

An Evaluation of the Trade Outcomes between Taiwan and Malaysia under the New Southbound Policy (NSP)

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Abstract

Upon assuming office in 2016, Taiwan President Tsai Ing-wen's administration revitalized the Southbound Policy (SP), rebranding it as the New Southbound Policy (NSP). While both the SP and NSP share a common objective — to reduce Taiwan's heavy reliance on the Chinese market — the NSP, unlike its predecessor, places a dual emphasis on enhancing economic ties and concurrently spreading Taiwan's soft power across the designated markets. Despite being one of the target markets under the NSP, Malaysia did not consistently experience a surge in the proportion of Taiwan's total trade volume as a result of the policy. This paper aims to assess the performance of Taiwan-Malaysia trades in the context of NSP initiatives and elucidate how the soft power that Taiwan has implemented in Malaysia since the 1950s contributed to such an outcome. The trading outcomes between Taiwan and Malaysia indicate that Taiwan did not receive substantial support from the entities it targeted with its soft power initiatives. This suggests that the China complex within the Chinese ethnic population in Malaysia is challenging to uproot due to their historical and cultural ties with China.

Keywords: *New Southbound Policy, Malaysia, Taiwan, China, soft power.*

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1. Introduction

In 2016, President Tsai Ing-wen's administration launched Taiwan's New Southbound Policy (NSP) with the primary objective of fortifying economic cooperation, facilitating specialized talent exchange, promoting resource sharing, and fostering regional integration among ASEAN, South Asian nations, Australia, and New Zealand. This strategic approach aimed to diversify Taiwan's economic partnerships, reducing the potential risks associated with overdependence on a single market, particularly China. China has been Taiwan's number-one trading partner since 2005 and its top export market since 2004. The trading volume between Taiwan and China occupied more than 20% of Taiwan's total trading volume, with the export volume of Taiwan to China exceeding 20% since 2005 and surpassing 25% since 2007 (Bureau of Foreign Trade, 2023). Given the long history of conflict between Taiwan and China, economic dependence on China could potentially put Taiwan in a precarious position, both economically and politically. The conflict between both entities could be traced back to the civil war that unfolded over two years between the forces led by then-president Chiang Kai-Shek and the Chinese Communist Party under Chairman Mao Zedong in mainland China. Chiang Kai-Shek lost the war and withdrew to Taiwan in 1949. However, this defeat did not deter Chiang Kai-Shek from persistently claiming to be the legitimate leader of China, asserting that the mainland remained under his rule. On October 25, 1971, the United Nations General Assembly passed Resolution 2758, recognizing the People's Republic of China led by Mao Zedong as the sole legitimate representative of China in the United Nations, superseding the government of the Republic of China led by the Kuomintang. Subsequently, numerous countries gradually severed diplomatic ties with Taiwan and established or maintained foreign relations with Mao's China. At the time of writing, only 13 countries, all from Latin America and the Caribbean, officially recognize Taiwan (Reuters, 2013). For more than a decade, there has been a growing sentiment on the island advocating for the independence of Taiwan, which means both Taiwan and China are not under the jurisdiction of each other. Tsai is the chairperson of the Democratic Progressive Party (DPP), a political party that has advocated for Taiwan's independence since its establishment in the 1970s. While Tsai has never officially declared the independence of Taiwan, there may be instances where such sentiments are subtly implied in her speeches. China aircraft therefore have circled

the Taiwan island multiple times, a gesture interpreted as an assertion of China's sovereignty over Taiwan. Tsai's revival of the Southbound Policy, initially introduced by former president Lee Teng-hui (1988 to 2000) and Chen Shui-bian (2000 to 2008), is driven by both economic and political considerations. China's longstanding assertion that Taiwan is an inseparable part of China has impeded Taiwan's participation in many international economic organizations, for example, the World Bank, the International Fund (IMF) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). The NSP envisions the creation of a novel economic community encompassing ASEAN, South Asia, Australia and New Zealand. By shifting its market focus toward NSP countries, Taiwan has the potential to lessen its economic reliance on China. If this strategy progressed as planned, Taiwan may not need to worry about China leveraging its economy to forcibly bring Taiwan under its control.

