Nguyen Thi Phi Nga

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ROC-Taiwan's New Southbound Policy, the opportunities and strategies for the Vietnamese enterprises

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About the author

Full name: **Nguyen Thi Phi Nga, Ph.D**

- ***Senior Lecturer of the University of Economics and Business, Vietnam National University, Hanoi (VNU)***
- ***Visiting Scholar of the National Chengchi University (NCCU).***
- ***Taiwan Fellowship***

Host Scholar: Robin K. Chou

Professor of the College of Commerce, NCCU

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ROC-Taiwan's new South policy, the opportunities as well as the strategies for the Vietnamese businesses

I. Introduction

Since being aware of the importance of the ASEAN and South Asian communities, setting up a "New Southbound Policy" taking Southeast Asia as the focus of the Taipei government to step by step integrate into Asia, to redefine ROC-Taiwan's position and role in the development of Asia, in which Vietnam is considered as an important bridge to help ROC-Taiwan move closer to ASEAN. From the early years of the twenty-first century up to now, the relationship between ROC-Taiwan and Vietnam has developed rapidly based on the awareness and assessment of each country's foreign policy in association with the regional and international situation. Especially in the context of today's globalization and modernization along with China's economic rise, the East Sea issue, US-China competition in the Asia-Pacific region, already created opportunities and challenges for the cooperation between ROC-Taiwan and Vietnam. Efforts to strengthen the cooperative relations with Vietnam partly help ROC-Taiwan's economy gradually reduce its reliance on mainland China, besides tightening relations with Asian countries. Vietnam may be the right choice for the ROC-Taiwan's policy towards the South and integration into Asia. The outstanding achievements in the relationship between ROC-Taiwan and Vietnam will be the driving force for the future prospects between the two sides, therefore, to investigate Vietnam's position in ROC-Taiwan's new South policy and opportunities as well as strategies for the Vietnamese businesses is the significant research at the current time.

Objectives of the research

The current research aims to achieve the systematic report of the relationship between ROC-Taiwan and Vietnam, especially focusing on Asian Integration Policy and the New Southbound Policy of ROC-Taiwan to find the position of Vietnam in these policies, thereby discovering the opportunities and strategies for the Vietnamese businesses, contribute to the development of Vietnam and the relationship between the two sides.

Research methodology

To achieve the research objectives, this research will be undertaken via interviews and acquire primary source document materials. A range of methods include library research and field research will be used to gather data, either primary or secondary source. Library research uses relevant data from written sources such as books, journals, published papers, newspapers, magazines, official documents, government reports, research reports, and proceedings of board meetings. Conducted from the first month of the research period, library research will take place in governmental offices, research institutions, universities, and companies, such as Center for Southeast Asian Studies (CSEAS) at the Institute of International Relations (IIR), National Chengchi University, Taiwan's commercial offices. Its outcomes will be combined with field of research through consultation, discussion, and interviews with the government officers, researchers, and academician as well as CEOs of some big companies. This activity aims to extract data from literature which is planned to be conducted for two months after library research. The result of the discussion will be synthesized and confronted with written sources in order to find synergy and contradiction of ideas. It needs to be conducted to provide further explanation or interpretation of the data gathered from library research. It will be then systematized based on inductive logic. After collecting data, the researcher will comprehensively analyze all data with a focus on comparison between ROC-Taiwan and Vietnam. This comparative analysis will not only examine similarities and differences, but also formulate the strategies for the Vietnamese businesses based on the strengthening areas of each country. The final report is planned to be written during the last 2 months of the research period allowed. To complete the report, an evaluation from some experts will be needed in the previous month. Finally the research will be completely finished after the report will have been revised through the feedbacks from the evaluators.

II. Structure of the research

To achieve the objectives of the research, the outline is as follows:

Chapter 1: ROC-Taiwan and Vietnam relation seen from Asian integration policy.

Chapter 2: Vietnam’s position in ROC-Taiwan’s New Southbound Policy.

Chapter 3: Strategies for the Vietnamese business through ROC-Taiwan’s New Southbound Policy.

Chapter 1: ROC-Taiwan and Vietnam relation seen from Asian Integration Policy

The policy go to the South to strengthen relation, exchange and cooperate in ROC-Taiwan's economic, commercial, cultural, educational and human resource fields with ASEAN member states in a global context is happening strongly. ROC-Taiwan considers Vietnam is one of the key markets that need to be exploited and occupied in the "Southern Policy". The transformation of economic models and especially foreign affair has become a very favorable factor for promoting Taiwan's cooperation with Vietnam in many fields starting from the 90s of the twentieth century. Although Vietnam and ROC-Taiwan are far apart geographically, there is a close relationship between the two sides, similar in history and culture. The same countries that have been through a long struggle against foreign invaders, have the same starting point when they both came from an outdated agricultural economy, low living standards and at the same time suffered more or less influence of Confucian culture, these factors are the basis and foundation for the development of cooperative relations between the two countries in particular and with other Asian countries in general.

In a concerted effort to expand ROC-Taiwan's presence across the Indo-Pacific, President Tsai Ing-wen has introduced **the New Southbound Policy** (NSP) to strengthen Taipei's relationships with the 10 countries of ASEAN, 6 states in South Asia (India, Pakistan, Bangladesh, Nepal, Sri Lanka, and Bhutan), Australia, and Newzealand.

NSP target countries: Asean + South Asia + Australia + Newzealand

Therefore, to understand more about the context in which ROC-Taiwan's New Southbound Policy has been implemented, it is better to investigate the integration policy/situation of the cooperation among the Asean countries and the connection between Asean and South Asia to help you to fully understand the context.

1.1. Introduction about the Asean Integration Policy

The forerunner of ASEAN is an organization called the Association of Southeast Asia, commonly referred to as ASA. ASA is an alliance established in 1961 including the Philippines, Malaysia and Thailand. On August 8, 1967, when Foreign Ministers of 5 countries - Indonesia, Malaysia, Philippines, Singapore, and Thailand - met at the Ministry of Foreign Affairs of Thailand in Bangkok to issue the **ASEAN Declaration**, commonly known as the Bangkok Declaration to join ASA along with Indonesia and Singapore into ASEAN. Five foreign ministers - Adam Malik of Indonesia, Narciso Ramos of the Philippines, Abdul Razak of Malaysia, S. Rajaratnam of Singapore, and Thanat Khoman of Thailand - are considered as the founders of the organization.

The three driving forces for creating ASEAN are the goal of national development: ***economic, political* and *security development*.** The nations in the region, having lost their trust in outside powers, came to each other in the context of the 1960s to support each other.

For Indonesia, it has ambition to dominate the region while Malaysia and Singapore want to use ASEAN to restrain Indonesia, bringing it into a more collaborative framework. Unlike the European Union with a centralized model of decentralization of powers in each country, ASEAN aims to protect and revitalize nationalism.

Asean driving force = economic + politic + security development

On July 28, 1995, Vietnam became the 7th member of Asean. Laos and Myanmar joined in July 23, 1997. Cambodia had intended to join Laos and Myanmar, but was postponed because of internal political struggle. The country then joined April 30, 1999, after stabilizing the government.

Until now, Asean includes 10 members: Indonesia, Mynamar, Thailand, Vietnam, Malaysia, Philippines, Laos, Cambodia, Brunei, Singapore.

The Association of Southeast Asian Nations (ASEAN) established the ASEAN Community in 2015; comprising the ASEAN Political Security Community **(APSC),** the ASEAN Economic Community **(AEC),** and the ASEAN Socio-Cultural Community **(ASCC).** Complementing the establishment of the ASEAN Community was the adoption of the ASEAN Community Vision 2025 and the three successor Community Blueprints to chart ASEAN's integration trajectory towards 2025. The AEC, on which the ASEAN Integration Report (AIR) focuses, was established building on the achievements under the implementation of the first AEC Blueprint (2007-2015) as reported in the inaugural ASEAN Integration Report 2015. Towards 2025, the region's economic integration agenda is guided by the AEC Blueprint 2025. The AEC Blueprint 2025 envisions five interrelated and mutually reinforcing characteristics, namely: *(1) a highly integrated and cohesive economy; (2) a competitive, innovative, and dynamic ASEAN; (3) enhanced connectivity and sectorial cooperation; (4) a resilient, inclusive, people-oriented, and people centred ASEAN; and (5) a global ASEAN.* Most notable under the AEC Blueprint 2025 is a greater focus on developing a policy environment that is supportive of innovation that improves productivity in the region, strengthens ASEAN's participation in global value chains, enhances sectorial cooperation, promotes inclusivity and sustainability - including through support to micro, small, and medium enterprises (MSMEs) – and encourages a more proactive role in the global economy. Through the implementation of the AEC Blueprint 2025, ASEAN will further its economic integration by deepening and broadening the existing areas of cooperation as well as by taking up new focus areas relevant to the region. In particular, ASEAN shall take into consideration the changing contexts of its economic integration efforts, the most relevant of which are the geostrategic shifts towards a global governance, the Fourth Industrial Revolution (4IR) and the digital transformation that it entails, the pressures facing multilateralism, particularly from rising protectionism and unilateralism, as well as rising sustainability concerns. Internally, ASEAN itself is also changing. With growing economic prowess, ASEAN is now a significant global player in its own right. As growth outlook the world over comes under pressure, the region has become one of the few bright spots in the global economy. The progress of ASEAN economic integration is, therefore, of interest to a broad audience, and the periodic publication of the AIR is intended to meet that purpose. The AIR is the flagship publication of the ASEAN Integration Monitoring Directorate (AIMD) of the ASEAN Secretariat. It presents the current state of ASEAN economic integration in a comprehensive and analytical manner, and communicates to the public of ASEAN Secretariat's regular monitoring and reporting on the progress of AEC implementation.

1.1.1. Towards the ASEAN Economic Community (AEC) 2025:

Look back the AEC Blueprint 2009-2015 to see the main points of this period before we jump into the AEC 2015.

The AEC Blueprint 2009 - 2015 consists of a large number of measures aimed at realising an outward-oriented ASEANCommunity that has the following interrelated and mutally reinforcing key characteristics: (i) a single market and production base, (ii) a highy competitive economic region, (iii) a region of equitable development, and (iv) a region fully intergrate into the global economy. The AEC with these key characteristics is essentially the end goal of regionale conomic integration ASEAN and is expressed in the following figure 1.1.

Fig

Source: ASEAN Secretariat 2015b).

Progress and Achievements Notwithstanding growing uncertainties in the global economy, ASEAN's overall economic performance remains robust. With a combined GDP of USD 3.0 trillion in 2018, as compared to USD 2.5 trillion in 2015, ASEAN is currently the fifth largest economy in the world. As a global trade powerhouse, the region's total trade reached USD 2.8 trillion in 2018, an increase of 23.9% from the 2015 figure of USD 2.3 trillion. The region also attracted USD 154.7 billion worth of investment in 2018 - the highest in history - and a 30.4% increase from total FDI inflows of USD 118.7 billion in 2015. ASEAN economic integration continues to contribute towards the region's emerging position as a global growth driver, with intra-ASEAN accounting for the largest share of ASEAN's total trade and FDI inflows in 2018 at 23.0% and 15.9%, respectively. Beyond these statistics, the success of the AEC also comes from the many regional initiatives and measures undertaken by

ASEAN and its Member States. The following sub-sections highlight progress and achievements under different characteristics of the AEC Blueprint 2025. On Achieving a Highly Integrated and Cohesive Economy in terms of trade in goods, with intra-ASEAN tariffs virtually eliminated (98.6% of tariff lines have zero tariff), efforts are now being intensified to enhance trade facilitation and address the barrier effects of non-tariff measures in the region. Originally targeted under the AEC Blueprint 2015, the full operationalisation of the ASEAN Single Window (ASW), an overdue trade facilitation initiative, has gathered pace. Starting with the electronic exchange of the ASEAN Trade in Goods Agreement (ATIGA) e-Form D to process the granting of tariff preferences under the ATIGA through the ASW platform, to date, seven AMS have joined the live operation, with the rest expected to come on board within 2019. Meanwhile, work towards the operationalization of the ASEAN-wide Self Certification, which would allow certified exporters to self-certify the origin of their exports to enjoy preferential tariffs under the ATIGA, is now at its final stage, with expected operationalization in 2020. All AMS have also linked their National Trade Repositories with the ASEAN Trade Repository, which is an ASEAN-level web-based interface that provides and maintains national-level trade and customs-related information, and work is underway to enhance the availability and quality of information provided through the links. Other initiatives on trade facilitation include the ASEAN Seamless Trade Facilitation Indicators (ASTFI), which were adopted in 2017 and designed to measure and monitor the implementation of trade facilitation measures across the region. Practical trade facilitation tools were also developed, such as the ASEAN Tariff Finder, a no-cost free online search engine to obtain up-to-date information on tariff-related information under various ASEAN Plus One FTAs, and the ASEAN Solutions for Investments, Services, and Trade (ASSIST), a non-binding and consultative mechanism for expedited and effective solution of operational problems encountered by ASEAN-based enterprises on the implementation of ASEAN economic agreements. Executive Summary ASEAN Integration Report 2019, ASEAN's customs cooperation agenda, which aims to simplify customs procedures so as to significantly reduce trade transaction costs in the region, also continues to advance. Among the key developments are the signing of the ASEAN Framework Agreement on the Facilitation of Goods in Transit (AFAFGIT) Protocol 2 (Designation of Frontier Posts), and the ratification by all AMS of Protocol 7 (Customs Transit System) to support the implementation of the AFAFGIT. The ASEAN Customs Transit System (ACTS) aims to enable free movement of trucked goods between participating countries without the need for customs declarations at each border or a change of vehicle. Implementation of ACTS is piloted in two corridors i.e. North-South and East-West, with expected 'full live operation' in 2020. Furthermore, the ASEAN Customs Administrations are also committed to developing a cooperation mechanism to promote the Authorized Economic Operator (AEO) status and its mutual recognition. ASEAN's work on standards and conformance is continuously enhanced through the harmonization of standards, development and implementation of Mutual Recognition Arrangements (MRAs), and the harmonization of regulatory regimes. ASEAN has, over the years, harmonized hundreds of standards and technical requirements on various products, ranging from electrical and electronic equipment, rubber based products, medical devices, cosmetics, traditional medicines and health supplements, to automotive products among others. The region has also seen the development and implementation of MRAs on electric and electrical equipment, medicinal products, and food hygiene, and the negotiations of MRAs in the areas of automotive products and building and construction materials. These MRAs facilitate the acceptance of the testing, inspection, and certification of the products between AMS, removing duplication and reducing costs. At the most advanced level of the standards and conformance work is the harmonization of AMS' regulatory regimes, thereby having a single ASEAN regime governing a particular sector. This is currently implemented for cosmetics, and will be implemented for electric and electronic equipment, and medical devices. Moreover, preparations are underway for the implementation of the ASEAN Food Safety Regulatory Framework, while the negotiation of the ASEAN Agreements on Regulatory Framework for Traditional Medicines and Health Supplements is ongoing. Given the increasing servicification of the economy, due to among other factors digitalization and the advance of new technologies, the deepening of services integration is the key to the success of ASEAN economic integration. In relation to trade in services, ASEAN has built on the success of the gradual removal of formal restrictions under the ASEAN Framework Agreement in Services (AFAS) towards deeper services integration through the ASEAN Trade in Services Agreement (ATISA), which provides for a transition to an eventual negative list approach in services liberalization as well as greater regulatory cooperation. Progress in other areas of services is also visible, notably to enable skills mobility through: (1) the entry into force of the ASEAN Agreement on Movement of Natural Persons in 2016, which facilitates temporary entry and stay of natural persons of one AMS (Automated Manifest System) into another AMS; (2) the implementation of MRAs (Mutual Recognition Arrangements) for the eight professional services; and (3) the implementation of the ASEAN Qualification Reference Framework, which is a common reference framework that enables comparisons of education qualification across the AMS.

1.1.2. On investment

ASEAN continues to advance its four-pronged agenda on liberalization, promotion, facilitation, and protection. Since the launching of the AEC Blueprint 2025, the Second, Third, and Fourth Protocols to Amend the ASEAN Comprehensive Investment Agreement (ACIA) were signed. They are expected to improve investment cooperation through the incorporation of the built-in agenda items in ACIA (in the case of the Second and Third Protocols) and the incorporation of the WTO Trade-Related Investment Measures-plus Prohibition Performance Requirements obligations into the Agreement (in the case of the Fourth Protocol). The improved investment environment in the region has also been supported by consistent reforms throughout the AMS, such as through continuous reduction of restrictions on investment rules and regulations, increase investment protection, and improved investment facilitation. Moreover, due to increased sustainability concerns across ASEAN, there is also a growing interest in sustainable investment in the region. Financial integration in the region is pursued through three strategic objectives, namely financial integration, financial inclusion, and financial stability. This three-pronged approach aims to achieve a holistic integration of the financial sector by balancing liberalization initiatives with financial inclusiveness and stability. Key achievements in the sector include: the completion of the eight packages of commitments on financial services liberalization under the AFAS (Asean Framework Agreement on Services); the commencement of negotiations on the Ninth Package of Commitments; and the signing of the Financial Services Annex in the ATISA (Asean Trade in Service Agreement). Progress has also been made in various areas of financial cooperation such as banking integration, financial inclusion, insurance integration, capital market development, and capital account liberalization. In banking integration, the ASEAN Banking Integration Framework provides opportunities for deeper market access and broader operational flexibilities to Qualified ASEAN Banks. In capital account liberalization, there are ongoing efforts to promote local currency settlement. Meanwhile, to encourage sustainable investments and financing, sustainability standards for capital markets have also been launched. Some initiatives go beyond the reach of the sector, such as Disaster Risk Financing and Insurance and the subsequent Southeast Asia Disaster Resilience Insurance Facility, which were set up to provide protection for the disaster-prone ASEAN region. With regard to ASEAN's efforts to enhance its participation in global value chains (GVCs), recent data shows that AMS' share of domestic value added (DVA) in gross exports, which measures the forward linkages of an economy's participation in the GVC that is common in a commodity-dominant economy, has been relatively high since 2010, and this has remained so until recently. Some AMS observed declining DVA shares in recent years, but this is more likely a result of these countries' declining reliance on unprocessed primary products exports, and transition to become exporters of more manufactured or processed products, which typically require more intermediate imports. Meanwhile, the share of foreign value added, which indicates the extent to which an economy uses imported intermediates to produce exports, tends to be higher in AMS that are involved more in manufacturing value chains and those with relatively high back-and-forth trading activities.

1.1.3. On Competitive, Innovative, and Dynamic ASEAN

For ASEAN to be a competitive region with well-functioning markets, rules on competition need to be operational and effective. Currently, nine out of ten AMS (Asean Member State) have competition laws in place, with Cambodia expected to enact its competition law in the near term. All nine competition laws have been translated into English and compiled as the ASEAN Compendium of English Translations of National Competition Laws, which was annexed to the ASEAN Handbook on Competition Policy and Law for Business 2017. Other major initiatives on competition policy and law include the ASEAN Regional Cooperation framework on Competition, the implementation of which forms the pathway to an ASEAN Regional Cooperation Agreement, as well as the ASEAN Self-Assessment Toolkit on Competition Enforcement and Advocacy, the ASEAN Regional Capacity Building Roadmap 2017-2020, the Virtual ASEAN Competition Research Centre, and the ASEAN Competition Enforcers Network. Playing a key role in the market are consumers. Consumer protection is key to a modern, efficient, effective, and fair market. ASEAN's cooperation in the area of consumer protection has deepened over the years. As of now, nine AMS have enacted their Consumer Protection Act, while Cambodia's consumer protection legislation is expected to be enacted in 2020. At the regional level, the ASEAN High-Level Principles for Consumer Protection provide a common baseline for cooperation and exchange of experiences and best practices. Other recent milestones in ASEAN's cooperation in this area include the development of the ASEAN Self-Assessment Toolkit, the launch of the Handbook on Consumer Protection Laws in ASEAN, and the linking of the ASEAN Product Recalls Portal with the Product Recalls Portal of the Organization for Economic Co-operation and Development (OECD). Intellectual property (IP) promotion and protection supports innovation, creativity, and value creation in the market. Several noteworthy IP-related initiatives in the region since 2016 include the ASEAN Common Guidelines for the Substantive Examination of Trademarks and of Industrial Designs in 2017 and 2018 respectively; work under the ASEAN Patent Examination Cooperation, which allows patent applications to be processed faster and more efficiently; enhancements to the databases on registered trademarks and design registrations, namely the ASEAN TM View and DesignView platforms and the development of the ASEAN Geographical Indications Database; and the establishment of the ASEAN Network of Enforcement Experts. Continued efforts to strengthen IPR (Institute for Peace and Reconciliation) cooperation in ASEAN are critical for innovation and long-term competitiveness. A competitive, dynamic, and innovative ASEAN requires regulations that are non-discriminatory, pro-competition, effective, coherent, and responsive. Good regulatory practices (GRP) are key to the successful delivery of AMS' development agenda as well as the overall implementation of regional commitments. GRP (gross rating point) are newly embraced in the AEC agenda, appearing as a new focus area in the AEC Blueprint 2025. Key achievements in this area are the adoption of the non-binding ASEAN GRP Core Principles in 2018 to assist AMS in improving their regulatory practice and to foster ASEAN-wide regulatory cooperation, and the conducting of a Baseline Study on Regulatory Management Systems in ASEAN, which is being finalized. In addition, there are also GRP-related initiatives in specific sectors, such as the adoption of the NTM (non tariff measure) Guidelines, and the updating in 2018 of the 2009 ASEAN Guidelines on GRP. 14. 15. 16. 17. xviii Executive Summary

ASEAN Integration Report 2019 On Enhancing Connectivity and Sectorial Cooperation has been strengthened across different areas, while ASEAN connectivity has also been enhanced. In the transport sector, ASEAN's cooperation covers land transport, air transport, maritime transport, and sustainable transport. ASEAN's air transport cooperation achieved a significant milestone with the full ratification of the ASEAN open skies agreements in April 2016, establishing the ASEAN open sky. Continued progress has also been made in the upgrading of the ASEAN Highway Network road as well as efforts to complete the missing links of the Singapore-Kunming Rail Link, two key land transport initiatives in the region. In 2017, the region also saw the signing of the ASEAN Framework Agreement on the Facilitation of Cross-Border Transport of Passengers by Road Vehicles, along with the adoption of key documents on sustainable transport. Maritime transport cooperation also continued to advance with the launching of the ASEAN Roll-on Roll-off Sea Linkage Route between Davao-General Santos, the Philippines, and Bitung, Indonesia, in 2017. The full implementation of the main transport facilitation agreements will significantly enhance connectivity in the region, and to this end, AMS should expedite the completion of ratification processes. In today's world, digital connectivity is at least as important as physical connectivity. ASEAN's cooperation in the information and communications technology (ICT) sector is therefore of critical importance. The region has enjoyed rising internet access and a meteoric rise in mobile cellular subscriptions, but there has been a much slower increase in broadband subscription, access to which is fundamental to thrive in the digital age. Naturally, the region is also experiencing a move from older forms of telecommunications, such as fixed landline telephone subscriptions. Among the major milestones in ASEAN's ICT cooperation are the adoption of the ASEAN Framework on Personal Data Protection in 2016, the ASEAN International Mobile Roaming Framework in 2017, and the ASEAN Framework on Digital Data Governance in 2018. In order to reflect the changing sectorial landscape and signal a more comprehensive approach to digital transformation, the ASEAN Telecommunications and IT Ministers also decided to rename themselves as ASEAN Digital Ministers.

Digitalization affects not only the way we connect, but also how we work, live, and trade. Underscoring the importance of electronic commerce (e-commerce), the ASEAN Coordinating Committee on Electronic Commerce was established in 2017, followed by the adoption of the ASEAN Work Program on Electronic Commerce in the same year. A key milestone in ASEAN's e-commerce work was the signing of the ASEAN Agreement on Electronic Commerce in 2018 to, among others, contribute to creating an environment of trust and confidence in the use of e-commerce in the region. A closely related, but broader, initiative was the ASEAN Digital Integration Framework, which was adopted in 2018, and for which an Action Plan is being finalized. In recent years, ASEAN's approach towards e-commerce has evolved to cover not only its technological aspects, but also other cross-cutting implications, such as cyber-security and the empowerment of consumers and MSMEs (Micro, small or medium-sized enterprise). Executive Summary ASEAN Integration Report 2019 in the energy sector, ASEAN continues to achieve milestones in clean energy and the reduction of energy intensity of consumption. The region achieved a 21.9% reduction in energy intensity in 2016, surpassing the 2020 target of 20.0%. Efforts are underway to further improve energy efficiency in cooling given the expected growth in demand, including through minimum energy performance standards for air conditioning. The region has also set an aspirational target of 23.0% share of renewable energy in the ASEAN energy mix by 2025, and is working on accelerating the deployment of renewable energy, which, as of 2016, stood at 12.4% of ASEAN's total energy mix. ASEAN also actively promotes the use of clean coal technologies. The vast richness of mineral resources in the region heightens the importance of ASEAN's cooperation in minerals. Aside from strengthening trade and investment in the mineral sector, ASEAN's current focus in mineral cooperation is on the promotion of sustainable mineral sector development through better monitoring, sharing of best practices, and promotion of sustainable standards adoption. Food, agriculture, and forestry (FAF) continues to play a strategic role in ASEAN's sectoral cooperation given its contribution to rural livelihood and links to food security and resource sustainability. Various initiatives have been put in place to further enhance the sustainability and competitiveness of the region's FAF sector. They include: in the case of agricultural sector, the ASEAN Public-Private Partnership Regional Framework for Technology in FAF Sectors and the ASEAN roadmap for enhancing the role of agricultural cooperatives in global agricultural chains, launched in 2017 and 2018 respectively; and the Work Plan for Forest Law Enforcement and Governance, adopted in 2016, in the case of forestry sector. The advancement of food security in the region is another priority in the FAF sector. The ASEAN Plus Three Food Security Information System, for example, has been further strengthened since 2016 to allow data collection and dissemination among the participating countries, while cooperation in agricultural research and development has been sustained, especially with regard to increasing the region's resilience and adaptation to climate change, natural disasters, and other shocks. The tourism sector continues to demonstrate high potential in ASEAN, making a total contribution of 12.6% to the region's GDP in 2018 (WTTC, 2019). Beyond generating income, the sector also promotes local development and employment. On the other hand, the sector is also affected by sustainability concerns as well as the disruption brought about by new technologies. Part of the efforts to enhance ASEAN's competitiveness as a single tourist destination is the development and promotion of tourism standards, the latter through avenues such as the annual ASEAN Tourism Standard Awards. Mobility of tourism professionals is another area of cooperation that ASEAN's pursuing, with the signing of the ASEAN MRA (mutual recognition agreement) on Tourism Professionals in 2012, and the launch of the ASEAN Tourism Professional System, a platform that facilitates the matching of tourism professionals and potential employers. A number of initiatives were also pursued to meet ASEAN's objective to become a sustainable tourism destination, namely the Pakse Declaration on ASEAN Roadmap for Strategic Development of Ecotourism Clusters and Tourism Corridors (2016) and the ASEAN Sustainable Tourism Award (2016). Moreover, ASEAN is also cultivating high-potential tourism market segments such as gastronomy tourism and cruise tourism. Finally, ASEAN’s cooperation in the area of science and technology (S&T) is fundamental to the region’s drive to become a globally competitive, innovative community. Moving the S&T agenda from the ASEAN Socio-Cultural Community to the AEC is an acknowledgement of the sector’s significance to productivity and competitiveness. While early cooperation was focused on projects and activities supported by the ASEAN Science, Technology and Innovation Fund, recently the sector has been taking a more holistic and programmatic approach. This started with the adoption of the ASEAN Declaration on Innovation by ASEAN Leaders in 2018, followed by the development of the ASEAN Innovation Roadmap in 2019. In 2018, the sectorial ministerial and senior official bodies overseeing S&T matters also saw the inclusion of the term ‘innovation’ into their name, reflecting the long-term commitment of the S&T agenda towards productivity driven growth and innovation. Efforts to make the AEC resilient, inclusive, people-oriented, and people-centred are the key to ensuring that ASEAN economic integration leaves no one behind. Work continues to progress on the development of MSMEs (Ministry of Smal and Medium Enterprises) and the improvement of business environments and practices that are conducive to small holders, especially with the adoption of the

ASEAN Regional Principles on Good Business Registration Practices and the setting up of various platforms to assist MSMEs, such as the ASEAN Online Academy, ASEAN Business Incubator Network and the ASEAN Mentorship for Entrepreneurs. ASEAN, furthermore, has also recognized the role of inclusive business in fostering MSME development, including through the launch of the ASEAN Inclusive Business Framework in 2017. A more coherent and structured approach to private sector engagement is also being pursued in recognition of the private sector's contribution to the AEC. The ASEAN Business Advisory Council was appointed as the apex private sector body in ASEAN, and is responsible for coordinating inputs from established business councils and entities in their interactions with various ASEAN sectorial bodies.

Likewise, relevant ASEAN sectorial bodies are also encouraged to institutionalize a consultative process with representative private sector entities (e.g. business associations and/or business councils) to support the implementation of relevant initiatives under the sectorial work plans. To this end, the revised Rules of Procedures for Private Sector Engagement were endorsed in 2017 to ensure more effective public-private engagement. Contributing to the same objective, the ASEAN Secretariat has also initiated the AEC Dialogue as a regular interface with the private sector to discuss emerging issues facing the region's economy, and facilitate one-on-one consultations with individual business councils on specific topics of interest. Building on the notable improvements in narrowing the development gap among AMS over the past few years, ASEAN continues to intensify work in this area. The Initiative for ASEAN Integration (IAI) Work Plan III (2016-2020), which consists of the five strategic areas of food and agriculture, trade facilitation, MSMEs, education, and health and well-being, was designed to assist Cambodia, Lao PDR, Myanmar, and Viet Nam to meet ASEAN-wide targets and commitments towards realizing the goals of the ASEAN Community. Apart from the implementation of the IAI Work Plan III, specific efforts on MSME development and improving access to finance – as well as the work on various sub-regional cooperation platforms in the region – are contributing towards achieving equitable economic development. However, critical challenges in narrowing the development divide still need to be addressed, including by enhancing coordination between ASEAN and external parties, particularly in capacity building and knowledge sharing across all AMS, as well as by continuing individual AMS' efforts towards domestic reforms to enhance economic development on a resilient, inclusive, people-oriented, and people-centred ASEAN

Executive Summary ASEAN Integration Report 2019 28. 30. 31. 29: with its consistent commitment to open regionalism, ASEAN continues to pursue active external economic relations with countries and regional groupings around the world in parallel to its internal integration efforts. Contributing its objective towards becoming a global ASEAN, some of the key highlights in this area include the signing of the ASEAN-Hong Kong Free Trade Agreement and the ASEAN-Hong Kong Investment Agreement, as well as the conducting of upgrading or review of existing ASEAN Plus One agreements, such as the ongoing implementation of the ASEAN-China Free Trade Agreement upgrading protocol, the completion of the general review of the ASEAN-Australia-New Zealand Free Trade Agreement and the endorsement of a Work Plan for AANZFTA Upgrade Negotiations, as well as the signing of the first protocol to amend the ASEAN-Japan Comprehensive Economic Partnership by all AMS in April 2019 to incorporate the chapters on services, investment and Movement of Natural Persons. The conclusion of the Regional Comprehensive Economic Partnership (RCEP) remains top of ASEAN’s external economic relations agenda. Negotiations are being intensified towards the target for conclusion this year to ensure the credibility of the RCEP process as well as in light of the urgency introduced by rising protectionism and global uncertainties. Once successfully concluded, RCEP will not only have immense economic potential through market and job opportunities, but also by providing a transparent, certain, rules-based framework for trade and investment among the 16 participating countries, hence safeguarding the stability of key production networks and value chains in the region and signifying ASEAN’s central role in the region’s economic architecture. The Fourth Industrial Revolution (4IR) has been high on ASEAN’s agenda ever since the issue was given political recognition in 2017, when ASEAN Leaders underscored the need for the region to be ‘well-prepared and able to maximize the opportunities from the 4IR, so as to foster the region’s economic growth, and promote inclusive and equitable economic development. Since then, ASEAN has seen a proliferation of various 4IR-related initiatives. In 2018 alone, the region saw the completion of the 'Assessment of ASEAN's Readiness for the 4IR', along with the signing of the ASEAN Agreement on Electronic Commerce, as well as the endorsement of the ASEAN Digital Integration Framework and the ASEAN Framework on Digital Data Governance. The 4IR has also featured prominently in Thailand's 2019 ASEAN Chairmanship, where five out 13 priority economic deliverables this year are focused on this emerging issue. Acknowledging that the 4IR is an expansive and transformative phenomenon that goes beyond the remit of the AEC, ASEAN has also been intensifying cross-sectorial pillar dialogues on the 4IR throughout 2019. Most recently, a Special Meeting on the 4IR was organized to facilitate dialogue among representatives of relevant sectorial bodies across the three pillars of the ASEAN Community. As a next step, ASEAN will develop a consolidated strategy on the 4IR, which will articulate clearly and holistically ASEAN's 4IR agenda directions.

