

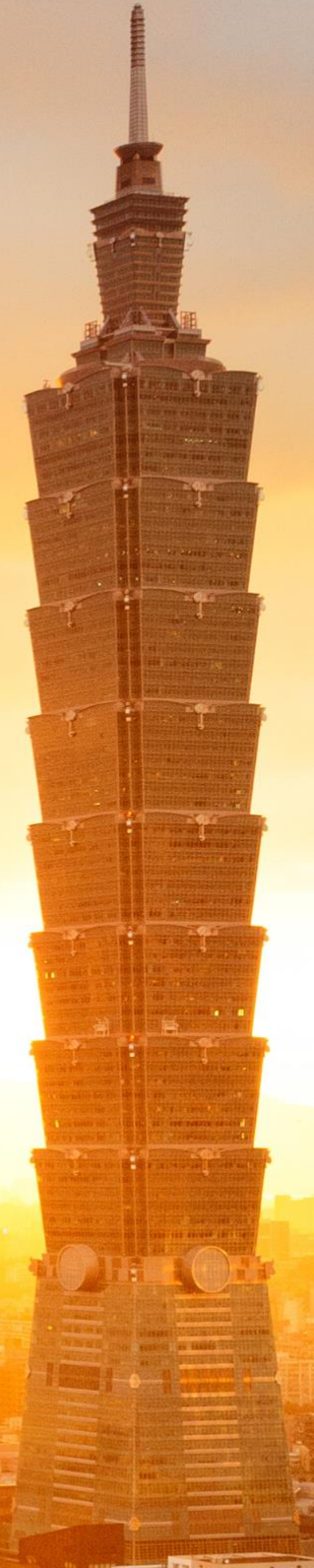


University of
Nottingham
Taiwan Research Hub

A policy paper

Navigating Uncertain Times: Taiwan – Southeast Asia Relations Under Trump 2.0

**By
Ratih Kabinawa**



Navigating Uncertain Times: Taiwan – Southeast Asia Relations Under Trump 2.0

By Ratih Kabinawa

Summary

Following Donald Trump's victory in the November 5, 2024 presidential election, making him America's incoming 47th president, nations across Asia are recalibrating their economic and security strategies to prepare for his return to the White House. Trump's characteristically unpredictable approach to foreign policy, coupled with mounting geopolitical and military tensions across the Taiwan Strait and South China Sea, alongside intensifying US-China strategic rivalry, creates great uncertainty for regional states, particularly Taiwan and Southeast Asian nations. How should these Asian middle powers navigate this new political landscape?

The following analysis posits that Taiwan and Southeast Asian nations should enhance their regional cooperation to build greater economic and security resilience, particularly given Trump's anticipated revival of his 'America First' foreign and trade policies. These states can advance their mutual interests through collaborative initiatives focused on supply chain diversification, minimising exposure to US-China trade tensions, and fostering regional stability and peace. Through strengthened cooperation, Taiwan and Southeast Asian nations can better weather future uncertainties while protecting their common strategic interests. To achieve these objectives, this paper recommends governments and policymakers in Taiwan and Southeast Asia work collaboratively to:

- Enhance bilateral and regional economic partnerships.
- Develop semiconductor manufacturing in Southeast Asia.
- Reaffirm commitment to support the status quo in the Taiwan Strait.
- Support rule-based international order in addressing the South China Sea disputes.
- Promote Track II bilateral and regional security dialogues.

It is essential to acknowledge that these policy recommendations are designed to foster long-term resilience across various issues. Southeast Asian countries should begin incorporating Taiwan into their strategic considerations, which can be achieved through bilateral engagement or a regional dialogue mechanism. Concurrently, Taiwan should align its foreign policy initiatives to engage meaningfully with countries in the region.

