The Case for a Pragmatic India-Taiwan Partnership

Joe Thomas Karackattu
Taiwan is a unique political actor on the international stage. Although it is a vibrant democracy, it has not received formal diplomatic recognition from most countries (including India), as these states aim to avoid provoking mainland China. Beijing claims sovereignty over Taiwan as a part of its One China principle. This state of affairs is a consequence of the civil war that brought the Chinese Communist Party to power in mainland China in 1949 after the Communists ousted the leadership of the Kuomintang (KMT), a Chinese nationalist party that then retreated to Taiwan.

Today, Taiwan has its own laws, a distinct political system, and a thriving economy known for its sizable footprint in global supply chains for medium- and high-end technological products. Yet these characteristics have not diminished the red lines that mainland China seeks to impose on countries that deal with Taiwan. Generally, most countries find it challenging to balance the political implications of fostering closer ties with Taiwan alongside their own interests involving mainland China, the world’s second-largest economy. India’s relationship with Taiwan plays out in this complex diplomatic maze.

In 2016, the island’s politics changed significantly with the election of Tsai Ing-wen as president, in what many observers saw as a shift away from Taiwan’s growing economic dependence on mainland China. Under her leadership, by means of the New Southbound Policy, Taiwan is aiming to diversify its trading and investment partners. These dynamics in cross-strait relations pose further challenges for states that adhere to a One China policy, especially India, since New Delhi is a focal point of Taiwan’s current policy outreach strategy.

India has an interest in expanding economic and sociocultural ties with Taiwan. At present, however, the bilateral economic relationship has underdelivered based on the extraordinary positions India and Taiwan enjoy in the global economy. After all, India has been a standout driver of economic growth in the aftermath of the 2007–2008 global financial crisis, and Taiwan is a hub of high-tech manufacturing. There are ways that the Indian and Taiwanese governments, and the business communities on both sides, could cooperate more closely for mutual benefit while maintaining the course of India’s relationship with mainland China. This analysis traces the evolution of relations between India and Taiwan, explicates political trends in Taiwan and the state of cross-strait ties, and situates the ties between India and Taiwan in the context of these evolving dynamics.

Given the oscillations in India’s relationship with mainland China (due to border disputes and other geopolitical issues), it would be prudent for India to shift toward a greater emphasis on soft balancing by cultivating a more normal, pragmatic relationship with Taiwan. The Indian government’s Act East policy already provides a framework for greater engagement between the states of northeastern India and Southeast Asia; this same framework also offers a concrete platform for Taiwan to make itself crucial to India’s future economic growth.
There are several avenues of cooperation between Taiwan and India—including trade, investment, tourism, and education—that have yet to be utilized optimally. To this end, India should upgrade Taiwan to a consultative partner in its Make in India initiative, and likewise Taiwan should play a proactive role in stitching together its own South Asian Silicon Valley development project under the Digital India initiative. Furthermore, there is plenty of room for India-Taiwan people-to-people engagement (including through cultural and other noneconomic links) to generate soft power via academic exchanges, tourism promotion, and developmental assistance programs over the coming years. For these efforts to be successful, resources need to be invested and political commitments must be made to match the policy pronouncements India and Taiwan have made. The caveat is that any strategy that would aim to treat Taiwan as a source of leverage against mainland China would run counter to India’s (and Taiwan’s) medium-term development goals.

The Evolution of India-Taiwan Relations

Ties between Indian and Taiwan-linked political figures are long-standing. Indian and KMT leaders interacted in significant ways during the Second Sino-Japanese War (1937–1945). Even prior to that, Indian leaders (particularly those on the All India Congress Committee) demonstrated an affinity with the Chinese nationalist struggle (like when the committee drafted resolutions in 1925 against the use of Indian soldiers by the British government). Similarly, eventual Indian prime minister Jawaharlal Nehru expressed solidarity with the Chinese people at an international congress in Brussels protesting colonialism in 1927 (an event that included Soong Ching-ling, the wife of famed Chinese nationalist Sun Yat-sen).

What stands out in those formative years, apart from Nehru’s 1939 trip to mainland China, was KMT Generalissimo Chiang Kai-shek and his wife’s visit to New Delhi and Kolkata in 1942. Chiang was the first major non-European political figure to meet with the leaders spearheading Indian independence efforts, chiefly Mahatma Gandhi and Nehru. During the trip, Chiang and his wife offered a donation of 50,000 rupees to Rathindranath Tagore in memory of his father, Rabindranath Tagore, and gave another 30,000 rupees to complete an extension of Cheena Bhavana at Santiniketan. The Kolkata station of All-India Radio broadcast a speech by Chiang in Chinese (while his wife delivered an English rendering).

The geopolitical circumstances surrounding relations between India, mainland China, and Taiwan changed dramatically when the British were driven from India in 1947 and the Communist revolutionaries in China successfully forced the KMT to withdraw to Taiwan in 1949. Taiwan was, in a notional and a real sense, kept at a distance, as India had to deal with the political reality of
having a Communist China at its border. After India formally recognized mainland China, the KMT was acerbic in its characterization of Nehru:

As for the neutralists, of whom Nehru is indisputably the most outstanding representative, they have always been laboring under the illusion that their national security can be ensured by humoring the Chinese Communists as far as possible. Hence Nehru’s fence-sitting attitude and the policy of appeasement pursued by Indian diplomats in the United Nations and at other international conferences . . .

Early on in the Cold War in the 1950s and 1960s, the political distance between India and Taiwan deepened, as Nehru’s foreign policy strategy of nonalignment was at odds with the anti-Communist (and anti-China) alliance that KMT leaders were consolidating with the United States. India’s support for mainland China’s membership on the UN Security Council (replacing Chiang and the KMT-led, Taiwan-based Republic of China in 1971) further worsened relations. Amid the backdrop of the Cold War, the India-Taiwan relationship mostly remained on the backburner until the early 1990s.

