

Issue no. 8
January 2021

VIF Expert Groups Reports



Edited by Naval Jagota



Vivekananda
International
Foundation

© **Vivekananda International Foundation**

Published in 2021 by

Vivekananda International Foundation

3, San Martin Marg | Chanakyapuri | New Delhi - 110021

Tel: 011-24121764 | Fax: 011-66173415

E-mail: info@vifindia.org

Website: www.vifindia.org

Follow us on

Twitter | [@vifindia](https://twitter.com/vifindia)

Facebook | [/vifindia](https://www.facebook.com/vifindia)

All Rights Reserved.

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form, or by any means electronic, mechanical, photocopying, recording or otherwise without the prior permission of the publisher.

Editor's Note

In January five expert group discussions and one interaction on India-Bangladesh relations with the State Minister for Foreign Affairs of Bangladesh was organised by the Vivekananda International Foundation through webinar on events and topics extending from India's neighborhood to West Asia to China to the US. Each of the members of the expert groups brought rich flavour and knowledge on the topic through their varied professional backgrounds (military, diplomacy and academia). This issue contains reports of the West Asia, Pakistan, Indo-Pacific, China, US Expert Groups and Bangladesh discussion report.

The discussions in the Pakistan group ranged from exploring Pakistan's internal political dynamics with the Pakistan Democratic Movement's role in it as well as its increasing anti-India posturing and expectations from Biden administration and lastly on the Afghanistan peace process. The West Asia Group discussed the historical issues of Lebanon and its relationship with India. In the China group the discussions were on exploring India-Taiwan Trade relations and prospect for Economic Cooperation Agreement.

In the Indo-Pacific experts group the discussions were on the possible fallouts of the Biden presidency on the Indo-Pacific in 2021 as well as other potential challenges and opportunities for India in 2021. In the US group contours as well as likely depth of the US-India relations under the new Biden administration were further explored with Dr. Ashley J Tellis and Dr. Evan A. Feigenbaum. In the neighbourhood studies section an insightful talk and interaction with the State Minister of foreign affairs of Bangladesh on India-Bangladesh Relations: Opportunities and Challenges rounds up the January edition.

The coordinators and researchers associated with these Expert Groups have put unfaltering efforts to coordinate the meetings and collate the notes for the reports in this issue.

Naval Jagota

New Delhi

February 2021

Contents

Overview of the Situation in Lebanon and its relationship with India.....	6
<i>- Compiled by Hirak Jyoti Das</i>	
Future of India-US ties	10
<i>- Compiled by Dr. Himani Pant</i>	
Altering Political Momentum Pakistan.....	15
<i>- Compiled by Dr. Yatharth Kachiar</i>	
India - Bangladesh Relations-Opportunities and Challenges.....	19
<i>- Compiled by Cchavi Vasisht</i>	
Exploring India-Taiwan Trade.....	23
<i>- Compiled by Dr. Tesbu Singh</i>	
Indo-Pacific Expert Group.....	29
<i>- Compiled by Amruta Karambelkar</i>	

Overview of the Situation in Lebanon and its relationship with India

Compiled by Hirak Jyoti Das

Lebanon in the current decade has witnessed pressing economic instability, political turmoil, large scale protests, and clashes with security officials, fires and explosion exposing the gross mismanagement and the incapacity of the present political structure. The political structure in Lebanon based on the confessional democratic model has enabled corrupt and self-serving ruling elite responsible for its economic downturn and political instability. The situation is further complicated by the interference of regional powers especially Iran and Saudi Arabia as well as extra-regional powers especially France and the US.

The present territory of Lebanon was carved out from Syria during the French colonial administration. The post-colonial state appreciated the religious and sectarian diversity and political power was divided among the 18 recognised communities. The confessional system was re-adjusted after the signing of the Taif Agreement on 22 October 1989 by sectarian militias to end the 15 year long civil war. The agreement based on mutual coexistence entailed proportional distribution of political representation and allotment of offices among the recognised religious sects. The 128 Chamber of Deputies, the legislative body was equally divided between the Muslim sects and the Christian sects. It has contributed to establishing political stability since 1990 after decades of violence. The political process

while being demographically justifiable has encouraged sectarian loyalty for political goals. It has nurtured a system of patronage by granting rewards largely on ethnic and sectarian lines. Therefore political, ethnic, and sectarian loyalty becomes extremely crucial for attaining employment in the bloated and ineffective public sector.

The 1990 Taif Agreement strengthened the strategic influence of Syria in the country and domestic support and opposition to Syria's continued presence shaped the political alignments in the country. The contemporary politics is broadly divided between the March 8 Alliance and March 14 Alliance. The March 14 Alliance includes Saad Harari's Future Movement which is largely pro-western and pro-Saudi Arabia. The March 8 Alliance, comprising of Hezbollah and Maronite predominant, Free Patriotic Movement, is more accommodative towards Iran and Syria. The geopolitical competition between the two regional rivals i.e. Iran and Saudi Arabia has affected the domestic politics and added to the mutual suspicion between the Shiite predominant Hezbollah and the Sunni predominant Future Movement.

The state has limited resources producing mostly fruits and vegetables. The economy is largely dependent on trade and remittances. The state secures 90 percent of food supplies, equipment, commodities etc from imports. Tourism sector over the years have declined partly due to the Syrian crisis as well as availability of alternative destinations such as Dubai, Abu Dhabi, Doha etc.

