

Prospects of an India-Taiwan Strategic Partnership: Economics, Security, and Expected Utility Theory

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Abstract

The China-India border dispute has witnessed escalations recently with China making fresh claims along the disputed border and deaths of Indian military personnel. This study examines the likelihood of a strategic partnership between India and Taiwan. We begin by assessing India's 'Act East Policy' and Taiwan's 'New Southbound Policy' for any points of congruence between these two policies. We then propose an expected utility model of India's decision calculus. Using the theoretical implication of the model, we then examine the likelihood of a strategic partnership along two dimensions- an economic and a defence-security partnership. This study argues that the value added by an economic strategic partnership between the two countries may be substantial and the likelihood of such a partnership may be significant. However, the likelihood of a defence-security partnership is substantially less in the bilateral sphere although at the multilateral level there are areas where defence cooperation can occur.

Introduction

The India-China border dispute has been a point of contention between the two countries since the 1960s. It witnessed a flare up when a brawl ensued between Indian and People's Liberation Army (PLA) soldiers in early May 2020 in the Pangong Tso area along the disputed Line of Actual Control (LAC) (Singh, 2020a). A violent clash between Indian and Chinese soldiers resulted in the death of at least twenty Indian soldiers and an unconfirmed number of PLA soldiers in June 2020 (BBC, 2020). Since then, several efforts at disengagement and de-escalation through talks between high ranking military officials and diplomatic initiatives have proven to be unsuccessful with one Indian official stating that "the overall de-escalation of the conflict is a long way off". (Indian Ministry of External Affairs [MEA], 2020a; Singh, 2020b). The PLA has also been opening new fronts in other areas along the disputed LAC such as the Depsang Plains (Singh, 2020c).¹

In September 2020, there was further escalation along the LAC when Indian soldiers occupied strategic positions at a height overlooking the PLA troops in a night-time stealth operation (Sen & Chaudhary, 2020). India stated that this was in response to China breaching previous disengagement agreements and India's 'defensive move' was to counter the PLA's attempt to occupy new forward positions and unilaterally change the 'status quo' of the border on the South bank of Pangong Tso lake (MEA

2020b). This was followed by shots being fired along the LAC for the first time in forty-five years as both India and China accused the other side of firing these shots as a means for further escalating the conflict (Singh, 2020d).

In light of these recent clashes along the LAC, there have been growing calls for India to change its policy on China and deliver a more assertive response. India's former National Security Advisor, Shivshankar Menon, stated that India-China ties would be "reset fully" and a return to the previous status quo will be unlikely (Haidar, 2020). India's former Ambassador to China, Gautam Bambawale, argues that this current standoff at the border is different from previous skirmishes and by moving military positions on the ground, China wants to unilaterally define the LAC and "present us [India] with a fait accompli" (Roy, 2020a).²

There have already been developments in India's response and its broader policy towards China since the border clashes. In the aftermath of the developments at the border, the Indian Navy conducted a largescale deployment of warships in the Indian Ocean Region (NDTV, 2020). The Indian Air Force has also deployed fighter jets to bases near the LAC in Ladakh (Zhen, 2020) and, as previously stated, the Indian Army moved to occupy high altitude strategic spots on a mountain range.

Since the border clashes, in the economic sphere, Indian state-owned oil companies are forbidden from hiring Chinese flagged tankers and vessels for shipping (South China Morning Post, 2020). India intends to exclude Chinese telecom firms such as Huawei and ZTE from 5G technology trials (Chaudhary et. al, 2020).³ In July 2020, India banned fifty-nine Chinese apps such as TikTok and WeChat on the grounds of safeguarding security and privacy by stating that these apps "are prejudicial to sovereignty and integrity of India, defence of India, security of state and public order" (Press Information Bureau, 2020).⁴

There have also been calls for India to engage more extensively with Taiwan in order to counter China's influence in the region. India does not have formal diplomatic relations with Taiwan as India recognises the People's Republic of China (PRC)⁵ and adheres to the 'One-China Policy'. In the past, India has refrained from playing the Taiwan 'card' and India has been hesitant in developing comprehensive relations with Taiwan to avoid the risk of antagonising China (Corneilli, 2010, p.113). India has prioritised developing its economic and diplomatic relations with the PRC and as a result, India has not used issues such as Tibet and Taiwan as leverage against China (Corneilli, 2010, p.116).

After the border clashes in May 2020, a popular Indian newspaper, the Indian Express, editorialized that "Whatever might be Delhi's eventual choice on the Taiwan question, it should not be made either out of peevishness or fear. For some in Delhi, this is a good moment to pay back China in the same coin." (The Indian Express, 2020). Similarly, Namrata Hasija from the Centre for China Analysis and Strategy argues

"that India must stop seeing Taiwan through the China lens that gets activated every time there is tension in Sino-Indian ties. Instead, it is time

for India to develop independent ties with Taiwan across economic and strategic sectors.” (quoted in Rajagopalan, 2020a).

In the early days of the reported escalations at the border, two MPs from Prime Minister Narendra Modi’s Bhartiya Janta Party (BJP) virtually attended the second swearing in ceremony of Taiwan’s President Tsai Ing-Wen (The Times of India, 2020). In July 2020, India announced the appointment of a high-ranking diplomat from the Ministry of External Affairs as its next Representative to Taiwan in order to boost relations with Taiwan in the backdrop of increasing Sino-Indian tensions (Roy, 2020b).⁶

As a result of these developments, we ask the following questions: How likely is the possibility of a strategic partnership between India and Taiwan? Should India initiate and establish a strategic relationship with Taiwan? In answering these questions, we assess the likelihood of a strategic partnership along two dimensions – an economic dimension and a defence-security dimension.

We suggest that the value added by an economic strategic partnership between the two countries may be substantial and the likelihood of such a partnership may be significant. However, we believe that the likelihood of a military strategic partnership at the bilateral level is substantially less due to Taiwan’s restricted ability to add value and enrich such a partnership along with India’s own limited presence in East Asia as well as the South China Sea. However, there are areas at the multilateral level which may result in some limited cooperation with Taiwan being able to add some value to this relationship.

This article is structured as follows – the following section examines India’s ‘Act East Policy’ and Taiwan’s ‘New Southbound Policy’ for any points of congruence between these two policies. We then propose an expected utility theory to provide a theoretical framework to India’s decision calculus. Following this, we examine the likelihood of a strategic partnership along two dimensions – an economic strategic dimension and a defence strategic dimension. In the final section we conclude by providing some policy options for Indian strategic planners.

India’s and Taiwan’s Risk Diversification Strategy

India’s Look East/Act East Policy

India launched the ‘Look East Policy’ in the 1990s, although India’s interest in Southeast Asia was evident since the 1950s. After decolonization in the 1950s, India perceived Southeast Asia as an extension of its own civilization due to connections like Buddhism and tilted towards the region as a way of resisting the Western imperialist model for independent India (Jaffrelot, 2003, p. 41). Just after independence in 1947, India looked to occupy a leading role in Southeast Asia and hosted a ‘Conference of Asian Relations’. However, in the 1950s, India’s vision of a ‘pan-Asianism’ was short-lived due to Southeast Asian nations expressing their apprehension concerning India’s role as a leader in the region, the prevalence of divergent interests and due to the logic of the Cold War wherein there was little room for the ‘Non Aligned Movement’, of which India was a proponent (Jaffrelot, 2003, p. 42-44). The mutual hostility between India

and Southeast Asia grew further when India aligned with the Soviet Union and states like Thailand aligned with the US in the latter years of the Cold War.