Malaysia, as one of the targeted markets under the NSP, never established diplomatic ties with Taiwan. Nevertheless, both initially maintained consular offices in each other's entity from the 1960s to the 1970s until Malaysia established official relations with China. Subsequently, Taiwan and Malaysia set up cultural and trade centres in each other territory to serve their fellow citizen, issue tourist visas and act as the representatives of their entities to one another. Although Taiwan faced challenges in the diplomatic sector with Malaysia, its soft power has long influenced the Malaysian community, especially among the Chinese ethnics. The Taiwanese government has offered generous scholarships to attract Malaysian students to pursue higher education in Taiwan since 1953s (Toh, 2021). This approach has proven successful in drawing a considerable number of Malaysian students to study in Taiwan. To date, the cumulative number has reached 60,000 individuals (The Federation of Alumni Associations of Taiwan University in Malaysia, 2023). Among the NSP countries, Malaysia contributed the highest number of students studying in Taiwan until Vietnam surpassed it in 2019 (The News Lens, 2022). Furthermore, Taiwan has served as a significant wellspring of literature and popular culture. Books, dramas, movies, songs, and magazines originating from Taiwan were widely consumed and highly influential within Chinese communities. Challenges arose only when China began exporting its popular culture globally in the 21st century.

According to Didier (2019), the image of an entity significantly affects international trading, especially through the perception of the people in the imported countries. Considering the substantial number of Malaysian students pursuing further studies in Taiwan and their inclination toward Taiwanese culture, it is reasonable to conclude that a majority of the Chinese population holds a positive perception of Taiwan. Therefore, it was no surprise that Malaysia has consistently maintained its position as one of Taiwan's top 10 trading partners since 1991, although it has never ranked higher than seventh.

As Malaysia was notably influenced by the soft power of Taiwan, incorporating the Taiwan government's effort to increase the trade relations between the two entities, there were high expectations for substantial growth in the Taiwan-Malaysia trade. However, the actual outcome did not align with the optimistic prediction. During Lee's era, Malaysia's share in Taiwan's total trading volume experienced only modest growth. Conversely, Taiwan further gradually declined during Chen's administration (Yeoh, Chang & Lee, 2018). Considering these historical records, it becomes crucial to scrutinize the trading relations between Malaysia and Taiwan in the aftermath of the policy resurgence under Tsai's leadership and assess the effectiveness of soft power in promoting international trading, as pundits have asserted. This paper is divided into four parts. The first part introduces the background of Tsai to revive the NSP. The second part introduces the concept of soft power. The third explains the content of the NSP. The fourth part analyses the trade relations of NSP in Malaysia. The fifth part is to discuss the relations of soft power and trade relations in Malaysia. The final part is the conclusion.

2. Soft Power

Soft power has been widely perceived as the strategy that Tsai plans to employ through the NSP to influence the international community that has aligned itself with China rather than Taiwan. Unlike hard power which encompasses military and economic strength, soft power utilised attraction to shared values, as well as a sense of justice and duty in contributing to the realization of those values, to align with others (Nye, 2005; 2020). However, while the economy is typically viewed as a form of hard power, it can also serve as a source of attractiveness (Nye, 2005). Generally, hard power generates the "push" factor while soft power creates the "pull" factor.

Nevertheless, there is a common ground between hard and soft power, and that is the ability to attain one's goal by influencing the behaviour of others, especially in social institutions. According to Nye (2011) further clarified that there are many resources that could be used as soft power, but not any type of behaviour could be the product of soft power. However, the soft power of a country is constituted mainly by three elements, that is its culture, its political values, and its foreign policies. Culture encompasses a set of values embedded in the languages, literature, artistic expressions, traditions, behaviours, rules, and practices of a country. In the age of global information, culture is extensively conveyed through various mediums such as films, television programs, internet websites, and other electronic devices. Political values encompass the institutions, ideas, and internal practices of a country that shape foreign perceptions, whether positive or negative. The most impactful political values are those capable of inspiring the dreams and desires of others. Foreign policies rooted in shared values often garner more attention, particularly when defined by forward-thinking principles such as providing foreign aid, environmental policies, and other national interests (Lee, 2005).

