

# India-Taiwan Ties: From Mutual Neglect to Growing Bonhomie

Sana Hashmi

## Summary

*India-Taiwan relations have traditionally been shaped by their respective ties with China. This is now beginning to change. A range of factors such as the COVID-19 pandemic, the India-China border dispute, China's aggressive postures and its attempts to restrict Taiwan's international space have prompted India and Taiwan to re-examine their respective policies and re-evaluate the overwhelming impact of the China factor in their bilateral relations. Arguably, both sides have tried to overcome this problem while consolidating the foundations of the India-Taiwan relationship on its merit in the last few years. While Taiwan unveiled its New Southbound Policy, India has also signalled subtle policy shifts in its engagement with Taiwan. Recent developments have highlighted the enormous potential of this relationship and the possibility for it to evolve further.*

## Introduction

Barring a few instances, India and Taiwan remained oblivious of each other during the Cold War years. However, since 1995, when the India-Taipei Association (ITA) and Taipei Economic and Cultural Center (TECC) were established as de-facto Indian and Taiwanese embassies in each other's capitals, the two sides have worked to maintain warm and stable relations, with an emphasis on improving commercial, cultural and educational links. Several memoranda of understanding have been inked at the governmental level over the past decade. These agreements are complemented by a range of reciprocal parliamentary delegation visits and legislature-level dialogues (on halt since 2017).

India-Taiwan relations are in their third decade, with 2020 marking the silver jubilee of the establishment of informal relations. Despite convergences and mutual concerns, the relationship is constrained by India's tacit adherence to the 'One-China' policy, Taiwan's inclination toward the Western world and the limited high-level political engagement between the two countries. While India and Taiwan endeavour to find the right balance in their bilateral relationship, factors, including China's mounting aggression, non-accommodative stance on territorial disputes and pandemic-led insecurities, provide them greater avenues to collaborate.

## The China Factor

For most of the past two decades, the China factor has limited the scope of engagement, requiring India and Taiwan to limit their bilateral cooperation to selective areas such as trade, culture, education and technology. In fact, the China factor has impacted India-Taiwan relations that when there was a possibility of achieving a breakthrough in the India-China border dispute, India-Taiwan ties were placed in abeyance. The informal summits

between India's Prime Minister Narendra Modi and China's President Xi Jinping in 2018 and 2019 are cases in point. However, after the Galwan valley clashes, which forced India to abandon its old approach of focusing on other aspects of relations while keeping the border dispute on the backburner, India-China relations have not been 'business as usual'. India now seems firmer to resolving a 70-year-old border dispute that has become a grave security challenge.

Likewise, cross-Strait relations have undergone several twists and turns. Under former President Ma Ying-jeou (2008-16), Taiwan focused on strengthening cross-Strait ties and India did not figure much in Taipei's priority. With the Democratic Progressive Party (DPP) coming to power in 2016, President Tsai Ing-wen began to re-calibrate and diversify Taiwan's foreign relations. The Chinese Communist Party government suspended the cross-Strait dialogue after Tsai refused to accept the 1992 consensus in 2016.

Furthermore, China's increasingly hegemonic tendencies, marked by unilateralism vis-à-vis both India and Taiwan, have brought civil societies in India and Taiwan closer in recent years. Consequently, India-Taiwan relations are gradually shedding the China baggage. Having realised that the two countries face similar challenges, India and Taiwan's interests have become more aligned.

There is a realisation in the Indian corridors of power that allowing Taiwan to fade into geostrategic obscurity would not be prudent. Recent geopolitical shifts such as the emergence of the Indo-Pacific region, re-emergence of the Quad and fast-developing partnership between Delhi and Washington motivate India and Taiwan to expand the horizons of their bilateral collaboration.

Taiwan has identified India as one of its top priority countries for external engagement under the New Southbound Policy (NSP) launched in 2016. Trade, commerce and economic cooperation, regular talent exchange, resource sharing and boosting regional connectivity are among the key areas where both are expanding their partnership.<sup>1</sup>

India's policy on Taiwan has been chiefly consistent. It is worth noting that India's efforts are increasingly intense. Given that Taiwan is home to at least 5,000 Indian citizens, India is concentrating its efforts on strengthening economic linkages and upscaling people-to-people contacts. Several key agreements between India and Taiwan have been inked in the last 10 years. The Double Taxation Avoidance Agreement and Customs Mutual Assistance Agreement were signed in July 2011, followed by the amended Bilateral Investment Agreement (BIT) in 2018.