Taiwan and Southeast Asia: Indispensable Partners

Under former President Tsai Ing-wen, Taiwan launched its flagship foreign policy, the New Southbound Policy (NSP), which aimed to diversify Taiwan's economic reliance from China to countries in Southeast Asia, South Asia, Australia, and New Zealand.ⁱ While the NSP has generated encouraging results, ample opportunity exists to further strengthen Taiwan's regional connections with Southeast Asian nations, especially considering the growing uncertainty and unpredictability of US leadership under Trump 2.0 and China's aggressive policies to isolate Taiwan. Cultivating solidarity and aligning interests between Taiwan and Southeast Asia are crucial.

The region has been instrumental in Taiwan's strategy to reduce its reliance on China, particularly in investment, education, tourism, and workforce formation. For instance, in 2023, the number of student enrolments from Southeast Asian countries reached 27,337, while China had only 2,128 enrolments.ⁱⁱ Furthermore, Taiwanese investment in China dropped sharply from nearly USD 100 billion in 2016 to USD 48 billion by the end of 2022.ⁱⁱⁱ

Since 2022, Beijing's increased military exercises across the Taiwan Strait have drawn significant attention from Southeast Asian countries. For the first time, ASEAN member states issued a collective statement, marking an essential step in their unified response to the cross-strait development. In this statement,^{iv} they expressed concern about China's military deployments, which could potentially lead to miscalculations. They called on all involved parties to exercise 'maximum restraint' and 'refrain from provocative actions.'

Countries in the region no longer adopt a passive stance; instead, they are advocating for a more constructive role for the group in facilitating dialogue through an ASEAN-led mechanism. Although it remains unclear how these countries would convene such dialogue or implement confidence-building measures to prevent possible armed conflict, the collective statement reflects a shift in ASEAN's approach towards the cross-strait situation. Additionally, each Southeast Asian State issued its own separate statement, reinforcing and aligning with ASEAN's position.

ASEAN's interest in maintaining the status quo in the Taiwan Strait is closely linked to its moral and political responsibility for the safety of its citizens living in Taiwan. It is estimated that around one million Southeast Asians reside in Taiwan, with migrant workers comprising the largest groups, numbering approximately 805,976 labourers as of September 2024.^v Therefore, it is imperative for Southeast Asian governments to prepare contingency plans for Taiwan if China resorts to military force to invade the island.

The significant interdependence within the region indicates that any political, security, or economic shifts will impact both sides. For example, China's aggressive military

manoeuvres in the Taiwan Strait heighten the risk of incidents and open conflicts, which could pose direct threats to the safety of Southeast Asian nationals residing in Taiwan. Indonesia^{vi} and the Philippines^{vii} have expressed the need to step up the protection of their citizens in Taiwan due to the increasing threat.

The potential uncertainty and instability arising from the changing leadership in the US gives impetus for Taiwan and Southeast Asian nations to bolster their collaboration and enhance cooperation at both bilateral and multilateral levels. As middle-power countries, Taiwan and some Southeast Asian states are well-positioned to contribute positively to global politics while maintaining autonomy in their diplomacy.

Enhancing Regional Economic Resilience

Southeast Asia has always been Taiwan's potential market for trading and investments. It is especially pertinent given Taiwan's aim to reduce its overreliance on China's economy. Taiwan has been actively pursuing a diversifying strategy from China ever since Tsai Ing-wen took power in 2016 through the promotion of the New Southbound Policy. According to a 2022 survey conducted by the US-based think tank, the Centre for Strategic and International Studies (CSIS), 63.1% of Taiwanese companies who opted to move or have already moved their business from China chose Southeast Asia as their destination^{viii}. In contrast, fewer than 20% of those Taiwanese businesses opted to move to other regions, such as Northeast Asia, Northern America, and South and Central Asia.^{ix}

Although Southeast Asia's importance in Taiwan's strategy against China is growing, Taiwanese investment in the region does not fully engage with a critical high-tech supply chain: semiconductors. The microchip industry has played a pivotal role in protecting Taiwan's national security and deterring China's potential invasion. To avoid disruptions in chip production during a possible cross-strait conflict, Taiwan's largest chip producer, Taiwan Semiconductor Manufacturing Company (TSMC), has expanded its overseas operations by building foundries in Japan, the US and Germany. Under the Biden administration, the US enacted the CHIPS and Science Act in 2022, which allocates up to USD 52 billion in subsidies to encourage semiconductor manufacturing in the country.^x However, despite the significant financial support, there are concerns about the progress of TSMC production in the US, primarily due to a shortage of skilled workers in the chip industry^{xi} and insufficient infrastructure.^{xii}

