

Seeing the Elephant: Taiwan's Challenges and Opportunities in India¹

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Abstract

As the hub and leader of South Asian countries, India is an essential country for the “New Southbound Policy (NSP).” Nevertheless, doing business is never easy in India, as there are many bottlenecks and difficulties for Taiwanese firms. In this article, I propose that India has good prospects at the microeconomic level due to successful reform proposals by Prime Minister Narendra Modi and his government, as well as due to increased foreign direct investment (FDI). The government and enterprises of Taiwan should use the increasing investment in electronic manufacturing to expand current footholds, explore more possibilities for investment, and enhance bilateral governmental relations with India. Defense manufacturing also is a potential but neglected industry that can be a bridge for closer relations with the government of India. Taiwan should use India as an opportunity for globalization, and, under NSP's “people-centered” approach, areas of education, consulting, integrated services, and language teaching also should be encouraged.

Keywords: India-Taiwan Relations; Investment; New Southbound Policy; People-to-People Exchange; Defense Cooperation

I. India: The Last Land of Opportunity?²

World attention has shifted to India for its economic growth as China, the old “growth engine,” is beginning to slow down in 2016. According to the International Monetary Fund (IMF), the economic growth of India can reach 7.4%, compared with China’s 6.2%, Russia’s 1.0%, and Brazil’s 0.5% in 2016.³ Since Narendra Modi and his party Bharatiya Janata Party (BJP) took office in 2014, a series of national strategies, such as “Make in India,” “Skill India,” and “Digital India,” have been laid out to facilitate investment, trade, and development of the country. Along with optimistic economic prospects and policy support, the investment has been increasing. According to official statistics, the accumulated investment to India has reached 39.3 billion USD (a 36.6% increase compared with 2014), which is the highest level since 2008.⁴ The investment from China increased by six times in 2015 and reached 870 million USD, twice the accumulated amount from 2000 to 2014.⁵ In his meeting with Modi in Tokyo in 2014,

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1. The author thanks Ms. Tung-hsueh Chen (陳冬雪) of the Taiwan Education Center at Jindal Global University for her help in Korean language and materials.
 2. This is originally from the title of a news story in Korean: 설진훈 등, 〈인도는 마지막 기회의 땅…한국기업 타이밍 놓치지 말아야〉 (India is the last land of opportunity…Korean firms, do not lose the best timing), October 13, 2015, *MK*, <<http://mba.mk.co.kr/view.php?sc=30000001&cm=%BC%BC%B0%E8%C7%D1%BB%F3%B4%EB%C8%B8&year=2015&no=977183&selFlag=&relatedcode=>>>.
 3. International Monetary Fund (IMF), “World Economic Outlook Update,” July 2016, p. 9, *International Monetary Fund*, <<https://www.imf.org/external/pubs/ft/weo/2016/update/02/pdf/0716.pdf>>.
 4. 河合良介, 〈インド経済：7%台の高成長が続くも、インフラ整備の加速など供給制約の解消に向けた取り組みが持続的発展のカギ〉, *Economic Monitor*, No. 2016-013, March 2016, 《伊藤忠経済研究所》, <http://www.itochu.co.jp/ja/business/economic_monitor/files/2016/20160323_2016-013_A_India.pdf>.
 5. PTI, “Chinese Investments in India Increased by Six Times: Report,” *The*

Shinzo Abe, the Prime Minister of Japan, pledged to invest 3.4 billion USD over the next five years in India's infrastructure and industrial parks. In the same meeting, Modi also promised to improve the investment environment of India.⁶ In a survey in 2015 of 92 CEOs and CFOs from leading German high-tech companies about the investment climate of BRIC countries, India has the most favorable scores, in which more than 94% of the respondents think that the economic growth and market size of India will have positive effects on FDI.⁷

Nevertheless, although many macroeconomic statistics and indicators all show strong economic growth, doing business in India is still a challenging task. According to *Doing Business 2016*, although there is an improvement from No. 134 last year, India still ranks No. 130, compared with Taiwan's No. 11, Japan's No. 34, and China's No. 84. "Getting electricity" has improved 29 points, from No. 99 in 2015 to No. 70 in 2016, but issues such as "enforcing contracts" and "resolving insolvency" still remained unchanged in 2016.⁸ A survey of Indian firm owners lists the top difficulties of doing business in India: administrative bottlenecks, government regulations, power and water shortages, infrastructure bottlenecks, tax rates, and unskilled or untrained workforce.⁹ Another survey done by Japan Bank of

Economic Times, May 24, 2016, <<http://economictimes.indiatimes.com/news/economy/foreign-trade/chinese-investments-in-india-increased-by-six-times-report/articleshow/52418055.cms>>.

6. 〈対インド投融資、5年で3.5兆円 日印首脳会談〉, 《日本経済新聞》, September 2, 2014, <http://www.nikkei.com/article/DGXLASFS01H1K_R00C14A9MM8000/>.