Entities or countries that are likely to acquire soft power, as outlined by Nye (2003), exhibit three distinctive characteristics: a) alignment of their dominant culture and ideas with prevailing global norms emphasizing liberalism, pluralism, and autonomy; b) engagement in framing issues through multiple communication channels; and c) the attainment of mass credibility through their domestic and international performance. Soft power has enabled smaller states or entities to achieve objectives rather effectively than their inherent hard power they capabilities. More so than with hard power, soft power relies on the perceptions and attitudes of the target audiences (2021).

3. The NSP

Tsai introduced the concept of NSP for the first time during her 2015 presidential election campaign. She pledged that if her party, the Democratic Progressive Party (DPP) were to win the election, she would champion the NSP. The foundation of the NSP was built upon the SP previously implemented by former presidents Lee and Chen, which aimed to strengthen trade and investment relations ties with the country in the southern region (Huang, 2018). Lee included South and Southeast Asia in

his economic strategic map and formed the SP in 1993 in response to the series of economic and trade liberalization measures launched by ASEAN countries. Recognizing the rapid growth in South and Southeast Asia in the new era, Lee sought to diversify Taiwan's market beyond its dependency on China. Chen later echoed this intention by calling for the SP again when he assumed the presidency (Huang, 2018). While reviving the SP, Tsai asserted that the NSP differed from the SP, despite the underlying motives remained unchanged. Tsai articulated that the NSP aimed not only to bolster trade and investment relations but also to broaden people-to-people exchange, cultures, education, and multifaceted networks. While trade relations were considered components that improved the partnership, Tsai and the DPP, believed that together with other dimensions would foster a more comprehensive one. During this phase, the target countries that the NSP targeted were Southeast Asia and India (DPP, 2015). Four months after Tsai's inauguration on May 20, 2016, a task force dedicated to planning the NSP was established. The Executive Yuan made an official announcement in December 2016, stating that the NSP would be officially launched on Jan 1, 2017. The substance of the NSP closely aligned with Tsai's declarations from her presidential election campaign a year earlier, albeit with more meticulous and detailed elaboration. The NSP strategy is built upon four core pillars: resource sharing, talent exchange, economic and trade partnership, and regional connectivity. Notably, its geographical scope expanded beyond the parameters initially outlined by Tsai. It not only included India and Southeast Asia but also reached out to other South Asia nations, Australia, and New Zealand, comprising a total of 18 countries. According to Executive Yuan (2016), the ultimate reason to relaunch the NST is to mitigate Taiwan's vulnerability by broadening its risk exposure and diminishing excessive reliance on a singular market, particularly China. It was evident that Tsai's decision to revive the SP did not signify a departure from the motives of both Lee and Chen. Rather, she emphasized not only enhancing economic relations but also amplifying soft power influence in the NSP's target countries.

In fact, Tsai's rationale for initiating the NSP appeared reasonable. Taiwan's economy has been identified as an "export-oriented" model (Ghartey, 1993), making it vulnerable to both domestic and foreign economic influences (Yang, Liu, Yang & Chen, 2023). Since 2004, China has stood as Taiwan's primary export market and has exhibited steady growth. Moreover,

China's market share in Taiwan's exports has consistently accounted for a significant portion, peaking at a quarter of the total export volume since 2007 (Table 1). Given Taiwan's historical unease with China, it's understandable that Taiwan harbours concerns. A longstanding apprehension persists in Taiwan that China could exploit economic strategies to establish dominance over the island if Taiwan becomes excessively reliant on its economy (Kan Za Zhi, 2009; Liberty Times Net, 2023). A notable example of this is the Sunflower Movement of 2014, marked by student-led protests opposing the Cross-Strait Services Trade Agreement negotiations (Black, 2019).

