



INDIA-JAPAN RELATIONS

DRIVERS, TRENDS AND
PROSPECTS

RSIS Monograph No. 23

Arpita Mathur

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S. Rajaratnam School of International Studies

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23	India-Japan Relations Drivers, Trends and Prospects

SETTING THE STAGE

INDIA AND JAPAN IN HISTORY

As a region located at the cusp of anarchy, competition and inter-dependence all at the same time, Asia presents an interesting locale of great and emerging power competition. More importantly, the region assumes critical significance as a chessboard with multiple consequential and vital players—each with its own strategic posture and outlook towards its rightful place in the international arena. Perhaps the most noteworthy development in this regard is the emergence of India and China which combines (somewhat uncomfortably at times) with the presence of Japan and the external influence of the United States. It is, therefore, only natural that the three major regional powers—India, Japan and China have to devise strategies to have a balanced response to all three contradictory but intertwined trends. There is also the presence of players like a resurgent Russia and ASEAN countries, which have become a potent power in themselves, especially in regional organisations.

The core aim of this monograph is to undertake a study of the strategic, political and economic aspects of India-Japan relations as they have evolved over the years. The idea is to identify drivers bringing the two sides together as well as issues of common concern which could be built on to strengthen ties. It will conclude by highlighting the opportunities and challenges the two sides are likely to face in the process of building relations. The central research question is to decipher whether the relationship that has started building up after a period of benign neglect is just a balancing act in response to the stimulus of China's ascendance in

the region or whether there is enough substance and rationale behind it to sustain ties in the future. The study is policy relevant because it identifies the weak links that need to be strengthened and maps out the relatively uncharted territories the two sides could consider joining hands in.

A literature survey on India-Japan relations reveals that very little and fragmented work has been done on the subject.¹ The current analysis will make a significant contribution in being based on the application of the power transition theory. Considering that China's rise is one of the major concerns both sides face, this study hopes to make a significant and a novel contribution to the previous work on the subject, especially in considering the shifting power dynamics in Asia pushing both sides together.

The study reveals that albeit the rise of China and resultant power shift in Asia becomes a *primary* driver bringing Tokyo and New Delhi together, there is much more substance to the relationship which has grown by leaps after 2001. Therefore, mere maintenance of balance of power vis-à-vis China is not the sole driver of foreign policy and bilateral relations between India and Japan. There are other forces like functional need, inter-dependence and simply the prospects of mutual gain, which shape relations between the two sides, even though these have not been fully realised and exploited. The economic aspect of the relationship remains strong in the Official Development Assistance (ODA) domain, but much needs to be done to realise the full potential of trade and foreign direct investment. A number of key areas of possible cooperation can be identified for the future and built upon—in certain cases even improved to provide more muscle to relations. Of these, environment, nuclear energy, bio-technology and other non-traditional issues like prevention of climate change are probable areas of convergence.

The study will begin by providing a brief overview of a historical backdrop to the development of bilateral relations. This might not appear to have a direct bearing on the overall pattern of the relationship as it stands now, but requires a prominent mention to underscore the fact that despite such rich cultural and historical linkages, India and Japan remained aloof from each other for much of post-war history. Of course, today these linkages are recognised, valued and factored in as a positive input in evaluation of relations. The study will go on to show that the end

of the Cold War which coincided with the promulgation of India's "Look East" policy and the nuclear tests conducted by India in 1998 proved to be the two prominent turning points in the development of relations. The following section aims to decipher what drives the bilateral relationship today and whether the relationship is growing solely due to a stimulus arising out of the rise of China in Asia. The bilateral relationship will be studied in all its hues—political, strategic and economic—to paint a complete picture of ties.

A unique paradox has defined India-Japan ties. On the one hand is the absence of any major dispute; on the other, the richness in relations has not been fully exploited for many years. Looking back in time, the post-Second World War period saw both countries share intellectual discussion and a common vision of Pan Asianism. Japan also held a special place in being a prominent support base for members of the Indian revolutionary freedom struggle. Thereafter, the saga of India-Japan relations was that of benign neglect for much of the Cold War period. The Indian nuclear tests of 1998 plummeted ties to a nadir. But relations recouped and gradually but certainly moved towards an upward swing soon after. A number of factors was behind this warming up of relations. Of these, perhaps the most noteworthy one was the "rise of China" beginning from the 1990s and Asia and the world as a whole facing the question of how to deal with the sprouting of new regional power centres in China and India, which too had arrived on the world stage as a nuclear power. Besides, there was also a visible warming up of Washington's relations with New Delhi.