1.1.4. AEC 2025: The Way Forward

Despite progress and achievements to date, ASEAN shall not be complacent in its efforts to attain the AEC 2025 vision. Internally, there is urgency to ensuring that AEC commitments are met and implemented effectively and in a timely manner in each AMS for the benefits to be realized. The absence of a strong enforcement mechanism or a functioning dispute settlement mechanism means that the implementation of AEC commitments depends on national efforts - including internal coordination and monitoring efforts - and peer-to-peer commitment to regional goals. Externally, ASEAN's economic integration agenda is set in the context of a rapidly changing environment, which should be taken into consideration in working towards the implementation of those strategic measures in the Blueprint. This final section highlights recommendations for the way forward towards AEC 2025. AMS need to translate regional commitments into national-level commitments, milestones, and targets that can be readily enforced, observed, and measured. This requires incorporating ASEAN's economic integration agenda into the realm of national policy making and implementation, such as in the formulation of national development plans and strategies. The same also requires regional coordination to be complemented with strong coordination at the national level to oversea the implementation of ASEAN commitments. While there is no one-size-fits-all mechanism, effective national mechanisms should facilitate inter-agency coordination, sharing of information, monitoring of implementation, and stakeholder consultation and feedback. Such a mechanism could also help identify technical and policy issues faced in meeting regional commitments and ways to address them. Given the increasing cross-pillar/sectorial challenges that ASEAN and AMS need to tackle, this mechanism must also be able to facilitate the cross-pillar dialogue and coordination beyond those agencies dealing with the AEC. In terms of ASEAN's effort to create a highly integrated and cohesive economy, greater focus should be given to initiatives beyond market opening, with specific efforts on improving trade facilitation, transparency, and regulatory cooperation as well as providing efficient financial services. In today's uncertain world, the intra-ASEAN market has provided a meaningful buffer to external shocks. Extra efforts are still needed for ASEAN to improve its intra-ASEAN trade and investment linkages, increasing the urgency for ASEAN to accelerate the full operation of its various trade facilitation initiatives. Similarly, reform efforts in the area of investment must be continuously maintained, especially given the fact that other competing markets are vigorously pursuing their own reform efforts. Equally important is the deepening of financial integration, which is the key to economic stability as well as economic connectivity. While the level of financial integration in ASEAN is rising, there is still ample room for further progress. ASEAN needs to make long-term investments in financial infrastructure and become supported by sound institutional and legislative frameworks. Given the right balance of policy mix and the availability of digital infrastructure, financial integration in ASEAN could accelerate in the years ahead. Building on the progress made towards achieving a competitive, innovative, and dynamic ASEAN, efforts are needed to further modernize rules and regulations in the area of competition, consumer protection, and IP. Apart from contributing towards the development of a conducive business and investment environment, they are also the key for ASEAN to remain competitive globally. Amidst the advancement of new technologies brought about by the 4IR, regional platforms should also be leveraged by AMS to further strengthen and improve the relevance of the region’s competition policy and laws, consumer protection regime, and IP AEC 2025: The Way Forward 35. xxiii Executive Summary ASEAN Integration Report 2019 cooperation. Overall, ASEAN should also continue with the mainstreaming of the ASEAN Good Regulatory Practice Core Principles across its areas of work. Connectivity and sectorial cooperation are key to ensuring the success of regional economic integration. Apart from being an integral part of ASEAN's connectivity agenda, this is also where concrete cooperation activities are undertaken, regional public goods are shared, and regional coordination among regulators takes place. Work in this area applies to sectors of horizontal strategic importance to the ASEAN economy, such as transport, energy and minerals, ICT, and S&T, as well as those of specific strategic consideration given their importance to the economy and employment, such as agriculture and tourism. While cooperation in each particular sector should continuously be enhanced, closer attention should also be given to improving coordination and collaboration among the sectors on cross-sectorial/pillar issues. All these require AEC sectorial bodies to be more open in identifying strategic thematic intersections, and more proactive in pursuing appropriate cross-sectorial/pillar collaborations. This calls for more effective engagement and sharing of information at both the national and regional levels among the relevant sectors, beginning with the leveraging of existing platforms such as the coordinating committees or the Joint Consultative Meeting. To build a resilient, inclusive, people-oriented, and people-centered ASEAN, the AEC must deliver concrete benefits to the people of ASEAN. To do so, it shall be participatory and inclusive, and the further strengthening of ASEAN's engagement with the public is imperative. The consultation mechanism between ASEAN and the private sector - including through the institutionalization of feedback and consultation mechanism between sectorial bodies and the private sector, as well as efforts to track progress in addressing legitimate issues raised by the private sector - can be further strengthened. Cross-pillar/sectoral engagements with the broader AEC stakeholders should also be encouraged. Equally important is the effort to improve the socialization and utilization of ASEAN's initiatives. In addition to regular review and upgrading, socialization and engagement with the private sector and the broader stakeholders will help ensure the relevance of these initiatives vis-à-vis their intended users. ASEAN continues to work towards the attainment of a global ASEAN. With its growing economic prowess, ASEAN is becoming a significant global player in its own right. ASEAN's enhanced role in the global economic community is more important today than ever, given increased global uncertainties. ASEAN should continue to leverage existing and future ASEAN-led or centered mechanisms. The timely conclusion of the RCEP is one such mechanism. Once concluded, RCEP will not only represent the largest free trade area in the world, but also serve as an ASEAN-led framework for regional trade architecture. Furtherrmore, as multilateral trade (and multilateralism in general) comes under pressure, there is a need for ASEAN to play a more active role in upholding the open and rules-based multilateral trading system under the World Trade Organization (WTO). ASEAN's priority should be ensuring that the WTO remains effective, including in its dispute settlement function, and also relevant by taking into consideration changing trade realities. Lastly, ASEAN needs to be agile and flexible in addressing various emerging trends and issues that constantly arise in an increasingly uncertain global environment. Growing inequality, the emergence of disruptive technologies, climate change, unsustainable production and consumption, the shift in geostrategic balance, and demographic shifts, to name a few, continue to pose challenges to the region's political and economic landscapes. ASEAN will need to address these issues from a whole-of-community perspective that is inclusive and sustainable, taking into consideration various existing initiatives that are already in place, the diversity in its membership, and its collective standing in the global economy.

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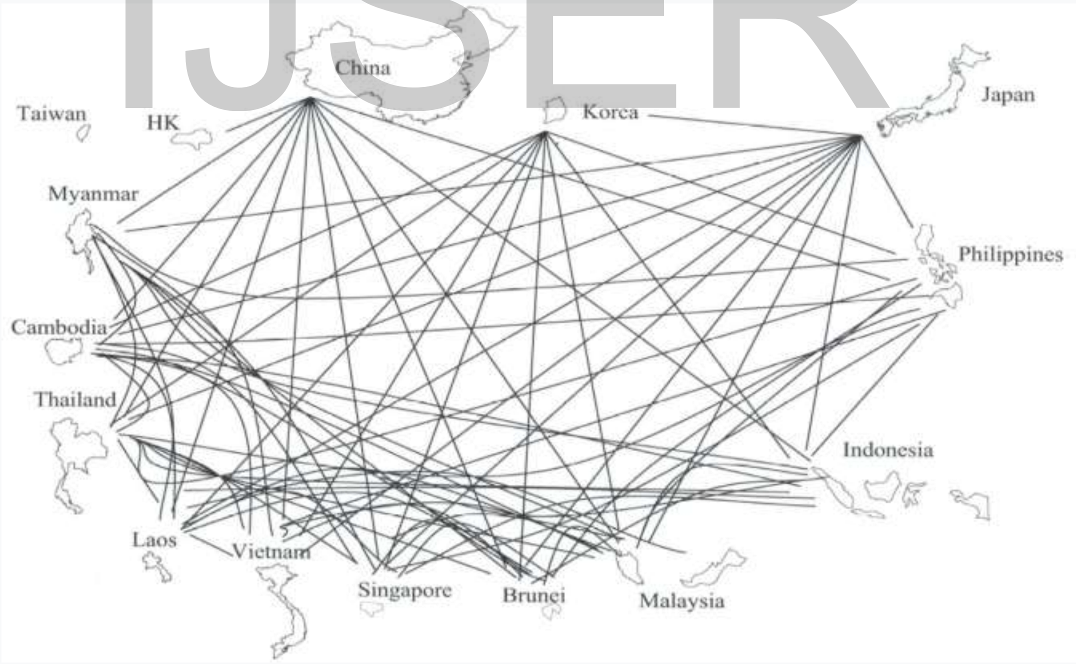
Comment on the Asean Integration Policy

Through the description of all the legal documents and the content of the Asean Integration Policy, some comments about this kind of integration among Asean community as follows:

We can design the integration between the nations belong to Asean community through the below interesting figure:



Source: Baldwin 2006a

This picture makes the readers imagine that the integration among the Asean nations is really complex, overlap and difficult to manage from the Board of Management of Asean's point of view if there is no the common policy to force the members to follow the unified track. Some authors describe the integration of Asean looks like the "noodle bowl". Noodle Bowl is the concept has been adopted by Baldwin (2006) and it shows that it is difficult to create the common and stable system of Asean if comparing with the EU.

The EU is federally linked, playing a role as a nucleus, but at the same time retaining each country's own identity, based on strong institutions and laws.The EU has removed its tariff barriers, implementing EU without borders, and reached the highest peak to issue the common European currency. EU mainly undertakings on economic union, followed by political, foreign, security and very successful links.

1.1.5. Position of Vietnam in Asean during 2020

From January 1, 2020, Vietnam will assume the role of President of the Association of Southeast Asian Nations - ASEAN. This is the second time Vietnam has taken on this role since joining ASEAN in 1995. Since joining ASEAN until now, Vietnam has always considered ASEAN as one of the top foreign priorities. In 2010, when ASEAN chaired for the first time, the imprints of the year with practical actions were continued such as developing human resources, responding to climate change, enhancing happiness. Social benefits for Asean women and children. This clearly affirms that Vietnam is an active member in regional and worldwide integration activities.

Ms. Pariyapa Amornwanichsarn - Permanent Secretary of International Cooperation Department, Ministry of Culture of

Thailand mentioned: I think that Vietnam has a lot of potential to both assume the role of Chairman of ASEAN and also a non-permanent member of United Nations Security Council for the 2020-2021 term. It is an opportunity for Vietnam to contribute not only its voice but also the ASEAN Community in an important and important forum like the United Nations.

In 2020, the host country of Vietnam has chosen the theme "Asean cohesion and proactive adaptation" and 5 priorities are (1) promoting the role and positive contribution of Asean to the maintenance of peace, security, stable in the area; (2) promoting regional connectivity, improving adaptability and taking advantage of the opportunities of Industry 4.0; (3) Promote community awareness and ASEAN identity; (4) Promote partnerships for peace and sustainable development; (5) Improve adaptive capacity and operational efficiency of ASEAN.

Beside the five priorities mentioned above, Vietnam with the position of the President of the Association of Southeast Asian Nations - ASEAN **should think** about the role of creating a single common market and unified production base, including the free movement of goods and services, capita, labor, thereby improving competitiveness and promoting common prosperity for the whole region and creating an attraction for investment-business from outside.

2020 is a special year for both ASEAN and Vietnam. For ASEAN, it is the 5th year of community establishment. As for Vietnam, 2020 is 25 years Vietnam joined ASEAN. Therefore, the success of ASEAN Chairperson in the coming year is an opportunity for Vietnam to show its capacity and promote its leading role, to meet the expectations and beliefs of the member countries and the other countries.

1.2. Connecting South Asia and Southeast Asia

This part mentions some main points of South Asia as the New Southbound Policy of ROC-Taiwan covers 18 target countries, including Asean, South Asia, Australia and Newzealand.

South Asian (India, Pakistan, Bangladesh, Nepal, Srilanka and Bhutan) and **Southeast Asia** (10 countries members) economies have grown rapidly during an era of fragile world economic growth beset by risks and uncertainties. This progress has been fueled by expanding regional production networks, integration with the global economy, foreign direct investment (FDI), falling trade and investment bartiers, a commodity boom, and heightened demand from a rising Asian middle class. The results have been positive; the Southeast Asian and South Asian regions are among the most dynamic in the world and have produced impressive socio-economic improvement. While challenges remain (hindered by bottlenecks and gaps in trade infrastructure, financial markets, trade facilitation, trade barriers, and limited regional cooperation, South Asia still lags in its participation in supply chain networks).These regions are on the right path.

Some authors after doing research on Connecting South Asia and Southeast Asia realized some following findings that we want to transfer their summary content as follow:

(1) Economic ties between these two regions, while making progress, have been limited, hinerdered by bottlenecks in infrastructure, financial markets, trade facilitation, trade barriers and limited regional cooperation.

South Asia and Southeast Asia cross-regional trade has increased 23 times from $4 billion to $90 billion from 1990 to 2013. But South Asia's share of Southeast Asian trade doubled from about 2% to 4%. The same story applies to cross regional investment and cross-regional financial flows, Southeast Asia only accounted for 15% of total South Asian foreign direct investment (FDI) outflows during 2009-2013 and South Asia only received 9% of Southeast Asian FDI. This suggest that there is a significant potential for growth of economic ties between the two regions.

(2) Improving transport and energy connectivity is the crucial building block for greater economic integration between the two regions.

Key land barriers to cross-regional transport are located in Mynamar (the only land bridge between these two regions) while the other gaps are identified in Bangladesh, Cambodia, India, Laos, Thailand, and Vietnam. There is no existing real links between the Greater Mekong Subregion (GMS) countries with the exception of a connection between China and Vietnam.

Energy trade between South Asia and Southeast Asia, expect for conventional shipments of coal, gas, and other fuels, does not occur, but there is much exploited potential to be tapped.

The estimation of potential for cross-regional energy trading lie in electric (mainly hydro) power and gas pipelines, plus pooling and interconnection of electric power grids. Myanmar has an important potential role to play in energy trading, given its substantial reserves of hydro power capacity and natural gas, plus its critical position as a gas pipeline location.

(3) The total investment cost for projects to enhance cross-regional connectivity (in highways, railroads, ports, and energy trading) are estimated at $73 billion.

This figure includes $18 billion for roads, 34 billion for railways, $ 11 billion for port projects, and $ 10 billion for energy trading projects. The high cost and multiplicity of projects as well as human capacity constraints call for a sequenced approach based on priorities. Accordingly, the total costs for priority investment projects in transport are estimated at $8 billion (inclusing $1 billion for roads, $5 billion for railroads, and $2 billion for ports).

Road corridor options to connect South Asia to Southeast Asia have been evaluated and the best options is the 4,430 kilometer Kolata-HoChiMinh city corridor. The other option is the rail connectivity, the Kokata-Ho Chi Minh city corridor and connection through Yunnan Province, the PRC are the preferred option. However rail connectivity comes as a second priority after road connectivity due to much higher costs, more extensive gaps, and incompatibilities between national networks. Meanwhile, maritime connectivity deserves more attention as it is the main mode for trade between South Asia and Southeast Asia. Priority seaport or floating container transhipment termonas at Chaingtong and Kolkata, and improvement of the road infrastructure linking Thilawa Port with Yangon.

(4) Financing cross regional infrastructure project remains challenging.

Public sector funding plays a major role in financing infrastructure projects but it becoming increasingly subject to fiscal constrains in some economies. In a number of countries, commercial banks are major sources of infrastructure financing.

Public-private partnerships (PPPs) provide an important top-up for infrastructure funding. India's experience showed that the PPP model can be a useful part of the solution for financing infrastructure projects, not only for energy, but for transport as well, including highways. Improving the transperancy, regulatory framework of PPP projects, together with the addition of political risk guarantees, can increase the attractiveness of this asset class. Furthermore, support from multilateral development banks and international coordination for cross-border projects can help ensure success in PPPs. Increasingly, multilateral development banks may be required to play multiple roles in a project's financial lifecycle particularly in less developed economies.

(5) Improving trade and transport facilitation would make trading between South Asia and Southeast Asia easier and more stable, with lower transaction cost.

Businesses complaint about excessive documentation requirements for customs clearance and so far there has been only limited adherence in the regions to the World Customs Organization's Revised Kyoto Convention, which is the international best practice for customs modernization. The development of national and regional Single Windows will be an important in the next few years. The lack of boder transit agreements in the two regions is an other obstactle that needs to be addressed. It is better to reform customs toward non-customs issues and trading standards.

(6) Tariff and non tariff barriers (NTBs) continue to hamper trade and investment flows between South Asia and Southeast Asia.

Tariffs have typically fallen in both regions but many tariff spikes exist at the product level. An estimated 75-80% of NTBs that discriminate against foreign commercial interests remain in force. Evidence suggests that the largest economies in South Asia and Southeast Asia also are the most active imposing NTBs. Room exists for further unilateral reduction of tarrifs and NTBs in both regions.

(7) Closing coordination gaps in South Asian and Southeast Asian cooperation and intergration may require retooling existing institutions and creating new ones to facilitate economic links.

The current institution landscape for regional connectivity is populated by several – at time overlapping – institutions under the ASEAN, SAARC, SASEC, GMS, or BIMSTEC arrangements. These institutions vary in relation to their mandates, resources, and capacity to support regional connectivity.

(8) The potential gains from connectivity-led closer South Asian – South East Asian integration should be large.

The best-case deep integration scenario involves (i) removal of all tariffs associated with South Asian and Southeast Asian trade, (ii) 50% reduction in integrational non-tariff barriers, (iii) a 15% reduction in trade costs reflecting improved trade facilitation and investments in infrastructure. If doing so, the scenario would raise welfare by $375 billion (8.9% of gross domestic product) in South Asia and $ 193 billion in Southeast Asia (6.4% of gross domestic product). Most participating countries show large gains, especially smaller countries in South Asia.

Certainly, the process of closer intra-regional economic integration generates potential benefits but may entail some additional costs that need serious review and mitigation measures. For instant, some sectors will lose due to greater competition, and there may be increases in regional inequalities. Also, closer intra-and interregional economic ties and faster growth may entail pollution, environmental degradation, and migration issues. Regional economic integration may also hasten the spread of disease and crime. In addition, the process may exacerbate fears of migration, ethnic tensions, and other security-related issues.

Even though some analyses suggest that the benefits of greater economic integration far outweight the costs, especially since they spread the benefits of economic development to isolated areas. Nonetheless, instituitional mechanisms will be needed to compensate loser in integration process and to address some of the undesirable side effects mentioned above. This is likely to require cooperation at the regional level.

Based on the above findings, the thinking about strategic cross-border infrastructure investment and policy reform are focused on the following isues:

(i) Maps evolving economic ties in trade, foreign investment, and finance between South Asia and Southeast Asia.

(ii) Analyze the current state of cross border transport and energy infrastructure, including use of an energy supply model, and identifies bottlenecks and priority investment projects that could relieve those bottlenecks.

(iii) Assesses the environment for financing cross-border infrastructure and mechanism for increasing private financing for projects including public-private sector partnerships.

(iv) Examines the role of trade facilitation and trade policies at national and regional levels to facilitate the flow of goods across borders and promote regional trade.

(v) Considers instituitional risks associated with attempts to improve cross-regional connectivity.

(vi) Using a state-of-the-art computable general equilibrium (CGE) model, qualitatively assess the economic impact of larger regional integration schemes involving South Asian and Southeast Asian economies.

From the descriptions and analyse mentioned above, the readers may have the total picture of the context in which the New Southbound Policy have implemented. Eventhough, this book only goes deeply on the position of Vietnam in the New Southbound Policy of Taiwan to find the opportunites as well as the strategies for the Vietnamese enterprises in order to contribute to the success of the New Southbound Policy in the coming time and it will be mentioned deeply in the chapter 2 and 3.

1.3. Potential of an Asian Economic Community

Besides the analyzing the Asean intergration policy as well as the main findings of the connection between Asean and South Asia, it will be better if we continue to see the potential of Asian Economic Community to forcaste the future development trend among the Asian context.

There is a growing recognition of the importance of intensive conomic integration at the pan-Asian level in the region. Base on the evaluation of many researchers, they mentioned the fact that trade of South Asian countries with the East Asian countries is much larger than the intra-regional trade. The same is the case with Asean. At the pan-Asian level, the diversities in the levels of economic development and capabilities are quite wide, thus, providing for more extensive and mutually beneficial lingages. The diversity in economic structure provides its own indigenous capacity and markets for dynamic industrial restructuring within the region on the basic of "flying geese" patterns. It is the reason to make Asian countries to be success so far.

To get the success for the complex integration, the principle is to build blocs for the regional economic cooperation in Asia. In view of the attempts already made at regional economic integration, the Asian economic community in its initial phase, it is arhued, be built of five strong blocs of Asia that might form a core group: Japan, Asean, China, India, and Korea (JACIK). JACIK countries currently combine between them fourteen of the largest and fastest growing economies with vast complementaries with more than 3 billion or a half of the world population. Some process of cooperation among the JACIK economies has already started, for example Asean + 3 (include China, Korea and Japan).

Most of the JACIK countries are also involved in trade liberalization with other partners. A China-Asean Framework Agreement for free trade and investment arrangement was signed at

2002 summit followed by similar agreements signed by India and Japan with Asean. A number of bilateral free trade agreements are also taking shape in the region, e.g. Japan-Singapore, India-Singapore, India-Thailand among many others.

On a parallel track, the other member of JACIK, viz India has also intensified her economic cooperation with the other JACIK economies. Since 1991, India has adopted a Look East Policy to strengthen her economic cooperation with East Asian countries. India already had a summit level dialogue partnership with Asean and has signed a Free Trade and Investment Agreement with the grouping in 2003. India has emerged as an important and growing market for Asian countries for not only manufactured goods but also for services such as tourism, engineering, construction, shipping and transport, and telecommunication, among others. But in 1990s, some of the Asean companies also emerged as source of investment in India as well. India has engaged China at a high-level with Premier Zhu Rongji visiting India in January 2002. The India-Korea trade has also grown about five times over 1990s. A number of Korean companies are now the leading players in consumer durables with some like Huyndai beginning to use India as a global production hub. Japan has become an important trade partner and source of FDI already by 1980s. Besides the large market, the Indian economy has shown strong fundermental and has sustained one of the fastest growth rates in the world, over the past two decades. As is shown elsewhere, India and other JACIK economies have considerable complementaries between them.

To have better integration process, Asia should specify the **areas** of regional economic integration. The major areas of cooperation include (1) monetary and financial cooperation, (2) formation of regional trade bloc, (3) foreign direct investment and (4) transfer of technology and skills, among other sectors. In what follows we outline some issues concerning cooperation in these areas.

(1) Monetary cooperation for exchange rate stability

The past experience suggested that the region has suffered from serve exchange rate fluctuations. Therefore, an important area of regional cooperation would to be create some mechanism for greater stability in real effective exchange rates. Some progress has been made in this direction with the creation of the Asean +3 Swap Arrangement. However, the funds available under these arrangements without IMF conditionally are only $3 billion and the dependence of IMF program still require.

Financial cooperation for reviving demand

As observed earlier, some countries of the region have large excess capacity in sectors such as construction or IT and some others have large unmet demands in these areas. Regional effort can be particularly successful if a suitable mechanism can be devised for funding such regional Keynesiansm without adding to the Government expenditure in the surplus countries. The proposed Reserve Bank of Asia can help here which will be used to finance infrastructure and IT investments in the region. A mechanism also needs to be created for seeding and developing viable Rgional Infrastructural Projects such as Asian Railway, Asian Highway…

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(2) ***A regional Trade and Investment Arrangement (RTIA) to facilitate exploitation of complementarities***.

The relevance of a regional trading bloc for the JACIK region is to be evaluated on the basis of relative costs and benefits. The experience from EU and NAFTA suggests that deeper and wider forms of economic integration are necessary for realizing the full benefits of integration such as efficiency seeking industrial restructuring. Further more, trade policy liberalization needs to be accompanied by additional measures such as freer capital mobility, harmonization of customs procedures and product standards and mechanisms to ensure an equitable distribution of gains.

(3+4)Intra-regional FDI, transfer of technology and skills

Complementing the monetary and financial cooperation and formation of an RTA, will be the greater intra-regional exchanges of technology, skills and FDI.The resources endowments and skills bases of JACIK countries are complementary to each other. Japanese (and increasingly Korean) MNEs (multinational enterprises) are leading sources of FDI in the region. Japan has also established its leadership as a source of technology in a number of industries such as semiconductors, automobiles, industrial automation, electronics and some chemicals. Korea, China, India, Singapore, are also emerging sources of technologies in different areas. The share of JACIK in worldwide generation of technology as measured in terms of share in US partens has gone up from 14 percent to 22 percent over the 1990s. Further more, the technological capabilities of Asean countries are essentially complementary in nature. For instance, Korea in auto, consumer

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electronics and light engineering; India in biotechnology, pharmaceuticals and computer software, and so on. Within industries too, there are patterns of complementary. For instance, in IT industry Easte Asia has huge hardware capacity and some countries like India, and the Philipines have the software capacity. A similar situation exists in chemicals, pharma, biotech, etc. This emerging pattern of complementary capabilities provides a great potential for intra-regionall FDI and technology transfer. Already intra-regional FDI contributes a substantial propotion of FDI inflows in a number of Asian countries such as China (70 percent), Thailand (55 percent), Malaysia (44 percent). Further more, Asia has its own model of industrial restructuring, flying geese model, which provides for industrial specialization and division of labor base on changing comparative advantage.

In conclusion, formation of a broader Asian economic community could enable the region to resume its rapid growth despite the uncertain global economic outlook and emerge as the centre of gravity in the world economy. Regional trade liberalization accompanied by freer movements of investment, technology and skills among the Asian countries would generate substantial efficiency gain by enbling the participants to exploit their complementaries to mutual advantages. Further more, regional Keynesianism based on cooperation in finance and monetary policy has the potential to help the region recover hundreds of billions of dollars or potential output lost due to under utilization of capacity.

Follow this trend, we can realize that the New Southbound Policy of Taiwan is the right way of the global integration process, especially the regional integration trend. The following part will analyze the position of Vietnam in the Taiwan's New Southbound Policy base on the analyze the main factors which effect to the policy's direction and implementation.

1.4. ROC-Taiwan and Vietnam relationship: history and prospect

1.4.1. Introduction about ROC-Taiwan

(a) Natural

The Republic of China (ROC), commonly known as Taiwan, located in the Western Pacific region, between Japan and the Philippines, extending to Penghu, Kinmen and Matsu Islands as well as many other offshore islands. The total area of ROC-Taiwan and surrounding islands is 36,197 km2.

With an area similar to the Netherlands but with a population of about 23 million, ROC-Taiwan is a country with a high population density compared to three-quarters of the world's countries.

ROC-Taiwan has many beautiful natural scenery. Mountains with many peaks above 3,000 meters, including Yushan, the highest peak in Southeast Asia, and hills at the bottom of the mountain with green forests covering more than half of ROC-Taiwan.

This beautiful island also has volcanoes, plateaus, coastal plains and valleys.

Located on the warm ocean currents far from the east coast of the Asian continent, ROC-Taiwan's striking feature is a vast climate zone that stretches from tropical to temperate. This feature, combined with fertile soil, high fertility and heavy rainfall, has made the island an agricultural paradise, in fact able to grow and cultivate any type of fruit and vegetable, and also turning the island into a land of creativity.

In the winter you can see the snow falling on the Hehuan Mountain in Natou district, then just 200 km to the fragrant Pingtung district, to see yourself in the sea, dive to see the coral reef along the southern tip of Island.

Smaller islands, meanwhile, have their own natural features, such as basalt pillars on the Penghu archipelago and hot springs along the Green Coast and Guishan Island.

(b) Fauna and flora

Spectral range from tropical to temperate of climates and the wide range of topography gives the island a diversity of flora and fauna. One of the most famous animals in ROC-Taiwan is Taiwanese freshwater salmon.

It is believed that this fish was trapped in the cold high mountain waters of central Taiwan during the last ice age, when the sea level drops to a low level and this fish cannot migrate upstream or downstream between fresh water and salt water. To protect this endangered fish, a ROC-Taiwanese freshwater salmon conservation zone has been established upstream of the Dajia River in Sheipa National Park.

(c) People

ROC-Taiwan can be described as a predominantly Han Chinese society, with over 95% of the population having Han Chinese origin. However, the reality is much more complicated than this generalized picture with the continuous wave of Chinese migration began in the 17th century with small groups of people of different nationalities, different languages and cultures. Today in ROC-Taiwan, these differences have been blurred by widespread marriage and the use of the same Chinese language.

In recent years, a new wave of immigrants from China and Southeast Asia as well as other countries has flooded into Taiwan, mostly through marriage.

Currently the number of new migrants is about 500,000 people.The convergence and interaction between human flows in ROC-Taiwan helps the island become an open, forward-looking society, uniting diverse civilization elements from around the world into one entity that harmonize.

(d)History

The Republic of China (Taiwan) was born in 1912 in China. At that time, Taiwan was under Japanese rule based on the 1895 Shimonoseki Treaty, whereby the Quing court ceded Taiwan to Japan. The ROC government began implementing jurisdiction over Taiwan in 1945 after Japan surrendered at the end of World War I.

The ROC government moved to Taiwan in 1949 after a civil war with the Chinese Communist Party. Since then, China has begun implementing jurisdiction over the main island of Taiwan and a series of surrounding small islands, leads to ROC-Taiwan and China each under the management of a different government.

The Beijing government has never implemented sovereignty over Taiwan and other islands currently under the control of the ROC.

Acording to the history

1500s	It is believed that European sailors who passed through ROC-Taiwan recorded the island's name as Iha Formusa, meaning the beautiful island. ROC-Taiwan continues to host small numbers of Chinese traders, fishermen and pirates.
1624	The Dutch traders' East India Company established a facility in southwestern ROC-Taiwan, began a shift in Aboriginal cereal production, hiring Chinese laborers to work in farms, growing rice and sugar cane.
1626	Spanish explorers set up a base north of ROC-Taiwan but were occupied by the Dutch in 1642.
1662	The loyal people under the leading of Zheng Cheng gong pushed the Dutch people out of the Island and established their own authority.
1683	The Qing forces (1644-1912) took control of the coastal areas of northern and western ROC_Taiwan.
1885	Declare ROC-Taiwan as a province of the Qing dynasty.
1895	Following the failure of the First Sino-Japanese War (1894-1895), the Qing Dynasty signed the Treaty of Shimonoski and transferred ROC-Taiwan's sovereignty to Japan and Japan ruled the island until 1945.
1911 1912	The Chinese revolution overthrew the Qing dynasty and created the Republic of China.
1943	During World War II, the Chinese leader Chiang Kai-Shek met with US President Franklin Rooservelt and British Prime Minister Winston Churchill in Cairo and stated that Formosa (ROC-Taiwan) would be restored to the Republic of China.
1945	The People's Republic of China, the United Kingdom of

	Great Britain and the United States jointly issued a joint statement of Posdam, calling on Japan to surrender unconditionally. After World War II, representatives of the ROC accepted Japanese surrender.
1947	The ROC Constitution was promulgated on January 1 and is expected to come into force on December 25. In March and the following months, the ROC army dispatched from China suppresses the uprising of many Taiwanese residents on a large scale.
1948	When the civil war in China between the Kuomintang - the leader of the ROC government and the Chinese Communist Party broke out, the law took effect temporarily during the period of national mobilization to suppress the Communist Party enacted, transcended the constitution, and greatly expanded the President's power.
1952	The peace treaty was signed between the ROC and Japan.
1954	A defense treaty between the ROC and the United States was signed in Washington.
1958	August 23 began the 40-day artillery bombardment between the ROC garrison at Kinmen and the Chinese army.
1966	The first export processing zone was built in Kaohsiung. The birth of such industrial zones has led Taiwan to become a developed country and a model for other countries to follow.
1968	The 9-years compulsory education system was born at a time when only 9 countries in the world had compulsory education systems with similar or longer duration.
1971	ROC withdraws from the United Nations.
1979	Demonstrator democracy activists in Kaohsiung City were arrested and imprisoned after an activity known as the Kaohsiung event, which led to the formation and development of the DPP in 1986.
1987	Put an end to the martial law, which has been in effect since 1949. The ban on the formation of new political parties and press publications has been lifted. The level of

democratization is rising. Human-to-people cross-strait exchanges have begun.