The government is heavily dependent on banks to meet its expenditures and payment of salaries. The banking sector drew large sum of money from citizens of Gulf States due to its liberal regulatory system and huge interest rates. The 2008 global financial crisis as well as the Hezbollah's entry into active politics slowed down the inflow of money from Gulf States. The government in the Gulf States discouraged their citizens to invest in Lebanese banks that may directly or indirectly finance Hezbollah. Gradually, the size of deposits and investments in real estate dropped contributing to the current economic collapse. The government has failed

to resolve the deep-seated economic instability and on a day to day level, the breakdown of the state machinery is reflected in poor public services including power shortages; irregular water supply and notably, stalling work in sewage treatment and waste disposal facilities.

The Saad Harari government introduced new tax measures on gasoline, tobacco and online phone calls sparking nation-wide protests in October 2019. The protest continued to resurface throughout 2020 calling for complete political overhaul. The well-connected billionaires meanwhile sensing economic collapse transferred their funds abroad further damaging the economy. The currency value plummeted in late 2019 at Lebanese Pound 1500 per US\$ 1 and banks limited the disposal of currencies to ordinary citizens. The banks' decision to freeze accounts hindered flow of any new deposits into the banking system. The central bank reserves have already exhausted the liquid money and are now resorting to reserves. The reserves will not last beyond 5-6 months. The local Lebanese currency is devalued on several occasions and it is currently the most indebted state in the world. The poverty level has also increased by 50 percent in last one year.

In the aftermath of the Beirut port blast, it is estimated that the government would require US\$ 10 to 12 billion for economic recovery. France has taken the lead of the international response to rehabilitate the Lebanese economy. It has urged the political parties to facilitate a new government comprising of technocrats capable of reforming the banking system and the overall financial structure. The political parties however are unwilling to relent causing continued instability and resignations by Hasan Diab in August and Mustapha Adib in September 2020.

Saad Harari in this context saw an opportunity to pose himself as the best person to reassure international donors on political stability and reform implementation. Harari benefitted from the pressure imposed by France to the ruling elite to set aside their differences and work together. Harari has however failed to reach political consensus for forming a new cabinet.

France has emphasized on the issues of governance, investments, expanding influence and countering Turkey in Lebanon. The US has prioritized discrediting Hezbollah and severing its trade flow; containing Iran; demarcation of Israel's maritime boundary; limiting the influence of Bashar Al Assad regime in the country's politics; maintaining neutrality in foreign policy etc.

India and Lebanon Relations

India shares excellent ties with Lebanon. Lebanese citizens have high degree of appreciation for India culture, yoga, Mahatma Gandhi's legacy and the principled stand towards supporting the Palestinian cause. Both states are highly multi-cultural, multi-linguistic democratic societies. There are currently 7000 and 8000 Indian nationals in Lebanon. Most of them are living illegally. The Indian government has repatriated over 1000 Indian workers. The last high-level visit to Lebanon occurred after Prime Minister Jawaharlal Nehru visited Beirut in May 1960. In 2015, Lebanese Agriculture minister Akram Chehayeb visited India. From Indian side, there have been number of MoS and secretary level visits.

Notably, an Indian battalion (INDBATT) has been deployed in UNIFIL since November 1998. The battalion currently consists of 860 defence personnel including 4 doctors and 1 nursing staff officer, who are deployed in the eastern-most sector of Lebanon's southern border with Israel at the tri-junction with Syria. Additionally, 16 Indian defence personnel including the Deputy Force Commander are based in UNIFIL Headquarters, Naqoura, together with a 21-member medical team.

The government after 4 August port blast flew 58 metric tons of food and other relief material. India also provided medicines considering the COVID-19 crisis. India-Lebanon bilateral trade is modest and there is a huge potential to increase. The idea of import substitution could prove useful to enhance India-Lebanon trade.

Future of India-US Ties

Compiled by Dr. Himani Pant

As the new administration in the United States takes charge, the shifts and continuities in its foreign policy carry important implications for India. To deliberate on the contours of the US-India relations under the new Biden administration, the Vivekananda International Foundation organised an interaction of the VIF Expert Group on 12 January with experts of the Carnegie Endowment for International Peace. The opening remarks were presented by the VIF director, Dr. Arvind Gupta. The discussion was moderated by Amb. Arun K Singh and saw in attendance distinguished participants including Dr. Ashley J Tellis, Dr. Evan A. Feigenbaum, Lt Gen Ravi Sawhney(retd), Dr. Rudra Chaudhuri, Lt Gen Anil Ahuja(retd), Vice Admiral Satish Soni(retd), Prof. KP Vijayalakshmi, Mr Pranav Kumar and Gp Capt Naval Jagota.

US-India Relations under Biden

Prime Minister Narendra Modi's concerted and early outreach to the Trump administration played a key role in ensuring a positive trajectory of the US-India relationship under Trump. In addition, the fact that the US-China and India-China rivalry intersected also helped in giving new contours to the partnership during this period. Going forward, the importance of India would continue as it is seen as an important partner

in the US. This importance increases further when put within the context of managing a rising and assertive China. Thus, the relevance of the US-India partnership would remain but to what extent the priority is accorded is going to be the central question. A great deal will depend on the personalities of the two leaders and how much the US succeeds in managing its own problems. As is clear by now, managing domestic issues such as the COVID-19 pandemic, vaccine rollout, rebuilding democracy as well as revival of the economy are among the foremost issues to occupy the Biden administration. In terms of foreign policy, the main priorities include preparing of the US alliances, particularly Europe; commitment to multilateralism by re-entering the international institutions; dealing with all the transnational challenges including climate change, pandemic, etc. In this environment where a series of issues are set to preoccupy the US, much will depend on India's initiatives and the how early they take place.