From India's perspective, there have been noticeable policy developments and a shift in tone toward Taiwan. When Air India changed Taiwan's name to 'Chinese Taipei' on its website in 2018, the Indian government backed it up. India's Ministry of External Affairs (MEA) spokesperson responded to a media inquiry, "The decision of Air India is consistent

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<sup>1</sup> For details on the New Southbound Policy, see "New Southbound Policy", Department of Information Services, Executive Yuan, 4 August 2019, <https://english.ey.gov.tw/News3/9E5540D592A5FECD/2ec7ef98-ec74-47af-85f2-9624486adf49>.

with international norms and our own position on Taiwan since 1949”.<sup>2</sup> However, when the Chinese embassy in India issued a diktat asking Indian media platforms to refrain from referring to Taiwan as a country in its reportage in 2020, the MEA’s response was diametrically opposed to its response to the Air India episode. The MEA spokesperson stated, “There is a free media in India that reports on issues as it sees fit.”<sup>3</sup> Additionally, there were a few social media exchanges between the officials from Delhi and Taipei, and even a tweet by the then MEA minister, Meenakshi Lekhi, responding to Diwali wishes by Taiwan’s representative office in India, which was not a norm before.

One development that has gone unnoticed is India’s sending of Indian Foreign Service (IFS) officer trainees for language training to Taiwan instead of China. While the reason behind this subtle policy change was growing mistrust between India and China and the resultant logistic issues, this allows newly minted IFS officers to understand Taiwan as it is rather than as a subset of the China issue.

Under the DPP, Taiwan has adopted a different China strategy compared to Tsai’s China-friendly predecessor, Ma. The focus on the Taiwanese people’s will to decide the future of Taiwan and China’s aggression accompanied by poaching of its diplomatic allies has led Taipei to expand engagement with countries across regions. Coming out of China’s shadow and reducing dependence on China are two vital objectives of Tsai’s administration. While China has attempted and, to some extent, succeeded in shrinking Taiwan’s international space, the situation has turned upside down in recent years, far from what China hoped and anticipated.

While the United States (US) remains Taiwan’s most important partner, the need to diversify its external relations has been felt more than ever. The initiation of the NSP and outreach to India are part of such objectives. India’s significance as a valued partner is heightened due to growing convergences between India and the US and India’s active participation in the Quad and the Indo-Pacific. Now, India is perceived as a like-minded country amid rising tensions with China.

## Commercial Relations at the Core

Given the nature of India-Taiwan ties, there is no doubt that the relationship could be strengthened by raising the stakes in commercial links. Taiwan is interested in forging a free trade agreement (FTA) with India that already has an FTA with Singapore and New Zealand, and a cross-Strait Economic Cooperation Framework Agreement with China. However, those were signed in the early 2010s when cross-Strait relations were friendlier and more manageable.<sup>4</sup>

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<sup>2</sup> “Air India’s decision consistent with international norms, India’s position on Taiwan: MEA”, *Hindustan Times*, 6 July 2018, <https://www.hindustantimes.com/india-news/air-india-s-decision-consistent-with-international-norms-india-s-position-on-taiwan-mea/story-x6jr4PV2zX5ded0S9WPdGO.html>.

<sup>3</sup> “There is a Free Media in India: MEA on Chinese Embassy’s Taiwan Guidelines to Journalists”, *Indian Express*, 8 October 2020, <https://indianexpress.com/article/india/there-is-a-free-media-in-india-mea-on-chinese-embassys-taiwan-guidelines-to-journalists-6716419/>.

<sup>4</sup> Hunter Marston and Richard C. Bush, “Taiwan’s engagement with Southeast Asia is making progress under the New Southbound Policy”, *Brookings India*, 30 July 2018, <https://www.brookings.edu/opinions/taiwans-engagement-with-southeast-asia-is-making-progress-under-the-new-southbound-policy/>.

India was keen on negotiating a trade agreement with Taiwan in the early 2010s. During a visit of a Taiwanese media delegation to India in 2011, Gautam Bambawale, then Joint Secretary (East Asia) at the MEA, stated that the time is not yet ripe for an India-China FTA due to restrictions on market access and issues of licensing for Indian companies in China, but an FTA between India and Taiwan is possible.<sup>5</sup> The MEA even commissioned a feasibility study for the FTA to Taiwan's Chung-Hua Institution for Economic Research and the Indian Council for Research and International Economic Relations.<sup>6</sup> However, the study was shelved. Taiwan's Ministry of Economic Affairs stated, "...now is not the time to engage in official talks on the signing of an FTA with India".<sup>7</sup> Ma's administration, whose primary objective was to advance ties with China, perceived a potential economic pact with India as provocative. Though Ma was considered favourable to relations with India and even made a stopover in India en route to Africa in 2008, due to his pro-China approach, India-Taiwan relations and the economic pact failed to take off.

