

Rising India and Japan's Expanding Networks¹

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Introduction

Since the turn of the century, India's economic and political significance has been rising largely due to its economic growth and its increasing willingness to engage the world more intensely and widely than its past orientation during the cold war period. Capturing the essence of India's importance President Barack Obama during his visit to India in 2010 stated "India is not just a rising power, it has already risen. Its economy has risen at a breathtaking rate... we look forward to a greater role for India at the world stage".²

Japan was a reluctant partner of India for most of the post-war period and until the end of the century.³ Despite their mutual goodwill during and after the war, the bilateral relationship never got off the ground because of the cold war political imperatives. Japan was aligned with the West, mainly with the United States through a security alliance while India essentially followed the path of Non-alignment with its later orientation towards the Soviet Union. India's position changed with the end of the cold war, creating opportunities for India and Japan to deepen and strengthen their bilateral relationship as their stars aligned much better than any time before. But even before new developments could take any concrete shape India's testing of nuclear devices in 1998 attracted Japan's strident condemnation, followed by sanctions including via official aid.

India-Japan relations have come a long way since 1998, especially in the last decade, as will be detailed below, in economic and trade ties, in defence and security cooperation and exchange of officials and high-level visits have proliferated including institutionalising of an annual summit meeting process between the prime ministers of the two nations.

This article will first detail some of the recent networks that Japan and India have formed in a range of areas following which an analysis will be presented outlining factors that have

¹ This paper is part of the author's project on Japan's foreign policy funded by the Australian Research Council.

² <http://www.ndtv.com/india-news/india-not-just-a-rising-power-has-already-risen-obama-to-india-438458>

³ For an overview of development in the bilateral relationship until the mid-2000s, see Purnendra Jain, *From Condemnation to Strategic Partnership: Japan's Changing View of India (1998-2007)*, Singapore: Institute of South Asian Studies, 2008, 38 pp.

brought the two nations closer together in recent years. Finally, the article will make some observations about the short-to-medium-term future directions, work that needs to be undertaken to make the relationship rounded and comprehensive.

Economic Networks

Japan-India trade which hovered at a very low level for long time began to see some upwards movements from the mid-2000s. The bilateral trade which stood close to 700 billion yen in 2005 doubled to over 1500 billion yen in 2013.⁴ The bilateral trade is evenly balance with a slight advantage in favour of Japan. More remarkable is Japan's direct foreign investment in India. From a meagre 29.8 billion yen in 2005 the figure rose to 210.2 billion yen in 2013. What must be noted is that Japanese direct foreign investment in India slowed in the early 2010s because of the slow pace of economic and structural reforms in India under the second administration of Prime Minister Manmohan Singh (2009-2014). In 2008, Japan had indeed invested 542.9 billion yen in India. It is not just the amount of money that Japan has invested in India that matters but also the number of Japanese companies that have invested in India has increased. According to one source from the Ministry of Foreign Affairs in Tokyo, as on 1st Oct 2011, India was ranked number 6 with some 1,228 companies investing in India, following China, US, Germany, Thailand, Indonesia.⁵

Japan's trade with and investment in India are likely to further accelerate with the signing of the Japan-India Comprehensive Economic Partnership Agreement (CEPA) that took effect in August 2011. CEPA is likely to eliminate close to 94% of the tariffs between the two countries within a period of ten years. There is huge potential for growth in both investment and trade areas, given India's market size and Japan's industrial and financial capacity.

Japan has been a steady provider of economic aid to India through its Official Development Assistance (ODA) program. India was the first recipient of Japan's yen loan as far back as in 1958. But India faded from Japan's aid radar as Tokyo began to allocate most of its aid budget on other Asian nations, most notably on China with generous terms and conditions not offered ever to any other recipient nations. However, as Japan decided to discontinue most of its aid programs to China beginning 2008, Tokyo turned its attention to India where new levels of Japan's interest emerged. In many of the fiscal years since 2003 India became the top recipient of Japan's aid money, especially through the yen loan programs for infrastructure development

⁴ Most economic data presented here have been drawn from the Ministry of Foreign Affairs Japanese homepage.

