

NIAS Area Studies I China Reader

India-Taiwan Relations: Making a Case for Active Sub-National Diplomacy with Tamil Nadu

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Traditionally, a country's central administration and authorities are bestowed with the responsibility to carry out international interactions of military, political, economic, and social nature. However, the practice of '(para)diplomacy'; simply describes as international and regional outreach of subnational governments (SNGs), has been a topic of conversation, especially with regards to federal western contexts. From setting up permanent offices abroad to organizing multilateral forums aimed to increase visibility, SNGs have increasingly developed an influential diplomatic and economic networking parallel to the system of formal diplomacy. Constituent units in Canada and United States actively engage with their cultural and economic twins across the sea and land borders, whereas regions within Europe enjoy active autonomy under European Union's multilateral governance. The phenomenon is equally important in countries with authoritarian political structures such as Russia and China. It has widely been recognized across Asia to make use of globalized economy for social and economic development.

India-Taiwan Ties and SNGs

With no formal diplomatic ties, the mutual economic interest has long framed the relationship between the two democracies. Since the establishment of representative offices at each other's capitals, both New Delhi and Taipei has approached the relationship in a functionally limited and one-dimensional mode. But this has not restricted enterprising states to put their cards on the table. Often cited, the 2012 Memorandum of Understanding (MoU) between Gujarat's State industrial facilitation arm and Taiwanese steel maker China Steel Corporation (CSC) for setting up the steel plant at Dahej is attributed to then chief minister Narendra Modi's interconnections. As Bharatiya Janta Party's (BJP) general secretary he has visited Taiwan in 1999. Tsou Jo-chi, CSC's then president also attended 7th Vibrant Gujarat Summit in 2015 inaugurated by Modi, now in Prime Minister capacity. The 2015 MoU between Maharashtra Government and Foxconn to set up a manufacturing in the state was also the outcome of the continuous dialogues between the company and state government officials. Chief Minister Devendra Fadnavis-led delegation visited company's facility in China and pushed for manufacturing giant's investment in Maharashtra under 'Make in India' campaign. Later the state further offered to set off the higher import duties levied by centre to reassure company's \$5 billion investment.

One can find growing attentiveness towards forging such interactions, especially since the advent of New Southbound Policy. Today, Tsai administration's eagerness to build

consequential ties with New Delhi has made critical intervention in redirected Taiwan-India partnership. But, Tamil Nadu, a well-established industrial state in South India, has been a first-hand witness to Taiwan's deepening economic engagements with India since the very start. With its distinct state identity, a stable political governance committed to industrialization, and focused diplomatic manoeuvring towards Taiwanese investments, Tamil Nadu has emerged out to be Taipei's persistent partner.

The Case of Tamil Nadu

Home to 40 operational special economic zones (SEZs), the coastal state has successfully attracted investment from 20 major Taiwanese companies including Delta Electronics, Fang Tay Group, Foxconn, Chung Jye Company and others. Over the years, the Taiwanese investment in Tamil Nadu has risen to **USD 1.7 billion**, leading to Taiwan's stature as one of the leading investment sources to the state. On the Taiwan National Day celebration in 2020, Ben Wang, the Director-General of TECC Chennai, indicated in a press release that Taiwan is willing to double its investment in the state. According to Wang, 'Taiwanese businessmen are fully aware that Tamil Nadu has an advantage to attract business operations.'

The state is also home to the three main representatives of Taiwan's economic and cultural interests: *de facto* consulate, The Taipei Economic and Cultural Center (TECC), government co-sponsored trade promotion organization, Taiwan External Trade Development Council (TAITRA) and Taiwan Chamber of Commerce. All have their offices in Chennai with former two in full function. Originally, Taiwanese government's proposal to establish TECC Chennai considering growing investment interests in the state was rejected by the Ministry of External Affairs (MEA). 'Worried about the reaction of Beijing, the MEA dithered', as indicated by Ashok Malik, currently a policy advisor /additional secretary in MEA. Later, Dravida Munnetra Kazhagam (DMK) government in Chennai utilized its 'political clout' to persuade the central government. As shown in illustration-1, today, most of Taiwanese investments are concentrated at the northern part of the state, either in state-led SEZs around Chennai or closer to the technological capital of India, Bangalore. This growing visibility of the state among Taiwanese investors as favourable has to do more than its geographical location in sea line of communication, it is the combination of a business-friendly ecosystem with politico-security certainty, 'away from corridors of power'.