7. Ernst & Young (EY), "Taking a Chance On India: Why It Is the Leading Future Market," August 2015, *Ernst & Young*, <<http://performance.ey.com/wp-content/uploads/downloads/2015/08/EY-Performance-Taking-a-chance-on-India.pdf>>.

8. World Bank Group, "Doing Business: Ease of Doing Business In India," 2016, *Doing Business*, <<http://www.doingbusiness.org/data/exploreeconomies/india/>>.

9. PHD Chamber of Commerce and Industry, "Progress of Make in India,"

International Cooperation (JBIC) shows that, among the Japanese manufacturers, infrastructure insufficiency, nontransparent legal systems, competition from other firms, complicated tax system, and crime and security concerns are the top 5 issues of doing business in India.¹⁰ Nevertheless, reforms initiated by the government are ongoing to improve the business environment. By April 1, 2017, India will implement a new Goods and Services Tax (GST), which will unify the tax structure in India and bestow the Union Government of India (or “the Centre”) more power in economic and fiscal policy. This is the biggest tax reform in India since 1947. GST will eliminate indirect taxes levied at different levels of government and is expected to generally lower the tax level from 25%-40% to 15%-18%. The implementation of GST will help India create a single national market, and, as the barriers are removed and market efficiency increases, the GDP growth of India could increase by 0.9% to 1.7% overall.¹¹

How should we deal with a challenging market with large potential like India? My analysis will not focus on individual industries due to the limit of length. In the following sections, I will introduce the current change in investment and development-related reforms, followed by recent development in Taiwanese investment in India and some potential areas that deserve more attention. Since there is lack of a strong and more institutionalized governmental channel

September 2015, *PHD Chamber*, <http://phdcci.in/file/thematic_pdf/Progress%20of%20Make%20in%20India.pdf>.

10. 国際協力銀行業務企画室調査課, 〈わが国製造業企業の海外事業展開に関する調査報告— 2015年度海外直接投資アンケート結果(第27回)〉, December 2015, 《国際協力銀行》, <https://www.jbic.go.jp/wp-content/uploads/press_ja/2015/12/45904/Japanese1.pdf>.

11. Shishir Asthana, “GST Bill: Who will it benefit the most?” August 1, 2016, *Business Standard*, <http://www.business-standard.com/article/economy-policy/gst-bill-who-will-it-benefit-the-most-116080100301_1.html>.

between India and Taiwan, ways to encourage more substantial exchanges are needed. I would like to focus more on people-centered sectors, such as education, consulting, and language teaching, which would improve the people-to-people relations between Taiwan and India. Taiwan can make use of international collaboration with Japan and Singapore, which are more experienced in doing business in India. In the conclusion, I summarize the major points in the analysis and provide some suggestions for the future development of India and Taiwan's relations.

II. Increase of ICT Investment Will Generate More Needs

Electrical and electronic manufacturing (including ICT) is among the industries where Taiwan has core competitiveness. In recent years, big international ICT companies have stepped up their investment in India. In particular, the market share of Chinese ICT products has grown rapidly. Chinese-made smartphones took 22% of the Indian market in the last quarter of 2015, up from 12% in 2015 Q1. Big brands, such as Vivo, Oppo, and LeEco, have captured about 55% of the ad market.¹² To avoid tax on imported electronic components and to capture the growing market, Chinese ICT firms have established production facilities since 2015. As part of the supply chain, Taiwan ICT manufacturers also relocated their production facilities to India. One example is Foxconn, which has started 12 smartphone assembly lines in Sri City, Andhra Pradesh for Xiaomi and the Taiwanese company is likely to assemble smartphones for Huawei in the near

12. Gulveen Aulakh & Writankar Mukherjee Ratna Bhushan, "Chinese smartphones brands like Vivo, Gionee and others gaining market share fast," *The Economic Times*, February 26, 2016, <<http://economictimes.indiatimes.com/tech/hardware/chinese-smartphones-brands-like-vivo-gionee-and-others-gaining-market-share-fast/articleshow/51148045.cms>>.

future.¹³ Foxconn also has closed a deal with the state of Maharashtra to set up a facility at Navi, Mumbai to manufacture for Apple Inc, as the California-based company has vied to increase its market share in India.¹⁴ Besides OEM, Foxconn also produces in India its own brand of smartphone “InFocus,” with a revenue goal of 1 billion USD by March 2017.¹⁵ Terry Guo, the Chairman and CEO of Foxconn also has aimed to build 12 factories in India to manufacture LED TVs, batteries, and other electronic products by 2020 (PTI 2016).¹⁶ Other than Foxconn, Delta Electronics also has announced its intent to set up its third production facility in Hosur, Tamil Nadu (after Rudrapur and Gurgaon) and third R&D center in Bangalore (after Gurgaon and Bangalore). The facility expects to hire 20,000 workers and the R&D center 500 engineers.¹⁷ Wistron Corp., which manufactures for HTC Corp. and OPPO, also has set up a new facility with the Indian firm Optiemus Infracom in Noida, Uttar Pradesh.