With geopolitics looming in the background, four crucial areas for US-India interaction continue to be of relevance:

Strategic Cooperation

This sphere has seen remarkable improvement in the last two decades. However, the extent of future progress on this front would depend on the US policy towards China and Pakistan as well as towards Afghanistan. While with respect to Pakistan a norm has been establishment which involves no going back to previous relations, a more nuanced and subtle policy could be expected towards China despite competition. Although, a purely bilateral dimension of US-India relationship would lack earlier momentum, strategic cooperation would continue without interruptions. While there is no clarity on the Quadrilateral Dialogue (Quad), the emphasis is likely to continue.

Economic Cooperation

This is a challenging front as there are concerns about India's trajectory with respect to foreign engagement. There is a growing perception within

the US establishment that India is pursuing inward looking trade policies. A host of issues include in this respect include tariffs on intermediate products, data localisation, 'Make in India' (the vision is not clear), GSP regime etc. On a positive side, India is likely to get relief from visa controls.

Transnational Cooperation

There are several opportunities for real cooperation in managing future health crises, climate change etc. With respect to engagement via the multilateral organisations, there is no inherent conflict between the two despite different interests. Moreover, the two sides share a common interest in making certain that multilateral organisations are not captured by China both economically and bureaucratically.

Issue of Values.

The Biden administration has reiterated its priorities about democratic values, liberalism etc. several times. The kind of dialogue that takes place between the two sides in this sphere would also shape their bilateral relations.

US Policy in Asia

US-China Relations

Another argument during the meeting envisioned a scenario is where more continuity than change is expected under the new administration. This view entails that a wholesale change has come about in the last five years which includes the securitisation of all the aspects of the US-China relations, particularly the securitisation of commercial flows. This refers to the looking at the flows of goods, people, capital, technology and data through the prism of zero sum of national security considerations rather than commercial considerations.

Under Trump, economics and security essentially collapsed together. The US now looks at the flow of goods, people, capital and technology with

China through the prism of security. In addition, the tools that the US has used particularly around technology to slow or control China have been extra territorialised-the US is now increasingly offshoring its laws, export controls and administrative and levers to compel third party companies and governments to essentially replicate the US policy on China. Several of these policies such as the curtailment of exchange of students, scholars and scientific initiatives have found support from the Democrats. This reflects a bipartisan agreement in Washington on the need not just for a more competitive but a more security centric approach including on the economic side. Seen from this perspective, a change of administration from Trump to Biden is likely to produce more continuity than change with the only difference that the new administration would make use of the tools bequeathed by Trump in a more systematic manner.,

In sum, four things could be expected from the Biden administration. First, the Biden administration would follow a similar but more systematic strategy rather than an ad hoc or unstructured partnership that ensued under Trump. This implies that their tone would change but the strategy would remain unchanged. Second, the administration is likely to sharpen competition with China by leveraging the same tools around technology and data flows. Third, they will look to cooperate with China in a few areas that Trump did not include. This would include dealing with the pandemic, rebooting growth, and averting environment catastrophe. This implies that pandemic related medication measures and climate change will move to the front in their partnership. In this endeavour, the US is likely to look towards third parties particularly in Europe and to some extent to Asia that share the American sense of digital, technology and investment related grievances against China. Finally, the Biden cabinet wouldn't want the republicans to make the political argument that democrats are weak on China. Given that Mike Pompeo has altered the contact guidelines with Taiwan during the last few days of transition which would make a total shift implausible.

Broadly speaking, because of the securitisation of issues as well as the bipartisan support for it and other technology related issues, a lot more

continuity in US policy towards China cannot be ruled out. To get its China policy right the US would also need to get its Asia policy (particularly South East Asia) in order which has by and large been a failure and needs to be revisited. While the US does not possess connectivity advantages akin to China, it can offer better financial services, connections to global capital, technology and it needs to leverage these well in the region.

Way Forward

It is clear that there are no inherent conflicts between the US and India on a bilateral or multilateral level. Their interests may within the multilateral organisations but the two do share a common interest in making certain that these organisations are not captured by China either at the political or bureaucratic level. To conclude, the US-India relationship is in a good place and scope for improvement remains. Notwithstanding the domestic preoccupations as well as foreign policy priorities of the new administration, there is enough room for betterment of ties in the transnational sphere. Early outreach to the new Biden administration is important and would be a driving factor in defining the contours of US-India relations in the coming years. Better communication is also essential to sensitize the US policymakers about India's 'self-reliance' or 'atmanirbharta' policies to allay any doubts about future trade relations. A good economic engagement would play an important role in taking the bilateral relations forward.

