

# China-India Brief

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## *Guest Column*

# India's Taiwan Dilemma amid Escalating Rivalry with China

By Sana Hashmi

Lately, there has been considerable discussion about how India might respond to a potential contingency involving Taiwan. While the likelihood of a direct military intervention has been downplayed, some **observers** have **discussed** the possibility of India providing logistical support to aid Taiwan's defence, or rallying international condemnation against the aggressor, i.e., China. The context for this emerging discourse is the deterioration of India-China relations, which has been coupled with India's **growing proximity** to the United States (US). As a result, there is a feeling that India-Taiwan relations could deepen and that India

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The *China-India Brief* is a bi-monthly digest focusing on the relationship between Asia's two biggest powers. The Brief provides readers with a key summary of current news articles, reports, analyses, commentaries, and journal articles published in English on the China-India relationship. It features a Guest Column weighing in on key current issues in China-India relations.

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could play a role in a China-US conflict over Taiwan. As of now, it remains unclear what India's response might be in the event of a Taiwan contingency. However, it is evident that India-Taiwan relations are witnessing a noteworthy transformation, largely influenced by the escalation of tensions between India and China.

Though the pivotal shift in India's stance towards China was marked by the **2020 Galwan clashes**, the rethink in India's China policy actually began as early as 2017, triggered by the **Doklam standoff**. The Galwan and Doklam standoffs served as a wake-up call for India, signaling that the dispute between India and China was not merely a matter of divergent perceptions of the Line of Actual Control (LAC), but rather, could be part of a larger attempt by Beijing to curb India's growing influence in the region through the use of its military might.