13. 劉煥彥、蕭文康，〈鴻海助攻 華為在印搶 1 成市佔〉，《蘋果日報》(*Apple Daily*), August 21, 2016, <<http://www.appledaily.com.tw/appledaily/article/finance/20160821/37354712/>>.

14. PTI, “Foxconn to begin making mobiles at Navi Mumbai plant from August,” *Indian Express*, July 12, 2016, <<http://indianexpress.com/article/technology/tech-news-technology/foxconn-to-begin-making-mobiles-at-navi-mumbai-plant-from-august-2908949/>>.

15. Gulveen Aulakh & Danish Khan, “InFocus eyes \$1 billion in India revenue by March 2017,” *The Economic Times*, July 28, 2015, <http://articles.economictimes.indiatimes.com/2015-07-28/news/64957953_1_foxconn-indian-smartphone-market-march-2016>.

16. PTI, “Foxconn to start manufacturing phones at Mumbai plant from August,” *The Times of India*, July 12, 2016, <<http://timesofindia.indiatimes.com/tech/tech-news/Foxconn-to-start-manufacturing-phones-at-Mumbai-plant-from-August/articleshow/53171614.cms>>.

17. 中華民國駐印度代表處，〈台達電在印度投資第三廠區與研發中心〉，June 26, 2016, 《中華民國駐印度代表處》，<<http://web.roc-taiwan.org/in/post/2560.html>>.

The new facility just began to operate in late June 2016 and has generated net profit of tens of millions of Taiwan dollars in a month.¹⁸

More Taiwanese leading manufacturers establishing production facilities in India would facilitate the formation of industrial clusters, which would attract more Taiwanese firms to invest in India. First, the suppliers and manufacturers in the supply chain are expected to relocate to India with big firms. Second, the improvement of the business environment (a growing Taiwanese business community with more available solutions) will also attract more Taiwanese firms. Currently, three Taiwan Electronic Manufacturing Clusters (TEMCs) have been established in Greater Noida IT Park (Noida, UP), Devanahalli IT Park (Bangalore, Karnataka), and Sri City (Nellore, Andhra Pradesh). The three EMCs were negotiated by the Taiwan Electrical and Electronic Manufacturers' Association (TEEMA) and the local governments. Two of the TEMCs were designed and constructed by Cinda Engineering and Construction. As the India market for electronic and mobile devices keeps growing, increasing Taiwanese investment would be expected to create more business clusters, and, as a result, the need for relevant construction, planning, and consulting would increase accordingly.

III. Defense Sector and Ship/Port Construction: A Neglected Strategic Area

A usually neglected area of investment for Taiwan listed in the "Make in India" project is the defense sector. Weapons acquisition and renewal has become a critical issue for the Indian Army, Navy,

18. Charles Kang & Frances Huang, "Wistron's India plant turns profitable in one month," *Central News Agency*, August 20, 2016, <<http://focustaiwan.tw/news/aeco/201608200010.aspx>>.

and Air Force. Recently, the Indian government has completed several big purchases, including the P-8I reconnaissance aircraft (with Boeing), the possible deal over 12 Japanese-made amphibious aircraft (with ShinMaywa), and the Rafale aircraft fighters. According to the Stockholm International Peace Research Institute (SIPRI), from 2013 to 2015, India was the largest weapons and military equipment importer of the world, accounting for 14% of global arms imports.¹⁹ Nevertheless, the Indian government wishes to develop its own weapons manufacturing systems as well, and that is why defense sector is listed as an important sector in “Make in India.”

Although the defense sector allows 100% foreign direct investment (FDI), the tension between China and India would inevitably restrict the opportunity for Chinese weapons manufacturers to enter the Indian market. Among the current investors under “Make in India” initiatives are western or Israeli companies, such as Airbus, BAE, Lockheed Martin, and Raytheon. Geopolitics plays a role in the foreign investment in defense designing and manufacturing, and this is the sector where Taiwan can benefit by active participation. For the design and procurement of aircraft, for example, the Aerospace Industrial Development Corporation (AIDC) would have the capability for logistics, maintenance and repair, and even design and manufacturing for the Indian Air Force. Taiwan’s military equipment manufacturing businesses also can benefit from the demand for naval vessels in India. One critical issue is that the Indian Navy now has a deficient and aging naval fleet. With its current 137 surface vessels and submarines, the Indian navy plans to acquire 200 vessels by 2027. Nevertheless,

19. PTI, “India again world’s biggest arms importer: Swedish think-tank,” *The Economic Times*, February 22, 2016, <<http://economictimes.indiatimes.com/news/defence/india-again-worlds-biggest-arms-importer-swedish-think-tank/articleshow/51093214.cms>>.

delays in the production process are very common, and it is estimated that there will be a deficiency of 91 naval vessels, including submarines, before 2022.²⁰ Now, President Tsai Ing-wen and the administration want to “build the ship at home (國艦國造),” and several domestic firms, such as Hung Shen Propeller, S.G.D. Engineering, Ming Rong Yuan Business, and CSBC Corporation, have expressed their intent and capability of manufacturing for the ROC Navy.²¹ For Taiwan, participation in the defense factor also can enhance the substantial cooperation with the Indian military. Manufacturing for the Indian defense sector will help generate necessary communication with the Indian armed forces and initiate cooperation in other military aspects. This would make it a good solution for both the Taiwanese domestic manufacturers and the Taiwanese military.