1991	The temporary rule in force during the period of national mobilization to suppress Communist troops was abolished. From 1991 to 2005, the ROC Constitution has undergone 7 amendments.
	ROC-Taiwan becomes the member of APEC.
1992	Government representatives from the two straits of the Taiwan coast met for the first time in Hong Kong, two sides become more understanding each other.
1995	The first national health insurance program is implemented.
1996	The ROC held the first direct presidential election in history. LeeTeng Hui and Lien Chan of KMT won 54% of the vote.
2000	Mr. Chen Sui Bian and Ms. Annete Hsiu Lien Lu of the progressive party (DPP) were elected president and vice president, ending more than 50 years of the Nationalist Party (KMT) in power, marking the first transition betweenpolitical parties on the executive power of the ROC government in ROC-Taiwan.
2002	ROC-Taiwan became a member of the world trade organization
2003	The Legislative Assembly passes a referendum law, creating a legal basis for citizens to vote directly on important local or national issues.
2004	The first national referendum was held concurrently with the third direct presidential election. Mr. Chen Sui Bian was elected as President.
2005	The law institute introduces the legislative election system under the mechanism of "one point of vote, two votes".
2008	Mr. Ma Ying Jeou and Mr. Vincent C. Siew of KMT were elected president and vice president of the Republic of China with 58% of the support votes, marking the second transfer

	between political parties and executive powerof the ROC government in ROC-Taiwan.
2009	Taiwan attends the World Health Assembly as an observer. President Ma Ying Jeou signs the ratification of international conventions on civil and political rights and international conventions on economic, social and cultural rights.
2010	The ROC and China signed an agreement to normalize economic and trade relations.
2011	100th anniversary of the National Day of the ROC in ROC-Taiwan.
2012	President Ying Jeou, representing KMT, won the presidential election.
2013	ROC-Taiwan signed an economic cooperation agreement with Newzealand and an economic partnership agreement with Singapore.
2014	February marked the first official contact between the heads of government of Taiwan and China.
2015	President Ma Ying-jeou and Chinese leader Xi Jinping met in Singapore in November, marking their first meeting after 66 years. ROC-Taiwan signed the TFA agreement to facilitate trade of the World Trade Organization.
2016	Ms. Tsai Ing Wen, President of the Democratic Progressive Party (DPP) was elected as president. President Tsai Ing Wen officially apologizes to the indigenous peoples for the pain and persecution they suffered for the centuries.
2017	ROC-Taiwan became the first country in Asia to legalize same-sex marriage. The indigenous language development law was enacted to preserve and promote the languages of the 16 officially recognized indigenous peoples in Taiwan. Taiwan's first satellite was launched into space to observe the earth.

Source: A glance of Taiwan by Ministry of Foreign Afair

(e) Politic system

The Constitution of the Republic of China was enacted on 1 January 1947, but failed to fulfill its intended purpose as a foundation for democratic and rule of law until 1987, when martial law order was lifted in ROC-Taiwan.

Since then the constitution has been amended 7 times to bring it closer to the country's current conditions.

One of the important results of these constitutional amendments is that since 1991, the government has admitted that the scope of management extends only to areas controlled by the government.So the president and the legislatorsonly responsible for the people of those regions.

Government levels

The central government consists of the President and the 5 main institutions or institutes.

The current local government consists of 6 cities under central authority, 13 districts and 3 municipalities similar with district level.

In addition, there are 198 townships and municipalities, 170 districts - including six mountainous districts of indigenous people - in the municipalities and directly under the central government.

The city under central authority is the highest administrative unit under the direct management of the central government. These cities play an important role in leading domestic regional development.

Such decentralization will give these administrative units access to greater funding and the opportunity to establish more agencies and recruit more civil servants.

The six cities under the central government by population size are New Taipei, Taichung, Kaohsiung and Taipei, Taoyuan and Tainan.

The President and the Prime minister

The president and vice president are directly elected for 4 years and may be re-elected for another term. The president is the head of state and the commander-in-chief of the armed forces, represents the nation in diplomatic relations, and is empowered to appoint heads of four government offices.

The heads of the ministries, committees and agencies of the Administrative Institute are appointed by the Prime Minister and formed the Administrative Council.

Tsai Ing Wen –current President of Taiwan

Political Parties

The president plays a major role in the overall functioning of the government, the term "ruling party" refers to the political party that holds the presidential government.

The Kuomintang (KMT) took over the presidency in Taiwan more than 5 decades before the progressive Party won the presidential elections in 2000 and 2004.

The KMT regained power by winning the 2008 and 2012 presidential elections. The Progressive Party won the 2016 election, marking the third transfer of power since ROC-Taiwan democratization.

In the legislative election in January 2016, the Democratic Progressive Party (DPP) won 60% of the seats in the Legislature, while the KMT won only 31% of the seats. Other political parties present in the legislature include the New Power Party and the Taiwan People Party.

At present, the Democratic Progressive Party (DPP) is the main force of Taiwan with the representative is President Tsai Ing Wen.

(f) Diplomatic relation

More than 160 countries and territories give priority to exempting visas, granting visas on the spot or visas for people who has passport of the Republic of China (Taiwan).

ROC-Taiwan is the only country on the U.S. visa waiver program, but not the state that has formal diplomatic relations with the United States.

ROC-Taiwan is an independent sovereign state, has its own defense force and conducts its own diplomatic relations.

As the Taiwanese constitution states: Taiwan desires to foster good neighborly relations with other nations, respect the United Nations conventions and charter, promote international relations, and protect international justice and world peace guarantee. The ultimate goal of diplomacy is to ensure a favorable environment for national conservation and long-term development.

The government is committed to a consistent foreign policy, to enhance mutual assistance to the benefit of the parties. Taiwan will build long-term partnerships with allies and countries that share values of freedom and democracy. Accordingly the external focus will shift from providing foreign aid to two-way dialogue, with bilateral projects taking into the development of industries and markets.

Following the President's new Southbound policy, Taiwan is trying to expand exchanges with 10 ASEAN member countries, 6 South Asian countries, Australia and New Zealand in the fields of economic and trade cooperation, training talent, resource sharing, regional links. The long-term goal is to create a new model of cooperation on the basis of mutual benefits.

ROC-Taiwan now has relations with 17 countries and substantive relations with many other countries. From January 7, 2017 to January 15, 2017, President Tsai Ing-wen visited 4 countries with diplomatic relations in Central America: Elsalvador, Guatemala, Honduras and Nicaragua. From October 28, 2017 to November 4, 2017, Tsai Ing-wen President visited 3 diplomatic allies in the Pacific: Marshall Islands, Solomon Islands and Tuvalu Islands and established agreements to strengthen the exchange with countries.

(g) Joining an international organization

Taiwan has full membership at 37 multi-governmental organizations (IGO) and its affiliates, including the World Trade Organization, the Asia-Pacific Economic Cooperation Forum. The Asian Development Bank and the Central American Economic Integration Bank, and observers or in other ways at the 21 multi-governmental organizations and their affiliates.

ROC-Taiwan will contribute substantially and professionally to the international community on the basis of maintaining national sovereignty and respect, promoting the welfare of the people and seeking support for ROC-Taiwan to participate. Specialized agencies and mechanisms focusing on the United Nations' welfare and development such as World Health Organization, International Civil Aviation Organization (ICAO), United Nations Framework Convention on Change climate (UNFCCC). Japan, the United States, European countries and other countries have voiced support for Taiwan's participation in specialized United Nations agencies and mechanisms such as ICAO and UNFCCC.

Until February 21, 2018, there are 167 countries and territories offering the visa-free, border-gate or e-visa privileges for ROC-Taiwan passport holders.

Notably, of the 38 countries that are part of the U.S. visa waiver program, ROC-Taiwan is the only one without formal diplomatic relations with the United States, which shows a close relationship between the two sides.

ROC-Taiwan and the Vatican have a long-standing diplomatic relationship and a shared commitment to religious freedom and humanitarian relief. And until now ROC-Taiwan has good relationship with Japan, Philippines and other islands around.

As a model citizen of global society, ROC-Taiwan will continue to promote humanitarian assistance and disease control by actively participating in international efforts to respond to climate change, terrorism and transnational crime. Looking ahead, ROC-Taiwan will build long-term partnerships with allied countries and other countries with similar concepts through promoting government-level exchanges, business investments and exchanges between people, working with partners around the world to encourage and promote the values of peace, freedom, democracy and human rights.

To promote comprehensive domestic reform, Taiwan needs a peaceful and stable external environment, especially in relation with China. In addition, the Taiwanese government calls on the Chinese authorities to face the fact that Taiwan exists and that the people of Taiwan have an unshakable belief in the democratic system, towards a future that has benefit both sides.

(h) Economy

ROC-Taiwan occupies an important position in the global economy and is a leading country in the field of information technology and telecommunications in the world, and a major supplier of goods in the field of industry.

According to the World Trade Organization, ROC-Taiwan is the 16th largest exporter and the 18th largest importer of goods in 2017. GDP per capita was US $ 24,337 in 2017.

After the impact of the global financial crisis in 2009, ROC-Taiwan's export-driven economy suffered another shock in the second half of 2015, mainly due to the weak demand for electronic products. Global consumption and crude oil prices fell. The situation has improved since 2016.

In July 2013, ROC-Taiwan signed an economic cooperation agreement with New Zealand, then Singapore, then India and Indonesia. Other economic meetings are expected to promote Taiwan's participation in regional economic integration blocs such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the Economic Partnership Agreement, Comprehensive Asean Region.

(i) Science and technology

ROC-Taiwan is one of the world's leading producers of information and communication technology (ICT) products. The World Economic Forum ranked ROC-Taiwan 15th among 137 economies in the Global Competitiveness Index Report released in September 2017.

The success of ROC-Taiwanese technology enterprises is largely due to the Taiwanese government's generous spending on scientific applications. With the support of the government, the Institute of Industrial Technology Research (TRI), the National Institute of Experimental Research and the Information Industry Institute (III) are all agencies that play an important role in bringing the country has leapfrogged to become a country of technological strength by conducting research, supporting the private sector to conduct research and development (R&D), and exploring new technologies.

IRI is the institute that has played a role in establishing many companies that have grown and have important positions in the world market, including Taiwanese semiconductor maker, and United Microelectronics Corp. among the top major integrated chip manufacturers in the world. The Institute has won a total of 36 Top

100 science and technology research and development awards in the world, awarded by a prestigious US-based R&D magazine.

After years of encouraging the public and private sectors to develop the technology specialization of Taiwan's hi-tech parks, it is now the basis of a series of companies pursuing breakthrough ideas in areas such as integrated circuits, nanotechnology, optoelectronics and precision engineering.

(k) Education

Education is particularly focused in Taiwan and a large portion of the government budget is allocated for educational purposes. The number of people with at least one college or university degree makes up 45% of ROC-Taiwan's population aged 15 and above.

(l) Culture

Taiwanese culture is a blend of Confucianism and indigenous Taiwanese cultures, often understood in the traditional and modern sense. The socio-political experience in Taiwan gradually evolved into a feeling of Taiwanese cultural identity and a sense of awareness of Taiwanese culture, which was widely discussed in the country. Reflecting the ongoing controversy surrounding Taiwan's political situation, politics continues to play an important role in shaping and developing ROC-Taiwan's cultural identity, especially in the framework of priority domination of ROC-Taiwan and China. In recent years, the concept of Taiwan's multiculturalism has been proposed as a relatively non-political alternative perspective, which has allowed mainland Chinese and other minorities to continue to define re-document Taiwanese culture as meaningful systems and patterns of thinking and sharing behaviors of the people of ROC-Taiwan.

ROC-Taiwan's culture and cultural heritage is primarily shaped by processes of imperialism and colonization because the structural and psychological effects of successive colonial projects are indispensable in the development of ROC-Taiwan's self image and the evolution of official and unofficial Taiwanese culture. For much of its existence, ROC-Taiwan remained on the cultural frontier, far from the center of the civil and cultural life of each regime, and with every regime change, ROC-Taiwan's cultural centerchanged. At many times, the cultural center of ROC-Taiwan was Taiwan, Amsterdam, Xiamen (Amoy), Beijing during the Qing Dynasty, Emperor of Japan, China after the war and even the United States and it can be concluded that it is the mixed cultures.

Before the Qing Empire ceded Taiwan to Japan in 1895, Taiwanese culture was characterized by the border communes of the Qing Han Dynasty and the Aboriginal people in the Highlands. Due to ROC-Taiwan's strategic position along the East Asia trade routes, Taiwanese are also influenced by the world and the European trade. In the middle of the Japanese period (1895-1945), ROC-Taiwan began to change from local culture to modern global culture, under the guidance of Japanese "Westernization" style. Starting from the Japanese era of war construction, Japan has strengthened its policies so that Taiwanese Japan can mobilize for its Japanese allie. They have taught the upper class about the culture and languages of Japan, but most have not interfered with religious organizations. When Japan's repressive policies were lifted after World War II, Taiwanese eagerly continued their pre-war international activities. Japanese colonial heritage has shaped many Taiwanese customs and practices. Japanese colonial heritage remains to be seen, due to Japan's great efforts to build ROC-Taiwan's economic and industrial infrastructure, often considered a key factor in ROC-Taiwan’s rapid economic development.

In the early post-war period, the KMT suppressed Taiwan's cultural style and banned Taiwanese from participating in international life except in the fields of science and technology. The authoritarian KMT dominates the public cultural space and China's national networks have become part of the cultural institutions, leaving little resources for cultural autonomy to develop.

According to the First Nationalist Party, Taiwan was rearranged from a Japanese royal center to a Chinese national center, under the influence of the US Congress and the United States' geopolitical interests. Despite modest US cultural activities, they play an important role in ROC-Taiwan's growing culture. The US Congress declared the dismay led to "dehydration of China" and thus the state enacted a series of ideological reforms to "regain" China, becoming an important cultural program at the time, investing in humanities and social sciences, and to another extent, the state's main goal is to "imitate" Taiwanese people by teaching them about Chinese and national ideology through education compulsory elementary education.

In the late 1940s, the KMT removed the dissent about its cultural policy. When the Taiwanese continued the cultural activities invaded by Japan in 1937, the Taiwanese nationalist attitude was "Japanese slave" and therefore had to complete a period of supervision in terms of morals and before they can fully enjoy the rights of citizens of the Republic of China. The February 28 event that destroyed Taiwan's upper class and the arrival of the mainland upper class ensured the dominance of urban cultural centers.

Between the 1960s and 1980s the Taiwanese culture was described by the media as a contrast between ROC-Taiwan (free China) and China (Chinese Communist). In response to the Chinese Cultural Revolution, the Taiwanese government began promoting the Revival Chinese Culture. These programs include subsidized publications of ancient Chinese literature, featuring the symbol of the National Palace Museum, promoting famous scholars to prominent government positions and academics, curriculum, and curriculum design with an emphasis on an official cultural perspective "in social and community events and illustrating the Confucian ideology associated with the thinking of Ton Trung Son”.

The language spoken by many of the most indigenous people in Taiwan is Hokkien (Phúc kiến) Taiwan, or "Taiwan" in short, used by about 70% of the population. Migrants from Mainland China after 1949 (about 13% of the population) mainly spoke Mandarin. Hakka, accounting for about 13% of the population, speak a different Hakka language. The Formosan languages are the indigenous languages of Taiwanese indigenous people, accounting for about 2.3% of the island population. Tradition is the official language and is almost universally used. English is taught widely, starting in the elementary school year. Taiwanese Mandarin, which originates from Chinese, is spoken at different levels according to the speaker's social class and situation.

ROC-Taiwan is famous for its charming blend of traditional and modern culture. To demonstrate the nation's history and cultural diversity, museums have been established throughout Taiwan. Rich traditional architecture exists not only in magnificent temples but also in many old structures that have been revived for use as community centers, cafes, shops and public spaces. Taiwan is one of the countries that still use traditional Chinese characters.

Traditional teachings of Buddhism, Confucianism and Taoism continue to manifest in many aspects from temple festivals to literature, visual arts and performing arts. Along with that, the big cities of ROC-Taiwan are aiming to be diversified entertainment centers serving 24/7. The local film and television industry has witnessed tremendous progress in recent years.

From literary arts to folk festivals, the lively atmosphere of traditional night markets, the traditional beauty of ROC-Taiwan is being intimately intertwined with daily life, forming a culture is full of life with the current life force mixed with the depth from the past.

Some Taiwan's photos

Recently, ROC-Taiwan tried to consolidate the cultural management system, starting up culture including film, television and music production, building infrastructure to support art creation, protect cultural and history, preserve the Hakka culture, indigenous culture and new immigrant culture.

Hakka, also known as a Han ethnic group whose ancestors are thought to be originally in the regions of Henan and Shanxi provinces in northern China 2700 years ago. They have migrated south due to instability, turmoil and foreign encroachment.

Hakka are now concentrated in southern China such as Guangdong province, western Fujian, Jiangxi, southern Hunan, Guangxi, southern Guizhou, southeast Sichuan, Hainan islands and Taiwan.Hakka women have no custom of bundling the feet and famous for studying.

Hakka still retain very unique points in their lifestyle and culture. For example, a Hakka when pulling weeds for rice still does not lean over the ground, even though it will make it easier for them to work, because in their opinion, being a Hakka is not respected Knelt on the land of the Manchu**.**

On the island of ROC-Taiwan, Hakka occupies 15% of the total population of 22.9 million. During the periods of the 18th and 19th centuries, there were some violent clashes between Hakka and Hoklo, partly due to economic conflicts, partly due to political conflicts. The primary of these conflicts is the lack of mutual trust between the two communities. However, there are generally personal relationships between these two groups.

1.4.2. Introduction about Vietnam

The Socialist Republic of Vietnam, widely known as Vietnam, is not a strange name to the whole world. The country becomes a nation going places. Although this country is ravaged by a series of wars which causes serious damages, Vietnam in the eyes of the world is nice and peaceful. Vietnam is located in the eastern Indochina Peninsula in Southeast Asia, with Hanoi as its capital. With an area of 331,690 sq. kilometers, to the north of Vietnam is China, to the west is Laos and Cambodia, to the east is Gulf of Tonkin and East Sea, and to the south is Thailand Gulf. The land is a center of trading, cultural interaction, and even conflicts for centuries. It proves that Vietnam has an advantageous position in the region with long coastline and numerous attractions. Having a tropical climate, Vietnam is well known for from magnificent scenery and colorful hill tribes to wide terraced fields in

Red River Delta and Mekong River Delta, to majestic mountains, and white sandy beaches. Vietnam, nowadays, is one of should-not-miss destinations in Asia.

Vietnam geography

Vietnam geography has for a long time owned precious benefits nowhere else could be found. Vietnam, officially called The Socialist Republic of Vietnam is situated on the eastern part of Indochina Peninsula in Southeast Asia. Whole Vietnam's territory runs along the eastern coast of the peninsula, in which the mainland extends from the longitude 102°8'E to 109°27'E and between the latitude 8°27'N and 23°23'N. In addition, Vietnam also considers Paracel Islands and Spratly Islands as its territory. The S-shaped country has a north-to-south distance of 1,650 kilometers and is about 50 kilometers wide at the narrowest point. The country also has a land border with China (1,281 km), Laos (2,130 km), Cambodia (1,228 km) and a long coastline, adjacent to the Gulf of Tonkin, South China Sea and Gulf of Thailand. Located in the area of tropical monsoon climate with high humidity of over 80% all the year round, with the diversification in topography, three main regions of Vietnam stretch in different climate zones. The climate in Vietnam varies from North to South, from mountains to plains and coastal. The divisions of Vietnam weather may cause certain effects on travel decisions of tourists.

Map of Vietnam

Vietnam history

Vietnam has a long-lasting history starting from 1000-2000 years BC. After experiencing over centuries with many dynasties of Ly, Tran, Le, Nguyen, Vietnam became the colony of the French. After August Revolution in 1945, the Democratic Republic of Vietnam came into being. In 1954, the French colonialism ended by the Battle of Dien Bien Phu. However, Vietnam at that time was divided into two separate parts: the Democratic Republic of Vietnam in the North and the Republic of Vietnam in the South. After April 30, 1975, Vietnam was reunified. Since July 2, 1976, the Socialist Republic of Vietnam is the official name of the country. Currently, Vietnam is a socialist state with single political party, the Communist Party of Vietnam. From January 11, 2007, Vietnam officially became the 150th member of the World Trade Organization. On October 16, 2007, at a poll which was placed at the meeting of the United Nations General Assembly in New York, Vietnam was officially elected as non-permanent members of the UN Security Council for the 2008-2009 term.

Since January 1, 2020, Vietnam has officially assumed the position of a non-permanent member of the United Nations Security Council for the term 2020-2021, and at the same time began serving as the Chairman of the Security Council in January 2020. Deploying the foreign policy of independence, autonomy, proactive, positive international integration, promoting and enhancing multilateral diplomacy, this is a valuable opportunity for Vietnam to contribute to building, responsibly in the joint work of the international community, empowering the country and deepening Vietnam's relations with other countries and important partners.

Vietnamese people

Vietnam is one of the most populous countries in the world with the population of over 96 million of which 34,4% in the cities and 65,6 % in the rural areas. Population growth rate in Vietnam is 1.18% annually. The most populous cities in Vietnam are Ho Chi Minh City (8.99 million), and Hanoi (8.05 million). In the territory of Vietnam, there are 54 ethnic groups living together in harmony, in which Kinh people account for 86% of whole population. The rest number of the population fluctuates around 1 million, including ethnic minority people of Tay, Nung, Thai, Muong, Khmer, etc. Kinh people reside across the country, especially in plains and river deltas. They are owners of rice civilization. Meanwhile, the majority of ethnic groups live in mid-land and mountainous regions, stretching from north to south. Most of them live alternately; in which the typicality is ethnic minority communities in the North and North Central. However, they are all friendly and love peace. Vietnamese people are friendly and enthusiastic. They welcome visitors to their country with open arms and friendly smiles.

Traditional costumes of Vietnamese ethnic groups
Source: Image from vtv.vn

Vietnamese culture

Vietnamese culture under the concept of unified national culture on the basis of multicultural ethnicities is expressed in three main characteristics:

The first characteristic: Vietnam has a rich and diverse culture in all aspects, the Vietnamese and the community of 54 ethnic groups have the right and good customs from a long time, there are many festivals of community activities, sustainable beliefs, tolerance in the various doctrinal ideologies of religion, the thoroughness and metaphor in the communication of languages, from tradition to present. The great of literature and art.

The second characteristic: Differences in terrain structure, climate and ethnic and population distribution have created cultural regions with specific characteristics in Vietnam. From the cradle of Vietnamese culture is Kinh Ky culture in the Red River Del with the village culture and water-rice civilization, to cultural nuances of mountainous ethnic groups in the Northwest. From the frontier lands of Vietnam during the time of founding the country in the North Central Coast, it blended with the Champa culture of the Cham people in the South Central Coast. From the new lands in the South of Vietnam with the combination of culture of the Chinese and the Khmer ethnic groups to the cultural and ethnic diversity in the Central Highlands. All of those created the diverse culture for Vietnam.

The third characteristic: With a history of thousands years of Vietnam along with the convergence of other ethic nations, from indigenous culture of ancient Vietnamese since Hong Bang period to the external influences for thousand years. With the ancient influences of China and Southeast Asia to the influences of France from the 19th century, the West in the 20th century and globalization from the 21st century, Vietnam has had cultural changes. According to historical periods, Culture of Vietnam lost some aspects also imported some other cultural aspects that complement the modern Vietnamese culture now aday.

Some factors that are often considered typical of Vietnamese culture when viewed from the outside include respect for ancestors, respect for community and family values, handicrafts, hard work and hospitality in learning**.** The West also considers that important symbols in Vietnamese culture include dragons, turtles, lotuses and bamboo.

As being a nation of 54 ethnic groups, Vietnam absolutely has a colorful culture with various traditional customs and cultural identity. Vietnamese culture is affect much by main religions as Confucianism, Taoism, Buddhism, Roman Catholicism, and Cao Dai. Most of Vietnamese people thought that they do not follow any religious, yet they go to temples and pagodas annually to pray for luck and happiness. A large number of ancient temples and pagodas are built across the country since ancient time. In Vietnam, there is a perfect balance between ancient architectures and the new ones. Despite the influence of Chinese, French occupation and American intervention, Vietnam has been left with a vivid legacy from different cultures evident in the character of its towns, as well as in the architecture and food. The Hoi An ancient town, once a major trading port, still keeps completely architecturalinfluences of the Asian merchants, while the broad boulevards Hanoi and Ho Chi Minh City are reminiscent of France. In addition, Vietnamese is one of the country highly appreciating major holidays, festivals and rites of passage. The most important festival in Vietnam is the Lunar New Year celebration (Tet). In Vietnam, there are many rites such as birth of a child, engagement, marriage, funeral, and anniversary of ancestors' death. All of these features create a unique cultural identity of Vietnam.

Some Vietnam’s photos

Vietnamese language

Vietnamese Alphabet - Source: Image from learnvietnamese.biz

Vietnamese is the official language of Vietnam. About 85% of the population speaks Vietnamese as their mother tongue, while the minority ethnic people speak this language as their second language. As being spoken by a large number of native speakers, surpassing some other languages like Turkish and Italian, Vietnamese is regarded as one of the most important languages in the world. According to the world’s statistics, there are at least more than 90 million people speaking Vietnamese all over the world, of course, in Vietnam, the figure is overwhelmed in Vietnam itself. Although some Vietnamese words are borrowed from Chinese words, **Vietnamese language** has its own features with Latin alphabet, or Vietnamese alphabet. Vietnamese education is in the progress of integration. There are four education levels in Vietnam: primary, secondary, high school, and university.

Beliefs

Like everywhere in the world, since ancient times the people of Vietnam have worshiped many Gods. The people worshiped all the intangible and tangible forces that were essentially unexplained natural and social phenomena at the time. Today, thanks to the studies, festivals, existing customs, we know more about the material life and the spirit of the ancient Vietnamese people in general and their beliefs in particular.

The ancients believed that everything had a soul, so people worshiped many Spirit Presentator (in other word is God), originally they worshiped the Sun, Moon, Earth, River, Sea, Thunder, Rain, .. they associated with the practical dreams of agricultural life. Going into daily life, they worshiped Agriculture God, who is the one who oversees the fields, the Rice God, and the CornGodin the hope of always having enough rice.

Not only pray for the Spirits are associated with the material life, people also worship the Gods associated with their spiritual life. Vietnamese people worship Thanh Hoang, national heroes. The Vietnamese people also worship for the Gods (people with meritorious services to the country) who have made great contributions to the country and to express their gratitude and pray for their blessings. .

Vietnam economy

Vietnam is a developing country. Emerging from an under-developed country, Vietnam is recovering and developing after the damage of wars. After 1986, with Economic Reform, the economy of Vietnam has gained a huge accomplishment with the average growth rate of 9%. As being a market economy, highly dependent on crude exports and foreign direct investment (FDI), Vietnam is the 6th largest economy in Southeast Asia and the 57th one in the world, in terms of nominal gross domestic product in 2011. Vietnam owns a mixed economy, but the state intervention in the economy is still at a high level. Currently, the State of Vietnam has been applying measures of administrative price control by requiring economic groups and corporations to adjust levels of investment, gasoline price, and prices of steel, cement, and coal. There are seven economic regions in Vietnam, including Northwest, Northeast, Red River Delta, North Central Coast, South Central Coast and Highlands, Southeast, and Mekong Delta.

Vietnam politics

Vietnamese politics is formed under the model of a single socialist republic party. In this political system, the State of Vietnam is led by the President, and the Government of Vietnam is led by the Prime Minister under Communist Party. Executive power is ruled by the Vietnamese government and President. Legislative power is authorized by the National Assembly of Vietnam. The Judiciary is not dependent on the executive. The National Assembly of Vietnam is the highest representative organ of the people, and it is the only organ holding the legislative power. This agency has a huge responsibility in monitoring all functions of Vietnam government. At present, Vietnam has six socio-political organizations, including Vietnam Fatherland Front, Trade Unions, Vietnam Women's Union, Ho Chi Minh Youth Union, Veterans Association, and Farmers Association. Leaders of these organizations are members and organizations governed by the Communist Party.

Vietnam society

In Vietnamese society, hierarchy has a great impact on Vietnamese life. Demonstrating respect of inferiors to superiors is highly concentrated in social relations. Older people are generally considered superior to younger people, men to women, the wealthy to the poor, and those of higher occupation or status to those of lower. Nearly 70 percent of Vietnamese people live in rural areas. In cities, most of people live in small apartments. In Vietnamese life, family plays the most important part. The obligations of children to their parents, wives to husbands, and younger people to their elders highly appreciated in Vietnamese family. About social welfare in Vietnam, Vietnam social welfare system consists of many policies and programs which are conducted by the government and social and individual partners with the purposes of supporting and improving lives of disadvantaged individuals, households and community.

Traveling to Asia in general, and in Vietnam in particular becomes of great appeal to tourists from all over the world in recent time. Asia is no longer a hard place to go. A natural flow of travelers runs to the countries of Indochina, especially Vietnam. With several greatly important milestones in its history such as lifting of embargoes, economic reform and the opening door policy, Vietnam increasingly becomes a popular tourist destination in the region and in the world.

Religion

Buddhism, Confucianism and Taoism are known in Vietnam as the 'triple religion', and all three are prevalent in Vietnamese culture. However, Vietnam owes much of its belief system to folk tales and in the traditional sense, is one of the least religious countries in the world. Its people turn to the worship of gods, goddesses and ancestors based on the guidance. It is also believed that failing to conduct proper rituals upon death will create 'hungry ghosts', so the spirit world is commonly considered to be of great importance**.**

Clothing

A tight-fitting silk tunic called 'Ao Dai' is the Vietnamese national/traditional dress for women – it was briefly banned following the fall of Saigon, but is now made in white for schoolgirls and is designed to accentuate womanly curves whilst covering the whole body. Dresses are commonly made of silk or cotton. The national dress for men is similar, but it is lose-fitting and shorter in length.

Vietnamese's traditional clothes

1.4.3 History and prospect of relationship between Taiwan and Vietnam

The ROC-Taiwan and Vietnam relationship is an informal diplomatic relationship between the government of the Socialist Republic of Vietnam and the government of the ROC. Despite being a country with a close relationship and only officially recognizing the People's Republic of China government, as well as the One China policy, Vietnam maintains an unofficial diplomatic relationship with Taiwan independently. Impacts from culture (ROC-Taiwan), immigration or labor cooperation, investment cooperation (ROC-Taiwan was the largest source of foreign direct investment in Vietnam in 2006) has strengthened this informal relationship. The two sides regularly maintain bilateral visits, helping to boost the flow of significant investment capital between Taiwan and Vietnam.

The cooperation between Vietnam and ROC-Taiwan has made significant progress on various dimensions, but there have been great shortcomings as well.

Regarding positive achievements, there are serveral following existing results in Vietnam-Taiwan cooperation. For instance, in terms of economic field, ROC-Taiwan has been considered as one of the most important partners for Vietnam in the trade as well as investment. At present, ROC-Taiwan is the 5th biggest commercial partner of Vietnam. More specifically, ROC-Taiwan is the 4th biggest import partner of Vietnam, but ROC-Taiwan is only the 16th biggest export partner of Vietnam.

The acceleration of Taiwanese FDI over Vietnam is considerable during the period of 1990- 2016. The year of 1991 marked the first Taiwanese FDI project into Vietnam with an investment of US$ 17 million. In 2003, it was an acceleration of this capital flow to US$ 157 million and particularly expanded between 2008 and 2015. In the period of 2008-2015, there was a great number of Taiwan's FDI flowing into Vietnam. By the end of 2015, Taiwan ranked the 4th largest investor regarding FDI capital value in Vietnam market.

There are numbers of reasons could explain why Vietnam became the top priorities when ROC-Taiwan companies and other foreign enterprises decided to invest abroad. First, Vietnam's greater participation in various multilateral and bilateral agreement as well as international organizations a decade before has demonstrated the deeper integration of the country with the global economy. Second, in order to promote the signing of FTAs, Vietnam has committed and implemented various adjustments and reforms regarding legal policies to ensure a free and fair trading and investment environment. Furthermore, the establishment of the new legal framework has been seen as Vietnam’s efforts to create afair and attractive environment for domestic and foreign investors. Third, Vietnam has been actively attracting FDI from ROC-Taiwan in particular and others in general via favorable policies related to tax, land rent and finance. Fourth, Taiwan economy is oriented towards hightech industries, especially electronics and microbiology. Taiwan is one of the economic partners who masters a lot of cutting-edge technology. This strategy is arguably fit well with the relevant policies from the Vietnam government to attract inward FDI.

