New Southbound Policy and Taiwan-India Economic Relations

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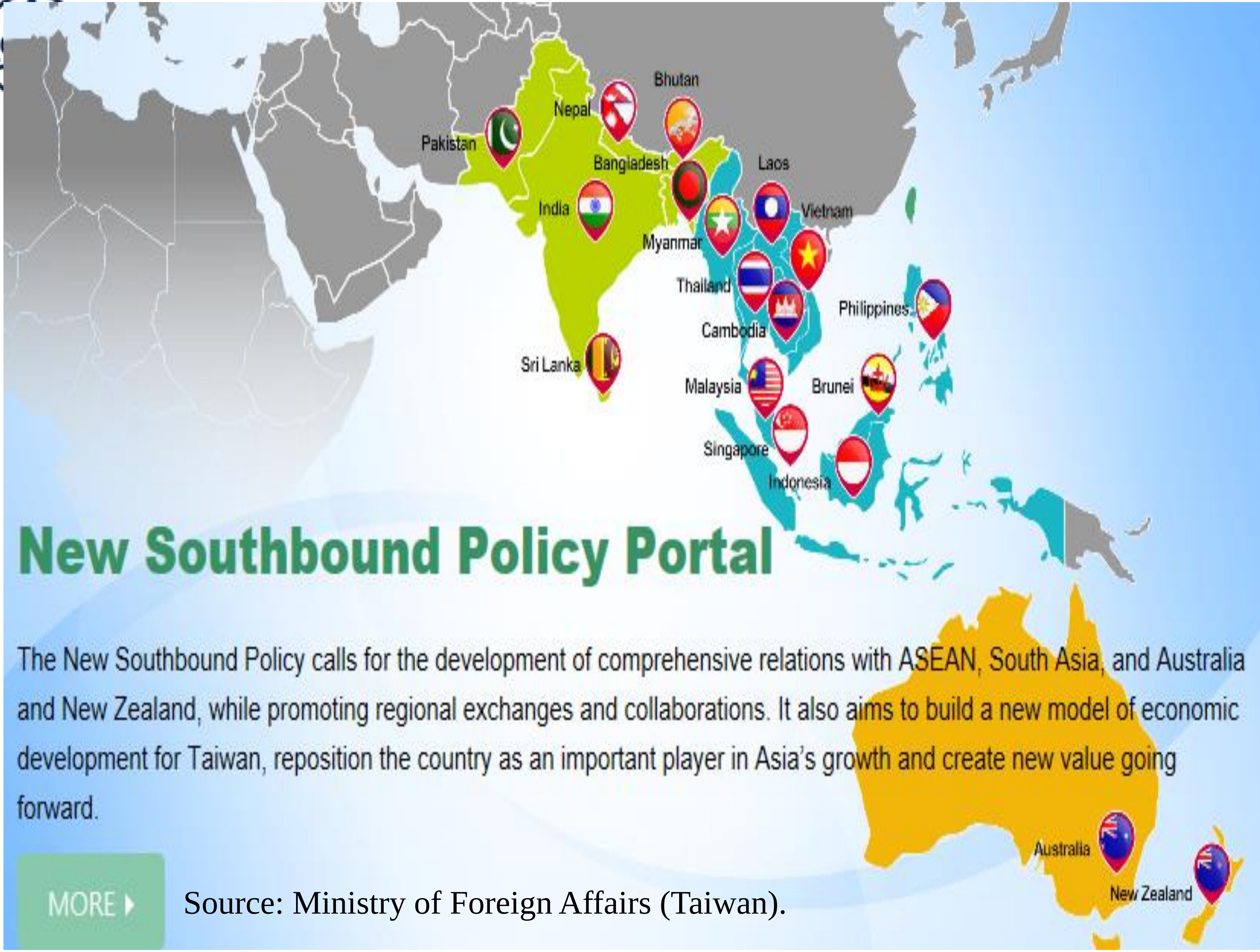


Source: Ministry of Foreign Affairs (Taiwan).

The New Southbound Policy

- Announced by President Tsai Ing-Wen in May 2016 and entered into full implementation since Jan. 2017.
- Core concept: Under the objectives of fostering regional prosperity and development, NSP seeks to expand cooperation with 18 Partner Countries in areas of economic and trade collaboration, people-to-people exchanges, resources sharing, and institutional links, while showcasing Taiwan's "Soft Power" and sharing economic development experiences.