POSITIVE HISTORICAL LINKAGES: BEDROCK OF CONTEMPORARY RELATIONS

Rich cultural, literary and religious linkages coalesce to provide a positive bedrock to India-Japan relations. Historically, India-Japan relations have existed for more than a thousand years. It is said that Japan first came into contact with India during the reign of Emperor Kimmei (539–571 A.D.).² Buddhism was the first common link between both sides, although it did not really find its way directly between the two countries. Korea was instrumental in introducing Japan to the Buddhist philosophy. Buddhism became the state religion of Japan under the rule of Prince Umayado (593–622 A.D.).³ The Indian missionary, Bodhisena, also visited Japan

in 736 A.D. along with his followers and became the Buddhist Bishop (known as the Brahmin Bishop) of Japan till he died in 760 A.D. The Buddhists promoted art, culture and philanthropy, thereby gradually spreading the roots of the religion to many parts of the country, even as it branched out into several cults and sects of their own like *Tendai* and *Shingou*.⁴ The influence was deep and widespread. According to Haijima Nakamura, “Without Indian influence, Japanese culture would not be what it is today.”⁵

These Japanese links with Buddhism in India continue even today with a number of Japanese visitors travelling to cities like Bodh Gaya. The Japanese initiative (along with Singapore) behind the resurrection of the Nalanda University in Bihar, India as a prominent seat of learning also has its roots and connections with Buddhism. The aim is to establish the Nalanda International University by the year 2013. Back in history, Nalanda was a Buddhist seat of learning from the fifth or sixth century CE to 1197 CE and continued to receive support and patronage from a number of Buddhist emperors.

The second vital connection between both sides was a result of the common feeling of Pan-Asianism. During the period of the Indian Renaissance (1881–1905), India was keenly looking at building a spirit of Asian oneness. The trend towards Asian-ness identifying with and aligning with the rest continued as intellectuals like Swami Vivekananda travelled to many parts of the region. Swami Vivekananda visited Japan in 1893 and was impressed by Japanese nationalism. He advised Indian students and intellectual leaders not to waste their time on “touchableness and untouchableness of this food or that” and emulate the Japanese for what they were doing.⁶ An Oriental Youngman’s Association formed in 1900 served as a platform for increased interaction between Japanese, Indian and other Asian students in Japan. The Association became a ground for the conditioning of many Indian students who began to deplore British colonialism. This was the time when the Indian national movement against colonialism by the British East India Company was vibrantly active. The British were upset with the negative influence of Japanese on them and put forth a rule whereby Indian students visiting Japan had to produce a “certificate of identity signed by a responsible officer.”⁷

Despite Japan’s aloofness with the rest of the world, the connectiv-

ity between India and Japan remained with the fast-growing Japanese spinning industry, which found India as a source of raw cotton. India also became a destination for finished Japanese goods. Perhaps the most significant bilateral contact was that of Indian industrialist J. N. Tata who visited Japan in 1893 and set up an office there. The initiation of trade ties led to the establishment of a Japanese consulate office in Bombay and consulate general office in Calcutta. An Indo-Japanese Trade convention was also signed in 1894 which marked the beginning of “opening of regular ocean transport” between the two sides.⁸

Japanese calls for an Asian identity incorporating countries like Persia, India, China and Japan emerged during the Russo-Japanese war in 1904–1905. A number of Chinese, Korean, Indian and Vietnamese students came to Japan in order to see how the Japanese dealt with Europeans.⁹ Following its victory in the war with Russia in 1905, Japan came to be perceived as a role model on combating colonialism, even as its own negative imperial dominance was watered down. In India, there was an obvious and vocal admiration of the Japanese success. In her address to the Indian National Congress in 1917, Annie Besant spoke about the Japanese victory. Indian leaders like Gandhi, Nehru, Gopal Krishna Gokhale and Bal Gangadhar Tilak were all unanimous in their jubilation over Japanese victory. This spirit and inspiration drawn by Indians, according to some “partly influenced the growth of extremism in Indian politics,”¹⁰ which in turn marked the third strand in historical linkages between India and Japan. The Japanese responded positively to the Indian enthusiasm. Speaker of the Japanese House of Peers said: “It was the sacred duty of Japan as the leading Asiatic state to stretch a helping hand ... to India, who is capable of civilisation, and free them from European yoke.”¹¹ An Indo-Japan Friendship Association had been formed in 1903. As many as 54 Indian students travelled to Japan in 1906.¹² Trade also grew manifold after the Japanese victory in her war with Russia. There was clearly a genuinely positive and friendly feeling among the Japanese with regard to Indian independence struggle much to the consternation of the British. The fourth and very close historical linkage evolved during the period of the Indian national movement. The Indian independence movement did not nurture and grow in isolation but grew greatly from neighbouring countries in Asia which were also reeling under Western imperialism. The feeling of affinity with Japan was

such that even when Indians decided to follow the *swadeshi* system of boycotting foreign goods, Japanese goods were excluded from the banned category. In fact, a prominent Indian newspaper *Kesari* clearly called on people to choose Japanese goods over all other foreign manufactured ones.¹³