Then India announced a regional outreach strategy called the Look East policy (LEP) in 1992, when it became a dialogue partner of the Association of Southeast Asian Nations (ASEAN), although the policy was originally conceived of as an economic initiative. Much of the engagement under the policy focused on ASEAN, including a free trade agreement on goods (implemented from January 2010) and one for services and investment (signed in 2014), as well as an ASEAN-India network of think tanks.

According to a senior Indian foreign policy official, New Delhi since has begun committing more strongly to engaging diplomatically with neighboring countries in the Asia Pacific through bilateral and multilateral channels. In this spirit, India revamped and elevated the LEP into the Act East policy in the latter half of 2014, designing the restructured policy to make New Delhi more proactive on a variety of political, security, and sociocultural policy fronts. In addition to improving regional infrastructure connectivity for northeastern India, the Act East policy also encompasses strategic partnerships with a range of actors, including Australia, Indonesia, Japan, Malaysia, Singapore, South Korea, and Vietnam, as well as ASEAN. While the scope and geographic reach of the Act East policy has definitely been enlarged, India’s relationship with Taiwan is formally listed nowhere in the ambit of the policy. The Indian government’s stated Taiwan policy is geared toward encouraging “exchanges in trade, investment, tourism, culture, education and other such people-to-people areas.”

In the absence of formal diplomatic ties with Taiwan, New Delhi established the India Taipei Association (ITA) in March 1995 to help the two sides coordinate more. The organizational
counterpart in India is the Taipei Economic and Cultural Center (TECC) in New Delhi, which was established the same year; in addition, there are now also TECC offices in Chennai, Kolkata, and Mumbai. Both institutions offer consular and passport services and promote trade and business links, scientific exchanges, and people-to-people interactions. Over the years, bilateral engagement between India and Taiwan has gradually improved. Particularly noteworthy milestones include, but are not limited to, the initiation of direct flights between New Delhi and Taipei in 2003 and a series of visits by significant political figures. Former Indian defense minister George Fernandes visited Taiwan in 2003 and former president A.P.J. Abdul Kalam did the same in 2010. Similarly, then KMT presidential candidate Ma Ying-jeou went to India in 2007 and Tsai visited in 2012 as the chair of the Democratic Progressive Party (DPP). Another notable milestone was the establishment of the India-Taiwan Parliamentary Friendship Forum in 2016 by twenty-two Indian parliamentarians as a “formal platform for ‘friendship.’”

In terms of increasing commercial and industrial engagement, the TECC and the ITA formalized a 2017 memorandum of understanding (MoU) on the “Promotion of Industry Collaboration,” an agreement that was preceded by twenty-one MoUs signed earlier that year by Taiwan’s Chinese National Federation of Industries and the Federation of Indian Chambers of Commerce and Industry. More recently, the first India-Taiwan Trade Forum was convened in Taipei in early 2018. And subsequently the Taipei World Trade Center inaugurated its New Delhi office in conjunction with the debut of the Taiwan Expo (a business exposition) in South Asia over the summer of 2018 for which New Delhi served as the inaugural venue.

Despite this growing engagement, India’s position on the final resolution of the Taiwan issue has remained ambiguous. In a January 2008 joint statement, India and China acknowledged the One China policy in the following terms: “The Indian side recalls that India was among the first countries to recognize that there is one China and that its one China policy has remained unaltered. The Indian side states that it would continue to abide by its one China policy, and oppose any activity that is against the one China principle. The Chinese side expresses its appreciation for the Indian position.” After a 2010 joint communiqué, Beijing and New Delhi have released no additional joint statements on the subject.

The political relationship between India and Taiwan periodically has been complicated by issues of protocol. Indian members of parliament travelling to Taiwan have been asked by India’s Ministry of External Affairs to travel on ordinary passports (as opposed to diplomatic ones) to attend engagements hosted by Taiwan’s Ministry of Foreign Affairs. In May 2016, India is believed to have reversed course on a prior commitment to send two parliamentarians to Tsai’s presidential inauguration, even as other dignitaries including legislators from Singapore and a member of the European Parliament were present for the occasion.
Another time, in early 2017, Beijing objected to a visiting delegation of female Taiwanese parliamentarians to India and asked New Delhi to be more “prudent” in its dealings with Taiwan.

More recently, in response to the Chinese Civil Aviation Administration’s threat to a number of foreign air carriers not to refer to Taiwan as a country on their websites, Air India (the country’s national carrier) relabeled Taiwan as Chinese Taipei on its website. The Indian Ministry of External Affairs categorized these instances as being in line with “international norms and [its own] position on Taiwan since 1949.”

Meanwhile, India and Taiwan’s economic relationship is much smaller than it should be. Overall bilateral trade in 2017–2018 was roughly the same as 2013–2014 levels, although the year-on-year numbers reveal a temporary dip in the interim period. Bilateral trade hovers around 1 percent of total trade for both countries. India was only Taiwan’s sixteenth-largest trading partner in 2017, a ranking dwarfed by Taiwan’s trade flows with mainland China. Trade between mainland China and Taiwan amounted to $139 billion in 2017, while India-Taiwan trade garnered a little more than $6 billion. The composition of bilateral trade remains lopsided, as Indian exports chiefly include mineral fuels, mineral oils, iron and steel, organic chemicals (such as naphtha and p-xylene), and cotton, whereas imports from Taiwan generally consist of high-end value-added products including electrical machinery and equipment, nuclear reactors, plastics, and organic chemicals (such as polyvinyl chloride).