However, James Huang clarified that Taiwan would not compete with Chinese firms in ASEAN after the implementation of the NSP. He explains that Taiwan's strengths are related to agriculture, aquaculture and information communication. This stands in contrast to China's focus on substantial infrastructure investments in ASEAN. This scenario sets the stage for potential cooperation between China and Taiwan (Yeh & Hsu, 2017). Additionally, Lin Cheng-Yi, Deputy Minister of the Mainland Affairs Council of the Republic of China, underscored that the NSP's motivations are "not politically driven." Instead, its purpose is to create a reciprocal framework that benefits both China and Taiwan in terms of economic and trade relations (Lin, 2016). On the contrary, Liu (2015) presents a divergent viewpoint. She contends that the NSP, akin to its predecessor, the SP, is excessively entangled with political considerations, and this heightened political dimension could potentially undermine the delicate cross-strait relations. Black (2019) aligns with Liu's perspective, adding that the Tsai administration's emphasis on soft power within the NSP is motivated by a desire to bolster its influence among the people in the international community. This approach holds the potential for two interconnected outcomes: the gradual augmentation of Taiwan's global recognition and, in parallel, the stimulation of its economic and trade dynamics. Lee (2023) examines Malaysia as a case study, where Taiwan astutely integrated a halal tourism policy and delved into soft resources as integral components of the NSP framework. He argues that this strategic manoeuvre was a strategic response to China's escalating influence within the nation.

Table 1. Taiwan-China Export Volume from 1996 to 2022

Year	Rank	Export Volume (US\$ Billion)	Percentage of Total Export Volume
2022	1	121.11	25.26
2021	1	125.90	28.21
2020	1	102.45	29.68
2019	1	91.79	27.89
2018	1	96.50	28.89
2017	1	88.75	28.13
2016	1	73.73	26.41
2015	1	71.21	25.40
2014	1	82.12	26.18
2013	1	81.78	26.78
2012	1	80.71	26.80
2011	1	83.96	27.24
2010	1	76.93	28.02
2009	1	54.25	26.64
2008	1	66.88	26.17
2007	1	62.42	25.30
2006	1	51.81	23.13
2005	1	43.64	22.00
2004	1	36.35	19.93
2003	3	22.89	15.20
2002	4	10.53	7.78
2001	4	4.90	3.88
2000	8	4.22	2.84
1999	11	2.54	2.09
1998	19	834.65	0.76
1997	23	626.45	0.51
1996	22	623.35	0.54

Source: Bureau of Foreign Trade, MOEA, Taiwan, ROC.

4. Malaysia-Taiwan Relations

Malaysia and Taiwan have long close interactions in the areas of diplomacy, economy, tourism, education, and humanitarian aid. Both even maintained consular offices for almost a decade, spanning the 1960s to the 1970s. Taiwan set up its consular office in Kuala Lumpur in November 1964 while

Malaysia established its own consular office in Taipei in January 1967. However, it's important to note that despite this presence, Malaysia and Taiwan have never formalize their diplomatic relations (Nanyang Siang Pau, 1965; Nanyang Siang Pau, 1971). –The Prime Minister of Malaysia at the time, Tunku Abdul Rahman, made it clear that Malaysia's agreement on the setting up of the Taiwan consular office did not implicate that Malaysia recognized Taiwan as a sovereign state. Instead, the move was aimed at strengthening trade relations between Malaysia and Taiwan (Sin Chew Yit Poh, 1964). The establishment of the Malaysian consular office in Taipei also granted a similar objective (Nanyang Siang Pau, 1967).