It is also worth noting that cultural and educational exchange is one of the areas with great potential for relationship development between the two sides. By 2015, the number of Vietnamese people living, working and studying in ROC-Taiwan reached about 300 thousand people in total. Of which, the total number of students studying and researching in ROC-Taiwan accounted for 3600 people, the number of Vietnam labors working in this island reached about

170 thousand people. Currenlty, Vietnamese new migrants make up about 98 thousand people in ROC-Taiwan. There are several reasons to explain why the formers are likely become the bridge of Vietnam and ROC-Taiwan cooperation in these relevant fields. First, Vietnam is a developing country with placing heavy demand on high-quality human resources. At present, to realize higher economic growth, Vietnam has exercised a variety of the preferential policies to support its students going abroad for studying as much as possible. Fortunately, with establishing a Western-model education, and many advantages such as proximal distance of geographic, low-cost, similar culture and lifestyle, ROC-Taiwan become one of the top destinations that allures Vietnamese students. At the same time, recently, learning Vietnamese has obtained popularity in Taiwan. Many Taiwanese students in university consider Vietnam as stepping stone for their future careers and are learning the language. Second, in terms of Vietnam migrant in ROC-Taiwan, they play a crucial role in promoting the cultural exchanging between ROC-Taiwan and Vietnam. With adapting successfully into ROC-Taiwan culture, most Vietnamese new migrants comprehend the advantages of Taiwan' culture, as well as mutual characteristic between two cultures. In addtition, Vietnamese new migrantshave great contribute to diversifying of Taiwan civil society and to deepening the defination of ROC-Taiwan diverse culture. Hence, that is high likely to be the premise of strengthening the cultural exchange between Vietnam and ROC-Taiwan.

In terms of negative consequences, during the cooperation process, there are a variety of shortcomings have emerged and hindered the efforts to promote bilateral relations; weakened the mutual trust of the two sides. One of those reasons is the cultural and linguistic similarities between Taiwanese and Mainland Chinese business due to the influence of the complex history. The majority of Vietnamese labors could not distinguish between Taiwanese business and Chinese counterpart and they feel that Taiwanese companies have difficulties to create their distinctive business culture. Moreover, the cognitive limitations of the major employees who are working in Taiwanese enterprises are low educational attainments. They also have limited knowledge of Taiwanese culture and customs. Therefore, this has caused insufficient perception of the most Vietnamese people for the distinction of Taiwanese business investing in Vietnam.

Another recent concern regarding Taiwan outward FDI in Vietnam is Taiwan's investment model in Vietnam. Most Taiwanese business invests into Vietnam under the form of Foreign Direct Investment (FDI) while mostly small and medium enterprises with the technology is not the latest generation.

Besides, Taiwanese superiors took a little interest in making a close relationship with Vietnamese employees. Gradually, Vietnam laborers are unable to distinguish the distinction between Taiwanese and mainland Chinese. That is one of the reasons for the limitation of the mutual trust between Vietnam laborers and ROC-Taiwan employers arising.

The responsibility for the workers' welfare, environmental protection as well as for market and consumer has been shown insufficiently. In 2016, six of Korea enterprises were confered the prize of corporate social responsibility by Vietnam Ministry of Planning and Investment due to their contribution to Vietnam society, such asenhancing the life standard of children in several remote areas, as well as, preserving enviromental protection in Vietnam. However, ROC-Taiwan companies have not realized or considered the corporate social responsibility as an important tool to build up the company's image and brand in the Vietnamese market.

The development of the Taiwanese product-brands and trademarks is not on the top priority of ROC-Taiwan companies in Vietnam also become the big reason for the situation of Taiwanese brands have not realized by the customers in Vietnam, thus they do not know, and then, do not express their beautiful emotion with ROC-Taiwan. And it is the important points to pay attention for the better future relationship between the two sides that the author has to focus on.

1.4.3.1 Regarding economic-trading relation

Trading cooperation

Currently, many countries in the world, including Vietnam, have affirmed their persistence on the "One country" policy of China, ”recognizes the People's Republic of China (PRC) as the only representative of the Chinese people, Taiwan is an inseparable part of the People's Republic of China. Until now, Vietnam only exchanges in terms of economy, trade, investment and culture with ROC-Taiwan, there is no development of official relations with ROC-Taiwan.

In order to enhance the economic exchange between Vietnam and Taiwan, on June 30, 1992, Vietnam and Taiwan signed Agreement to set up Taipei Economic and Cultural Office on the both sides. Up to now, Vietnam and ROC-Taiwan have signed a number of cooperation agreements in the fields of economy, education, health, agriculture ....

ROC-Taiwan is one of the important economic partners of Vietnam, a market with a population of more than 23 million people and the high per capita income in the world, this is considered as a potential market for Vietnam to export goods to Taiwan. Vietnam accounts for 0.9% of total import turnover.

Export to ROC-Taiwan

According to the statistics of ROC-Taiwan Customs, Vietnam is a major exporter of cashew nuts and almost absolute into ROC-Taiwan. Next is rice, Vietnam is the second ranking of rice exporter into Taiwan.

Table 1.1.Top 05 Vietnamese products exported to Taiwan in 2015

Exports	*2014 (USD)*	*2015 (USD)*	*Year 2015 compare to year 2014*
Textile	215.077.682 247	247.081.794	114 %
Computers, electronics and accessories.	163.187.340 190	190.031.303	116 %
Machinery, equipment and other spare tools	130.440.067	139.034.910	106 %
Sea foods	143.660.555 117	117.651.099	81 %
Shoes and footwear	84.898.973	116.995.721	137 %

Source: Viertnam General Department of Customs

Table 1.2 Top 05 Vietnamese products imported from ROC-Taiwan in 2015

Unit: million usd

Imported goods	*2014 (USD)*	*2015 (USD)*	*Year 2015 compare to year 2014*
Computers, electronics and accessories.	1.411.678.492	2.191.874.165	155 %
Fabrics of all kinds	1.393.079.229	1.536.422.549	110 %
Machinery, equipment, tools and other spare parts	1.423.420.653	1.462.798.696	102 %
Plastic materials	961.082.637	932.356.208	97 %
Steel	733.250.150 612	612.635.195	83 %

Source: Vietnam General Department of Customs

In 2015, trade turnover between Taiwan and Vietnam reached US $ 13.07 billion, down slightly from the year 2014. Of which, Vietnam's exports to Taiwan reached US $2.083 billion and Vietnam's

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imports from Taiwan reached 10,993 billion USD. Vietnam continues to trade deficit from Taiwan. As of September 2016, bilateral trade reached about 9.8 billion USD, equivalent to the same period in 2015.

Table 1.3.Vietnam - Taiwan import-export turnover*Unit: million USD*

Year	***Vietnam export***	***Vietnam import***	***Total import-export turnover***	***Growth (%)***
2010	1.443	6.278	8.420	14
2011	1.843	8.557	10.400	23
2012	2.081	8.534	10.615	2
2013	2.213	9.423	11.637	9
2014	2.308	11.079	13.387	15

Source: Vietnam General Department of Customs

The conference about strengthen economic cooperation between Taiwan and Vietnam

Taitra representative organize the ROC-Taiwan Expo in Vietnam

1.4.3.2. Investment co-operation

Together with the event that Vietnam official issue the Foreign Investment Law in 1987 and ROC-Taiwan implement the Southbound Policy, ROC-Taiwan become one the the earliest investors come toVietnam. At that time, among the nations who invested into Vietnam, ROC-Taiwan always the first ranking investor and contributed to the development of Vietnam. Based on the data of the Ministry of Planing and Investment of Vietnam, until December 20, 2015, Taiwan has 2.478 investment projects in Vietnam with the total capital more than 30,997 billion USD (after Korea, Japan and Singapore) and around 60.000 businessmen have been invested and working in Vietnam. Estimated until September 2016, Taiwan's ranking is the 4th among 58 nations who invested into Vietnam with the new adjusted capital is 1228, 11 million USD.

Taiwan opened the textile company in Vietnam

1.4.3.3. **Labor cooperation**

Until now, ROC-Taiwan has accepted the Vietnamese labor for 17 years and become the biggest labor- export-market of Vietnam. Regarding to the data of the Ministry of Labor, in 2016, the Vietnamese labor have been working in Taiwan is 18.087 people, of whom, including 6.536 female labor. The Vietnamese labor mainly working in manufacturing, social service (nurse, house-helper), construction and crew members near the shore.

Vietnamese labors go to/ and work in Taiwan

*1.4.3.4.*Tourism cooperation

According to the data of the Vietnam National Administration of Tourism, in 2015, there are 438.704 arrivals to Vietnam, increased 12,4 % comparing to 2014. Taiwan is the 5th biggest tourist market in Vietnam and is considering as the important market of Vietnam.

In October 2016, there are 423.401 arrivals Vietnam from ROC-Taiwan, increasing 18% comparing to 2015. Vietnam and Taiwan also signed the toursit cooperation in 2012. The cooperation confernece has been organized every year between the two countries.

ROC-Taiwan and Vietnam has many similarities in culture and at present, there are many direct flight from Vietnam to ROC-Taiwan and vice versa. This is the good opportunity for the tourist development.

The workshop on the tourist cooperation between Vietnam and ROC-Taiwan

1.4.3.5. Educational cooperation

Vietnam is the 6th ranking of the students who pursuing to study in Taiwan (3681 students in 2014). The University of Social Humaninty Science in Hanoi and Van Tao Foreign Language School established the Educational Center in Hanoi with the hope to exchange the language, culture and education between the two countries.

The forum of the Vietnam - Taiwan education

1.4.3.6. Culture and Sport cooperation

The cooperation between Vietnam and ROC-Taiwan has been actively promoted by the two sides. Vietnam now advocates to expand cooperation with ROC-Taiwan, in order to attract investment, create favorable conditions for strengthening exchange activities in the field of culture and arts but still on a small scale in the form of trade and socialization, leading people-to-people exchange. Vietnam National Institute of Culture and Arts sent 04 delegations to Taiwan to coordinate in organizing the "4th Vietnamese Study Conference";

signed cooperation agreement with Asia - Taiwan Exchange Foundation and ROC-Taiwan Foundation for Arts and Culture. The art schools and institutes under the Ministry of Culture, Sports and Tourism have initially had a cooperative relationship with their partners in ROC-Taiwan.

The cooperation on physical training and sports between Vietnam and ROC-Taiwan in recent years has been mainly a folk and traditional relationship between the Vietnam Olympic Committee and the Taiwan Olympic Committee. The two sides exchange delegations of officials, referees, coaches and athletes to participate in international sports tournaments in the region, the continent and the world. In March 2019, the Vietnam Olympic Committee and the Taiwan Olympic Committee signed a Memorandum of Understanding (MOU) until December 31, 2021.

In 2019, the General Department of Sports appointed 4 teams of officials, coaches and athletes to compete in Taiwan: sending the Athletics team to attend the Asian Marathon Championship held in ROC-Taiwan (March 2019); attending the Open Prize in Taipei (May 2019); sending the Ho Chi Minh City Men's Volleyball Club to the tournament in ROC-Taiwan (April 2019); sending the team and the young women's team to join the Asian Challenge Trophy Prize in ROC-Taiwan (May 2019).

With the summary of several events the author hope to show the readers that the relationship in ROC-Taiwan and Vietnam already has long history and will be more developed in the future.

Chapter 2: Vietnam's position in ROC-Taiwan's New Southbound Policy

2.1. Overview of ROC-Taiwan's New Southbound Policy (NSP)

The New Southbound Policy is the initiative of the Government of Taiwan under President Tsai Ing Wen to enhance the cooperation and exchanges between ROC-Taiwan and 18 countries include: Southeast Asia, South Asia and Australia, Newzealand. James C.F. Huang was appointed the first Director of the New Southbound Policy Office.

2.1.1. Introduction

President Tsai Ing Wen is pushing to strengthen ROC-Taiwan's role in the broader Indo-Pacific region. Building on her campaign promises, Tsai's inaugural speech on May 2016, reaffirmed that her government should establish the New Southbound Policy (NSP) to strengthen ROC-Taiwan's ties with countries across region. This flagship program is target at the 10 countries of ASEAN, six States in South Asia (India, Pakistan, Bangladesh, Nepal, Srilanka and Bhutan), Australia and New Zealand. This ambitious strategy seeks to leverage ROC-Taiwan's cultural, educational, technological, agricultural, and economic assets while maintaining stable cross strait relation.

The plan highest upon forging a "sense of economy community" and forming a "consensus for cooperation" with the 18 nations identified by Taipei as potential partners. The NSP follows from similarly named policies initiated under President Lee Teng Hui and

Chen Sui Bian which was slated to diversify ROC-Taiwan's Soutbound investment away from mainland China and to Southeast Asia.

Skeptics of the NSP's prospect for the success misunderstand how the NSP differ in character from the "Go South Policy" of Lee and Chen. It is to appreciate that Tsai's approach is both more strategic and more comprehensive than those of her predecessor. While reinvigorating and diversifying ROC-Taiwan's economy remain fundamental to the NSP, it also embodies a concreted effort to more effectively integrate ROC-Taiwan into the region by cultivating interpersonal connections across the region.

Moreover, the NSP is being implemented at a time of grow and rising wages in Mainland China, while investment opportunities in Southeast Asia are booming. Taiwan is simply following the trend set by many companies, including Mainland China's companies, which are relocating to other regional countries with lower operating costs.

Since ROC-Taiwan lacks formal diplomatic ties with countries targeted by NSP, Taipei must creatively foster bilateral collaboration. The Tsai administration has rellied on local government and civil society organization to collaborate with the central government's effort to implement the NSP. Focusing on civic and people-to-people ties rather than government-to-government relations allows Taiwan to avoid the minefield posed by its ambiguous sovereignty. Tsai also taken considerable pains to assure Beijing that the NSP is not intended to supplant or inhibit cross strait economies ties, but rather is designed to diversify ROC-Taiwan's cultural and economic linkages around the region.

It is premature to evaluate whether the NSP will ultimately achieve the ambiguous goals. Over the next few years, if Taipei successfully manages cross-strait relations, gamers international support for the NSP, and bolsters its interpersonal ties across the region, it will lay the groundwork for the successful implementation. The Tsai administration is clear eyed about challenges and recognizes that some elements of the NSP are unlikely to yield immediate results. Nevertheless, even limited success over the next several years will help to reduce Taiwan's regional isolation by persuading a growing number of neighboring countries of the value of expending ties with the island nation.

2.1.2. Policy development and implementation

Shortly after her inauguration on May 20, 2016, President Tsai created the New Southbound Policy Office. Initially headed by Director James Huang, the office consulted with representatives from the business sector, academia, and civil society in a collaborative effort to help develop policy guidelines. The office was also charged with handling public relations. Following the adoption of the New Southbound Guidelines on August 16, 2016, the NSP shifted into its implementation phase under the Office of Trade Negotiation (OTN), led by Minister without portfolio John Deng.

2.1.3 The evolution of NSP

The New Southbound Policy guidelines were formally approved and adopted as part of ROC-Taiwan's push to strengthen its regional integration on August 16, 2016. The guidelines center on the principles of forging a sense of economic community, comprehensive development, and pursuit of mutual benefit between ROC-Taiwan and ASEAN, South Asian, and Oceanic countries.

Shortly after the adoption of these guidelines, the executive Yuan, along with the National Development Council, proposed a New Promotion Plan on September 5, 2016. The Promotion Plan calls for the development of stronger bilateral relations through four main tasks: (1) promoting economic collaboration; (2) conducting talent exchange: (3) sharing resources; (4) forging relational links.

New Southbound Policy = strong economic cooperation + regional links + talent training + resource sharing

On December 14 of 2016, the executive Yuan finalized New Southbound Policy Work Plan, which operationalized the Promotion Plan providing specific direction and objectives for relevant agencies and Ministries. The Work Plan include **18 detail goals, 15 concrete projects, and 48 initiatives** of the NSP. The first measure of the plan went into effect on January 1, 2017.

President Tsai announced the launch of five flagship projects aimed at promoting the NSP on April 20, 2017. The OTN elaborated and finalized the plan on August 14, 2017. The flagship projects represent a shift within the NSP toward focusing on <u>(1) collaboration in innovative industries; (2) corporation in medicine by forming</u>

industrial supply chain; (3) youth exchange platform; (4) regional agricultural development; and (5) cultivation of talent. The OTN also outlined e-commerce, infrastructure, and tourism as three potential-laden fields of cooperation between ROC-Taiwan and the NSP targeted countries.

2.1.3. Structure and budget

The ONT is charged with coordinating effort between the 13 governments ministries and several agencies that are involved in the NSP. Most of the policies measures being implemented, however, involve Ministry of Foreign Affair, the Ministry of Education and the Tourism Bureau under the Ministry of Transportation and Communications, each of these four ministries has its own specific policy implementation blueprints. A full list of the agencies and ministries currently involved with implementing the NSP.

The budget to fund NSP initiatives is generally drawn from the coffers of the specific ministries involve with the implementing the NSP is available in the Appendix.

The budget to fund NSP initiatives is generally drawn from the coffer of specific ministries involved which receive their allocations from the Executive Yuan. For 2017, the Executive Yuan budgeted a total (Including special funds) of NT$ 4,45 billion (US$ 131 million) among ministries’ existing budget for the initiative. Importantly, the government budget for 2017 was approved prior to President Tsai’s inauguration. This initially left various ministries constrained by their existing budget and required them to shift their priorities to make room for Tsai's policy.

As the NSP moves into its second year of implementation, Tsai has been afforded her first opportunities to fulfill fund the initiative. Not surprisingly, the total 2018 budget (including the special fund) jumped from NT$ 4.45 billion ($US 148 million) to NT$ 7.26 billion ($US 241 million), which marks a 63 percent year-on-year increase. The Ministry of Economic Affairs and Ministry of Education have dedicated the largest amounts - NT$ 2,89 billion ($US 96,1 million) and NT$ 1.7 billion ($US 56.5 million).

2.2. Previous Southbound Policy

2.2.1. Lee Teng Hui's "Go South Policy" (1994-1996)

President Lee Heng Sui's policy initiated in 1994 and sought to reduce ROC-Taiwan's economic reliance on the Mainland. The plan rested on a three strategies to boost investment into Southeast Asia and increasing the flow of foreign aid to targeted countries.

Due to Lee's policy, ROC-Taiwan's foreign direct investment into Asean countries raise from $1.17 billion in 1993 to $4.98 billion in 1994. Over the same period, Taiwan's investment into Mainland decreased from $3.17 billion to $9.62 million. In December 1996, ROC-Taiwan's Ministry of Economic Affair abruptly announced a freeze on oversea investment by government enterprises in order to encourage domestic industrial growth.

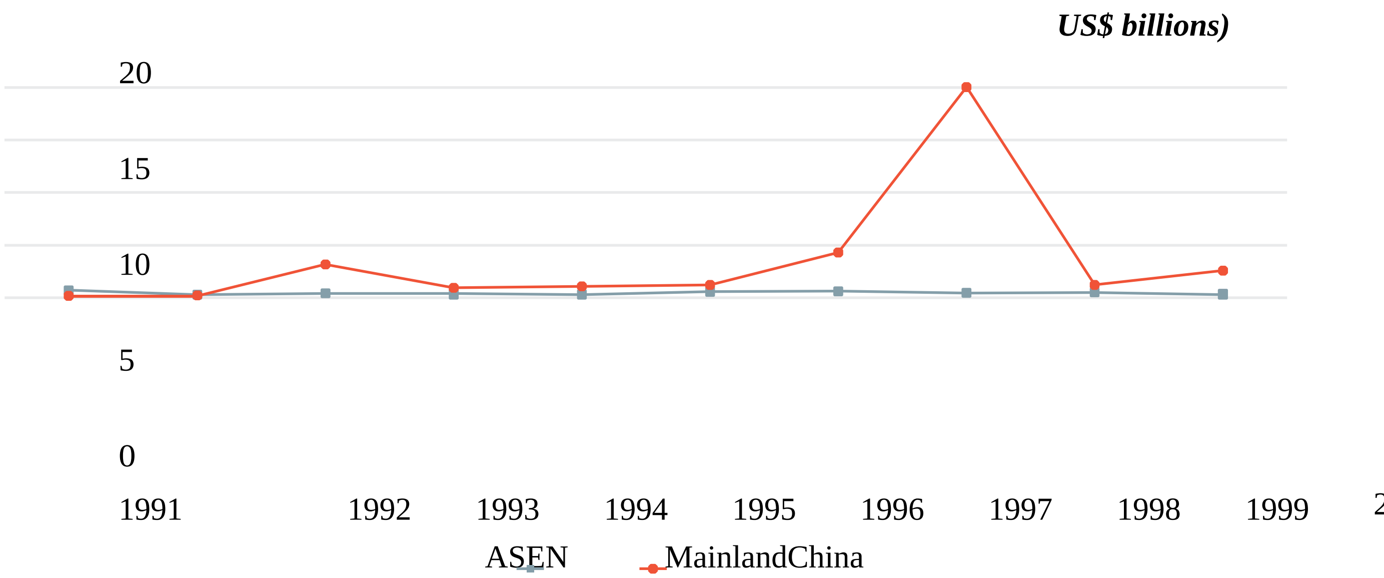

Figure 2.1. Taiwan's FDI to Mainland China and ASEAN, 1991–2000

Source: Department of Investment Service, Ministry of Economic Affairs, ROC

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2.2.2. Lee Teng Hui's second "Go South Policy" (1997-1999)

President Lee Teng Hui initiated the second Go South Policy in 1997 during the Asian financial crisis. Lee viewed crisis is the opportunities for Taiwan, invest into Southeast Asia is the benefit to Taiwan. The Lee government injected money into Taiwan - owned bank in Southeast Asian countries and created holding company called Southeast Asian investment company to conduct merger and acquisition in Southeast Asia.

A survey conducted by the Ministry of Economic Affairs also noted that the underdeveloped infrastructure and highly regulated economic policies of some Southeast Asian countries hindered investment flows from Taiwan. Taiwan's FDI investment into ASEAN countries decreased from $4.85 billion in 1997 to $1.42 billion in 1998. As the Lee administration floundered in its effort to incentivize businesses to invest in ASEAN countries, Mainland China's ready extension of assistance to affected countries helped strengthen its economic and political ties in the region.

2.2.3. Chen Shui-Bian and the revival of a "go south" strategy (2002-2008)

President Chen Shui-bian launched his own "Go South" strategy after ROC-Taiwan acceded to the World Trade Organization in 2002. Similar to his predecessor, Chen sought to reduce ROC-Taiwan's economic reliance on the Mainland and expand Taiwan's economic influence in Southeast Asia. Chen focused on strengthening the investment support system for Taiwan businesses operating in Southeast Asia. In order to diversify ROC-Taiwan's investments, the policy also established assessment mechanisms, facilitated industry investments, and provided training for returning employees.

Ultimately, the appeal of the Chinese economy proved too strong for many of ROC-Taiwan's busineses, which hindered the effectiveness of the "Go South" policy. Although Taiwan's investment into ASEAN grew sustainably in the mid-2000s and peaked at $10.2 billion in 2008, it soon plummeted to $1.9 billion in 2009. While some of this decline can be attributed to Southeast Asia's lagging economic competitiveness, various geopolitical factors, and the global financial crisis, Chen's own policies also paved the way for businesses from Taiwan to seek opportunities on the Mainland.

In 2001, the Chen administration adopted a "proactive liberalization with effective management" policy, which was designed to promote economic exchange across the Strait. The new policy relaxed restrictions set by Lee on the high-technology industry and removed the $50 million Mainland investment ceiling. Chen also allowed ROC-Taiwan banks to establish representative offices in Mainland China and enabled capital from the Mainland to flow into the Taiwan real estate market. T'sai encouraged businesses to go to the Mainland, which clashed with the intent behind Chen's "Go South" strategy and greatly contributed to its shortcomings.

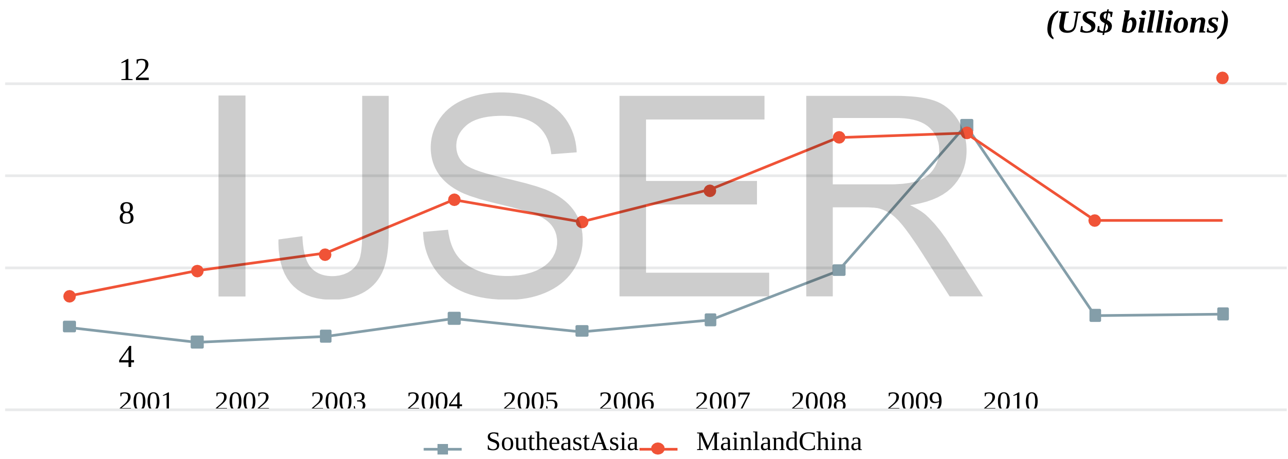


Figure 2.2. Taiwan's FDI to Mainland China and Southeast Asia, 2001–2010

Source: Department of Investment Service, Ministry of Economic Affairs, ROC.

2.3. Current NSP (new Southbound Policy) overview

Tsai's New Southbound Policy is both more strategic and far-reaching than the similarly minded efforts of Lee and Chen. Lee and Chen primarily sought to increase Taiwan's regional economic integration and reduce its dependence on the Chinese economy. By contrast, Tsai's actively promoting a multifaceted strategy that leverages Taiwan's cultural, educational, technological, agricultural, and economic assets while maintaining stable cross-strait relations. At the heart of the NSP is a desire to weave Taiwan into a “people-centered”community of nations that spans the Indo-Pacific region.

Operationally, Tsai has employed a whole-of-government approach that involves multiple ministries and agencies across different sectors. The policy is directed under its own New Southbound Policy Office and is logistically coordinated by the OTN in the ExecutiveYuan.

2.3.1. General goals and benchmarks

Tsai outlined goals associated with the NSP during an international economic and trade strategy meeting on August 16, 2016. The short-term goals of the NSP can be sorted into four main objectives. In general terms, the NSP seeks to:

1. Expand “two-way” exchanges in the areas of trade, investment, tourism, culture, and talent.
2. Encourage Taiwan’s industry to adopt a “New Southbound” approach to their business development.
3. Cultivate the human resources needed to help support the NSP.
4. Expand multilatral as well as bilateral dialogue for the purposes of economic and cooperation and future conflict resolution.

Table 2.1. Ministry of Foreign Affairs NSP Goals, 2018

Key indicator	***Evaluation criteria***	***Goal***
Promote NSP to deepen ties with target countries	Number of treaties, protocols, and memorandums signed with NSP target countries. Numberofbilateralmeetingsand cooperationprojects. Number of visits by former heads of state, current heads of government, members of congress, and senior government officials.	Promote NSP to deepen ties with target countries
Simplify visa process for personnel from NSB target countries	Number of visits by former heads of state, current heads of government, members of congress, and senior government officials	Offer 15 programs/services

Source: "2018 Budget Report," Ministry of Finance

The goals of the NSP can be broadly defined as intended to:

1. Strengthen Taiwan's economic and interpersonal linkages with countries around the region. According to Presidential Office spokesman Alex Huang, this push includes "promoting sharing of resources, talent, and markets".

2. Comprehensive dialogue mechanisms between Taiwan and the NSP target countries, which would serve as a channel to facilitate trust and resolve differences.

Although each government agency involved in the NSP has sets pecific goals, the benchmark set forth by the Ministry of Foreign Affairs in their 2018 budget prove useful when evaluating the overall success of Tsai's initiative.This progress is divided between measurable increases in government level interaction and improved facilitation of visa services.

2.3.2. Components of New Southbound Policy (NSP)

This part will mention the main components of the New Southbound Policy, which include:

- Economic components
- People-to-people exchanges
- Taiwan and tourism
- Agriculture and the NSP
- The NSP and Taiwan's medical industry
- Growing opportunities for the ministry of economic affair
- Policy recommendation

2.3.2.1. Economic component of NSP

The economic components of the NSP have been advanced by Tsai as a means of promoting Taiwan's domestic industrial upgrading, improving its global economic competitiveness, and alleviating the island's heavy reliance on the Mainland as a destination for exports and investment - a situation that makes Taiwan particularly vulnerable to trends in Mainland China's economy and the vagaries of cross-strait relations.

Althought the economic strategy of the NSP began as a vague program supported only by general concepts, it has since evolved into a detailed roadmap with specific policies related to expanding trade and investment ties with the 18 NSP target countries. Moreover, the NSP could potentially be part of a larger set of policies that strengthen ROC-Taiwan's domestic economy and international engagement. That is said, further refinement of the policy and careful attention to implementation will be central to achieving these goals.

Overview ROC-Taiwan's economy

Taiwan's economy faces a handful of domestic challenges and is vulnerable to a variety of potential external shocks, both of which justify developing new economic plans such as those associated with the NSP. Nevertheless, observers of ten over state the weaknesses in the island's economy as well as the source of the problems that do exist; hence they may misdiagnose the proper solution.

In general terms, Taiwan's economy is relatively healthy.The major macro economic indicators - growth, inflation, employment, etc. - are all stable. Its growth rate has slowed from the 1990s and pre-global financial crisis eras, but over the last decade, except for 2008-2009, growth has been moderate and has risen and fallen in line with its developed neighbors in the region. In the third quarter of 2017, the economy expanded at 3.1 percent, consistent with the rising growth of other developed Asian economies, such as Japan (2.5 percent), South Korea (3.6 percent), and Singapore (5.2 percent).

Taiwan's recent performance is no fluke.When the rest of the region was infreef all as a result of the Asian financial crisis, Taiwan achieved a healthy 4.4 percent per capita GDP growth rate in 1998. In the same year, its neighbors Sout hKorea, Singapore, and Japan suffered negative growth, at rates of -5.1 percent, -4.5 percent, and -2.1 percent, respectively.

Since 2000, Taiwan's labor force has experienced relatively stable conditions, with the level of unemployment remaining generally low, with only two waves of increased unemployment.

Taiwan's fiscal and financial picture is like wise strong. Government budget deficits are typically smaller than 2 percent of GDP. As a result, central government debt has remained around 35 percent; including local government debt brings the total to just under 50 percent of GDP. At the end of 2016, Taiwan's bank shadan overall loan-to-deposit ratio of 73.9 percent, which is quite safe and suggests low chances of a financial crisis.

Taiwan overall international economic situation remains healthy. From 2010 to 2016, Taiwan's trade surplus in goods increased from $28 billion to $50 billion; through the first 10 months of 2017, its trade surplus was $45.8 billion. Taiwan's outward foreign direct investment continued to grow gradually, reaching $21.3 billion in 2016, though it leveled off at $16.69 billion for the first 11 months of 2017. Foreign exchange reserves stood at $447 billion at the end of November 2017, more than enough to cover Taiwan's foreign liabilities, including almost two years of imports and the island's $176 billion in foreign debt.

At the domestic real economy, the financial sector, or Taiwan's international position, a variety of markers demonstrate that Taiwan's economy is healthy in absolute terms and relative to most of its neighbors.