Another sector that has similar strategic value for Taiwan is the construction of ports and shipping industries. 95% of India's trade (measured by volume) goes through shipping.²² The growing trade and economy boost the need for new ports and more commercial vessels. The deep distrust and strategic competition between India and China, however, has kept Chinese firms out of this sector. China's Belt and Road Initiative (also known as “One Belt, One Road”) is viewed by New Delhi as part of the “string of pearls” aiming to strangle India's influence in the Indian Ocean Region (IOR). Therefore, geopolitics gives Taiwan a great opportunity in business. The central

20. Ritika Behal, “Momentum in Indian Naval Shipbuilding,” April 24, 2016, Accessed, *Defence ProAc*, <<http://www.defproac.com/?p=2700>>.

21. 萬年生, 〈潛艦國造 台灣造船業奇兵出列〉, 《今周刊》(*Business Today*), June 2, 2016, <<http://www.businesstoday.com.tw/article-content-80392-155255?page=1>>.

22. India Brand Equity Foundation, “Port in India,” August 2016, *India Brand Equity Foundation*, <<http://www.ibef.org/industry/ports-india-shipping.aspx>>.

government of India plans to mobilize the investment of Rs 1 lakh crore (around 15 trillion USD) in the port sector by 2025, as announced by Prime Minister Modi in the first Maritime India Summit held in Mumbai in April 2016.²³ Taiwanese firms from different sectors, including navigation equipment, ship building, and port construction and management, could benefit from this opportunity.

Challenges that Taiwan might face in this sector most likely are from Korea. Korean firms are among the biggest in the world shipbuilding business. Hyundai Shipbuilding has acquired orders to build for the Indian Navy and initiated cooperation with Larsen and Toubro. On the other hand, the shipbuilding sector also has been discussed as an essential issue in the Indo-Korean bilateral CEPA ministerial meeting. The first project is the Liquid National Gas Carrier (LNGC) for Gail Gas Limited between Cochin Shipyard Limited and Samsung Heavy Industries.²⁴ Taiwanese firms with the intention for India's shipbuilding market would inevitably face the strong competition from their Korean counterparts under the current India-Korean CEPA scheme.

IV. Challenges from the Lack of Stronger Official Channels

The lack of strong official channels can increase challenges for

²³ Express News Service, "Maritime India Summit: PM Modi pitches for Rs 1 lakh crore investment for port development," *The Indian Express*, April 15, 2016, <<http://indianexpress.com/article/india/india-news-india/maritime-india-summit-pm-modi-pitches-for-rs-1-lakh-crore-investment-for-port-development>>.

²⁴ Express News Service, "MoU Signed with S Korean Firm for LNG Ship Project," *The New Indian Express*, April 18, 2016, <<http://www.newindianexpress.com/cities/kochi/MoU-Signed-with-S-Korean-Firm-for-LNG-Ship-Project/2016/04/18/article3385337.ece>>.

Taiwanese firms and companies with plans to invest and manufacture more in India. When there are issues or difficulties related to business arising, it would take more time to solve the issues, compared with countries that have signed comprehensive economic partnership agreements, such as Japan and Korea. Under the framework of their CEPAs signed with India, experts and bureaucrats jointly set up the “Japan Plus” or “Korea Plus” Offices in New Delhi to deal with trade and investment issues. Take “Korea Plus” for example. The office was set up in June 2016 in the Department of Investment, Ministry of Commerce and Industry of India. With its 5 staff members (two from Korea and three from India), the office aims to be the window for Korean firms directly to the Indian Government, as well as the provider for “one-stop service,” including: (1) collaboration with the Government of India on unsolved issues and bottlenecks to facilitate the investment of Korean firms; (2) guidelines for different potential investment areas and industrial clusters, and (3) connection network with Indian government agencies and local investors.²⁵ Japan and India also established an office with four Indian bureaucrats and two Japanese staff members from METI in 2014.²⁶ Without a framework like CEPA, Taiwan's connections with the Government of India depend on the “unofficial” relationship between bureaucrats and meetings between associations of different industries. In 2015, the Bureau of Foreign Trade officials held the first meeting with their Indian counterparts on issues, such as high tariffs on steel products, anti-dumping, and lengthy inspection processes for ICT products.²⁷

25. 한국무역협회, 〈제 2 차 한-인도 CEPA 장관급 공동위 개최 결과〉, June 21, 2016, *Ministry of Trade, Industry and Energy*, <http://www.motie.go.kr/motie/ne/presse/press2/bbs/bbsView.do?bbs_cd_n=81&bbs_seq_n=158313>.

