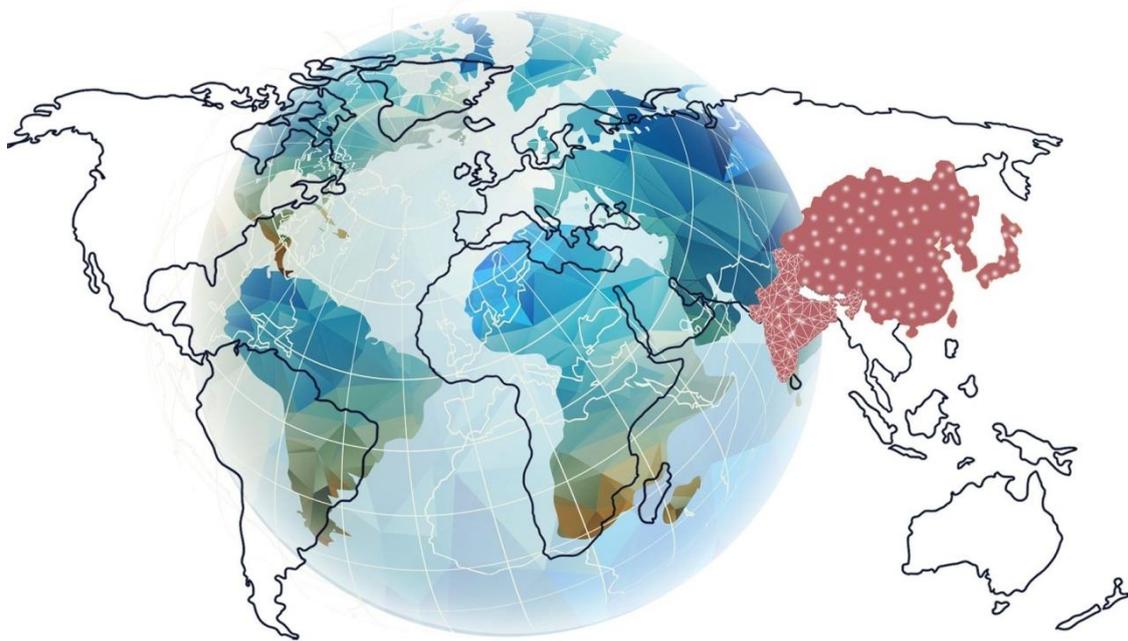




## India- East Asia Knowledge Report 13th October 2020



Federation of Indian Chambers of Commerce & Industry  
FEDERATION HOUSE, NEW DELHI



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## I. About LEADS 2020- Reimagining the world

LEADS- a unique multi-faceted international platform to '*Reimagine the World*', a world where change is the only constant and disruptions are becoming frequent.

It's the inaugural edition of "**LEADS 2020 : Reimagine the World**". This is a 4-day global thought leadership initiative from FICCI, spanning the globe and curated as an engagement platform for insights into five fundamental questions that underlie the quest for global economic prosperity, which is inclusive and sustainable for well-being citizens. This year, the program shall be organised on a virtual platform from **October 12-15, 2020 (Mon-Thus.)**.

**FICCI** (Federation of Indian Chambers of Commerce and Industry), is India's oldest and largest Business Chamber, leading industry's voice for policy change. It was started in 1927, at the behest of Mahatma Gandhi and has since evolved as the nation transitioned through independence and era of economic reforms thereafter.

The motivation for the programme arises from the fact that in an interdependent world, effective leadership and genuine commitment is imperative to encourage constructive policy debates, evolve a collaborative approach for achieving the vision of an abundant, ecologically balanced and prosperous world for our future generations. This FICCI initiative is also driven by the need to reaffirm economic solidarity across borders, with optimism for the future in these uncertain times.

LEADS 2020 is an endeavour to evolve a shared vision among global leaders, to *reimagine* economic growth on the pillars of open economies, self-reliance, economic resilience and multilateralism. Global leaders are being invited to share their views on 21st century challenges and opportunities for global business value chains.