The DPP government has been more open to an FTA with India. This has more to do with expanding Taiwan's international space and removing itself from the shadow of China, but India has not yet shown similar interest. In an interview in 2019, then Representative of Taiwan to India and now the Deputy Foreign Minister, Tien Chung-Kwang, mentioned, "even though FTAs are not beneficial for India in the short term, in the long run, benefits are significant, and the Indian government sees it."<sup>8</sup>

China is less of a factor behind India's lukewarm response toward an FTA with Taiwan. The FTA would benefit Taiwan more than India, giving the former access to a market of 1.2 billion people. The two-way trade is already in Taiwan's favour. In 2021-22, the balance of trade was US\$2.8 billion (S\$3.89 billion). From US\$5.6 billion (S\$7.77 billion) in 2020-21 to US\$8 billion (S\$11.1 billion) in 2021-22, the two-way trade witnessed an increase of 64 per cent.<sup>9</sup>

Despite bottlenecks, an FTA or a similar trade agreement could still be pursued. India is more receptive to bilateral FTAs than multilateral trade agreements. The reason for India's withdrawal from the Regional Economic Comprehensive Partnership was due to China. India signed the Comprehensive Economic Partnership Agreement with the United Arab Emirates in February 2022; an FTA with Australia in April 2022; and concluded the third round of talks for an FTA with the United Kingdom in May 2022. So, the Indian willingness to finalise bilateral trade agreements is present.

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<sup>5</sup> "Indian Officials Optimistic on FTA Deal", *Taipei Times*, 9 March 2011, <https://www.taipeitimes.com/News/taiwan/archives/2011/03/09/2003497745>.

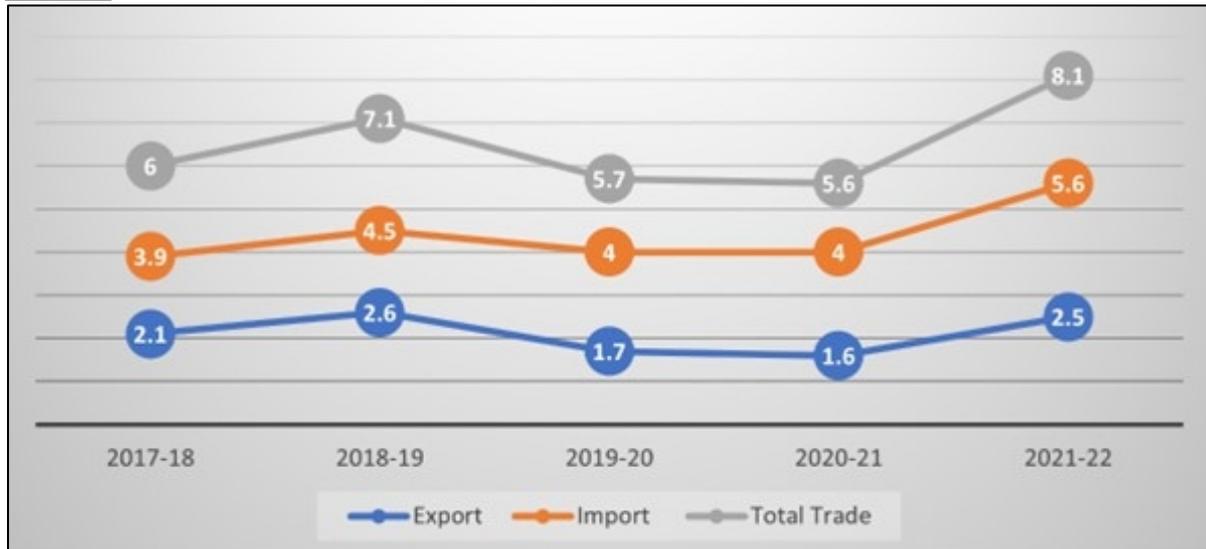
<sup>6</sup> P. Pal, A. Mukherjee and K. Tsun-Tzu Hsu (eds.), *Enhancing Trade, Investment and Cooperation between India and Taiwan* (New Delhi: Academic Foundation, 2013).

<sup>7</sup> "Not yet time to conduct official FTA talks with India: MOEA", *Focus Taiwan*, 8 March 2011, <https://focustaiwan.tw/business/201103080023>.