Altering Political Momentum Pakistan

Compiled by Dr. Yatharth Kachiar

A meeting of the Pakistan Study Group was held via video conferencing on 18 January November 2020. The agenda's main items were: Pakistan Democratic Movement, increasing anti-India posturing, expectations from Biden administration, and Afghanistan peace process. **The Meeting was attended by the following:** Shri Arvind Gupta, Ms Shalini Chawla, Shri Sushant Sareen, Shri Rana Banerjee, Amb G. Parthasarthy, Amb Satish Chandra, Shri CD Sahay, Amb Amar Sinha, Amb DP Srivastava, Lt Gen Ravi Sawhney(retd), Lt Gen Ata Hasnain(retd), Gen NC Vij(retd), Shri Tilak Devasher, Brig Rahul Bhonsle(retd), Lt Gen Ranbir Singh(retd).

Pakistan's Internal Development

The Pakistan Democratic Movement (PDM) recently announced that it would participate in the upcoming by-polls. The decision is an indication that the momentum within the movement is altering. At present, there is a certain pause in the movement. The PDM is still organizing rallies at massive scale and pulling huge crowds. Nevertheless, there is a realization among the PDM members that they need to adopt different tactics and strategy to achieve the desired results. The decision of giving mass resigna-

tions seems to have been postponed due to differences of opinion within the PDM. The 11-party opposition alliance has decided to contest the by-elections on two National Assembly seats and six provincial assembly seats. It indicates that despite differences of opinion on various issues, the PDM has managed to keep its unity intact and persist in its opposition to the government.

There seems to be a difference in approach within the PDM. Maulana Fazlur Rehman, a hardliner, has little to lose in this fight against the army and the Imran Khan government. On the other hand, Maryam Nawaz is continuously under pressure due to Khan Government's increasing offensive against her family and PML-N. In this dynamic, Bilawal Bhutto led PPP has the most to lose and so is still hedging its bets. Nevertheless, the common goal that brought these leaders together is that they will no longer tolerate the security establishment's interference in politics.

The severity of criticism regarding the army's interference in politics is also varied among the members of the PDM. Nevertheless, since the beginning of the movement, all the members have been able to send a common message to both government and the security establishment from one stage and platform. Going forward, the PDM will have to tackle various hurdles and critical issues such as resignations and the Senate elections. The future of the PDM will depend upon how it manages to confront these key challenges and its ability to build consensus in a politically uncertain environment. Until now, the movement's common goal thus far has been a unifying factor.

External Developments

Pakistan military's media arm and Foreign Office recently raised the offensive against India at the UN. It is partially to divert attention from the internal chaos and also to strengthen Pakistan's position with the Biden administration. Pakistan alleged that Indian troops from across the LoC "specifically targeted" a vehicle carrying two United Nations Military Observer Group officers in India and Pakistan (UNMOGIP) in the Chirikot

sector of the LoC. Further upping the ante, Pakistan's Interior Minister Sheikh Rasheed Ahmed warned India against any military aggression. He threatened that any military conflict could culminate into a mutually destructive "final battle" between the nuclear-armed South Asian neighbours. Refuting the allegations, Indian External affairs ministry spokesperson Anurag Srivastava said: "Allegations by Pakistan regarding Indian forces deliberately targeting a UN vehicle on 18 December 2020 have been investigated in detail and found to be factually incorrect and false."

Further upping the ante, Pakistan accused India over deteriorating minority rights at the UN General Assembly (UNGA). The accusations erupted when a resolution, co-sponsored by Pakistan, was presented in the UNGA, condemning damage and destruction to religious sites. Pakistan's contention on the resolution was regarding the demolition of the Babri Masjid in India. India has highlighted the "irony" in Pakistan behavior pointing out to recent demolishment of a Hindu temple in Khyber Pukhtunkhwa's Karak district in Pakistan.

Afghanistan

Violence in Afghanistan continues despite negotiation efforts. The European Union recently stated that the Taliban and various other terrorist organizations are responsible for the significant majority of civilian casualties in Afghanistan, and they must stop the current level of violence. Senior members of the Afghanistan Republic's negotiating team have recently gone vocal about Taliban's intentions and will regarding the peace process. The peace process in Doha seemed stagnant with only one positive news about the detailed discussion on the agenda-setting.

Following the new US administration's inauguration, President Ashraf Ghani said a new chapter in Afghanistan-US relations has just begun, and the new administration considers the Islamic Republic of Afghanistan as its key partner. President Ghani said the US National Security Apparatus would review the US-Taliban peace deal, followed by a key consultation with Afghanistan to develop a joint roadmap to advance both countries'

interest. The top US National Security officials also confirmed a review of the US-Taliban agreement but made it clear that the way forward will be negotiations and Khalilzad will remain in the job for now.

India-Bangladesh Relations: Opportunities and Challenges

Compiled by Cchavi Vasisht

Introduction

On 21 January 2021, the Vivekananda International Foundation (VIF) organised VIMRASH on India-Bangladesh Relations: Opportunities and Challenges. Dr Arvind Gupta, Director VIF, introduced Md. Shahriar Alam, M.P. State Minister for Foreign Affairs, Government of Bangladesh and gave opening remarks. Dr Gupta stated that India-Bangladesh relations are diversified and strategic, and in the last decade are in their golden phase of the relationship. Both countries have successfully resolved border and security related issues and fixed their maritime boundaries. Bangladesh is India's biggest trade partner in South Asia. The two countries are also cooperating in building connectivity to fulfil its goals of Neighbourhood First policy. India-Bangladesh relations act as a positive force for regional integration and should have strategic dialogues on global and regional development.