The idea of **LEADS**:

**L - Leadership** for global prosperity in the backdrop of disruption

**E - Excellence** in everything we do

**A - Adaptability** to these VUCA times

**D - Diversity** for inclusive growth fabric

**S - Sustainability** as a given for economic growth

FICCI LEADS 2020 will be a confluence of leaders, influencers and opinion shapers across the world. It will offer a platform for exchange of ideas with relevance to India's regional engagement. The program will keep time zone differences with East Asia, Central Asia, South Asia, ASEAN & Oceania, Europe, Africa, West Asia, Americas and the Pacific, in mind.



## II. Key outcomes of session theme on Reimagining Global Value Chains

Given that some of these major economies of this region have decided to de-risk their manufacturing investments and diversify their supply chains, India provides an opportunity to the Eastern countries to simplify them and make them cost-efficient for the world. In this session Global leaders shared their views on enabling policy framework and opportunities for manufacturing collaborations.

### Highlights of Overall Discussion

- Atmanirbhar Bharat does not mean self-isolation but a very deep integration into the global value chains, using the domestic manufacturing strengths of India to become a leading exporter globally.
- Manufacturing will lead India's exports by 2025 in key sectors including mobile, electronics, pharma, textiles, engineering products etc. We are keen on creating global manufacturing champions in sectors of strength".
- He further stated that while the pandemic has affected the global value chains, India must turn this crisis into opportunities. Countries and companies are re-evaluating their trade and manufacturing strategies which can serve as new avenues for growth in India considering the inherent competitive advantages which the country possesses. The only truly comprehensive alternative for this rapidly changing supply chain environment is India.
- India has capabilities to produce export-ready goods and provide large consumption market through its domestic needs. "The government has initiated many steps to position India as a truly global manufacturing hub with strong focus on exports," he said.
- Digital transformation will drive India's manufacturing sector forward with the help of technologies like AI, Cloud computing, IoT, Block chains and robotics. "In order to take its rightful place in the global supply chains, India is leveraging these technologies and applying them across the manufacturing value chains to gain competitiveness. Data will be critical to meet these goals," he said.
- More and more innovations will further drive the large amount of data which India has. As we move from becoming data rich to data intelligent, one would see more and more innovations. Innovations and continued investments in R&D will be required to make advanced manufacturing in India.
- Government announced Production Linked Incentive (PLI) scheme will help the industry in a big way. The \$7 billion worth PLI scheme for mobile and electronics will have a strong multiplier impact on direct and indirect jobs. 22 domestic and international firms have submitted their proposals for mobile phones production worth Rs 11 lakh crore over the next 5 years.



- Similar schemes have been launched in pharma, medical devices, and soon will be finalized for automobiles, networking products, food processing, advanced chemistry, cell battery storage and solar PV manufacturing.
- India is the new home for global business and will play a role, not just in the invention, but also in moving from invention to innovation and scaling. We need to look at everything required to make India a competitive manufacturing base.
- India should focus on enhancing the supply chain of components, not just to assemble in India but creating a vibrant components and electronic manufacturing system which will also boost the MSME sector.
- East Asia has been the hot bed for manufacturing for decades and there will be significant changes that will happen in supply chain for goods and services going forward. We as a country and industry need to prepare and precipitate in that.
- Expansion of local supply chains in India is a great opportunity for long term suppliers given the disruptions that have happened due to the pandemic.
- Being able to continue providing services, shifting work from offices to even home, is a big testimony to the robustness of service supply chain.
- We need better manufacturing efficiencies in India, engage more with countries with bilateral FTAs and creation of economies of scale.
- Environment is becoming central to a lot of business strategies.

#### Key Outcomes

India can and must turn this crisis into an opportunity, as it has both capability to produce large scale goods and provide large scale consumption market at the same time. Govt. of India needs to support with predictable policy environment.

Logically backward integrate component manufacturing, to make Indian manufacturing competitive, the PLI scheme has been established for greater integration into Global Value Chains.

Guiding principles for attracting global companies in manufacturing, is to keep things simple in terms of design, ease of execution, High volume to high value



### III. Background

#### Global value chains – rewinding and reassessing global value

Global value chains are currently witnessing profound changes and substantive transformations - its end to end processes including raw material extraction to processing, localised production to globalized flows are experiencing a new paradigm for further industrial development and investment strategies based on key external factors which have arisen even before the spread of COVID-19.