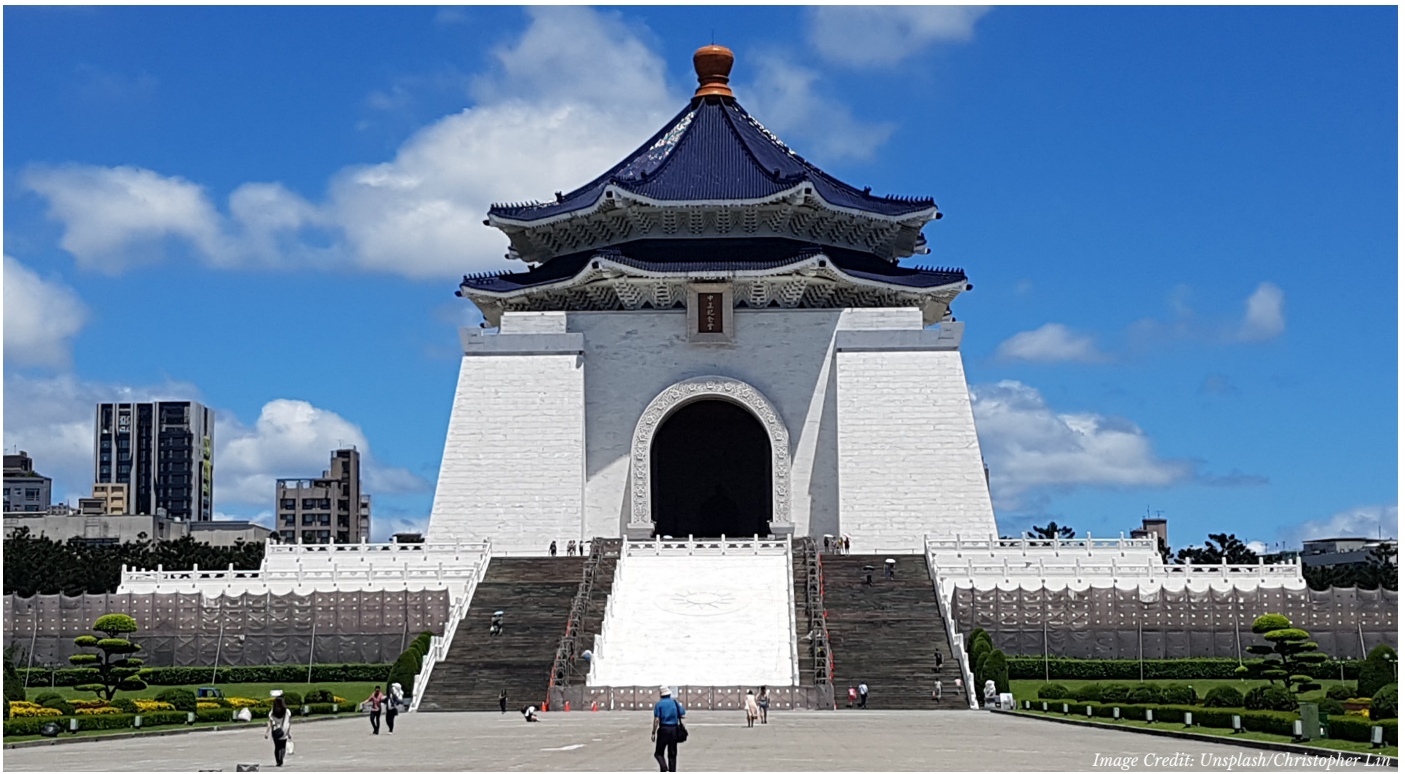
### The Change in India's Taiwan Policy

For decades, India prioritised maintaining a positive relationship with China and steered clear of actions that might have been perceived by Beijing as crossing its red lines. Consequently, India's cooperation with Taiwan was constrained. However, India's stance on Taiwan's status within the One China Policy has remained ambiguous over the years, with New Delhi largely refraining from making any explicit reference to Taiwan while referencing the policy.

Since 2010, India has avoided mentioning the One China Policy in **official documents** altogether. In 2014, China's refusal to recognise and accept India's call for a reciprocal **One India Policy**, as demanded by former Indian External Affairs Minister Sushma Swaraj, led New Delhi to further distance itself from the One China Policy.

In recent times, India's approach towards Taiwan has been marked by a more prominent shift. This new proactive stance is grounded in the belief that India no longer needs to be overly cautious about China's response or the One China Policy. The changing approach is driven by three primary factors. First, China has displayed a lack of interest in resolving existing differences with India and disregarded India's own territorial sensitivities. Furthermore, China has refused to return to the pre-Galwan status quo, as **preferred by India**. Second, China has consistently portrayed the situation at the LAC as **'normal'** and instead, emphasised on focusing on other aspects of the relationship. Third, there has been a realisation in India that engaging Taiwan would reap mutual economic benefits.

A visible change in India's diplomatic tone towards Taiwan is also evident. Previously, the Indian government would refrain from commenting on China-Taiwan issues. However, following the then US House Speaker Nancy Pelosi's visit to Taiwan and China's live-fire drills in response to the



visit in August 2022, India’s Ministry of External Affairs, in a first, **responded** to a media query on the unfolding events: “We urge the exercise of restraint, avoidance of unilateral actions to change the status quo, de-escalation of tensions and efforts to maintain peace and stability in the region.”

Another significant step has been the setting up of **Taiwan’s third representative office** (which function as de-facto embassies) in Mumbai, India, by the third quarter of 2023, bringing the number of Taiwan’s representative offices in India equal to that of China’s embassy and consulates in the country. While such developments may not signify a radical policy shift, they demonstrate India’s willingness to advance ties with Taiwan and reflect how India’s approach towards Taiwan might evolve if India-China tensions persist.

## The Economic Potential of India-Taiwan Relations

In light of the current circumstances, where a rapprochement with China seems improbable in the foreseeable future and a Chinese invasion of Taiwan remains **detrimental** to India’s interests, there is a growing **consensus** within the Indian strategic community that New Delhi should forge stronger ties with Taiwan. This perspective has been gaining traction since 2020, when China escalated tensions with both India and Taiwan simultaneously.

In terms of trade, India and Taiwan have begun to recognise the potential in a mutual partnership, particularly since both are seeking to reduce their economic dependence on China. State-level delegations visiting Taiwan to attract investments and several other collaborative initiatives have been important steps

forward. In 2021-22, India-Taiwan bilateral trade experienced a significant surge, increasing by over **60 percent** to USD 8.9 billion, up from USD 5.6 billion the previous year. In 2022-23, for the first time, **India-Taiwan trade** crossed the USD 10 billion mark. There has also been a slight increase in investment flows from Taiwan to India, particularly since the signing of an upgraded bilateral investment treaty in 2018.

A recent setback in India-Taiwan cooperation was the dissolution of the highly anticipated **Foxconn-Vedanta joint venture** to establish a semiconductor plant in the Indian state of Gujarat. Despite this setback, Foxconn has **expressed** its commitment to stay operational in India by applying for Indian government incentives for chipmaking in the country and has further shown support for the Narendra Modi administration's Make in India and Self-Reliant India initiatives. Recently, at the 2023 Semicon India event, Foxconn CEO and Chairman, Young Liu, **expressed** Taiwan's strong support for India's semiconductor journey.