Any study of India-Japan relations during this period would thus be incomplete without a brief discussion of how prominent Indian revolutionaries like Rash Bihari Bose and Subhash Chandra Bose developed intimate links with Japan and the Japanese. R. B. Bose who came to be known as the “Bose of Nakamura” not only took political asylum in Japan, married a native woman, but also spent his entire life in the country as a Japanese citizen (from 1924) till his death in January 1945.¹⁴ Bose’s journey to Japan started off in 1915. He eventually not just mastered the language over the years, but also wrote extensively in the Japanese press and literature soliciting support for Indian independence struggle. Perhaps one of the most significant impact of Bose’s shifting to Japan was the kind of public opinion he could influence and tilt in India’s favour through his writings as well as his network of connections with opinion leaders. Prominent Japanese journalists like Minetaro Yamanaka who were associated with the *Asahi Shimbun* and later with the *Shonen Kurabu* and *King* magazines were impressed from their interactions with Bose and projected the image of Indian revolutionaries as an intelligent group from a civilised country.¹⁵ The noted historian, nationalist and ardent supporter of Indian independence, Shumei Okawa, wrote a book entitled *The Current Status and the Origin of the People’s Movement in India* in 1916, in which he warned the Japanese people that by trusting the British they were making a grave mistake and endangering themselves to incurring the wrath of 300 million Indians.¹⁶ There was tremendous public sympathy and contempt for the British government which ordered the deportation of Bose and a few other nationalists from Japan. Japanese groups like the *Genyosha* and *Kokuryukai* began to connect with spirit behind the Indian freedom struggle (despite having ideological differences over the means) as part of their larger aim to work towards the liberation of Asia.¹⁷

Bose also formed an “Indian Club” in 1921 to promote friendship among Indians in Japan so as to discuss the emerging political situation in India. He also authored articles for Japanese magazines like

Kaizo, *Gekkan Nippon* and *Toho Jiron*. Bose was able to evoke empathy amongst several Japanese through his effective and powerful writings. For instance, Chief Editor of *Michi* magazine in which Bose was a regular contributor noted in 1932, “I have been publishing Mr. Bose’s articles every month and each time I am moved to tears on reading them ... My Indian brethren, wait! Japan is not always going to be ruled by weak-kneed politicians.”¹⁸ He also launched his own magazine *New Asia* in 1933.

R. B. Bose’s legacy of revolutionary streak in seeking independence for India as connecting with the Japanese was in many ways carried forward by another Bose—Subhash Chandra Bose, who was fast emerging on the horizon of the Indian freedom struggle. S. C. Bose came to Tokyo in 1943 via Germany and met R. B. Bose. He had made it clear that he would not mind working with British enemy states—Japan and Germany in his struggle for independence. R. B. Bose decided to hand over charge of the Indian Independence League to S. C. Bose in Singapore and came back to Tokyo.

Subhash Chandra Bose met Prime Minister Tojo who seemed to be impressed with Bose’s intelligence. According to some, the INA had been “encouraged” by the Japanese in the hope that it would lead to a Japanese invasion of India.¹⁹ Bose formed a Japanese-approved and recognised independent “Provisional Government of (Azad Hind) Free India” based in Thailand. In 1943, Bose attended the Greater East Asia Conference in Tokyo. Japan also captured the Andaman and Nicobar Islands and handed them over to Bose’s provisional government as a mark of recognition to it.

The Indian National Army then, under the leadership of S. C. Bose decided to enter India with the Japanese Army. Following some initial discomfort over the inclusion of Indian soldiers in its assault on Indian borders, the Japanese conceded. The INA attacked and took over the British post at Mowdok in India. The Japanese had started to feel the heat of the British counter-offensive. The INA reached and captured Kohima (Assam) and their counterpart Japanese forces tried in vain to gain control over Imphal. The combined Indian and Japanese forces finally buckled under British attack and had to retreat in 1944–1945. There were conflicting views on whether the attack was meant to bring parts of India under Japanese influence. However, evidence points to the

contrary. In a report prepared by the Director Military Intelligence after assessing public opinion on the Japanese aggression, it was clearly stated that “to a large extent, the public opinion is not hostile to Japanese. They are more anti-British than anti-Japanese and consider if Japanese win the war and come to India, Indian national aspiration will benefit rather than suffer.”²⁰

On the cultural and literary front, the legendary friendship between Okakura Tenshin and Indian poet Rabindranath Tagore during this period is well known and documented. Okakura first visited Kolkata in 1902 with the aim of inviting Swami Vivekananda for the Parliament of Eastern Religions to be held in Japan. He also utilised this visit to study Indian architecture and arts as well as also assist India in its struggle for freedom through inspiring young Indians to aim for complete independence.²¹ Tagore also visited Japan three times and became a key cultural ambassador of India in Japan. His school, the Shantiniketan, hosted several Japanese artists, sculptors and poets. Although Tagore had tremendous regard for Japan’s progress, he nevertheless warned them to refrain from getting affected by the ill effects of Westernisation.

