an interactive market, especially Southeast Asia, where there are quite large demographic numbers and relatively high purchasing power. (Chandra, 2010) Through this policy, Taiwan's leader Tsai Ing-Wen in 2016 sought to expand relations beyond the main sectors of trade and the economy. ASEAN is considered important because in 2015 ASEAN plans to become a single market with a potential total population of 550 million people. Overall, the ASEAN region is currently the fifth-largest export market for Taiwan. The ASEAN economy is seen to continue to develop rapidly. ASEAN economic integration will benefit the Taiwanese private sector which has already invested quite a lot. According to Joyce Juo-yu Lin said Taiwan wants to improve trade relations with ASEAN because the ASEAN region has an important role for Taiwan economically.

The production rate of Taiwanese companies in ASEAN will increase from 1.6% in 2018 to 3.2% in 2021. In 2021 Taiwan will experience an increase in the production of Taiwanese companies to ASEAN countries where post-pandemic Taiwan has increased demand in the health and technology sector such as spare parts for electronic equipment, semiconductors, cellphones, laptops, and communication equipment so that in 2021 Taiwan will rank first as the main IC exporter to ASEAN countries by 39.8%. (Hartati, 2020) The increase in raw material prices and the expansion of technology companies into ASEAN have also contributed to the increase in demand. According to Tsai Ing-Wen Pandemic covid-19, Taiwan must manage and transform global supply chains to pursue membership in mega-regional trading blocs and reduce dependence on the Chinese market and implement the New Southbound Policy to integrate with the economies of South and Southeast Asia. Taiwan has ASEAN's main export destinations, including Vietnam, the Philippines, Malaysia, Singapore, Thailand, and Indonesia.

2) RESEARCH METHODS

This research will use qualitative research methods, with a descriptive approach. This is intended to make it easier for the reader to understand the cases presented in the study. This study uses data collection techniques carried out through a literature review or literature study, namely by collecting data that is coherent with the object of discussion. The data obtained comes from several documents, books, journals, e-books, or articles and is then grouped and analyzed using concepts.

The data collection technique in this study used secondary data in the form of a literature review from various library materials. M. Katherine McCaston stated that there are two main processes in secondary data analysis, namely collecting data and analyzing it (collecting and analyzing a vast array of information). The data sources used come from the results of publications issued by related institutions or institutions in the form of books, journals, electronic news, and articles related to the subject of this research to answer the formulation of the problem that has been determined.

After the necessary data has been collected, further steps are needed to produce a complete research study. Qualitative data analysis techniques aim to understand things such as Sandakan, events, and actors related to social problems. In this study there are hypotheses that are tested for truth. Efforts made by Taiwan through the New Southbound

Policy to improve its economy by exporting activities to ASEAN during the Covid-19 pandemic, use secondary data collection methods through various literature that can test hypotheses between variables.

3) RESULT AND DISCUSSION

3.1 Foreign Policy Analysis: Taiwan's *New Southbound Policy* on the Country's Economy in 2020-2022

Every country must have interests and needs in various aspects, such as the economy, security stability, to interests in the political elite. Every country has the freedom to be able to determine the direction of its country's policies in accordance with the desired goals and interests. Foreign policy is one of the steps taken by every country, to gain benefits by influencing other countries, gaining prestige and aiming to maintain common security. Foreign policy can be carried out in 3 ways, namely by war, economic cooperation and peace. Of these 3 ways, Taiwan has policies that lead to economic and trade cooperation and carries out a lot of cooperation with the objectives contained in the policies that have been issued by Taiwan, namely ASEAN countries, South Asia, New Zealand or Australia. This is because Taiwan has goals and interests in the pattern of policies carried out, to maintain and improve the economic relations between Taiwan and Southeast Asian countries and the economy in the international arena.

Taiwan's economy is one of the world's strongest and most stable economies. This country has a developing economy and has an important role in the global economy. In its efforts to expand its market and strengthen relations with other countries, Taiwan launched the New Southbound Policy, a new and mutually beneficial model of cooperation fostering a sense of economic togetherness. Unilaterally establishing a contract manufacturing base in ASEAN and South Asia, Taiwan will seek bilateral partnerships and greater exchanges of personnel, capital, technology, culture, and education with ASEAN, South Asian countries, Australia, and New Zealand. (Jing, 2017)

Some of the strategies used by Taiwan to diversify export markets through the New Southbound Policy, namely, Export promotion: through exhibitions and trade missions to introduce Taiwanese products and services to target countries, Industrial cooperation: facilitate inter-industry cooperation to expand market access and building business networks, Protection of intellectual property rights: ensuring the protection of intellectual

property rights for Taiwanese products and services exported to target countries, Improvement of logistics infrastructure: expanding access to logistics infrastructure to facilitate the export of Taiwanese products and services. (Ministry of Economic Affairs, n.d.)

