India's Act East Strategy and Ties with Taiwan: Emerging Trends and Future Options

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Introduction

The 'Eastern' question in India's future economic and trade strategies need to be viewed closely in present context, particularly in view of the events over the last three decades. After the launch of the 'Look East Policy' (LEP) in 1991, India initiated a conscious attempt to enrich ties with the East and Southeast Asian countries, with significant degree of success. The effective engagements on one hand and the slow pace of WTO negotiations on the other, motivated India to enhance the level of cooperation with these economies from 2005 onwards by entering into regional trade agreements (RTA) and benefitting from the associated trade preferences (Chaisse et al, 2011). The 'East'-focus in this period led to creation of several RTAs, namely: Indo-Singapore Comprehensive Economic Cooperation Agreement (CECA) (2005), the India-ASEAN Free Trade Agreement (FTA) (2010), India-Korea Comprehensive Economic Partnership Agreement (CEPA) (2010), India-Japan CEPA (2011) and India-Malaysia CECA (2011). As these trade blocs led to gradually intensified India's trade relations with East and Southeast Asia (Chakraborty et al, 2019; Palit, 2016), the old LEP was replaced by the 'Act East Policy' in 2014.

The launch of India's AEP was shaped by two crucial drivers. First, the urge to link up with the existing international production networks (IPNs) in East and Southeast Asia, particularly for sourcing quality raw materials and parts and components, was an important driver. In addition, expectations on receiving investments and technology transfer from the region, particularly from Australia, Japan, South Korea and Singapore was a major motivation. Second, during the National Democratic Alliance (NDA) regime, India has shown the leadership to emerge as the net security provider of the region. The Honourable Prime Minister of India, Mr. Narendra Modi, has visited the East and Southeast Asia on various occasions and the discussions ranged over both economic

and security dimensions. In addition, there have been other high level diplomatic visits to the 'East', subsequently followed by the appropriate overtures (Chakraborty and Chakraborty, 2017). The AEP was a continuation of the spirit, guided by which India joined the Regional Comprehensive Economic Partnership (RCEP) negotiations in 2013, involving ASEAN and six of its bilateral FTA partners (Australia, China, India, Japan, New Zealand and South Korea). The mega-bloc was expected to deepen the economic cooperation among the partner countries further (Seshadri, 2017).

However, the 'East' focus received a subsequent jolt, when India left the RCEP negotiating forum in November 2019, citing domestic economic considerations (GoI, 2019). The negative and worsening trade balance with RCEP partners influenced the Indian decision crucially. It has been observed that the trade complementarity index (TCI) of Indian exports and RCEP imports have not improved over the period (Chakraborty, 2018), implying that Indian exports would not have increased to the partner countries, even in the post-bloc period. Understandably, the pull-out decision received a strong support from the industry (Hindu, 2019). When the RCEP agreement was finally signed on November 15, 2020, India did not re-participate in the process. Officially, it was emphasised that non-fulfilment of economic concerns has been the main driver behind this step (Roche, 2020). However, the RCEP pull-out decision might be further shaped by the country's reservation to engage in an RTA with China both from the point of economic and strategic considerations (Palit, 2019). After the RCEP pull-out, India has recently explored the possible RTAs with the 'West', namely: the EU and the US (Sikarwar, 2020). However, India may consider another partner in the East, namely Taiwan, for intensifying future economic and strategic relationships. Given this background, the current paper analyses whether there is any economic basis of engaging more intensely with Taiwan from an Indian perspective. The current analysis is arranged along the following lines. First, it briefly examines India's trade and investment patterns with China and Taiwan. The evidences from a few trade indicators are considered next. Finally, on the basis of the obtained observations, the policy conclusions are drawn.