The sustainability of TSMC expansion in the US will likely face additional challenges under Trump's 2.0 leadership. In a podcast episode of 'The Joe Rogan Experience,' Trump proposed imposing tariffs on Taiwan's microchip industry if elected president, claiming that the country has stolen the chip business from the US.^{xiii} Although it remains unclear how Trump would implement such tariffs, many experts predict it would create an unfavourable environment for the chip's supply chain in the long run.



In light of increasing uncertainty in the US and China's military escalation across the strait, Taiwan should consider diversifying its chip manufacturing to Southeast Asian countries. Currently, Singapore is the only Southeast Asian country that has developed water fabrication facilities in partnership with Taiwan's contract chipmaker, United Microelectronics Corp (UMC).^{xiv} Malaysia, meanwhile, has focused on developing its chip manufacturing capabilities in collaboration with American and European companies.^{xv}

Taiwan has significant opportunities to expand its chip investments in Southeast Asia. The Taiwanese government may provide incentives for Taiwanese companies to expand their chip manufacturing in the region. This could start with developing joint feasibility studies between Taiwan and Southeast Asia to explore the possibility of broadening microchip foundries in Southeast Asia. Additionally, Southeast Asian countries should create favourable and sustainable policy incentives to attract Taiwanese chip investments. A priority should be improving the number of skilled chip manufacturing workers and creating a favourable political climate. Diversifying Taiwan's chip production to Southeast Asia would contribute to a more sustainable semiconductor supply chain. In the event of a Chinese invasion of Taiwan, this strategy would help ensure that partial semiconductor supplies to Japan and the United States remain operational, allowing these nations to focus on supporting Taiwan.^{xvi}

Another area of cooperation that Taiwan should pursue with Southeast Asia is the enhancement of bilateral and regional economic partnerships, particularly in advancing trade exchanges. Trump's pledge to impose tariffs on imported products from China would likely impact Southeast Asia, given that China is their largest trading partner.^{xvii} It should be a priority for countries in the region to advance bilateral economic cooperation arrangements (ECAs) with Taiwan to diversify their trading partners. Currently, only Singapore has signed a so-called bilateral free trade agreement with Taiwan. Other countries, such as Malaysia, Indonesia, Thailand, and the Philippines, have completed joint feasibility studies with Taiwan regarding bilateral ECAs, but negotiations have stalled, and none of them have yet signed a deal.

Despite the benefits offered by ECAs, political considerations remain the primary obstacle to advancing these agreements. Southeast Asian governments are cautious and hesitant to sign such deals, fearing potential retaliation from Beijing that could jeopardise their trading relations. However, depending exclusively on China's market is becoming increasingly challenging due to the looming threat of trade wars between the US and China. Taiwan, thus, presents a promising alternative to Southeast Asia's dilemma, given that Taipei also seeks to diversify its economy from Beijing.

Fostering Regional Security Resilience

Taiwan and Southeast Asia are in a precarious situation, as they sit at two of the most contentious flashpoints in Asia: the Taiwan Strait and the South China Sea.^{xviii} Both disputes involve China as the key player. In recent years, regional tensions arising from these two conflicts have escalated and are increasingly interconnected. Thus, ensuring regional peace and stability is the foremost priority for countries in the region.