Taiwan's economy under the policies of President Tsai Ing-Wen's government has shown stable and positive results. In terms of economic growth, Taiwan recorded good results, with an average growth of around 2.2% in 2019 and 2.6% in 2020. This can be seen from domestic consumption and private investment which remained strong, as well as continued exports increased. In 2020-2022 the Taiwanese economy will experience challenges and growth. In 2020, the COVID-19 pandemic caused a sharp decline in global demand, which had a significant impact on the exports of countries that are major contributors to the economy. However, the government's swift response in implementing measures to contain the spread of the virus and support businesses helped mitigate the economic impact. But on the other hand, the emergence of technology and the increasing demand for electronics and components, especially for 5G networks and IoT devices, are driving the growth of the technology industry, driving economic progress. Government efforts to attract foreign investment and encourage innovation also played a role in economic recovery. According to data from the Directorate General of Budget, Accounting and Statistics, Taiwan's GDP grew by 3.11% in 2020 and 4.18% in 2021, demonstrating the country's resilience and ability to adapt to challenging circumstances. (Statistical Data of Taiwan's Economy , 2021)

Based on the data above, Taiwan's positive GDP growth in 2020-2021 shows that Taiwan's economy is able to survive and grow despite being affected by the COVID-19 pandemic that hit the world in 2020. The Taiwan government has taken various steps and policies to strengthen the country's economic resilience, including financial support and assistance to companies and residents affected by the COVID-19 pandemic. The Taiwanese government is also trying to strengthen industrial sectors that are considered to have the potential to grow and develop amid the COVID-19 pandemic, such as the technology and health sectors.

This growth figure shows that Taiwan can survive and adapt to challenging circumstances, such as the COVID-19 pandemic that hit the world in 2020. Taiwan's

economic growth is quite stable despite being affected by the COVID-19 pandemic which has disrupted the global economy. The GDP growth rate that continues to increase from 2020 to 2021 shows that the economic policies and strategies adopted by the Taiwanese government can strengthen the country's economic resilience in facing difficult situations. However, Taiwan's economic growth has still not fully recovered from the impact of the COVID-19 pandemic.

3.2 Analysis of the Interests of the *New Southbound Policy* on Taiwan's Exports with ASEAN During the Covid-19 Pandemic

National interest is used as a barometer of the success of a foreign policy run by a country. National interests occur because of the needs of the state that must be implemented. Interests can be seen from the state of a country both internally and from the political, economic, military, and cultural side. The national interest of a country can have an impact on the country to be recognized by the international community on the condition that the interests of a country must be based on power. The New Southbound Policy is a tool to carry out the interests of the Taiwanese state to be able to advance the country's economy and to be able to develop the East Asia region to be more advanced.

Taiwan's national interest through Taiwan's export activities to ASEAN during the COVID-19 pandemic through the New Southbound policy shows that economic cooperation with ASEAN countries is one of Taiwan's top priorities. This is because ASEAN is a potential market for Taiwan and economic cooperation with ASEAN can help Taiwan to increase market diversification and reduce dependence on major markets such as China and the United States. During the pandemic, the New Southbound policy was important for Taiwan because it helped Taiwan to overcome the negative impact of the pandemic on the economy. (The Impact of COVID-19 on Taiwan's New Southbound Policy", 2020) This policy allows Taiwan to maintain stable exports to ASEAN and expand new markets through technology cooperation and digital trade. In addition, economic cooperation with ASEAN can also help Taiwan to increase global involvement and improve Taiwan's position in international trade.

Taiwan managed to get out of the national economic crisis due to the impact of the Covid-19 pandemic. This can be seen from the skyrocketing value of Taiwan's exports by

9.4 percent in September 2020 amid the global economic downturn. (Husaini, 2020) As a country whose economic growth is supported by world trade, Taiwan's economy should take a hit from the slumping global economic conditions. However, the Taiwan government is moving quickly in taking steps to save the country's economy. As an initial step during the outbreak of the corona virus in February 2020, Taiwan's industrial development bureau collaborated with the national team responsible for the need for masks to secure supplies of personal protective equipment. After May 2020, Taiwan was able to donate surgical masks around the world, including Indonesia. The ability of the Taiwanese authorities to read the situation has made Taiwan's exports manage to reach a record high amid the chaotic world economy.