Driven by protectionism, surge in non-tariff barriers such as export subsidies, restrictions on foreign direct investment, domestic clauses in public procurement have resulted in an increase in trade distortions.

Inward looking trade strategies by many individual nations due to increasing unemployment levels and economic slowdown are only compounding the situation.

Signs of ageing population in US, Europe, Japan, Korea and even China are resulting in fewer people of working age leading to slower economic growth outlook for these countries in the long run.

Increasing global trade tensions have led to believe WTO's negotiating power to have weakened and its role to settling disputes as quite fledgling.

While Rules of Origin are important for manufacturers as they establish frameworks for supply chains in realizing preferential trade benefits, its relevance is fading.

Presence of strong regional value chain links in parts of North America, South East Asia and European Union have captivated increasing importance of regional production networks as a result of strong ties with the supply base in neighbouring economies.

Technological advancements and innovation such as automation, big data, robotics and the Internet of Things (IoT) are restructuring global value chains towards advanced manufacturing.

#### India's place in gvcs'

While the emergence of global value chains has been uneven, with a select number of economies spearheading the supply of intermediary parts and components to its final product-India's participation is rightly positioned at this time as an opportunity to integrate and reshape its influence as a key player in global value chains. It is therefore, essential to understand India's key strengths and limitations to scale our advancements.





### India as a global manufacturing hub

The outbreak of the COVID 19 pandemic has spurred several countries like the US, Germany, Japan, South Korea, etc., to diversify their supply chain units located in China and reshape its global value in the new normal phase. Increasing number of companies may now look at strategically placing their manufacturing units outside China partially or even consider new investments in other countries based on resources.

#### Limitations

Ease of Doing Business - India ranks 63 in the ease of doing business ranking 2020, an improved position from 77 in 2019. However, there is scope for improvement in parameters such as enforcing contracts (163) and registering property (154).<sup>1</sup>

Infrastructure needs – Efforts are required to invest in road connectivity and efficiency of sea ports; healthcare spending towards building hospitals and quality health services; access to electricity supply<sup>2</sup>.

Skills & training - Investing in training people to upskill and reskill for new changes & skill sets, given the demand of continuous change of systems and environment is vital.

#### Strengths

With a demographic window of opportunity, India is considered to be the world's youngest nation with an average age of 29. According to the UNFPA projections, India will continue to have one of the youngest populations in the world till 2030<sup>3</sup>; while economies like US, Europe, China and Japan are likely to witness ageing population.

India boasts of one of the largest scientific and technical manpower houses in the world, with formidable institutions, R& D capabilities and emergence of world class technologies.

As one of the major contributors to India's economic development, the services sector continues to cater exceptional services and global competitiveness across international borders.

*"In a world that is full of fault lines and rifts, we need to build a shared future." – PM Narendra Modi*

FICCI is of the view that this provides a unique opportunity to India and Indian industry in creating new manufacturing supply channels and reinventing itself as a manufacturing powerhouse. India has in place, the key drivers to accelerate and attract foreign investments in to India with joint

<sup>1</sup>Doing Business 2020, World Bank

<sup>2</sup>OECD Economic Survey 2019

<sup>3</sup><https://india.unfpa.org/en/topics/young-people-12>



development of India's local industries and policy incentives to transform India into a global hub of industrial supply chains.

India has been promoting its manufacturing sector and simplifying the ease of doing business by various initiatives. The **'Make in India' campaign** announced by Prime Minister Modi in 2014 ensures a comprehensive approach to invite foreign companies to invest in India by identifying key sectors for collaboration, easing policies and laws, consolidated services and faster security clearances, etc.

The Government of India has created **'Special Economic Zones'** with the objective to increase exports and investments, generate employment and enhance economic growth. SEZ, provides a single window clearance for development with simplified administrative procedures and significant tax concessions.