After Malaysia and China established official relations on May 31, 1974, due to the One-China Policy, Taiwan closed its Consulate General in Kuala Lumpur (Taipei Economic and Cultural Office in Malaysia, 2017), and so did the consular office of Malaysia in Taipei. However, Taiwan and Malaysia have continued to interact with each other informally. Taiwan established the Far East Trade and Tour Centre in Kuala Lumpur in August 1974, three months after it closed its Consulate General to maintain any necessary collaboration. The Far East Trade and Tour Centre was later replaced by the Taipei Economic and Cultural Centre in Malaysia in 1988. In 1992, the Taipei Economic and Cultural Centre in Malaysia changed its name to the Taipei Economic and Cultural Office in Malaysia and continues operating until today (Taipei Economic and Cultural Office in Malaysia, 2017). On the other hand, the Malaysia Airlines System (1979), the Friendship and Trade Exchange Centre (FTEC), and the Malaysian Friendship and Trade Centre (1987) have been representing Malaysia in Taiwan respectively through different periods of time. Equipped with the Visa Division, Economics Division, Investment Division and Tourism Division, MFTC has become a de-facto Embassy of Malaysia in Taiwan. The government of Taiwan recognized the roles that MFTC plays and has granted it the official status of Foreign Service (Ministry of Foreign Affairs, Malaysia, 2023). Apart from the previously mentioned channels, there are several semi-officials and organizations actively involved in facilitating economic cooperation, promoting non-governmental exchanges, encouraging cultural and educational research, and establishing other interconnected links. The Malaysia-Taiwan Economic Association (MTEA), the Taiwan Investors' Association in Malaysia, and the Federation of Alumni Association of Taiwan Universities Malaysia (FAATUM) are among these entities. These

unofficial networks have exerted considerable influence on Malaysia-Taiwan relations. With the introduction of the NSP, these organizations, in conjunction with others, have taken on crucial roles in propelling the objectives of the policy forward.

In terms of economy, Taiwan has been Malaysia's top 10 trading partner since 1991 (Table 2). The trade volume was US\$2.87 billion and the share of Taiwan's total trade volume was 2.07. Trade between Malaysia and Taiwan experienced gradual growth during the initial implementation of the Southbound Policy (SP) introduced by Lee. In 1993, Lee incorporated South Asia and Southeast Asia into his strategic plan following the initiation of economic and trade liberalization by ASEAN countries. The trade volume increased by US\$ 5.33 billion from US\$ 3.61 billion in 1993 to US\$ 4.55 billion in 2000. The percentage of Malaysia-Taiwan trade volume to the Taiwan total trade volume also increased by 0.87% from 2.23% in 1993 to 3.10% in 2000. Subsequent administrations, led by President Chen Shui-bian (2000 to 2008), sustained the SP during his tenure and experienced a gradual decline during his term. As mentioned earlier, the Malaysia-Taiwan trade volume was US\$ 8.94 billion and accounted for 3.10% of Taiwan's total trade. Although Malaysia and Taiwan's trading volume increased to US\$12.28 billion in 2008, its share in Taiwan's total trade volume fell by 0.62% to 2.48%. Lee's SP was more successful than Chen's even in the face of the Asian Financial Crisis that occurred during Lee's term. When Chen assumed office, Malaysia had gradually recovered from the impact of the Crisis (Huang, 2018). This less-than-ideal outcome of Lee's and Chen's SP could be attributed largely to China gradually supplanting Taiwan as a critical economic partner of ASEAN (Jing, 2016).

Table 2. Malaysia-Taiwan Trade Situation from 1996 to 2008

Year	Rank	Trade Volume (US\$ Billion)	Percentage to Taiwan's Total Trade Volume
2008	9	12.28	2.48
2007	8	11.58	2.49
2006	8	10.99	2.58
2005	8	9.50	2.49
2004	8	9.64	2.75
2003	8	7.94	2.85
2002	8	7.39	2.97
2001	8	7.37	3.15

Year	Rank	Trade Volume (US\$ Billion)	Percentage to Taiwan's Total Trade Volume
2000	8	8.94	3.10
1999	8	6.73	2.90
1998	9	5.91	2.75
1997	7	7.26	3.07
1996	7	6.52	2.99
1995	7	5.85	2.72
1994	7	4.55	2.55
1993	7	3.61	2.23
1992	9	3.43	2.24
1991	10	2.87	2.07

Source: Bureau of Foreign Trade, MOEA, Taiwan, ROC.