26. 経済産業省, 〈インド政府内に日本特別チーム(Japan Plus)が設置されました〉, October 10, 2014, 《経済産業省》, <<http://www.meti.go.jp/press/2014/10/20141010006/20141010006.pdf>>.

27. “Taiwan and India seeking to bolster trade relations,” *The China Post*, May 1,

India and Taiwan have explored the possibility of signing a free trade agreement (FTA) between the two countries since 2011. Two leading think tanks on each side – Chung-Hwa Institution for Economic Research (CIER) and Indian Council for Research on International Economic Relations (ICRIER) – published a report in September 2013 with the conclusion that an FTA between New Delhi and Taipei is viable and necessary. Nevertheless, with the new administration led by the Bharatiya Janata Party (BJP) winning the election and coming to power in 2014, this idea has been shelved. There are at least two explanations for this. The first one is the “China factor”: India has no formal diplomatic ties with Taiwan; thus, China comes before Taiwan in signing an FTA. Bureaucrats, economists, and strategists might have wanted to strategically use Taiwan as a bargaining chip in the negotiations with China on an FTA. Since the process of the China-Indian FTA has ceased, there is no reason for the one with Taiwan to continue. Second, New Delhi has signed CEPA with Korea in 2009, a country that overlaps significantly with Taiwan in areas like electronic and electrical manufacturing. Thus, there seems to be no haste to sign an FTA with Taiwan.

Although Taipei has expressed several times its intention to resume the FTA negotiation process, the prospect does not seem hopeful in the near future. Currently, the economic relationship of India and Taiwan relies on the framework built upon (1) the annual “Taiwan-India Vice Minister-Secretary Level Economic Consultation” (nine meetings have been held since 2005); (2) the annual meeting between Chinese International Economic Cooperation Association (CIECA) and the Federation of Indian Chambers of Commerce and Industry (FICCI); (3) memoranda of understanding (MoUs) signed

2015, <<http://www.chinapost.com.tw/taiwan-business/2015/05/01/434911/Taiwan-and.htm>>.

between different industrial associations of both countries; and (4) official MoUs signed between the Taipei Economic and Cultural Center (TECC) and the Indian-Taipei Association (ITA) on investment protection, cooperation in technology, education exchange, taxation, and mutual assistance in customs.²⁸ Two new official MoUs – aviation services and agriculture sectors – will be signed in September. Since the aviation services between Taipei and New Delhi have been governed by the MoU signed between Taipei Airlines Associations (TAA) and Air India Charters Limited (AIRL), the approval by the Union Cabinet in June 2016 is viewed as an improvement between the two countries.²⁹

Nevertheless, it takes much more to achieve substantial improvement of bilateral relations between India and Taiwan. Take aviation services as an example: the increase of flights can only be achieved through the increased need for people to travel due to more investment, tourism, and other interactions. Those needs driven by more interactions then can be transformed into governmental agenda or pressure to pursue a new arrangement of bilateral relations. Thus, the Government of Taiwan should have multiple ways to encourage more exchange between India and Taiwan, and the facts of exchange will create the need for stronger governmental framework.

28. 中華民國對外貿易發展協會,〈印度國家檔〉, April 2016,《中華民國對外貿易發展協會》, <<http://www.trade.gov.tw/Files/PageFile/0e8fed3d-84e6-40cd-b49f-818b7943e661.pdf>>.

29. "India, Taiwan to increase cooperation in aviation sector," *The Deccan Herald*, June 13, 2016, <<http://www.deccanherald.com/content/552554/india-taiwan-increase-cooperation-aviation.html>>.

V. Education Cooperation, Consultancy, and Mandarin Chinese: Taiwan's "Soft Power"

To increase the substantial bilateral interaction, people-to-people connections are necessary. On the other hand, as the economy of India keeps expanding, the demand for the labor force is increasing. There is a projected need for 24 million new laborers by the end of 2017. The quality of the labor force in India, however, is less than satisfactory: only 45% of the labor force (age 15 to 59) have an education level of grade 6 or higher. Within the 55% who received education up to grade 5 or less, 30% are illiterate. Generally, only 2% of the workforce has vocational training.³⁰

Since "Skill India" is done through Public-Private Partnership (PPP), it creates space for the participation of Taiwan's government, enterprises, and other social partners. For undereducated population or areas, the government of Taiwan may consider bringing together the International Cooperation and Development Fund (ICDF) and NGOs in Taiwan for capacity-building efforts in rural areas of India. These efforts can support other Indian-government-sponsored projects, such as *Saansad Adarsh Gram Yojana* ("Member of Parliament's 'Model Village' Project," or SAGY) launched in 2014. SAGY asks every MP to take at least one village in his or her constituency and transform it into a "model village (Adarsh Gram)" by promoting its physical, social, and economic infrastructures.³¹ Via the capacity-building channel, the Taiwanese government and enterprises also can

30. KPMG, "Skilling India - A Look Back at the Progress, Challenges and the Way Forward," 2014, *KPMG*, <<https://www.kpmg.com/IN/en/IssuesAndInsights/ArticlesPublications/Documents/FICCI-KPMG-Global-Skills-Report-low.pdf>>.