India's Trade and Investment Flows with China and Taiwan

It is observed that India's trade flows with China have increased manifold over the last two decades. While in 2001, India's export to China was USD 0.92 billion, in 2019 the figure increased to USD 12.27 billion. In

case of imports, the corresponding numbers stood at USD 1.82 and 68.40 billion respectively. It needs to be noted that while India has entered into an RTA with China, namely, Asia-Pacific Trade Agreement (APTA) in 1976, it has not concluded another preferential trade agreement with the dragon ever since. Though the India-People's Republic of China RTA negotiations were launched in 2003, the same has never been concluded. RCEP as a forum has always been considered as a China-centric arrangement by the scholars (Hamanaka, 2014), and India's cautious step towards the arrangement needs to be viewed in this light. While China has emerged as the leading trade partner of India over the period, several disturbing facts, most notably the widening trade deficit, casts a shadow over the bilateral relations (Mohanty, 2014).

On the other hand, India's trade with Taiwan had been far too modest in comparative scale. While in 2001, India's export to Taiwan stood at USD 0.37 billion, in 2019 the corresponding figures increased to USD 1.64 billion. In case of imports, the numbers were USD 0.54 and 4.19 billion respectively. The economic analysis reveals that while the bilateral trade volumes have increased considerably, there exist enormous scope to enhance the same further(Pal et al, 2013). In the past, Taiwan has attempted to enhance their trade and investment presence in the Indian market (Dewan, 2019). In recent period, India has shown its resolve to expand ties with Taiwan as well (Roy Chaudhury, 2021). However, China has at times asked India not to enter into any separate trade agreement with Taiwan, by adhering to the 'One China' policy (Bhaumik, 2020).

To understand the trade dynamics better, the bilateral trade balance for India with select trade partners are reported in Table 1. It can be observed from the table that India's trade balance with most of the developed partners (e.g., USA, UK, Netherlands, France) are positive, partly owing to the tariff barrier difference and partly owing to preference patterns. On the other hand, the country export relatively superior quality products with respect to Bangladesh and Viet Nam, which explains the positive trade balance. However, in case of Malaysia and Saudi Arabia, the huge import of petroleum products turns the corresponding trade balance negative.

On the other hand, the reason behind the negative trade balance of India with respect to China and Taiwan can be largely explained by the stage of processing difference. While the major exports from India to China consists of organic chemicals; ores, slag and ash; mineral fuels; fish; cotton; plastic etc., the imports consist of electrical machinery;

mechanical equipment; organic chemicals; articles of iron and steel and so on. Similarly, Indian exports to Taiwan consists of iron and steel; organic chemicals; mineral fuels; aluminium; zinc; fish, cotton, plastic etc., while the major imports from there somewhat resemble the trade patterns with China. In all, it can be said that India generally exports relatively mid-value products to these two trade partners, while importing high value-added products like consumer and capital goods.

Table 1: India's Average Trade Balance Scenario with Partner Countries (USD Bn.)

Partner	2001-05	2006-10	2011-15	2016-19	Scenario over 2016-19
World	-18.16	-96.57	-151.70	-146.55	Negative
USA	6.65	3.57	16.98	20.49	Positive
UAE	2.56	1.71	3.30	4.80	Positive
China	-1.60	-17.69	-42.06	-54.88	Negative
Hong Kong	1.85	2.08	4.89	0.35	Positive
Singapore	0.53	0.69	4.68	-0.81	Negative
UK	-0.05	1.39	3.08	3.47	Positive
Netherlands	0.76	3.53	5.51	4.08	Positive
Germany	-0.76	-4.69	-5.81	-4.37	Negative
Bangladesh	1.34	2.16	4.65	6.63	Positive
Nepal	0.20	0.95	2.69	5.62	Positive
Belgium	-1.93	-1.31	-3.92	-1.92	Negative
Malaysia	-0.90	-3.11	-5.36	-4.02	Negative
Saudi Arabia	0.30	-13.18	-21.17	-18.30	Negative
Viet Nam	0.36	1.22	2.64	1.12	Positive
France	0.07	-1.13	1.48	1.30	Positive
Taiwan	-0.33	-0.99	-1.80	-1.74	Negative