The GoI has taken several steps, such as, offering preferential tax rates apart from a reduction in corporate taxes, identifying and developing land in industrial and other areas across India for setting up manufacturing units, providing utilities and other infrastructure and revamping the labour laws and bringing about other policy changes, to attract investors to India. India is rightly placed in the current scenario to reshape its influence across supply chains globally. India is equipped with one of the largest scientific and technical manpower in the world, including research and development, and its service sector continues to be globally competitive. Additionally, India's capability to supply raw materials and intermediaries offers businesses the prospect of reducing the dependence on multiple global sourcing. In furtherance of such efforts, India will also need to overcome challenges such as low productivity, lack of a robust ecosystem with efficient suppliers, logistical and infrastructural constraints and lack of trade and investment agreements, to emerge as a preferred destination for investment for Japanese companies.

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#### IV. Background on India-East Asia: Overview and Opportunities

The importance of East Asia region is reflected in Government of India's Act East policy that has made its relations with its East Asian neighbours a foreign policy priority. In economic terms, the region has Asia's largest and most industrialized economies of China (GDP USD 11.2 trillion), Japan (GDP USD 4.9 trillion) and the Republic of Korea (GDP USD 1.4 trillion). The economic engagement with the region has been rising over the years with Japan being the 3rd largest investor in India with a cumulative investment of US\$26 billion. We have witnessed high interest for investment in India from China in the last one year. Our trade and investment relations with Korea have also showcased a rising trend and we are now in the process of widening the scope of our trade agreement to further boost trade and investment.

##### India and China

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India and China are the two of the fastest growing and promising economies in the world. With rapidly growing consumer markets and sustained increase in incomes both India and China traversed a steady growth path in the era of globalization. The bilateral trade between India and China stood at



USD 87.06 billion in 2018-19. India’s Export to China stood at USD 16.74 billion while the India’s Import from China was USD 70.31 billion.

India has managed to bring down its trade deficit with China by \$10 billion to \$53 billion in 2018-19. India's exports to China rose to \$17 billion during the year from \$13 billion during 2017-18, while imports declined to \$70 billion from \$76 billion. India is the seventh largest export destination of China, while China is the fourth largest export destination of India. On the other hand, China is the top import source for India, while the latter is the 25th largest import source for China. We have witnessed high interest for investment in India from China in the last one year.

The ongoing US-China trade war intensifying, India is keen to increase its market share in both countries and has carried out a detailed analysis identifying items where there is potential to increase exports. In a recent study, Ministry of Commerce has identified 203 products where exports could be increased to the US, replacing Chinese goods, and 151 items where exports to China could rise.

.....*Sectoral Focus*

**Textiles**

**Areas of Cooperation between India and China**

- Textiles is one of the potential sector identified by India and shared with China in the list of 380 products for exports to bridge trade deficit
- Indian textile exporters to gain from US-China trade conflict
- Textile exporters in India are optimistic that the additional tariff of 25 per cent imposed by the US on China as part of the on-going trade conflict between the two has opened up opportunities to increase their share in the American market.
- Duty drawback for import of fabrics under Advance Authorisation to make exports cost competitive
- Robust export of cotton textiles to China has helped India reduce its trade deficit with that country
- Cotton textiles, floor coverings, man-made filaments could benefit most
- The segments that have increased opportunities for Indian exporters include silk, wool, cotton, other vegetable fibres, man-made filaments, man-made staple fibres, floor coverings, non-woven cordage, special woven fabrics, knitted fabrics and coated and industrial fabrics.

**Food Processing**

**Areas of Cooperation between India and China**



- Food processing is one of the potential sector identified by India and shared with China in the list of 380 products for exports to bridge trade deficit
- India is the second largest producer of food grains in the world, second only to China.
- This sector has huge potential in India due to increasing urbanization, income levels and a high preference for packaged and processed food
- Food processing has emerged as a high - growth, high - profit sector and is one of the focus sectors of the 'Make in India' initiative.
- The vast availability of raw materials, resources, favourable policy measures and numerous incentives have led India to be considered as a key attractive market for the sector
- Market access for various Indian agricultural, dairy, and pharmaceutical products for the Chinese market.
- Increase in exports of Indian rice, rapeseed meal, tobacco and fishmeal/fish oil, chilli meal from India to China

#### Pharma and Healthcare

##### Areas of Cooperation between India and China

- Pharma is one of the potential sector identified by India and shared with China in the list of 380 products for exports to bridge trade deficit
- China and India are both major API suppliers and generic-heavy countries. Because of the similarity, Indian drugmakers have long had a hard time finding an inroad into the Chinese market. But as U.S. pricing pressure lingers on, and as China welcomes competition to further bring down its own drug costs, a door has opened.
- China is the world's second largest pharma market after the U.S
- Cooperation in the area of alternative medicine, with a focus on Generics.
- Introducing affordable technology, skill development and best practices in healthcare.