As a result, India's engagement with Southeast Asia was limited until the 1990s. The fall of the Soviet Union resulted in India losing a significant economic and strategic ally. This coincided with a domestic balance of payments crisis and economic liberalisation in the 1990s. The changing global geopolitical environment, a domestic economic crisis and the willingness to be part of the economic boom being experienced in Southeast Asia led India to launch its Look East Policy in the 1990s (Haokip, 2011).⁷ The Look East Policy can broadly be examined in two phases- the first phase which focused on a predominantly economic relationship with the Association of Southeast Asian Nations (ASEAN) as its core and the second phase which focused on a wider range of issues such as security cooperation with nations beyond ASEAN which began in the mid-2000s (Scott, 2007). India became a sectoral dialogue partner with ASEAN in 1993, a full dialogue and summit level partner in 1995 and 2003 respectively. It also signed a Free Trade Agreement (FTA) with ten ASEAN members which came into effect on January 1st, 2010 (Haokip, 2015, p.199).

The second phase of the Look East Policy which began in the mid-2000s focused on the security dimension along with economic cooperation and trade with the view of strengthening ties with nations further East which were beyond ASEAN. India joined the ASEAN Regional Forum (ARF) in 1996 (Scott, 2007, p.129). In 2005, India was part of the East Asia Summit despite objections from China (Naidu, 2001, p.65). India is also part other multilateral forums such as the ASEAN Defence Ministers Plus meeting and the annual Shangri-La Dialogue where PM Modi was a keynote speaker in 2018 (ASEAN Defence Ministers Meeting, 2017; International Institute for Strategic Studies, 2018).

Defence diplomacy was a key component of the second phase of India's Look East Policy. In 2005, INS *Viraat*, the Indian aircraft carrier visited Southeast Asian ports in Singapore, Malaysia and Indonesia for the first time (Mohan, 2008, p.48). Similarly, the Indian Navy participated in the tsunami relief effort with other states like Maldives, Sri Lanka and Indonesia (Mohan, 2008, 48). India adopted a multipronged approach towards Southeast Asia as part of its Look East Policy. As result, India pursues sub-regional and bilateral relations with Southeast Asian states along with the multilateral diplomacy at the regional ASEAN level. For instance, India is a part of the sub-regional Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) group and at the bilateral level, India has signed multiple agreements with Malaysia, Vietnam, Singapore and Thailand encompassing various aspects of both economic and security cooperation (Mohan, 2008; Cogan & Mishra, 2020).⁸

After PM Modi was elected in 2014, India's policy morphed from 'Look East' to 'Act East'. This change in policy is more than just symbolic with the new 'Act East' policy focusing on the Indo-Pacific region as a whole instead of just the ASEAN countries or East Asian states like Japan and South Korea⁹. PM Modi declared in 2015 at the East Asia Summit that "since my government entered office 18 months ago, no region has seen greater engagement from India than the Asia-Pacific and the Indian Ocean Region"

(MEA, 2015a). India's minister of state for External Affairs, General V.K Singh, summarised the Act East Policy as follows:

“India's Act East policy focuses on the extended neighbourhood in the Asia-Pacific region. The policy which was originally conceived as an economic initiative, has gained political, strategic and cultural dimensions including establishment of institutional mechanisms for dialogue and cooperation. India has upgraded its relations to strategic partnership with Indonesia, Vietnam, Malaysia, Japan, Republic of Korea (ROK), Australia, Singapore and Association of Southeast Asian Nations (ASEAN) and forged close ties with all countries in the Asia-Pacific region” (MEA, 2015b).

While the Act East policy may appear to be an extension of the Look East Policy, it signifies India deepening its commitment to engaging with the Indo-Pacific region as a whole, engaging with Indo-Pacific states in the economic sphere to an even greater degree and moving a step closer to its ambition of being a vital regional power and a provider of regional security by further enhancing its maritime diplomacy at the bilateral, sub-regional and multilateral level. The Act East Policy is distinct from the Look East Policy in terms of the 'geographical scope' and 'strategic depth' (Palit, 2016). The extension of the Act East Policy beyond Southeast Asia and East Asia to include the Indo-Pacific region signifies the strategic importance of Japan and Australia to India (Palit, 2016, p.83). It is also argued that the Act East Policy reinforces the strategic and maritime dimension with India playing a greater strategic role, underscored by India's growing involvement in the Bay of Bengal (Palit, 2016, p.85; Saint-Mézard, 2016).

Under the Act East Policy, India has been engaging extensively with the South Pacific through multilateral organisations like Forum for India-Pacific Island Cooperation (FIPIC). India has issued grants ranging from \$200,000 to \$1.1 million USD to various South Pacific nations like Fiji, Vanuatu, Micronesia, Nauru, the Cook Islands and Niue (Jha, 2019, p.110; MEA, 2017).

Taiwan's New Southbound Policy

After increasing diplomatic isolation and exclusion from various international organisations in the 1970s and the 1980s, Taiwan adopted a 'pragmatic foreign policy' by resorting to measures such as economic cooperation in order to gain a degree of unofficial recognition and building relations with states that followed the One-China policy and hence had no formal relations with Taiwan (Leifer, 2001, p.177). This pragmatic foreign policy aimed at developing “substantive relations” below the official diplomatic level with states which recognised the PRC and hence had no formal relations with Taiwan, along with attempting to join international organisations and “reinforcing” Taiwan's existing diplomatic relations (Hickey, 2007, p.14).

Following this 'pragmatic foreign policy' paradigm, Taiwan instituted 'Go South' policies under President Lee Teng-Hui and President Chen Shui-Bian. Under President Lee, the 'Go South' policy was launched which primarily targeted ASEAN countries and included measures like putting a cap on investments made in China by Taiwanese companies, increasing foreign aid and foreign direct investments (FDI) to ASEAN

nations. As a result, FDI from Taiwan into ASEAN increased from \$1.76 billion in 1993 to \$4.98 billion in 1994 (Glaser et al., 2018, p.6).¹⁰ Although President Lee's attempts at reinforcing Taiwan's existing diplomatic relations and attempts to re-join international organisations yielded mixed results, the Go South Policy was instrumental in enhancing Taiwan's substantive relations with ASEAN members through increasing economic cooperation and trade (Hickey, 2007, p.90). President Chen Shui-Bian also launched a Go South Policy by stating that

“we cannot have too high an expectation of China, especially in economics and trade...the market in Mainland China is neither the sole, nor the safest, nor the final external market of Taiwan... [and hence] we must emphasize investment in Southeast Asia” (quoted in Bing, 2017, p.106).¹¹

President Chen's version of the Go South policy focused specifically on the more developed ASEAN countries like Singapore with the goal of entering into regional economic agreements, encouraging and supporting Taiwanese companies to invest in Southeast Asia and diverting Taiwanese investment from mainland China to Southeast Asia (Bing, 2017, p.106-107). President Chen's Go South Policy actively pushed for the signing of Free Trade Agreements (FTAs) with ASEAN members and high level visits through 'visit diplomacy' and 'vacation diplomacy' tactics continued under President Chen, similar to that of his predecessor (Bing, 2017, p.107).