Source: Collected from Trade Map data

While part of the Chinese export success with India can be explained by their price competitiveness, the role of dumping by Chinese firms and export subsidization through official designated bodies cannot be completely ruled out (Chakraborty and Chaisse, 2020). In addition, the Chinese players have also indirectly accessed the Indian market by abusing of the Indo-ASEAN preferential route. It has been reported that several Chinese manufacturing firms relocated and invested in low-

cost ASEAN countries like Vietnam for entering the Indian market duty-free (Chaudhuri, 2015), which created a major economic stress for the Indian manufacturing units (Chaudhuri, 2013). It deserves mention that the industrial policies under the 'Made in China 2025' scheme, covering a wide set of policies, namely: tax preferences, forced joint ventures and devolution of subsidies might end up distorting prices further (CRS, 2020). Under these circumstances, granting additional market access to China through RCEP would have proved to be disastrous for the domestic manufacturing segments. India has already launched the 'Make-in-India' (MII) initiative in 2014, for strengthening the domestic manufacturing sectors through crucial interventions, covering both fiscal and financial policy instruments. The policy focus in India on the domestic manufacturing sector is likely to continue, given the recent launch of 'Atmanirbhar (self-reliant) Bharat Abhiyan' in May 2020 (GoI, 2020), with the goal of strengthening domestic manufacturing sectors. The 'Atmanirbhar Bharat Abhiyan' policy announcement gels perfectly with the statement issued at the time of RCEP pull-out, 'controlling trade deficit, stronger protection against unfair imports and better market opportunities for Indian goods and services',as well as the continuing objective to protect domestic players against Chinese dumping (GoI, 2019).

On the political front, the relations between the two countries have greatly suffered when it was noticed in mid-2020 that Chinese troops have violated the line of actual control (LAC). The recent standoff with China at theGalwan valley and Pangong Lake area and the loss of lives due to provocation from across the border created a repercussion effect across sectors (BS, 2020). In the subsequent period, the government banned several Chinese Apps in the country (ET, 2020). Moreover, the participation by Chinese players in official contracts and biddings processes have been cancelled (Hindu, 2020). It is therefore anticipated that deepening cooperation with China through RCEP or other RTAs, notwithstanding the domestic concerns over trade deficit and border conflicts, is not likely in the short run.

So, will it be possible for India to reduce the trade dependence on China and engage more closely with Taiwan in coming days? The current analysis attempts delve into this perspective by comparing the commodity composition of bilateral trade patterns between China-India and Taiwan-India. It has been noted by a number of recent studies that India's sectoral import propensity from China has increased for several commodities, owing to primarily two reasons. First, thedeepening technological sophistication of the dragon deserves mention as a result of which cost-effective and price-competitive imports often originate

from there (Sahoo and Bhunia, 2014). Second, the production intensity in several products like active pharmaceutical ingredients (APIs) has increased significantly therein, which explain India's sectoral import pattern (Ahmed et al, 2020). A closer look into India's import scenario from Trade Map data reveals that for a wider range of commodities (e.g., chemicals, iron and steel, electrical and electronics, machinery and equipment, auto-components and vehicles), China happens to be the single largest import source for India, often accounting for more than 20 percent of the total imports (Ahmed et al, 2020; Dhar and Rao, 2020).

Table 3: Comparison of China and Taiwan's reach in Select Indian Sectoral Imports