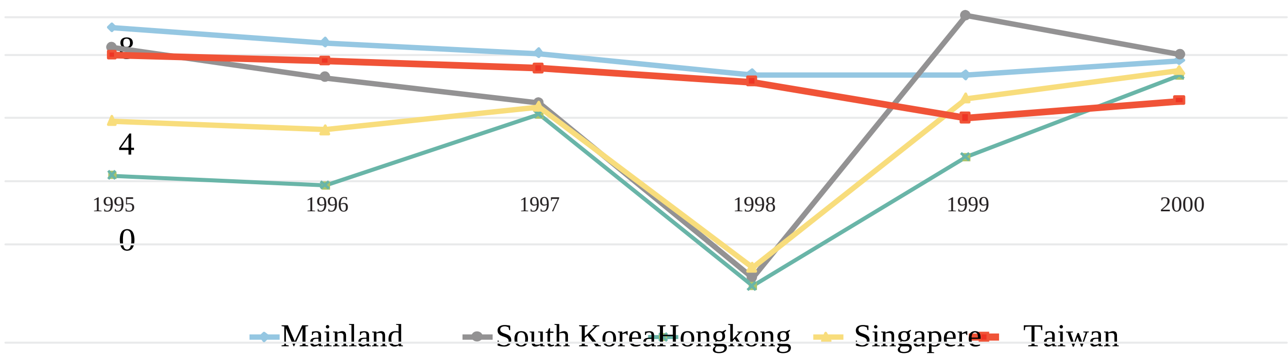


Figure 2.3. GDP Per Capita Growth of Selected Countries, 1995–2000

Source: "GDP Per Capita Growth (Annual %)," World Bank

(US$ billions)

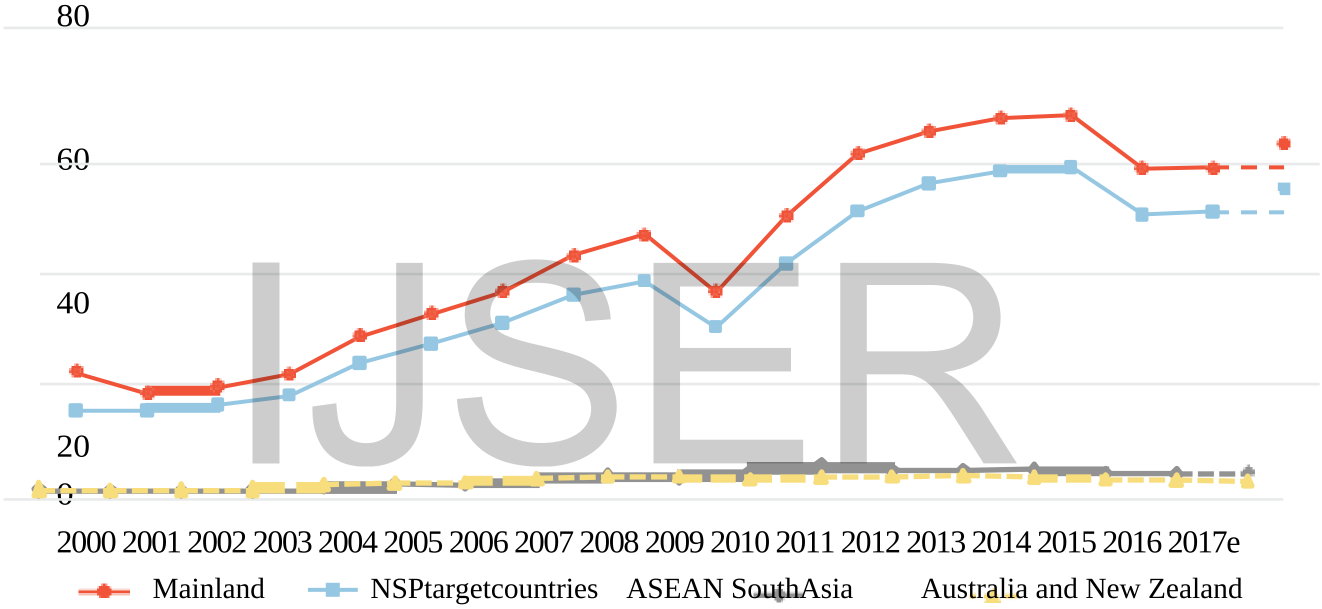
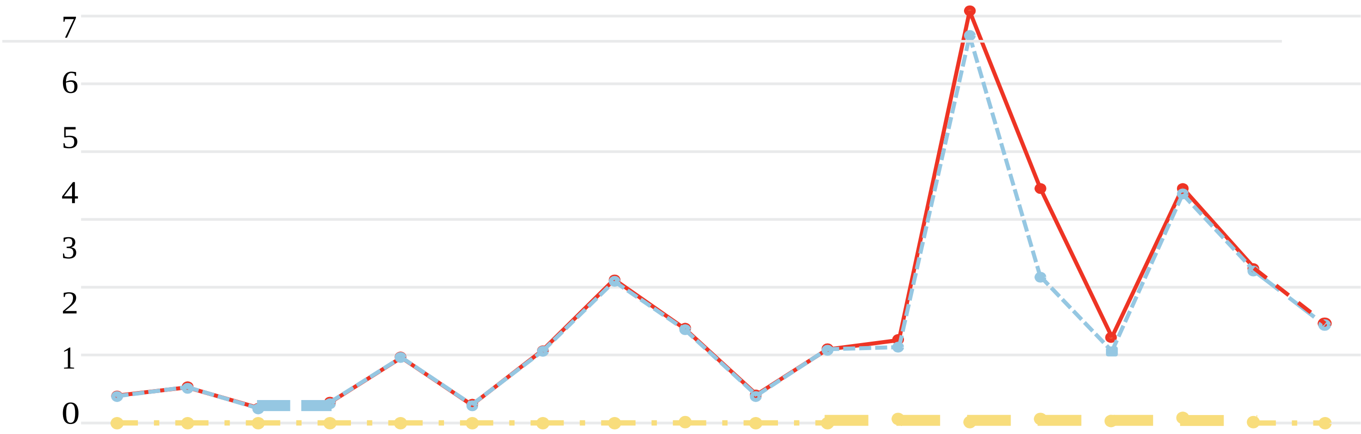


Figure 2.4. Taiwan's Exports to NSP Target Countries, 2000–2016

Source: "Trade Statistics," Bureau of Trade, Ministry of Economic Affairs, ROC

(US$ billions)



2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014 2015 2016 2017

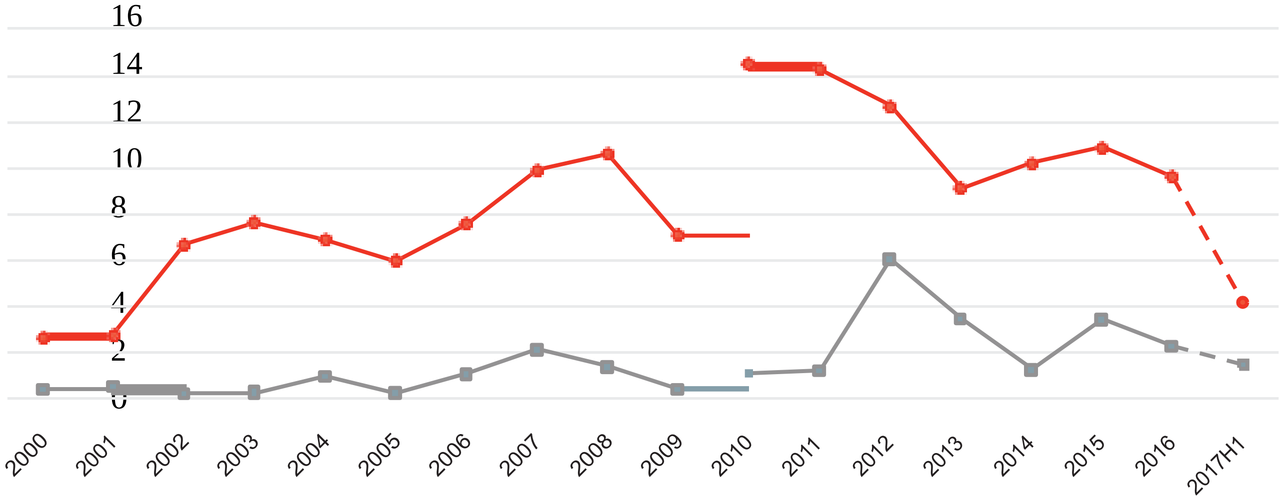
NSPtargetcountries Asean India

Figure 2.5. Taiwan's Outbound Investment in NSP Target Countries, 2000–2016

Source: "Statistics," Investment Commission, Ministry of Economic Affairs, ROC.

Note: This chart only includes data for Singapore, Indonesia, Malaysia, the hilippines, Thailand, Vietnam, India, Australia, and New Zealand.

(US$billions)

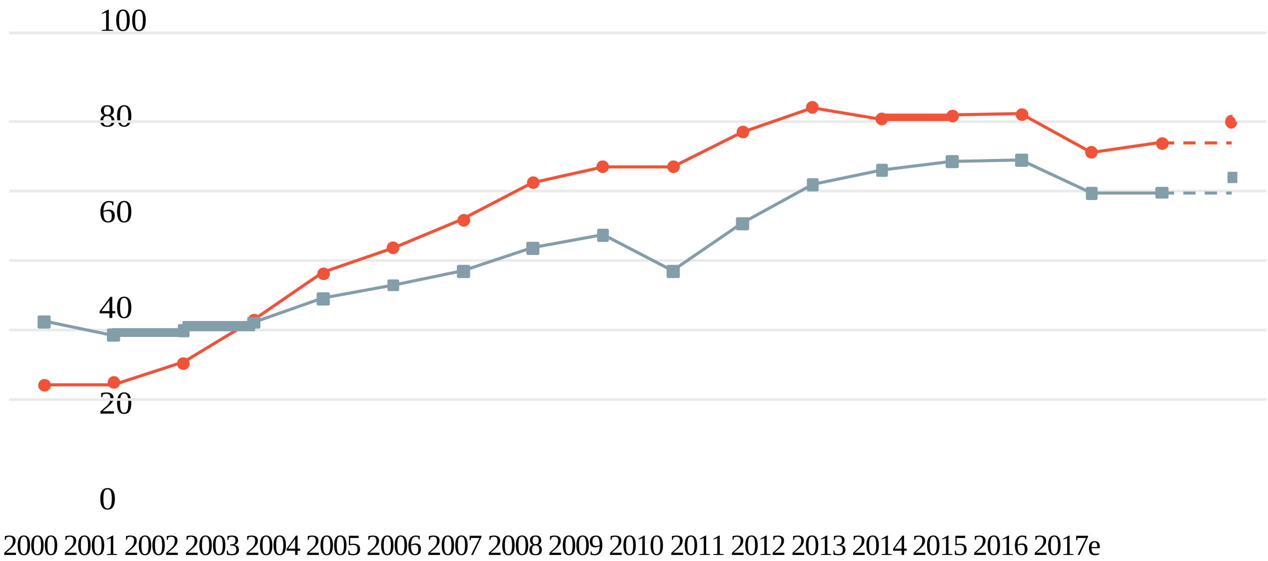


Main land NSP targetcountries

Figure2.6.Taiwan'sOutboundInvestmenttoMainlandChinaandNSP Target Countries

Source: "Statistics," Investment Commission, Ministry of Economic Affairs, ROC

(US$ billions)



MainlandChina NSP targetcountries

Figure 2.7. Taiwan's Exports to Mainland China and NSP Target Countries

Source: "Trade Statistics," Bureau of Trade, Ministry of Economic Affairs, ROC

Cross - strait economic ties

Taiwan's overall positive economic outlook has been growing cross–straitties. Two-way trade and investment between the Mainland and Taiwan have grown dramatically over the past 15 years. Sectors most closely associated with cross-straitties, such as information and communications technology (ICT), have grown faster, been more profitable, and created more high-paying jobs in Taiwan than sectors that have no tembraced such ties.

For several reasons, this high level of interaction has on the whole been beneficial for Taiwan. For Taipei, the most crucial factor has been the economic complementarity between the Mainland and Taiwan. Additional reasons that such engagement has been largely beneficial include: (1) the linguistic and cultural similarities that have eased business, (2) tax incentives and other unique benefits given to Taiwan's investors, (3) the ability of over one million people fromTaiwan to live in Mainland China and send some of their income back to Taiwan, and (4) Taiwan's continued banon over 2,000 types of goods and strict limits on direct and portfolio investment from the Mainland.

Despite the economy's overall vitality, there remain both internal weaknesses and external risks. Perhaps the greatest challenge is the relative weakness of Taiwan business outside the ICT space. No other high-value manufacturing sector has taken off, and Taiwan's service industries have not fully developed. One consequence of the concentration in ICT is growing regional variation in economic performance across the island. Growth and employment trends have varied across Taiwan for many years, but the expanding significance of ICT has exacerbated these differences. Northern and central Taiwan have fared better than the southern and eastern regions.This regional variation overlaps to a considerable extent with Taiwan's political map, which distinguishes between the pan-Blue and the pan-Green regions.

Although the overall unemployment trade is low for youth (ages 15-24), the rate has been growing over the last decade, rising from 10.7 percent in 2007 to a peak of 12.8 percent in August 2016, and settling to 11.9 percent at the offend of June 2017. This suggests that the economy may be generating plenty of manufacturing jobs, including in ICT, but not enough positions for people with college educations and advanced degrees. Coupled with a rise in housing prices more rapid than the overall in flation rate, it is no wonder that anxieties, particularly among youths in Taiwan, have grown.

These domestic concerns have surfaced concurrently with mounting external ambiguities and challenges. The economic complementarity that has defined cross-strait ties for two decades is gradually shifting as the People's Republic of China (PRC) focuses on moving up the value-added chain.The likelihood of greater competition that erodes Taiwan's economic productivity and firms' profitability, as well as employment opportunities, has grown as a result of Mainland China's more intensive use of industrial policy, which is a challenge facing every advanced economy in Asia and elsewhere.

Moreover, the Mainland challenge is occurring at a moment when global governance institutions and rules are not adapting quickly enough to changes in the international economy. Not only is the Doha Round in the World Trade Organization long expired, but the Trans-Pacific Partnership's (TPP) future is very much in doubt since the United States withdrew in January 2017. Although

Taiwan was not an original member, it could have joined eventually, and TPP's disciplines on investment, the digital economy, state-owned enterprises, and other areas would have been an important incentive for Chinese liberalization. If TPP moves forward without the United States, it could be less challenging for Taiwan, but it would also place less pressure on China to liberalize.

In addition, the eprospects of a Taiwan-United States bilateral investment agreement seem more distant than ever given the Trump administration's concerns about Taiwan's bilateral trade surplus, the priority the United States places on renegotiation of the North American FreeTradeAgreement (NAFTA) and the United States - Korea Free Trade Agreement, and negotiation of new agreements with Japan and Great Britain. Conversely, other initiatives in which Mainland China is a major player appear to be making substantial progress, including the Regional Comprehensive Economic Partnership (RCEP) and the Belt and Road Initiative (BRI). The former is a potential lFTA that includes ASEAN, India, the PRC, Japan, South Korea, Australia, and New Zealand, while over 70 countries have expressed an interest in the infrastructure investment that is the corner stone of the BRI. Finally, growing U.S.- China tensions could potentially result in a broader trade wart hat would likely have a negative effect on Taiwan firms given the irintegration into global production networks that flow through Mainland China.

Despite the economy's strong record, the island's domestic challenges and external vulnerabilities make itentirely reasonable for Taiwan's leadership to search for and pursue new opportunities for economic growth. NSP target countries are a natural new area of policy emphasis. Although trade and investment ties with the

Mainland account for 40 percent of exports and the bulk of outward foreign investment, in absolute terms linkages with NSP target countries have also grown substantially. Exports have tripled from around $24 billion in 2000 to over $60 billion in 2016, while new investment ranged from at least $1billion to $6billion per year since 2006. Notwithstanding the fact that Taiwan's investment to NSP target countries is much less than its investment to Mainland China, its exports to NSP target countries are only slightly lower than its exports to the Mainland. This suggests that there is substantial room for Taiwan to expand its investment in the region, both as part of a trend of shifting global supplychains and in the context of expanding economic reforms, rising wages, and growing final consumption in these markets.

Implementation of the economic push

The economic elements of the NSP evolved from a concept presented during the 2016 campaign for the presidency to a general framework in the fall of 2016 to one with clearer policy components by mid-2017. In its earliest iteration a central component was the concern about over dependence on Mainland China and the need to diversify Taiwan's international economic relations. As one oficial in Taipei said during an interview for this project, "using the Mainlands a second engine of growth for Taiwan's economy is now seen as an illusion". As time has passed, less emphasis has been placed on the issue of diversifying away from Mainland China and greater stress has been placed on the under-explored opportunities in NSP target countries.

Central to the policy's success is not the size of Taiwan but its advantages in soft power, its universities and research institutes, its experience in advanced manufacturing as part of global supply chains, and its strong social safety net. Tsai hopes to enhance existing economic ties with these countries by expanding supply chains in critical growth sectors in those countries, important manufacturing industries, energy, agriculture, and financial services. Moreover, Taiwan also hopes to restructure the region's supply chains, link the various economies to each other in a new scheme, and provide greater opportunities for Taiwan-based companies as part of this evolution.

In late 2016, the Executive Yuan issued a detailed planning document with the main goals of the NSP for 2017. These included: conducting feasibility studies; promoting overseas business in the agriculture, manufacturing, and service sectors; expanding e-commerce; raising the reputation of Taiwan companies in the region; and expanding services to Taiwan companies seeking entry into the markets of NSP target countries.

Tsai's opening remarks in an interview given in early May 2017 to reporters from six NSP target countries summarized the policy's four main themes, three of which focused specifically on economics: (1) developing and sharing talent and resources, particularly among universities and training facilities; (2) industry cooperation and development of domestic markets; (3) leveraging Taiwan's manufacturing prowess as a source of manufacturing for NSP target countries as well as a model for themselves to learn from; and (4) expanding cooperation between SMEs in Taiwan and the NSP target countries.

Table 2.2. Free Trade Agreements and Bilateral Investment Treaties Signed by Taiwan

	India	Malaysia	New Zealand	Philippines	Singapore	Thailand	Vietnam
Free trade agreement			2013		2013		
Bilateral investment treaty	2002	1993		1992, 2017	1990	1996	1993

Source: UNCTAD's Investment Policy Hub

The core content and implementation of the NSP has evolved somewhat over the past year. Based on interviews and actual practice, there appear to be **five economic elements at the heart of the NSP.**

1. Update and expand official agreements with NSP target countries. Taiwan already has free trade agreements with Singapore and NewZealand, which are of recent vintage and not in need of revision. Yet Taiwan's bilateral investment agreements (BIAs) with many NSP target countries are in critical need of updating, to take into account the island's shifting economic strengths as well the emergence of services and the digital economy. Taiwan plans to first focus on updating its BIAs with several ASEAN countries.The first of these updates came on December 7, 2017, when Taiwan and the Philippines signed a new BIA. Taipei hopes that similar BIAs can be signed with other NSP target countries, including Thailand, Malaysia, Indonesia, and Vietnam, as well as India. Taiwan also seeks to update or develop new agreements related to taxes, customs, and technical and quality standards across the region.

2. Identify which industries are the most promising candidate for overseas expansion and which companies are the most in need of governments support. This analysis has involved consultation within government agencies as well as between industry, government and think tanks. By mid-2017, a consensus seemed to emerge that enerfy should be devoted to promoting opportunities across the spectrum, from agriculture to manufacturing to services. At the same time, officials appear to have concluded that athough Taiwan's most well known companies globally are highly interested in NSP target countries, for reasons of growing challenges in Mainland China and new market opportunities, these firms need the least amount of help from Taipei. Instead, Taiwan's small and medium sized companies and largest state-owned enterprises (SOEs), particularly those with the least international experience, have a much greater need for the government's support and encouragement.
3. Promote these industries and companies in NSP target countries. To some extent this could involve high-level intervention by senior officials from Taiwan, but in general the primary responsibility is being taken up by the Ministry of Economic Affairs and the Taiwan External Trade Development Council (TAITRA). TAITRA's 12 offices in NSP target countries provide trade and investment facilitation services through a number of channels. In early 2017, it hosted the annual "Sourcing Taiwan" exhibition to help match international buyers and Taiwan suppliers. Later in the year, TAITRA or ganized "Taiwan Image" expos in several NSP target countries: Indonesia (May), Vietnam (July), the Philippines (September), and Malaysia (November).
4. Investigate Taiwan industry about the region and opportunities

they could exploit. Although Taiwan companies have extensive experience in several Asean countries, they are less familiar with Indian and other countries in South Asia, and they need up to date information about markets throught out the region. As an example, TAITRA launched an India Center in Taipei in April 2017.

5. Provide credit guarantees to Taiwan SMEs with plans to do business in the region. In May2017,Taipei announced plans to provide three credit guarantee funds: (1)the Small

6. and Medium Enterprise Credit Guarantee Fund of Taiwan, (2) the Overseas Credit Guarantee Fund, and (3) the Agricultural Credit Guarantee Fund. The total budget allocated to these funds is NT$5 billion (US$167 million) and they provide NT$50 billion (US$1.67 billion) in financing, which should help support SMEs as they expand into NSP target countries.

Initial results, challenges and obstacles

It remains too early to tell if the NSP will achieve Tsai's desired economic outcomes. Based on the data from the first three quarters of 2017, trade, investment, and financial activity between Taiwan and the region has risen, within bound investment from NSP target countries up almost 25 percent by value from a year earlier. Moreover, Taiwan is making progress on updated bilateral investment agreements.

However, it is difficult to determine whether the uptick in economic activity is the result of governmental policy activism or the overall recovery in regional trade and investment since the middle of 2016. The most that can be concluded at this point is the NSP has taken advantage of market trends, including rising production costs in Mainland China and the growing supply-chain and final-market opportunities in NSP target countries. Looking ahead, the most likely outcome is that the NSP will have a modest constructive impact on Taiwan's economic relations with the region, particularly with those countries where relations to date have been the least developed. In that regard, the potential for expanding Taiwan-India ties can not be over estimated.

The success of the NSP rests on the ability of Tsai's government to overcome the hurdles she is likely to face in the coming months and years. A few of the key challenges are briefly outlined below.

There are real limits to the extent to which economic policy oversea can be industrial policies and instead want the government's help in creating a more convenient business climate with regard to taxes, standards, and visas.

The Tsai administration must find ways of facilitating greater business engagement in sectors that NSP target countries need. Of course, market opportunities and methods of doing business vary widely across the 18 countries. Singapore appears to be seeking greater cooperation in green energy, smart cities, and gaming software, **while Vietnam seeks support in agriculture (such as seed technology), environmental protection, and high value-added manufacturing.** One South Asian diplomat identified a wide range of potential industries where collaboration could occur, but lamented that officials from Taiwan were being farless supportive of their companies compared to their counterparts in

Japan, South Korea, and elsewhere. “There’s a banquet in India, but Taiwan is not yet at the table,” he said. It will be a challenge for the Taiwan government to tailor its support to each market and operate at the speed of business.

The NSP faces both perceived and real competition with the PRC. Taipei must recognize that Mainland China’s economic gravity has far more pull than it had two decades ago when Taiwan launched the top trading partne of ever country in the region. These countries, and those farther afield, are deeply invested in Mainland China, especially as the PRC’s outward investment has grown rapidly over the last five years. More specifically, Mainland Chinese exports to NSP target countries dwarf those from Taiwan, with PRC - based exports of over $400 billion in 2016, compared to around $65 billion fromTaiwan.

The investment pictures shows a similar pattern. In 2012, Mainland China and Taiwan investments in the region were nearly identical ($6–7billion), but they have since diverged, with the PRC investing over $16 billion (in 2016, the last year for which data is available) and Taiwan investment dropping below $2.5 billion.

These vast differences in absolute economic scale mean that NSP target countries are naturally more predisposed to opportunities with China and may be more hesitant to develop deeper ties with Taiwan or to sign formal agreements. RCEP, the BRI, and the Asian Infrastructure Investment Bank (AIIB) have all attracted substantial interest from across the world, while the NSP is still getting off the ground.

Moreover, whether Taiwan companies move from Mainland China to NSP target countries or pursue entirely new activities in the region depends as much, if not more, on the economic environment in the Mainland as it does in NSP target countries or even in Taiwan. Taken as a whole, the PRC's business climate for foreign businesses has deteriorated to some extent in recent years, and as a result a small but growing minority of companies has begun to either diversify or explore plan-B options for alternative investment sites. Half of those that have already or plan to move are goingto "developing Asia," many of which are NSP target countries.

Authorities could try to arrest this trend by improving the investment and trade climate, but it is also conceivable that they will doubled own on their current approach and bet that enough companies will stay because of the Mainland market's size, its well-established strengths in manufacturing, and its growing capabilities in technology innovation. Taiwan companies can judge for themselves their own potential fate in the Mainland, but their decisions are heavily conditioned by the choices of American, European, and Japanese companies they collaborate within the ICT sector and other industries. If Intel and Qualcomm, for example, continue to be big on Mainland China, so too will TSMC, Acer, and other Taiwan companies. In any case, trends in PRC policies and the collective decision making of multinational companies are likely to have a much larger effect on how much Taiwan businesses expand their economic ties with NSP target countries than any international economic policies emanating fromTaipei.

2.3.2.2. People to people exchange

Unlike previous policies designed to better integrate Taiwan into the region, Tsai has placed considerable emphasis on creating a “people-centered New Southbound spirit” as a means to promote the NSP. This person-to-person component of the NSP aims to strengthen bilateral ties by engaging with the general population of NSP target countries, as well as with government officials and business executives.These connections are intended to realize the twin goals of strengthening Taiwan’s integration with the region and facilitating its economic diversification.

Importantly, this focus on fostering interpersonal linkages seeks to address two fundamental problems that have undermined previous Southbound efforts: a lack of support for the policy from Taiwan’s businesses and competition from Mainland China. People-to-people exchanges may help Taiwan’s businesses develop a deeper understanding of specific industries and economic areas in target countries, and to better identify niche areas for expanded cooperation. Interpersonal exchanges are an important vehicle for Taiwan to leverage its soft power advantage vis-à-vis the Mainland in terms of having a free and open society. This unique aspect of Taiwan’s society has not been lost on regional leaders. In October 2016, former Thai foreign minister Kasit Pirmya noted that “Taiwan should promote its model of political transformation in a democratic setting and share its experiences and best practices”.

2.3.2.3. Tourism

Tourism exhibits a nation's cultural heritage and offers significant economic benefits for businesses operating in travel destinations. In 2016, Taiwan's tourism industry contributed $NT432.2 billion in revenue to Taiwan's economy (2.6 percent of GDP) and directly created 296,100 jobs (2.6 percent of total employment). Leveraging this potential is crucial to the success of the NSP. In a Facebook post from April 2017, Tsai noted that tourism is among Taiwan's most important industries and highlighted Taiwan's efforts to diversify tourist experiences and improve Taiwan's tourist services.

A large portion of Taiwan's overseas tourists come from Mainland China. In an effort to improve cross-strait relations, President Ma Ying-jeou decided to ease restrictions on visits by Mainland Chinese tour groups. Visitors from the Mainland grew from 289,000 in 2008 to over 4 million by 2015, accounting for over 40 percent of Taiwan's inbound tourists that year.

This influx of Mainland visitors has paid significant economic dividends for Taiwan. On average, the daily total expenditure of tourists from Mainland China was second only to those from Japan, at $241.42 and $198.43, respectively, in 2016. Expenditures are in large part driven by consumer goods ($96.30), as Mainlanders spend far less on accommodations ($45.50) and meals ($25.22) than tourists from elsewhere. Although these economic contributions are significant, the benefits for Taiwan are not always direct. The overwhelming majority of tourists from the

Mainland (around 90 percent in 2012) travel on carefully planned itineraries managed by PRC state-owned travel agencies. These itineraries often make use of discounted hotels and tend to limit interactions between Mainlanders and people of Taiwan. Additionally, much of the spending by PRC touristsis concentrated in Mainland companies operating in Taiwan, meaning that local businesses do not reap as many benefits from tourists traveling across the Strait as from those from elsewhere. As a result, the economic revenue generated by tourists from Mainland China often produces un-even benefits for Taiwan's population due to a lack of local spending contrasted with high retail spending.

Since Tsai's inauguration, relations between Beijing and Taipei have cooled. In an effort to compel Tsai Ing-wen to accept that Taiwan and the Mainland are part of the same country and to provide more explicit assurances that she will not pursue independence, the PRC has put considerable pressure on Taiwan. Not only did Beijing suspend official cross-strait communication withTaipei in June 2016, it also reportedly restricted the flow of tourists. In 2016, the number of tourists from Mainland China dropped by more than a half million, to 3.5 million visitors.

Taiwan's leaders are eager to hedge against further revenue losses from a decline in tourism from the Mainland by attracting tourists from other parts of the world. To facilitate this effort, Taiwan's Tourism Bureau has identified seven strategies for implementing the NSP's tourism initiative:

1. Simplifying the visaprocess;

2. Harnessing the skills of new immigrants in Taiwan an d individuals fromTaiwan living over-seas;
3. Integrating local governments into tourism promotion;
4. Employing more targeted marketing in NSP target countries;
5. Establishing more foreign offices;
6. Providing accommodations for Muslim tourists (such as certifying halal restaurants and hotels, opening prayerrooms);
7. Invigorating the cruise-ship tourismmarket.

Besides those actions, Taiwan try to develop the events to promote Taiwan as the destination for tourism.

2.3.2.4. Education exchange

The Tsai administration has prioritized fostering intellectual exchanges between Taiwan and other regional actors to further promote regional integration. In October 2016, the Ministry of Education published the **New Southbound Talent Development Plan**, which outlines the government's strategy to foster bilateral talent exchanges. At the heart of the plan is a push to put "people first" and to promote "bilateral exchanges" and "resource sharing." The approach has three tracks: attracting inbound students from NSP target countries, sponsoring Taiwan's students to pursue academic and professional opportunities in those countries, and improving access to high-quality education for the children of Southeast Asian immigrants who have relocated toTaiwan.

The focus on recruiting foreign students builds on the efforts of previous administrations. President Ma sought to turn Taiwan into a “higher-education hub.” From 2011 to 2016, the number of foreign students studying in Taiwan more than doubled, rising from 57,920 to 116,416. By the end of 2016, the number of foreign students studying in Taiwan constituted 8.9 percent of all university students, an increase of 4.6 percent since 2011. Over this same period, the number of international students from NSP target countries raise from 18,426 to 31,540.This growth, however, was out paced by the number of Mainland students, which jumped from 12,155 in 2011 to 41,975 in 2016.

To further boost the number of students from NSP target countries studying in Taiwan, the Ministry of Education has outlined a set of ambitious goals in the 2016 New Southbound Talent Development Plan. In 2015, 110,182 foreign students studied at tertiary institutions in Taiwan, with 28,492 students (26 percent) coming from NSP target countries. The ministry hopes to increase the total number of students from NSP target countries by 30,000 by 2019. Taiwan initially allocated NT$1 billion (US$33.4 million) toward this effort in 2017, which includes funding for scholarships, recruitment programs, and subsidies for universities. To further encourage younger populations in Taiwan to gain an appreciation of NSP target countries, the ministry also aims to subsidize individuals from Taiwan seeking to study or work in ASEAN and South Asia countries.

Table 2.3.Goals of the Ministry of Education under the NSP

Goals in Quantitative Terms	Goals in Qualitative Terms
Increase the number of students from ASEAN and South Asian countries by 20 percent each year, to achieve a total of 58,000 students from these regions by 2019.	Better match professional education with the needs of companies seeking to expand into NSP countries.
Subsidize 4,000 youth from Taiwan for their education, internship, on-the-job training and volunteer ing activities in ASEAN or SouthAsian countries.	Nurture children of new immigrants, who can facilitate the development of deeper relationship with Southbound countries in the future.
	Assist universities and colleges in building international linkages and promoting the globalization of higher education.
	Assist talented international students from New Southbound countries to work locally after graduation, attracting talents for Taiwan's industries.
	Promote bilateral sports exchanges with NSP countries and strengthen cooperation on sports related projects.

Source: New Southbound Talent Development Plan.

The Talent Development Plan lays out the Tsai administration's policies for making Taiwan a more desirable and accessible destination for study and making NSP target countries more appealing to Taiwan's students looking to study abroad.The plan is divided into three schemes: market, pipe-line, and platform-each of which is described below.

Platform

The platform aspect of the education strategy involves four additional mechanisms to develop and deepen cooperation between higher education institutions in Taiwan and the NSP target countries. The Ministry of Education ear marked NT$162 million (US$5.33million) in 2017 to support this effort.

1. The Ministry of Education will establish a "Talent Development Strategy" working group, which is mandated to create a portal to connect domestic universities with key stakeholders in Southeast and South Asia.The working group is designed to help universities in Taiwan gain insights into the educational needs of foreign students.

2. Additional education exchange mechanisms, known as "Taiwan Connection" platforms, will also be set up in the Philippines, Myanmar, Laos, Cambodia, SriLanka, Indonesia, Malaysia, and India. These platforms will utilize Taiwan's existing public and private institutions in target countries - such as the Ministry of Education's over seas offices, alumni associations of Taiwan's universities, and Taiwan's business networks-to foster stronger bilateral relationships between the education sectors of each country. Such platforms have already been established in Vietnam, Malaysia,Thailand, and Indonesia.

3. The Talent Development Program, four special exhibitions will be sent from popular Taiwan museums for display in Malaysia, Thailand, and the Philippines. Under this museum-based platform, the Ministry of Education will send representatives from

Taiwan’s museums to international exhibitions and conferences to attract students, teachers, and museum staff from NSP target countries to look toTaiwan for internships and joint exhibitions.

4. The Ministry of Education will subsidize 10 of Taiwan’s universities to help them to establish educational centers in Northeast and Southeast Asia. These universities will organize higher education fairs, promote recruitment, and offer Mandarin language courses. These centers aim to enhance Taiwan’s ability to facilitate academic exchanges and will serve to showcase Taiwan’s educational advantages. For example, the National Taiwan University System iscurrently considering opening branches and centers in Southeast Asia to “assist in the education of students in the region and help Taiwan’s business people investing in the area.

Improving domestic employment for foreign graduates

Building up on improvements in quality and accessibility for students from NSP target countries in Taiwan’s educational system, the NSP encourages foreign graduates of Taiwan’s institutions to work locally before returning to their home countries. These measures are designed to deepen foreign students’ appreciation of Taiwan while simultaneously preparing these students for employment opportunities once they return home. For example, NSP students have been encouraged to apply for internships with Taiwan’s small and medium enterprises, where they will learn easily transfer-able skills.