Under Ma Ying-Jeou's presidency (2008-2016), 'viable diplomacy' replaced 'pragmatic diplomacy' (Bing, 2017, p.110).¹² This period witnessed an increase in cross-strait economic and cultural relations (Tsang, 2012, p.395). This 'diplomatic' and 'economic truce' resulted in twenty-one economic and functional agreements between Taipei and Beijing and the Economic Cooperation Framework Agreement (ECFA) was signed in 2011 which led to further enhancement of cross-strait economic relations (Leng & Chang Liao, 2016, p.362; Tsai & Liu, 2017, p.9). An improvement in cross-strait relations was one of the factors that enabled Taiwan to further develop relations with Southeast Asia (Hsieh, 2019, p.106; Tsai & Liu, 2017, p.23; Ling & Chang Liao, 2016, p.374).¹³

For instance, in 2013 Taiwan and Japan signed the Fisheries Agreement, Taiwan-Singapore relations were 'restored' culminating in the signing of the 'Agreement between Singapore and the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu on Economic Partnership' (ASTEP) and Taiwan also began an exploratory study to examine the possibility of an FTA with India (Ling & Chang Liao, 2016, p.364; Hsieh, 2019, p.106; Tsai & Liu, 2017, p.23). Such bilateral FTAs are imperative for Taiwan as they achieve the political objective of "upgrading Taiwan's de facto sovereignty" by developing Taiwan's substantive relations with non-diplomatic partners (Magcamit & Tan, 2015, p.98).

The election of President Tsai Ing-Wen in 2016 led to the launch of the 'New Southbound Policy' (NSP). President Tsai and the DPP campaigned extensively on the platform of diversifying Taiwan's trade and investment and reducing Taiwan's economic reliance on China, which makes the NSP distinct from President Ma's policy of closer economic integration with China (Ho, Clark & Tan 2020, p.133; Tsang, 2012,

p.396). The NSP shared several characteristics with previous Go South policies. For instance, previous Go South policies under Presidents Lee and Chen and the NSP all seek to reduce Taiwan's economic integration and reliance on China. Chen (2002, p.112) argues that "Taipei's Go-South Policy was about China as much as Southeast Asia."

However, the NSP's scope is wider than President Lee's Go South Policy (Ho, Clark & Tan, 2020, p.141). The NSP is distinct from its previous versions as it explicitly focuses on South Asia as well as Australia and New Zealand, in addition to ASEAN, as destinations where substantive relations can be further developed through increasing trade, investment and people-to-people connections (Black, 2019). A second distinction is that the NSP takes a regional approach and aims to create a "regional community" through economic integration, people-to-people connections along with other soft power strategies and "forge a new and mutually beneficial model of cooperation and ultimately create a sense of economic community" (Ho, Clark & Tan, 2020, p.141; Ministry of Foreign Affairs Republic of China, 2020). Whereas previous Go South policies aimed to develop Taiwan's substantive relations at the bilateral level and campaign for Taiwan to join international organisations, the NSP also adds a regional dimension to this approach. It can be argued that this regional approach is perhaps adopted due to Taiwan being left out of the regional economic architecture and being restricted from joining organisations such as Regional Comprehensive Economic Partnership (RCEP), even though Taiwan has expressed interest in joining such organisations (Tsai & Liu, 2017, p.16).¹⁴ Apart from the goal of reducing Taiwan's economic reliance on China, an objective that is shared with previous Go South policies, the NSP also allows President Tsai to address the problem to Taiwan's stagnated economy (Ho, Clark & Tan, 2020, p.140; Liew & Tang, 2019, p.335). The countries mentioned in the NSP collectively are the second largest destination of Taiwanese exports and Taiwanese investment (Ho, Clark & Tan, 2020, p.144-145). Further integration with these countries allows Taiwan to capitalise on economic opportunities and open new doors for its stagnated economy by diversifying trade and investment.

In summary, the NSP is similar to previous Go South policies and President Ma's viable diplomacy as they all seek to develop Taiwan's substantive relations with Southeast Asia. However, the NSP differs from President Ma's policy as the NSP aims to reduce Taiwan's economic reliance and integration with China, whereas President Ma actively encouraged greater economic cooperation with China. The NSP is also different in scope as it includes not only Southeast Asia and ASEAN as previous policies did, but also South Asia along with Australia and New Zealand. In addition to pursuing its objectives at the bilateral level like previous Go South policies, the NSP adds a regional dimension while also seeking to address the problem of Taiwan's economic stagnation and this makes it distinct from previous Go South policies which focused predominantly on limiting reliance on China. However, so far the NSP does not differ greatly from the Ma era as Taiwan's exports and investments in the NSP countries are yet to witness a significant increase or a "major shift" (Ho, Clark & Tan, 2020, p.145).

Policy Congruence

The NSP was due to be launched in three phases, with India being part of the first phase of the policy (Lee, 2017). There is a certain amount of congruence between India's Act East policy and Taiwan's New Southbound Policy. The congruence between these two policies is most apparent in the sphere of economic cooperation, trade and investment. While India's Act East Policy certainly focuses significantly on enhancing India's strategic advantage, it also places a considerable emphasis on deepening India's economic ties with the wider Indo-Pacific region. Similarly, Taiwan's New Southbound Policy places a renewed level of importance on economic cooperation through investment by Taiwanese companies and FDI.

A second aspect of congruence between the two policies is on the issue of China. As stated above, the New Southbound Policy and its previous versions aim to reduce Taiwan's dependence on mainland China and limit Taiwan's economic integration with China. India's Act East Policy and its predecessor, the Look East Policy, also take into account China's rise and presence in the region. In his assessment about India's Look East Policy from a realist perspective, Batabyal (2006) argues that one of the objectives of the India's Look East Policy was to counter China's rise by cultivating economic and military relations in Southeast and East Asia.

There is also an overlap between the two policies with regard to the geographical area which these policies target. While Taiwan's New Southbound Policy explicitly singles out South Asia as an area where Taiwan aims to deepen its economic ties, India's Act East Policy targets the wider Indo-Pacific including East Asia and the South Pacific. So, with this policy congruence that exists in the Act East Policy and the New Southbound Policy, why then is there such a low level of interaction between India and Taiwan? Going forward, is there a prospect for a strategic partnership between the two? In the next section, we borrow and adapt Bueno de Mesquita's expected utility theory (1980; 2000) as a theoretical framework to help us decipher India's decision calculus and the prospects of an India-Taiwan strategic relationship.

Expected Utility Theory of Strategic Relationship

Recall that we ask how likely is a strategic partnership between India and Taiwan? Should India initiate and establish a strategic partnership with Taiwan? The border conflict between China and India beginning in May 2020 has prompted calls within India to reassess its relationship with China and in particular whether India should relax its One-China policy and 'play the Taiwan card.' For India to do so would mean that it is wading into the China-Taiwan (or cross-Strait relations) conflict. Consequently, India's decision of whether to 'play the Taiwan card' or not would require its policymakers to make the decision under conditions of uncertainty in the outcome.

To help us answer these questions, then, we borrow from Bueno de Mesquita's expected utility theory (1981; 2000) and adapt it to the strategic decision that India faces. Expected utility theory concerns state's preferences with regards to choices that have uncertain outcomes. It provides us with an account of how a state can rationally choose when it is not sure of the outcome of its decision.