NSP Partner Countries

- Indonesia
- Malaysia
- Philippines
- Thailand
- Vietnam
- India
- Singapore
- Cambodia
- Myanmar
- Bangladesh
- Brunei
- Laos
- Australia
- New Zealand
- Bhutan
- Nepal
- Pakistan
- Sri Lanka

Evolution of Go South Policies

- **Previous Southbound Policies:**

In 1994, the "*Action Plans for Enhancing Economic Relations with Southeast Asia*" was first adopted, known as the beginning of Taiwan government's "Go South" policy and actions:

- Three waves of Go South: 1993~1997, 1997~1999, 2002~2007.
- Top down, government driven policies: State-, Political Party-owned Enterprises, large companies led the way.
- Despite of Asian Financial Crisis, Anti-Chinese Riots, China Opening up, etc., TW has built manufacturing clusters in SEA and established comprehensive Tai-Shang (台商) networks.

- **New Southbound policy**

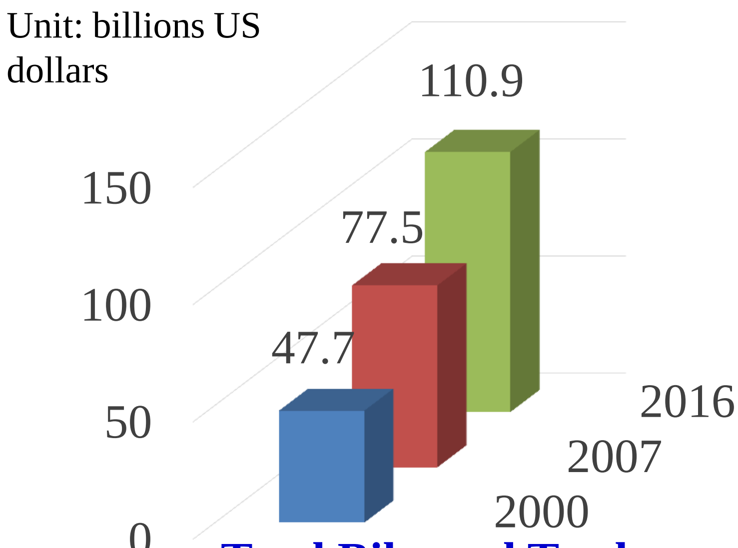
Since 2009, new trend of "Business Returning to Southeast Asia".

- Market driven, based on keen interests in ASEAN Economic Community and concerns of exclusion from regional integration and dependence on China (**Rise of Red Supply Chains vs. make in China 2025**)
- Emphasis on services, New/Green/smart Economy, institutional dialogues, people to people exchanges, and ODA policy.

Policy Priorities and First -Year Assessments

Bilateral Trade

- Total trade with NSP Countries amounted to USD 110.9bn, efforts aimed at changing trade structure (70% trade by intermediate goods).
- In 2017, exports to NSP countries counts for 21.23% of TW's total export, imports counts for 16.75%.
- China's share in exports and imports reached 41.08% and 19.88%.



Total Bilateral Trade

Foreign Direct Investment

- Approximately 10,000 TW companies have investments in NSP Countries up to USD 100bn, creating up to 4m jobs in past 2 decades.
- Second generation of Tai Shang.

P2P Exchanges: Tourism and education

- In 2017, the total number of inbound tourist arrivals from NSP Countries reached 2.3m, ranking the 2nd largest source next to China.
- China is the largest source but very volatile. Total number of tourist arrivals has decreased from 4.2m in 2014 to 2.7m in 2017 as a result of its hard stance on Tsai government.
- In 2016-2017 academic year, 31,531 students from NSP Countries studied in TW, counting for 27% of total foreign students. 19,265 TW students studied in NSP Countries, counting for 30.45% of total students abroad.

NSP Flagship Programs and Recent development

- **Agriculture**
- Enhance agricultural cooperation with NSP countries, promote export of TW's agricultural materials, production supplies & technologies.
- Strengthen agricultural human resources development, technical exchanges, encourage high value added/export-oriented investment.
- ✓ **Establish Agriculture Demonstration Parks in some NSP Countries**.
- Cooperate in enhancing regional food security.

- **Public Health**
- Provide training programs for NSP officials and public health personnel on global health and disease prevention**. Joint programs under the U.S. Global Cooperation & Training Framework (GCTF)**
- Establish regional joint epidemic prevention networks with NSP Countries
- Promote medicine and public health-related industrial supply chains

NSP Flagship Programs and Recent development Cont.