3.2.1 Taiwan's Export Cooperation with ASEAN During the Covid-19 Pandemic

Taiwan has a modern and developed economy with gradually shrinking foreign trade and investment guides. Taiwan's export commodities are led by electronics, machinery, and petrochemicals providing the main impetus for its economic development. This requires a strong dependence on exports, which exposes the economy to fluctuations in world demand. Taiwan's exports to ASEAN during the COVID-19 pandemic showed a significant influence from the New Southbound policy. Taiwan has succeeded in maintaining the stability of exports to ASEAN by implementing a policy of market diversification and increasing technological cooperation. This is shown by data from Taiwan's Directorate General of Foreign Trade which shows that Taiwan's exports to ASEAN in early 2020 only decreased by 2.5% compared to 2019. (New Southbound Policy: Taiwan's Economic and Trade Cooperation with Southeast Asia" , 2021)

From January to November 2020, the value of Taiwan's product exports to China including Hong Kong reached a value of US\$ 136.74 billion, or 43.8 percent of the total value of Taiwan's exports (up 14 percent). The main reason for this increase is because China restarted the industrial sector (after the outbreak) more quickly, and the sanctions imposed by the United States on Huawei helped push the domestic industrial chain to immediately export. In addition, due to the ongoing epidemic, exports from Taiwan to Southeast Asian countries have decreased, so that the percentage of the value of Taiwan's exports to other countries has decreased.

The value of exports to ASEAN in 2020 decreased by 1.3 percent due to the pandemic and falling oil prices and steel prices. However, post-pandemic business opportunities, the increasingly widespread use of applied technology, has driven the increasing need for spare parts for electronic equipment. In addition, the increase in raw material prices, as well as the expansion of technology companies into ASEAN, have also driven up demand for semiconductor equipment, cell phones, laptops, and communication equipment, so that in 2021 the value of Taiwan's exports to ASEAN will increase significantly to reach USD 70.24 billion (an increase 32 percent). The accumulated export value from January to May this year has reached USD 34.2 billion, up 23.4 percent compared to the same period last year. (Kementrian Keuangan Taiwan, n.d.) 50 percent of the export value comes from the export of spare parts for electronic equipment. Taiwan's main export destinations in ASEAN are Singapore, Vietnam, Malaysia, Thailand, the Philippines, and Indonesia. In 2021 the value of exports to the 6 countries will occupy 98.5 percent of total exports to ASEAN.

Stay at home economy activities (economic activities caused by people's tendency to spend more time at home) and trends in technological developments have contributed to driving Taiwan's exports of electronic products overseas. as well as the shift of the production chain to ASEAN has also boosted demand for spare parts for electronic equipment. In 2021 the value of exports to ASEAN will grow positively again. In 2021 Taiwan will rank first as the main exporter of IC to ASEAN countries, namely 39.8 percent. Besides succeeding in placing first, Taiwan's IC product market share in ASEAN countries also continues to increase.

In 2022 Taiwan's exports to ASEAN will continue to experience growth even though the pandemic is still ongoing. Taiwan's exports to ASEAN in 2022 will increase by 12.5% compared to the previous year. This was driven by the recovery in demand for electronic products, which are Taiwan's main export products to ASEAN. The technology sector remains the main driving force for Taiwan's economy, including in terms of exports. Taiwan's technological advantages in electronics and components help strengthen its position as an important export partner for ASEAN. With the steady development of Taiwan's exports to ASEAN, Taiwan's economy has remained stable and even developed

over time. This opens opportunities for Taiwan to continue to enhance economic and trade relations with ASEAN, which will bring benefits to both sides.

The efforts made through the New Southbound policy show Taiwan's seriousness in strengthening relations with ASEAN countries and increasing Taiwan's exports to these countries. This policy is expected to help boost Taiwan's economy and open up new business opportunities for Taiwanese companies.