This positivity revolving around the notion of Asia and pride over spirituality gradually melted away to give way to the Japanese notion of the Greater East Asia Co-prosperity Sphere, which was in no way altruistic and only brought misery to countries under its influence. India did not find a mention in the proposed sphere, which included China, Manchuria, Indonesia (under Dutch control) and Indo-China (under French control). The long-term aim of the Japanese was to create a political and economic bloc independent and self-sufficient in itself. Japan’s wartime Prime Minister Tojo referred to India in his speech to the Japanese Diet in 1942 after the defeat of Singapore:

This is the best opportunity for India to rid itself of the despotic policy of oppression by the British and participate in building the Greater East Asia Co-prosperity Sphere. The Japanese Empire hopes to restore India to its original status, whereby the nation belongs to Indians, and we will provide all help to the patriotic efforts of the Indian people. It would be really unfortunate if India does not return to its history and traditions; awaken to her mission.²²

Some scholars are of the view and have contended that the Indian freedom struggle movement had been “encouraged” by the Japanese.

According to their viewpoint, the Japanese hoped that they would ultimately invade India.²³ The idea was to invade the whole of China along with India in order to complete the sphere.

Thus, with Japan's militarisation and imperialist lash-out in the 1930s, relations between India and Japan began to deteriorate. Japan's advancement into China—the Manchurian Incident, its actions in Korea (1910–1911) eroded the positivity which defined and underlined bilateral relations between both sides. Nehru was critical of Japan and openly critiqued Tokyo for its Westernisation, expansionism and imperialistic tendencies. He noted, "Japan not only followed Europe in industrial methods, but also in imperialistic aggression."²⁴ When India gained independence, India took on the yoke of anti-colonialism and anti-imperialism. Nehru organised a conference on Asian relations in March 1947. The Bandung Conference was held in 1955. This was Nehru's "honeymoon" period with China.

Following what became the starting point of a relative estrangement in India-Japan relations, came the end of the Second World War in which Tokyo was defeated. Following this defeat in the War in 1945, Japan came under the control of the US-led Allied Forces led by General Douglas MacArthur. The foundation of Japanese post-war foreign policy was laid within the paradigm of the "Yoshida Doctrine."²⁵ The San Francisco Peace Treaty was signed between the Allied Powers led by the United States and Japan at the Peace Conference held in 1951 bringing an official end to the War. As many as 48 countries signed the controversial document. Countries like the former Soviet Union, Poland and Czechoslovakia refused to sign the treaty, while India, Myanmar (former Burma) and Yugoslavia abstained from the conference itself.

India was keen on the need to bring Japan into the normalcy of statehood based on the idealism and non-alignment in foreign policy pursued by first Prime Minister Jawaharlal Nehru. India feared that if Japan fell prey to a great power, Cold War rivalry would be a cause of friction and concern. India was also critical of the treaty on two clauses—one, it perceived of the presence of Occupation forces as a limit on Japan's sovereignty; two, India was in favour of returning Ryukyu and Bonin islands to Japan.²⁶ The treaty was rejected outright by the newly independent India for being unable to give Japan honour and equality among nations.²⁷ However, it was clearly stated that India would conclude a separate

bilateral treaty with Japan. The San Francisco Peace treaty effectively demilitarised and democratised Japan. In the aftermath of the conference and signing of the treaty, the International Military Tribunal for the Far East was set up and became the platform for another well recognised, documented and accepted symbol of India-Japan friendship.

JUSTICE PAL AND TOKYO TRIBUNAL

During the early post-war years, Japan's positive image of India came with appreciation of Justice Radhabinod Pal's dissenting judgement at the Tokyo International Military Tribunal for the Far East in 1948. The tribunal was instituted in order to try major leaders—both civilian and military—for the Second World War and Japanese actions prior to the War. The trial by the 11-nation tribunal convicted about 28 Japanese leaders and sentenced seven to death and 16 to life imprisonment in 1946.