#### Electrical Machinery

##### Areas of Cooperation between India and China

- Electrical Machinery is one of the potential sector identified by India and shared with China in the list of 380 products for exports to bridge trade deficit
- Total production of the Electrical Equipment industry in India stood at US\$27.3 bn in 2017-18.
- The sector contributes about 8.1% to the manufacturing sector in terms of value, and 1.35% to the overall GDP.
- The Electrical Machinery industry in India is expected to value US\$100 bn by 2022.
- The Electrical Machinery industry is projected to provide employment, both directly and indirectly, to 3.5 million people by 2022.

#### Chemicals



#### Areas of Cooperation between India and China

- Chemicals is one of the potential sector identified by India and shared with China in the list of 380 products for exports to bridge trade deficit
- Chemicals is one of the sector in which the import demand was buoyed with China
- India is the 3rd largest producer of chemicals in Asia by volume
- Chemicals industry in India is highly diversified, covering more than 80,000 commercial products.
- Indian chemicals industry is projected to reach \$ 304 bn by 2025
- Demand of chemical products is expected to grow at approximately 9% p.a. over the next 5 years

#### Manufacturing

#### Areas of Cooperation between India and China

- Manufacturing is one of the potential sector identified by India and shared with China in the list of 380 products for exports to bridge trade deficit
- The manufacturing sector is the second largest contributor to India's GDP
- Various government initiatives like Make in India, MUDRA, Sagarmala, Startup India, Freight Corridors, along with a whole - hearted contribution from states, will raise the share of the manufacturing sector in the foreseeable future.

#### India and Japan

Japan has been a strong contributor towards India's economic development across a wide spectrum of agenda including some of India's flagship initiatives such as Make in India, Digital India, Smart cities and Skill India etc.

The last few years have seen an impressive expansion and deepening of India's 'Special Strategic and Global Partnership' with Japan. Shared values of democracy, respect for the rule of law combined with convergence of political, economic and strategic interests have made this partnership even stronger.

Japan ranks at the 13th position amongst India's top trading partners. Bilateral trade between India and Japan has increased from about USD 4 billion in financial year 1999-2000 to USD 15.707 billion during financial year 2018. The share of the India-Japan bilateral trade has been approximately 1% of Japan's total foreign trade, while it was approximately 2% of India's total trade in the last couple of years.

Japan is the third largest investor to India with 7% of total FDI equity inflows into India amounting to USD 29.19 billion till September 2018. Cumulative FDI inflows (including equity, re-invested earnings & other capital): from April 2000 to March 2018, are USD 44.857 billion.



India, being the second-most-populous country in the world, and having one of the fastest-growing economies in Asia, offers attractive opportunities for investment and partnership, especially in the infrastructure sector, to Japan which has an abundance of capital and the presence of strong construction, transport and machinery companies. In the past, companies such as Suzuki and Honda, have partnered with Indian companies and have become household names in India. The lasting success of these companies is evidence that there is untapped potential in the India-Japan bilateral trade and investment relationship.

.....Sectoral  
**Focus**

**Infrastructure**

- Opportunity in High speed railways project: It is a giant leap in terms of technology for India which has Asia’s largest rail network. The project has a deadline of 2022. It entails high technology transfer, creation of many jobs and is aligned with PM’s flagship project
- Collaborating to develop Japanese Industrial Townships: Four locations finalised for development of Japanese Industrial Townships – in Gujarat, Rajasthan, Andhra Pradesh and Tamil Nadu. This project will provide immense opportunity for industry to collaborate for development of these townships
- This will further enable local production in India and help in reducing dependence on imports and therefore lead to import substitution

**Auto and Auto components**

- Areas of Cooperation between India and Japan**
- A number of automakers including Maruti Suzuki and Toyota Kirloskar Motor, have touted hybrid technology as the “link” that would eventually help garner acceptance amongst customers and suppliers for electrically powered vehicles.
  - Japanese automaker Suzuki Motor Corporation, which has 56.21% stake in the country’s largest carmaker Maruti Suzuki India, has announced expansion of its capacity at its plant in Hansalpur, Gujarat, along with laying the foundation stone for the country’s first lithium-ion battery manufacturing plant.
  - Production of Next generation hybrid and electric vehicles: Toshiba, Suzuki Denso will jointly set up a factory to make automobile batteries for electric vehicles in Gujarat.