Investment figures are similarly modest. Taiwan ranked number forty on the list of top investors in India between 2000 and 2016. Taiwan’s overall investments in India totaled only around $243 million, representing 0.07 percent of total investment flows India received between April 2000 and June 2017. The later part of this timespan marked a marginal improvement in absolute terms, as only 0.03 percent of Taiwan’s outbound investments were parked in India between 2001 and 2010. Similarly, Indian investments in Taiwan over the same period accounted for only 0.04 percent of Taiwan’s overall inward foreign direct investment (FDI). In 2017, Taiwan’s outward FDI to India (as a percentage of overall outward investment) stood at roughly 0.15 percent, according to Taiwan’s Ministry of Economic Affairs, even as 44 percent of Taiwan’s outward FDI (driven chiefly by investments in electronics and information technology) landed in mainland China that same year. And while Taiwan has more than 80,000 firms operating in mainland China, there are only a few more than 100 Taiwanese companies that have a presence in India.

In recent years, there has been a tepid effort to formalize something resembling a free trade agreement between India and Taiwan, but there has not been much movement on that front since the idea was broached roughly eight years ago, except for a joint study on the prospect of such an agreement. Some Taiwanese firms have begun exploring the possibility of moving manufacturing capacity that is currently based in mainland China to India and countries in Southeast Asia. Sectors such as steel, engineering, electronics, machinery, construction, and financial services attract
Taiwanese companies to India, with over half of these firms concentrated in information and communications technology.\textsuperscript{36}

Several Taiwanese firms are making important investments in India. Notably, the Taiwanese electronics manufacturing firm Hon Hai (or Foxconn) has ambitious plans to establish a production presence in India as demonstrated by its decision to build a new plant in Maharashtra to the tune of $5 billion over five years, as part of a larger project to have roughly twelve manufacturing and data centers operational in the country by 2020.\textsuperscript{37} Taiwanese investment in India seems to be most heavily concentrated in places like Gujarat, Maharashtra, Tamil Nadu, and New Delhi.\textsuperscript{38} In addition to Hon Hai, a leading Taiwanese chip designer called MediaTek plans to triple its staff in India to a total of 1,500 by 2019.\textsuperscript{39} MediaTek’s investment in India is valued at $350 million, with a subsidiary in Noida, an R&D center in Bengaluru, and a stake in One97 Communications (known for its flagship brand PayTM in India) valued at $60 million.\textsuperscript{40} Furthermore, a fabric manufacturing firm named Nan Liu has committed to a $20 million investment to construct a factory in Gujarat.\textsuperscript{41}

Beyond these investments, there are also notable joint initiatives being proposed under the Make In India banner, such as a $200 million investment agreement between Optiemus Infracom, an Indian telecommunications firm, and the Taiwanese Wistron Corporation to make telecommunications products in India over the next five years.\textsuperscript{42} In addition, the Taiwan Electrical and Electronic Manufacturers’ Association (TEEMA) and the smartphone manufacturing firm OPPO plan to form an “electronic manufacturing cluster” in Noida, which is expected to generate 30,000 local jobs.\textsuperscript{43} If most of these proposals materialize, India and Taiwan’s commercial relationship may scale up significantly and this could build momentum for similar investment projects in the future.

The State of Cross-Strait Ties

The issue of Taiwan’s sovereignty continues to be at the heart of the long-standing dispute between Beijing and Taipei.\textsuperscript{44} Mainland China seeks what it terms the peaceful reunification of Taiwan with the mainland under a “one country, two systems” formula, a long-time bedrock of its One China principle. According to this formula, Taiwan would have to surrender sovereignty for Beijing’s offer of nominal autonomy.\textsuperscript{45} Mainland China attempted to give this policy a legal grounding through the Anti-Secession Law that Beijing passed in March 2005 at the Third Session of the Tenth National People’s Congress; the law explicitly authorizes the use of Chinese military force in the event that Taiwan were to move toward de jure independence.\textsuperscript{46}

Although mainland China replaced Taiwan on the UN Security Council in 1971, Taiwan has since participated in several international organizations and intergovernmental forums under a few
different names. For instance, in the Asia Pacific Economic Cooperation (APEC) forum, the island is referred to as Chinese Taipei, while the World Trade Organization describes it as the “separate customs territory of Taiwan, Penghu, Kinmen and Matsu,” and the Asian Development Bank uses the label Taipei, China. Taiwan also has participated in assembly meetings of the World Health Assembly (WHA) and the International Civil Aviation Organization (ICAO) as well as committees of the Organization for Economic Co-operation and Development. But, over the years, Taiwan’s international space has become increasingly constricted by the pressure Beijing applies. For instance, Taipei has been denied the opportunity to participate in WHA and ICAO meetings since 2016.

In Taiwan itself, democratic competition has proffered a range of political perspectives and approaches over the years. Former president Lee Deng-hui of the KMT (1988–2000) practiced “pragmatic diplomacy” (wushi waijiao) or, alternatively, “flexible diplomacy” (tanxing waijiao); this approach entailed trying to create greater international space for Taiwan by making its links to mainland China less pronounced. This trend continued under former president Chen Shui-bian of the DPP (2000–2008) with a campaign to reinterpret Taiwan’s history as distinct from that of mainland China. (Consequent changes included embossing the English word Taiwan on Taiwanese passports instead of Chinese characters and pushing to secure Taiwanese participation in the United Nations.)

Moreover, Chen and Tsai (who was the minister of the Mainland Affairs Council from 2000 to 2004 under Chen’s administration) have never publicly articulated support for the so-called 1992 Consensus. This implicit understanding between the KMT and the Chinese government in Beijing stated that there is only one China, but that each side would have its own interpretation of what that meant. Much of Chen’s strategy entailed competing diplomatically with mainland China on the assumption that doing so would at least generate domestic sympathy for the party even if the campaign failed; (this approach was known as “scorched-earth diplomacy” and was outlined by then National Security Council secretary general Chiou I-jen).