31. Saansad Adarsh Gram Yojana, "About Sanjhi," April 24, 2016, Accessed, *Saansad Adarsh Gram Yojana*, <<http://www.saanjhi.gov.in/aboutus.aspx>>.

strengthen the relationship with different MPs. For the mid-educational level workforce that covers elementary to high school graduates, the Ministry of Education (MOE) and the Ministry of Economic Affairs (MOEA) can work together with firms to design and implement various training projects to meet the needs of different sectors.

Taiwan can make use of its experienced teachers and programs to train workers and program instructors for India, for example, its successful “school-to-work-training method” (such as the one formerly worked out with Germany, “The Taiwan-German Project”). The Singaporean model also can be a method that Taiwan may replicate or modify. ITE Education Services under the Institute of Technical Education of Singapore has planned to set up two skills centers in Delhi and Varanasi, offering programs tailored to the needs of local industries.³² Taiwan, like Singapore, is a small country with limited resources, and a smaller-scale pilot program is more pragmatic and viable. Second, this program of Singapore begins at the state level with governments of Rajasthan and Madhya Pradesh. To begin at the state level will be much easier than with the Centre with more efficiency and saving time in the bureaucratic system, especially when Taiwan has not signed any strategic partnership agreements with India, unlike Japan or Korea.

As for higher education, there are some successful cases currently going on between India and Taiwan. For example, Wu Feng Institute of Technology in Chiayi County has cooperated with Far East Machinery Co. Ltd (FEMCO) to recruit, train, and employ Indian

³². Digital Learning India, “Singapore’s Institute of Technical Education promotes ‘Skill India’ by setting up centres pan India,” *Digital Learning India*, June 7, 2016, <<http://digitallearning.eletsonline.com/2016/06/singapores-institute-of-technical-education-promotes-skill-india-by-setting-up-centres-pan-india/>>.

students after graduation. Top national institutions, such as National Taiwan and National Tsinghua Universities, have also enrolled many Indian students, mostly from science and engineering backgrounds. Now, there are more than 1,000 Indian students (college or above) in Taiwan. International cooperation between India and Taiwan also has been strong, as MOE of Taiwan has sponsored Taiwan Education Centers (TEC) in six different universities for Chinese language and cultural education in India. Nevertheless, other than viewing India as a source country of talented students, cheap labor, and the possible strategic cooperator, much still can be done at the education level.

The deepening of education cooperation between New Delhi and Taipei actually can serve more purposes. First, it can help Taiwan better relocate its higher education workforce. In recent years, there has been an oversupply of Ph.Ds. in Taiwan. If MOE can modify the regulations, these researchers can work in different Indian higher education institutions to promote academic exchange between Taiwan and India, while they also benefit from the overseas cultural experience. Second, Indo-Taiwan educational cooperation provides an opportunity for Taiwan to experiment with internationalization of its higher education. Currently, India has a growing market in higher education. The Indian Central government has given more space for private capital to invest in higher education. New universities that have different curriculum design and faculty with more internationalized experience have been established since the end of the 2000s. Collaboration between Indian and international higher institutions has accelerated as well; world-famous institutions, such as University of Chicago and University of Tokyo, have set up offices in New Delhi for further recruitment and cooperation. Taiwan can initiate higher education cooperation from the department or the school level with smaller but practical projects like dual degrees. The MOE or universities in Taiwan may begin cooperation with their Indian

counterparts by establishing co-sponsored research centers or departments staffed with researchers and professors of each country. Based on successful experience, Taipei and New Delhi then can explore more possibilities in the future.

Educational cooperation can be the catalyst for Taiwan to further globalize. For Taiwan to initiate its globalization process, India is a great place with a free market that has less interference from the government. Also, compared with the American or European markets, the thresholds to enter the Indian market are lower. Culturally closer to the Western civilization, India is also the portal to other South Asian countries and Middle East countries. A major obstacle in the trade of services between the two countries is culture and language: Taiwan generally has low visibility in India, while people in Taiwan still have stereotypes about India, its people, and its culture.³³ This is where colleges and universities can play a role by helping the youth from both sides to better understand each other.

