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New Roads to India

Taiwan's push to find diverse export markets and investment opportunities is paying off in one of the world's most significant emerging economies.

TEXT AND PHOTOS BY KELLY HER

When Sandeep Khatri, a 36-year-old Indian, stopped by the upscale Select Citywalk shopping center in New Delhi in November last year, he had a personal reason for checking out a special exhibition showcasing tech products from Taiwan. He had recently quit his job as an operations manager for IBM to try his hand at selling Taiwanese imports to his compatriots. “Many Indians like to use Taiwan-made products, which have a good reputation,” Khatri says. “I, for example, have a smartphone and an electric water heater made by Taiwanese firms.”

A variety of products that received the Taiwan Excellence Award are showcased in the upscale Select Citywalk shopping center in New Delhi in November 2015.

Courtesy of Taiwan External Trade Development Council



Courtesy of Taiwan External Trade Development Council

A visitor tries out a bicycle produced by Taiwan's Giant Manufacturing Co. at the Vibrant Gujarat Global Trade Show in India in January 2015.

For years, Taiwan has been working to open new markets for its high-tech products, the lifeblood of its export-driven economy. The New Delhi exhibition was funded by the Ministry of Economic Affairs and organized by the government-supported Taiwan External Trade Development Council (TAITRA), which is tasked with promoting the nation's brands in foreign markets.

The growing acceptance of Taiwanese products by Indian consumers indicates that trade promotion efforts in the South Asian nation are paying off. The trend is reflected in the expanding links

between business circles in the two countries. Taipei-based TAITRA has established branch offices in Chennai, Kolkata and Mumbai to assist Taiwanese firms and individuals seeking to do business in India. These offices also facilitate regular visits by employees from Indian companies who wish to attend procurement meetings and trade shows organized by TAITRA in Taiwan.

Over the years, economic exchanges between Taiwan and India have steadily grown. According to Republic of China customs statistics, bilateral trade volume increased from US\$1.2 billion in 2000 to US\$5.9 billion in 2014, with Taiwan enjoying a trade surplus of US\$900 million. India is now Taiwan's 16th largest export market.

In fact, India today generates similar levels of excitement among exporters as mainland China did in the last few decades. Companies are drawn by the nation's enormous population of 1.25 billion, which has been primed for consumption by steady economic growth. "The expansion of its middle class, which has reached 300 million people, translates into huge demand for products of all kinds," explains Tien Chung-kwang (田中光), Taipei's representative to India and the head of the Taipei Economic and Cultural Center in New Delhi.

Courtesy of CINDA Engineering & Construction



Courtesy of CINDA Engineering & Construction





Courtesy of CTBC Bank

Taipei-based CTBC Bank currently operates two branches in India, one in New Delhi and another in Chennai, and is the only Taiwanese bank offering corporate finance in the region.

The success of India-bound exports, however, represents only half the story as the nation has also seen a substantial influx of investment. Thus far, around 80 Taiwanese firms have established Indian branches, marketing offices or production facilities in diverse fields ranging from auto parts and consumer electronics to construction and financial services.

Tien points out that India's bulging population—far younger than mainland China's—makes it attractive as a source of both consumption and labor. "India has a demographic advantage over many other Asian nations since about half of its population is below the age of 25," he says. "Taiwanese manufacturers

can consider India as an alternative investment destination to mainland China, where production costs have increased drastically."

Importantly, India is presently courting foreign investment. Since taking office in May 2014, Prime Minister Narendra Modi has launched an ambitious series of administrative reforms, economic liberalization measures and high-profile marketing campaigns, including "Digital India," "Make in India" and "Skill India," to create jobs, improve infrastructure and reduce imports.

A report released by the London-based *Financial Times* shows that India overtook mainland China and the U.S. to become the world's top foreign direct investment destination for greenfield projects in the first half of 2015. Greenfield projects involve overseas firms building new production facilities from scratch.

"India and Taiwan's economies are largely complementary, so there is considerable scope for further growth in exchanges," says Michael Lin (林慶鑫), director of TAITRA's branch office in Mumbai. "With their design, engineering and production know-how, Taiwanese companies can offer turnkey solutions for industrial plants as demand rises due to the Indian government's 'Make in India' campaign to turn the country into a global manufacturing hub."



China Steel Corp.'s cold rolling mill at Dahej port in the western state of Gujarat (opposite), and Petronet LNG's Liquefied Natural Gas Receiving Terminal in Kochi in the southwestern state of Kerala (left) were both built by CINDA Engineering & Construction, a wholly owned subsidiary of Taiwan's CTCI Corp.