In a landmark statement, India's Justice Pal gave the only dissenting vote declaring all 28 war-time Japanese leaders not guilty. In a verdict comprising seven chapters like "preliminary question of law", "rules of evidence and procedure" and finally "recommendations", Justice Pal stated:

I sincerely regret my inability to concur in the judgement and decision of my learned brothers²⁸... For the reasons given...I would hold that each and every one of the accused must be found not guilty of each and every one of the charges in the indictment and should be acquitted of all those charges.

... I have indicated the difficulties that I feel in defining "aggressive war", keeping in view the generally prevalent behaviour of the Powers in international life.²⁹

Justice Pal became a symbol of reverence and continues to find a prominent mention in the context of any mention of Japan-India relations even today. Thereafter, Prime Minister Jawaharlal Nehru and his Japanese counterpart visited Tokyo and New Delhi respectively in the 1950s and were given a warm reception each.

INDIA-JAPAN PEACE TREATY JUNE 1952

A fresh chapter in India-Japan relations began with the signing of the bilateral treaty of 1952. The first Indian Ambassador to Japan arrived in May 1952, which was followed by the signing of the Indo-Japan Peace

Treaty on 9 June the same year. The treaty was simple in both content and intent. In terms of content, it comprised of only 11 articles and some exchange of notes. Under the clauses of the treaty, the two sides decided to maintain peace and amicable ties, negotiate on commerce, shipping and aviation and most importantly, India decided to waive all reparations claims which might have been due to India in keeping with wartime actions by Japan. The intent of the treaty was purely to establish friendship between the two sides—one which was trying to find its feet post-independence from a long era of colonial legacy and the other, which wanted to re-enter the world stage as a defeated yet free Asian nation. India also became the first recipient of Japan's ODA in 1958.

However, this enthusiasm did not translate into an upswing in relations as the Cold War also cast its shadow on India-Japan ties. The chill in relations was evident since Japan became an ally of the United States, while India chose to espouse the path of non-alignment, but with a definitive tilt towards the former Soviet Union.

THE COLD WAR ERA

The Cold War era was characterised by a division of the world into two opposing camps led by the former Soviet Union and the United States. Both sides used economic and military assistance to build a bloc of their own. There was an active formation of regional alliances patronised by these two superpowers including the Central Treaty Organisation (CENTO) and Southeast Asia Treaty Organisation (SEATO). The distance between India and Japan grew wider in this era. India, despite choosing to follow a policy of non-alignment, had a definitive tilt towards the former Soviet Union. Japan, on the other hand, had become an ally of the United States, placing both sides in opposite camps. Besides, India chose to follow the import substitution economic model unlike the liberal capitalist developmental model followed by most of East and South-east Asian countries. Different economic systems and beliefs therefore became a barrier in relations. The third reason which chilled ties, according to Japanese diplomat Takio Yamada, was the Indian nuclear test of 1974—"a huge shock for Japan"—which was trying to work towards a non-proliferation regime.³⁰ Japan's sensitivity and deep commitment to a nuclear weapons free world is a result of its wartime experience of the bombing of Hiroshima and Nagasaki.

Japan, which had become a close ally and a junior partner of the United States after the war also kept India at an arm's length. These gaps in relations became only too evident as Japan chose to remain neutral in India's wars with China in 1962 and Pakistan in 1965. There was also a feeling that Tokyo did not wish to encourage India as an active player in the region to ensure that India does not drain the limited resources of regional groupings like ASEAN countries through her involvement in them.³¹

In summary, South Asia was largely a "distant region" for Japan till the late 1990s and did not fall within its definition of the Asia Pacific or Asia. A common expression among the Japanese, "Beyond the Arakan Yoma" [in Myanmar] is the "outer world", clearly reflects this outlook.³² Intermittent interactions between Tokyo and New Delhi did occur, but what they achieved was at most minimal level of interaction. Japanese Prime Minister Yasuhiro Nakasone visited India in 1984 and stressed on nuclear disarmament and economic inter-dependence.³³ The then Indian Prime Minister Indira Gandhi urged Nakasone to ensure that Japan plays a wider role than that of an economic superpower, noting that in a troubled continent like Asia, "Japan is a factor for stability".³⁴ Japan's economic engagement grew somewhat after the visit as Japan granted a larger yen credit to India for specific projects. Prime Minister Rajiv Gandhi's visit to Japan in 1985 led to an agreement on technology transfer and assistance in modernisation of Indian railways and textile industries.³⁵ Rajiv Gandhi also became the first ever Prime Minister to address the Japanese Diet where he said, "Our rediscovery of each other must not be limited to the market place. Let us rediscover ourselves in the minds and hearts of people ... it is not only for mutual benefit that we should work together. We must do so in the larger interest of humankind."³⁶