The appointment of Xi Jinping as the leader of the People's Republic of China (PRC) in 2013, along with his ambition to unify Taiwan as part of the national rejuvenation of the Chinese nation, has led to a more assertive foreign policy that includes military options. This shift has been further complicated by the transition in Taiwan's leadership from the Kuomintang (KMT) to the Democratic Progressive Party (DPP) in 2016, intensifying tensions across the Taiwan Strait. At the same time, Xi has significantly bolstered China's coast guard presence in the South China Sea, resulting in severe confrontations with other claimant states, particularly the Philippines. In responding to Beijing's violent approach in the South China Sea, Taipei stepped up to support Manila, even as it remains a claimant state in the South China Sea.^{xix} In a similar vein, during the third and fourth Philippines-United States 2+2 Ministerial Dialogue, the Philippines and the US issued a joint statement emphasising the importance of "maintaining peace and stability" across the Taiwan Strait.^{xx}

As far as the Taiwan Strait is concerned, the US has served as Taiwan's primary security provider. The Taiwan Relations Act (TRA) has stipulated that the US supports Taiwan's self-defence capabilities. While the US supports Taiwan's defence efforts, there is no formal obligation for the US to protect Taiwan in the event of military aggression from China. However, during President Biden's administration, he has made four separate statements suggesting that US forces would intervene to defend Taiwan should China attempt an invasion.^{xxi} Despite these assertions, the prevailing US strategy regarding cross-strait tensions continues to emphasise strategic ambiguity.

Trump's victory will continue to create uncertainty about the future of cross-strait relations. While he has appointed two politicians known for their support for Taiwan – Senator Marco Rubio as Secretary of State and Mike Waltz as National Security Advisor – the involvement of Elon Musk in the Trump administration could undermine Taiwan's position. In the Lex Fridman Podcast in 2013, Musk likened Taiwan to Hawaii, an analogy that suggests Taiwan is an integral part of China.^{xxii} Furthermore, the appointments of Rubio and Waltz could complicate cross-strait tensions, as they may pursue policies favourable to Taiwan to provoke Beijing. Countries in Southeast Asia, however, prefer maintaining the status quo rather than engaging in America's tokenism over Taiwan.

Given the uncertain future, Taiwan should align its security interests with those of Southeast Asian countries. Reiterating a commitment to the status quo is the most

favourable policy option for Taiwan to pursue. Lai Ching-te has, so far, adhered to this policy and should continue to do so. At the same time, ASEAN member countries should begin realising their commitment in the 2022 ASEAN Foreign Ministers' Statement 'to play a constructive role in facilitating peaceful dialogue.'^{xxiii} Although this initiative may be challenging to pursue within the ASEAN-led framework due to institutional constraints and building blocks, bilateral or regional Track II dialogues outside ASEAN remain viable. Some Southeast Asia countries have a history of utilising 'back-door' diplomacy to engage with Taiwan. Overall, such dialogue provides confidence-building measures between Taiwanese and Southeast Asian policymakers and analysts.

In the context of the South China Sea disputes, Taiwan and the claimant states in Southeast Asia should uphold a rules-based international order. Taiwan's stance on the South China Sea issue is multifaceted. Its claim is rooted in the historical sovereignty of the ROC when it was situated on the mainland. However, Taiwan's domestic political landscape and the growing emphasis on a distinct Taiwanese identity often conflict with the ROC's historical assertion. The DPP tends to adopt a more restrained approach than the KMT when dealing with the South China Sea.^{xxiv} Nevertheless, Taiwan maintains control over Taiping Island, the largest natural island in the Spratly Archipelago, and is actively engaged in humanitarian and research initiatives to support the island's development.

Under Trump's 2.0 administration, the US would likely maintain bilateral engagement with Southeast Asian countries instead of relying on multilateral institutions like ASEAN. Trump is expected to continue supporting the Philippines in the South China Sea through direct bilateral partnership. Given the rising tensions among claimant states, Taiwan should adopt a cautious stance to avoid straining relationships with other Southeast Asian nations. For instance, under President Bongbong Marcos, Manila has advocated countering Beijing's assertiveness and calling for peace across the Taiwan Strait by issuing a joint statement with the US. Southeast Asian countries are often hesitant to openly support Taiwan, making Manila's stance an encouraging development for Lai's administration that should not be overlooked. Taiwan should maintain this positive momentum while avoiding provocative statements or actions that could undermine its position.