Products	China's Average Share in Indian Imports (%)				Taiwan's Average Share in Indian Imports (%)			
	2001-05	2006-10	2011-15	2016-19	2001-05	2006-10	2011-15	2016-19
Inorganic Chemical	7.42	12.56	13.48	11.98	0.30	0.46	0.70	0.55
Organic Chemical	20.54	30.58	32.68	38.03	2.04	3.38	3.18	2.50
Pharmaceuticals	2.90	4.32	7.92	7.40	0.20	0.22	0.48	0.43
Misc. Chemical Products	4.92	12.80	17.12	21.98	1.02	1.02	1.36	1.35
Plastic	4.42	11.92	14.04	17.35	5.42	7.26	6.58	5.60
Paper and Paperboard	2.02	13.38	13.88	16.45	0.36	0.60	1.14	1.63
Cotton	12.58	29.54	27.08	11.63	2.28	1.24	0.56	0.35
Apparel, Knitted or crocheted	19.58	36.32	45.04	45.68	0.76	0.56	0.56	0.28
Apparel, Not knitted or crocheted	18.72	26.50	27.36	23.45	2.40	0.56	0.24	0.08
Footwear	24.34	53.02	63.30	59.15	1.48	1.16	0.48	0.28
Iron and Steel	2.06	14.18	15.74	14.38	0.72	1.50	1.52	1.83
Articles of Iron and Steel	7.56	33.30	33.82	34.78	1.18	1.00	1.16	1.35
Alluminum	6.50	13.48	17.86	19.73	1.24	0.54	0.34	0.35
Machinery and Equipment	8.28	21.62	30.16	32.85	2.92	2.04	1.88	2.03
Electrical Machinery and Equipment	15.80	37.90	47.52	49.58	3.22	2.10	2.62	1.63
Vehicles and Accessories	2.54	15.00	21.76	24.28	1.40	0.56	0.48	0.38
Instruments, Medical, Surgical, Experimental	4.38	9.34	16.16	17.33	0.60	0.82	0.90	0.73

Source: Constructed from Trade Map data

Table 3 compares the reach of China and Taiwan in India's import basket for select commodities. It can be observed that for some commodities (e.g., organic chemical, plastic, machinery and equipment, electrical machineries etc.), Taiwan in long run can reduce India's import dependence on China. However, for commodities like inorganic chemical, pharmaceutical, apparels, footwear, aluminium, vehicles, instruments etc., even increased imports from Taiwan may not be effective in lowering the import dependence on China. The total supply capacity of Taiwan needs to be borne in mind in this context. However, the 'Atmanirbhar Bharat Abhiyan' policies can play a crucial role here in reducing import dependence on the dragon.

Table 4: Comparison of China and Taiwan's reach in Select Indian Sectoral Exports

Products	China's Average Share in Indian Exports (%)				Taiwan's Average Share in Indian Exports (%)			
	2001-05	2006-10	2011-15	2016-19	2001-05	2006-10	2011-15	2016-19
Organic Chemical	8.20	7.92	7.84	13.48	2.26	1.80	1.50	1.53
Mineral Fuels	0.58	0.48	1.82	4.10	0.60	2.34	2.16	1.65
Ores, Slag, Ash	60.66	85.02	72.86	75.03	2.18	0.34	0.02	0.50
Marine Products	7.30	8.32	4.32	8.88	1.58	0.86	1.18	1.00
Cotton	4.80	21.68	35.84	18.33	2.82	1.70	0.90	0.80
Plastic	16.48	10.06	9.72	9.83	2.20	0.52	0.22	0.18
Machinery and Equipment	2.08	3.50	3.68	3.83	0.58	0.32	0.54	0.43
Electrical Machinery and Equipment	1.32	2.02	2.88	4.95	0.96	0.38	0.40	0.53
Salt, Sulphur, Stones	14.60	21.64	32.56	30.75	3.44	2.40	1.94	1.38
Iron and Steel	15.54	7.24	4.08	3.88	2.22	1.66	2.74	2.88
Coffee, Tea, Spices	0.14	0.34	1.12	4.33	0.20	0.26	0.24	0.35
Animal or vegetable fats and oils	7.08	21.10	32.98	34.43	0.90	0.66	0.60	0.65
Tanning or dyeing extracts	3.18	4.64	3.94	6.40	2.52	1.62	1.38	1.30
Copper Products	5.48	26.48	62.44	34.23	7.32	3.44	0.64	4.63
Articles made of feathers	49.42	51.48	57.38	64.08	0.16	0.00	0.00	0.00
Instruments, Medical, Surgical, Experimental	5.32	5.52	6.00	5.13	0.38	0.20	0.24	0.38
Misc. Chemical Products	2.94	3.70	3.90	3.28	1.48	1.16	0.72	0.60