In contrast, the KMT under former president Ma (Chen’s successor) pursued an economic growth strategy that involved pivoting toward mainland China as a fulcrum for trade and investment. The party succeeded in signing a 2010 free trade pact with China known as the Cross-Strait Economic Cooperation Framework Agreement (ECFA). For a time, Taiwan enjoyed unusually high growth in gross domestic product (GDP) paired with greater international elbow room. Other tangible outcomes included the quasi–free trade agreements Taiwan signed with Singapore and New Zealand in 2013, as well as an investment protection agreement with Japan.

In terms of these accomplishments, Ma’s strategic ambiguity seemed to bear more fruit for Taiwan, or at least cross-strait communication channels were active under his administration. Additionally, Taipei was able to participate in international meetings such as those held by the WHA and the
ICAO. Ma’s foreign policy approach, dubbed “viable diplomacy,” assured Taiwan some breathing space in terms of trade and investment agreements and in terms of improving relations with ASEAN countries and strengthening Taiwan’s people-to-people ties with other actors in the region.\textsuperscript{54}

However, for all these apparent signs of normalization in cross-strait ties, many people felt that Ma moved Taiwan too close to mainland China for comfort. This sentiment resulted in widespread youth protests (the Sunflower Movement) in the spring of 2014. Many Taiwanese came to believe that the island’s competitive advantage vis-à-vis increasingly competitive mainland Chinese firms was eroding.\textsuperscript{55} After eight years under Ma and the KMT (2008–2016), Taiwan’s dissatisfied electorate voted back into power the DPP under Tsai in 2016.\textsuperscript{56} Since June 2016, Beijing has suspended talks and other official channels of communication with her government, due to Tsai’s refusal to fully accept the 1992 Consensus.\textsuperscript{57} Although Tsai openly referred to Taiwan’s links to mainland China in her 2016 inaugural speech and cited a 1992 law (which subsequently allowed nonofficial cross-strait interactions to commence through designated proxy agencies), Beijing has chosen to take a hard stance.\textsuperscript{58}

Tsai has sought to create a “new growth economic model” centered on what she billed in 2016 as the New Southbound Policy, which aims to cultivate “innovation, job creation, and more equitable distribution.”\textsuperscript{59} The policy promises a people-oriented (\textit{yirenweiben}) approach focused on a total of eighteen countries including states in Southeast Asia and South Asia as well as Australia and New Zealand; Taiwan budgeted roughly $134 million for the policy in 2017.\textsuperscript{60} Chern-Chyi Chen, an official in the Taiwanese Ministry of Economic Affairs, has highlighted four key elements of the policy, namely “trade and investment cooperation, people-to-people exchanges, regional linkages, and resource-sharing.”\textsuperscript{61}

Tsai’s biggest challenge has been trying to end Taiwan’s economic stagnation. Pending the passage of a cross-strait supervisory bill designed to institutionalize the monitoring of all agreements between mainland China and Taiwan, there is no indication that the Ma-era ECFA that sparked the Sunflower Movement will retain its momentum, although the DPP, in principle, does not oppose it.\textsuperscript{62} During a visit to India in 2012, when asked how realistic it would be to expect Taiwan to conclude free trade agreements with other economies, Tsai clarified that a case-by-case approach was most likely. She noted that a good rule of thumb would be that mainland China would probably seek to impede agreements negotiated with bigger countries, but she indicated that agreements involving economies that had concluded similar arrangements with Hong Kong would stand a chance of being reached.\textsuperscript{63} To date, Tsai’s approach has entailed steadfastly supporting a Taiwan-centric identity and, contrary to the fears in mainland China stoked by the DPP’s independence-leaning policy platform, she has not yet adopted a confrontational posture toward Beijing.
However, mainland China seems keen to signal that it will not play ball with the DPP unless there is an a priori understanding on the 1992 Consensus. Interestingly, Taiwanese politician and former Mainland Affairs Council chair Su Chi admitted back in 2006 that the term “1992 Consensus” was something he “made up” in 2000. Nevertheless, as things stand presently, exchanges between mainland China’s Association for Relations Across the Taiwan Straits and Taiwan’s Straits Exchange Foundation have been suspended.

The perceived truce during Ma’s tenure, during which the mainland refrained from snatching Taiwan’s diplomatic partners, has broken down, especially with Beijing’s suspension of cross-strait talks and exchanges. Several of Taiwan’s erstwhile diplomatic allies have opted to formally recognize mainland China instead since Tsai took office, including Burkina Faso, the Dominican Republic, El Salvador, Panama, and São Tomé and Príncipe. In particular, Beijing has been critical of Tsai’s New Southbound Policy, characterizing it as running “counter to economic principles”; admittedly, this criticism has been less acerbic than it was in 2003 when mainland China condemned Chen’s Go South Policy as “no different [than] digging a grave for oneself.”

In some ways, the geographic scope and substance of the New Southbound Policy are an extension of earlier iterations of the Go South Policy implemented intermittently by Tsai’s predecessors Lee, Chen, and Ma between 1994 and 2016. These policies were formulated as hedging strategies based on the perceived “political and economic risks” of lopsided Taiwanese dependence on mainland China and of Taiwanese “marginalization in regional economic integration” efforts.