5. Evaluating the Trade Relations of NSP in Malaysia

The NSP was officially initiated in 2017. The trade volume between Malaysia and Taiwan from 2017 to 2022 is as follows: US\$ 17.55 billion (2017), US\$ 19.91 billion (2018), US\$ 19.77 billion (2019), US\$ 19.35 billion (2020), US\$ 25.13 billion (2021) and US\$ 30.56 billion (2022) (Table 3). With the exception of 2019 and 2020, there was a consistent annual growth in trade volume between Malaysia and Taiwan from 2017 to 2022. When comparing the trade volume at the initiation of the NSP in 2017 with that of 2022, it might seem that it has experienced an almost two-fold increase, going from US\$ 17.55 billion to US\$ 30.56 billion. However, the reality is that this increase did not actually materialize to such a significant extent. The share of Malaysia-Taiwan trading volumes to Taiwan's total trade volume from 2017 to 2022 did not experience such huge growth but only increased by 0.31% from 3.06% in 2017 to 3.37% in 2022. However, when compared with the second term (2012 to 2016) of then-President Ma Ying-jeou, the NSP certainly increased trading between Malaysia and Taiwan. During Ma's second term, the trade volume was smaller (except in 2014) and experienced fluctuations, similar to what was observed during Tsai's term. The trading volume during Ma's second term was as below: US\$ 14.40 billion in 2012, US\$ 16.30 billion in 2013, US\$ 17.40 billion in 2014, US\$ 13.65 billion in 2015, and US\$ 14.10 billion in 2016. The share of trading between these markets contributed to Taiwan's total trade volume by around 2.52% (2012) to 2.77% (2016). It never reached 3%, as seen after the NSP was implemented.

Table 3. Malaysia-Taiwan Trade Volume (2012 to 2022)

Year	Rank	Trade Volume (US\$ Billion)	Percentage to Taiwan's Total Trade Volume
2022	8	30.56	3.37
2021	7	25.13	3.03
2020	7	19.35	3.06
2019	7	19.77	3.22
2018	7	19.91	3.22
2017	7	17.55	3.06
2016	8	14.10	2.77
2015	8	13.65	2.68
2014	7	17.40	2.96
2013	8	16.30	2.84
2012	8	14.40	2.52

Source: Bureau of Foreign Trade, MOEA, Taiwan, ROC.

Since Taiwan is an export-oriented market, it is vital to examine Taiwan's exports to Malaysia. Taiwan's performance was notably impressive following the initiation of the NSP. From 2017 to 2022, Taiwan experienced consistent growth, with an exception in 2019. The export volumes are as follows: US\$ 10.37 billion in 2017, US\$ 10.60 billion in 2018, US\$ 9.40 billion in 2019, US\$ 9.46 billion in 2020, US\$ 13.33 billion in 2021, and US\$ 17.02 billion in 2022. However, the export volume from Taiwan to Malaysia did not align with the composition of Taiwan's total export value (Table 4). Although it reached its highest record in 2022 at 3.55% (the highest since 1989), the share of exports to Malaysia in Taiwan's total export value was considered fluctuating. It stood at 3.29% in 2017, 3.17% in 2018, 2.86% in 2019, 2.74% in 2020, 2.99% in 2021, and 3.55% in 2022. Overall, this performance surpassed the years preceding the NSP initiation, with figures of 2.80% in 2016, 2.54% in 2015, 2.75% in 2014, 2.68% in 2013, and 2.18% in 2012. Regarding Taiwan's imports from Malaysia, they exhibited steady growth from 2017 to 2022, excluding 2020: US\$ 7.18 billion in 2017, US\$ 9.30 billion in 2018, US\$ 10.37 billion in 2019, US\$ 9.89 billion in 2020, US\$ 11.80 billion in 2021, and US\$ 13.53 billion in 2022. However, the share of the imports in Taiwan's total import volume fluctuated: 2.79% in 2017, 3.27% in 2018, 3.63% in 2019, 3.46% in 2020, 3.09% in 2021, and 3.16% in 2022. Nevertheless, it still outperformed the pre-NSP period which basically fluctuated between 2.74% to 3.21%.