'Tamil Nadu provides investors a favourable geography, a well-established supply chain, quality port service, steady flow of qualified graduates and an efficient state governance willing to aid foreign investment'; elucidates Dr E Prakash, Associate Vice President at Taiwan Desk, Guidance Bureau. Today, Tamil Nadu has the second-largest state economy, is ranked first as per good governance index 2020-2021 and is known to direct industrialization towards inclusive, equitable, and sustainable development. States' post-liberalization 1992 industrial policy is officially accredited for laying the 'foundation' for regional government's unwavering commitment towards 'greater private and public investment in manufacturing and infrastructure development.' The policy aspired towards the pragmatic goal of raising the competitiveness of the state for securing foreign direct investment and weaved the path for automobile and electronics revolution attracting major giants such as Foxconn, Nokia, Hyundai, to name some. With current Chief Minister Stalin's vision to make Tamil Nadu the most invest-friendly region in South Asia, the 2021 Industrial Policy promises to 'build on the momentum' generated by the previous industrial policies and incorporate new policy initiatives such as Make in India, Goods and Service Tax for future development of the state.

MAJOR TAIWANESE ENTERPRISES IN TAMIL NADU STATE

1 SEZs

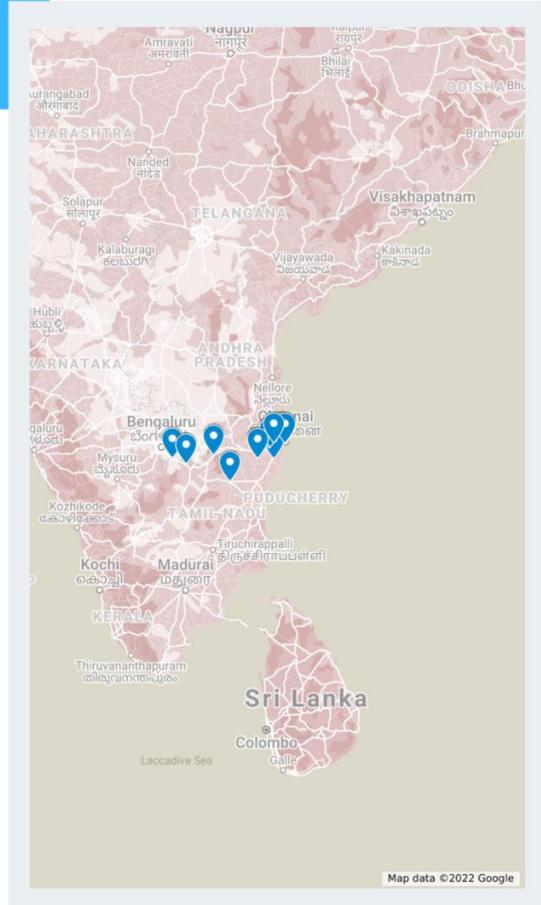
Cheyar SEZ

ELCOT

Mahindra World City

SIPCOT

2 Location



3 Type

Auto Ancillary

Electronics

Footwear

IT/ITES

**Support Services
(Logistics/Banking)**

4 Enterprise Name

- **Avary Technology**
- **Evergreen Shipping Agency**
- **Cheyar SEZ Developers**
- **Foxconn**
- **Chung Jye Company in Joint Venture with Aston Shoes**
- **Lotus Footwear**
- **CTBC Bank**
- **Pegatron**
- **Delta Electronics**
- **TJC Precision Technology**
- **East Wind Footwear**
- **Wintek**

A 2020 report on Tamil Nadu governance by *Tony Blair Institute for Global Change* also draws attention to this crucial role of policy consistency and state leadership that cut across administrations in establishing trust and creating predictability over time for the investors. The state's industrial policy has consistently evolved with each administration to strengthen the favourable investment environment and to integrate it with the local economy and less-developed pockets of the state.

