

Taiwan's New Southbound Policy: Importance for India and the Indo-Pacific Region

Speakers: Ms. Kristy Tsun-Tzu Hsu, Ms. Bonnie Glaser, Amb. Derek Mitchell

Chair: Amb. Vinod C. Khanna

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Ms. Kristy Tsun-Tzu Hsu began the session with an overview of Taiwan's New Southbound Policy and economic relations between Taiwan and India. The New Southbound Policy was announced by President Tsai Ing-wen after coming to power on the island in May 2016. The objective of the policy is to foster mutual prosperity and development in the region. It aims to expand cooperation with eighteen countries through trade collaborations, people-to-people exchanges, resource sharing and institutional links. Ten of these partners are South Asian countries, with India being an important partner.

Ms. Hsu briefly introduced Taiwan's previous Southbound policies. In 1994, Taiwan initiated its maiden "Go South" campaign, following which the policy proceeded in three waves (1994-97, 1997-99 and 2002-08). These were state driven initiatives, with enterprises which were owned by Taiwanese political parties. Despite the Asian Financial Crisis and other disruptions in the Asian economy, Taiwan managed to establish new manufacturing clusters in accordance with the "Go South" policy. By 2009, the economic resurgence of Southeast Asia made it a prime location for entrepreneurship. Taiwan's policy was reoriented towards market determination, and it intended to create a smarter economy.

The New Southbound Policy prioritizes three aspects. It aims to increase bilateral trade with South Asian countries, increase Foreign Direct Investment (FDI) by Taiwanese companies in these countries, and improve people-to-people exchanges through tourism and education. In India, some flagship programmes of the New Southbound Policy have already been initiated in areas such as agriculture, industrial innovation, industrial talent entrepreneurial development and Overseas Development Assistance (ODA). Moreover, Taiwan has initiated a young leaders exchange for students through the Taiwan-ASEAN Exchange Foundation and many Taiwanese companies have offered to host Indian students at technical colleges in Taiwan.

Ms. Hsu then spoke about the trade relations between Taiwan and India. Bilateral trade between them peaked in 2011 with USD 7.5 billion and then declined. Although the growth of bilateral FDI has been slow, since the implementation of the New Southbound Policy in 2017 trade between the two countries has increased by 27 per cent. Moreover, various feasibility studies conducted by Taiwan such as creation of a Taiwan-India Free Trade Agreement, have ordained promising results. With Modi's "Make in India" campaign, many Taiwanese ICT and smart phone companies—Meidatek and Asus have shifted their manufacturing units to India. Taiwan views India as one of the biggest markets for electronic products.

Ms. Hsu concluded her talk by stating that while China has increased sanctions on trade with foreign companies, Southeast Asia and India have emerged as new centres for manufacturing clusters and supply chain operations. She asserted that India's "Make in India" campaign has the potential to offset PRC's "Make in China 2025" campaign in partnership with some other South Asian countries. Initiatives such as the Taiwan Technological Innovation International Park in Bangalore and the signing of an MoU between the Karnataka government and Taiwan's Science Park Authorities suggest a favourable association ahead.

Thereafter, **Amb. Vinod C. Khanna**, shared his personal reflections on the delicate balancing act that countries are compelled to play with the People's Republic of China and Taiwan. He pointed out a pattern in the relationship, where countries maintain diplomatic relations with the PRC while engaging with Taiwan in a range of other matters. Making a reference to Ms. Kristy's address, he also remarked that many of the difficulties that Taiwanese companies face while doing business in India have been resolved or are under consideration. He also contended that India-Taiwan trade figures are hardly impressive when compared to its other trade partners such as the mainland or the ASEAN countries. Progress has been stifled due to roadblocks at both the Indian as well as Taiwanese ends. He maintained, however, that the New Southbound Policy (NSP) was more comprehensive, with a wider range and broader vision.

Amb. Khanna also emphasised the scope of cooperation in the field of science and technology, recounting a lunch he attended, hosted by Nobel Prize winner Yuan T. Lee, in Taiwan. He acknowledged the wide range of agreements and collaborations signed under the Taiwan Economic and Cultural Centre and India-Taipei Association. However, he noted that educational exchanges between the two nations should not be restricted to the learning of Mandarin, but must also extend to fields of science and technology research and Chinese studies. He maintained that the Taiwanese were expert 'China watchers' with a huge number of universities and think tanks engaged in Chinese studies - an unsurprising fact given the challenge PRC poses to Taiwan.

In terms of people to people exchanges, Amb. Khanna noted that Indian interaction with Taiwan does not compare favourably to that of the ASEAN states, although tourism might help bridge the gap. Closing his session, the speaker observed that one of the NSP's important tenets was promotion of peace in the region, and called for preventing the politicization of the policy itself vis-à-vis assertive policies of the mainland.

Ms. Bonnie Glaser's presentation focused on Taiwan as an important variable in Indo-Pacific region. She stressed that Taiwan's isolation in this regard would be detrimental to regional peace and security. The New Southbound Policy (NSP) is important for Taiwan's integration and connectivity with other regional countries, and hence, it would also be useful for the US and its partners as it shares values and principles in consonance with the broader Indo-Pacific strategy.

US Indo-Pacific strategy is characterized by the Free and Open Indo-Pacific (FOIP) policy, a concept it borrowed from Japan. US Secretary of Defense James Mattis alluded to the FOIP during the 2018 Shangri La Dialogue (SLD) in his speech about respect for sovereignty, freedom of navigation and overflight, peaceful resolution of disputes, respect for international law, and free and fair trade. This was similar to what Prime Minister Modi had talked about

at the 2018 SLD where he further said that the Indo-Pacific should not only be free and open but also inclusive with regards to connectivity and the central role of ASEAN.