Table 4. Taiwan Exports to and Imports from Malaysia (2012 to 2022)

Year	Rank	Exports Volume (US\$ Billion)	% to Taiwan's Total Export Volume	Rank	Imports Volume (US\$ Billion)	% to Taiwan's Total Import Volume
2022	7	17.02	3.55	8	13.54	3.16
2021	8	13.33	2.99	9	11.80	3.09
2020	8	9.46	2.74	7	9.89	3.46
2019	8	9.40	2.86	5	10.37	3.63
2018	8	10.60	3.17	7	9.30	3.27
2017	8	10.37	3.29	8	7.18	2.79
2016	9	7.81	2.80	7	6.29	2.74
2015	9	7.13	2.54	8	6.52	2.85
2014	9	8.61	2.75	7	8.78	3.21
2013	9	8.18	2.68	9	8.12	3.01
2012	10	6.56	2.18	9	7.84	2.90

Source: Bureau of Foreign Trade, MOEA, Taiwan, ROC.

Drawing from the preceding analysis, the trade relations between Malaysia and Taiwan have displayed a modest improvement after the introduction of the NSP (Table 5). This stands in contrast to Ma's second term (2012 to 2016), during which there was a comparatively lesser emphasis on engagement with markets in the southern region. Describing the NSP as successful in Malaysia might be a stretch; it could be more accurately characterized as a modest accomplishment at best.

Since the inception of the NSP in 2017, the share of Malaysia-Taiwan trade within Taiwan's total trade volume has finally reached the 3% threshold. However, this progress has been relatively modest, with fluctuations ranging from 3.06% to 3.37% (Table 5). Despite this mild advancement, Malaysia has emerged as the best-performing market among the ASEAN nations within Taiwan's top 10 NSP trading partners. Among the three ASEAN countries featured on this list, Malaysia's proportion in Taiwan's trading volume has notably increased by 0.31%, rising from 3.06% in 2017 to 3.37% in 2022. In contrast, Singapore's increase is marginal, with a mere 0.03% growth in Taiwan's market share from 4.60% in 2017 to 4.63% in 2022. Meanwhile, Vietnam's share remained consistent at 2.37% for both 2017 and 2022. Australia, another NSP target market, exhibited an even more impressive performance than Malaysia. It had dropped out of

the top-10 trading partners list for Taiwan when the NSP was launched and during 2019 and 2020. Yet, it made a substantial leap to 3.55% in 2022 from its previous standing of 2.09% in 2018. Notably, the NSP seems to have achieved a modest reduction in Taiwan's dependence on the Chinese market. A comparison between 2017 and 2022 reveals a decrease in China's share of Taiwan's trading volume from 24.23% to 22.60%. Similarly, Hong Kong also saw a reduction from 7.45% in 2017 to 7.3% in 2022.

Table 5. The Shares of Malaysia, China and Other Top-10 Trading NSP Markets in Taiwan's Total Trading Volumes from 2012 to 2022 (in Percentage)

Year/ Country	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Australia	2.26	-	-	-	-	-	2.09	-	-	2.38	3.55
China	21.28	21.62	22.15	22.67	23.16	24.23	24.29	24.26	26.30	25.16	22.60
Hong Kong	7.10	7.14	7.52	7.76	7.79	7.45	6.92	6.73	7.95	7.81	7.30
Indonesia	-	2.14	-	-	-	-	-	-	-	-	-
Malaysia	2.52	2.84	2.96	2.68	2.77	3.06	3.22	3.22	3.07	3.03	3.37
Philippines	-	-	-	-	2.14	2.09	-	-	-	-	-
Singapore	4.93	4.88	4.92	4.79	4.66	4.60	4.16	4.25	4.45	4.56	4.63
Thailand	-	-	-	1.89	-	-	-	-	-	-	-
Viet Nam	-	-	2.13	2.36	2.41	2.37	2.34	2.61	2.54	2.43	2.37

* Columns without figures are because the trading performances have fallen out from the top-10 list.
Source: Bureau of Foreign Trade, MOEA, Taiwan, ROC.