Common Ground

Md. Alam appreciated the multifaceted and multidimensional relationship of the two countries. The two countries are geographically contiguous and share common ecosystems such as forests and seas. Their relations are

rooted in history and tradition. The genesis of their relations lay in War of Liberation in 1971. India's contribution to the war is widely appreciated and recognised. In 2012-13, PM Sheikh Hasina started honouring foreign friends in War of Liberation, whose work is continuing. The year 2021 marks the birth centenary of nation's father, Sheikh Mujibur Rahman, and the golden jubilee of Independence of Bangladesh. Their shared commitment to peace and security has helped attain tangible results in various areas, such as resolving land and maritime boundaries, energy, telecommunications, ICT and many more. Their mature relationship has built confidence and trust.

Despite global challenges, the two countries have strengthened the relationship between mutual benefits and shared future, forward-looking strategy with remarkable social progress. The visit of Indian PM Modi to Dhaka in June 2016, and visit of Bangladesh PM Sheikh Hasina in 2017 and 2019 to Delhi were the landmark events in building ties. On 17 December 2020, a virtual summit was conducted exploring the possibility of expanding bilateral relations to new areas, such as Artificial Intelligence, outer space and renewable energy. At present, 19 instruments of bilateral cooperation exist thereby relations have evolved into a mature one, confidence and trust.

Opportunities

Further, a strong and vibrant India offers immense opportunities for Bangladesh to develop, and Bangladesh is projected to be the second largest economy in South Asia, after India. To reap the benefits of the opportunities, it is important to synergise their efforts in the field of trade, investment that will bring mutual benefits. The volume of trade is over ten million dollars; however, the balance of trade favours India. There exist enormous opportunities together as the two countries exchange their workers and experts.

Bangladesh is strategically located between two locations, i.e. Central India and North East India and South Asia and South-East Asia. Therefore,

Bangladesh has the advantage of enhancing connectivity projects. Bangladesh has launched numerous infrastructural projects such as Padma multi-purpose bridge, nuclear power plant and many more.

Since the outbreak of COVID-19, economies have faced disruptions. Nevertheless, the Indian government cooperation by providing medicines, protective equipment to Bangladesh was widely appreciated. On 21 January 2021, Indian PM Modi formally donated 2 million Covax doses to Bangladesh. Also, during the pandemic, the two countries facilitated evacuation citizens from both countries.

Md. Alam reiterated Dr Gupta's views that there is a golden chapter of bilateral relations between India and Bangladesh. The people to people relations are an integral part of the relationship, and therefore we need to nurture these as a catalyst.

Challenges

The two countries need to focus on priority areas, and should resolve pending issues concerning sharing of waters, resolving continental shelf issue in the Bay of Bengal, bringing down border incidents to zero, and managing the media. Both countries' political leadership should ensure that the right environment is created for mutual benefit and more prosperous and developed.

Following the talk, there was a discussion on the continuing challenges and opportunities. It was stated that it was important to take advantage of BIMSTEC and BBIN that can assist in social and economic development. Md. Alam stated that PM Modi impetus to revive SAARC during COVID-19 was a positive development. The Liberation War memories were relived and discussed with the presence of veterans in the discussion. The border and security-related cooperation – joint patrol peace in the northeast is the testimony of what the two countries have achieved.

The upturn in India-Bangladesh ties is credited to the efforts of PM Sheikh Hasina. The proposed visit of PM Modi in March 2021 holds

new grounds for increasing bilateral relations. There is a need to look at new areas for trade. There can be further cooperation in the blue economy. Another area of cooperation that can be explored is that between academia – scholarships and joint research joint can help establish units of excellence. There is a need to formalise a strategic dialogue, i.e. track one, one and a half and track two diplomacies to discuss sensitive issues like Pakistan, China.

Conclusion

Dr Gupta concluded the discussion stating that India-Bangladesh relations' have immense potential and new models of cooperation are being discussed. The two countries are looking forward to PM Modi visit to Bangladesh in March 2021. There exist positive relations between the two countries, which are being transformed for the benefit of the region.

Exploring India-Taiwan Trade

Compiled by Dr. Teshu Singh

The Vivekananda International Foundation organised a virtual China Experts Group meeting on 25 January 2021. The discussion was focused on India-Taiwan Economic and Technical Relations. Dr Arvind Gupta, Amb Ashok Kantha, Lt Gen Ravi Sawhney(retd), Mr Santosh Pai, Mr Jayadeva Ranade, Amb TCA Rangachari, Amb R. Rajagopalan, Prof Srikanth Kondapalli, Cmde Gopal Suri, Dr Sanjeev Kumar, Gp Capt Naval Jagota attended the discussion. Amb Ashok Kantha moderated the session.

India-Taiwan Relations in Retrospect

In 1995, India-Taiwan Association (ITA) was established in Taipei. Since then it has become a de facto diplomatic mission. Similarly, the Taiwan Economic and Cultural Centre (TECC) was set-up in New Delhi. The evolution of ITA and TECC has been quite impressive. Both offices signed various agreements on agriculture, aviation, small and medium enterprise (SME's). There is a strong commitment on both sides to develop this engagement further. The Act East Policy of India and New Southbound Policy of Taiwan have many complementarities. There is a flourishing trade between the two sides. Taiwanese investment in India is around USD 1.5 billion and the bilateral trade is USD 7 billion.

