

WHY INDIA NEEDS TO LOOK EAST AT TAIWAN

Relevant for: International Relations | Topic: India's Foreign Policy evolution and changes

BENGALURU : Hardly any developed country has come out of the pandemic-stricken year that was 2020 with its leadership or the reputation of its public healthcare system still intact. One exception is Taiwan, which remarkably had among the lowest number of covid cases in the world—at under 1,000—without resorting to a lockdown for a single day.

As far back as December 2019, Taiwan's surveillance of Chinese internet chat conversations discovered that there was a mysterious viral outbreak in [Wuhan](#). Its public disease control apparatus was thus primed to quickly put in place strict [travel restrictions](#) and also rigorously monitor quarantines, which included tracking via mobile phones. Through its "Taiwan Can Help" programme, the country's health professionals then started to advise other countries. When the world was short of masks, the country's renowned factories shifted gears quickly and donated 10 million surgical masks.

The irony is that while Taiwan might have been best-in-class in responding to covid-19 and in helping the global community, it is not a member of the [World Health Organisation](#)—because China objects to Taiwan being recognised as a sovereign nation. Even the *New York Times* shrinks from referring to it as a country, bizarrely calling it an "island".

However, 2020 marks a shift in the global mood against Beijing, which has helped Taiwan's international standing. Continuing controversy about whether the WHO is able to work effectively in China undermined the probe into the origins of the virus (Beijing, in turn, has demanded an inquiry into whether its origin was in the US). "It's very important for countries with outbreaks to inform other countries," says C Jason Wang, a professor of paediatrics at Stanford University. "Currently, the WHO has to be invited into a country to get the process going. The entire world has suffered for more than a year. There has to be a better way."

For far too long, a Cinderella pushed to the sidelines of geopolitics and global forums, Taiwan's success in managing covid and alerting the world to its virulence has suddenly raised the country's profile. If there is one country India should be using as a role model for pandemic management, as well as for putting its [Make in India](#) initiatives on a stronger foundation, it is Taiwan. On two key counts which have been self-identified by India as key priorities in the decade ahead—building a stellar public health system and ensuring that local factories are embedded in the global supply chain—the east Asian country with a population of 24 million offers a viable model.

The China+1 pivot

Alan Hao Yang, a professor at the Institute of East Asian Studies at National Chengchi University and executive director of the Taiwan-Asia Exchange Foundation, observes that the pandemic has given "Taiwan an opportunity to demonstrate its capability to be a responsible member of the international community. Its practices in sharing medical resources and pandemic governance" highlighted the differences between Taiwan and China.

In stark contrast, he says, China "took advantage of the strategic window when other major powers were preoccupied with controlling the virus." This assessment is shared by Indian analysts trying to post-facto understand China's incursions along the Ladakh border last year.

Recently, the *Financial Times* revealed details of a letter sent to Taiwan's economy minister

from a Joe Biden administration official in which he expressed gratitude for the Taiwan government's "clear commitment to work with manufacturers in Taiwan" to alleviate the semiconductor shortage. In the midst of a global semiconductor chip shortage for automobiles, Taiwan's global leadership in the industry gives it yet another reason for prominence. Trade in goods between the US and Taiwan has increased three-fold since 2000 and is now close to \$150bn. "This is all music to Taipei's ears. Taiwan has been pursuing a trade deal with the US for at least 15 years," the FT observed.

Similarly, India too should be working towards widening contact with Taiwan by exploring a free trade agreement, says former national security adviser Shivshankar Menon, who is a former ambassador to China. Given Taiwan's manufacturing prowess, especially in high-end mobile phone components, this would immediately give a boost to the Narendra Modi government's production-linked incentive (PLI) schemes. Many Taiwanese giants such as Hon Hai's Foxconn and Pegatron are already participating. As with most import substitution-led industrial policies dreamt up in New Delhi, however, the risk is that the complexity of managing raw material costs inflated by duties on imported components will handicap India's chances to be a global supplier. The competitive global mobile phone manufacturing business is already dominated by China and Vietnam.

In a sense, the PLI scheme encapsulates both the promise and the pitfalls in the days ahead as India and Taiwan seek to work more closely. It builds on a growing interest for India amidst Taiwanese companies, arguably the greatest supply chain managers in the world.

Professor Yang points to a Taiwanese government survey that showed that over the past few years, Taiwanese companies have invested \$2 billion in India, creating tens of thousands of jobs (This is just a fraction of the \$14 billion of outbound FDI from Taiwan in 2018 alone). "Having invested in Southeast Asia for over 40 years, Taiwanese companies are experienced in assessing locations for their supply chain," he says.

But there are plenty of pitfalls ahead too. For one thing, the PLI schemes are skewed towards large companies, whereas most of the Taiwanese companies that played a critical role in making communist China the world's largest exporter over the past few decades are small and medium-sized enterprises.

India's unique difficulties with bureaucratic red tape also make it difficult for smaller exporters from Taiwan to use India as a base. Recent data shows small and medium-sized exporters in Britain have lost market share as the costs of processing exports rose post-Brexit. The Modi government's partiality for raising duties on thousands of manufacturing inputs will also prove to be a hurdle for labour-intensive industries, which typically have razor-thin margins.