Source: Constructed from Trade Map data

Table 4 focuses on the presence of China and Taiwan in India's export basket for select commodities. On the whole it can be said that there is tremendous scope for India to enhance export to Taiwan in several commodity groups. For several commodity groups like IT products and automobile products, the Taiwanese players are already part of India's value chains (Agustin and Schröder, 2013).It can be observed that for some commodities (e.g., mineral fuels, iron and steel, marine products, machinery and equipment, electrical machineries etc.), Taiwan in long run can emerge as a major replacement market for India, as their shares in India's export basket are similar with China. However, for commodities like organic chemical, ores and slag, cotton, plastic, salts etc., animal or vegetable fats, articles made of feathers and so on, even increased exports to Taiwan will not be able to compensate for the export dependence on China, given the huge export orientation with the eastern neighbour. The recent Indian policy focus to enter into RTA with the EU and US may be able to create an alternate market for Indian export of these commodity groups (Sikarwar, 2020).

The Indian policymakers are also keen to have a more integrated investment flow regime with Taiwan. It is a well-documented fact that FDI outflows from Japan and South Korea has facilitated the 'Flying Geese' manufacturing growth model in Southeast Asia (Edgington and Hayter, 2000). Generally, the developed countries have undertaken considerable investments in labour-intensive part of the industrial value chains in ASEAN (Ambashi, 2017).In the more recent period, FDI outflows from Singaporeand Taiwan has also facilitated growth of the manufacturing sectors in several recipient countries of the region.The investment flows in the East and Southeast Asian region are quite fluid, with the gradual deepening of the IPNs though participation of regional MNCs. For instance, in the post-Covid period a number of MNCs have expressed willingness to relocate to Vietnam from China, because of the country's trade bloc integration initially through ASEAN-centric FTAs and now through RCEP. As a result, the MNCs relocating therein would continue to receive tariff preferences in a wider geographical region (Abraham et al, 2020). However, a concern is that India, by not joining RCEP, might not be a preferred location for inward investments.

Under this scenario, can FDI from Taiwan help India to strengthen its manufacturing sector with the technical know-how from Taiwan? Table 5 shows the inward investments in India from select partner countries. It is observed from the table that the investment from Taiwan has fluctuated in recent period. However, that trend may be more a function of policy measures, rather than demand-supply mismatch. It can be

noted that according to UNCTAD Investment Trends Monitor findings,in 2020 India has experienced an annual increase of 13 percent in FDI inflows, amounting to USD 57 Billion (TOI, 2021). This underlines the attraction of India in the global market as an investment destination even during the crisis period. On the other hand, the Taiwanese players are keen to invest in India, particularly in the electronics sector. The Indian policymakers have already noted the eagerness from Taiwanese players and accordingly factored it in the recent FDI-related policy change from April 18, 2020 onwards. By the modified policy, investments coming either directly from countries having a common land border with India or being routed through subsidiaries located in third countries, need to first obtain prior government permission. While the indirect implications of the new policy regime on FDI inflows from China are obvious, it has been noted that Taiwan would not be covered under this policy change (Suneja and Sikarwar, 2020). This can well be considered as a conscious departure from the traditional approach followed towards China so far. As the reality is not going to change in the post-Galwan period, India's investment integration with Taiwan can considerably deepen in coming days.

Table 5: FDI Inflow in India from Select Partner Countries (Rs. and USD Bn.)