To sum up, historically India and Japan shared much in terms of religion and culture, which should have ideally provided enough bedrock for a stable superstructure of relationships. There were a number of potential binding factors which could glue the two sides more effectively than they did. Japan had an important indirect participatory role in the Indian National Movement. However, the post-war period was underscored by a chill in relations which summed up to be a considerable loss for both sides in terms of opportunities which they could have possibly built upon. This, of course, had to be attributed greatly to the Cold War international environs which were not a positive incubator

for the furtherance of bilateral ties between Tokyo and New Delhi. The lack of economic interactions only added to the problem. It is however very significant to understand this historical backdrop to help put the relationship in perspective in the chapters ahead. It is also required to understand what really drives the two countries towards making efforts to re-build their relationship in many ways after decades of lull. At the same time, positive historical legacy has worked to the advantage of ties simply because today India stands contrasted with many other Asian neighbours of Japan which harbour and relate to Tokyo with negative and painful historical memories of the pre-war and war era. Unlike Japan's relations with neighbours like China and South Korea, at least India and Japan can look back at history with some amount of positivity and lack of distrust that tinges its other relationships.

The following part of the monograph will analyse the post-Cold War era in Japan's relations with India—strategic, political, economic and the non-traditional security arena. Besides, the drivers behind the growing ties between both sides will also be studied.

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THE POST-COLD WAR TURN

The end of the Cold war came after the Soviet Union crumbled and disintegrated bringing down the curtain on an era in international politics. The world had become unipolar. Gradually, a loose and fluid regional power structure began emerging, leading realist theorists to warn of a difficulty in achieving “a stable lasting peace in multi-polar Asia as it was in Europe”.¹ These theorists even went to the extent of warning against the possibility of great power conflicts and an Asia troubled by “shifting alliances, competitive diplomacy, arms races, periodic crises and smaller military engagements”.² Others saw relative stability in the kind of emerging power structure. The truth may lie somewhere in between, but there was one common thread which tied all major countries in Asia—that of a struggle to cope with the challenges emanating from a new international order, along with identifying their own place in that system. Besides, they also had to reconstrue their foreign and security policies in keeping with the new reality of this international order.

For Japan, the decade of the 1990s was also momentous in many ways. The Gulf War of 1990 became a milestone in Tokyo’s strategic thinking as it came under censure from Washington over its inability to contribute manpower to assist its ally. Despite making a significant contribution to the tune of US\$13 billion, Japan was criticised for mere “chequebook diplomacy”. Other developments which shook up Japan were the North Korean missile tests in 1993, the U.S.-North Korean nuclear crisis in 1994 and firing of a Pyongyang’s missile which flew over Japan’s Honshu island in 1998. All this combined with the long-standing friction with China

over the interpretation of wartime history.³ A domestic debate was stirred within Japan and realists like Sato Seizaburo lambasted Japan's strategic thinking for not being in tune with the international order. He clearly favoured an alteration in Japan's strategic philosophy and vociferously expounded Tokyo's right to exercise both individual and collective self-defence as well as the need to amend the Constitution.⁴

CHINA'S RISE: ISSUES IN RELATIONS WITH JAPAN AND INDIA

The rise of China during this decade also became a challenge for the region and actors therein—including India and Japan. What is obviously and lucidly apparent is the common concern over China's growing assertion, rapid military modernisation and arms build up which had begun sprouting during this period and continues unabated till today. China's rise was beginning to take concrete shape and its resultant confidence and assertiveness became clear by now. The 1989 Tiananmen Square incident involving the killing of several pro-democracy students in Beijing by the Chinese People's Liberation Army (PLA) on 4 June 1989 had sent shock waves through the international community which in turn responded through punitive actions like diplomatic isolation, suspension of military assistance and economic sanctions. Following the incident, Tokyo was instrumental in bringing Beijing back to the fold.

Although Sino-Japanese ties were relatively good in the early part of the decade, the situation started deteriorating during the latter half. Thereafter, China conducted an underground nuclear test in May 1995 followed by two tests in August and September 1995. There were tensions in the Taiwan Straits in 1996 and again in 2001. By 1999, China had developed the neutron bomb, which could be used for tactical purposes. The same year, the American Cox-Dicks Committee accused China for using espionage to steal neutron bomb technology. Relations between the United States and China chilled because of accidental NATO bombing on Chinese Embassy in Belgrade.