But, unlike previous initiatives, Tsai’s current policy has an express focus on South Asia and stresses bilateral ties to heighten Taiwan’s “soft power.” It is based on a “people-centric” strategy that seeks to harness tourism and the mutual training of personnel. In geographic terms, the New Southbound Policy targets a group of countries that accounted for nearly $100 billion in total merchandise trade with Taiwan (roughly one-fifth of the island’s global total) and an accumulated total of outbound FDI from Taiwan to these countries that had reached $95 billion as of December 2016. The policy is an attempt to diversify Taiwan’s trade and investment away from mainland China, and it includes, for the first time, the establishment of a dedicated policy office directly under Tsai.

This strategy embodies a clear contrast with the KMT’s approach to economic engagement, which was primarily based on expanding economic relations with mainland China. Given that, it is not surprising that cross-strait relations have nosedived in the wake of Tsai’s election. Some observers have claimed that companies like the Hai Pa Wang International Group—which holds businesses in mainland China and whose investors are believed to be connected with Tsai’s family—have experienced undue tax scrutiny and punitive fines presumably because Beijing perceives them to harbor pro-independence sympathies.
That may not be the last storm for Taiwanese companies to weather. The Nineteenth Party Congress in Beijing further signaled a Chinese attempt to erode DPP support by omitting a reference to attempts at “reaching a peace agreement”—a reference that Chinese President Xi Jinping’s predecessor, Hu Jintao, had outlined in his Taiwan approach at the Seventeenth Party Congress. Xi’s speech notes:

We will resolutely uphold national sovereignty and territorial integrity and will never tolerate a repeat of the historical tragedy of a divided country. All active ties of splitting the motherland will be resolutely opposed by all the Chinese people. We have firm will, full confidence, and sufficient capability to defeat any form of Taiwan independence secession plot. We will never allow any person, any organization, or any political party to split any part of the Chinese territory from China at any time or in any form.77

There are some signs that Tsai’s attempt to maintain the status quo vis-à-vis mainland China has dwindling public support in Taiwan. In November 2018, Tsai and her allies suffered an unexpected setback when the KMT handily outperformed the DPP in a series of local midterm elections.78 The DPP lost several key mayoral posts, including in traditional DPP strongholds like Kaohsiung. In addition, survey data from the Election Study Center at National Chengchi University find that public support for Tsai’s preferred interpretation of the status quo has not increased during her term but instead has modestly dropped. Support for maintaining the status quo has fallen slightly from 86.2 percent of respondents to 85.1 percent since Tsai was elected.79 More tellingly, the subgroup of pro-status quo respondents who would like to see Taiwan take modest, limited steps toward independence fell from an all-time high of 18.3 percent when Tsai assumed power to 15.5 percent in the latest survey. Similarly, the subgroup of those supporting a move toward unification with the mainland has gone up slightly from 8.5 percent to 12.5 percent halfway through Tsai’s first term.80

The current freeze in cross-strait ties has to give way to a genuine process of cross-strait reconciliation without compromising a Taiwan-centric identity. The same is true of mainland Chinese actors that insist that Taiwan is an inviolable part of China, even as they have withheld flexibility in dealing with the island by using coercive strategies (including military drills and applying pressure on Taiwanese businesses).81

There is an urgent need to return to the normal status-quo politics of cross-strait ties by giving due weight to the core political attitudes of the Taiwanese people, namely the baseline of their preferences for the status-quo in cross-strait relations and a stronger Taiwanese identity (only 3 percent of them believe they are exclusively Chinese).82 It would not be wrong to conclude that Taiwan has reached a political inflection point, with the aftermath of the youth-driven protests of
the Sunflower Movement and the mobilization of the elderly (through platforms like the Formosa Alliance) coalescing as a political force that cannot be ignored for long.

By now, the 1992 Consensus was reached well over a quarter century ago. The circumstances at that time and the political realities of Taiwan’s flourishing multiparty democracy today clearly are completely different. With a weaker KMT, mainland China needs to rethink its current strategy toward Taiwan. A failure to reach a workable understanding may usher in a new normal in cross-strait ties that departs from this status quo. Already Beijing’s perceived poaching of several Taiwanese diplomatic allies has been changing the facts on the ground. Similarly, DPP conservatism on cross-strait ties does not encourage constructive relations across the Taiwan Strait either.

Normal politics is predicated on a foreign policy strategy by both sides that is averse to communications breakdowns and overly and permanently hostile rhetoric (based on the aggressive securitization of the relationship). Permanent tension and outright hostility, as exists in cross-strait ties currently, only paints both actors into a corner, and this tendency does not augur well for other partnerships to flourish (including those with countries like India). Developments that change the status quo—whether military or diplomatic action by mainland China to curb Taiwan’s international space, the pan-Green path in favor of de jure independence favored by some DDP affiliates, or a renewed securitization of cross-strait ties—would only fan the embers of emergency politics. Hopefully, Tsai’s “steadfast diplomacy,” which is the defining principle of her diplomatic outreach (primarily based on mutual benefit) would be reflexive enough to be applied to improving ties with mainland China and steering Taiwan through the aforementioned pressures.

How to Upgrade India-Taiwan Relations

It is important for India to adopt a pragmatic approach while dealing with Taiwan. Such a policy entails balancing the reality of adhering to the country’s basic One China policy (premised on the one country, two systems model) and the desire to cultivate a more normal relationship with Taipei. Treating Taiwan as a Chinese pressure point to gain leverage would run counter to India’s and Taiwan’s development goals. New Delhi and Taipei should avoid overemphasizing government-to-government relations (or related political gimmicks). Instead, the two sides should focus on consistently advancing multifaceted initiatives aimed at enhancing business ties and people-to-people exchanges through dedicated Taiwan-focused desks—like those in Indonesia, the Philippines, Thailand, and Vietnam—in major cities across India.

