

India's Act East and Taiwan's New Southbound Policy are Win-Win

By Saheli Chattaraj

Taiwan's New Southbound Policy (NSP) is a policy initiative introduced by president Tsai Ing-wen after she came to power as the president of Taiwan in May, 2016. The NSP aims to strengthen Taiwan's relationship with eighteen primary target countries: 10 in the ASEAN region, six states in South Asia, and Australia and New Zealand. Though the NSP is not the first of its kind, Tsai Ing-wen's vision is new and comprehensive in several aspects and has a broader goal and audience than previous initiatives. The earlier Southbound Policies under presidents Lee Teng-hui and Chen Shui-bian aimed at more of an economic interdependence, whereas the NSP has a broader motive also aiming to strengthen people-to-people exchanges and further diversifying its scope into educational exchanges and tourism thereby bolstering Taiwan's soft power in the region.

NSP's strategic importance for Taiwan

Taiwan has been denied formal diplomatic recognition by several nations including the United States. Most states observe the 'One China Policy' to avoid upsetting Mainland China. The NSP can also be seen as a policy initiative on Taiwan's part to reclaim its identity and also build its relationship with neighboring countries in spheres of business, trade, education, people-to-people exchange, and tourism. Moreover, since the economy of Mainland China has entered into a 'new normal' phase, and the labor costs in the Mainland have also soared, it has become difficult for Taiwanese investments in China to make high, fast, and sustainable returns. Since in January 2019, President Tsai Ing-wen, in her speech in the Presidential Office rejected the 1992 Consensus, cross-strait economic and trade ties have been strained. The NSP, if executed efficiently, can address these issues as well and provide a platform for Taiwanese enterprises to find new arenas of investment in the region.

India and the NSP

In this environment, India can prove to be a very attractive investment destination for Taiwan. The India-Taiwan relationship in the past has mostly walked in the shadows of India's strict adherence to the 'One China Policy'. Since the establishment of the People's Republic of China in 1949, India recognized and later established formal diplomatic ties with the Mainland. In 1971, India further rendered its support to Mainland China in the United Nations Security Council which then replaced Taiwan and thus closed doors for India and Taiwan to build cooperation. However, under the Look East Policy of the Indian government in 1992, India once again started to pay more heed to its eastern neighborhood. Soon after, in 1995, Taiwan and New Delhi established the Taiwan Economic and Cultural Centre (TECC) in New Delhi and the India Taipei Association (ITA) in Taipei respectively. Both entities started to offer consulate services and also promoted economic, trade, educational, and people-to-people exchanges between the two sides.

Saheli Chattaraj, Assistant Professor, China Studies at the Academy of International Studies, Jamia Millia Islamia University, New Delhi, explains that "In the background of Mainland China's increased influence in South Asia through the Belt and Road Initiative and India's huge trade deficit with the Mainland, a broader business and cultural partnership between India and Taiwan could prove to be a win-win for both."

Since then, India-Taiwan engagements have gradually strengthened. In the latter half of 2014, India further moved from the 'Look East Policy' to an 'Act East Policy' placing greater emphasis on regional cooperation. Under the leadership of Prime Minister Narendra Modi, India initiated several initiatives to attract FDI into India through programs like 'Make in India', which primarily urged foreign enterprises to set up manufacturing units in India. This initiative also eased the process of registration through the 'single window registration' system which ensured quick registration for foreign enterprises in India. Also, with the GST unified tax system, it became more viable and easy for foreign investors to set up their investment units in India. The Indian government also announced several subsidies in terms of land and power usage to attract more investments into India. Indian states like Gujrat, Maharashtra, Andhra Pradesh, Tamil Nadu, Uttar Pradesh, and others actively offered subsidies in land, water, and power in order to encourage more foreign enterprises to set up their manufacturing units in India.

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The NSP also offers a unique opportunity for Taiwan to shift some of its manufacturing base to India. With the easy availability of skilled and cheap labor, it can be an attractive destination for Taiwan to gear its investments. In order to strengthen and elevate India-Taiwan industrial and trade ties, the TECC and ITA also signed an agreement on the 'Promotion of Industry Collaboration' between the two sides. Taiwanese enterprises like Foxconn and Maxis have also started manufacturing in India. Moreover, since culturally Taiwan is also close to the East Asian nations, Taiwan can also learn from the experience of South Korea, Japan, Singapore and their business models as these nations have already been operating in India for quite some time.

Conclusion

Taiwan has already expressed its willingness to strengthen ties with India, and India has been outlined as one of the main target countries in the directives of the NSP. India also needs more partner countries to join in its 'Make in India' and to start manufacturing in India and selling not only in India but also exporting abroad. Moreover, in the background of Mainland China's increased influence in South Asia through the Belt and Road Initiative and India's huge trade deficit with the Mainland, a broader business and cultural partnership between India and Taiwan could prove to be a win-win for both.

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