**Digital and Information Technology sectors**



#### Areas of Cooperation between India and Japan

- Developing IoT and AI solutions for societal benefits and exploring joint collaboration in emerging technologies for this purpose.

#### Healthcare and Pharma

#### Areas of Cooperation between India and Japan

- Introducing affordable technology, skill development and best practices in healthcare.
- Cooperation in the area of alternative medicine, with a focus on Ayurveda and yoga.

#### India and Republic of Korea

The bilateral trade between India and South Korea in 2018-19 reached \$21 billion. According to the New Southern Policy, Korea significantly gained high priority to expand its bilateral trade and investment ties with India.

In terms of investment to India, South Korea ranks 7<sup>th</sup>, between April 2000-18 (up to December 2018) were Rs. 2,301,749.40 crores (US\$ 409.15 billion) excluding amount remitted on RBI's-NRI Schemes. Out of this, FDI inflows from SOUTH KOREA (which ranks 13th) are Rs. 21,306.37 crores (i.e. US\$ 3.56 billion), which represents 0.87% of the cumulative inflows received.

The state visit of President H.E Moon Jae-In envisaged the key role played by two nations in regional and international issues so as to protect and promote their mutual interests and provided a blueprint for further expanding the political, security, defense, economic, scientific & technological, IT, cultural and people-to-people relations. With the two landmark agreements; Special Strategic Partnership and Comprehensive Economic Partnership Agreement (CEPA), the relations between the two countries developed and also laid down strong foundation for future expansion of bilateral relations.

.....Sectoral

#### Focus

#### Maritime and Ship Building

#### Areas of Cooperation between South Korea and India

Strengthening Indian maritime industry in the oceans economy, we are rapidly expanding our naval and coast guard capabilities that include aircraft carrier groups, submarines and aircrafts.



Indian security needs require an extensive scaling-up of our existing platforms. Some \$35 billion worth of equipment is currently on our navy's shopping list for procurement over the next decade and beyond

### Electronics and IT Sector

Areas of Cooperation between South Korea and India
<b>Promoting Collaborative Industrial R&amp;D</b>
Funding through Global Innovation and Technology Alliance (GITA). Focused on priority areas of Large Area Flexible Electronics, Internet of Things (IOT) and Technology for Internal Security with a timeline of not more than two years. Medical Electronics, Strategic Electronics and Micro Electronics Mechanical Systems (MEMS) are also covered for funding under the scheme The Request for Proposals (RFP) have been launched bilaterally with South Korea, Finland, UK, Spain and Canada.
<b>Collaborate in manufacturing of electronics and computer hardware and software</b>
One of the major policy initiatives in this sector includes 100% FDI under automatic route is permitted in the manufacturing of electronic items.
South Korea is already an important investor in Indian companies in electronics sector and computer hardware and software.

### Manufacturing

Areas of Cooperation between South Korea and India
<ul style="list-style-type: none"> <li>• South Korea is one of the leading countries in production of high performance fibers and fabrics that are used in variety of applications like sportswear, industrial infrastructures, buildings, stadiums etc. The potential of Indian technical textiles markets is huge with the current focus of the Government of India. Technical Textiles has been recognized as one of the focus areas and high value added segment.</li> <li>• The global electronics industry is valued at US\$1.8 trillion, of which India consumes around US\$125 billion. This consumption is expected to grow to US\$400 billion by 2020 with the local production of only US\$104 billion. India currently imports mobile/telephone sets worth more than one billion US dollar from South Korea. This needs to be converted into investments and local manufacturing. Most of the Electronic Manufacturing Services and Original Equipment Manufacturers mainly undertake last-mile assembly, and not much designing is undertaken in the country.</li> <li>• The supplier and contract manufacturer base in India is limited with a majority of high value and critical components being imported. This is an area where Korean companies can help Indian firms and promote manufacturing of such items in India.</li> </ul>