Industry Innovation

- Promote/Enhance supply chain partnerships in industries, including textiles and garment, footwear, auto parts, and marine industries, etc.
- Identify priority sectors for bilateral industrial cooperation with major NSP countries

✓ **Thailand-auto parts, Philippines- medical equipment, Indonesia-food processing, India-ICT and smartphone manufacturing**

- Facilitate exchanges among business associations, universities, research institutions, R&D labs, etc.

Industrial Talent and Entrepreneurship Development

- Cooperation in vocational schools, training institutions, and internship programs by TW companies.
- Increase scholarships programs and encourage skill upgrading programs in Taiwan.

✓ **Review Immigration Act to allow qualified skilled foreign workers to stay for more than 6 years and apply for citizenship.**

NSP Flagship Programs and Recent development Cont.

Encourage NGOs and Young Leaders Exchanges

- Create regular forum to promote dialogues between NGOs, young leaders and think tanks.
- Establish Taiwan-ASEAN Exchange Foundation (TAEF)

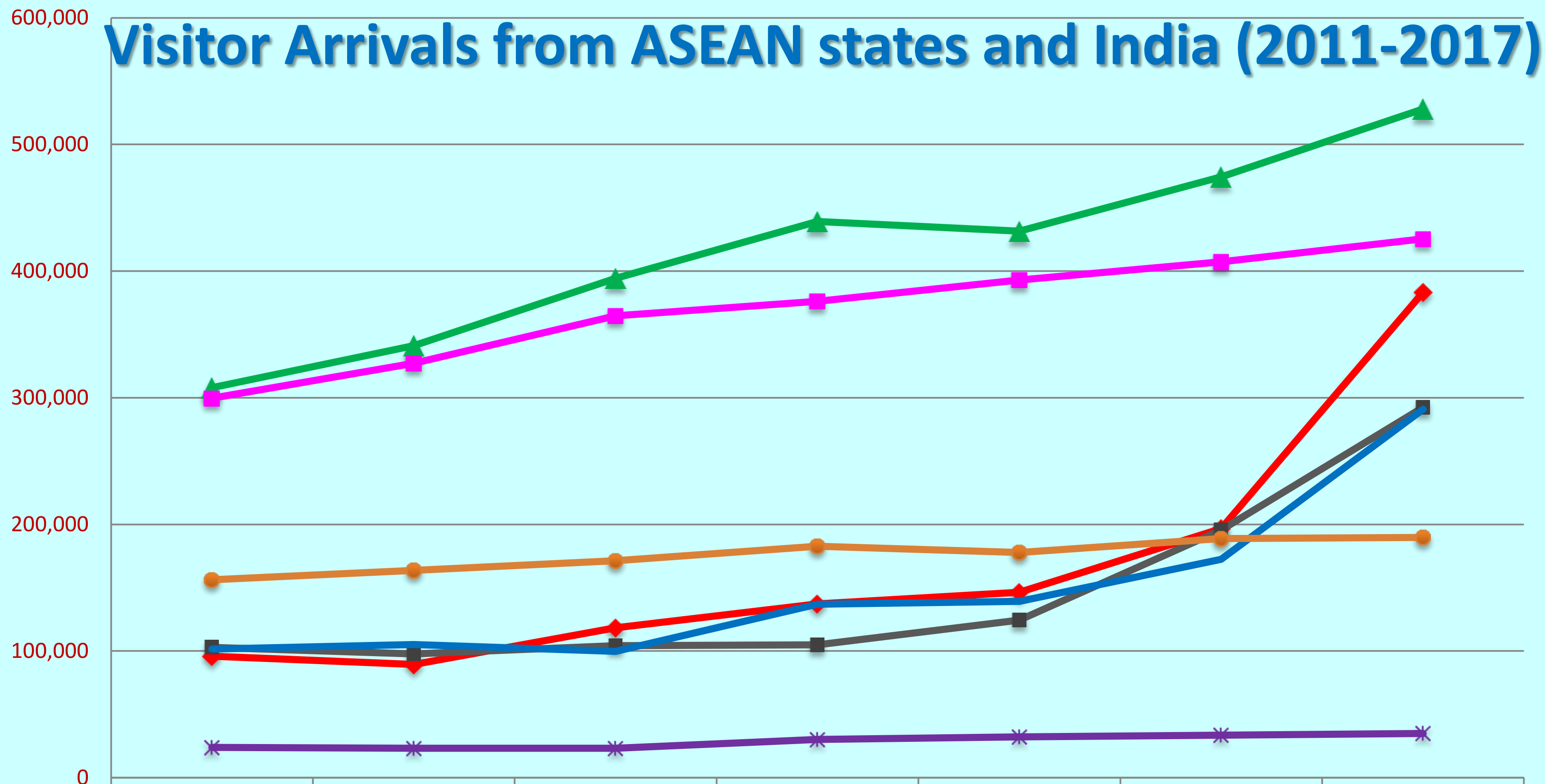
Taiwan-style ODA programs and high quality infrastructure