Sl. No.	FDI Source Country	2017 Jan-Dec	2018 Jan-Dec	2019 Jan-Dec	2020 Jan-Sep	Cumulative Total (from JANUARY 2000 TO SEPTEMBER 2020)	
		(Rs. Bn.)	(Rs. Bn.)	(Rs. Bn.)	(Rs. Bn.)	(Rs. Bn.)	(USD Bn.)
1	Mauritius	1053.38	593.46	666.26	206.79	8117.66	144.90
2	Singapore	701.09	1086.27	1047.58	838.25	6716.50	105.97
3	USA	141.89	189.91	252.02	635.21	2300.89	37.04
4	Netherlands	212.47	232.33	312.01	326.65	2197.14	35.37
5	Japan	113.52	174.72	250.53	79.67	2013.82	34.23
6	UK	61.27	80.78	101.61	121.28	1606.23	29.58
7	Germany	74.60	50.25	46.04	23.92	704.88	12.41
8	South Korea	23.54	68.79	60.35	19.08	292.52	4.67
9	China	10.69	26.24	12.18	6.80	155.26	2.43
10	Taiwan	7.04	1.50	3.50	0.73	23.02	0.37

Source: FDI Newsletter (GoI, 2020)

Future Trade Potential: What does the Indices Reveal?

So, how will India's trade with Taiwan is expected to change vis-à-vis China? The current analysis calculates the bilateral *Trade*

Complementarity Index (TCI) between India and China and Taiwan and summarizes the findings in Table 3. TCI indices are calculated by looking at the export pattern of India and import pattern of another country (say, Taiwan) and vice versa. The higher values of TCI over time indicate increasing similarities between export basket of a country (say, India) and import basket of its trade partner (i.e., Taiwan), which is likely to facilitate trade flows in coming days. The TCI is calculated by using the following formula:

$$TCI_{ij} = 100 - \frac{(\sum |M_{jk} - X_{ik}|)}{2}$$

where X_{ik} is share of commodity k in country i's total exports, and M_{jk} is share of commodity k in country j's total imports at HS 2-digit level.

In addition, the Export Similarity Index (ESI) is calculated by using the following formula:

$$ESI_{ij} = 100 * \sum Min(X_{jk}, X_{ik})$$

where X_{ik} is share of commodity k in country i's total exports, and M_{jk} is share of commodity k in country j's total imports at HS 2-digit level. A higher value of ESI for a given country pair indicates greater similarity in export pattern of the two countries, which implies that in long run they can emerge as competitors. On the other hand, the lower ESI value signifies lesser chances of trade conflicts between the country pair.

It is observed from Table 6 that India's export complementarity with imports of China and Taiwan are moderately high (higher than 50), but the value of the index is higher for Taiwan in recent period. For instance, the value of India's export TCI in 2019 for China and Taiwan are 55.36 and 56.17 respectively. In other words, the export basket orientation of India is more similar to import basket orientation of Taiwan vis-à-vis the corresponding figures in China. This clearly underlines the brighter export potential for India to Taiwan. On the other hand, the value of India's import TCI in 2019 for China and Taiwan are 46.85 and 47.18 respectively. The higher import inclination from Taiwan as well, i.e., presence of both export and import complementarity, makes the country an ideal trade partner for India. Moreover, it is observed that for all the years, the ESI between India-China has been higher than the corresponding figures involving Taiwan. For instance, the value of India's ESI in 2019 involving China and Taiwan are 49.28 and 40.85 respectively. Given the low trade discord potential, it is all the more important for India to pursue the deeper trade route

with Taiwan, which in long run can emerge as India's major trade partner in several commodities.

Table 6: TCI and ESI Scenario between India, China and Taiwan

Trade Flows Direction	Trade Complementarity Index (TCI)			
	2005	2010	2015	2019
India Export – China Import	48.86	52.47	49.59	55.36
China Export – India Import	40.05	37.98	43.54	46.85
India Export – Taiwan Import	48.52	56.24	53.94	56.17
Taiwan Export – India Import	42.47	42.14	45.70	47.18
	Export Similarity Index (ESI)			
	2005	2010	2015	2019
India Export – China Export	46.25	42.54	46.77	49.28
India Export – Taiwan Export	41.23	40.78	40.44	40.85

Source: Computed by author fromTrade Map data

The analysis finally looks into the pattern of production integration among the three countries. It is an accepted notion that rising DVA-content in exports, i.e., greater value addition in domestic tariff area on the imported raw materials and components, can be considered as a major indicator of local industry's maturity level.While the DVA-content in exports has increased sharply for China over the period (Yu and Luo, 2018), the corresponding scenario for India has been relatively modest (Veeramani and Dhir, 2017).