## Healthcare

### Areas of Cooperation between South Korea and India

- Manufacturing of medical equipment in India on a JV basis
- Hospital collaborations for strategic planning process and the operational performance improvement
- Collaborations for Telemedicine and Tele-radiology
- Promotion of health tourism and exchange programmes between medical educational institutions
- Joint training programmes for human resource development and sharing of information and experiences in respect of best practices in healthcare systems
- Technical cooperation in development of traditional medicinal products

## India and Taiwan

Taiwan is an important partner to India and plays a vital role in India's strategic and economic interests. We are already on track with **Taiwan as an integral part of India's Act East' policy** and a springboard to the larger East Asian community. India's relations with Taiwan have been on an upward trajectory and India's trade volume with Taiwan has grown six-folds since the year 2000 and India has emerged as an important destination for Investments for Taiwanese Companies.

Trade between India and Taiwan has gone up to **US\$ 7.5 billion in 2018-19**(Trade in 2019-20 stood at \$ 5.72 billion),Investment by Taiwanese companies has touched **\$360.48 million, mainly in the electronics and other manufacturing sectors.**

India's economic interaction with Taiwan has gained momentum in the past decade and there is a steadily increase in bilateral economic cooperation between India and Taiwan in the recent years. Bilateral Investment relations are also going strong and cover diverse sectors with several agreements in **agriculture, investments, heritage railways, civil aviation, DTAA, industrial cooperation, SME cooperation, customs cooperation, among others.**

According to DPIIT Statistics, FDI inflows from Taiwan have increased 12 times that of in 2016. The cumulative FDI inflows from Taiwan are worth **\$ 360.48 million** from April 2000 to March 2020. Taiwan is ranked 38th in terms of FDI Equity Inflows in India during April 2000 till March 2020.

Most of the major Taiwanese companies have already entered the Indian market and there are more than 100 Taiwanese companies already have investments in India from **ICT to tyres, banking to construction, textiles to steel, agro products to synthetic rubber, they cover an extensive range of industry.**

Recently **Foxconn** plans to invest up to **\$1 billion** to expand a factory in Tamil Nadu over the period of three years and is expected to add 600 jobs at the plant. While **Wistron** plans to invest **\$ 165 million** to increase production capacity of their existing facility near Bengaluru. **Maxxis Group** plans bets big eye on India to enter top global tyre makers list by 2025 and plans to invest **\$ 400 million** on its first



manufacturing plant in Sanand, Gujarat. **Pegatron** (Apple's second largest contract manufacturer) has registered its first subsidiary in Chennai to expand the manufacturing capacity of iPhones in India.

Many others Taiwanese companies are currently evaluating their opportunities to invest in India. Here, I must mention that the bilateral trade and investment figures does not completely reflect the tremendous potential and there is immense investment opportunities for Taiwanese investors, which are unleashed through the mega flagship initiatives such as **Make in India, Digital India, Startup India and Skill India among others.**

Taiwanese companies have invested more than **US\$ 100 billion in Mainland China**, which is 65 times more than their investment in to India. According to Financial Times, relocation by Taiwanese tech companies has fuelled **US\$25 billion** worth of investment drive.

Taiwan is looking forward to enhance closer trade and economic ties with India in the post-COVID-19 pandemic era. India is the focus Country in **Taiwan's New Southbound Policy** and Taiwan aims to increase its International profile by expanding Political, Economic and People to People connect. Taiwan has identified 6 core strategic industries for Taiwan's industrial and economic development in post-pandemic era: (1) information and digital industries; (2) cyber security industry; (3) biotech and medical technology industries; (4) national defense and strategic industries; (5) green energy and renewable energy; (6) strategic stockpile industries.

There are a number of sectors which are critical for India's next phase of technological evolution like **electronics, semi-conductor and 5G** where Taiwan is at the cutting edge.

**Cooperation in healthcare is one of the most important areas of cooperation and collaboration between India and Taiwan, going forward.** Taiwan's **health sector** is one of the most advanced globally so in the wake of the pandemic, India like many other countries can also work alongside Taiwan's health sector, research and development wing as well as draw lessons from their response.