- Establish TW's Official Development Assistance (ODA) system, **focusing on high quality infrastructure, such as ICT, new energy, environmental facilities and smart cities.**
- Seek project-based cooperation with host countries and third countries, such as Japan.

Tourism

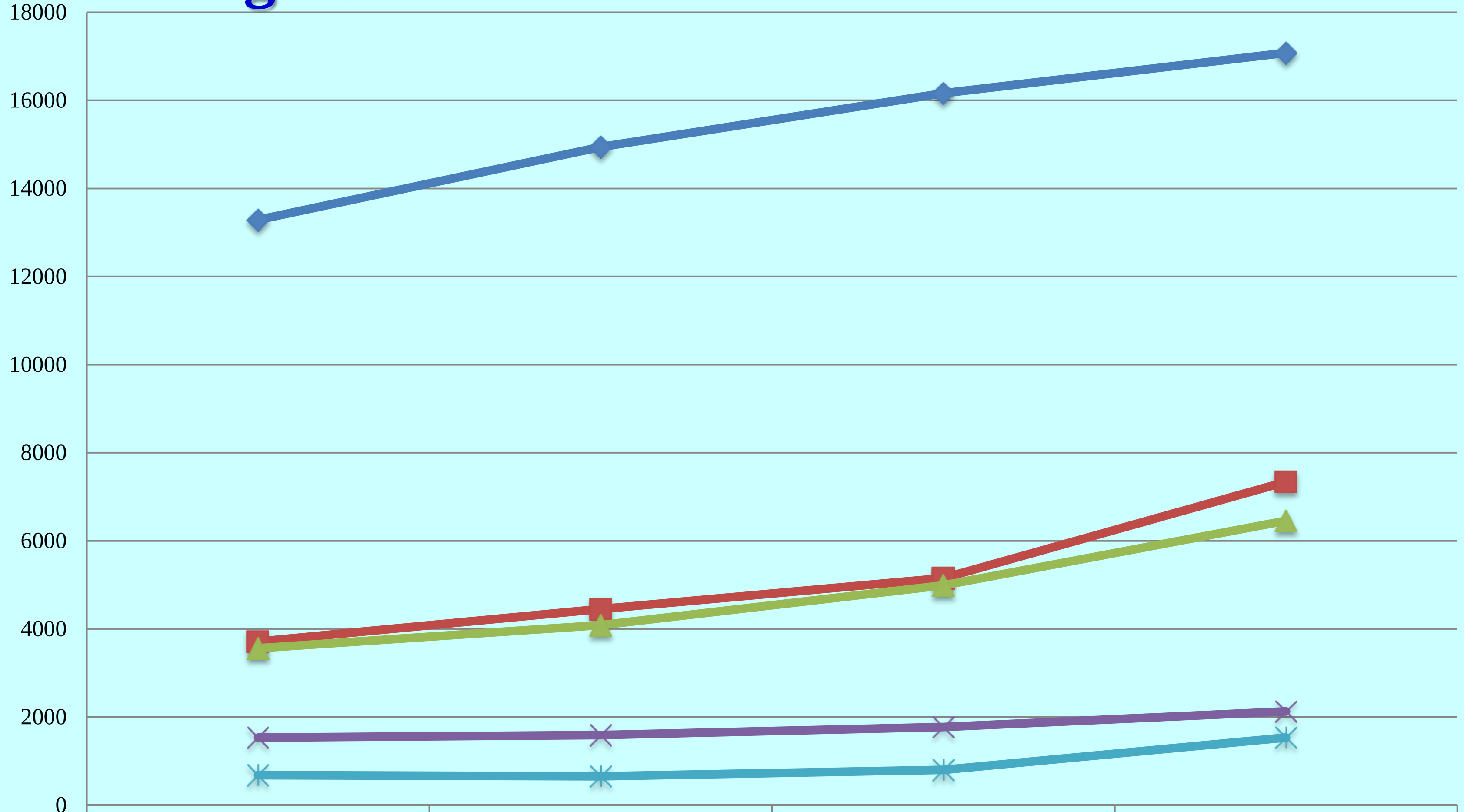
- Encourage cultural and tourism exchanges.
- **Continue reviewing visa treatments to NSP Countries.**
- Promote Halal tourism and Muslim-friendly tourism.