6. Soft Power and NSP in Malaysia

Based on the aforementioned, the facet of trading within the NSP achieved only modest success in Malaysia after its introduction by the Tsai government. In this context, trading failed to play a significant role both in enhancing economic ties as well as spreading Taiwan's soft power in Malaysia. Various factors contributed to this modest increase in trading volume, including the outbreak of COVID-19 at the end of 2019. Although Taiwan still enjoyed 0.33% GDP growth to 3.39% in 2020, Malaysia faced severe impacts from the epidemic in 2020, with GDP experiencing a significant decline to -5.53% in 2020 (table 6), causing a ripple effect in the following two years.

However, when examining the situation through the lens of soft power, the decades-long effort of Taiwan to spread its soft power in Malaysia could not be considered entirely successful, though it is not a complete failure either. Taiwan's national language is Mandarin, and the majority of the soft power it disseminates in Malaysia uses Mandarin as a medium. Despite the Chinese ethnicity in Malaysia being exposed to Taiwanese culture for decades, the Chinese ethnic population in Malaysia constitutes only around 22.8% of the total population (Department of Statistics Malaysia, 2022). Considering that there are a few Chinese individuals who are not Mandarin speakers and an increasing number of Malays and Indians learning Mandarin, the potential influence of Taiwan is limited to less than a quarter of the Malaysian population. Moreover, the Chinese community in Malaysia generally considers China as their ancestral and cultural motherland instead of Taiwan. Some of them even view Taiwan's independence as a traitorous attempt to permanently divide China. Simultaneously, a rising China offers a larger market compared to Taiwan. Therefore, whether based on emotional considerations or realistic calculations, Taiwan's performance in spreading values such as democracy does not entirely resonate with the Chinese community in Malaysia (Boon, 2017).

In this case, while the power of soft power is not completely discounted, the historical, realistic and identity factors among the Chinese ethnic population in Malaysia with China and Taiwan create a situation that Taiwan is unable to uproot. Therefore, the NSP of Taiwan is considered either a failure or only achieving mild success in Malaysia after its launch.

Table 6. Malaysia GDP (2012 to 2022)

Year	Taiwan GDP	Malaysia GDP
2022	2.35	8.69
2021	6.53	3.09
2020	3.39	-5.53
2019	3.06	4.41
2018	2.79	4.84
2017	3.31	5.81
2016	2.17	4.45

Source: National Statistics, ROC (Taiwan) and Macrotrends
(<https://www.macrotrends.net/countries/MYS/malaysia/gdp-growth-rate>).

7. Conclusion

The NSP was officially launched by the Tsai administration in 2017, aiming primarily to diversify Taiwan's economic partnerships and mitigate the risks associated with an overreliance on a single market, specifically China. Simultaneously, the NSP sought to garner more international attention and collaboration, operating under the shadow of China. Preceding the NSP, former presidents Lee and Chen had introduced similar strategies, known as the SP, with Malaysia consistently among the targeted countries.

However, Malaysia did not consistently see an increase in its proportion within Taiwan's total trade volume under these initiatives, and a similar situation has unfolded with the NSP. Despite Taiwan exercising soft power in Malaysia through initiatives such as providing scholarships since the 1950s and spreading cultural influence through literature, popular culture, and shared values like democracy, it has struggled to overcome the historical and identity ties that Chinese Malaysians share with China. Additionally, Taiwan has predominantly used Mandarin as the medium to disseminate its soft power for decades, yet over 70% of Malaysians are not Mandarin speakers. Consequently, it failed to attract this group, which lacks the historical and cultural baggage with China, to favour Taiwan over China, resulting in a lack of mobilization in the NSP. It appears that the NSP was destined to have limited success in Malaysia from its inception.

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