Under Ming Chuan University’s “New South–Bound International Students Hotel Internship Program” for example, students from targeted countries who study in their Travel and Tourism Program are assigned to work in Taiwan's hotels to gain professional experience in hotel operations.

Taiwan is also expected to ease work visa regulations for recent graduates from NSP target countries. As part of a broader effort to attract skilled foreigners, the Executive Yuan has passed a draft bill on "Foreign Professional Employment," under which foreign students will be eligible for six-month internship visas within two years of graduation. Previously, Taiwan did not offer such visa options for foreign students, a restriction that has curbed the ability of local firms to employ foreign talent.

Training foreign students in Taiwan will benefit Taiwan's companies inemerging fields such as biomedical technology, e-commerce, and information engineering, as firms look for qualified employees with local experience to expand operations in NSP target countries.

2.3.2.5. Agriculture and the NSP

The agricultural component of the NSP largely operates under the view of the Executive Yuan's Council on Agriculture (COA). According to Grace Lih-Fang Lin, director of the COA's Department of International Affairs, the NSP will have different focal points of collaboration for each partner country based on local conditions and market needs, such as working with Malaysian industries on green house farming or cooperating with Indonesian businesses on irrigation.

To promote the NSP, the COA aims to increase business opportunities with NSP target countries via investment and machinery exports. It advocates for a "whole factory export model," where by Taiwan can promote its technologies, techniques, and agricultural products to partner countries. Taiwan hopes to foster mutually beneficial bilateral relationships in which Taiwan businesses provide new agricultural opportunities in exchange for assistance in adapting to local business and environmental conditions.

History and background

The groundwork for Taiwan's agricultural cooperation with ASEAN and South Asian countries predates the NSP. Taiwan had an established record of providing training and short-term work permits to farmers from Vietnam, Thailand, and the Philippines prior to Tsai's administration. After the launch of the NSP, this practice was extended to include Indonesian and Indian farmers as well.

Taiwan also has a track record of fostering relationships with ASEAN and South Asian countries through its aquaculture industry.Taiwan and the Philippines signed the Agreement Concerning the Facilitation of Cooperation on Law Enforcement in Fisheries Matters in November 2015, in part to address Taiwan-Philippine fishing disputes, but also to promote joint aquaculture development. A month later, aquaculture feed manufacturer Grobest Feeds Inc. launched a $22 million plant in the Tarlac province of the Philippines. Robert Chen, chairman of Grobest

Feeds, stated, “With our technology and experience in aquaculture, we believe we could help the farmers’ development in the Philippines”. Benjam in Tabios, from the Philippines Bureau of Fisheries and Aquatic Resources, concurred that Grobest Feeds offered much-needed investment to help the Philippines produce feed for its aquaculture industry.

The NSP builds on this past precedent of agricultural cooperation - Grobest Feeds is now one of many investors from Taiwan seeking to expand its business interests in the Pampang a province of the Philippines. Such a strategy enables the Tsai administration to strengthen ties with partner states around the region.

Benchmark and progress

The Tsai administration has several benchmarks for the NSP’s agricultural component. The Work Plan states that the number of trained agricultural personnel should increase at an annual rate of 5 percent. The Work Plan also aims to foster 10 cases of agricultural technology cooperation with NSP target countries.

To date, Taiwan has signed agreements for agricultural cooperation with several NSP target countries. In September 2016, Taiwan signed a memorandum of understanding (MOU) with India to cooperate on both agriculture and aquaculture and to establish a Joint Working Committee to identify areas of mutual interest. In the same month, an Indonesian business delegation arrived in Taiwan to negotiate opportunities for bilateral cooperation with the Ministry of Economic Affairs, which included building a Taiwan

Sugar Corporation factory in Indonesia. Taiwan and Indonesia also signed an Agricultural Cooperation Agreement in Taipei on May 12 that involves developing a "regular dialogue" to facilitate "exchanges of agricultural technologies, market access, and industry information." Similar MOUs have been signed with Vietnam, Thailand, Malaysia, Australia, and the Philippines.

TAITRA has organized events and programs to promote agricultural cooperation with Taiwan's neighbors since the official launch of the NSP. On May12, TAITRA opened the first "Taiwan Expo 2017" in Jakarta to show case Taiwan's advanced technology in a variety of sectors, including agriculture. The expo served as a platform for the Taiwan Agricultural Machinery Manufacturers (TAMMA) to promote small-scale agricultural equipment, machinery, feed additives, and poultry processing techniques. For Taiwan, the expo was a step toward establishing a purchasing channel for agro-machinery with Indonesia. COA representatives were on hand to demonstrate Taiwan's agricultural cultivation modules, which have temperature-regulation systems that are adaptable for Indonesia's tropical climate. The COA also participated in similar exhibitions in the Philippines in late September and Malaysia in November of 2017 and has plans for a joint cooperation venture with the Philippines' Rice Research Institute.

In September 2017, Taiwan sent 30 "agriculture youth ambassadors" to the Philippines and Indonesia as part of a week long bilateral exchange program. These trips are designed for agriculture students to conduct fact-finding visits, observe Taiwan-backed cooperative initiatives, share Taiwan's agricultural technology with other countries, and develop overseas connections. The exchange program is a jointly operated project between the Ministry of Foreign Affairs and the COA, which reflects the integrated, whole-of-government approach employed by the Tsai administration to promote theNSP.

It remains too early to tell if these efforts will be successful in bolstering the NSP. Nonetheless, Taiwan's advanced agricultural sector presents an intriguing opportunity for Taipei to build on its existing partnerships and strengthen its ties across the region.

2.3.2.6. The NSP and Taiwan's Medical Industry

Taiwan boasts a highly developed public health care system and one of the world's most technologically advanced medical equipment industries. In 2016, Taiwan's average life expectancy (80 years) and infant mortality rate (4.4 out of 1,000) matched or exceeded those found in the most developed countries around the globe. It comes as little surprise that Taipei has identified the nation's medical sector as a flagship program that can be utilized to boost ties across the region .In this regard, Taiwan can offer its medical know-how, advanced quipment, and wealth of public health experiences to improve health care outcomes in NSP target countries.

There is considerable growth potential for the health care services in NSP target countries. When discussing overseas market opportunities, Claire Jan, a project manager in TAITRA's marketing development department, noted that the healthcare expenditure per capita among ASEAN members stood at just $207 in 2014, as compared to the $5,075 spent in Japan. Importantly,TAITRA has a history of organizing trade missions across the region that predate the establishment of the NSP but nonetheles sspeak to the potential that the medical industries hold for bolstering ties with NSP target countries. In July of 2016, a medical trade team organized by TAITRA met with 248 local businesses in Myanmar, Thailand, and Singaporean dinked deals worth US $ 8.39 billion.

Much of the flagship program has been focused on developing medical supply chains with NSP target countries and **offering foreign health care professionals training in Taiwan**. The Taiwan Food and Drug Administration (TFDA), for instance, has taken several steps toward fostering ties with counterpart agencies in target countries. The agency has concentrated its efforts on building international recognition for Taiwan's medical products through cross-border regulation harmonization, medical procedure exchanges, and laboratory verification collaborations. Measures of this nature can help reduce duplicated efforts in testing Taiwan products in foreign markets, which further reduces the barriers of entry into NSP target countries for Taiwan medical suppliers.

Taiwan's medical and public health cooperation with NSP target countries has already achieved some noticeable results, particularly in familiarizing health care agencies and professionals around the region with Taiwan's medical products and procedures. According to the Ministry of Health and Welfare (MOHW), medical devices produced in Taiwan that have already obtained the necessary registration licenses from TFDA can apply for a simplified review process in Indonesia and Vietnam. As part of the NSP, medical reports issued by three laboratories in Taiwan are now also accepted by the Indonesian government.

This coordination extends to professional exchanges and developments. Part of the initiative also aims to train 1,000 doctors from NSP target countries in Taiwan over the next four years. According to a report published by MOHW, there were already 214 foreign physicians from 12 countries who had received training in Taiwan. When speaking at a public event on May 8, 2017, an MOHW official noted that "a group of Vietnamese physicians have already received training on kidney transplants in Taiwan, and they will become pioneers in that area and pass on their expertise to newphysician".

2.3.2.7. Growing opportunities for the Ministry of Economic Affairs

The Ministry of Economic Affairs is positioned to utilize Taiwan's economic assets toward strengthening the NSP. For instance, the flagship program for Industrial Innovations and Cooperation centers around promoting the Five-Plus-Two Innovative Industries Initiative. The directive was put forth by the Tsai administration to restructure Taiwan's economy and upgrade Taiwan's existing value chain. The initiative includes five pillar industries: **the Internet of Things, biomedical, green energy, smart machinery, and defense-with the addition of new agriculture and the circular economy as the plus two.** The most visible element of the program is the establishment of an industrial park in Taoyuan, dubbed "the Asian Silicon Valley." Taipei hopes to develop the Asian Silicon Valley into a hub of innovation for domestic enterprises, as well as a testing ground for projects and technologies that are tailored to the needs of NSP target countries. The Tsai administration is also looking to identify new business opportunities in NSP target countries for SMEs and provide the necessary tools for these SMEs to succeed.

With one of the highest e-commerce penetration rates in the world, the Ministry of Economic Affairs is also looking to use the NSP to expand the reach of Taiwan's e-commerce industry. Under the Cross-Border e-Commerce Work Plan, Taiwan seeks to further partnerships between Taiwan's businesses and local providers in NSP target countries by **(1) developing markets, (2) cultivating talent, and (3) upgrading the e-commerce landscape to ease market access.**To support this push, Taipei plans to roll out an e-commerce portal called "Taiwan trade," which is designed to link Taiwan businesses with their peers in NSP target countries. Along with establishing business linkages, Taipei has launched several programs, including internships and e-commerce forums, to cultivate talent. It has also developed an e-commerce platform that provides regulatory information and legal assistance to Taiwan businesses looking to explore overseas markets.

2.4. Policy recommendation

As the NSP progresses, Taipei must manage possible sources of friction with Beijing if the policy is going to achieve its long-term goals. Although the NSP is being implemented at a time when the cost of doing business in the PRC has increased, Taiwan must recognize that the Mainland's economic gravity has far more pull compared to when Lee Teng-hui launched the first "Go South" policy in 1994. Mainland China is now the top trading partner of virtually every country in the region, and PRC-based exports to NSP target countries dwarf those of Taiwan by more than a factor of six. For Taiwan, trade with the Mainland constitutes over19 percent of its total trade.

These factors are further compounded by a contentious political environment. Owing to its ambiguous sovereignty, Taipei faces unique hurdles when seeking to cultivate international partnerships. Beyond the obvious economic pressure that Beijing could exert on Taiwan, this ambiguity also has knock-on effects for the NSP target countries. AlthoughTsai has assured Beijingthat the NSP is neither intended to inhibit cross-strait economic ties, nor meant to compete with the infrastructure - heavy Belt and Road Initiative, the Mainland remains suspicious of her intentions. Should Beijing conclude that the NSP is a vehicle for cultivating international support for Taiwan's independence, it could coerce states - especially those in Southeast Asia-into turning away from the NSP, leaving the policy to falter.

Recommendations for the United States

The United States has a profound interest in the success of Taiwan's New Southbound Policy. Taiwan has been along-standing partner of the United States. Its democracy and free society area beacon of liberal values in the region, while its economic development model has been admired and studied for decades by nations in Asia and beyond. Its per capita income levels are among Asia's highest. Its domestic market and foreign investment have contributed to global high-technology development and supported hundreds of thousands of American jobs.

In short, Taiwan has been one of Asia's most remarkable success stories in terms of both U.S. interests and values.

The continued viability of Taiwan contributes to the peaceful development of Asia, which remains a vital U.S. interest. The real and potential future contributions of 23.5 million highly educated and productive people to the region, therefore, should also be considered in the interest of the United States - and of all others who seek a more safe, secure, and prosperous global community.

To date, the United States does not appear to have given much thought or expended much effort to actively support the NSP within Asia. Many long time observers dismiss the NSP as "old wine in a new bottle," either misunderstanding how the NSP differs in character from the "Go South" economic policies of LeeTeng-huiand Chen Shui-bian, orviewing it incorrectly as an aggressive anti-China crusade that will inevitably fail with nations in the region. While Taiwan will certainly face challenges in implementing the NSP, opportunities exist as well, which deserve more serious U.S. attention.

At the same time, the United States should not overly politicize what should be a moderate effort to enhance Taiwan's partnerships with and profile among NSP target countries.

Given this, we suggest the United States consider actively supporting the NSP. We recommend the following actions:

• *The assistant secretary of state for East Asian and Pacific affairs should coordinate with his/her counterpart in the South and Central Asia division to create an internal working group to consider how the U.S.government can support the NSP*. Such a State Department - led working group should be established at the deputy assistant secretary level and charged with considering and coordinating U.S. support to the NSP. As a critical input to this working group, both assistant secretaries should direct ambassadors posted to NSP target countries to report back via cable their ideas on how the United States, specifically each U.S. embassy, might assist Taiwan in its outreach and engagement efforts. U.S. embassies have far more assets than Taiwan representative offices spread throughout the region. Leveraging those assets in a thoughtful, sensitive, and strategic way could prov every helpful to Taiwan's efforts to secure partnerships and have its outreach taken seriously in the respective countries.

• *The U.S. government should engage Japan, Australia, and*

India ,the other members of the “quad,“ insupport of the NSP. These countries have substantial interests and resources of their own that may be applied to support the NSP. The United States should initiate conversations with these countries-separately and together-over how each may decide to assist Taiwan in its outreach. Placing the matter on the agenda, whether in a bilateral or multi-lateral setting, will send a signal of the importance of the initiative to U.S. interests.

• *The U.S. government should continue to support Taiwan’s in clusion and active participation ininternational and regional initiatives where statehood is not required.* The stakes of Asia’s economic development and national security agenda are substantial for continued progress in the world’s most dynamic region and beyond. What happens in Asia will not stay in Asia. Taiwan’s potential contributions to combating international challenges related to health, education, counter terrorism, cyber security, migration, etc., must not be dismissed lightly. Beyond inclusion in international forums such as the International Civil Aviation Organization or the World Health Assembly, the U.S. government should consider ways to integrate Taiwan personnel more regularly into regional conversations on a full range of economic, cultural, educational, developmental, as well as other nontraditional security issues.

• *U.S. nongovernmental organizations (NGOs), particularly those with programs in NSP target countries, should consider partnerships with NGOs in Taiwan to integrate their work where* *appropriate in support of the NSP*. Given that many NSP programs are not government-led, U.S. and other in stitutions with contacts in NSP target countries should consider involving specialists from Taiwan in their regional conversations and joint projects, both to directly promote NSP work and to offer new opportunities for Taiwan's experts to engage in joint projects with the United States. Unofficial U.S.-led initiatives can add credibility to Taiwan's NSP-related efforts to increase its profile in the region.

• *The Commerce Department's U.S .Commercial Service should engage with American industry associations and companies, and explore potential avenues of collaboration between American and Taiwan industry in NSP target countries.*This could range from informal information sharing to developing strategic plans to facilitating partnerships.

• *The United States should consider bilateral (U.S.-Taiwan) cultural initiatives that may be brought to third countries in Asia.* For instance, a recent private initiative between pianists from the United States and Taiwan to promote music education in less-developed countries of Southeast Asia has proved successful. Both the United States and Taiwan should identify and support similar initiative selsewhere in Asia-while remaining careful not to politicize and thus undermine them.

• *The United States should include Taiwan youth inrelevant regional programs and networks.* Among the most popular and successful initiatives begun by the Obama Administration was the Young Southeast Asia Leadership Initiative (YSEALI).The United

States should continue this program and add young people from Taiwan to its membership. Likewise, any other similar programs - including those that promote entrepreneurship and regional connectivity-should ensure Taiwan’sparticipation.

Recommendation for Taiwan

Continued high-level attention, effective planning and coordination, as well as greater resources will be essential for the NSP to achieve its goals. Not only must more work be done domestically to support the NSP, but Taipei must also strive to better communicate the shared benefits of the NSP with its friends and partners over seas. Fostering strong overseas ties will help Taiwan effectively leverage its advantages in soft power to further the “people-centered” elements of the NSP.

In the economic realm, Taipei must support Taiwan companies as they navigate the complex and dynamic global marketplace. The challenges are substantial, but if deftly implemented, the NSP could help Taiwan’s economy become more productive domestically and more competitive internationally.

We propose the following recommendations for Taiwan’s policymakers to maximize the effectiveness of the NSP:

• *To ensure greater U.S. attention to and creative support for the NSP, Taipei should take more initiative to explain the nature and purpose of the policy to both official and unofficial American audiences.* Few in the United States know much about the NSP, and those who do, as noted, have either limited understanding of the policy or summarily dismiss it. That includes specialists from

Taiwan who otherwise could be useful advocates and partners.

• *Taiwan should offer ideas and incentives to various relevant U.S. players,including American companies, to assist the island in meeting its NSP goals.* Both the NSP and theAsia Silicon Valley (ASV) Development Plan are important legacies of the Tsai administration. Clear synergies exist between U.S., Taiwan, and South and Southeast Asian entrepreneurs and high-technology companies, whether in software design, chip development, gaming, etc. Considering how to connect the NSP and ASV may prove particularly efficient and useful as Taiwan seeks to remain viable economically, enhance its profile, and prove its continued relevance as an essential contributor to Asian development, strength, and security in years to come.

• *Taiwan should seek to partner with the United States through its bilateral platform, the Global Cooperation Training Framework (GCTF), to hold joint training programs in NSP target countries.* Experts from throughout the Indo-Pacific region could participate to enhance their own capacities in areas whereTaiwan has proven expertise and advantages. These include, fore xample, humanitarian assistance and disaster relief, democratization, energy security, women's rights, and global health.

• *Taiwan should promote three-way exchanges between think big, youth, and academics from NSP and non-NSP target countries.* Serving as the interlocutor for track 2 dialogues, youth development forums, academic conferences, and other such exchanges provides Taipei with an opportunity to garner wider support for the policy. Non-NSP target countries like Japan and the United States have a vested interest in the success of theNSP, and Taipei should push to include individuals from states not directly targeted by the policy in conferences and other activities with NSP target countries.

• *Leveraging Taiwan's advantages in soft power is central to the success of the NSP. Taiwan should actively promote its diverse heritage and unique status as the world's* ***only culturally Chinese democracy*****.**While most agencies and ministries involved in the NSP received a funding increase in 2018 to support their respective initiatives, the Ministry of Culture faced a budget decreased.Taipei should allocate additional funding to promote cultural exchanges with NSP target countries.

• *Taiwan's policy makers should seek to more fully understand what Taiwan's companies need to expand their business opportunities, and how greater trade and investment with the NSP target countries fit with those goals.*There is a systematic difference between those companies and industries that are already deeply involved with Mainland China and those that are concentrated on the domestic market or beyond Asia. Policy makers must take these differences into account as they push the NSP forward.

• *Taipei should consider creating an NSP advisory board composed of arange of companies an dindustry groups,which can be consulted on a regular basis.*This advisory board would formalize consultations that have already occurred. In addition, surveys and structured interviews by Taiwan's think big and government to ensure that policies help address genuine challenges companies face and provide solutions that address these challenges and create opportunities they would welcome. It is possible that Taiwan's companies may suggest a major refocusing of the initiative or more effective ways to achieve existing goals.

• *The Taiwan External Trade Development Council(TAITRA)and sectoral associations should redouble their efforts to assist SMEs inentering new and unfamiliar markets in the region.* Although revised or new formal agreements with the NSP target countries would be useful, Taiwan's SMEs in particular will continue to need more tailored, specific support in finding potential business partners and navigating the varying cultural and regulatory challenges across the NSP members.

• *Taiwan should effectively utilize other large economic partners and global industry associations in which its companies are active members to help its industry make headway in the NSP target countries.*The United States, Japan, and European Union all have long-standing and extensive ties with almost all of the NSP target countries, and can help expand understanding in the region of the NSP's goals and facilitate triangular business deals involving industry from Taiwan, the NSP target countries, and their own countries, especially when there are already existing supply-chain relationships.

• *Taiwan's officials need to develop policy linkages between their various domestic economic policies and the NSP.* Efforts to reduce dependence on fossil fuels and eliminate nuclear power and promote new innovative industries are both critical to upgrading the island's economy. These efforts and the NSP share natural affinities and can be developed and promoted in light of each other.

• *Clear economic benchmarks should be established for the NSP that are rooted in commercial results for Taiwan's businesses, including sales, exports, outward and inward investment, employment, and value-added created.* In addition, these measures need to be measured directly against the challenges facing Taiwan's economy as a whole. Developing benchmarks rooted in commercial performance and Taiwan's overall economic needs will raise the policy will achieve meaningful results or be adjusted in the future to be more effective.

Based on the above description of the whole content of the New Southbound Policy we may understand the purpose, process of the implementation of Taiwan's New Southbound Policy and may find the way for Vietnam in exploring, adapting on the right track.

2.5. Vietnam's position in Taiwan's New Southbound Policy

Because Vietnam and Taiwan has relationship since 1992 (27 years) until now and Taiwan is the 4^{th} ranking investor in Vietnam in terms of economic, so it is not easy to certify the position of Vietnam in Taiwan's New South Policy. Look back the history of the relationship, Taiwan contribute for the development of Vietnam, even though during the implementation still existed some problems, for example the scandal of Vedan company in terms of environment destroying (in 2009), Ha Tinh Formosa incident in 2016.

Therefore, in order to certify the position of Vietnam in Taiwan's New South Policy, it is better to review and analyze the strengths, weaknesses, challenges and opportunities between the two sides to find the best strategy for the Vietnam as well as Taiwan in the New South Policy. The main content will be mentioned in the chapter 3.

Chapter 3: Strategies for the Vietnamese business through ROC-Taiwan's New Southbound Policy

3.1. Similarities and differences between ROC-Taiwan and Vietnam

3.1.1. The similarities between ROC-Taiwan and Vietnam

The major holidays based on the ancient tradition.

One of the most recognizable similarities is that customs and practices, both Vietnam and ROC-Taiwan are the same in terms of festivals, worship activities and special day selection. First of all, the New Year's Eve is December 30th (by the Lunar Calendar), this is the last day of the year, or End of the Year, the Taiwanese also make trays of rice and foods to pray to the heavens and gods, ancestors for a ended year. The first day of January is the start of the new year. ROC-Taiwan's customs are exactly the same as Vietnamese people, this is the first day of the year so people also wear their new clothes, make ancestral rice, avoid loud ... In addition, there are a number of big holidays such as Lunar New Year holidays, the full moon of January, 5/5 lunar year, full moon in July, full moon in mid-Autumn ... almost all are similar to Vietnamese customs.

Taoism

Taiwanese Taoism is similar to Vietnamese. Although many different religions exist, Buddhism is the main religion of both Taiwanese and Vietnamese. Both people worship the Dharma and keep a benevolent and ethical lifestyle. And it expressed through the character of

Taiwanese people, they are very hospitable, open, be nevolent and always helping others. The temple ruins still retain a lot.

Food and daily routines

The similarities in Taiwanese and Vietnamese culture are the eating habits. Taiwanese eat breakfast quite simply with familiar dishes like bread, dumplings, eggs ... lunch, then eat rice with processed food, not drinking alcohol. Dinner often eat rice with the extended family. In general, it is similar to the daily eating habits of the Vietnamese people.

Similarities in how to organize a wedding

In the past, Taiwan's weddings were mostly influenced by Chinese culture, quite complicated with elaborate rituals. However, in this new age, the way of Taiwanese wedding ceremony has been minimalist and like in Vietnam. Along with 3 steps of brooding, asking and organizing a wedding. In recent years, the number of Vietnamese girls getting married in Taiwan is quite high, perhaps this is the most recognizable cultural similarity between the two countries close together.

The virtues of Vietnamese people are similar to Taiwanese

Both Vietnamese and Taiwanese have very good work ethic, both in communication and in work. Taiwan people work hard, they do not hesitate to work no matter how heavy or light, overtime or not. When assigned by their superiors, they always try to do their best, do not complain, are not afraid to work much. In addition, they have a high level of compliance, which means that the higher level assigned to the task often receives absolutely no argument, no blame. The same is true for the Vietnamese, but coming to Taiwan you will learn their good qualities.

About the climate

Taiwan has climate similar to the North of Vietnam: 4 seasons and no snow in the Winter but diferent with the South of Vietnam as there is no Winter.

3.1.2. The differences between Taiwan and Vietnam

The working time

The working time in Taiwan starts at 9 am, lunch break from 12 am to 1.30 pm and the ended time depends on the different company as well as different kinds of job but mainly ended at 5.30 pm. During the working time, most of the people do not allow to drink beer or wine until they are out of the working time.

But in Vietnam, the working time is different with the educational organization and other sectors. For example, the working time at the schools and universities are at 7 am while other sectors at 7.30 am and the ended time is around 5.30 pm.

The transportation

As Taiwan is one of the developed countries in Asia so Taiwan has better infrastructure than Vietnam. MRT (subway) in Taiwan is convenient and help decreasing the traffic jam while Vietnam still do not have subway and many people from other places jumped into the two big cities so the traffic jam happen always in the two biggest cities Hanoi and Ho Chi Minh.

The Taiwanese people obey the law thus accident rarely happen, except who controls the motorcycle because they run with the too high speed on the road and looks dangerous, while the Vietnamese people, the attitude to obey the law is not high, that's why traffic jam and accidents in transportation often happen.

Protection environment attitude

If you come to Taiwan you may not see the waste on the streets because the Taiwanese people have good attitude of protecting their living environment. They never eat on the street, except in the night markets but never throw the waste on the roads or in the public places while a large part of the Vietnamese people they are ready to throw the waste wherever they want and made the country to be polluted, because the people think that the environment problem must be solved by the Environment Companies, and it is not the citizen's duty (low behavior in environement protection).

The infrastructure and houses

The other difference between Vietnam and Taiwan is the infrastructure system and houses. The infrastructure of Taiwan looks lasting and may maintain for many years. Most of the infrastructure of Taiwan and houses have strong and big support pilars with the European structure style in the public areas, such as subway (MRT) system, museums, universities, libraries… If you go around Taiwan you may see the different house style, some places look like Europe, some places look like Japan and some other places look like Chinese style. It is the result of the history of establish and development of this country. The Dutch people is the first group discovered this island and put the name “Formusa” (beauty island), and then Japanese conquered this island and made some places into Japanese style and later Chinese people has conquered this island and brought the Chinese culture as well structure style to this island and made it to be the mixed style.

The houses in Taiwan, especially in Taipei are not too high but look safety because of the earthquake often happens. Most of the walls outside of the buildings or the houses are full covered by small tiles but not wall paint so the Government as well as the citizen do not need to pay much attention and money to repair because of the sustainability. Those characters are so little different with Vietnam. In Vietnam the sustainability is not emphasize. The houses were built after the short time may be destroyed and rebuilt, the pavements also the same situations, they almost were destroyed to be renew every year and made the cities always suffer with pollution because of that philosophy. The wallls outside of the houses were covered by lime walls or painted walls and it is easy to be dirty after some years or affected by the rainy season or other factors and need to renew often.

Higher Educational Environment

In Taiwan, you will realize all the universities are really large and separate space with the citizen. Same with many countries, each lecturer/professor of the university own their independent office for the whole working time if they are the full time working there. And all the universities have the big libraries with full kinds of books to support professors and students to increase and broaden their knowledge.

The tuition fee of higher education in Taiwan is around 1700-2600 USD per semester. And the tuition fee almost the same with the whole country interms of the same majors, except the public university the tuition fee is a little lower.

But in Vietnam, until now all the lectures/professors have no office in the university. They just go to the University whenever having the lecture/class, otherwise they can work at home or somewhere if possible for them. Working in the domestic situations but they still have to overcome the International qualification standard. It is the big challenge for them with the domestic salary while the house'price is the international price.

The tuition fee of the students in Vietnam is very different and big gap between the Universities inside the country and also make the big gap in income of the lecturers between the different universities, between the domestic and foreign universities. It is the big problem in current educational situation in Vietnam.

Politic

Vietnam has only one Communist Party so the politic is sustainable while Taiwan has four parties: Democatic Progressive Party, KMT, New Power Party and Taiwan People's Party

KMT dominated for more than 5 decades ago and recently the Democratic Progressive Party (DPP) is dominated and remark for the 3rd power transfer since Taiwan implemented democratization.

3.2. Strengths and weaknesses of Taiwan and Vietnam

3.2.1. Strengths of Taiwan

The suitable policies

Taiwan's economy is the 7th largest economy in Asia, along with Singapore, South Korea and Hong Kong, Taiwan is known as one of the "Four Asian Dragons". So why: Taiwan from a US aid recipient in the 1950s has become a rich country, a sponsor and a big investor?

It can be said that Taiwan has made industrialization by land reform, an important step in modernizing the economy, as it creates a landlord class with investment capital for economic efforts. The land reform was carried out in four consecutive steps.

First, in 1946, the government leased public land to the farmers with a profit of 25% of the annual crop production. Next, in 1949, the state stipulated that landlords' land for renters could only take up to 37.5% of the total harvest a year. Thanks to such a contract, farmers invested in production, increasing their crops, in just four years from the transition that began in 1949, Taiwan's total rice production has increased by nearly a half. The average farmer's income also increased by 23% during the same period and children went to school more.

In contrast, Taiwan has reduced land rent, resulting in lower land prices, and landlords began selling land and investing money in various businesses. Then, from 1951 until 1975, the KMT government sold public land to the poor farmers and allowed them to pay in installments for 10 years.

During this campaign, the Taiwanese government transferred half of Taiwan's arable land to the poor, landless tenants. Finally, in 1953, the Law of Land for Farmers limited the amount of land, with an average quality, that a landowner was entitled to 2.9 hectares. The rest of the land were forced to sell to the government, and the government later sold it to the famers. However, the government pays landlords money to buy land through bonds and stocks. The use of commodity bonds, instead of paper bonds, has helped to prevent the devaluation of bonds and strengthen people's confidence. Paying stocks and commodity bonds did not generate inflation, but it immediately turned landowners into new industrial investors.

Besides, we can see that American support is also important to stabilize after the Taiwan war, and it accounted for more than 30% of domestic investment from 1951 to 1962. These factors, along with the plan by the government, general education has brought great advances in industry and agriculture. The economy has shifted from an agricultural economy to an industrial-oriented one.

In 1970, the United States cut aid, but that accelerated the country's change, hundreds of small businesses sprung up, producing everything from TVs to Barbie dolls, boosting economic growth based on export. Electronics is also starting to develop.

By the 1980s, the economy was increasingly open and the government turned to privatization of state-owned enterprises. Taiwan has stepped up to a higher level in the value chain, manufacturing components and electronic products, led by computer and chip companies such as Acer or Taiwan Semiconductor Manufacturing. As mainland China opened its economy, many Taiwanese companies moved production across the Taiwan to enlist the booming industrial development of the mainland.

Among those sectors, the service sector has become the largest one, surpassing the industry and becoming a major source of economic growth. Due to the relentless movement of the Earth's layers, Taiwan has a unique natural resource with rich landscapes of high hills, mounds and plains, beaches ...

Along with that, thanks to the Tropic of Cancer passing through Central of Taiwan, this place has a diverse natural ecosystem of tropical, temperate and tropical Asia, including rare protozoa occupying the rate is very high. Thanks to which Taiwan has become an ecological conservation site in the world, attracting many tourists to visit every year.

Another interesting reason may also affect the development in Taiwan more or less. The friendliness of people among people and their behavior every minute of this land makes you feel respected. The people of Taiwan lead an unobtrusive but quite closed-minded lifestyle. They learned the importance of humility from the Japanese, while respecting the traditional humility of the Chinese people. Taiwan is also one of the cleanest countries in Asia, aside from Singapore, Japan and South Korea.

In addition, the air here is very fresh, cool, on the ground there is not a single plastic bag or garbage. The sense of environmental protection in Taiwan is very high, the waste here is very well classified and most of it is recycled.

In addition to being one of the Four Economic Dragons in Asia, in 2016, Taiwan was recognized as the most livable place for foreigners according to a large-scale survey of Inter Nations Expat

Insider with more than 14,000 applicants - members from 191 countries. With this result, Taiwan has surpassed the US, Australia and Hong Kong to rise to the leading position in the environment.

In recent years, Taiwan has embarked on new policies to ensure the momentum of economic development, including the "New South Policy" focusing on strengthening business cooperation and trade between Taiwan and 18 Asia-Pacific countries. Another ambitious initiative to stimulate Taiwan's economic development is the Silicon Valley development plan in Asia, which aims to promote innovation, research and development of devices and Internet application. Besides, it is to upgrade the ecosystem, start-up and business of this place.

With the natural and artificial factors, Taiwan is gradually asserting its position in the world. In the future, this place is not only known for its natural beauty but also with the most developed economy in Asia, continues to be a rich, prosperous country in the region and the world.