Visitor Arrivals from ASEAN states and India (2011-2017)



	2011	2012	2013	2014	2015	2016	2017
Vietnam	95,837	89,354	118,467	137,177	146,380	196,636	383,329
Thailand	102,902	97,712	104,138	104,812	124,409	195,640	292,534
Malaysia	307,898	341,032	394,326	439,240	431,481	474,420	528,019
Singapore	299,599	327,253	364,733	376,235	393,037	407,267	425,577
Philippines	101,539	105,130	99,698	136,978	139,217	172,475	290,784
Indonesia	156,281	163,598	171,299	182,704	177,743	188,720	189,631
India	23,927	23,251	23,318	30,168	32,198	33,550	34,962

Foreign Students from the Main NSP states



	2014	2015	2016	2017
Malaysia	13286	14942	16164	17079
Vietnam	3715	4454	5154	7339
Indonesia	3559	4086	4988	6453
Thailand	1535	1591	1771	2125
India	678	656	797	1532

Foreign Professionals from NSP Countries

- Indian Programs hosted by TW company in TW's technical colleague.
- India has the 2nd largest number of professionals, only next to Malaysia.

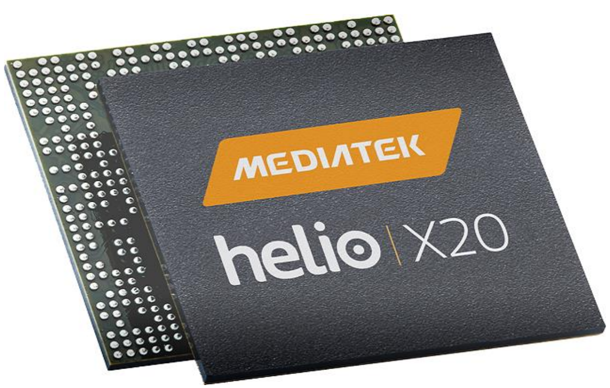
	2011	2012	2013	2014	2015	2016	2017
Total	26,798	27,624	27,627	28,559	30,185	31,025	30,928
Philippines	836	931	1,001	1,117	1,407	1,505	1,439
Malaysia	1,443	1,522	1,601	1,845	2,216	2,684	3,129
Thailand	263	364	288	271	297	283	319
Singapore	532	506	569	575	570	505	539
Indonesia	434	483	539	632	750	845	897
Vietnam	106	129	230	251	366	516	620
Myanmar	88	65	42	32	31	32	46
India	**817**	**934**	**993**	**1,039**	**1,292**	**1,458**	**1,516**
NSP Countries	5,378	5,632	5,875	6,376	7,563	8,408	9,050
Share of NSP	20.07%	20.39%	21.27%	22.33%	25.06%	27.10%	29.26%

TW-India Trade and Investment Relations

- **Bilateral trade decreased from the peak in 2011 but picked up growth momentum under NSP**
- In 2001, India was included in TW's "*Promotion Programs for the Priority Emerging Markets*". Bilateral trade began to take off, but gradually declined from its peak at USD 7.5bn in 2011. In 2017, trade increased by 27% under NSP.
- Trade structure highly complementary and concentrated: India imports high-value, -technology products for industrial use; exports mineral fuels, organic chemicals, cotton, gems, jewelry.
- Different from TW trade with China/SEA where intermediate goods heavily traded to support TW invested production facilities.
- **Slow growth in FDI, only 2.5% of TW's total FDI in Vietnam**
- Due to lack of support industries, high import duties and complicated tax/legal system, TW's FDI in India totaled USD 300m, according to DIPP data, but est. direct/indirect TW FDI exceeds USD 1.5bn.
- ✓ **Need to develop India-TW Economic Cooperation Agreement and renew BIA**
- **Only 2.5% of TW's FDI in Vietnam, counting for less than 1% of total FDI.**