Amid the ongoing US-China trade and technology war and downturn in India-China relations, there is an enhanced interest in India-Taiwan economic trade. Many Taiwanese companies are moving out of China. Mostly, they have moved to Vietnam, Thailand Malaysia and other ASEAN countries but not many have come to India. India has to look at broader geopolitical implications and stop looking at Taiwan through the prism of China.

India-Taiwan Trade

With the volume of annual bilateral trade at around USD 7 billion and cumulative FDI stock from Taiwan in India at USD 1.5 billion, there is plenty of headroom for expanding economic engagement between India and Taiwan. Indian exports to Taiwan are mostly raw material and processed product. There can be progress in the bilateral trade if India can export value-added products to Taiwan.

At this juncture, India cannot depend on imports from Taiwan to reduce its dependency on China because the labour cost in Taiwan is high. A more realistic approach can be to pursue policy along the lines of HS Code, for example, HS Code 90 is for the electronic type of equipment, high tech equipment where Taiwanese domestic market is strong. Perhaps, Taiwan can replace China in certain products with core competency with concerted efforts by focusing on the HS Code.

Drivers for India-Taiwan Trade

To give a momentum to the India-Taiwan trade, there is a requirement to export value-added goods. Overall, there are only 50 Indian companies in Taiwan, amongst them, less than ten are large and the rest of the companies are small traders. The main reason for the limitation is the size of the market. Indian industrialists complain about the size of the Taiwanese market as it is relatively small for them to tap the market potential of Taiwan.

Regarding Indian imports from Taiwan, the 2019 National Electronic Policy (NEP), states that Indian domestic needs will reach 400 billion dollars. To meet this requirement, India can depend on Taiwan. Notably, as Taiwanese industries make more investment in India, automatically Indian imports from China, ASEAN and Taiwan will increase. This is inevitable because the Taiwanese supply chain is embedded in China and across ASEAN.

New Southbound Policy and the Benefits of Free Trade Area

Under NSP Taiwan is establishing new factories in ASEAN countries, to diversify from China. India already has Free Trade agreements (FTA) with most of the ASEAN countries. Currently, India has a trade deficit with Singapore, Vietnam, and Malaysia, Indonesia and Thailand and Trade surplus with the Philippines, Myanmar, Cambodia, Brunei and Laos PDR. One way to utilize, Taiwanese trade relations is to indicate that they need to meet the Indian demand from their ASEAN factories rather than from Chinese factories. While the Taiwanese companies are manufacturing in India, they should be encouraged to import raw materials from ASEAN. This will help India to reduce the trade deficit with China and better utilization of India-ASEAN FTA.

Regional Comprehensive Economic Partnership and Taiwan

India's withdrawal from RCEP was a huge setback to Taiwanese companies considering investments in India. India needs to make assurances to Taiwanese companies that their interests will be suitably accounted for through India-ASEAN FTA.

Status of Taiwanese Companies in India

Taiwanese companies have limited exposure to the international market. Perhaps the only international exposure Taiwan has is in the Chinese market. As compared to the traditional FDI source coming to India from the US and China, comparatively, the Taiwanese companies are usually

SME's. These companies often tend to feel daunted in India because it is an unfamiliar and challenging environment for them.

The Industrial policies of most Indian States incentivise relatively large investments. The quantum of investment required to start a manufacturing unit is not that large in industries where Taiwanese are active. Hence they don't receive any special attention from the state governments. One way to overcome this challenge can be to bundle investments from Taiwanese suppliers as part of the investment made by their larger OEM customers from Japan or Korea so that incentives provided by the Indian government also flows to Taiwanese companies.

Also, the appeal of India's domestic market to the Taiwanese companies is relatively lower. Taiwanese companies such as Foxconn, Wistron invest in India because bigger companies such as Apple, Samsung are requesting them to manufacture in India. The main reason attributed to this reluctance is the low-risk appetite of the Taiwanese companies because they are small family driven business.

Possible Solution for attracting Taiwanese FDI

India needs a specific Foreign Direct Investment (FDI) policy for SME's. Almost 90 per cent of the Taiwanese companies are SMEs. India's FDI policy needs to increase its focus on SME investors and most incentives are given for a large scale of investment or large-scale employment generation. Hence, Taiwanese companies find it difficult to capture the attention of the Central and State government authorities in India.

Around 50 per cent of operational Special Economic Zones (SEZs) in India are focused on IT services. A sharper focus on manufacturing will greatly enhance prospects for Taiwanese investments. The SEZ policy needs a reset.

Apart from existing Taiwanese companies, there can be a match-making partnership with a long-term partnership with long-term customers. The Factory in Factory –Taiwan plus Japan, Taiwan plus Korea should also be

explored. As a part of Make in India, there are a series of proposals that the government will procure from local suppliers. This opportunity needs to be explained to the Taiwanese entrepreneurs.

Technology Sharing

The National Electronic Policy (NEP) has spelt out, various types of electronics that will be required in India. India would prefer electronics coming from Taiwan than China. Yet another way of technology sharing can be through a license. Taiwanese companies can license their technology to India and get a royalty. In addition Taiwanese companies can work on capacity building in India.

Taiwanese are also brainstorming to establish an incubator for Taiwanese companies in India to can act as a launch pad for the Taiwanese companies in India and help them in training, investments, human resource, financial domain, Confidence Building Measure and erasing memories of the past.