Tsai’s New Southbound Policy is designed to attract the attention of investors in countries like India with a distinct focus on local populations. Chung-Kwang Tien, a TECC representative stationed in
India, indicated to local journalists that Taiwan aims to enhance collaboration with India in areas such as “industrial supply chains,” exchange programs for young people, and agricultural cooperation as well as “e-commerce, infrastructure and tourism.” Unlike earlier outreach efforts with a more singular focus on contract manufacturing, Tsai’s new approach is built to leverage bilateral and multilateral cooperation on a range of fronts, including capital, human capital, technology, and cultural and educational exchanges. The policy will be rolled out in three phases, each of which will target six countries. India, Indonesia, Malaysia, the Philippines, Thailand, and Vietnam are part of the first phase.

Making good on this economic agenda will require that Taiwan and India take a practical, proactive approach. For instance, Pou Chen (a Taiwanese wholesale manufacturer of footwear brands such as Nike and Adidas) has moved manufacturing facilities in recent years from southern China to Indonesia, Myanmar, and Vietnam. Apart from mainland China, Taiwanese investment has largely flown to destinations like Vietnam (approximately $31 billion), Indonesia ($17 billion), Thailand ($15 billion), and Malaysia ($12 billion).

Taiwanese investment in India pales in comparison. In interviews conducted by the author, Taiwanese respondents noted that efforts to bolster economic relations with India are hampered by a host of factors. These include complicated tax regulations (which could be somewhat ameliorated by India’s new goods and services tax regime), corruption, insufficient understanding of each other’s investment environments and markets, cost-inflated high-skill services like business consulting, and linguistic and cultural differences. Although challenges in communication and cultural integration between Indian and Taiwanese partners can be surmounted to some extent, many Taiwanese businesspeople still have reservations about the ease of forming durable partners in India rather than places like mainland China where fewer cultural obstacles exist. One pertinent factor is education. While prevalent English language usage in top Indian schools can help bridge communication gaps for visiting Taiwanese students, many Taiwanese businesspeople still have a perception that their children may struggle to culturally integrate into Indian schools (compared to taishang schools in mainland China, for instance); in some cases, this keeps such businesspeople from living and conducting business in India for the medium to long term.

Despite these obstacles, there are avenues of potential cooperation between India and Taiwan, including electronics manufacturing. By 2020, demand for electronics hardware in India was expected to grow to $400 billion, according to a 2010 task force report commissioned by the Indian Ministry of Electronics and Information Technology. India’s estimated production capacity was projected to only reach $104 billion by then, thereby creating an expected gap of $296 billion between demand and actual production capacity. This shortfall represents a huge opportunity for Taiwan to help meet captive domestic Indian demand for electronics hardware and spur Taiwanese exports growth in the process.
In February 2019, the Indian government announced the National Electronic Policy 2019, which aims to achieve the target of $400 billion in Indian domestic demand for electronics hardware by 2025, rather than the earlier goal of doing so by 2020. This means several things: for starters, it shows that the current annual growth rate for domestic production (26.7 percent) has fallen below the targeted growth rate over this time period (2009–2020). Given current levels of domestic production (approximately $59 billion in 2017–2018), India’s capacity to produce electronics hardware does not appear to be on pace to meet the 2010 goal of reaching more than $100 billion by 2020. Beyond that, growth in India’s domestic demand has not yet closed in on the earlier $400 billion target either, a benchmark also targeted originally for 2020. This implies that it will take longer than anticipated for Indian domestic production to meet the nominal 2020 targets, unless the momentum of growth is scaled up drastically (which seems highly unlikely). This only reinforces India’s need for solid partnerships with actors like Taiwan to help meet the production shortfall, and the country’s need for targeted exports in this sector, given that overall market demand is projected to grow exponentially in the coming years.

In any case, growing demand in India for electronics hardware complements Taiwan’s comparative advantages and goals of boosting domestic firms and spurring economic growth. Taiwan’s electronics sector accounts for 15.5 percent of the island’s GDP, while India’s amounts to only 1.7 percent of its overall GDP. India’s aggregate production of electronics hardware in 2014–2015 was in the range of $32.5 billion, whereas domestic consumption was nearly double that figure; over that period, imports accounted for around 58 percent of Indian consumption of electronics hardware. India has targeted the goal of zero net imports in this sector by 2020, with plans for a formal digital transformation that include initiatives like Make In India, Digital India, and Startup India, as well as a preference for domestically manufactured electronics when it comes to government procurement. The Indian government has identified twenty-five specific sectors under the Make In India banner (including automobiles, information technology, leather, textiles, chemicals, ports, tourism, aviation, hospitality, wellness, and railways).

Taiwan is a natural partner for India, given that Taipei has a commanding global commercial presence in several medium- and high-tech product categories. Taiwan ranks number one globally in integrated circuit foundries (with nearly a 70 percent global share) and number two in portable navigation devices (with nearly a 60 percent global share) excluding overseas production by Taiwanese companies. Today, as a tertiary economy, Taiwan ranks number one in patent activity and number ten in economic innovation in addition to being a world-leading semiconductor supplier and a technology giant that accounts for 90 percent of the world’s laptops (manufactured through five Taiwanese firms). Services constitute over 60 percent of the island’s GDP. Taiwan should position itself favorably in the next few years to leverage India’s digital revolution and growing demand for high-tech products to manufacture some goods in India and gain market share.
for its firms; doing so could help the Taiwanese government jumpstart its 2016 Asian Silicon Valley Development Plan, which aims to promote innovation related to the internet of things and Taiwanese entrepreneurialism.\(^{103}\) Of course, New Delhi and Taipei should allow mutually beneficial interests to guide such an arrangement.