Recent Development: Emerging Manufacturing Clusters

- **TW companies have enthusiastically responded to "Make in India" by reallocating/expanding manufacturing facilities to India.**
  - TW companies are building new smart phone manufacturing clusters in India, targeting at both local market and export markets.
  - ✓ In 2015, India imported smart phones worth USD 5bn, 80% of which from China; imported parts of smart phones worth USD 3.2bn, 42% from China.
- **Potential sectors in India: ICT and smart phones, automobile parts, tires, textiles and garments, petro-chemical, biotech, etc.**
- **TW companies are adjusting global investment strategy to respond to global trade protectionism and "America First" policy.**



Emerging TW-Centered Smartphone Clusters in India

Faxconn *No.1 Electronics Contract Manufacturer	Maharashtra, Tamil Nadu Andhra Pradesh	R&D Factories	Will invest USD5bn in Maharashtra in next 5 years, start operation in 2020 OEM for LYF
Winstron *No. 5	Karnataka Uttar Pradesh	Factories	annual production of smart phones 16 m pcs; iPhone SE
Inventec *No. 6	Tamil Nadu	Factories	
Compal *No. 4	Andhra Pradesh	Factories	
ACER	Pondicherry	Factories	Annual production 1.2m pcs
Media Tek	Noida/Bangalore Mumbai	Design lab R&C	Microchips
Lite On	New Delhi	Factories	Power supply
ASUS	Mumbai	Offices	Outsource to TW companies
HTC	Gurgaon	Offices	Outsource to TW companies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เริ่มต้นเพียง 4,900.-
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Apple has already
started shipping
iPhone SE
made in India.
Sales to start
in two weeks!