To enhance the business relationship between the young generations of both countries and to let more Taiwanese young people have Indian experience, a government-supervised internship program is a good place to begin. Now, the MOEA Trade Bureau and TAITRA have the annual International Trade Institute (ITI), which trains business professionals with language learning and other professional courses. Based on the current track, TAITRA can choose to tailor courses to India by co-hosting the program with Indian institutions. On the other hand, TAITRA also can export their models of ITI to

³³ R. Goswami & Kristy Tsun-Tzu Hsu, "Trade in Services between Indian and Taiwan," in Pal. P., Arpita Mukherjee, & Kristy Tzun-Tzu Hsu eds., *Enhancing Trade, Investment and Cooperation Between India and Taiwan* (New Delhi: Academic Foundation, 2013), pp. 99-134.

India to assist and support the vocation training under the “Skill India” umbrella.

Consultancy business is another potential area for the future, since, as the bilateral business activities grow between India and Taiwan, trade in relevant services will have to catch up. Now, at least one Chinese business consultancy firm has been established in Gurgaon, Haryana to serve increasing numbers of Chinese companies. Japan and Korea also have established local communities and support groups for their firms and expatriates, providing tax, accounting, and legal services by Japanese or Korean professionals. Currently, there are no organized tax/accounting and legal services provided to Taiwanese firms, which increases the information costs for doing business. Nevertheless, increasing investment from different countries will bring in more expatriates from Taiwan as well as the need for financial or other services. To facilitate market entry, support, such as related services, are needed; this is also included in the New South-bound Policy Plan of the Executive Yuan.³⁴ The Taiwan government could coordinate between investors and professional services and provide policy incentives for those wanting to set up offices in India. Mandarin Chinese learning is another potential area where Taiwan has an advantage. Taiwan should use this advantage to acquire not only the language teaching market but also the strategic connection in India.

VI. Risk Reduction through International Collaboration

As a latecomer in the Indian market without much experience, Taiwan should make use of the Japanese experience to connect with

³⁴. 中華民國行政院經貿談判辦公室、國家發展委員會,〈新南向政策推動計畫〉, September 5, 2016, *SlideShare*, <<http://www.slideshare.net/releaseey/0905-65685701>>.

India. The relationship between Japan and India can be traced back to the Meiji Era. Japan established diplomatic relations with India in 1952 and the Official Development Assistance (ODA) began in 1958. As of 2004, India has taken the place of China and has become the country that receives the most ODA from Japan. Compared with Taiwan, Japan began work in India much earlier and has become very deeply involved in this emerging market.

Taiwan can follow the steps of Japan in India by joining Japanese firms' supply chains. Many of the Taiwanese firms in India now are automobile component makers. These firms, if they can enter the supply chains of the major Japanese car manufacturers, will be able to benefit from the growing sales of Japanese cars in the Indian market. The joint venture Maruti Suzuki has the largest market share of small cars in India, and the sales of other Japanese auto firms, such as Honda, Nissan, and Toyota, are growing. Inexpensive but high-quality Taiwanese auto component also will have comparative advantages if these products can enter the growing local car repair and services sector. In the sector of infrastructure, the Governments of Japan and India have agreed to create 12 industrial parks in different places of India. The need for investment and know-how will increase. The Taiwanese government should encourage Taiwanese firms to participate in these opportunities and negotiate related issues with Tokyo through ministerial level (METI-MOFA) channels. New cooperation can be based on current collaborative frameworks. Industries of Taiwan and Japan have been working together in management, R&D, manufacturing, and marketing via the *Bridging Plan for Taiwan-Japan Industries* (台日產業搭橋計劃) since 2011 to expand the markets in Mainland China.³⁵ The plan can be modified to fit the

35. 台日產業合作推動辦公室, 〈台日產業合作〉, 2012, 《台日產業合作推動辦公室》, <<http://www.tjpo.org.tw/cooperation.php>>.

needs of the Indian market, as Taiwanese firms can be suppliers for Japanese companies in different sectors.

Taiwan also can benefit from investment in India by replicating or modifying Japanese firms' business models. Cinda Engineering and Construction Pvt Ltd (CITI), a Taiwanese firm specializing in integrated services in gas, power, and environmental industries, began its overseas business by collaboration with Chiyoda Corporation of Japan. CITI was the contractor with Chiyoda in Taiwan. These two firms later worked together on projects in Saudi Arabia as CITI began to accumulate its experience in global services by setting up its first overseas branch there.³⁶ Now, CITI has contracted several projects in India, including the Taiwan Electronic Manufacturing Clusters (TEMC) in Mumbai and Noida. Since Japan and Taiwan are closer in culture with many overlapping trade products in the international market, the business models can be more adaptable as similar investment-related issues and problems will be expected for Taiwanese firms.

Another country that Taiwan may work with is Singapore, which has been ranked the No. 2 foreign investor of India by accumulated FDI inflow from 2000 to 2016 and every year on the annual basis.³⁷ The major format of investment for Singapore is portfolio investment in the industrial parks. The two major government-linked corporations (GLC), Sembcorp Industries Ltd. and Ascendas Group,

36. 彭子珊,〈中鼎工程跨海「打群架」 訂單大增八百億〉,《天下雜誌》(*CommonWealth Magazine*), May 12, 2015, <<http://www.cw.com.tw/article/article.action?id=5067653>>.