<http://www.mofa.go.jp/mofaj/area/india/data.html>

⁵ Personal interview MOFA, Tokyo, 18 August 2014.

projects. For example, the Delhi Metro commuter rail system is one of the most successful and visible examples of Japanese ODA for infrastructure development in the greater Delhi Metropolitan area. Two other examples of such projects are the Dedicated Freight Corridor (DFC) and the Delhi-Mumbai Industrial Corridor (DMIC). During his visit to India in January 2014 Prime Minister Shinzo Abe reaffirmed Japan's commitment of ODA for India's efforts towards social and economic development.⁶

Political, Strategic and Defence Networks

Japan and India have declared themselves as 'strategic and global' partners. These are no small rhetorical phrases, especially given their low level of interactions in the past. Not only bilateral political and bureaucratic visitations have increased and expanded, but the two countries have in place an annual summit process since 2005 when Prime Minister Junichiro Koizumi visited India. In 2006, 2008, 2010, 2013 (in place of 2012) Indian Prime Minister Manmohan Singh visited Japan; and Prime Minister Shinzo Abe in 2007, Prime Minister Yukio Hatoyama in 2009, Prime Minister Yoshihiko Noda in 2011 and Prime Minister Shinzo Abe in 2014 (in place of 2013) visited India as part of the annual summit process. The most recent visit was that of India's new Prime Minister Narendra Modi in August-September 2014.⁷ At these annual summits the two prime ministers take stock of their bilateral ties and announce achievements of the previous years and present a roadmap for years ahead through joint statements. Not many countries have such bilateral summit arrangements as they require a lot of preparation and ongoing commitment. That India and Japan have such a framework in place shows their commitment and recognition of each other's importance.

India and Japan conduct a two-plus-two dialogue which brings together top military and defence officials in the only such arrangement that India has with any country. The two nations are negotiating to upgrade this process to the ministerial level. When achieved this will be Japan's fifth after its existing two-plus-two dialogue with the United States, Australia, Russia and France.⁸ There is a Japan-India Maritime Exercise (JIMEX) in place. Many other ministerial-level dialogues are held in a range of areas from commerce and industry to maritime security and energy matters and the list is growing. According to the MOFA homepage visited in February 2015, 13 such dialogues have been conducted bilaterally between October 2012 and January 2015 ranging from cyber security, terrorism to matters concerning the Indian Ocean and Africa.⁹

⁶ <http://www.mofa.go.jp/region/asia-paci/india/data.html>

⁷ See Purnendra Jain on Modi's visit to Japan, <http://www.eastasiaforum.org/2014/09/08/india-draws-japan-closer-as-modi-embraces-abe/>

⁸ <http://www.japantimes.co.jp/news/2014/08/22/national/japan-india-eye-launch-security-dialogue-involving-foreign-defense-chiefs/#.VOIOT2MhDwk>

⁹ <http://www.mofa.go.jp/mofaj/area/india/data.html>

A major breakthrough in the bilateral security relationship was achieved in 2008 when the two nations signed a joint Declaration on Security Cooperation allowing them to cooperate in wide-ranging matters related to security, mainly in the non-traditional security arena such as piracy, sea lines of communication, terrorism and trans-national crimes. This was the third security agreement that Japan has signed besides its long-term security treaty with the United States and a security agreement with Australia in 2007. However, there is nothing in the declaration and beyond to prevent Japan and its new security partner India from using the new declaration as a basis for further and deeper cooperation in defence matters, if such cooperation is desired by both parties.¹⁰

A recent development worth noting is the possibility of Japan selling to India its amphibian aircraft US-2 produced by Shin Maywa. Prime ministers Singh and Abe agreed in June 2013 to establish a Joint Working Group to explore modality for such sales. If the deal goes ahead, it will signify a new era in India-Japan relations, especially since Japan has only recently lifted its five-decades-old ban on arms exports. This will also be Japan's first sale of a finished military product.¹¹ During Modi's visit to Japan in August 2014, the two leaders included the issue of US-2 in their joint statement 'Tokyo Declaration for Japan-India Special Strategic and Global Partnership' declaring that the two nations will work towards further progress on this search and rescue planes.

For the last five years, Japan and India have also been in discussion with regards to an agreement on civil nuclear technology cooperation. In 2013, the two prime ministers -Singh and Abe- even agreed to direct officials of both countries to accelerate negotiations on nuclear technology cooperation, stalled in the wake of the 2011 Fukushima nuclear fallout, towards an early conclusion. But like joint defence production and arms exports, cooperation in nuclear technology, even if it is for civilian purposes, is not easy for Japan to negotiate due to strong anti-nuclear public sentiments and sensitivities in the public sphere with regards to any defence and security agreements as very often they are construed to be against the spirit of Japan's pacifist constitution, especially Article IX. The matter is further complicated because India has not signed the Nuclear Non-proliferation treaty (NPT) making it difficult for Japanese leaders to push India's case to its public.