To observe the manufacturing sector competitiveness of the countries, the DVA-content of their sectoral exports can be compared by obtaining data from Organisation for Economic Co-operation and Development's (OECD) Trade in Value Added (TiVA) database. Table 7 summarize the scenario for China, India and Taiwan for six major manufacturing sectors by drawing the OECD (2018) data. An analysis of the TIVA data for 2005 and 2015 provides interesting policy insights. The numbers reported in the table are interpreted in the following manner. For instance, for China in 2015, its own share in total exports (i.e., the DVA-content of exports) of the transport equipment category had been 83.32 percent, compared to the corresponding figure of 73.64 percentand 6.55 percent for India and Taiwan respectively. The corresponding figures during 2005 had been 75.98, 74.62 and 3.92 percent respectively. The numbers indicate that in all three countries the DVA content of exports have increased in this sector. The figures also enable one to see for each product category, what is the source of value addition in a country (say, China) from the domestic segments and the other two partners (i.e., India and Taiwan) respectively.

Table 7: Comparing the Domestic Value Added (DVA) Content of Exports in China, India and Taiwan

Source Country for DVA (%)	Selected Manufacturing Sectors											
	2005						2015					
	Base Metals and Fabricated Metal Products	Chemicals and Non-Metallic Minerals	Machinery and Equipment	Computers, Electronic and Electrical	Textile, Leather and Footwear	Transport Equipment	Base Metals and Fabricated Metal Products	Chemicals and Non-Metallic Minerals	Machinery and Equipment	Computers, Electronic and Electrical	Textile, Leather and Footwear	Transport Equipment
	Exporting Country: China											
China	**76.20**	**76.13**	**75.11**	**59.93**	**82.52**	**75.98**	**83.57**	**84.34**	**84.05**	**73.02**	**89.80**	**83.32**
Taiwan	**1.12**	**1.52**	**1.71**	**5.69**	**1.68**	**1.50**	**0.40**	**0.57**	**0.83**	**3.82**	**0.09**	**0.68**
India	**1.13**	**0.41**	**0.57**	**0.37**	**0.32**	**0.45**	**0.21**	**0.23**	**0.21**	**0.24**	**0.49**	**0.20**
Japan	3.02	3.19	4.67	7.96	3.02	4.43	1.02	1.19	1.63	2.93	0.80	1.62
ASEAN	1.26	1.86	1.51	4.52	1.35	1.40	1.03	1.31	1.22	3.45	1.15	1.08
EU 28	2.88	2.87	4.39	4.86	2.43	4.67	1.74	2.02	2.64	3.41	1.64	3.70
USA	1.58	2.12	2.21	4.25	1.53	2.75	1.43	1.60	1.79	2.88	1.11	3.18
	Exporting Country: India											
China	**1.80**	**1.12**	**1.73**	**3.02**	**1.91**	**1.62**	**3.75**	**3.34**	**4.43**	**6.53**	**3.82**	**4.17**
Taiwan	**0.22**	**0.27**	**0.25**	**0.58**	**0.16**	**0.27**	**0.22**	**0.24**	**0.28**	**0.50**	**0.12**	**0.25**
India	**67.19**	**67.39**	**72.61**	**65.36**	**84.69**	**74.62**	**63.56**	**67.27**	**69.20**	**63.76**	**83.61**	**73.64**
Japan	0.90	0.67	0.96	1.49	0.58	1.09	1.01	0.59	1.04	1.07	0.46	1.01
ASEAN	2.56	2.84	1.70	2.59	1.37	1.73	4.20	2.15	2.54	2.95	1.43	2.19
EU 28	5.59	3.15	5.18	6.05	2.56	5.37	3.93	2.76	4.31	4.88	2.16	4.02
USA	1.83	1.60	1.90	3.02	1.18	2.09	3.16	1.72	3.47	4.38	1.22	2.89
	Exporting Country: Taiwan											
China	**5.57**	**2.33**	**4.96**	**4.68**	**3.15**	**1.36**	**6.12**	**4.15**	**8.26**	**7.64**	**6.56**	**1.30**
Taiwan	**52.03**	**46.52**	**55.99**	**61.53**	**64.06**	**3.92**	**54.74**	**46.46**	**59.57**	**69.81**	**64.94**	**6.55**
India	**0.42**	**0.41**	**0.35**	**0.20**	**0.71**	**0.40**	**0.64**	**0.48**	**0.52**	**0.27**	**0.62**	**0.30**
Japan	8.49	9.29	10.81	10.03	7.82	0.80	5.48	4.59	6.66	4.26	4.11	1.33
ASEAN	3.41	4.48	2.89	3.81	3.44	0.11	4.95	5.55	3.73	3.67	3.60	0.22
EU 28	4.40	4.89	4.79	4.22	5.23	2.51	2.95	3.55	3.69	2.88	3.35	3.29
USA	3.14	4.71	3.96	5.10	4.10	5.74	2.59	3.18	3.39	3.04	2.93	4.74