The Chinese, more specifically the PLA, had also begun to accelerate weapons acquisition and military modernisation through research and development.⁵ There was a distinct effort by China to intensify modernisation of the PLA through the 1990s and thereafter. In 1993, the PLA initiated a modernisation programme to develop capabilities necessary for the small, high-technology conflicts typical of the latest generation

of warfare. Open-source data indicated that China was preparing for possible conflict with the United States, potentially over Taiwan, and was also focused on being able to defeat Taiwan. Wortzel argues that China is close to achieving that goal and is capable of dominating the militaries of other Asian powers (except Japan). The fact that the United States treats China as an enemy in its strategic planning is a driver of Chinese military planning, according to Wortzel.⁶ Similarly, in 2007, China announced an 18 per cent budget increase in defence spending to more than \$45 billion. Increases in military expenditures averaged 15 per cent a year from 1990 to 2005. Such a trend led U.S. Vice President Dick Cheney to comment that China's military build-up was "not consistent" with the country's stated goal of a "peaceful rise".⁷

History has continued to be one of the single most important variables influencing bilateral ties between Japan and China, weighing down their psyche. This politics of history has its off shoots in the textbook controversy and the Yasukuni Shrine issue, which have often led to tensions. There have been frictions over what China perceives as Japan's reluctance to accept the "correct" interpretation of history as well as lack of penitence for its "misdeeds". Right from China's defeat in the 1894–1895 war, the appropriation of Taiwan to the creation of Manchukuo and aggression on China from 1937–1945, Japan is in many ways linked with China's blackest periods of history. This difference in interpretation of history has also surfaced during exchange of visits of heads of state and officials. During a visit by Chinese President Jiang Zemin to Japan in November 1998, for instance, the two sides were unable to sign a joint statement due to his demand for a written apology from Japan on wartime history. The textbook controversy revolves around divergent Chinese and Japanese interpretation of history. China has alleged that the Japanese description of wartime past in some school textbooks is a watered down version. This problem has reappeared more than once between the two sides. There has also been an issue on the Yasukuni Shrine meant to honour warriors who gave up their lives for the Emperor. The shrine holds memorial tablets of 14 Class A war criminals, including that of the Japanese war time Prime Minister Hideki Tojo. Controversy raged over frequent visits by Japanese heads of state like former Prime Minister Junichiro Koizumi and other prominent politicians to the shrine, interpreted by China as a symbol of glorification of Japanese militarism.

Competing claims to territories has also been a source of discord between the two sides. The most significant case in point has been the Senkaku Island dispute in the East China Sea. The dispute involves several aspects like those of discovery, occupation, use and maritime rights over the continental shelf. The sea-lines surrounding the island are also reportedly rich in fishery resources, minerals, medicinal herbs and oil and gas resources. The two countries are also indirectly involved in the Spratlys island dispute in the South China Sea. Although Japan is not a direct claimant to the islets, it is a vital economic stakeholder to developments in and around this region because of the criticality of the sea-lines that pass through them. These SLOCs are needed for the safe passage of oil from the Middle East. There are overlapping claimants to the island—China, the Philippines, Vietnam, Taiwan, Malaysia and Brunei. Japan's concerns revolve around the fact that in the event of an outbreak of a skirmish in the area, the SLOCs would be affected. In the circumstance of China gaining an ownership or control of the islets, it would also dominate the waters around them. Nearly 70 per cent of Japan's oil imports have to pass through the South China Sea.⁸ All these issues have been causing abrasion between China and Japan and the two sides still continue to have a fractious relationship. This, of course, has been happening against the backdrop of incessant economic development in China, along with its military build-up. The issue being debated is whether this rise will be peaceful or not.

The end of the Cold War had an impact on India's domestic, security and foreign policy. The collapse of the erstwhile Soviet Union meant that India had not only lost an important trade partner, but also a security underwriter. More importantly, with the demise of the former Soviet Union, New Delhi became concerned that it had lost a prominent source of support in the United Nations and felt more exposed to pressures within the organisation.⁹ The disastrous failure of the closed-door economy had become too apparent and had dried up the economy. India's GDP per capita stood at US\$350 in the year 1991¹⁰ and the country faced a severe balance of payments crisis. There was also the conscious realisation and reality of the relative and diametrically opposite economic trend among other "Asian tigers" as well as China. It was then that India made a conscious effort and attempt to "Look East" and build ties with countries in the region. Of these, of course, the Southeast Asian economies

were the first target. The bandwidth gradually expanded to encompass countries like Japan in what came to be known as the second phase of India's Look East policy.

Meanwhile, India faced similar quandaries with its Asian neighbour with whom it shows continuing trends and areas of tension. Like Japan, India has had a history of conflict with China. The 1962 border war had brought bilateral relations to a nadir. The border continues to remain undemarcated till today. At the core of the border question is the McMahon line.¹¹ In more recent times, China has been vociferously claiming the Indian state of Arunachal Pradesh as its territory. In the immediate post-Cold War period, there was a brief period of warming up of bilateral ties between Beijing and New Delhi. There were attempts made to resolve the border dispute.¹² But the "honeymoon" was short-lived and came to a halt in 1998 with India's nuclear tests. New Delhi made it clear that the nuclear test was meant to be a deterrent to China's growing power.