3.3 Correlation of the *New Southbound Policy* with the Ta'awun Concept as an Islamic perspective

The New Southbound Taiwan Policy is an economic initiative launched by the Taiwanese government to develop trade and investment relations with South Asian countries, New Zealand, South Asia and Australia. In Islam there is Ta'awun, which teaches about helping each other and working together between individuals or between institutions to achieve common goals. Ta'awun is mutual assistance, which is a principle of Islamic economics, every contract that is made must be mutually beneficial to all parties in the contract. (shomad, 2012) This ta'awun can be said to be relevant to this policy because Taiwan and the target countries of the New Southbound Policy can help each other, namely Taiwan encourages its country's economy with this policy through export cooperation and destination countries, especially ASEAN, can meet their country's needs.

According to Muhammad Abduh who is one of the scholars who discusses ta'awun. He was a prominent scholar in the late 19th and early 20th centuries who fought for Islamic reform in Egypt. In his book entitled "Tafsir al-Manar", Abduh explained that ta'awun is an important principle in Islam which teaches that humans must help each other and work together to achieve the goodness of Islam also encourages every Muslim to make ta'awun a characteristic and characteristic in their mutual muamalah. (Abduh & Ridha, 1999) Islam teaches its people to want to work together, ta'awun with others based on kinship. Allah swt, said in the letter al-Maidah verse 2:

وَتَعَاوَنُوا عَلَى الْبِرِّ وَالتَّقْوَىٰ ۖ وَلَا تَعَاوَنُوا عَلَى الْإِثْمِ وَالْعُدْوَانِ ۗ وَاتَّقُوا اللَّهَ ۚ إِنَّ اللَّهَ شَدِيدُ الْعِقَابِ

Artinya : Dan tolong-menolonglah kamu dalam (mengerjakan) kebajikan dan takwa, dan jangan tolong-menolong dalam berbuat dosa dan permusuhan (Q.S. al Maidah/ 5 : 2).

In Islam, Ta'awun implies that people must help and strengthen each other in goodness, including in economic matters. Therefore, the state policy towards export cooperation promotes mutually beneficial and fair cooperation between all parties involved. In the context of the New Southbound Policy, the concept of Taawun Islam can be applied in various ways, such as Taiwan can collaborate with Southeast Asian and South Asian countries in strengthening trade and investment relations. Taiwan can promote exports of superior products that have high quality and competitive prices, such as electronic products, medical devices, and other manufacturing sectors. Southeast Asian and South Asian countries can provide Taiwan with the raw materials, labor, or natural resources it needs.

4) CONCLUSION

The New Southbound Policy was implemented in 2016 by President Tsai Ing-Wen who was the first female president to come from the Democratic Progressive Party. The policy is Taiwan's effort to strengthen economic and cultural relations with destination countries such as Southeast Asia, South Asia, New Zealand, and Australia countries, and can help release Taiwan's dependence and economic stagnation on its main market, namely China. The policy is implemented on the basis that Taiwan can add export markets, especially ASEAN which has high economic potential, strengthens the country's economic diversification, maintains trade balance, and can strengthen diplomatic relations with target countries. Overall, the New Southbound Policy shows that Taiwan has consistent efforts to boost the country's economy. This strategy has yielded positive results for Taiwan's economy and helped strengthen its position as a regional economic center.

Taiwan has had positive results for its economy through this New Southbound policy with an increase in Taiwan's exports to ASEAN in 2021 experiencing an increase of 3.2 percent and 2022 increasing by 12.5 percent, even though the pandemic is still ongoing. However, at the beginning of 2020, Taiwan experienced a decline due to the

impact of the Covid-19 pandemic by 1.3 percent. However, post-pandemic business opportunities for Taiwan have expanded due to an increase in Taiwan's exports driven by demand for electronic products and machinery. The electronics and machinery sectors are the two main industries that lead the development of Taiwan's exports to ASEAN. Taiwan's prominence in technology and innovation help strengthen its position as an important export partner for ASEAN. Taiwan's exports to ASEAN play an important role in sustaining Taiwan's economy.

In Islam, Taiwan's New Southbound Policy of boosting the economy through export cooperation with Southeast Asian and South Asian countries is very much in line with the Islamic concept of Ta'awun, which teaches cooperation and mutual assistance. Healthy and fair economic collaboration between Taiwan and the New Southbound countries can create positive synergies and generate mutually beneficial economic benefits. In implementing the Ta'awun concept, Taiwan and the New Southbound countries must continue to strengthen cooperation and promote trade and investment relations that are sustainable and beneficial to all parties.

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