Additionally, Taiwanese companies such as Pegatron, a renowned electronics manufacturer, and MediaTek, a leading fabless semiconductor company, have been making notable headways in India. There has been substantial progress in other sectors as well, such as the **joint venture** between Gogoro, a prominent player in Taiwan's electronic vehicles sector and India's Hero group.

While several Taiwanese companies are looking at India as a potential destination for relocating their manufacturing and perceive India as an important part of a China-plus strategy, there still remain structural issues. One, Taiwanese investors have not yet been able to fully establish a robust presence in India, as they have tended to show a preference for Western and Southeast Asian countries when it comes to investment opportunities. Second, a key challenge lies in the lack of policy consistency in India, particularly with regards to the frequent fluctuations in tariff rates. These inconsistencies make it difficult for Taiwanese investors to make long-term business projections and strategic decisions. Third, navigating the policy differences between India's central government and state governments creates regulatory complexities compared to the streamlined approaches in centralised party-states such as Vietnam. In addition to the policy-related hurdles, Taiwanese enterprises face cultural barriers in India. While they are more acquainted with markets, languages and cultures in Southeast Asia and China, they encounter more barriers and are less familiar with the Indian market.

The full potential of India-Taiwan relations has thus remained unrealised and necessitates a recalibrated approach. In order for Taiwan to gain ground in Indian political considerations, it must proactively reach out to India and prioritise the advancement of economic ties. To enhance their bilateral relations, India would likely

seek a *quid pro quo* arrangement focusing on securing increased investments and support for developing its own semiconductor industry while reciprocating with more open engagement with Taipei.

### Will India Get Involved in a US-China Conflict over Taiwan?

While India has attempted to separate its engagement with Taiwan from its relations with China, its potential role in a Taiwan conflict still remains contingent on the state of its relations with China.

India has shown an increasingly proactive stance towards Taiwan, emphasising the advancement of ties within the framework of unofficial relations and building upon existing areas of cooperation. Its shifting outlook towards China has encouraged India to envision a more assertive role for itself in the evolving geopolitical landscape of East Asia. New Delhi's support for the Indo-Pacific concept and the revival of the Quad (involving India, the US, Japan, and Australia) grew out of its increasing concern about the threat posed by China. Notably, it also demonstrated India's willingness to align itself with a grouping widely seen as 'anti-China.'

Unsurprisingly, this has fueled speculation over India's potential involvement in a Taiwan contingency. **Granting the US access** to the Andaman and Nicobar Islands to facilitate naval cooperation is a possible Indian response to a Taiwan conflict.

Opening a second front along the LAC to divert the Chinese military's attention from Taiwan is another idea that has surfaced. For now, such steps seem far-fetched. Taking such steps could provoke a response from China that India is unwilling or unable to contend with as of now.

The current state of the India-China rivalry, along with the evolving Indo-US partnership and India-Taiwan relations, has not yet reached a point where India could commit to a specific response in the event of a conflict between the US and China over Taiwan. While India maintains friendly (unofficial) relations with Taiwan and has been consolidating security and defence ties with the US, this does not necessarily imply that India is actively considering a military role in a Taiwan contingency.

India's approach towards Taiwan is mostly centred on establishing a mutually beneficial economic and technological partnership. It is focusing on advancing economic and technological cooperation, without actively seeking a military role in any potential conflict. India's primary focus remains on avoiding a conflict with China and contributing to the establishment of a multipolar world that upholds principles of being '**free, open, and rules-based.**' In short, India envisions a world where coexistence with China is still achievable.

However, given the ongoing concerns about the China threat, which remains a prominent aspect of India's strategic calculus, there is a possibility that India may rethink its role in a potential Chinese invasion of Taiwan. But to ensure India's active involvement, either the economic advantages of engaging with Taiwan must become paramount, or the perceived threat from China must become significantly more formidable. Whether India chooses to play an active role in a Taiwan contingency, either logistical or military, would largely depend on the prevailing state of its relations with China, the level of trust with the US, the extent of engagement with Taiwan at the time of the potential incursion, and the circumstances in which tensions between Taiwan and China boil over.

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