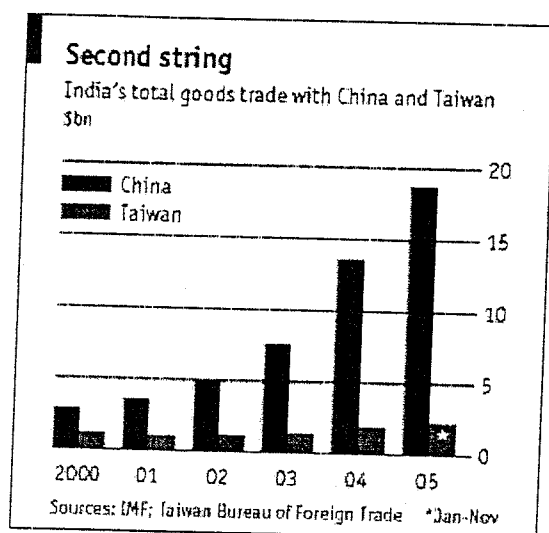


Getting acquainted

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Taiwan's government hopes India may lure its businessmen away from China



LIKE Cinderella, Taiwan has been a late arrival at the Indian ball. Big, ugly step-sister China has stood in the way. Back in 1950, India recognised the People's Republic, not the rival regime in Taipei, and relations with the island have been tenuous ever since. Taiwan now wants to change that. It has become newly aware of India's potential as an economic partner. In the words of Hsiao Bi-kim, who last month led the first delegation from Taiwan's parliament to visit India, "It is in Taiwan's strategic interest to promote India as an alternative investment centre to China."

On February 11th, the Taiwan-India Co-operation Council was launched in Taipei. Chaired by Yu Shyi-kun, a former prime minister, it is intended to raise India's profile among Taiwan's businesses and help persuade them to diversify away from China. This week, as part of the drive, a second delegation of parliamentarians from Taiwan arrived in Delhi.

Nearly two-fifths of Taiwan's exports go to China, which is also the destination for more than two-thirds of Taiwan's total stock of foreign investment. Since China has never renounced what it says is its right to "reunify" Taiwan by force if necessary, this economic interdependence gives its government periodic jitters.

Superficially, India offers an attractive alternative. Its economy is booming. It has tremendous strengths in information technology, where its software prowess seems complementary to Taiwan's hardware expertise. This week, a 24-strong delegation from Taiwan attended the annual conference in Mumbai of India's IT and outsourcing industries. Moreover, as a speaker at a function for the parliamentarians put it, India and Taiwan are "co-religionists"—that is, both of them are vibrant, raucous democracies.

Everyone agrees there is potential, if only because the base is so small. Trade with India accounts for only 0.67% of Taiwan's total. By the end of 2004, Taiwan's investment in India totalled just \$116m (compared with, according to understated official figures, \$41.7 billion in China). But, as Taiwan's government found in the early 1990s, when it tried, largely unavailingly, to persuade its businesses to diversify into Vietnam and other South-East Asian countries, China has a big magnetic pull: culturally, linguistically and geographically.

George Liu, a member of this week's delegation, expressed the relatively modest hope that Indian competition might at least force China into better treatment of Taiwan's businesses. Even that is optimistic, given the usual political obstacles. China will balk at anything that smacks of "official" dealings with Taiwan. On February 16th, the Chinese ambassador in Delhi issued a statement warning India "to refrain from sending any wrong signal to 'Taiwan independence' forces". Maintaining the recent improvement in relations with Beijing is a foreign-policy priority for India's government—and its firms. So some of Ms Hsiao's delegation, for example, were refused Indian visas. India, it seems, is no Prince Charming.