Consider the following, as India (I) wades into the China-Taiwan conflict it, in effect, is choosing whether to take the side of China (C) or that of Taiwan (T). If i represents I's capability, c represents C's capability, and t represents T's capability then

$\frac{c+i}{c+i+t}$ is the probability that C will win with I's help = P_{IC} and,

$\frac{i+t}{c+i+t}$ is the probability that T will win with I's help = P_{IT}

The expected utility for I if it decides to side with C can be represented by

$$E(U_{IC}) = P_{IC}U_{IC} + (1 - P_{IC})U_{IT} - K_{IC} \quad [1]$$

Equation 1 tells us that the expected utility for India – if it sides with China – is the probability of China prevailing (P_{IC}) multiplied by the satisfaction that India gets if China prevails (U_{IC}) and the probability of Taiwan prevailing ($1 - P_{IC}$) multiplied by the 'satisfaction' that India gets if Taiwan prevails (U_{IT}) deducted by the costs India bears for siding with China (K_{IC}).

And conversely, the expected utility for I if it decides to side with T is as follows

$$E(U_{IT}) = P_{IT}U_{IT} + (1 - P_{IT})U_{IC} - K_{IT} \quad [2]$$

Combining equation 1 and equation 2 of I's decision calculus gives us the following

$$E(U_{IC}) = P_{IC}U_{IC} + (1 - P_{IC})U_{IT} - K_{IC} \Leftrightarrow E(U_{IT}) = P_{IT}U_{IT} + (1 - P_{IT})U_{IC} - K_{IT} \quad [3]$$

It follows then that if $E(U_{IC}) > E(U_{IT})$, I will side with C. Conversely, I will side with T if $E(U_{IC}) < E(U_{IT})$. If country I's expected utility in siding with C is larger than its expected utility in siding with T, it will side with C. Conversely, it will side with T if its expected utility from taking that action is higher than if it sides with C. If these two expected utilities are equal then country I will decide to stay neutral. The above statements are obvious and tell us that a country's decision to ally with another country boils down to the difference in benefits it expects to gain and the costs it expects to incur.

To gain further insights on the decision calculus equation, we can rearrange the terms in equation 3 and after simplifying the equations we find that

$$(P_{IC} + P_{IT} - 1)(U_{IC} - U_{IT}) \Leftrightarrow K_{IC} - K_{IT} \quad [4]$$

Noting that P_{IC} and P_{IT} are simply the probabilities of either C or T prevailing with I's assistance, we can simplify equation 4 further as follows

$$\frac{i}{c+i+t}(U_{IC} - U_{IT}) \Leftrightarrow K_{IC} - K_{IT} \quad [5]$$

where,

$\frac{i}{c+i+t}$ is the proportion of resources and capability that country I can commit

$U_{IC} - U_{IT}$ is country I's differential motivation (or satisfaction) in siding with C or T

$K_{IC} - K_{IT}$ is the marginal difference in costs that country I will incur in helping C or T.

With this rearrangement of the equation, we are able to derive some very interesting observations. Equation 5 tells us that country I's decision to side with C or T is affected by what country I can (or must) 'bring to the table' in terms of its resources and capabilities as well as the satisfaction (or motivation) it derives from the result of one side prevailing over the other side. These two factors are weighed against the costs that it will have to bear and incur from its action to side with either C or T.

Applying equation 5 from the expected utility theory to the likelihood of the India-Taiwan strategic partnership provides us with rich insights on the decision calculus that faces Indian decision-makers and policy-makers. In deriving some insights of this decision calculus, it is not unreasonable for us to assume that from the perspective of India-China contemporary international relations that $U_{IC} < U_{IT}$. That is, India does not gain more satisfaction from a stronger China if it prevails. Indeed, China's belligerence in earlier periods, the events since May 2020, and the subsequent discussions in India support this assumption that a stronger China does not necessarily mean more peaceful Sino-Indian relations despite India's standing on the One-China policy (siding with China, in this case).

Comparing the left hand side terms (capability and satisfaction/motivation) with the right hand side terms (differential costs), allows us to infer several interesting insights on India's decision calculus. With the differential satisfaction term being a negative as per the assumption that India is less satisfied with a stronger China, then the left hand side terms is negative. If $K_{IC} - K_{IT} > 0$, that is, the cost of supporting China is higher than the cost of Taiwan, equation 5 tells us that India should side with Taiwan. If $K_{IC} - K_{IT} = 0$, that is, the cost of supporting either side is equally high, then it makes sense for India to develop ties with Taiwan. However, if $K_{IC} - K_{IT} < 0$, that is, the cost of supporting Taiwan is clearly higher than supporting China, then India will likely stay out of the fray and remain 'neutral' or 'non-committal' to both sides.

From our expected utility framework, two of the three scenarios lead us to infer that India should develop closer ties with Taiwan. In the third scenario of higher relative cost of supporting Taiwan vis-à-vis China, India is non-committal to both sides and unlikely to support China because of the lower satisfaction with a stronger China. From the current state of India-Taiwan relations, we are clearly in the third scenario. So why is it that the current levels of interaction between the two sides are relatively low? Is there a prospect to increase the India-Taiwan partnership? In the next section, we look to the economic dimension and the defense-strategic dimension for clues to answer these questions.

Economic dimension

India severed diplomatic ties with Taiwan in 1950 when it recognised China and has since adhered to the 'One China Policy'. However, India established the India Taipei Association (ITA) in Taiwan in 1995 and in the same year the Taiwanese counterpart called Taipei Economic and Cultural Office opened in New Delhi. Over the years, numerous agreements to strengthen economic cooperation and investment have been signed by the two sides. In 2005, the Bilateral Investment and Promotional Agreement (BIPA) was signed with the view of creating more bilateral investment (Pathak &

Hazarika, 2020, p.40).¹⁵ Table 1 below contains figures for bilateral trade between India and Taiwan.

Table 1- India Taiwan Trade figures.

Period	India Imports from Taiwan (USD Billion)	India Exports to Taiwan (USD Billion)	Total (USD Billion)	% growth (YoY)
2017	3.3	3.06	6.35	29 (from 2016)
2018	3.79	3.26	7.05	11.02

Source- India Taipei Association. Accessed July 24, 2020.

<https://www.india.org.tw/pages?id=evjpdil6lmlST2xOM2Q4azFia0RLcnpRTDg3MUE9PSIsInZhbHVlIjoizkt2YUFxQTIVYlorb09pT1hSmVrQT09IiwibWFjIjoizDgwNzYxNDdhMjUwNDE3MjVmZGM2MzlhZikzNWQyODU0MDQwMDhhZTgwNzAxYTY4MzljYjY0ZTY4ZDZiOGMyNyI9&subid=evjpdil6lkdibW14bjhBYzJZXC80NXh2UGRjRUNnPT0iLCJ2YWx1ZSI6IiU4bUhBMEJ0bWpEaUtiRnRyam90K1E9PSIsIm1hYyI6IjlmZiQyNmE5YzM4MjNiZTgxNjM1ZmU0MzRkMGM2ZDRiMmZhMWU1NmFiOTg3NjU5NTg2YjQ5YjQzMDBkN2E4NTkifQ==>

According to the India Taipei Association, bilateral trade between India and Taiwan has grown by over 40% in the two years during 2017 and 2018. However, trade figures between Taiwan and India seem considerably low when compared to the trade figures between India and other East Asian countries like Japan and Korea. Table 2 contains the total trade figures between India-Japan, India- South Korea and India-Taiwan. As Table 2 demonstrates, in the year 2018-19, total trade between India and Japan was over \$15 billion USD, trade between India and South Korea was over \$21 billion USD whereas trade between India and Taiwan was just over \$7 billion USD.