Some achievements

The economy of Taiwan is a developed capitalist economy that ranks as the seventh largest in Asia and 22nd-largest in the world by purchasing power parity (PPP). It is included in the advanced economies group by the International Monetary Fund and gauged in the high-income economies group by the World Bank.Taiwan is the most technologically advanced computer microchip maker in the world.

As of 2018, telecommunication, financial services and utility service are the highest individuals paid sector in Taiwan. The economy of Taiwan ranks the highest in Asia for 2015 Global Entrepreneurship Index (GEI) for specific strengths. Most large government-owned banks and industrial firms have been privatized, and now family owned businesses are the streamlined economic factors in Taiwan. With the technocracy-centered economic planning under martial law until 1987, real growth in GDP has averaged about 8% during the past three decades. Exports have grown even faster and since World War II, have provided the primary impetus for industrialization. Inflation and unemployment are low; the trade surplus is substantial; and foreign reserves are the world's fourth largest. Agriculture contributes 3% to GDP, down from 35% in 1952, and the service sector makes up 73% of the economy. Traditional labor-intensive industries are steadily being moved off-shore and replaced with more capital- and technology-intensive industries in the pre-mature stage of the manufacturing industry in the global economic competition on labor cost (key performance indicator), automation (industry 4.0), product design realization (prototype), technology commercialization (innovation with knowledge/practical stickiness), scientific materialization (patent), scientific discovery (scientific findings from *empirical* scientific method), and growing from the over-reliance, from the original equipment manufacturer and original design manufacturer models, in which there is no single University from Taiwan entering Reuter's Global Top Innovative 100 University ranking, and the economy of Taiwan may need international collaboration on University, Research and Industrial cooperation on spin-off opportunities. Economy of Taiwan is an indispensable partner in the Global Value Chains of Electronics Industry. Electronic components and personal computer are two areas of international strength of Taiwan's Information Technology industry,which means the economy of Taiwan has the competitive edge on having the learning curve from advanced foreign technologies with lower cost to be produced and sold abroad. Institute for Information Industry with its international recognitions is responsible for the development of IT industry and ICT industry in Taiwan. Industrial Technology Research Institute with its global partnersis the advanced research center for applied technology for the economy of Taiwan. Directorate-General of Budget, Accounting and Statistics and Ministry of Economic Affairs release major economic indicators of the economy of Taiwan. Chung-Hua Institution for Economic Research provides economic forecast at the fore front for the economy of Taiwan and authoritatively researches on the bilateral economic relations with ASEAN by The Taiwan ASEAN Studies Center (TASC). Taiwan Stock Exchange is the host to the listed companies of local industries in Taiwan with weighted financial exposures to the FTSE Taiwan Index and MSCI Taiwan Index.

International Trade is officially assisted by Taiwan External Trade Development Council.Taiwanese investors and businesses have become major investors in mainland China, Vietnam, Thailand, Indonesia, the Philippines, and Malaysia.

Because of the conservative and stable financial policy by the Central Bank of the Republic of China (Taiwan) and the entrepreneurial strengths, Taiwan suffered little from the financial crisis of 1997-1999 compared to many economies in the region. Two major banks in Taiwan are Bank of Taiwan and Mega International Commercial Bank, but financial industry is not the major international industry in Taiwan. Unlike neighboring Japan and South Korea, small and medium-sized businesses make up a significant proportion of the businesses in Taiwan. Taiwan is characterized as one of the Newly industrialized economy in the wake of the Ten Major Construction Projects since the 1970s. Since the 1990s, the economy of Taiwan has adopted economic liberalization with the successive regulatory reforms. London Metal Exchange, the largest metal stock exchange in the world, approved Kaohsiung, Taiwan as a good delivery point for primary aluminium, alloy, copper, lead, nickel, tin and zinc and as the LME's ninth location in Asia on 17 June 2013, for future contracts on metals and industrial production of the global integration of the economy of Taiwan. The economy of Taiwan has the world's highest modern convenience store concentration density. The Indirect tax system of the economy of Taiwan comprises Gross Business Receipts Tax (GBRT), Gross receipts taxand Value-added tax. The economy of Taiwan is ranked 15th overall in the Global Top 20, Top Destination Cities which is evaluated by International Overnight Visitors (2014), by the MasterCard 2014 and by the Global Destination Cities Index.

Taiwan is a member of the Asian Development Bank (ADB), the World Trade Organization (WTO), and the Asia-Pacific Economic Cooperation (APEC). Taiwan is also an observer at the Organisation for Economic Co-operation and Development (OECD) under the name of "Chinese Taipei", and a member of International Chamber of Commerce as "Chinese Taipei".Taiwan signed Economic Cooperation Framework Agreement with People's Republic of China on 29 June 2010. Taiwan also signed free trade pact with Singapore and New Zealand.Taiwan is seeking to join the Trans-Pacific Partnership no later than 2020 if economic requirements are met.The economy of Taiwan also applied for the membership in the Asian Infrastructure Investment Bank in 2015.Taiwan's top five trade partners in 2010 of China, Japan, USA, the European Union, and Hong Kong.

The economy of Taiwan, compared with other major economies in the region, is "at a crossroads", and facing economic marginalization in the world economy, in addition to de-internationalization, low-paid salary to employees and uncertain outlook for personal promotion of staff, which results in human resource talents seeking career opportunities elsewhere in the Asia-Pacific region, and businesses in Taiwan suffer most from being the size of small and medium enterprises only with weaker-than-expected revenue of its hectic business operation for any consideration of further expansion, and overall impedes any attempts at economic transformation of Taiwan from the Taiwanese government. The World Trade Organization has also reviewed Chinese Taipei's economic outlook in 2010. The international industrial forecast of semiconductor manufacturing, which is the flagship industry of the economy of Taiwan, that faces immense competition ahead with its American counterparts. To conclude, facing the Market failure from Externality, the Taiwan government needs well-thought industrial policy urgently to adapt to the new economic landscape, and as an island economy with lack of natural resources and comparatively lower domestic aggregate demand, Taiwan's highly educated human resources would contribute greatly to Value added Innovation management for expanding Taiwan's international trade.

The following table shows the main economic indicators in 1980-2017. Inflation below 2% is in green.

Table 3.1. Main Taiwan's economic indicators in 1980-2017

Year	GDP (in Bil. US$ PPP)	GDP per capita (in US$ PPP)	GDP growth (real)	Inflation rate (in Percent)	Unemployment (in Percent)	Government debt (in % of GDP)
1980	61.9	3,463	▲8.0%	▲19.0%	1.2%	n/a
1981	▲72.5	▲3,983	▲7.1%	▲16.3%	▲1.4%	n/a
1982	▲80.6	▲4,356	▲4.8%	▲3.0%	▲2.1%	n/a
1983	▲91.4	▲4,864	▲9.0%	▲1.4%	▲2.7%	n/a
1984	▲104.2	▲5,463	▲10.0%	▲0.0%	▼2.5%	n/a
1985	▲112.7	▲5,834	▲4.8%	▼−0.2%	▲2.9%	n/a
1986	▲128.2	▲6,570	▲11.5%	▲0.7%	▼2.7%	n/a
1987	▲148.1	▲7,511	▲12.7%	▲0.5%	▼2.0%	n/a
1988	▲165.6	▲8,300	▲8.0%	▲1.3%	▼1.7%	n/a
1989	▲187.1	▲9,283	▲8.7%	▲4.4%	▼1.6%	n/a
1990	▲205.0	▲10,048	▲5.6%	▲4.1%	▲1.7%	n/a

1991	▲229.5	▲11,139	▲8.4%	▲3.6%	▼1.5%	n/a
1992	▲254.2	▲12,221	▲8.3%	▲4.5%	—1.5%	n/a
1993	▲278.0	▲13,240	▲6.8%	▲2.9%	—1.5%	n/a
1994	▲305.2	▲14,410	▲7.5%	▲4.1%	▲1.6%	n/a
1995	▲331.8	▲15,535	▲6.5%	▲3.7%	▲1.8%	n/a
1996	▲358.7	▲16,664	▲6.2%	▲3.1%	▲2.6%	n/a
1997	▲387.2	▲17,806	▲6.1%	▲0.9%	▲2.7%	24.9%
1998	▲407.5	▲18,598	▲4.2%	▲1.7%	—2.7%	▼23.6%
1999	▲441.9	▲20,002	▲6.7%	▲0.2%	▲2.9%	▲23.7%
2000	▲481.0	▲21,590	▲6.4%	▲1.2%	▲3.0%	▲26.2%
2001	▲485.7	▲21,679	▼−1.3%	▲0.0%	▲4.6%	▲30.0%
2002	▲520.7	▲23,119	▲5.6%	▼−0.2%	▲5.2%	▼29.6%
2003	▲552.9	▲24,462	▲4.1%	▼−0.3%	▼5.0%	▲32.0%
2004	▲605.1	▲26,670	▲6.5%	▲1.6%	▼4.4%	▲33.3%
2005	▲658.4	▲28,915	▲5.4%	▲2.3%	▼4.1%	▲33.9%
2006	▲716.8	▲31,333	▲5.6%	▲0.6%	▼3.9%	▼33.1%
2007	▲783.8	▲34,141	▲6.5%	▲1.8%	—3.9%	▼32.1%
2008	▲804.8	▲34,936	▲0.7%	▲3.5%	▲4.1%	▲33.3%
2009	▼798.2	▼34,526	▼−1.6%	▼−0.3%	▲5.9%	▲36.6%
2010	▲893.9	▲38,593	▲10.6%	▲1.0%	▼5.2%	▲36.7%
2011	▲947.1	▲40,777	▲3.8%	▲1.4%	▼4.4%	▲38.2%
2012	▲984.4	▲42,220	▲2.1%	▲1.9%	▼4.2%	▲39.2%
2013	▲1,022.3	▲43,739	▲2.2%	▲0.8%	—4.2%	▼39.0%
2014	▲1,082.5	▲46,195	▲4.0%	▲1.2%	▼4.0%	▼37.8%
2015	▲1,103.1	▲46,956	▲0.8%	▼−0.3%	▼3.8%	▼36.6%
2016	▲1,132.9	▲48,128	▲1.4%	▲1.4%	▲3.9%	▼36.2%
2017	▲1,192.5	▲50,593	▲3.1%	▼1.1%	▼3.8%	▼35.5%
2018	▲1,251.5	▲53,023	▲2.6%	▲1.5%	—3.8%	▼35.0%

Source: https://en.wikipedia.org/wiki/Economy_of_Taiwan

Table 3.2. Taiwanese economic performance by year				
Year	**Economic growth (%)**	**--**	**GDP per capita (USD)**	**Growth (%)**
1951	-	--	154	-
1952	12.00	--	208	35.06
1953	9.49	--	178	-14.42
1954	9.64	--	188	5.62
1955	7.72	--	216	14.89
1956	6.17	--	151	-30.09
1957	7.81	--	170	12.58
1958	7.68	--	185	8.82
1959	8.81	--	140	-24.32
1960	7.20	--	163	16.43
1961	7.05	--	161	-1.23
1962	8.93	--	172	6.83
1963	10.74	--	189	9.88
1964	12.63	--	214	13.23
1965	11.89	--	229	7.01
1966	9.63	--	249	8.73
1967	11.15	--	281	12.85
1968	9.71	--	319	13.52
1969	9.59	--	357	11.91
1970	11.51	--	397	11.20
1971	13.43	--	451	13.60
1972	13.87	--	530	17.52
1973	12.83	--	706	33.21
1974	2.67	--	934	32.29
1975	6.19	--	985	5.46
1976	14.28	--	1,158	17.56

Table 3.2. Taiwanese economic performance by year				
Year	**Economic growth (%)**	**--**	**GDP per capita (USD)**	**Growth (%)**
1977	11.41	--	1,330	14.85
1978	13.56	--	1,606	20.75
1979	8.83	--	1,950	21.42
1980	8.04	--	2,389	22.51
1981	7.10	--	2,720	13.86
1982	4.81	--	2,699	-0.77
1983	9.02	--	2,903	7.56
1984	10.05	--	3,224	11.06
1985	4.81	--	3,314	2.79
1986	11.51	--	4,036	21.79
1987	12.75	--	5,350	32.56
1988	8.02	--	6,370	19.07
1989	8.72	--	7,613	19.51
1990	5.54	--	8,205	7.78
1991	8.37	--	9,125	11.21
1992	8.31	--	10,768	18.01
1993	6.81	--	11,242	4.40
1994	7.50	--	12,150	8.08
1995	6.50	--	13,119	7.98
1996	6.18	--	13,641	3.98
1997	6.05	--	14,020	2.78
1998	4.20	--	12,820	-8.56
1999	6.73	--	13,804	7.68
2000	6.31	--	14,908	8.00
2001	-1.40	--	13,397	-10.14
2002	5.48	--	13,686	2.16
2003	4.22	--	14,066	2.78

Table 3.2. Taiwanese economic performance by year

Year	Economic growth (%)	--	GDP per capita (USD)	Growth (%)
2004	6.95	--	15,317	8.89
2005	5.38	--	16,456	7.44
2006	5.77	--	16,934	2.90
2007	6.85	--	17,757	4.86
2008	0.80	--	18,081	1.82
2009	-1.61	--	16,933	-6.35
2010	10.25	--	19,197	13.37
2011	3.67	--	20,866	8.69
2012	2.22	--	21,295	2.06
2013	2.48	--	21,973	3.18
2014	4.72	--	22,874	4.10
2015	1.47	--	22,780	-0.41
2016	2.17	--	23,091	1.37
2017	3.31	--	25,080	8.61
2018	2.75	--	25,792	2.84
2019	2.71	--	25,909	0.45

Source: *IIS Windows Server* (in Chinese). Retrieved 6 January 2020

Foreign Trade

Computex Taipei, the second-largest technology trade show in the world, is a global IT exhibition which attracts many foreign investors.

Foreign trade has been the engine of Taiwan's rapid growth during the past 40 years. Taiwan's economy remains export-oriented, thus it depends on an open world trade regime and remains vulnerable to downturns in the world economy. The total value of trade increased over fivefold in the 1960s, nearly tenfold in the 1970s, and doubled again in the 1980s.The 1990s saw a more modest, slightly less than twofold growth. Export composition changed from predominantly agricultural commodities to industrial goods (now 98%). The electronics sector is Taiwan's most important industrial export sector and is the largest recipient of United States investment.

Taiwan, as an independent economy, became a member of the World Trade Organization (WTO) as Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (often shortened to "Chinese Taipei"-both names resulting from PRC interference on the WTO) in January 2002. In a 2011 report by Business Environment Risk Intelligence (BERI), Taiwan ranked third-best globally for its investment environment.

Taiwan is the world's largest supplier of contract computer chip manufacturing (foundry services) and is a leading LCD panel manufacturer, DRAM computer memory, networking equipment, and consumer electronics designer and manufacturer. Major hardware companies include Acer, Asus, HTC, Foxconn, TSMC and Pegatron. Textiles are another major industrial export sector, though of declining importance due to labor shortages, increasing overhead costs, land prices, and environmental protection.

Imports are dominated by raw materials and capital goods, which account for more than 90% of the total. Taiwan imports most of its energy needs. The United States is Taiwan's third largest trading partner, taking 11.4% of Taiwanese exports and supplying 10.0% of its imports. Mainland China has recently become Taiwan's largest import and export partner. In 2010, the mainland accounted for 28.0% of Taiwan's exports and 13.2% of imports.This figure is growing rapidly as both economies become ever more interdependent. Imports from mainland China consist mostly of agricultural and industrial raw materials. Exports to the United States are mainly electronics and consumer goods. As Taiwanese per capita income level has risen, demand for imported, high-quality consumer goods has increased. Taiwan's 2002 trade surplus with the United States was $8.70 billion.

The lack of formal diplomatic relations between the Republic of China (Taiwan) with Taiwan's trading partners appears not to have seriously hindered Taiwan's rapidly expanding commerce. The Republic of China maintains cultural and trade offices in more than 60 countries with which it does not have official relations to represent Taiwanese interest. In addition to the WTO, Taiwan is a member of the Asian Development Bank as "Taipei, China" (a name resulting from PRC influence on the bank) and the Asia-Pacific Economic Cooperation (APEC) forum as "Chinese Taipei" (for the same reason as above). These development reflect Taiwan's economic importance and its desire to become further integrated into the global economy.

The Economic Cooperation Framework Agreement (ECFA) with the People's Republic of China was signed on 29 June 2010, in Chongqing. It could potentially widen the market for Taiwan's exports. However, the true benefits and impacts brought by ECFA to Taiwan's overall economy are still in dispute.The newly signed agreement will allow for more than 500 products made in Taiwan to enter mainland China at low or no tariffs.The government is also looking to establish trade agreements with Singapore and the United States.

Industry

Industrial output has gradually decreased from accounting for over half of Taiwan's GDP in 1986 to just 31% in 2002. Industries have gradually moved to capital and technology-intensive industries from more labor-intensive industries, with electronics and information technology accounting for 35% of the industrial structure. Industry in Taiwan primarily consists of many small and medium-sized enterprises (SME) with fewer large enterprises.

The "e-Taiwan" project launched by the government seeks to use US$1.83 billion to improve the information and communications infrastructure in Taiwan in five major areas: government, life, business, transport, and broadband.The program seeks to raise industry competitiveness, improve government efficiency, and improve the quality of life, and aims to increase the number of broadband users on the island to 6 million.In 2010, Taiwan's software market grew by 7.1% to reach a value of US$4 billion, accounting for 3.3% of the Asia-Pacific region market value. The digital content production industry grew by 15% in 2009, reaching US$14.03 billion. The optoelectronics industry (including flat panel displays and photovoltaics) totaled NT$2.2 trillion in 2010, a 40% jump from 2009, representing a fifth of the global market share.

Semiconductor industry

The semiconductor industry, including IC manufacturing, design, and packing, forms a major part of Taiwan's IT industry. Due to its strong capabilities in OEM wafer manufacturing and a complete industry supply chain, Taiwan has been able to distinguish itself from its competitors. The sector output reached US$39 billion in 2009, ranking first in global market share in IC manufacturing, packaging, and testing, and second in IC design.Taiwan Semiconductor Manufacturing Company (TSMC) and United Microelectronics Corporation (UMC) are the two largest contract chipmakers in the world, while MediaTek is the fourth-largest fabless supplier globally. In 1987, TSMC pioneered the fabless foundry model, reshaping the global semiconductor industry. From ITRI's first 3-inch wafer fabrication plant built in 1977and the founding of UMC in 1980, the industry has developed into a world leader with 40 fabs in operation by 2002. In 2007, the semiconductor industry overtook that of the United States, second only to Japan. Although the global financial crisis from 2007 to 2010 affected sales and exports, the industry has rebounded with companies posting record profits for 2010. Taiwan has the largest share of 300 nm, 90 nm, and 60 nm manufacturing capacities worldwide, and was expected to pass Japan in total IC fab capacity by mid-2011.

Information technology

A TSMC factory in Tainan Science Park, one of the many companies that make up Taiwan's IT industry

Taiwan's information technology industry has played an important role in the worldwide IT market over the last 20 years. In 1960, the electronics industry in Taiwan was virtually nonexistent. However, with the government's focus on the development of expertise with high technology, along with marketing and management knowledge to establish its own industries, companies such as TSMC and UMC were established.The industry used its industrial resources and product management experience to cooperate closely with major international suppliers to become the research and development hub of the Asia-Pacific region.The structure of the industry in Taiwan includes a handful of companies at the top along with many small and medium enterprises (SME) which account for 85% of industrial output. These SMEs usually produce products on an original equipment manufacturer (OEM) or original design manufacturer (ODM) basis, resulting in less resources spent on research and development. Due to the emphasis of the OEM/ODM model, companies are usually unable to make in-depth assessments for investment, production, and marketing of new products, instead relying upon importation of key components and advanced technology from the United States and Japan. Twenty of the top information and communication technology (ICT) companies have International Procurement Offices set up in Taiwan. As a signer of the Information Technology Agreement,Taiwan phased out tariffs on IT products since 1 January 2002.

Agriculture

A tea plantation in Ruisui, Hualien, part of Taiwan's agricultural industry which served as the backbone for its economic miracle.

Agriculture has served as a strong foundation for Taiwan's economic miracle. After retrocession from Japan in 1945, the government announced a long-term strategy of "developing industry through agriculture, and developing agriculture through industry". As such, agriculture became the foundation for Taiwan's economic development during early years and served as an anchor for growth in industry and commerce. Where as in 1951 agricultural production accounted for 35.8% of Taiwan's GDP, by 2013 it had been vastly surpassed and its NT$475.90 billion accounted for only 1.69% of the GDP. As of 2013, Taiwan's agriculture was a mixture of crops (47.88%), livestock (31.16%), fishery (20.87%) and forestry (0.09%). Since its accession into the World Trade Organization and the subsequent trade liberalization, the government has implemented new policies to develop the sector into a more competitive and modernized green industry.

Although only about one-quarter of Taiwan's land area is suitable for farming, virtually all farmland is intensely cultivated, with some areas suitable for two and even three crops a year. However, increases in agricultural production have been much slower than industrial growth. Agricultural modernization has been inhibited by the small size of farms and the lack of investment in better facilities and training to develop more profitable businesses. Taiwan's agricultural population has steadily decreased from 1974 to 2002, prompting the Council of Agriculture to introduce modern farm management, provide technical training, and offer counseling for better production and distribution systems. Promotion of farm mechanization has helped to alleviate labor shortages while increasing productivity; both rice and sugar cane production are completely mechanized.Taiwan's main crops are rice, sugar cane, fruits (many of them tropical), and vegetables. Although self-sufficient in rice production, Taiwan imports large amounts of wheat, mostly from the United States. Meat production and consumption has risen sharply, reflecting a high standard of living. Taiwan has exported large amounts of frozen pork, although this was affected by an outbreak of hoof and mouth disease in 1997. Other agricultural exports include fish, aquaculture and sea products, canned and frozen vegetables, and grain products. Imports of agriculture products are expected to increase due to the WTO accession, which is opening previously protected agricultural markets.

Energy

Although Taiwan's per capita energy use is on par with neighboring Asian countries, in July 2005 the Ministry of Economic Affairs announced plans to cut 170 million-tons of carbon dioxide emissions by 2025. In 2010, carbon dioxide emissions have been reduced by 5.14 million metric tons. In order to further reduce emissions, the government also plans to increase energy efficiency by 2% each year through 2020. In addition, by 2015 emissions are planned to be reduced by 7% compared to 2005 levels.

Taiwan is the world's 4th largest producer of solar-powered batteries and largest LED manufacturer by volume. In 2010, Taiwan had over 1.66 million square meters of solar heat collectors installed, with an installation density that ranks it as third in the world.The government has already built 155 sets of wind turbines capable of producing 281.6 MW of energy, and additional projects are planned or under construction. Renewable energy accounts for 6.8% of Taiwan's energy usage as of 2010.In 2010, the green energy sector generated US$10.97 billion in production value.The government also announced plans to invest US$838 million for renewable energy promotion and an additional US$635 million for research and development.

Steel and heavy manufacturing

Taiwan, as of 2017, is the world's thirteenth-largest steel exporter. In 2018, Taiwan exported 12.2 million metric tons of steel, a one percent increase from 12.0 million metric tons in 2017. Taiwan's exports represented about 3 percent of all steel exported globally in 2017, based on available data. The volume of Taiwan's 2018 steel exports was one-sixth that of the world's largest exporter, China, and nearly one-third that of the second-largest exporter, Japan. In value terms, steel represented just 3.6 percent of the total amount of goods Taiwan exported in 2018. Taiwan exports steel to more than 130 countries and territories. Over the decade from 2009-2019, Taiwan grew its steel exports by 24%. In 2018, the US imported 300,000 metric tons of pipe and tube product. Taiwan has developed a vast export trade to its most proximate neighbors in flat products. Taiwan's stainless steel exports numbered in 2018 about 500,000 metric tons.

Employment Protection

Taiwan's labor rights and employment protections increased with its democratization progress in the 1980s, and it still has relatively high level of employment protection comparing to other East Asia countries. Implemented in August 1984, Labor Standards Law was the first comprehensive employment protection law for Taiwan workers. Prior to its implementation, the Factory Act was the primary law governing labor affairs, but was ineffective in practice because of its narrow coverage of businesses and issues and absence of penalties for violation. In contrast, Labor Standards Law covered a broader range of businesses and labor affairs, and detailed penalties for its violation. It regulated a period of notice before firing employees, and also required a higher level of severance payment. Other labor issues were also regulated by the law, including contract, wage, overtime payment, compensations for occupational accidents, etc. Penalties for employer violation were also clear in the law, stating fines and criminal liabilities. Council of Labor Affairs (CLA) was set up on 1st August 1987 to help with labor inspection and the enforcement of the Labor Standards Law.

Science and industrial parks

Hsinchu Science Park is home to many of Taiwan's IT companies

Taipei Neihu Technology Park

In order to promote industrial research and development, the government began establishing science parks, economic zones which provide rent and utility breaks, tax incentives and specialized lending rates to attract investment.The first of these, the Hsinchu Science Park was established in 1980 by the National Science Council with a focus on research and development in information technology and biotechnology. It has been called Taiwan's "Silicon Valley" and has expanded to six campuses covering an area of 1,140 hectares (11.4 km^2). Over 430 companies (including many listed on TAIEX) employing over 130,000 people are located within the park, and paid in capital totaled US$36.10 billion in 2008. Both Taiwan Semiconductor Manufacturing Company and United Microelectronics Corporation, the world's largest and second largest contract chipmakers, are headquartered within the park. Since 1980, the government has invested over US$1 billion in the park's infrastructure, and further expansion for more specialized parks have been pursued.The Industrial Technology Research Institute (ITRI), headquartered within the park, is the largest nonprofit research organization in Taiwan and has worked to develop applied technological research for industry, including for many of Taiwan's traditional industries (such as textiles).

Following the success of the first park, the Southern Taiwan Science Park (STSP), consisting of the Tainan Science Park and the Kaohsiung Science Park, was established in 1996. In addition to companies, several research institutes (including Academia Sinica) and universities have set up branches within the park with a focus on integrated circuits (ICs), optoelectronics, and biotechnology.The Central Taiwan Science Park (CTSP) was established more recently in

2003.While the CTSP is still under development, many firms (including AU Optronics) have already moved into the park and begun manufacturing operations. Like the other parks, CTSP also focuses on ICs, optoelectronics, and biotechnology, with the optoelectronics industry accounting for 78% of its revenue in 2008. These three science parks alone have attracted over NT$4 trillion (US$137 billion) worth of capital inflow, and in 2010 total revenue within the parks reached NT$2.16 trillion (US$72.8 billion).

The Linhai Industrial Park, established in Kaohsiung in 1960, is a well-developed industrial zone with over 490 companies focusing on other industries including base metals, machinery and repairs, nonmetallic mineral products, chemical products, and food and beverage manufacturing. The Changhua Coastal Industrial Park, located in Changhua County, is a newer industrial cluster with many different industries such as food production, glass, textiles, and plastics.

The complete lists of industrial and science parks in Taiwan are:

- Central Taiwan Science Park
- Hsinchu Science Park
- Kaohsiung Science Park
- Nankang Software Park
- Neihu Science Park
- Tainan Science Park

3.2.2. The weaknesses of Taiwan

Energy

Due to the lack of natural resources on the island, Taiwan is forced to import many of its energy needs (currently at 98%). Imported energy totaled US$11.52 billion in 2002, accounting for 4.1% of its GDP. Although the industrial sector has traditionally been Taiwan's largest energy consumer, its share has dropped in recent years from 62% in 1986 to 58% in 2002. Taiwan's energy consumption is dominated by crude oil & petroleum products (48.52%), followed by coal (29.2%), natural gas (12.23%), nuclear power (8.33%), and hydroelectric power (0.28%). The island is also heavily dependent on imported oil, with 72% of its crude oil coming from the Middle East in 2002. Although the Taiwan Power Company (Taipower), state-owned enterprise, is in charge of providing electricity for the Taiwan area, a 1994 measure has allowed independent power producers (IPPs) to provide up to 20% of the island's energy needs. Indonesia and Malaysia supply most of Taiwan's natural gas needs. It currently has three operational nuclear power plants. A fourth plant under construction was mothballed in 2014.

Taiwan’s Politic position

The debate over Taiwan's political position revolves around whether Taiwan, including the Penghu Islands (Pescadores or Penghu), should continue to exist as an independent territory of a communist state, constitutional, independent, and democratic-free state known as the ROC (Taiwan), or unified with territories currently under the control of the People's Republic of China (PRC) (China), or become the Republic of Taiwan officially. Taiwan's political situation is complicated by the controversy over the existence of the ROC as a state, in other words about the ROC's political status in Taiwan.

Since the ROC lost its seat at the United Nations in 1971 (replaced by PRC), the majority of sovereign states have turned to diplomatic recognition of the PRC, considering it to be the only legal representative of the whole of China, most notably the US recognition in 1979 (although relations between the two countries of Taiwan-America is always very good). By 2019, the country will remain officially normal diplomatic relations with the 14 member states of the United Nations and the Vatican, despite the fact that relations are still widely maintained and disseminated positively to many countries. Agencies such as the Taipei Economic and Cultural Office and the American Institute in Taiwan are operating "in fact" like embassies, though they do not have the diplomatic privileges required by law: they cannot provide any consular protection and their employees shall not have any diplomatic immunity. The location of the office is still in the host country.

The Taiwan government has in the past considered itself to be the only legitimate government of China, as well as its former territories. This position, which had begun to be forgotten in the early 1990s, turned into no dispute over its legal position with the PRC governing mainland China, although the PRC's sovereignty claims have not been retracted yet through constitutional amendments. Different groups have different perspectives on the current political situation in Taiwan.

Moreover, the situation can be misunderstood because there are different parties and efforts from different groups to resolve disputes through an intentional ambiguity. The political solution accepted by many groups today is the status quo: that is, at the maximum, Taiwan is considered an unofficial state, and at a minimum it is formally declared non-support this government declares independence. What the official declaration of independence is still unclear and may be confused by the fact that the People's Republic of China has never controlled Taiwan since its inception and the truth is the ROC government is controlling over Taiwan, considering itself a legally sovereign state. The status quo is well accepted because it does not determine Taiwan's future legal status or status, making it possible for each group to interpret the situation in a politically acceptable way with his members. At the same time, a policy of the status has been criticized for being too dangerous because different parties have different interpretations of the so-called status quo, leading to the possibility of war. The "Keep the peace status quo" helps Taiwan become independent in reality.

Taiwan, along with the Penghu Islands, was ceded by China (at that time in the Qing Dynasty) to Japan in 1895. Japan surrendered to China in 1945 at the end of World War II after 50 years ruled the colony, and it became a province of the ROC. In the wake of the 1949 National-Communist Civil War, the ROC government had to relocate to Taipei, and retain control of several islands along mainland China and in the East Sea, while the People's Republic of China was established in the mainland in October 1949, proclaiming them to be the successor state of Taiwan.

Kim Mon, Ma To and O Khau islands on the Fujian coast, and Ba Binh island and the Dong Sa archipelago in the East Sea, are now occupied by the ROC, but they are not ceded to Japan. Some of Taiwan's independent support disputes do not apply to these islands. (Itu Aba Island) is in dispute between Vietnam, China, Taiwan and some other Southeast Asian countries.

3.2.3. The strengths of Vietnam

Vietnam is a potential country. We believe that Vietnam has the full and capacity to achieve and maintain high economic growth for many years to come. Vietnam has some strengths that its neighbors in the region or elsewhere do not have.

Vietnam is a country with political stability, in which the majority of people (both Vietnamese and foreign) feel the security and physical security.This helps Vietnam benefit compared to some neighboring countries, which are struggling with high levels of political violence or crime.

Geographic location and international connections

Another important strength is that Vietnam's favorable geographic location is on some of the busiest itineraries in the world and neighboring with important industrialized nations in the region. The economy of the country has developed, in terms of safety and stability (according to the World Bank Management Index 2008). Vietnam is in the top 50% of the table, while in other criteria, Vietnam is only in the bottom 25% of the table. Exploit opportunities from domestic and international trade, and from the available resources of the Red River

Delta and the Mekong River Delta, as a result, most of the population lives near rivers and seas. Vietnam's geography has the potential to boost the country's competitiveness through reduced transportation costs and time. This geographic condition also allows simplification of energy supply and telecommunications for most regions by being able to focus on the north-south main highway. Compared with countries including hundreds or thousands of islands, such as Indonesia or the Philippines, providing infrastructure in Vietnam must be cheaper and easier.

Geographically and culturally, Vietnam is located next to the major investors from China, Korea, Taiwan, Japan, and Singapore. At least some of these countries will probably escape the current global crisis quickly. They will see Vietnam as an investment destination, export base, raw materials and semi-finished industrial goods. Thanks to the cultural and physical heritage, Vietnamese people are quite open to trade, investment and accept the new ideas from the outside. This openness is also the evidence in the rapidly increasing number of internet users in Vietnam.