To boost investment in state's southern part and less industrialized pockets, the current policy, for the first time, redirects its most rewarding structured package of incentives towards investors willing to invest in specified districts. Sojin Shin research on land management in Tamil Nadu has also highlighted another pivotal role played by specified state agencies established under DMK government and its leaders' close ties with the private sector in foundational years of intensive industrialization vision for the state. He notes the existence of organizations such as the Tamil Nadu Industrial Development Corporation (TIDCO) and the State Industries Promotion Corporation of Tamil Nadu (SIPCOT) assisted the state in effectively utilizing New Delhi's changed economic orientation in 1990s and facilitated the land acquisition for the industrialized sector. 'A substantial portion' of these acquired land only was later given for SEZ development.

On this background of a sound 'industrial order' in the state, para-diplomatic activities have increasingly become a strategic choice of regional authorities. State's renewed policies have focused on new initiatives which utilize digital avenues for modernized government-to-business (G2B) interactions via development of new single window portal and investment facilitation desks across countries and sectors. Earlier established as Tamil Nadu Export Promotion and Guidance Bureau under the oversight of TIDCO in 1992, State's nodal investment agency has been also revamped to suit the needs of the time, now known as Guidance Bureau.

At present, Taiwan has its own investor facilitation desk at both state-level guidance bureau and central-level Invest India portal aiming to connect and familiarize Taiwanese investors with the Indian setting. To quote Dr Prakash, currently based in Taiwan, "The nodal agency provides a single-window into the land information portal, listing mechanism and grievance redressal to the interested partners." The additional services such as central inspection system to monitor compliance, deemed clearances, comprehensive land portal, construction permit portal, creation of automatic renewal of select licenses have added efficiency and confidence in multinational interactions. It has equally contributed in facilitating regular visits between Taiwanese and Indian counterparts and bridge the gap via experience sharing.

A 2013 news report expressed that Tamil Nadu government is exploring possibilities to have a separate Taiwan Economic Zone near Chennai to attract investment from Taiwanese small and medium enterprises. State Industries top officials have shown pronounced interest in 'learning' and even 'replicating' the ICT success of 'Taiwan Model'. Following the visit to Taiwan's Hsinchu Science Park, the officials were reported to 'reach out to firms capable of developing such park' in the state. To further facilitate FDI in electronic systems design and manufacturing (ESDM), the state commits under its Tamil Nadu Electronics Manufacturing Policy 2020 to promote ESDM research and development via entering into twin-city agreements with electronic manufacturing cities in countries such as Japan, South Korea, Taiwan, Singapore to name some via Guidance Bureau.

With Tamil Nadu's increased capacity to interact and conduct negotiations with foreign investors, both main leadership and industrial department ministers have progressively approached TECC Chennai, to register their eagerness for investments from the fellow democracy. A simple scroll of TECC website reflects the increased interest in southern Indian states' diplomacy with Taiwan representative office, especially in the last two years (Annex I). In 2019, then Director-General Charles Li of the TECC Chennai was presented the invitation by the industrial minister to attend the state's official business summit, Tamil Nadu Global Investors Meet. The summit marked a significant milestone by acknowledging the mutual eagerness for deepening economic ties.

An official representative from the Taipei World Trade Centre, Liaison Office in Chennai expressed via email correspondence that “Tamil Nadu government is eager to attract investment from every country. Taiwan is definitely an important target for them, and they also show their friendliness to Taiwanese companies. It has an edge to attract Taiwanese companies because of its complete industry cluster.” He further stated that the state is trying to address the challenges Taiwanese investors face while investing in India and improve investment convenience. The talks of establishing a Taiwan cluster in the state are also gaining momentum. Recently, Foxconn signed a Memorandum of Understanding with SIPCOT for constructing industrial housing for its employees after the state's Industrial Department sanctioned Structural Package of Assistance to the mega-giant.