As of June 2015, trade between ASEAN and India stood at \$65.08 billion USD (Garge, 2017, p.155). In terms of investment, Taiwan’s FDI to India was \$66 million between 2002-2014 (Smith, 2017). In July 2020, the Taiwanese firm Foxconn announced that it plans to invest \$1 billion USD in a factory in southern India (Phartiyal & Lee, 2020). Taiwan ranked 37th in the list of the highest investing countries in India representing 0.08% of the total FDI inflows in India from 2000-2017 (Pathak & Hazarika, 2020, p.44). Official figures indicate that total FDI inflows from Taiwan to India amounted to \$360.4 million USD from April 2000 to March 2020 (Invest in India, 2020).

Even in terms of FDI, Taiwan’s investment in India falls pale when compared to other East Asian nations, for instance, South Korea. From 1996 to 2001, South Korea became the largest investor in India. FDI from South Korea to India amounted to \$1.9 billion from 1996-2001 compared to FDI from Japan to India standing at \$1.48 billion and ASEAN investment in India amounting to \$1.63 billion in the same period from 1996-2001 (Brewster, 2010, p.410). According to the Export-Import Bank of Korea, until December 2019, Korean FDI to India stood at \$6.29 billion (Embassy of India in the Republic of Korea, 2020). Table 3 contains the annual breakdown of this investment from South Korea to India.

Table 2- India's trade figures with Japan, South Korea and Taiwan.

Period	India's total trade with Japan (USD millions)	India's total trade with South Korea (USD millions)	India's total trade with Taiwan (USD millions)
2015-16	14,513.07	16,570.76	4,780.21
2016-17	13,600.37	16,826.78	5,326.52
2017-18	15,707.57	20,882.75	6,082.91
2018-19	17,634.40	21,464.04	7,184.46
2019-20	16,954.45	20,504.82	5,270.57

Source- Ministry of Commerce and Industry, 2020. "Department of Commerce Export Import Data Bank". Accessed July 24, 2020. <https://commerce-app.gov.in/eidb/iecntq.asp>

FDI inflows from ASEAN to India between April 2000 to March 2018 amounted to USD \$68.91 billion USD whereas FDI outflows from India to ASEAN from April 2007 to March 2005 were \$38.672 billion USD (ASEAN India, 2020). From 2000 to June 2009, the cumulative amount of Japanese FDI into India was \$30.74 billion USD (Embassy of India in Japan, 2020).

Table 3- South Korean Investment in India (as of September 2019)

Year	Amount (in USD millions)
2010	198
2011	452
2012	311
2013	342
2014	315
2015	314
2016	313
2017	514
2018	1,053
2019	340

Source- Embassy of India in Republic of Korea, 2020. Retrieved from <https://www.indembassyseoul.gov.in/page/india-rok-trade-and-economic-relations/>

Compared to Taiwan, India's economic relations are more extensive with other Asian states like Japan and South Korea. Although Japan and Korea's presence in multilateral institutions gives India the opportunity to engage with these nations at a multilateral level, India also has comprehensive bilateral economic relations with Japan and South Korea. Since the advent of the 'Look East Policy', relations between India and South Korea have expanded significantly. As stated above, Korea was the largest investor in India as early as the late 1990s. After the implementation of the Look East Policy and the liberalisation of the Indian economy, Korean conglomerates made large scale investments in India (Dhawan, 2018, p.494). These early investments by Korean conglomerates were instrumental in laying the foundations of a strong India-Korea partnership (John, 2020, p.208).

In 2009, India and Korea signed an FTA called the "Comprehensive Economic Partnership Agreement" (CEPA) which came into effect in 2010 (Brewster, 2010, p.414).¹⁶ India and Japan negotiated and signed a CEPA in 2011 to further promote

trade and increase economic cooperation and India and Japan have also signed a Social Security Agreement (Mukherjee, 2018, p.839; Embassy of India in Japan, 2020). India is a recipient of the Official Developmental Aid (ODA) from Japan. This is crucial as India is focusing on developing its Northeast region (NER) as part of its Act East Policy (Haokip, 2015). As part of the 'Tokyo Declaration' in 2014 and at a summit in 2015, Japanese PM Shinzo Abe offered to provide ODA loans for development of roads and infrastructure for India's NER (MEA, 2014; Kesavan, 2020). Following the border clashes, Japan and India began discussions with Australia in August 2020 to establish a trilateral 'Supply China Resilience Initiative' in order to reduce their reliance on China (Samanta, 2020).

Korean conglomerates like Hyundai, Kia and Samsung have factories in India and the majority of FDI inflows from Korea to India, around 83%, are in the manufacturing sector.¹⁷ Although economic relations between India and Japan were not extensive after the end of the Cold War, they have developed significantly since the mid-2000s. In the early 1990s, Japanese investment in India was 'underwhelming and disappointing' and out of the 4,299 Japanese firms operating in Asia in 1991, only 110 were doing business in India (Jaffrelot, 2003). The number of Japanese companies operating in India has now gone up to 1,411 companies involved in 5,120 businesses (Embassy of India in Japan, 2020). In contrast, at the end of 2018, 108 Taiwanese companies were operating in India (Taipei Economic and Cultural Center in India, 2020).

Trade and economic relations between India and Taiwan are not as comprehensive as India's economic relations with Japan or South Korea. The trade and FDI figures demonstrate this further. Taiwan's absence in multilateral organisations and the lack of an FTA between India and Taiwan may restrict India and Taiwan's ability to enhance economic cooperation. As is the case with ASEAN, Japan and Korea, India's multipronged approach of engaging with East Asian countries at the multilateral and bilateral level increases the opportunity and avenues for building stronger economic ties.

Based on the discussion above, it is clear that the India-Taiwan economic interaction is relatively low. Applying the equation 5 of our expected utility model sheds light on why the economic interaction is low. We focus on the differential motivation (or satisfaction) term, $U_{IC} - U_{IT}$, which signals that India attaches a low motivation to strongly develop the economic partnership with Taiwan. This low motivation on India's part is likely due to the less costly alternatives which are available, in particular its burgeoning economic ties with South Korea, Japan, and ASEAN. From India's perspective, there is a high degree of economic and industrial similarity between South Korea and Taiwan. Japan's economy is far more advanced than both Taiwan and South Korea, but it offers India largely similar economic, industrial, and financial benefits. The high similarity of the Northeast Asian economies, in this regard, connote that as far as India is concerned, the three of them are 'substitutable.' That is, with South Korea and Japan having much larger trade and investment relationships with India, it is not strongly 'motivated' to develop further economic ties with Taiwan.

In addition to the problem of ‘motivation,’ another hurdle in a closer strategic economic partnership between India and Taiwan is the question of China and India’s position on the One-China policy. According to Sana Hashemi, the One-China policy has been a “major obstacle” in the development of stronger India-Taiwan relations and

“India has been cautious in expanding economic ties and hesitant in exploring the political potential of the relations [because] friendship and cooperation with Taiwan mean perpetual animosity with China” (quoted in Purohit, 2020).