Other areas that could serve the dual purposes of strengthening economic and people-to-people ties are tourism and education. India has extended e-visa privileges to those traveling from Taiwan for tourism, informal business trips, or short medical visits.\(^{104}\) Meanwhile Taiwan allows online travel authorization for Indians who possess valid visas (or one issued within the previous ten years) or permanent resident certificates issued by a host of countries including Australia, Canada, Japan, New Zealand, South Korea, the UK, the United States, or any of the countries that participate in the Schengen Area.\(^{105}\)

The flow of tourists, however, leaves much to be desired. In 2016, there were about 33,500 Indian tourists to Taiwan (outnumbered by mainland Chinese tourists by more than a factor of 100),\(^{106}\) while between 35,000 and 36,500 Taiwanese visited India annually between 2013 and 2015.\(^{107}\) By comparison, approximately 180,000 Taiwanese tourists visited the Philippines in 2015 alone (the country’s sixth-biggest source of tourists).\(^{108}\) In terms of other people-to-people contacts, Taiwan’s National Immigration Agency reported that 2,873 Indian nationals were residing in Taiwan as of December 2016.\(^{109}\) Taiwan is also expected to hire people from northeastern India specifically to work in the hospitality sector, as the island depends increasingly on foreign migrant workers (from countries like Indonesia, the Philippines, Thailand, and Vietnam).\(^{110}\) This trend could be a starting point for spurring more people to travel back and forth between India and Taiwan.

In terms of education exchanges, Taiwan has set up eleven Chinese language learning centers in India and aims to provide more scholarships for Indian students to study in Taiwan.\(^{111}\) The presence of Indians in Taiwan, and educational outreach efforts in India by Taiwan, have yet to reach critical mass. To increase engagement with the countries of South and Southeast Asia, Taiwan is expected to fund sponsored internships for Taiwanese youth to these regions and more scholarships for students from these countries to study in Taiwan.\(^{112}\) There are also plans to establish a dedicated think tank for the study of ASEAN and South Asia in Taiwan.\(^{113}\)

Given the low overall level of India-Taiwan people-to-people interactions, it would not be an overreach to suggest that there is only a modest contingent of Taiwan-focused scholars in Indian universities and India-focused scholars in Taiwanese institutions of higher learning. The TECC liaison offices have yet to regularly convene a dedicated set of Taiwan-focused scholars outside of the business-as-usual annual roundtables held by closed think tank circles in New Delhi. This engagement needs to be enlarged with a proactive agenda centered on academic and business-focused
brainstorming sessions, clearly defined deliverables, and annual goal assessments so as to keep these efforts accountable to both Indian and Taiwanese taxpayers.

Instead, what has been happening to date is that less attention is paid to the substance and more attention is given to the form of Taiwan-centered efforts. Some of the inroads being achieved in education, for instance, seem to be driven more by considerations related to the seeding of Taiwan Education Center/Program offices in India than by substantive efforts to develop solid academic collaboration in terms of mobility for faculty and students between Taiwan and India and upgrading the quality of teaching and research. (What is specifically at issue is Chinese language education in India and the mobility of Indian researchers and students to Taiwan.)

Improvement on these fronts would help ensure that India and Taiwan generate soft power through academic exchanges and developmental assistance programs over the coming years. With a strong ensemble of cultural ambassadors (in the arenas of trade, academia, and tourism to begin with), the scarcity of cultural interpreters in both places could be mitigated to a large extent. This would be a suitable political, economic, and social investment that policymakers in India and Taiwan could work toward in the short term while seeking to build a more robust relationship over the medium term.

There are other additional ways for India and Taiwan to cooperate. There is immense potential for efforts to help meet India’s agricultural modernization needs. It would also make sense to form partnerships between Indian and Taiwanese pharmaceutical companies to deal with high drug prices and seek to lower the costs of implementing Taiwan’s National Health Insurance program. Major infrastructure projects and manufacturing are other areas where Taiwan—with its competence in transportation, construction, and logistics—could do important work in India that could lay the foundation for other preferential agreements in the future. A closer partnership based on relocating manufacturing capacity to India. (These efforts would result in job creation, an expansion of labor talent, industry growth, technology transfers, and the sharing of Taiwan’s small- and medium-enterprise development experience.) Such collaboration could help boost Taiwan’s high-end manufacturing and R&D (through the cultivation of high-tech industries in India and South Asia) and allow reciprocal gains for Taiwan by virtue of the vast potential of India’s immense market.

Policy Recommendations

It is time for India and Taiwan to shed some of the self-imposed caution that has characterized their bilateral interactions to date (on the part of India, chiefly through soft balancing strategies) and to
act more decisively (on the part of Taiwan, chiefly by building up a viable medium-term economic partnership with India). The following recommendations are designed to advance these objectives.

- New Delhi should seek to formally mention Taiwan as a development partner in India’s growth story. The Act East policy largely has remained a mere articulation of interests. As the policy takes more definite shape, there should be an effort to acknowledge the role Taiwan can play.

- India should designate Taiwan a consultative partner in strategies such as Make In India, Skill India, and Digital India. Co-developing industrial zones in India and specifically encouraging small- and medium-enterprise collaborations to create job opportunities could be a new direction for the future of India-Taiwan ties.\(^{115}\)

- New Delhi should actively engage with Taiwanese nongovernmental organizations (NGOs) over the coming years. Taiwan’s constrained international space has compelled these NGOs (in a diverse range of sectors) to forge an enormous international networking capacity and play an elevated role in Taiwanese diplomacy. The vagaries of formal track I diplomacy induced by Indian caution about abiding by the One China policy could be mitigated from time to time, if a formal track streamlining nongovernmental coordination could be put in place, alongside the normal channels of communication through the ITA and the TECC.