Policy Suggestions

India's economic liberalization has primarily benefitted the states with proactive involvement and efficient administration. They reformulated their policies to ascertain international competence and outreach. Since the arrival of Prime Minister Modi intensifying international activities of the Indian states has been the significant objectives of the Indian foreign policy. With growing attention towards Taiwan, not only in Tamil Nadu, but across southern states', there is time, they should be given considerable space to pursue their interactions with interested parties in Taiwan.

First step in that direction could be lifting bans on state leaders' visit to the island. Many South Indian Chief Ministers and Member of State Legislative Assembly have shown interest in visiting Taiwan to develop city to city ties; only to be side-lined by the Ministry of External Affairs under One China Policy. With virtual diplomatic meetings being the norm in the post-COVID world, states should utilize cyberspace to rewrite rules of interactions.

Secondly, to maintain Taiwan-Tamil Nadu long-term developmental ally-ship, both entities must assist each other in popularizing their cultural and visibility campaigns. The ties between educational institutions have taken up speed, but the opportunity of creating people-centric cultural base via tourism and regional movies promotion should not be side-lined.

Thirdly, as TECC Chennai office plays an instrumental role to inculcate mutual stakes among Taiwanese investors and southern states, New Delhi should allow Taiwan to set up more consulates across major Indian cities to develop economic, social and cultural relations at state to state or city to city level. Considering the regional diversity in economic governance across India, one has to agree with the practicability of para-diplomacy as one of development tools in this fated relationship.

Annex I

Timeline	State	Purpose	TECC Representative	State Representative
September 2021	Kerala	Trade and Investment	Meeting with Director Wang	CM Pinarayi Vijayan, Chief Minister of Kerela
September 2021	Tamil Nadu	Taiwan Industrial Cluster	Meeting with Director Wang	Thiru Thangam Thennarasu, Minister for Industries
July 2021	Telangana	Trade and Investment	Taiwan delegation Bilateral Consultation	K.T. Rama Rao, Cabinet Minister for IT E&C, MA&UD and Industries & Commerce Departments
June 2021	Tamil Nadu	Investment	Meeting with Director Wang	Chief Minister CM Stalin
Feb 2021	Union Territory Capital of Pondicherry	Investment	Meeting with Director Wang	Chief Minister V. Narayanasamy
December 2020	Andhra Pradesh	Investment	Foundation of Intelligent SEZ and Meeting with Director Wang	Chief Minister, Sri YS Jagan Mohan Reddy
December 2020	Karnataka	Investment	Taiwanese investors delegation	Commerce and Industries Department of the State of Karnataka
November 2020	Andhra Pradesh	Mutual Collaboration	Meeting with Director Wang	Chief Minister YS Jagan Mohan Reddy
January 2019	Tamil Nadu	Tamil Nadu Global Investors Meet	Meeting with Director Charles Li	Inaugurated by then Chief Minister
				M. C. Sampath,

December 2018	Tamil Nadu	Investor Meet Invitation	Meeting with Director Charles Li	Minister of Industries, Tamil Nadu,
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Source: [Taiwan Economic and Cultural Center in Chennai](#)

The major challenge of this new phase in India-Taiwan ties is not the absence of political ties but the lack of avenues to maintain domestic political interest within both nations, even for economic, technological, and cultural cooperation. With all the connectivity and ease of accessing information, Indian elites or influencers across the areas are still unacquainted with Taiwan and the same goes for Taiwan.

To kindle an enduring stake within India, Taipei has to pursue parallel diplomacy at both central and sub-national levels under its New Southbound Policy and India has to be at the driver's seat of this regional expedition to assist interested actors in reaching out.

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