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Taiwan and India: Building Bigger Together?

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SYNOPSIS

Taiwan and India have substantial converging economic and strategic interests. These can be optimised without necessarily antagonising China.

COMMENTARY

TAIWAN AND India are poised at the cusp of a significantly enhanced strategic relationship. The hesitations of decades, underlined by India's adherence to a 'One China' policy favouring the People's Republic of China, are being overcome as New Delhi and Taipei respond to an altered strategic environment. The main driving force, undoubtedly, is China, with which both have faced increasing frictions over the past decade. But there is more to the relationship than current military tensions.

Taiwan's interest in diversifying its trade and investment pattern stems from the expansion of its 'Southbound' policy of the 1990s, which previously focused on Southeast Asia, to encompass South Asia. Likewise, India has extended its ASEAN-centric 'Look East' policy to chart a more wide-ranging 'Act East' policy, which stretches to the Western Pacific and encompasses Taiwan. The tricky question for both is over China's response to an augmented relationship, even an economic one, which Beijing opposes stridently.

Policy Debates in Taiwan, India

Notably, Prime Minister Narendra Modi did not extend official greetings to President Tsai Ing-Wen on the occasion of Taiwan's National Day last October. But the sentiment in India to reciprocate Taiwan's interest in a stronger relationship is growing and there are signs of change.

Among Taiwan's policymakers, the mainstream camp holds a positive view of relations with New Delhi. After considerable cultivation of economic, cultural, educational, and other links, it is expected that the spill-over will bring a breakthrough in official ties. While a formal diplomatic relationship is a remote prospect, moving significantly beyond the status quo is considered feasible.

The minority camp highlights the limitation of the relationship with India due to its One China policy and the pressure from China, but does not deny the value of strengthening interactions.

In the Indian foreign policy community, one group wants to tread cautiously, deeming it unwise to risk aggravating an already fraught relationship with Beijing and difficult to reduce dependence on China. A second group favours forging much closer links with Taiwan, asserting that pressure from Beijing should not be a deterrent, especially since China has shown little regard to Indian sensitivities with respect to the China Pakistan Economic Corridor, which traverses Indian territory.

The Indian government has moved cautiously toward Taiwan, encouraging trade and investment links, but eschewing formal political and security ties.

In our view, there is considerable scope for cultivating a warmer Taiwan-India relationship without necessarily generating greatly heightened tensions with China.

Toward Closer Economic Ties

Taiwan and India have converging economic interests as both want to reduce dependence on China. Economic cooperation led to the establishment of the Taiwan External Trade Development Council (TAITRA) in India in April 2018, a Taiwan Expo in May, and a Bilateral Investment Agreement that December. In January 2019, a Taiwan Plus desk for facilitating Taiwanese investment became fully operational under the Indian government's Invest India programme.

Still, trade and investment have yet to realise their potential. Trade rose from US\$2 billion in 2006 to a moderate \$6 billion in 2019, but cumulative foreign direct investment (FDI) flows were a meagre \$400 million for 2000-2020. A joint venture for a petrochemical complex between Taiwan's CPC group and India's Adani Group failed at the planning stage in 2019. But more is on the anvil.

Foxconn, a Taiwanese electronics giant, is reported to have planned an additional investment of \$1 billion. Other majors like Pegatron and Wistron are investing too. With approximately \$35 billion of Taiwanese investment 'reshoring' from China, India has much to gain from a share.

Much more can be done. As non-members of the Regional Cooperation Economic Partnership (RCEP), both countries stand to gain from a bilateral linkage that will help offset the missed opportunity from that arrangement. Specific areas that might draw profitable attention include electrical machinery, medical equipment and semi-conductors. But India has to generate more incentives than it has thus far. Its willingness and ability to circumvent its One China policy would be a critical step.

Adherence to the policy need not be a sticking point. Taiwan already has two major trade agreements that do just this: the July 2013 Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu on Economic Cooperation (ANZTEC) and the April 2014 Agreement between Singapore and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Partnership (ASTEP).

Taiwan and India can do the same if both sides are able to achieve a strong consensus. More broadly, Taiwan and India could be brought into a larger framework for quality infrastructure investment set in motion by Australia, Japan and the United States and possibly into the Supply Chain Resilience Initiative recently launched by India along with Australia and Japan.

Circumventing Chinese Sensitivities

Most analysts emphasise that security cooperation would draw Chinese ire and unnecessarily complicate an already thorny strategic environment. But, making allowances for a stentorian reaction from Beijing, that need not be the case. There are a number of security-related areas in which Taiwan and India could engage constructively without annoying Beijing seriously.

First, as suggested by Taiwanese Foreign Minister Joseph Wu in October 2020, expanded intelligence sharing would be mutually beneficial. Taipei's knowledge of the Chinese military and its organization can complement New Delhi's experience with confronting China militarily.

Second, the sharing of hard and soft cyber capabilities will shore up the resilience of both in the inter-related civilian and security spheres. As Cyber-attacks are numerous for Taiwan in a daily base, India's suspicions of a Chinese hand in the February 2021 mega-power blackout in Mumbai during the military confrontation with China has made it acutely aware of its vulnerabilities in this respect.

Third, Taiwan has a potentially significant role to play in maintaining stability in the Indian Ocean, where it has a large fishing presence as well as an interest in security of trade. Cooperation in countering piracy and trafficking of all kinds would be of mutual benefit.

Fourth, Taiwan can offer its strengths in learning Mandarin and about Chinese culture to benefit the Indian security community on a regular basis, as it has done occasionally in the past.

And fifth, the two navies and coast guards can coordinate their responses in regional humanitarian and disaster relief missions.

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