Lo Chih-Cheng, a Taiwanese parliamentarian and member of the country's foreign affairs and defense committee, feels India ought to be the prime beneficiary of Taiwan's south-bound policy of the past few years: "It includes not just south east Asian countries, but India and Australia. Logically, India would be the most important country."

Now, with Taipei financially supporting its companies to facilitate a move out of China, he underlines the importance of its SMEs shifting to India. Lo points out that 98% of companies in Taiwan are SMEs and 70% of the jobs are produced by them. Lo says that Taiwan's investment has disproportionately gone to Vietnam, Thailand and Cambodia, but observes, "Taiwan and India are natural partners not just in security aspects, but also in building a political relationship."

Nicest country in Asia

Analysts in Taiwan feel that the two countries have shown that they can cooperate in the transfer of skills when it comes to earthquake-preparedness management or in large-scale manufacturing, but there is more to be done on public healthcare management. Stanford University's Wang points to the success that Taiwan had in using chips in mobile phones to track people who were under quarantine and ensuring that they stayed at home.

He attributes its success to 17 years of preparation following the outbreak of SARS in east Asia in 2003. In countries like the UK, using private companies employing teams of callers to contact people by phone failed spectacularly, in part, because rising infections tend to quickly overwhelm the public health system's ability to track people's movements and health using human contact tracers.

In a vivid example of Taiwan's technological prowess, its response to a visit from the Diamond Princess cruise liner was exemplary. Three thousand passengers disembarked from the cruise liner for a one-day tour in Keelung, Taiwan, on 31 January. Wang notes that 627,000 potential contacts from that fateful visit were notified via text messages and asked to self-quarantine or call health authorities if they had any symptoms; 67 Taiwanese were tested, and all were negative. This incident also reflects a digitally-savvy governance set up.

Taiwan has often been called the nicest country in Asia by veteran foreign correspondents in the region. Its efficiency and team spirit on display in combatting covid is a classic case of nice guys finishing first. Covid has shown once again that the world has much to learn from democracies in Asia such as Korea and Taiwan—and, indeed, India, which has stepped in to manufacture vaccines at scale.

Vaccine diplomacy

As India pursues its vaccine diplomacy, Taiwan should ideally be high on its list. Last month, Taiwan's health minister accused China of pressuring BioNTech just as it was on the verge of signing a contract with a German pharma company to deliver 5 million vaccine doses to Taiwan. The Serum Institute's head start in global production of the vaccine makes India an obvious partner.

Indo-Taiwanese relations are hamstrung in part because of New Delhi's sensitivity to what Beijing's bellicose response would be to deeper engagement with Taiwan. On 7 March, China's foreign minister Wang Yi warned the US that "the Chinese government has no room for compromise or concessions on the Taiwan issue". Given the tensions on India's northern border, these are already especially difficult times for New Delhi to navigate a stable relationship with China. Still, Lo, the Taiwanese MP, argues that given that China has become "more assertive in creating its sphere of influence" in Asia, all the countries neighbouring China should work together. "For now, there is no official track 1 strategic dialogue. There is a need for that sort of discussion. We are facing a strategic threat from China... (India's unofficial) office in Taipei focuses (only) on economy and trade," Lo says.

Menon cautions that while the government of India has a much bigger stake in China, it should still be pursuing closer ties with Taipei, including using it as a listening post to China. Taiwan has been locked out of the Regional Comprehensive Economic Partnership (RCEP) because China is a prominent member. A bilateral trade deal instead could enhance Taiwan and India's complementary nature in manufacturing, with Taiwan providing global technology prowess and knowledge of global supply chains while India steps up with its large workforce and mid-level managerial skills.

There is thus much to play for in closer relations between the two countries. Sana Hashmi, a

visiting fellow at the Taiwan-Asia Exchange Foundation, says, "In the field of science and technology, cooperation is extensive, but primarily at the track II level. However, other aspects of the relations have been sidelined due to the lack of a framework or a rule book on how to govern India-Taiwan ties."

Lo, the Taiwanese MP, remains optimistic. He admits that he has heard "complaints" from Taiwanese SMEs with regard to their dealings with India's bureaucracy. "Any huge market has risks and costs, and you have to accept that... In 1979, China was difficult," observes Lo. "Our SMEs are very courageous and willing to go anywhere." The Quad meeting earlier this month renewed India's partnership with the US, Australia and Japan. But India has never taken smaller East Asian countries as seriously as it should. Given Taiwan's pre-eminent role in semiconductor chips and computers, and its position as a liberal Asian democracy threatened by Beijing, that shift is already overdue.

Despite almost daily intrusions into Taiwanese airspace by China last year, Taiwan's exports to the mainland and Hong Kong totalled \$151 billion in 2020, underlining how critical China remains as a manufacturing base for Taiwanese companies. It is another reminder that for four decades, Taiwan has served as the speedy tugboat that has pulled China into its pre-eminent position in global trade today.

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