Further Taiwan External Trade Development Council (TAITRA)/Taiwan Electric and Electronic Manufacturers (TEEMA), TAITRA/TEEMA are exploring ideas as to how they can assist Taiwanese companies. Confederation of Indian Industry, CII and Federation of Indian Chamber of Commerce (FICCI) can tie up with these institutions from the Indian side and work towards creating a congenial atmosphere for the Taiwanese industries in India.

Need to Push for Taiwanese Investment in India

Taiwanese investment in China is around USD 280 billion, mostly in SME's. The Fujian and Zhejiang province of China had aggressive laws for this. At the time, when Taiwanese made maximum investments in Fujian province, Xi Jinping was the party secretary of the Fujian. He removed all the obstacles to get the investments. Similarly, India should work towards removing obstacles for Taiwanese investments. Joseph Wu, Foreign Minister of Taiwan has proposed USD 2.3 billion investments in

India, but it has not materialized yet. India ranks low in Taiwan's of NSP. In Taiwanese public opinion, India is not very popular. The psychological barrier of India's distance needs to be bridged.

Conclusion

To sum up, India-Taiwan economic engagement and bilateral trade has come a long way but in the last few years, the relations has plateaued. There are many announcements from both sides but no big tickets/projects have materialised. Also, the Taiwanese side has not been successful in effectively implementing New Southbound Policy and have failed to take a strategic view of the Indian market. At this juncture, there is a need for a success story to take bilateral relations forward.

Biden's policy on the Indo-Pacific and its Effect on Key Areas

Compiled by Amruta Karambelkar

The VIF Experts' Group on the Indo-Pacific met on 29th January to discuss the latest developments. The meeting was chaired by Vice Adm Anil Chopra (retd) and members present were Dr Arvind Gupta, Lt Gen Ravi Sawhney (retd), Amb Anil Wadhwa, Amb Gautam Mukhopadhyay, Amb Deepa Wadhwa, GpCapt Naval Jagota, Mr Anil Devli and Mr Akshay Mathur.

Introduction

The last month has seen a change of guard in the US. Biden's policy on the Indo-Pacific remains to be seen. It will also have implications for India's relations with Russia.

The Taiwan Strait has witnessed increased military activity which needs to be analysed and merits deliberations. The group raised important questions on the China-Taiwan situation and the plausibility of an invasion of Taiwan seems remote however military pressure is likely to continue in the Taiwan Strait.

Biden Presidency and the Indo-Pacific

- In comparison to the Trump era, there will be far more predictability with the Biden administration, which will be advantageous to

China.

- In the long term, Biden's policies will certainly impact the situation that India is facing in Sikkim and Arunachal Pradesh. Strong statements have come from Biden but the follow-up action needs to be observed
- India's Western axis has seemingly emerged comprising Russia, Turkey, Pakistan, Iran and China, this needs to be taken into account as seriously as the scenario to the north and east.
- Issue of S400 and CAATSA will come up and India will have to examine the ramifications.
- An American carrier group was deployed in the Taiwan straits, as has been happening occasionally. On the Chinese side fighter aircraft violated the Taiwanese ADIZ as a method of testing the Biden administration's response.
- Unlike previous administration, the current US ambassador to the UN has not articulated support for India's candidature to UNSC.
- Gen. Austin due to his experience in the Middle East has a soft spot for Pakistan.

Russia and Biden Administration

- From an Indo-Pacific perspective the relationship between Russia and the US wherein one is a hyper power and the other is no longer a superpower is important.
- Biden-Putin meeting saw a different outcome statements from the two countries. Both countries discussed Libya, Iran, Navalny and the espionage campaign. But reset in bilateral ties is not possible wherever China is a factor, although they've agreed to work on climate change and renewal of the START. Russians don't expect much from US and do not expect relations to improve. US-Russia

bilateral relations are at its worst since 1983.

- Biden will work more closely with European partners. He wants to put Russia on the back foot. Containment of China and Russia and breaking their proximity will be a priority on the US agenda.
- Russia's active interest in the Middle East is an issue for Biden.
- Russia will oppose the Indo-Pacific framework if it is seen as a China-containment strategy. The India Japan Russia trilateral may have significance

Taiwan

- China has increased its activities against Taiwan since Tsai Ing-wen was elected president in 2016. She has increased Taiwan's asymmetric warfare capacities, bought F-16s from US, harpoon missiles, armed drones, rocket systems etc.
- Taiwan has expelled some 400 Chinese fishing vessels which have been dredging into its waters, which is an increase in the number of Chinese vessels.
- China under Xi has taken a belligerent approach towards Taiwan, Chinese jets and bombers have been intruding into Taiwan ADIZ. Some of them intruded on 23-24 January right after Biden's inauguration.
- The Chinese foreign ministry has blamed the US for increasing tensions in the South China Sea and this statement came just when US carrier group was present to enforce FONOPS.
- Taiwan has begun working on its domestically-produced submarine program. It has also announced setting up of a mobile defence agency for better combat-readiness.
- In Taiwan there is a feeling that China's threat is rising and it should be prepared for the worst, since China is no longer trying

to win hearts and minds of the Taiwanese.