<sup>8</sup> "Trade War Making Taiwanese Firms Move from China to India: Tien Chung-Kwang", *Business Standard*, 1 July 2019, [https://www.business-standard.com/article/economy-policy/trade-war-making-taiwanese-firms-move-from-china-to-india-tien-chung-kwang-119070101379\\_1.html](https://www.business-standard.com/article/economy-policy/trade-war-making-taiwanese-firms-move-from-china-to-india-tien-chung-kwang-119070101379_1.html)

<sup>9</sup> Export-Import Data Bank", Department of Commerce, Ministry of Commerce and Industry, <https://tradestat.commerce.gov.in/eidb/iecmt.asp>.

**Figure 1: India-Taiwan trade (US\$ billion)**



Source: Author's compilation from the data from the Ministry of Commerce, Government of India

With a cumulative investment of US\$2.3 billion (S\$3.19 billion), there are about 130 Taiwanese companies in India.<sup>10</sup> This figure includes both foreign direct investment (FDI) and third-country investment. Taiwan's FDI to India is only US\$700 million (S\$971 million). The positive development is that both trade and investment figures have grown significantly in the last three years. For instance, as regards the FDI, US\$300 million (S\$416 million) was added only in the past four years, particularly after the signing of the BIT.

It is critical to have a realistic yet optimistic approach when addressing commercial ties. There are several sectors where Taiwan has significant expertise, such as electronics and electric vehicles, and where India should concentrate its efforts rather than just on semiconductors. At the same time, while major Taiwanese semiconductor companies seem preoccupied with domestic and international projects, they should also consider reaching out to India for future projects. It is noteworthy that India has also announced an incentive plan of US\$10 billion (S\$13.9 billion) to develop a sustainable semiconductor ecosystem and enhance domestic manufacturing.

Taiwan should be a little more proactive in making commercial ties the foundation of relations. While reforms to address bureaucracy and red-tapism are in order, these reasons tend to oversimplify the problems hindering the improvement of commercial linkages. On the Taiwanese part, there is little incentive to take risks by entering a new market with less familiarity. A big issue is also the failure to implement promised initiatives. There is news of a Taiwanese company's planning to invest big in India every few years, but it seldom materialises.

Moreover, Taiwanese companies seem to have little motivation, given such needs are now being fulfilled by the Southeast Asian economies. There appears to be less coordination between Taiwan's Ministry of Economic Affairs and the Ministry of Foreign Affairs, whose

<sup>10</sup> Remarks by Deputy Minister Tien Chung-kwang at the Taiwan-Asia Exchange Foundation's workshop on the release of the sixth TAEF Research Series report", Ministry of Foreign Affairs, Republic of China (Taiwan), 25 February 2022, [https://en.mofa.gov.tw/News\\_Content.aspx?n=1575&s=97493](https://en.mofa.gov.tw/News_Content.aspx?n=1575&s=97493).

priorities are not always aligned. What is essential to understand is that in the case of India and Taiwan, strong commercial relations will precede other aspects of relations.

## The Way Forward

Any significant development in India-Taiwan relations runs the risk of meeting with a likely stern reaction from Beijing. This explains India's steady, albeit slow, outreach to Taiwan. Given that India-China relations are not likely to witness a return to normalcy in the near future, India should consider adopting a bold, comprehensive and long-term approach to engage Taiwan.

While there are compelling reasons for India and Taiwan to look towards each other, much of the relationship has been episodic, characterised by momentary highs. The relations have been suffering from divergent approaches, unrealistic expectations, and the resultant missed opportunities.

India could take cues from countries like the US and Japan in its engagement with Taiwan. Restrictions that do not impact the so-called 'One-China' policy should be relaxed, at least in the non-political areas, such as commerce, culture and technology. Taking active measures toward Taiwan would not imply a substantial shift in India's policy but rather a focus on issues that are currently on the table.

While the TECC, especially through the Taiwan External Trade Development Council and ITA officials, interact with stakeholders in India and Taiwan, Indian state government stakeholders should be allowed to visit Taiwan. There must be a distinction made between non-controversial, mutually beneficial sectors and political issues as not everything falls under the 'One-China' policy.

The changing geopolitical situation opens up new opportunities for India and Taiwan to collaborate. The NSP will be getting a new avatar soon. Taiwan must have dedicated country-specific commercial policies within the NSP framework, where India is already a priority country. However, further initiatives and coordination efforts are required to bring the relationship forward.

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Dr Sana Hashmi is a Visiting Fellow at Taiwan-Asia Exchange Foundation. She is also an affiliated scholar with the Research Institute for Indo-Pacific Affairs, Japan. She can be contacted at [sanahashmi2@gmail.com](mailto:sanahashmi2@gmail.com). The author bears full responsibility for the facts cited and opinions expressed in this paper.