Managing director of Sentec India John Chiangsieh, second left, displays a carbon canister produced by his company. Sentec India is a branch of Sentec E&E, a Taiwanese provider of vehicle pollution control systems.

The Taiwan Electrical and Electronic Manufacturers' Association, for example, signed memorandums of understanding with three Indian industrial parks in August last year to establish the Taiwan Electronic Manufacturing Cluster (TEMC). The cluster will allow resident firms to enjoy investment subsidies and gain support from supply chain partners. The formation of the TEMC, Tien believes, will generate greater interest in the Indian market among Taiwanese investors.

To help finance new ventures in India, Taiwan's financial services industry is also expanding its presence. Eric Lu (盧樹弘), chief country officer of Taipei-based CTBC Bank's operations in India, says the market offers challenges as well as opportunities. It is difficult for foreign banks to obtain branch licenses, and the approval process is lengthy. Nevertheless, banks can benefit from better interest margins since the lending rate in the nation averages about 10 percent.

CTBC Bank set up its first Indian branch in New Delhi in 1996 and a second one in Chennai in 2012 and has since remained the only Taiwanese bank offering corporate finance in the region. Lu admits that the number of Taiwanese firms—his

bank's target customers—operating in India during the 1990s failed to reach expectations. But the situation has improved significantly in the last two years thanks to the Modi administration's efforts to strengthen the local investment climate.

Terry Gou (郭台銘), chairman of Taiwanese tech manufacturing giant Foxconn Technology Group, met Modi in August 2015 and expressed a keen interest in building production facilities for TVs, mobile phones and renewable energy equipment. "Foxconn's plan to make long-term investments is likely to encourage more Taiwanese manufacturers to follow suit," Lu believes. "Our branch aims to double its current business in the next two years, and we are optimistic about achieving this goal."

Tim Lin (林天生), managing director of CINDA Engineering & Construction in Noida, India, has also seen stronger growth in the country's manufacturing and infrastructure sectors. CINDA is a wholly owned subsidiary of CTCI Corp., which is headquartered in Taipei and has more than 30 affiliates worldwide.

"Currently, India is like a big construction site where multitudes of public and private works projects are underway," Lin says. "We go wherever there are business opportunities. And that's why we're here." CTCI's competitiveness, the managing director adds, lies in its proven track record of providing turnkey services for different industries.

Since its establishment in 2008, CINDA has won a number of major contracts from both Indian and Taiwanese companies, including Petronet LNG's US\$400 million Kochi Liquefied Natural Gas Receiving Terminal Project (2009-2012) in Kochi city in the southwestern state of Kerala as well as China Steel Corp.'s US\$100 million cold rolling mill (2012-2014) at Dahej port in

Chief executive officer of Invest India Deepak Bagla, back row, center, says cooperation between companies in Taiwan and his country has grown in recent years.



the western state of Gujarat. The company is currently exploring potential opportunities for incinerators, mass rapid transit systems and solar power plants.

Another Taiwanese firm that has gained a foothold in India is Sentec E&E, a provider of vehicle pollution control systems. John Chiangsieh (江謝盛棋), managing director of Sentec India, points out that the South Asian nation is one of the world's largest motorcycle markets. In 2000, owing to growing environmental concerns, the Indian government started adopting European emissions standards for automobiles and motorcycles and launched a six-phase implementation plan to tackle air pollution.

In late 2014, Sentec India's factory began producing carbon canisters, devices that reduce motorcycle pollution and increase fuel efficiency, and found voracious demand, which is being driven by the pending adoption, in April 2017, of stricter Euro 4 emissions standards. "The number of orders that we've received already exceeds capacity," the managing director says. "We'll soon establish another production facility to meet demand and increase our employees from 35 to 250 in the second half of this year."

Chiangsieh attributes his company's smooth entry into the Indian market to its more than 20 years of business relationships with several Japanese car and motorcycle manufacturers including

Honda, Suzuki and Yamaha, which have production lines in India. "By using our headquarters in Taiwan for research and development and our manufacturing facilities in India for mass production, we've put our business on the right track," the managing director says.

While Taiwan's enterprises and officials have made great efforts to increase trade and investment with India, Deepak Bagla, chief executive officer of Invest India, the government's trade promotion office, sees huge potential for further growth. "There are a number of sectors where the two sides have common interests and can work together," he says. "Electronics is clearly one of them and technology is the other."

Invest India's mission, Bagla explains, is to assist firms through their entire investment cycle. "The future of the Taiwan-India relationship is going to be different from the past as companies on both sides are cooperating more closely with each other in a variety of areas," he says. "We look to deepen the special bond that we share with Taiwan." ■