Source: Constructed by authors from OECD TIVA database (OECD, 2018)

The numbers from Table 7 indicate that while both China, India and Taiwan had been able to increase their DVA-content of exports across sectors over the period, the gains realized by China is clearly higher. Moreover, China has considerably increased participation in manufacturing sectors of both India and Taiwan, owing to wide range of production diversification on one hand and price competitiveness on the other. Conversely, the DVA-content of Indian exports has declined after the entry of the country into multiple RTAsduring 2010-11. Only in the recent period after the launch of the 'Make-in-India' initiative, a turnaround in the DVA pattern has been noticed.India's modest participation in several ASEAN and RCEP country's value chains can be part explained by the declining trade complementarity scenario with them (Chakraborty, 2018). The rising participation of India in Chinese and Taiwanese exports is a promising observation. However, the IPN participation from Taiwan in Indian manufacturing sectors is currently at a modest level, which can be part explained by the absence of any trade preferences and weak presence of Taiwanese MNCs in Indian manufacturing sectors.

Conclusion

To conclude, on the economic front, India's conflicts with China are likely to continue in coming days as well. It becomes apparent from the current analysis that the growing bilateral trade imbalances and the tacit Chinese support for the local players, often unfair in terms of WTO-compliance, makes any future trade engagements less likely. Moreover, it has been observed that during the recent WTO review process of Indian trade policiesin January 2021,China along with both the EU and the US expressed concerns over several policy measures, e.g.: high level of import tariffs, complexities in product standards, differences in intellectual property regimes (IPR) like data exclusivity requirements, transparency and openness in government procurement, local content requirements mandated under the 'Atmanirbhar Bharat Abhiyan' and so on (Sidhartha, 2021). In this context, deeper economic engagements with Taiwan, given the relatively favourable ESI scenario, can lead to a mutually beneficial outcome.

On the strategic front, India prefers to play its hands in a cautious manner. On one hand, it seeks de-escalation of tension at the border with China. On the other hand, the countryis considering increasing commercial ties with Taiwan, thereby somewhat retreating from its 'One China' policy. The departure needs to be viewed in the larger political economic context. In recent years, Beijing has repeatedly

blockedNew Delhi's long-overdue permanent membership in United Nations Security Council and Nuclear Suppliers Group andunilaterally attempted to redraw the LAC. India is managing the strategic rivalry with its northern neighbour by continuing diplomatic and border talks. However, Tibet and Taiwan could very well be the trump card that India can hold against China in addition to the Quadrilateral Strategic partnership with the US, Australia and Japan. Even after the change of guard in the US in 2021, Washington DC continues its hard stand against China. This calls for deeper cooperation between the US and India, since their core interest lies at a multipolar Asia and upholding the rule of law, and freedom of navigation in the Indo-Pacific region. The deeper economic and strategic ties with Taiwan fits in the scheme of deliberations appropriately.

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