Vietnam also benefits from a large overseas Vietnamese. The overseas Vietnamese community, perhaps more than 3 million, has long been a source of foreign currency and investment in Vietnam through remittances. However, as a skilled human resource, up to now, the overseas Vietnamese community is still an under-utilized resource.

Vietnam's foreign policy also facilitates the building of international economic relations. The country has pursued a consistent multilateral policy through membership of the United Nations, the World Bank, the International Monetary Fund and other international agencies. Vietnam's activities as a non-permanent member of the UN Security Council have been praised by the world for being responsible and constructive. This success is due to the country's team of dedicated and talented diplomats. At the same time, Vietnam is also taking on more responsibilities in regional organizations such as the Association of Southeast Asian Nations (ASEAN) and APEC, as well as in an effort to expand bilateral relations.

Vietnam has a population of over 96 million, with about 50% under 25 years of age, high literacy rate. Vietnamese workers are appreciated for their hard work and ability to learn quickly. Multinational companies report that labor training time in Vietnam is much shorter than many competing countries. Although important skills gaps are an impediment to some of the value-added investment activities, the youthfulness, fluidity and good basic skills of workers have helped Vietnam to become more attractive destination for many investors.

Vietnam has been very successful in mobilizing capital for development, including domestic investment, remittances, official development assistance, and especially FDI.

Table 3.4.FDI of Taiwan in some Asian countriesin 2007

Nation	Everage FDI (%)	FDI/GDP (USD)	FDI production and processing/total FDI (%)	FDI production and processing/person (ranking)
Vietnam	56	473	52	$245 (3)
Malaysia	41	2840	60	$1704 (1)
Thailand	35	1340	35	$469 (2)
Indonesia	14	260	34	$88 (5)
Philippines	13	216	27	$58 (6)
China	10	248	60	$149 (4)
India	7	68	25	$17 (7)

Source: Ministry of Planning and Investment

The above table shows that if Vietnam continues to promote successful FDI attraction, especially FDI directed at the efficient processing industry, Vietnam may somewhat repeat the industrial trajectory of the “dragons”grow as fast as Taiwan and South Korea. (The truth is that these two economies do not use much FDI, but they have increased exports of processed goods quickly). By attracting the growing workforce into export-producing factories like Taiwan and South Korea, and by taking workers out of low-productivity agriculture and cheap services, Vietnam can maintain rapid growth for decades.

The success of past export growth from both domestic and foreign producers has made Vietnam a source of some important raw materials and labor-intensive exports. Total exports increased from US $4 billion in 1994 to more than 60 billion in 2008. Vietnam is now an important exporter of rice, coffee, and aquatic products, and a major supplier of apparel, shoes, electronics and furniture. Oil and coal exports, though not a large proportion of the world market but also bring billions of dollars. Having an export turnover equal to two-thirds of GDP indicates that a large part of the economy can compete in global markets. Past decisions to join WTO, AFTA and other bilateral and multilateral trade agreements have created this growth. The growth potential of Vietnam is still large because the total value of processed industrial goods imported into rich countries amounted to more than 7000 billion dollars, of which 40 billion dollars is from Vietnam. This means that Vietnam's export of processing industry can increase rapidly if it gains more market share, even in the context of a slowing world economy.

Dynamic agricultural area

One of the lessons from Vietnam's economic success over the past two decades is that agricultural growth plays an important role even as the share of agriculture in GDP declines during industrial development. The real growth of agricultural output reached an average of 4% /year in the period 1990-2007. Although industry increased by more than 10% on average during the same period, agricultural growth played a vital role in the reform period. A dynamic agricultural sector has created millions of jobs and helped increase incomes in rural areas, created markets for domestically produced goods and is a source of savings for domestic investment. Vietnam goes from the country of importing food to the main exporting rice country, coffee, tea, pepper, cocoa, rubber, cashew and many other crops. Seafood has become one of the country's largest exports. Taken together, agricultural exports have increased nine times over the 15-year period since 1990, bringing valuable foreign exchange to import technology, production materials and intermediaries to build the industrial sector.

Success in agriculture and labor-intensive industries has been a key factor behind Vietnam's poverty reduction record since 1993. Government policy has supported poverty reduction through trade liberalization efforts and infrastructure investment including irrigation, drainage and rural roads. Private enterprises have also created millions of jobs since they were legalized in accordance with the 1992 Constitution and later versions of corporate law. The rise of the private enterprise sector as a source of job creation has helped to reduce poverty extremely effectively.

Just as important as reducing poverty, improving the lives of people above the poverty line is also needed. This is done in part by the strategic portfolio and sound policy in some key areas of infrastructure. Production has doubled in the last five or six years since the early 1990s and has now spread to remote areas. Electricity prices are needed to sustain growth. Telecommunications and internet policies have allowed competition expansion, leading to a very rapid increase in the number of users, at affordable prices without subsidies. This type of critical infrastructure provision allows for a rapid expansion of the middle class, while also providing opportunities for the poor. It takes Vietnam beyond some of its neighbors that have failed due to lack of investment or policies that inhibit important areas to support this economic growth.

Labor force

According to the Ministry of Labor, Vietnam has 55.16 million labors at current. By 2025, the labor force is estimated to reach 63 million people. Employment needs increase by 7% per year. The labor structure has been shifted in a positive direction, increasing rapidly in the field of industry, tourism and services, and sharply decreasing in the fields of agriculture, forestry and fishery. The labor force is expanding in the formal economic sector, helping workers to enjoy more social security policies.

The future of Vietnam's labor market has more bright colors when the proportion of trained workers increases steadily every year. To date, the country has nearly 12 million people with degrees and certificates are working. In 2018, the network of vocational education institutions continues to supplement the market with about 2 million trained workers, raising the proportion of employees with diplomas and certificates to about 25%. In the key markets such as Hanoi, Ho Chi Minh City, Bac Ninh, Binh Duong, Dong Nai, ... the proportion of trained workers reaches from 50 to over 60%. Abundant labor force, gradually improved labor quality have been Vietnam's potential and strengths in the development process, and labor of Vietnam is the strength of Vietnam if compare to some countries where the citizen become old and lack of labors.

3.2.4. Vietnam’s weaknesses

The permanent goal of the Vietnamese government is to achieve a high level of socio-economic development. Therefore, it is important to assess whether all government policies have promoted or hindered the achievement of this goal. This section presents important policy-related disadvantages that Vietnam must overcome if it wants to take advantage of the strengths described above.

Vietnam's most serious weakness is the lack of transparency and accountability in the public sector. The role of government is to maintain security, law and order, to produce public goods, to correct the negative effects associated with market activities (such as environmental pollution or abuse of market forces), encourage socially efficient activities (such as private spending on education), and maintain a socially acceptable income distribution. With the exception of national security, none of the above functions requires secrecy, and all (excluding security, law and order) will have better results when the state offices are accountable for their actions.

Public information on economic activities of agencies and SOEs is extremely limited. The lack of reliable information will reduce accountability and create opportunities for corruption or other inefficient practices. For example, state-owned corporations often do not want to publish independent audit reports for their activities in any way. This violates the most basic principles of corporate governance.

Low labor productivity

Economic growth comes from three sources: increasing labor, increasing capital, and increasing aggregate factor productivity (TFP - a measure of the efficiency of capital and labor use). The modest and declining contribution of TFP to Vietnam's overall growth shows that the efficiency of capital and labor use of Vietnam is very limited, and the growth achieved mainly due to the increase in terms of quantity, not quality improvement. Following figure compares Vietnam's TFP with some other countries in the same development level. On the one hand, this situation can be considered as a weakness, but it can also be considered as an opportunity to innovate technology comprehensively.

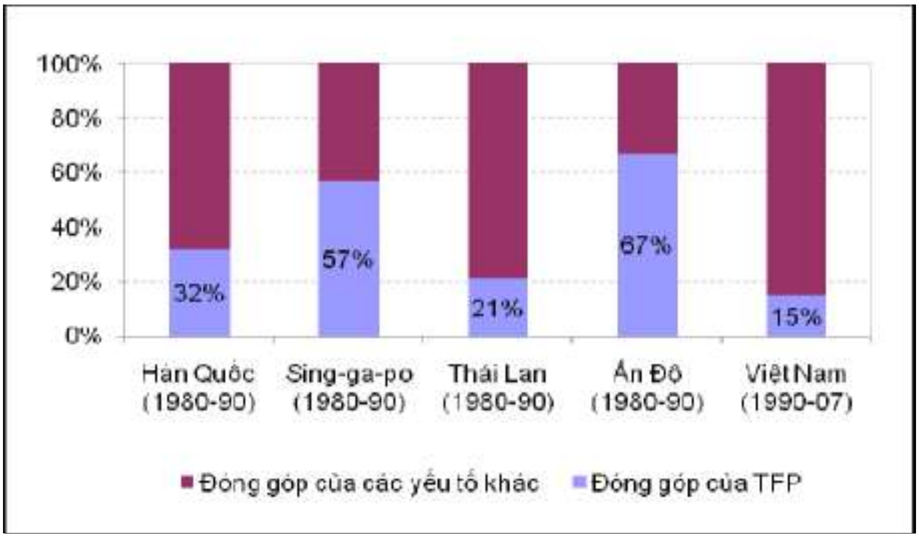


Figure 3.1. Comparing total factor productivity

The public investment program is inefficient and ineffective

The negative impact of a weak accountability mechanism is also reflected in the public investment program. Both domestic and foreign investors said that despite the relatively high rate of public investment, Vietnam's infrastructure is lagging behind its main competitors.

Vietnam's investment in transport is higher, but its results are worse than other major Asian economies, including those with poor transport infrastructure, such as India and Indonesia. This partly reflects the cost of post-war recovery and inadequate investment during the subsidy period. However, after twenty years of renovation, this explanation is not as convincing as before.

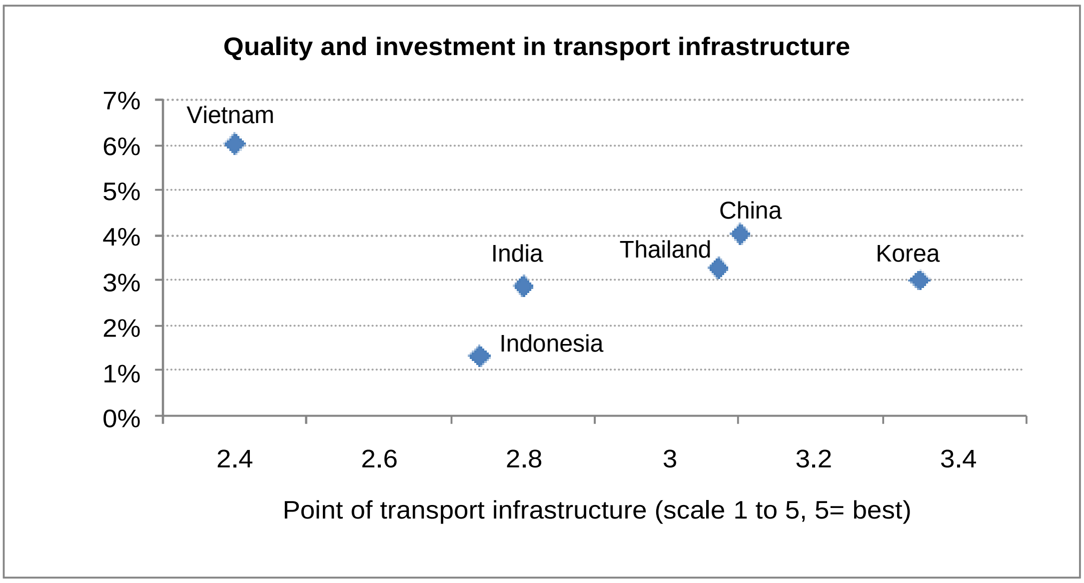


Figure 3.2.Investment and result of infrastructure in some Asian countries

Part of the problem is the lack of ability to set priorities for public investment projects based on economic criteria. While Vietnam still does not have an international standard highway connecting the north, the central and the south, the government is considering building a very expensive high-speed rail system. Deep-water ports are growing along the coast at an alarming rate, including "international transit ports" in Khanh Hoa, Vietnam is planning to build a third refinery, but it still cannot produce enough electricity to supply the country's major cities and industries, and the electricity is still cut off alternately or suddenly. Similar examples of lack of priority are numerous and need not to be repeated. Vietnam is not rich enough to be able to squander scarce public resources into monumental projects that are economically unfeasible and of political favors.

Competitiveness diminishes

Lack of transparency and accountability mechanisms in the public sector affect the private sector as well as SOEs. The survey "Doing business" of the WB on the structure and level of law enforcement shows that Vietnam is falling into the group of low-ranking countries and is gradually losing its competitive position. While China and India are two special cases due to their enormous size, the rest of the countries include countries that are likely to be reformed (Thailand and Malaysia) or downgraded (Vietnam, Indonesia and Philippines).

Vietnam's ratings are particularly low in four areas: investor protection, tax payment, employment and business closure. Lack of corporate transparency principles, the lack of protection for minority shareholders, and the laws that make directors accountable for their operations are the reasons Vietnam is ranked low. Most of this group is in terms of investor protection criteria. Businesses also report that they spend up to 1,050 hours annually to comply with Vietnam's tax laws. Only three countries in the world have worse results in this indicator. The corresponding numbers for Malaysia are 145 hours, Thailand 264 hours. The amount of time needed to complete tax procedures in Vietnam is partly due to inconsistent and overly complicated regulations. Uneven implementation and corruption also increase the time that businesses have to spend to fulfill their tax obligations.

Vietnamese regulations also make it difficult to lay off workers, mainly because of the compensation costs for forced labor. While it is necessary to protect workers from the personal costs caused by unemployment, the costs of this legitimate social goal cannot be put on the shoulders of the business. Doing so will make starting a business expensive, and thus reduce the total number of new jobs.

Increasing business costs is not a complete alternative to well-designed, comprehensive social policies. The recent establishment of unemployment insurance program is certainly an important step in the right direction.

Why pay attention to high business costs if Vietnam is still receiving a lot of FDI? First, Vietnam cannot rely on cheap labor forever. As wages rise, Vietnam will have to compete with previous countries such as Thailand and Malaysia. Second, other countries do not stand still. If Thailand resolves its political problems, it will become more attractive to investors. Investors are also watching Indonesia closely due to the size of its labor force and its domestic market. Third, not only the value but the quality of investment must be similar to the development. A good business environment will attract higher quality investment, creating more domestic value added and less speculative. Conversely, an investor will accept higher business costs if he can take advantage of cheap labor, low compliance with environmental standards, or ease of access to land and resources, scarce nature. Certainly, Vietnam does not want to attract investors of this type.

Macroeconomic architecture is not stable

Another major weakness is the tendency of macroeconomic imbalance leading to repeated instabilities. In the previous three expansion times, and including this time, Vietnam has faced severe inflationary pressure and /or budget deficit. In 1990, after growth was triggered by reforms from the original Doi Moi policy, inflation soared to 70% between 1990 and 1991. By the mid-1990s, after several years of rapid growth and a deficittrade increased to 18% of GDP and the government had to apply quantitative controls to reduce the deficit. These measures have hindered investment, resulting in a sharp decline in growth. The 2006 to 2007 economic boom led to inflation and asset bubbles in 2008.

The global crisis reduced demand and inflationary pressure in the first half of this year, but inflation is returning due to a large budget deficit (10.5% of GDP according to ADB) and loosening monetary policy. The market expected VND to depreciate even though SBV intervened, causing foreign exchange reserves to plummet. The boom and bust cycle, which is characteristic of Vietnam's reform period, continues.

Macroeconomic instability creates high risks for investors, and they will require a high return to offset investment risks in Vietnam. A negative consequence of high risk compensation is that Vietnam will attract more venture capital (on the principle of high risk - high profits) instead of long-term investments that yield more modest returns. Much of the cost of this boom-bust cycle falls on the poor, who lose their jobs in hard times and cannot protect themselves from price inflation in good times.

Macroeconomic imbalances can also be attributed to the lack of transparency and accountability in public sector management. Can not know the money where and how it was spent, there was no report of actual loan loss coefficients and foreign reserves. This discourages investors, both domestic and foreign, in holding the local currency or making long-term investments. Recently, moves to restrict some people from speaking out about corruption have exacerbated the problem. A modern economy requires more transparency. According to this argument, Vietnam is going in the wrong direction.

Lack of internationally competitive enterprises

Vietnam lacks domestic enterprises with international competitiveness. This may at first seem inaccurate or inadequate, especially in the context of rapid export growth over the past two decades. But most of the export success comes from foreign enterprises or agricultural exports and raw materials. While both of these categories are necessary, they are not the same as having a growing local business in competence and sophistication.While both of these categories are necessary, they are not the same as having a growing domestic business in competence and sophistication.

Vietnam will continue to have large trade deficits as exports and growth accelerate unless Vietnam's processing industry producers are able to retain a higher share of domestic value, and move up the higher ladder in the global value chain. It is necessary to understand and overcome the reasons for the lack of this capable domestic enterprise.

In theory, SOEs can become fully competitive enterprises. China has succeeded in forcing some SOEs to be globally competitive, but they have done this with very different policies than Vietnam. Firstly, almost all SOEs in China have to compete fiercely with each other and with foreign enterprises. With the exception of the oil and gas industry, there is virtually no state monopoly in both consumer goods and production means. In contrast, industries in Vietnam such as electricity, mining, and aviation are dominated by a state-owned enterprise. Second, China encourages SOEs to compete with foreign enterprises in the Chinese market. Beginning in the 1990s, private and foreign construction enterprises were allowed to bid to compete with SOEs for infrastructure projects funded by the state budget.

The long-standing characteristic of the construction industry in Vietnam is not competition, SOEs are virtually protected from international competition. The result is long delays in project implementation, limited technical capacity, and low quality of construction. It should be added that the behavior of many large private enterprises in Vietnam is no different from SOEs. They also rely heavily on privileged access to resources, such as land.

Like other countries in the world, Vietnam must be aware of the nearly limitless capacity of the Chinese economy to produce goods at the lowest price. The flooding of Chinese goods throughout the Vietnamese market illustrates this, making it very difficult for Vietnam to directly compete with China in producing low-cost consumer goods. Instead, Vietnam must build on its early successes in creating higher value-added products to export to the developed countries. Therefore, one of the highest priorities of Vietnam is to remove barriers to the development of these businesses.

Dependence on exploitation of natural resources

Vietnam's natural resources include oil, gas, minerals, and timber. These resources must be carefully managed to maximize social benefits while minimizing risks of environmental degradation. Oil is the largest source of revenue for the state budget. Current reserves indicate that oil resources are not sufficient to ensure current income levels, and it is risky to assume that new oil fields will be discovered to supplement the depleting fields. The absence of accountability and transparency in the public sector means that the exploitation of national mineral resources has not yielded the highest possible benefit to the people of Vietnam.

The media reported that a large amount of high-value anthracite coal in Quang Ninh had leaked across the border by smuggling. Poor enforcement and corruption led to the theft of precious mines. Vietnam will not be able to exploit resources in a way that benefits the people unless the government resolutely demands full disclosure and accountability in the mineral industry.

It is difficult to exaggerate the extent of the problems that are causing difficulties for Vietnamese education at all levels. Vietnam has won a lot of praises for its high literacy rate and almost universal primary education. However, it is difficult to assess the quality of primary and lower secondary schools.

Both domestic and foreign investors believe that the shortage of skilled labor is one of the biggest barriers that they encounter when expanding operations in Vietnam. Even in priority sectors such as information technology, Vietnam still does not create enough qualified labor. In recent years other leading technology companies such as Microsoft, Google and Infosys have considered Vietnam as a destination for the research and development centers, but also concluded that Vietnam still lacks of manpower.

There is a strong correlation between scientific competence and the level of economic and human development of a nation. The ability to innovate is a prerequisite for the rise of domestic enterprises with competitiveness. Scientific competence is also important in analyzing and addressing the challenges in areas such as health, public safety, and the environment facing in the 21st century. Currently, Vietnam's science lacks the ability to bring economic and social benefits to the country.

Unlike Thailand, Vietnam has very few researches on important socioeconomic applications such as health and agriculture. Vietnam is facing and will face with public health challenges in the form of infectious diseases, but weak medical research capacity.

Vietnam's research products are particularly rare in the atmospheric and ocean sciences, a very important area to understand the impact of climate change and rising sea levels. This is an authentic evidence of the gap between Vietnam's sciences and the socio-economic needs of the country.

Local government is not effective

The quality and effectiveness of local government in Vietnam are very poor. In the economic field, the likelihood of local governments creating an environment that supports uneven growth. Most local governments unify public investment with economic development, leading to the need for monumental projects such as seaports and industrial parks, which are often billion-dollar projects "suspended". Moreover, the conversion of land functions from agriculture to commerce or industry is a major source of social tension, especially in rural areas. It is estimated that more than 80% of people's complaints related to land.

In the field of protecting the environment and natural resources, the local governments' in adequate capacity to monitor mining activities has been greatly reflected.

Local capacity is also limited in the field of social policy. Health care infrastructure at the grassroots level has been so degraded that patients and their relatives do not want to go to district clinic and choose hospitals in the city. According to the data given in a recent conference, less than half of the provinces in the country were able to perform the most basic tests, leading to a number of food safety and hygiene scandals.

Allowing a coastal province to have an expensive deep-water port, while Vietnam desperately needs a seaport capable of receiving mother ships is a wasteful and inefficient investment strategy that cannot make Vietnam to implement the fast industrialization. This situation also exists in many other economic sectors.

The current political and administrative structure of the state creates little or no incentive for inter-provincial cooperation. For provinces, the key political relationship is with the central government, because it is an investment source, rather than neighboring provinces. In the absence of appropriate housing and tax, neither the provincial budget nor the administration is sufficient to deal with the challenges they face. In the future, the demand for regional cooperation will increase. Many of the risks cannot be addressed by individual provinces. To cope with disease and rising sea levels and changes in ecosystems and hydrology due to changes in flows in the Mekong Delta, requires coordinated, coordinated policy responses that are currently not available.

Does Vietnam have too many provinces? Given the complex policy issues that Vietnam will face in the coming years and the lack of skilled technocrats to do this, maintaining the current administrative structure is unreasonable. It is interesting to note that China, with a population of 1.3 billion, has only 34 provinces and a similar administrative region; while Vietnam, with a population of only one province of China, has nearly double the number of provinces. South Korea has only 9 provinces. It can be explained that thanks to not such a spread of power, China and South Korea have had greater successes than Vietnam in implementing their development programs.

3.3. Strategies for the Vietnamese enterprises

Based on the above analysis of the similarities, differences and strengths, weaknesses of Taiwan and Vietnam and based on the Policy of New Southbound Policy, especially the Marketer and Manager's point of view, the author proposes the strategy for Vietnameses enterprises as the following:

(1) The first step is to revew all the Taiwanese investment projects have run in Vietnam to evaluate the quality, effectiveness and exploring the problems of each one and propose the solving methodologies, if there is.

(2) The second step, Vietnam and Taiwan should focus on their best **Brand Management Program.** Through this program, we can know the best qualified and famous product/manufacture/service/person in the both countries to cultivate or exchange based on the princile: the worse of Vietnam's or Taiwan's areas need the supporting from the stronger of Taiwan's or Vietnam's areas to delete the gap in order to reach the best standard.

(3) The third step is to negotiate the methodology to cooperate between the two sides, but avoid buying or selling enterprises.

(4) The fourth step is to build the time schedule and budget for the above steps.

(5) Focus on the most important of Vietnam at present: transport infrastructure development to support economic growth. It hopes to learn from Taiwan's experience in building freeways, railway and metro systems and practicing in high-tech farming.

(6) Promoting and enhancing the relationship between the two countries through the exchange of education, culture and so on.

(7) Differentiate between the Taiwanese and Chinese enterprises/products in Vietnam to avoid the mistakes and mis-understanding through the marketing programs.

3.4. Solutions for the success of Taiwan's New South Policy toward Vietnam

Concerning to the New Southbould Policy's componens mentioned in the previous parts, the author found the opportunies or programs for the Vietnamese side as the following:

3.4.1. The first component: Economic

Taiwan already invested in Vietnam about 25 years, so in the coming time, Vietnam seeks supporting in agriculture (such as seed technology), environmental protection, and high value-added manufacturing (these points mentioned in the original version of NSP, the part *Initial results, challenges and obstacles (*in the chapter 2, page 119).

3.4.2. The second component: People to people exchange

People-to-people exchanges may help Taiwan's businesses develop a deeper understanding of specific industries and economic areas in target countries, and to better identify niche areas for expanded cooperation.

For this component, the solution for Vietnam is to cultivate the famous experts of Taiwan to transfer/discuss their experiences to the Vietnamese experts in their specialized majors.

3.4.3. The third component: tourism

For this component, Vietnam and Taiwan already started up but still lack the good advertising program between the two sides in the public and local medias. So in the coming time, it is better to develop the special advertising tourist program for the both sides Taiwan and Vietnam.

And to promote tourism between Taiwan and Vietnam, it is important to focus on simplifying the visa process, otherwise the tourists hesitate to travel.

3.4.4. The fouth component: Education exchange

Based on the guideline of the New Southbound Policy and the "Platform" part *(page 127-130*), it is significance if we cover each point of the platform as mention in the following table:

Table 3.1: The solution of Vietnam in educational exchange

Platform	Vietnam's solution
The Taiwan Ministry of Education will establish a "Talent Development Strategy" working group.	Vietnam will join as the good partner
Additional education exchange mechanisms, known as "Taiwan Connection" platforms. The platforms to utilize Taiwan's existing public and private institutions in target countries – such as the Ministry of Education's overseas offices, alumni associations of Taiwan's universities, and Taiwan's business networks- to foster stronger bilateral relationships between the education sectors of each country.	Vietnam will join as the good partner and need to sign the exchange program for the professors and students in high education area. Create the link of International Education Qualification between Taiwan and Vietnam in the suitable areas and suitable with the real status.
Four special exhibitions will be sent from popular Taiwan museums for display.	Vietnam wellcome all the exhibitions from Taiwan.
The Ministry of Education of Taiwan will subsidize 10 of Taiwan's universities to help them establish education centers in Northeast and Southeast Asia.	Establish the educational center in Hanoi based on the subsidize of Taiwan.
Improving domestic employment for foreign graduates	The graduated students can choose to stay in Taiwan or comeback to Vietnam to work, except the special cases.

3.4.5. The fifth component: Agriculture and NSP

Taiwan had an established record of providing training and short-term work permits to farmers from Vietnam, Thailand, and the Philippines prior to Tsai's administration.

Taiwan and Indonesia also signed an Agricultural Cooperation Agreement in Taipei on May 12 that involves developing a "regular dialogue" to facilitate "exchanges of agricultural technologies, market access, and industry information." Similar MOUs have been signed with Viet nam.

So for the New Southbound Policy, Vietnam should focus on implement all the signed content of MOU with Taiwan and especially pay attention on Seed Technology and High Tech Farms which will be supported by Taiwan.

3.4.6. The sixth component: medical industry

Taiwan have already obtained the necessary registration licenses from TFDA (Taiwan Food and Drug Aministration) can apply for a simplified review process in Indonesia and Vietnam.

A group of Vietnamese physicians have already received training on kidney transplants in Taiwan, and they will become pioneers in that area and pass on their expertise to the new physician.

But the medicines, special hospitals, famous Taiwanese doctors were not known much in Vietnam and it will be better to run the advertising or consulting program/office in Vietnam for the better understanding and transferring the good experiences for the Vietnamese side.

3.4.7. The seventh component: growing opportunities for

the ministry of economic affair

Taiwan seeks to further partnerships between Taiwan's businesses and local providers in NSP target countries by (1) developing markets, (2) cultivating talent, and (3) upgrading the e-commerce landscape to ease market access. In this case, Vietnam local authority will open minded to cooperate with Taiwanese partner to find the opportunities and avoid risky.

3.5. Specialsuggestion for some other cases

3.5.1. Vietnam National University, Hanoi

Besides the above strategy and solutions related to the New Southbound Policy, the author would like to propose some urgent matters in educational sector.

Vietnam is on the way of renovation and rebuilt the country after the long time under the wars, therefore, lack of finance as well as experiences, especially in educational sector and **need extra support from NSP.**

Throughout its history, the university has had several name changes: the **University of Indochina** (*Université Indochinoise*, 東法大學 or *Đại học Đông Dương*; established in 1906), **Vietnam National University** (November 1945), and the **University of Hanoi** (June 1956). In 1993, **Vietnam National University, Hanoi** was created by merging the University of Hanoi, Hanoi National University of Education (HNUE) and College of Foreign Languages.

The institution also owns two high schools for the gifted pupils in foreign languages (Foreign Language Specialized School) and natural science (High School for Gifted Students, Hanoi University of Science).

The VNU construction investment project was approved by the Government through a pre-feasibility study report in Document No. 181 / CP-KG of February 21, 2003. According to the initially approved plan, the project implementation period is from 2003 to 2015. However, due to many different reasons, the Project did not ensure the set progress.

The new VNU planning and construction site is located on Thach That district, Hanoi, about 30 km west of Hanoi center. According to the detailed construction planning of 1/2000 scale approved by the Ministry of Construction in Decision No. 234 / QD-BXD of March 11, 2011, the boundaries of the land area for elaboration of the general construction planning scheme overall construction is determined specifically as follows: East: adjacent to Highway 21 (excluding protection corridors and isolated trees about 150m). West: adjacent to Lizard mountain. South: adjacent to Lang - Hoa Lac road extended (excluding protection corridor and isolated green trees about 150m). North: about 1000m from Hoa Lac airport runway.

For the land use scale: 1113.7ha, of which:VNU project area: 1000ha and resettlement area: 113.7ha.

But until now every people do not know when it is complete to serve the students' demand of studying in the good edcucational environmemt like Seoul National University or National Chengchi University. So if possible, NSP may consider this requirement and support for the infrastructure of the New Campus of Vietnam National University (in Hoa Lac, Hanoi) in continue constructing the campus with the good and convenient design together with the qualify library system inside.

Hereunder is the photos of the campus on the long way of construction for the reference.

The main gate of VNU new campus

New Campus on the process of construction

Some finished buildings inside VNU new campu

The above content is all the information of the VNU project and need the support from NSP if posible.

3.5.2. Nuclear Power factory and hydroelectric power factory

Until now, in general, Vietnam seems almost enough electric for the citizen and other actitities of the society. But in the future with the high speed of development, the current electric situation will not be enough and may create the big problem for the country. Therefore, within the support of the NSP, Vietnam do hope the situation of electricity will be improved by establishing the nuclear power factory and hydroelectric power factory inside Vietnam to make sure the future electricity capacity will be served with good quality and quantity for the whole country.

As far as many people know, ROC-Taiwan has 3 nuclear power factories and 1 hydroelectric factory and had experiences in this area, with the support of NSP we hope that Vietnam's electric problem will be safe in the future in case Taiwan helps Vietnam to build the nuclear power factory as well as the hydroelectric factory inside Vietnam.

3.5.3. Establish the Educational Center in Hanoi

Vietnam and ROC-Taiwan has good relationship for more than 20 years but many people in Vietnam as well as Vietnamese students have not enough knowledge about Taiwan. Based on the experiences of the previous country's project, the establishment of music colleage will be attractive and suitable with the development trend of the world.

Conclusion

The New Southbound policy promises to create the new opportunities for functional cooperation, changes in cooperative investment as well as diversify bilateral relationship between Vietnam and ROC-Taiwan. At the same time, this policy will also contribute to change the Vietnamese society's viewpoint on ROC-Taiwan, overcoming the adverse effects of cooperation between the two sides over time, decreasing the limitations in the cooperations between Vietnam and other countries. As a result, it will provide a firmer basis for the development of relations between Vietnam and Taiwan. But, there are also some negative issues of this policy on the cooperation between Vietnam and ROC-Taiwan that are not mentioned in details on this paper. These impacts could restrict the development of cooperation relations between two sides in future. Therefore, in the short-term, ROC-Taiwan ought to more clearly interpret the content of the New Southbound Policy particularly regarding the purposes, principles and facilitation ways so the countries surrounded this policy gain more understandings, whilst avoid their misperceptions, and decrease the pressure of some dominant countries to this policy. Second, Taiwan should determine clearly the roles of various actors in executing the New Southbound policy such as government agencies, social groups, enterprises. Though the government is still the main driving force of this policy, enterprises are also one of the most important stakeholders. In Vietnam, most ROC-Taiwan enterprises have the direct connection with the government as well as people, and their investment actives would be directly reflected by the feedback of local governments and people. Their understanding and willingness with the New Southbound policy would have partly impact on whether this policy is successful or not.. With the development of Vietnam - Taiwan cooperation by the stimulus of the New Southbound Policy, Vietnam is likely to cultivate the experience of strengthening investment environment, such as publshing further comprenshive laws or regulations of environmental protection in effective ways, facilitating more substantative paths to protec foreign investor’s interests in Vietnam as well as the educational cooperation.

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