China is one of India’s largest trading partners and although India has refrained from supporting the One-China policy publicly by refusing to include it in joint communiqués, in principle, it has still followed the One-China policy which is reflected in the slower than expected growth between India and Taiwan relations in the PM Modi’s first term (Smith, 2017; Haq, 2020). From these statements it is safe to infer that India’s caution is due to a perception of the high ‘cost’ that it will incur if it chooses to ‘side’ with Taiwan, $K_{IC} - K_{IT}$. Consequently, this high ‘cost’ is leading India to ‘stay on the side lines,’ so to speak.

We argue, however, that there are numerous areas where India and Taiwan can forge strong economic relations, thereby increasing the ‘motivation’ and the ‘utility’ of ‘siding’ with Taiwan. At the same time, developing these areas also makes the ‘costs’ incurred more acceptable and bearable. For example, Taiwan’s comparative advantage in the high-tech sector coincides with India’s demands. India’s hardware demand is set to grow exponentially, and it has limited domestic capacity to meet those demands (NITI Aayog, 2010). A specific field where India and Taiwan could forge an economic relationship is in the field of semi-conductors. As early as 2006, Taiwan’s semi-conductor industry grew by 23% and the industry was already valued at NT \$1.37 trillion¹⁸ (Fernandez, 2010, p. 77). Taiwan’s expertise and comparative advantage in this field coupled with India’s growing appetite for semi-conductors could result in a comprehensive economic partnership (Parthasarthy, 2020).

There are also opportunities that enable an increase in investment between India and Taiwan. In light of the Covid19 pandemic, in April 2020 India revised its FDI policy stipulating that foreign investments from countries that share a land border with India, including China, only be processed upon government approval (Beniwal, 2020).¹⁹ India later clarified that Taiwan was excluded from this policy change and FDI from Taiwan would not be subject to the provisions of this new policy of prior government approval (Suneja & Sikarwar, 2020). Taiwan’s exemption from this policy, along with other government initiatives such as ‘Taiwan Plus’, ‘Make in India’ and the establishment of the India Center in Taiwan by the Taiwan External Trade Development Council (TAITRA) may be instrumental in propelling investment between India and Taiwan in the future (Invest in India, 2020; Madan, 2019).

These possibilities are not without their challenges. The lack of a comprehensive economic partnership agreement poses a considerable challenge to the substantial growth of trade and investment between India and Taiwan. India's economic relations with Japan and Korea have improved significantly since the signing of the CEPAs with both countries. Taiwan's ability of signing FTAs with states that it has non-diplomatic relations with depends on how much breathing space China is willing to give Taiwan in the international arena (Magcamit & Tan, 2015, p.97). Despite that, Taiwan has been able to sign economic cooperation agreements with Singapore and New Zealand under the rubric of the World Trade Organization (WTO) as Taiwan is a full member of the WTO as a customs territory.

Another problem for Taiwanese firms is the business environment in India. Korean firms have faced problems in India due to the prevalence of cronyism and corruption. According to Pal, Mukherjee and Hsu, "if India wants to attract foreign investment from Taiwan, it has to offer a transparent and stable business environment... unless basic infrastructure is provided, they will not invest" (quoted in Pathak & Hazarika, 2020, p.45).

These challenges are real and can be costly but they are not insurmountable. An economic partnership agreement is possible under the WTO rubric as India can conclude one with Taiwan as a customs territory. Taiwan is more than likely to welcome an India-Taiwan economic partnership agreement so the prospect of an agreement rests on India's expected utility equation. It is obvious though that extensive trade and investment relations are positive-sum (win-win) for both parties. India will be able to gain from Taiwan's high-tech know-how, trade, and investments. Taiwan will gain by having access to a huge market as well as cost-efficient manufacturing sites as it diversifies away from its heavy reliance on the Chinese market. In the post-COVID-19 environment, as both India and Taiwan seek to diversify their trade and investments, a concerted effort to develop the strategic economic dimension can markedly increase the 'utility' of the mutual partnership, *ceteris paribus*.

Defence-Strategic Dimension

After enacting the Look East and the Act East Policy, India has formed extensive defence strategic partnerships at the multilateral and bilateral level with several states in the Indo-Pacific. At the multilateral level, India is a participant in several regional forums that focus on defence and security cooperation such as the ASEAN Regional Forum (ARF), Asia-Europe Meeting (ASEM), East Asia Summit (EAS), ASEAN Defense Ministers' Meeting Plus (ADMM+), and Expanded ASEAN Maritime Forum (EAMF) (Kipgen, 2020, p.209-210).

In relation to maritime cooperation, India has participated in the Combined Task Force (CTF) expeditions, the MILAN exercises, the world's largest maritime exercise called RIMPAC and BIMSTEC's military exercise called MILEX at the regional and sub regional level (Cogan & Mishra, 2020). The Indian Navy introduced the sub regional organisation called the Indian Ocean Naval Symposium (IONS) in 2008 and this is considered to be a vital part of India's maritime diplomacy (Ollapally, 2011, p.216).²⁰

Membership of these regional defence and naval organisations gives India the opportunity to interact and work alongside other allies and strengthen India's defence and maritime relations along with fulfilling India's strategic objectives. India also has extensive bilateral relations with states in the Indo-Pacific. India and Japan upgraded their relationship to the 'global and strategic partnership' level in 2006 and in 2014, it was further upgraded to the 'special global and strategic partnership' level (Mukherjee, 2018, p.839). India and Japan have set up the '2+2' ministerial level dialogue to further strengthen defence and security cooperation. Both navies and air forces conduct joint military exercises regularly focusing on disaster relief and patrols, both governments have negotiated MOUs on defence and security cooperation and Japan was negotiating the sale of 'ShinMaywa US-2' amphibious search-and-rescue aircraft to the Indian Navy (Mukherjee, 2018, p.839). In the aftermath of the escalation of the China-India border dispute, the Indian and Japanese navies conducted joint naval exercises in June 2020 (Palchadhari, 2020). In September 2020, at the India-Japan Summit, the two countries are due to initiate a key military agreement which allows for logistical support being extended to both militaries (Gupta, 2020a).

India and South Korea upgraded their relationship to the 'Special Strategic Partnership' level in 2015 and in order to foster greater defence and security ties, India also established the '2+2' ministerial level dialogue, as it did with Japan (John 2020, p.209). Indian and Korean navies have been part of various multilateral naval exercises, both states have signed several MOUs in relation to defence and security and in a joint venture, India and Korea are working together to manufacture the 'K-9 Vajra' rifles for the Indian Army (John, 2020, p.210-214).

India's bilateral relations also extend to its ASEAN partners. An example of this is extensive defence cooperation between India and Singapore. Both naval forces have conducted annual joint military exercises and signed numerous MOUs and in addition, there are also agreements between India and Singapore which allow Singapore to use military bases in India and vice versa (Brewster, 2009). Similarly, India and Thailand have developed extensive maritime and military relations in the last two decades. These range from bilateral exercises and training activities to undertaking joint operations against counterterrorism and patrolling, particularly in the Andaman Sea through the CORPAT exercises (Cogan & Mishra, 2020). Cogan and Misha (2020, p. 48) note that "presently, India is involved in bilateral joint patrolling and other maritime exercises with quite a few Southeast Asian nations, like *Maitree* with Thailand, *SIMBEX* with Singapore, *SAMUDRA SHAKTI* with Indonesia, *VINBAX* and *Sahyog HOP TAC* with Vietnam, and CORPAT with Indonesia and Thailand."