- The scope of conversations between Indian and Taiwanese people must be enlarged. Delegation diplomacy, which tends to be mostly centered on New Delhi and Taipei, needs to be expanded to include a range of Taiwan-focused scholars, think tanks, artists, and businesses from both India and Taiwan. Once scholars from a spectrum of disciplines (not just security-related ones) are partaking in these discussions, there will be an eclectic range of scholarship generated, contributing to a robust cadre of scholars, artists, and business leaders with a stake in the relationship in India and Taiwan alike.

- Both India and Taiwan should establish a mechanism to facilitate reciprocal high-level visits (by senior political and economic leaders as well as other thought leaders), so as to institutionalize economic cooperation through a formal special economic partnership. The focal points of such a venture could be electronics (and related technologies), automobiles (electric vehicles), petrochemicals, agricultural technologies, and food processing. Over time, the agenda could be expanded to incorporate other matters such as the feasibility of a free trade agreement.
• Taiwan should quantify targeted outcomes for trade and investment with India, with an eye toward forging a “sense of economic community” (through the New Southbound Policy). Trade and investment deliverables and key objectives should be reviewed annually to ensure accountability on the part of the island’s leadership and bureaucracy.

• Given Taiwan’s low birthrates and the impact they have on long-term enrollment in Taiwanese educational institutions, as well as the two sides’ shared advantage of English language training, it would be useful for Taiwan Education Programs in India to refocus their expansion strategies toward facilitating meaningful student and faculty exchanges. Specifically, this would entail increasing student enrollment in both places, improving faculty and student mobility, and setting incremental targets for collaborative research.

• The ECFA pursued by the KMT government under Ma produced some tangible benefits for Taiwan. Tsai’s government should consider following up on these cross-strait trade negotiations—with appropriate oversight and procedural safeguards—instead of shelving the negotiations permanently, especially given that conversations with Beijing over politics seem to be stalled. A permanent stalemate on the economic front is undesirable even for Beijing, given the impact it could have on public consensus in Taiwan on cross-strait matters over time. The economic springboard, if successfully revived, could contribute to efforts to improve cross-strait relations and restore Taiwan’s flexibility in pursuing other regional and bilateral trade agreements. Such a strategy also would give other Taiwanese partners like India the policy space to further develop their bilateral partnerships with the island.

Conclusion

This analysis outlines underutilized opportunities to enhance the bilateral relationship between India and Taiwan in the realms of trade, commerce, technology, education, and culture. For both sides, bilateral economic ties have to be the bedrock of the relationship, which should eventually serve as an engine for manufacturing and innovation so as to spur widespread job and growth opportunities.

For India, maintaining a pragmatic approach toward Taiwan would help New Delhi attempt to delink its relationship with mainland China from a possible deterioration in relations between Beijing and Taipei. It is important to maintain such a balance since, as policy experts point out, mainland China has comparative strengths in executing big infrastructure projects, while Taiwan’s core advantages are its small- and medium-sized enterprises in information communications technology and agriculture (smart farming).
China’s overall economic footprint in South Asia has grown precipitously over the last decade, especially in relation to India’s neighbors (chiefly Bangladesh, the Maldives, Myanmar, Nepal, and Sri Lanka). The emergence of China’s Belt and Road Initiative and the United States’ withdrawal from the Trans-Pacific Partnership have reinforced China’s role as an important regional player. Some analysts have predicted that bilateral trade between China and India could exceed U.S.-China trade by as early as 2020.\footnote{118} It is appropriate, therefore, for India and Taiwan to recalibrate their policies in light of these new realities. A pragmatic approach vis-à-vis Taiwan would allow New Delhi to more readily employ soft balancing strategies. In any case, India needs to have a more flexible Taiwan strategy that looks at Taipei beyond simply considering how the island politically relates to China. Meanwhile, a closer partnership with India would help Taiwan tap into a vast and growing market and plan key reorganizations of its trade and investment goals as well as broader economic objectives.

Furthermore, given Taiwan’s growing inequality and aging population, the ruling DPP has an unambiguous mandate to deliver domestic growth and development. With mainland China as its largest trading partner, Taipei understands that a continued deadlock in cross-strait ties would portend less contact and communication, a lack of cooperation, and a narrower range of signaling options available for Taiwan and mainland China.\footnote{119} The intensification of two-way trade and investment ties is illustrated best by Taiwan’s export profile, insofar as more than 40 percent of its key exports are destined for mainland China (including Hong Kong).\footnote{120} It took roughly a quarter century to engender such deep economic links, and a sudden reorganization of trade and investment strategies would be neither desirable nor productive. To that end, a more reflexive strategy on the part of Taiwan’s leaders for improved ties with mainland China would be imperative during the transition toward new economic alignments envisaged in initiatives such as the New Southbound Policy.

To ensure that the India-Taiwan relationship is long-lasting and durable, these efforts should be driven by positive goals such as setting up manufacturing supply chains, cultivating a South Asia Silicon Valley, or simply working toward deeply rooted economic interdependence (grounded in the aforementioned economic complementarities), rather than being motivated by any threat posed by mainland China. Such a course correction would continue to serve Indian and Taiwanese interests best, as these steps would not entail an outright rejection of stated policy commitments such as the One China policy.
About the Author

Joe Thomas Karackattu is an assistant professor in the Humanities and Social Sciences Department of the Indian Institute of Technology Madras. He was selected as a China India Scholar-Leader Initiative (CISLI) Fellow for 2017–2019 (one of eight globally) by the India China Institute at the New School in New York. He was a Fox Fellow (2008–2009) at Yale University and was also awarded the first Centenary Visiting Fellowship at the School of Oriental and African Studies (with the Center of Taiwan Studies) at the University of London in 2013. Karackattu is trained in economics (St. Stephen’s College) and international relations and Chinese studies (Jawaharlal Nehru University).
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