Taiwan's **expertise with India in areas like smart cities and clean energy** is something that will immensely benefit Indian government's Smart City initiative and meeting the target for renewable energy generation of 175 gigawatts by 2022. World's 2<sup>nd</sup> tallest green building – Taipei 101 – is a perfect example for many green building aspirants in India. To monitor energy management, the entire building is equipped with more than 1,00,000 points and it has an in-house waste management system, which covers the entire floor.

Apart from ICT, the Cooperation between India and Taiwan should also enhance in the field of **Medicine, Agriculture, Defense Electronics and Space Technologies.** Taiwan can join hands with India in Technology sector and Taiwan can be the alternate market for India for sourcing raw materials in **Pharma, Electronics and Auto Sector.** Taiwan's investments in **auto components, electronics and consumer durables** in India can set the base for export oriented units. As Taiwan is an export oriented economy and has already developed a robust global supply chain.

**India is a major software exporter and Taiwan, a leader in information technology and high-tech manufacturing.** India is on the path of becoming a "pivot" for high-tech world manufacturing.



## India-Hong Kong

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India's relations with Hong Kong are historical and date back to the 1840s. India and Hong Kong have been trading with each other since the middle of the 19th century; relations between the two people have been warm and cordial; and, Hong Kong has for long been home to a large Indian community, many of who arrived here more than a century and half ago.

Trade between Hong Kong and India has grown steadily in recent years, with an impressive annual growth of 14%. Total merchandise trade between Hong Kong and India exceeds US\$25.36 billion in 2017-18, and the growth momentum looks set to continue.

### Hong Kong Macro Market

➤ Gateway to Mainland China and other East Asian countries  
Hong Kong offers great business potential and extends trade opportunities by opening up doors to enter the markets of China and the other East Asian nations.

➤ Growing consumer market in Mainland China  
Mainland China is also a huge consumer market now, owing to its growing middle income group. China's growing middle-class is looking at Hong Kong to fulfil their demands. Thus Hong Kong becomes the platform for Indian companies looking to expand their markets in Mainland China to showcase their offerings.

➤ Low taxation and free trade economy

Characterised by low taxation and a free-trade economy, Hong Kong is a preferred financial centre for companies the world over. Under the philosophy of non-interventionism, it follows a policy of minimum government intervention that encourages cross-border trade.

Similarly, as a trade and financial services hub for mainland China and Southeast Asia, Hong Kong is eager to attract India investment and holding companies seeking access the wider region.

- Hong Kong's economy expanded by 2.5% year-on-year, in real terms, in the first quarter of 2014, after growing by 2.9% in 2013. For 2014 as a whole, the economy grew by 3-4%.
- Local consumption demand and tourist spending remain fairly resilient. The value of retail sales, in nominal terms, increased 4.2% year-on-year in January-March 2014.
- The labor market conditions remain tight. The seasonally adjusted unemployment rate was 3.1% for February-April 2014, the lowest level in 16 years.
- Consumer prices increased 4% y-o-y in first 4 months of 2014. Inflation is expected to be contained in the near term. For 2014, Hong Kong's consumer prices were increased by 4.6%.



- Hong Kong's merchandise exports saw a marginal increase of 0.1% year-on-year in January-April 2014. The global trade environment is expected to become more favorable later this year.

#### Hong Kong as a Regional Centre

- A popular venue for hosting regional headquarters or representative offices
  - A leading telecommunications hub for the Asia-Pacific region
  - A premier offshore RMB center
  - The world's busiest airport for international cargoes
  - One of the world's busiest container ports
  - The second largest private equity center in Asia
  - The second largest stock market in Asia, the sixth largest in the world
  - The third largest foreign exchange market in Asia, the fifth in the world
  - US had largest number of RHQs/ROs in Hong Kong (21%), followed by Japan (19%), the UK (9%) and the mainland (7%). Most of the RHQs/ROs in Hong Kong were in I/E trade, wholesale and retail (52%).
- Others are in professional, business and education services (18%), finance and banking (11%), and transportation, storage and courier services (8%).