Towards a Resilient Region

The election of Donald Trump would likely create uncertainties for the future global economic and security landscape, particularly in Asia. Trump's protectionist policies and the potential withdrawal of the US from regional or multilateral arrangements could create challenges for small and middle-power countries as they navigate China's growing global influence. This paper makes the following recommendations:

- Southeast Asian countries should follow Singapore's example by signing bilateral ECAs with Taiwan. Joint feasibility studies have indicated that these arrangements could significantly boost two-way economic exchange.
- Taiwanese companies should explore expanding their microchip investments in Southeast Asia to diversify the supply chain and strengthen chip resilience during a potential cross-strait crisis. The Taiwanese government should collaborate with its regional counterparts to encourage this effort.
- Southeast Asian states should foster Track II bilateral and regional security dialogues with Taiwanese counterparts, aligning with the objectives outlined in the 2022 ASEAN Foreign Ministers' Statement regarding cross-strait developments. These dialogues would facilitate understanding, allow for the exchange of views, and identify potential collaborations to maintain regional security and stability.
- Taiwan should adopt a cautious stance on the South China Sea disputes, as aggressive actions could hinder its diplomatic efforts in the region. Building solidarity and accruing sympathy from other states in the face of Chinese pressure is crucial.
- Taiwan should reaffirm its commitment to maintaining the status quo across the Taiwan Strait. Likewise, Southeast Asian states should clearly convey to China and the US their opposition to any unilateral actions that could disrupt this status quo, including military options.

ⁱ Executive Yuan, "New Southbound Policy," 4 July 2019,

<https://english.ey.gov.tw/News3/9E5540D592A5FECED/2ec7ef98-ec74-47af-85f2-9624486adf49>

ⁱⁱ Department of Statistics Ministry of Education Taiwan, "Number of International Students in Colleges and Universities, 2023," <https://depart.moe.edu.tw/ED4500/cp.aspx?n=DCD2BE18CFAF30D0>

ⁱⁱⁱ Ministry of Economic Affairs and Investment Commission Republic of China (Taiwan), "Statistics on Approved Outward Investment by Area,"

https://www.moeaic.gov.tw/news.view?do=data&id=1709&lang=en&type=business_ann Data are compiled by the author

^{iv} ASEAN Foreign Ministers' Statement on the Cross Strait Development, 3 August 2022,

<https://asean.org/wp-content/uploads/2022/08/final-ASEAN-FMs-Statement-on-Cross-strait-development.pdf>

^v Ministry of Labor Republic of China (Taiwan), Foreign Workers in Productive Industries and Social Welfare by Nationality, <https://statdb.mol.gov.tw/html/mon/c12030.htm>

^{vi} Kris Mada, "Indonesia Siapkan Rencana Darurat Terkait Taiwan (Indonesia prepares emergency plan for Taiwan)," Kompas, 14 April 2023, <https://www.kompas.id/baca/internasional/2023/04/14/indonesia-siapkan-rencana-darurat-terkait-taiwan>

^{vii} International Institute for Strategic Studies (IISS) 21st Asia Security Summit: The Shangri-La Dialogue, Keynote Address: Ferdinand R Marcos, Jr., 31 May 2024

^{viii} Scott Kennedy, "It's Moving Time: Taiwanese Business Responds to Growing U.S.-China Tensions, CSIS, October 2022, <https://csis-website-prod.s3.amazonaws.com/s3fs->

public/publication/221004_Kennedy_TaiwaneseBusiness_USChina_0.pdf?VersionId=PFusONTFF8iXPXXw8QtEWgTuB6D3d3ju

^{ix} Ibid.