Ms. Glaser said that the NSP was compatible with the US and Japan's FOIP policy, India's Act East Policy, South Korea's Southern Policy, Indonesia's South East Asia fulcrum, Australia and New Zealand's Strategic Defense Policy statement. On the issue of the Quad she said that it was important not to conflate it with the broader Indo-Pacific strategy, since other countries are concerned that the Quad, consisting of the US, India, Australia and Japan, represents a closed club in the Indo-Pacific region and would be exclusive of other regional powers. However, PM Modi and Secretary Mattis have stressed that the ASEAN would be central to their Indo-Pacific policies. In this regard it was important to bolster the Asia Pacific Economic Corridor, strengthen the ASEAN and increase maritime development while ensuring that these policies were not perceived as anti-China. Since China's interests may not converge with the US and its partners it is necessary to find common grounds for cooperation wherever possible. Taiwan is not seeking to provoke China with this policy as it is intent on preserving the cross-straits status quo with China. Nor would the US have supported the NSP had it desired any differently. Taiwan along with the US, India and other partners wants to strengthen the rules based order in the region.

Regarding a question on airline carriers like Air India changing the Taipei airport call sign to 'Chinese Taipei' Ms. Glaser said that such practices are undertaken by private or profit-making firms to placate China in order to preserve business ties with China. Another question asked was about Taiwan and China having a similar arrangement to China's Hong Kong policy but Ms. Glaser was not optimistic about it in light of President Xi Jinping's increasingly authoritarian policies. Further she stated that even if China became democratic there is no reason to conclude that its relations with Taiwan would improve. The question would remain if it would be more or less nationalistic. Another question asked was about Taiwan not being invited to participate in bilateral or multilateral military exercises with other countries and to this Ms. Glaser said that if Taiwan were allowed to do so it would incur China's wrath. China's policy towards Taiwan can be characterized by pressure-economic, diplomatic and military. China has already weaned away many diplomatic allies of Taiwan and China would no doubt punish Taiwan if it did something disagreeable to China. In this regard Taiwan would have more to lose than to gain by engaging in military manoeuvres with other countries.

Amb. Derek Mitchell started his segment by promising to be very brief and to the point. He confessed that the majority of his arguments had already been discussed in detail by the previous speaker. He traced the recent history of India-US relations and expressed his happiness in the marked growth in the relationship in recent decades. The Ambassador, referring to the report that he had authored along with the other speakers, published through CSIS, stated that the NSP should be seen through an Asian lens and not be restricted to discussions that take place in Washington. He also mentioned that the NSP is little understood and efforts should be made to change this. He opined that since there is an overlap of interests of the US and the players in the region (Indo-Pacific), they should partner and work towards achieving mutually beneficial goals. The ambassador stated that the NSP has a 'quasi political' element to it as it will work towards preventing Taiwan's isolation.

Next, coming to India's plans and role, he referred to Prime Minister Modi's speech at the Shangri la summit and highlighted key points in context to the agenda. He ended his segment

with a cautionary tone, stating that Taiwan should emphasise the pursuit of mutual benefits and that it would be counterproductive to politicise the NSP and provoke the PRC.

Q&A Session

The Chair then opened the floor for questions and comments. The first question from the audience was regarding the change in name of Taiwan to Chinese Taipei by Air India on their website, and how Taiwan plans to deal with the fact that some countries may not have the will and might to counter China's influence. Ms. Bonnie Glaser responded that most profit-seeking enterprises are reluctant to question China's authority directly since it might affect their business. The control exercised by China on sovereign nations is a bigger issue. Countries must object publicly to China's use of political clout and economic levers to impose conditions on them. A member of the audience stressed that India's progress in Taiwan is slowest among all other NSP countries, because of the lack of clarity on who is in charge of maintaining relations in the region. He insisted that it is imperative to get rid of India's self-imposed restrictions to expand interactions with Taiwan.

Another question pertained to the possibility of political disagreements with China due to the NSP, given that all South Asian partner countries except India are also part of the Belt and Road Initiative. Ambassador Mitchell answered that China will definitely object, but sovereign nations must evaluate the cost of letting it dictate their actions. China will continue to push countries to serve its interests, but they must take a stand. To a question on whether the New Southbound Policy is really new, Ms. Kristy Hsu explained that apart from expanding Taiwan's relations with more South Asian countries, the new policy also covers services such as healthcare and digital economy. NSP attempts to understand the conditions for business in countries like India.

Regarding the possibility of a one country, two systems policy or a more democratic China, Ms. Bonnie Glaser expressed that the recent reforms by Xi Jinping confirm that China is moving further away from a liberal democratic system. She also highlighted that the majority of the citizens in Taiwan oppose reunification with China and are happy with the status quo. A member of the audience spoke about the importance of soft diplomacy to improve relations between Taiwan and India. He emphasized the need to raise awareness among Indian students about universities in Taiwan and the scope for expanding interaction through cultural linkages. In response to a question on what more the governments of Taiwan and India need to do for better relations, Ms. Kristy Hsu stated that student exchanges and more trade agreements between the countries will go a long way. Investors and officials from both countries must visit to get to know the other country better.

The Chair concluded the session by stating that there is a rising interest in sharing talent and resources between India and Taiwan. He mentioned that the pragmatic approach of the speakers has brought to the fore that many feasible solutions are available and need to be explored fully.

This report was prepared by ICS research interns: Ms. Ramya Kannan, Ms. Sunaina Bose, Ms. Sharanya Menon and Mr. Suarav Sarkar.