- China announced military exercises in the South China Sea. When these will be conducted is not known.
- China's new law permits coast guard vessels to fire on enemy vessels if necessary, which will come into effect on 1st February 2021 which is a notable development.
- China's motive is to achieve unification of Taiwan, it will continue to do so with diplomatic isolation, military coercion, and economic actions. Several factors are now building that could push China into precipitative action-
 - Xi Jinping's articulation claiming Taiwan as lost-territory.
 - Increasing domestic support in China about reunification with Taiwan.
 - Rise of pro-independence voices in Taiwan
 - Continued trend of hostile relations with the US.
- US gaming scenarios outline China going for a quick knock-out, in which the PLA invades the island before US can assist. Military balance of course favours China, since it spends 25 times more on defence than Taiwan. It has conventional edge ranging from missiles to warships, troop levels and nuclear arsenal. Beijing has an optimistic scenario whereby prior to attacking, the cyber and electronic warfare units would target Taiwan's cyber structure, key financial centres and satellites and Chinese ships could also harass vessels around Taiwan affecting supplies of food and fuel. They will also try to quickly kill Taiwan's top military and political leaders while also immobilising local defence. Satellite imagery shows that its training grounds now includes replicas of targets such as Taiwanese presidential buildings.

- Such a scenario would involve Chinese submarines and warships sailing 130 kms across the Taiwan Strait, outlining islands like Pratas and Pangu archipelago which could be quickly subsumed. This would provide a station to the PLA for further amphibious attack to penetrate Taiwanese defences to secure a decisive victory. This is a worst-case scenario.
- In reality however, any invasion will be much riskier. Taiwan has natural defences and it has been boosting its asymmetrical capabilities that strengthen its defences and inflict significant damage to Chinese invading forces.
- The US navy is a deterrent against Chinese invasion. Though US scrapped Mutual Defence Treaty in 1979 to establish diplomatic relations with China, but the Taiwan relations Act authorises weapons sales to 'maintain its self-sufficient defence capability'. US has been supportive through high-level visits and selling of defence equipment. However, only 35 per cent of US public favours US defending Taiwan. Joe Biden as senator in 2001 had criticised George Bush's support to Taiwan stating that US was not obliged since it had abrogated the 1954 Mutual Defense Treaty.
- In September PLAAF has simulated attack on an airstrip in Guam- which is where US support to Taiwan would come from. China's strategy is not just based on Taiwan's defences but also a gamble on how US will approach the issue. Chinese conviction comes from the belief that the western system, particularly the US is in decay.
- Xi has stated that peaceful reunification is desired though not renounced the use of force even though invasion carries huge risk for the CCP. But Xi may be ready to pay that price. He has shown inclination to take a hard position on territorial disputes.

- CCP's legitimacy and hold on 1.4 billion people will weaken if Taiwan becomes an independent country. But there are limitations to a military action to invade Taiwan.
- China's alternative to full-scale invasion of Taiwan would be to occupy Pratas islands and thereby monitor movements of enemy navies in the Pacific. PLAAF fighters have tried to communicate this intent to the US by the route they've followed as well as by stepped-up military exercises.
- China will use this opportunity to test its systems and also the resolve of the US and of the international community.

Economic Ties between Taiwan and Mainland China

- Taiwan and mainland China have deep economic linkages, Taiwan is a large investor in China. Chinese eastern coast was developed by Taiwanese.
- Taiwan and Hong Kong are like economic satellites of Mainland China. It is to be seen if China would want to decouple.
- China could occupy Taiwan economically and bring it under their sway.

India

- Just as invading Taiwan is extremely difficult, it will be highly risky for China to engage in a full-scale war with India on the LAC. Therefore, it will continue its policy of salami-slicing.
- The situation on the LAC may heat up and is likely to extend further into 2021. Chinese may test India as the winter recedes.
- CAATSA is a complicated issue because the US military-industrial complex is very powerful. India is unlikely to go back on S-400 so there might be mild sanctions from the US.

- CAATSA is not much of a military issue but may have effect on US's diplomatic support to India.
- For Russia, any India-China conflict would be difficult.
- India-Russia relations has many dynamics, there is potential in terms of military manufacturing and R&D. There are no major problems in the relationship.

About the VIVEKANANDA INTERNATIONAL FOUNDATION

The Vivekananda International Foundation is an independent non-partisan institution that conducts research and analysis on domestic and international issues, and offers a platform for dialogue and conflict resolution. Some of India's leading practitioners from the fields of security, military, diplomacy, government, academia and media have come together to generate ideas and stimulate action on national security issues.

The defining feature of VIF lies in its provision of core institutional support which enables the organisation to be flexible in its approach and proactive in changing circumstances, with a long-term focus on India's strategic, developmental and civilisational interests. The VIF aims to channelise fresh insights and decades of experience harnessed from its faculty into fostering actionable ideas for the nation's stakeholders.

Since its inception, VIF has pursued quality research and scholarship and made efforts to highlight issues in governance, and strengthen national security. This is being actualised through numerous activities like seminars, round tables, interactive dialogues, Vimarsh (public discourse), conferences and briefings. The publications of VIF form lasting deliverables of VIF's aspiration to impact on the prevailing discourse on issues concerning India's national interest.



VIVEKANANDA INTERNATIONAL FOUNDATION

3, San Martin Marg, Chanakyapuri, New Delhi – 110021

Phone: +91-11-24121764, 24106698

Email: info@vifindia.org,

Website: <https://www.vifindia.org>

Follow us on [twitter@vifindia](https://twitter.com/vifindia)