India's naval diplomacy also extends to the traditional powers of the Indo-Pacific such as the United States and Australia. In July 2020, in the background of the ongoing border dispute between India and China, India and the US conducted joint military exercises in the Indian Ocean (Pandit, 2020). India is also considering inviting Australia to join the 'MALABAR' exercises, a trilateral naval exercise usually held between Japan, the US and India (Ng & Purohit, 2020). China's increased assertiveness in the Indo-Pacific has been instrumental in cultivating the India-Australia defence partnership and

one factor of convergence in relation to increasing India-Australia maritime cooperation is the presence of an assertive Chinese navy in the Indo-Pacific. (Sundarmurthy, 2020).

Just like the case with economic organisations, the lack of Taiwan's presence in multilateral naval organisations limits the opportunities for India and Taiwan to interact and strengthen their military relationship. In stark contrast with the cases discussed above, India's military and naval relationships with Taiwan are limited to non-existent. In their analysis of Taiwan's regional relations, Tan, Ho and Clark (2020, p.195) argue that the New Southbound Policy, at the moment, focuses predominantly on economic objectives like investment and trade with other aspects "yet to be fully articulated." Thus, one can argue that although in the economic strategic sphere, there was more congruence between Taiwan's New Southbound and India's Act East Policy due to the shared vision of economic integration being expressed in both policies, such congruence is less likely to be found in the defence strategic sphere. This is due to the fact that while India's Act East Policy certainly places a great deal of emphasis on deepening India's defence and strategic ties with the Indo-Pacific, any such objectives have yet to be specified and enacted by Taiwan and, for the moment, such defence strategic priorities do not seem to be part of the New Southbound Policy.

A second challenge to a defence strategic partnership between India and Taiwan is the question of China. Closer defence ties with Taiwan increase the possibility of retaliatory action from China due to Beijing's insistence of the One China policy. Thus far, India has not tried to establish any such relations with Taiwan under the Look East/ Act East Policy. Explicit closer bilateral defence strategic ties with Taiwan in light of heightened border tensions between India and China run the risk of escalating the conflict with China as it may retaliate for 'meddling with its internal affairs.'

In addition, for a bilateral defence strategic partnership to happen, both India and Taiwan need to seriously contemplate on what kind of capabilities they can bring to the partnership. What value can India add? What value can Taiwan add? Though both states have relatively large and well-equipped militaries, their relatively limited theatre of operations implies that it is not realistic for each state to come to the aid of the other in the event of an open conflict.

Recalling equation 5 of our expected utility model, the third scenario where the right-hand side cost equation is negative, that is, $K_{IC} - K_{IT} < 0$, means that India is likely to stay 'on the fence' and not be committed to any side. In this scenario, if we assume that the left-hand side capability and motivation terms ($\frac{i}{c+i+t} (U_{IC} - U_{IT})$) are held constant, then for India to decide to act and establish a defense strategic relationship with Taiwan would require the value of K_{IT} to decrease in order to change the marginal difference in costs term, $K_{IC} - K_{IT}$.

It is clear that in the case of a bilateral defence relationship, India will have to bear the full brunt of the cost. So, if bilateral cooperation is costly and of limited utility to both India and Taiwan, will multilateral engagement change India's decision calculus? Focussing on the cost terms of our expected utility model, in terms of a multilateral

setting, these costs are likely shared, reducing the costs incurred by India and consequently affect its decision calculus to favour interaction with Taiwan.

With the changing geopolitical dynamics in the Indo-Pacific and China's increasing assertiveness in the region, 'minilateral' arrangements such as the ones between India-France-Australia and India-Indonesia-Australia have emerged in recent months (Rajagopalan, 2020b; Laskar, 2020). The revival of these minilaterals against a backdrop of a more dominant Chinese presence in the region may certainly be a common factor for increased cooperation between countries in the region through such informal arrangements (Rajagopalan, 2020b; Laskar, 2020). Similarly, the 'Quad' Security Dialogue between India, Australia, Japan, and the US is also witnessing a second revival and its agenda has been broadened beyond just joint military exercises and providing humanitarian relief to cooperation in areas such as maritime security and the protection of sea lanes of communication (SLOCs) (Mishra, 2020; Rai, 2018, p.140).

Such informal arrangements, which have the advantage of being modified and moulded with the mutual consensus of member nations, may present an avenue for increasing India-Taiwan engagement in the regional security apparatus. India as a participant of the minilaterals, the Quad, and other multilateral security arrangement can use its membership privilege to convince these informal organizations to include Taiwan in their activities and exercises. For example, Taiwan's military capabilities (an in fact its non-governmental organizations) are well-placed to participate in humanitarian assistance and disaster response joint exercises in the region.

The nature of these minilateral arrangements being informal and easy to adapt by consensus between its members makes these arrangements different from formal alliances and agreements wherein areas of cooperation and participants in these informal minilaterals can be added or removed by the mutual decision of members. These minilaterals result from a convergence of interests between different countries in the region and the addressing the presence of an assertive China in the region is a point of convergence in these minilaterals. As the Indian External Affairs Minister S. Jaishankar argued, "convergences end up as some form of collectivism" (Centre for Strategic and International Studies, 2019). From India's perspective, Taiwan's incorporation in these malleable Lego-like arrangements allows it to fully benefit from Taiwan's participation and contribution to the multilateral arrangement while provide India with 'comfort in numbers' by mitigating the the costs that it would otherwise have to incur in a bilateral format.

In multilateral defence and security arrangements, the contribution of each state to collective security will be more meaningful than under a bilateral arrangement where each state has relatively limited capabilities. For example, as part of a multilateral collective security arrangement, India and Taiwan become partners in a containment strategy to check growing Chinese influence in their respective regions. By so doing, it forces China to attend to an expanded theatre of operations – reducing its effective capabilities – from the Indian border all the way to the Taiwan Strait.

Other areas where both India and Taiwan would be able to have effective security relations within a larger multilateral context are in intelligence sharing, cyber

security operations, defense research and development, as well as defense industry collaboration. India has recently upgraded its intelligence sharing agreements with other regional powers such as Japan (Tajima, 2020). Similarly, India has signed numerous formal MOUs as well as informal 'frameworks' in the area of cyber security cooperation with several countries in the Indo-Pacific (Elmokadem, 2017). Extending these arrangements to include Taiwan allows India to 'step up' its 'bilateral' defense strategic engagement with Taiwan under the umbrella of a larger multilateral arrangement.

Conclusion

In this study, we examine the prospect of an India-Taiwan strategic partnership along an economic and a defence strategic dimension. While India's Act East Policy and Taiwan's New Southbound Policy do contain a level of congruence, the levels of strategic partnership between the two in the economics and the defence dimensions are very sparse and pales in comparison to India's interaction with South Korea, Japan, and ASEAN. Using an expected utility theory model borrowed and adapted from Bueno de Mesquita (1980; 2000), we find that India's low level of engagement rest on its motivation to engage with Taiwan under the costs of its adherence to the One-China policy as well as to the growing leverage, power, and threat of China.