¹⁰ See Purnendra Jain, 'Japan's Expanding Security Networks: India and Australia', *Indian Journal of Asian Affairs*, 22, June-December 2009, pp. 1-17.

¹¹ Recently Japan has also been discussing with Australia to export its Soryu class submarines. In January 2015 Japan reached an agreement with Britain to jointly research new air-to-air missile technology as part of increased cooperation on defence and security issues.

Why India Now?

Japan's recent interest in India has taken off from a very low base and is undoubtedly set to accelerate. The nature and speed of Japan's inclination towards India are a response to Japan's growing distrust of China and deterioration in their bilateral relationship. In this scenario, it makes sense for Japan to forge ties with India, Asia's other 'risen power', a partner possibly capable of balancing China's rising influence in the region and beyond. India is generally well disposed towards Japan. The two nations have very few competing interests and no historical baggage. Indeed, the nature of regional geo-strategic politics makes their bilateral cooperation ever more likely as they share similar interests regionally (e.g. inclusive regional bodies) and globally (e.g. reform of the UN).

On many occasions leaders of the two countries have denied that their growing networks are in any way have adverse implications for China. Former Indian Prime Minister Manmohan Singh once stated that cooperation with Japan would not be 'at the cost of any third country, least of all China'. Similarly his Japanese counterpart then Prime Minister Taro Aso observed that 'we do not have any assumption of a third country as a target such as China'.¹²

While it is undeniable that China is a major factor in their new-found partnership, China is not *the* factor in India-Japan expanding networks. There are other mutual attractions. Economically, India is a growing market for Japan with huge potential for Japanese companies. The market force is at work here. On the other hand, India needs huge foreign investment for its infrastructure projects and it finds Japan a willing partner and good fit for its needs.

India is also attractive to Japan now that India's foreign policy orientation is more in line with Japan's own. India's partnership with the US in wide-ranging areas gives Japan confidence to engage India, economically and strategically. India's 'Look East' and 'Act East' policy also gives Japan the right signal that India is willing to play a larger role beyond its South Asia backyard into Southeast Asia and beyond.

Modi-Abe Partnership

With the inauguration in 2014 of a Bharatiya Janata Party (BJP) new government in New Delhi under Narendra Modi, Japan in general and its Prime Minister Shinzo Abe in particular have expressed even greater interest in India. In August 2014, Modi made Japan his first overseas destination beyond the subcontinent. Although never before a national parliamentarian or minister, Modi is not an unknown political figure in Japan. As chief minister of Gujarat state he

¹² Purnendra Jain, 'Tokyo's Nexus with India Deepens', *Asia Times Online*, 25 October 2008.

visited Japan twice and established good rapport with senior Japanese political figures, including Shinzo Abe who was then in opposition. During this time Modi travelled not only to Tokyo but also to Nagoya, Osaka and Kobe holding meetings with high-profile business leaders and successfully attracting huge Japanese investment in Gujarat.

Abe and other Japanese political leaders as well as industry captains recognize that unlike many of his predecessors in the last three decades, Modi stands on solid political ground. Modi's unprecedented national political victory is based on his electoral success promise to the people of India that his administration will make a real difference to India economically, politically and socially. To this end Modi finds Japan a key economic and strategic partner.

Prime Minister Abe, as discussed above, has been at the forefront of pushing Japan's relations with India to a new height and he is expected to keep the current momentum. In 2015, Japan's prime minister will visit India as part of the annual summit meeting and it is likely that the two prime ministers and their officials would think long and hard to take the relationship at least a notch higher than the current level of engagement.

Missing today in the bilateral relationship are connections at the subnational level (state and cities). Modi is well aware what a difference he made to the economy of Gujarat state through his leadership as chief minister. As India's prime minister he should encourage and facilitate state leaders in India to establish direct links with Japan and even bypassing the national-level bureaucracy. To this end an official agreement has been signed between Kyoto and Varanasi to facilitate cultural exchanges between both sides. Kyoto is a world class city attracting millions of overseas visitors annually which Prime Minister Modi aims at replicating in Varanasi. Japan can also play a crucial role in the implementation of Modi's plan for creating 100 smart cities in India.

More grassroots level contacts are essential for the relationship to endure in the longer term. Educational opportunities at school and university levels, and exchange at NGO and professional levels play important roles in understanding each other's society. The number of Indian students studying in Japan is ridiculously low, despite Japan having some of the best universities in Asia consistently ranking high on the world table. Creating Japanese language programs and other opportunities in these areas should be prioritized for a meaningful and sustainable long-term relationship.