HANDSET HARDWARE
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PROGRAM CLOSING CEREMONY

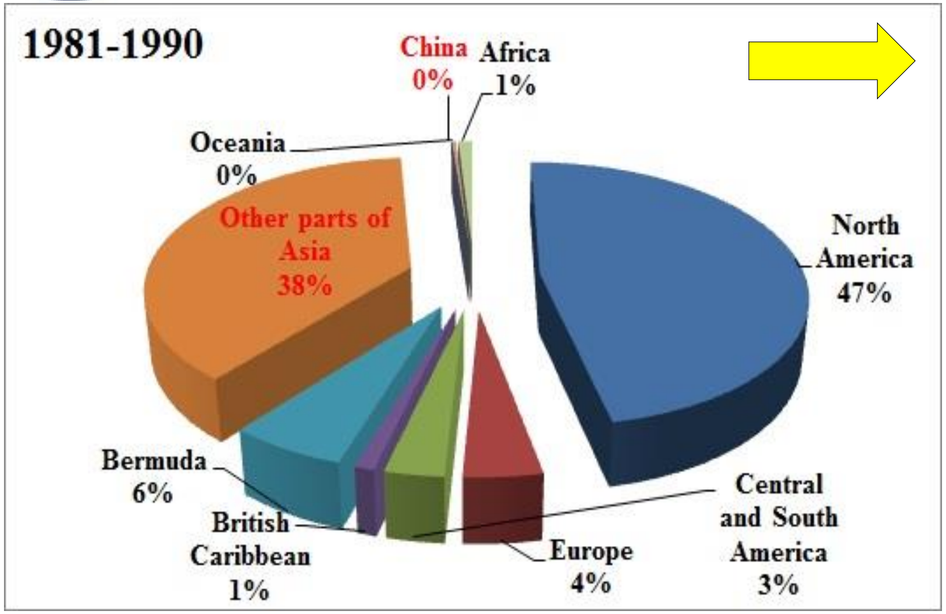
The Way Forward

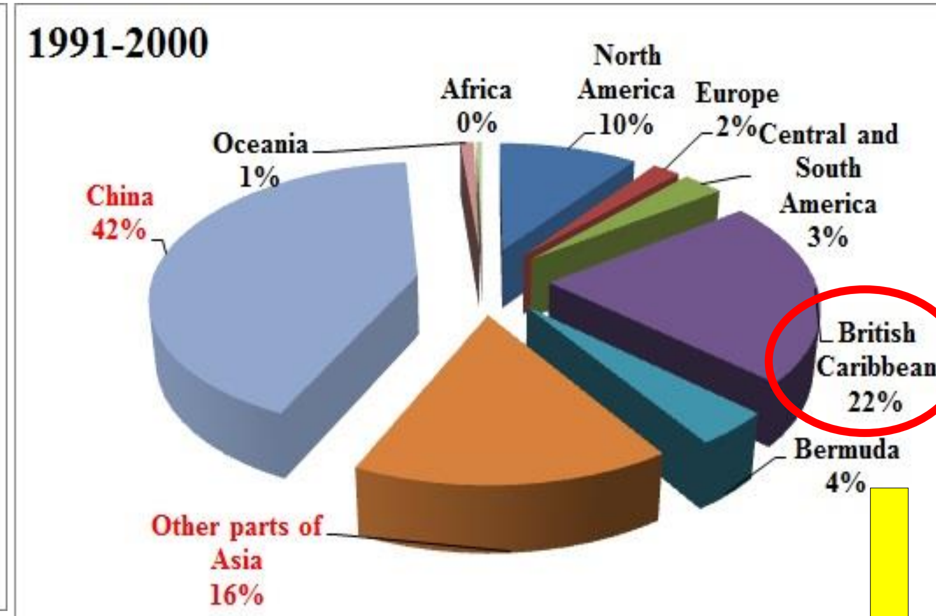
- **As China becomes more targeted by trade remedies and sanctions, and supportive of national industries, SEA and India are emerging as new centers of manufacturing clusters and supply chains.**

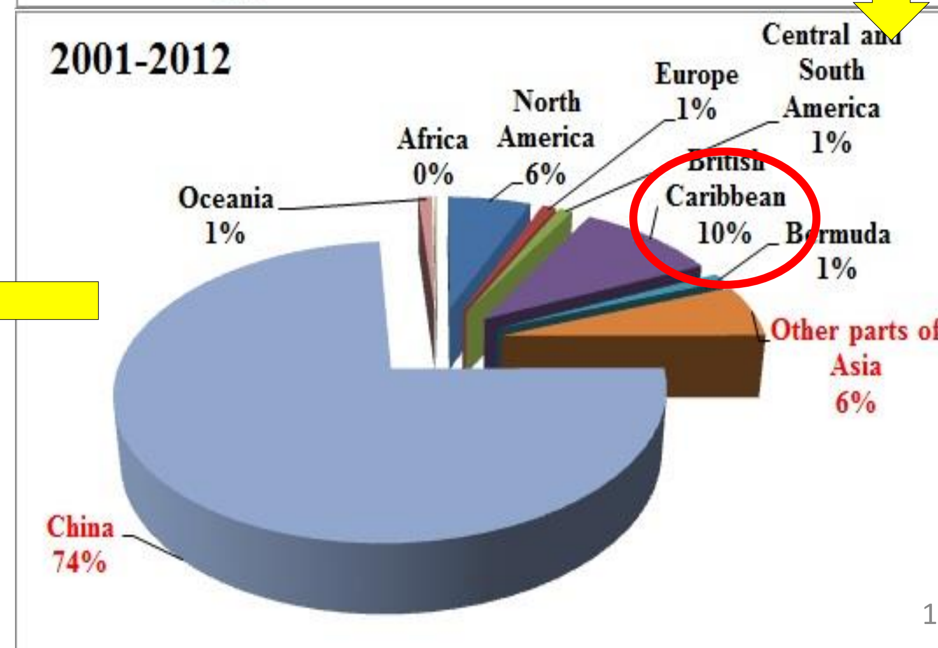
- India can be home to emerging clusters of electronics, smart phones, iPad, notebook computers, auto parts, hi-tech textiles, and can counter Make in China 2025, in partnership with Taiwan and Tai Shang across the region, including in VN, Myanmar, Bangladesh, etc.
- TW's Science Park Authorities signed MOU with Karnataka to share TW's experiences of developing industrial parks and clusters.
- TECO Group plans to invest USD 100m to build a 160-acres Taiwan Technology Innovation Int'l Park (TIIP) in Bangalore. Hyderabad state government proposes to jointly invest in an Industrial Park.

FDI	2010	2011	2012	2013	2014	2015	2016	2017
China	12.23	13.1	10.9	8.68	9.83	10.39	9.18	8.74
ROW	2.82	3.69	8.09	5.23	7.29	10.74	12.12	11.57
Total	15.05	16.79	18.99	13.91	17.12	21.13	21.3	20.31

TW's Outbound Investment Trend – Where next?







2017 Beyond ~

Thank you for Your Attention!

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