^x White House, “FACT SHEET: CHIPS and Science Act Will Lower Costs, Create Jobs, Strengthen Supply Chains, and Counter China,” White House Statements and Releases, 9 August 2022 <https://www.whitehouse.gov/briefing-room/statements-releases/2022/08/09/fact-sheet-chips-and-science-act-will-lower-costs-create-jobs-strengthen-supply-chains-and-counter-china/>

^{xi} Chang-Tai Hsieh, Burn Lin, and Chintay Shih, “How America’s CHIPS Act Hurts Taiwan,” Project Syndicate, 26 February 2024, <https://www.project-syndicate.org/commentary/us-chips-act-pushing-tsmc-into-wasteful-unpromising-projects-by-chang-tai-hsieh-et-al-2024-02>

^{xii} Michael Sainato, “They would not listen to us: inside Arizona’s trouble chip plant,” The Guardian, 28 August 2023, <https://www.theguardian.com/business/2023/aug/28/phoenix-microchip-plant-biden-union-tsmc>

^{xiii} Seema Mody, “Trump accuses Taiwan of stealing U.S. chip industry. Here’s what the election could bring,” CNBC, 28 October 2024, <https://www.cnbc.com/2024/10/28/trump-accuses-taiwan-of-stealing-us-chip-business-on-joe-rogan-podcast.html>

^{xiv} Crystal Hsu, Taiwanese investments shifting to US, ASEAN, Taipei Times, 5 January 2023 <https://www.taipeitimes.com/News/biz/archives/2023/01/05/2003791993>

^{xv} Sheila Chiang, “Malaysia emerges as a hotspot for semiconductor firms amid U.S.-China chip tensions,” CNBC, 3 April 2024, <https://www.cnbc.com/2024/04/04/malaysia-emerges-as-a-hotspot-for-chip-firms-amid-us-china-tech-war.html>

^{xvi} Chin Hsueh, “How Taiwan-ASEAN Semiconductor Cooperation Can Bolster Taipei’s National Security,” The Diplomat, 23 December 2023, <https://thediplomat.com/2023/12/how-taiwan-asean-semiconductor-cooperation-can-bolster-taipeis-national-security/>

^{xvii} Association of Southeast Asian Nations, “ASEAN-China Economic Relations,” <https://asean.org/our-communities/economic-community/integration-with-global-economy/asean-china-economic-relation/>

^{xviii} Brendan Taylor. (2018). *The Four Flashpoints: How Asia Goes to War*. Australia: La Trobe University Press

^{xix} Jonathan Chin, “Taipei open to joint forces with Manila,” Taipei Times, 29 August 2024, <https://www.taipeitimes.com/News/front/archives/2024/08/29/2003822939>

^{xx} U.S. Department of State, Joint Statement on the Philippines-United States Fourth 2+2 Ministerial Dialogue, 30 July 2024, <https://www.state.gov/joint-statement-on-the-philippines-united-states-fourth-22-ministerial-dialogue/>

^{xxi} William Hetherington, “US would defend Taiwan, Biden says,” Taipei Times, 6 June 2024 <https://www.taipeitimes.com/News/front/archives/2024/06/06/2003818938>

^{xxii} Aadil Brar, “Elon Musk Doubles Down on Pro-China Analogy Rejected by Taiwan,” Newsweek, 21 November 2023, <https://www.newsweek.com/china-taiwan-elon-musk-tesla-space-x-1845470>

^{xxiii} ASEAN Foreign Ministers’ Statement on the Cross Strait Development, 3 August 2022, <https://asean.org/wp-content/uploads/2022/08/final-ASEAN-FMs-Statement-on-Cross-strait-development.pdf>

^{xxiv} Wei-Chin Lee. (2017). ‘Taiwan, the South China Sea Disputes, and the 2016 Arbitration Decision,’ *Journal of Chinese Political Sciences*, Vol. 22, p. 229-250



About the Author



*Ratih Kabinawa is an Adjunct Research Fellow at the University of Western Australia and a Visiting Research Fellow with the Taiwan Ministry of Foreign Affairs Fellowship. She earned her doctoral degree from the University of Western Australia with a thesis focusing on the transnational politics of Taiwan's foreign policy in Southeast Asia. Ratih has published numerous articles, including commentaries, policy papers, and journal articles, and participated in several track 1.5 and II dialogues on Taiwan/China-Southeast Asia. She is currently working on her first monograph on the roles of informal diplomacy in Taiwan's foreign policy in Southeast Asia.