37. Department of Industrial Policy and Promotion (DIPP), "Quarterly Fact Sheet: Fact Sheet on Foreign Direct Investment (FDI)," March 2016, *DIPP*, <http://dipp.nic.in/English/Publications/FDI_Statistics/2016/FDI_FactSheet_JanuaryFebruaryMarch2016.pdf>.

have built several industrial parks in India. Among them is the International Tech Park Bangalore, initiated in 1992, which was the first industrial park in India. Now, Singapore GLCs have industrial or IT parks in operation or in the process in hubs, such as Chennai, Hyderabad, and Gurgaon.³⁸ These industrial parks provide “one-stop” service for foreign firms, including infrastructure, investment-related accounting, tax and legal services, human resources, licensing, labor training, and security. Taiwan should explore the possibility to participate and invest in Singapore's IT/industrial parks to make the best of its experience in infrastructure, civil engineering, and ICT management. Taiwan also can use the *Agreement between Singapore and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Partnership (ASTEP)*³⁹ to facilitate its collaboration with Singapore on joint investment in projects in India. The formal diplomatic relations between Singapore and India can serve as a channel of communication if disputes or investment-related issues arise. Through cooperation with Singapore, Taiwanese businesses also will accumulate related experience and explore different operation models in international management.

Both Japan and Singapore have close relations with India, as well as long experience in business. As a result, working closely with these two countries will help reduce the business risks. Geopolitically, a closer relationship with Japan and Singapore will also

³⁸. PTI, “Ascendas-Singbridge to build IT park in Gurgaon for \$400 mn,” *The Economic Times*, August 27, 2016, <<http://economictimes.indiatimes.com/tech/ites/ascendas-singbridge-to-build-it-park-in-gurgaon-for-400-mn/articleshow/53888386.cms>>.

³⁹. Government of Singapore, “Overview of ASTEP,” April 24, 2016, Accessed, *Government of Singapore*, <<http://www.iesingapore.gov.sg/Trade-From-Singapore/ASTEP/Overview-of-ASTEP>>.

have support from the United States. Taiwanese firms also can expect to benefit from the supporting legal, tax, and accounting services of the two countries.

VII. Concluding Remarks and Suggestions

As the largest and leading country in the South Asia region, India can be the springboard Taiwanese firms can use and replicate their “Indian experience” in other major South Asian countries, such as Bangladesh, Sri Lanka, and Pakistan. Taiwan should take advantage of the recent wave of ICT investment to increase its visibility and foothold in India. Defense, shipbuilding, and other “strategically important but sensitive” sectors are worth exploring; Taiwanese firms may use this opportunity to further globalize, as the government of Taiwan can enhance substantial contact with the Indian national security sector. Considerable focus and attention have been put upon traditional manufacturing. We should, however, explore some other areas that have the potential to lead to more connections in the future, such as education, consulting services, and language teaching. India is an opportunity that the business and society of Taiwan can use to “upgrade” and transform themselves. Through the collaboration with Japan and Singapore, Taiwanese enterprises can explore and generate more viable new business models in the services sector. The education sector of Taiwan also can use this opportunity to explore possible global development and collaboration plans to address the “student deficit” issue and better allocate its resources.

As the Taiwanese investment is expected to increase in the future, the Government of Taiwan should continue to push for an official bilateral trade and services agreement with the Government of India and should realize that garnering support from within Taiwan is as important as the enhancement of substantial exchange between

the two countries. As the Tsai Ing-wen administration has announced its “New Southbound Policy,” gaining more positive political momentum for the policy is necessary. In addition to the new responsible organ, Office for External Economic and Trade Negotiations, created in the Executive Yuan,⁴⁰ at the legislative level, the Taiwan-India Parliamentary Amity Association (TIPAA) was also created in April 2016 to boost substantial relations.⁴¹ Media attention towards India in Taiwan also is increasing. If this can be combined with the increase of TDI – and the consequential increased traffic of persons and goods – in India, a consensus within the Taiwanese society would hopefully be forged to push for closer governmental cooperation. On the other hand, the funds allocated to the New Southbound Policy are limited: 4.2 billion TWD (around 134 million USD) will be used on 18 countries (10 ASEAN countries, 6 South Asian countries, Australia, and New Zealand) on an annual basis. Therefore, the Government should begin with smaller but feasible projects or pilot programs that will generate more potential.

40. 邱金蘭、吳馥馨,〈政院對外經貿談判辦公室 鄧振中掌旗〉,《聯合報》(*United Daily News*), September 2, 2016, <<http://udn.com/news/story/6656/1934922>>.

41. 蔡百蕙,〈新南向傳佳音 印度國會上下兩院成立新友台小組〉,《東森新聞雲》(*ETtoday*), August 31, 2016, <<http://www.ettoday.net/news/20160831/766433.htm>>.

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