The COVID-19 pandemic as well as the India-China border disputes that reignited in May 2020, have resulted in calls for a change in India's approach to Sino-Indian relations and in particular a call for India to engage with Taiwan. Our expected utility model of India's decision calculus informs us that, with a changed post-COVID environment and growing Chinese assertiveness, India can benefit from strategic engagement in the economic dimension, and with some caveats, in the defence security dimension. In the case of the economic dimension, although there are challenges (such as the absence of a comprehensive economic cooperation framework) that both India and Taiwan need to overcome, however, these challenges are not insurmountable. In the economic sphere, it is a clear positive-sum outcome for India and Taiwan as they seek to diversify trade and investment partners. In the defense-security sphere, the limited capabilities of India and Taiwan and the costs that each will have to incur make bilateral engagement ineffective. However, we argue that in the multilateral context, India-Taiwan defense-security cooperation can be meaningful and beneficial.

Notes:

¹ During the fifth round of military talks in August 2020, the Indian Army stated its position of not compromising on India's territorial integrity to the PLA commanders and demanded a return to the 'status-quo', that is, the PLA pull back to those points along the disputed border where it was stationed before the crisis began in April 2020 (The Times of India, 2020a). Along with denying Beijing's claim that the PLA had pulled back troops and disengaged from flashpoints along the LAC like Galwan, Gogra and Hot Springs, a senior Indian Army commander stated that India would halt pulling back troops and maintain its presence in "forward positions" until the PLA completes its disengagement from the disputed areas (The Times of India, 2020b; Gupta, 2020b)

² This is echoed by another former Indian Ambassador to China and a former Indian Foreign Secretary, Nirupama Rao, who argues that "The Chinese are now likely interpreting their perception of the LAC in a manner that seeks to redefine or maximise old claims along new lines, as cartography and terrain knowledge have improved, which offer them tactical advantage and more 'domination' in key areas along the LAC" (Krishnan, 2020).

³ India's Department of Telecommunications is undertaking a 'security audit' with an official stating that "There have been reports that Chinese vendors have installed back doors and trap doors in telecom networks of other countries where they have worked on 4G and other older technologies. We just want to be doubly sure there are no such gaps in our networks" (Aryan, 2020).

⁴ In the diplomatic sphere, after China imposed a national security law in Hong Kong, India stated that it was "keeping a close eye on developments" (Srinivasan, 2020). Although India has been hesitant to even raise the issue of Hong Kong in the past, the recent deterioration of Sino-Indian relations may be one of the reasons for India to make a statement about Hong Kong and that India chose to make a statement on Hong Kong marks a significant shift in itself (Pant, 2020). India has also announced funding for infrastructure projects in South Asian nations like the Maldives in order to offset Chinese influence in the region (Miglani, 2020).

⁵ We use the terms 'People's Republic of China' (PRC) and China interchangeably through the course of this paper.

⁶ Even before the border clashes, in 2018, the Indian Parliament's Committee on External Affairs, stated that while it acknowledges and reasserts the 'One China policy', as India has since 1950, it also recommends the development of extensive economic relations and "the flourishing nature of exchanges between the countries [India and Taiwan], such as in the fields of people to people exchanges, trade and personal exchanges" (MEA 2018, 8).

⁷ The stagnation in South Asia due to a lack of progress in trade and cooperation through the South Asian Association of Regional Cooperation (SAARC) was an additional reason for India to look east. SAARC was plagued by the rivalry between New Delhi and Islamabad and this resulted in a lack of cooperation (Haokip, 2011; Bhattacharjee, 2018). Furthermore, SAARC did not possess the mechanisms to fulfil India's trade requirements even if relations between its partner nations were less hostile (Bhagwati, 1993; Haokip 2011; p.247).

⁸ BIMSTEC is the 'first institutional link' between Southeast Asia and South Asia and sub-regional organisations like BIMSTEC are also instrumental in countering China's influence in the region (Yahya, 2005; Cogan & Mishra, 2020). Although it is predominantly a forum for enhancing economic activity, it also covers aspects of security cooperation such as counterterrorism operations (Cogan & Mishra, 2020, p.43). The importance of BIMSTEC for India is further underscored by the fact that leaders of BIMSTEC nations were invited to PM Modi's second swearing in ceremony in 2019 (Times of India, 2019; Cogan & Mishra, 2020).

⁹ We use the terms South Korea and Korea interchangeably through the course of this paper.

¹⁰ President Lee launched a second version of the Go South Policy in the wake of the 1997 Asian financial crisis. It is argued that as the crisis had a limited impact on Taiwan, President Lee viewed this period as an opportunity to strengthen Taiwan's presence in Southeast Asia by leveraging Taiwan's vast exchange reserves to aid other countries (Glaser et al., 2018, p.7).

¹¹ Belonging to the "independent minded" Democratic People's Party (DPP), President Chen was an advocate of the notion of reducing Taiwan's reliance on mainland China as part of his vision of an 'independent Taiwan' (Bing, 2017, p.106).

¹² While both paradigms of 'viable diplomacy' and 'pragmatic diplomacy' aimed to develop Taiwan's substantive non-diplomatic relations with Southeast Asia, viable diplomacy also sought to improve Taiwan's relations with China and adopt a less confrontational stance to Cross-Strait relations than President Chen's policy (Bing, 2017, p.111; Hsieh, 2019, p.106). President Ma never launched an official version of the 'Go South Policy' like his predecessors, yet part of his viable diplomacy paradigm did focus on enhancing relations with Southeast Asia (Bing, 2017).

¹³ Ma's decision to enhance and stabilise economic and cultural relations with Beijing while simultaneously moving away from a position of *de jure* independence which claimed separate sovereignty for Taiwan was a contributing factor which gave Taiwan and Southeast Asia the space to develop substantive relations through various agreements (Ling & Chang Liao, 2016, p.364; Hsieh, 2019, p.106; Bing, 2017, p.112).

¹⁴ Although the "diplomatic truce" with Beijing enabled Taiwan to largely maintain its existing diplomatic relations during the Ma years and develop Taiwan's substantive relations through trade agreements and people-to-people relations such as student exchanges with ASEAN members, Taiwan was still cut out from regional economic integration at the multilateral level (Atkinson, 2014; Bing, 2017; Tsai & Liu, 2017; Tsang, 2012).

¹⁵ Other agreements include the Double Taxation Avoidance Agreement (DTAA) and the Customs Cooperation Agreement in 2011; the 'ATA Carnet' in 2013; Memorandum of Understanding (MOU) regarding agricultural cooperation in 2016 and an MOU to facilitate industry collaboration in 2017 (Pathak & Hazarika, 2020, p.41).

¹⁶ A Joint Committee to oversee the implement of the CEPA has also been set up under the aegis of Ministry of Commerce and Industry, India and the Korean Department of Trade. These meetings are co-chaired by the trade ministers of the two nations.

¹⁷ Other economic engagements include India investing heavily in aluminium and other metal enterprises in Korea and the CEOs forum which gives business leaders the opportunity to interact and expand business portfolios and contacts (Embassy of India in the Republic of Korea, 2020).

¹⁸ NT \$1.3 trillion amounts to over \$44 billion USD

¹⁹ India states that the goal of this policy is to limit hostile and "opportunistic takeovers/acquisitions" of Indian companies by foreign investors during an economic downturn (Ministry of Commerce and Industry, 2020b). Although the policy did not specifically mention China, since China is the only country which has both, a land border with India as well as significant trade flows, the policy was designed to target China and as a result, FDI from China now has to go through the process of obtaining government approval (Pant & Sarma, 2020).

²⁰ When the organisation was first introduced, only littoral Indian Ocean states were invited which led China to request India that it be included in this organisation which India denied (Ollapally, 2011, p.217).

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