India has also been perturbed about Beijing's relations with countries like Pakistan and Myanmar in the immediate neighbourhood. There has been a kind of a tussle to gain prominence as a regional power. There is no less competition over the acquisition of weapons, even as both sides are modernising their armed forces. The competition over acquisition of spheres of influence in the Indian Ocean or even as far as Africa is apparent. This spirit of competition permeates the field of energy, which is critical to fuel the developmental needs of both countries. Economically, both India and China are huge markets and rapidly developing economies with high growth rates being recorded even in the midst of a worldwide financial crunch. There is also growing economic interaction and enmeshment between New Delhi and Beijing. At the same time, there seems to be some kind of a race to enhance economic cooperation with countries of Southeast and Northeast Asia by both. India and Japan are thus concerned about what might become dangerous fallouts of China's rise. Both have unresolved boundary disputes and harbour concerns over lack of transparency on military matters. This common challenge and concern is believed to have then become the primary rationale bringing Japan and India together. The following section will delve into what is considered a turning point in India's foreign policy—the Look East policy – and discuss how Japan became inextricably linked to this policy.

INDIA'S LOOK EAST POLICY: WHY AND WHAT?

India faced a severe balance of payments crisis in July 1991 and India's foreign exchange reserves fell to as low as US\$1 billion. New Delhi's credit rating was consequently downgraded and it was forced to approach the International Monetary Fund for assistance. India also approached Japan for bilateral assistance at that time, but Tokyo made it explicit that unless India adopts a reform programme, it would be unwilling to lend a helping hand. The then Indian Finance Minister Yashwant Sinha came back from Tokyo without results and was kept waiting for an appointment with his Japanese counterpart.¹³ Its woes were compounded by the Gulf War of 1990 and the resultant hike in oil prices. In June 1991, the Indian government announced a series of economic reforms including devaluation of the rupee against the U.S. dollar towards full convertibility, raising ceiling of foreign ownership to 51 per cent and more and removal of import controls and lowering of tariffs.¹⁴

Domestically, some restructuring was undertaken. In end 1991, the then Prime Minister Narasimha Rao issued a note asking the Foreign Office and their diplomatic centres to focus more on the economic aspects of foreign relations.¹⁵ A number of high-profile delegations visited parts of southeast and East Asia. There was also a greater flexibility exhibited in foreign policy matters. During his visit to Tokyo in 1992, for instance, Rao accepted a Japanese proposal to set up joint working level consultations on disarmament and nuclear issues.¹⁶ There was a realisation that Southeast and Northeast Asian economies and China had long surpassed India economically and that had indeed become a role model. Prominent economists like then Finance Minister Manmohan Singh who had been attached with international organisations began to propound the need to emulate these economies. Acknowledging this, Rao stated in a speech in Japan, "Indeed, it is the success of Japan, the Asian Newly Industrialising Economies (NIEs) and Association of Southeast Asian Nations (ASEAN) that have in a way contributed to the dynamic revision in plans and policies for foreign investments in India, and the rest of the South Asian region in recent years."¹⁷ Meanwhile, international financial institutions prodded India indirectly to learn from the "East Asian miracle" as it came to be known and brought forth reports comparing Indian and East Asian economies.¹⁸

Politically, New Delhi started inclining towards the east also because

of the fact that there was a great deal of disillusionment on the ability and capability of South Asian Association for Regional Cooperation (SAARC) to become an effective regional institution. SAARC seemed to have become a battleground for sorting out bilateral issues rather than a platform for discussion on matters of regional significance. This stood in stark contrast to the ASEAN and APEC, which were fast emerging as viable regional institutions. The “Look East” policy also found offshoots in other initiatives like the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), Kunming Initiative and the Mekong Ganga Project.

It was then in 1994, during a visit to Singapore, that Prime Minister Narasimha Rao gave significant indications about New Delhi’s intentions to associate with East Asian countries increasingly. Efforts were made to connect with the Japanese as then Finance Minister Manmohan Singh told the Indian Embassy in Tokyo to establish direct links with the Japanese business community. Singh also spent two days meeting the big business houses of Japan and multinational corporations interested in investing in India.¹⁹ There was in many ways an abortive attempt at connecting with Japan during the nascent years of India’s “Look East” policy. As bemoaned by former Foreign Secretary J. N. Dixit, “Japan was identified as one of the most important sources of both investment and technology by the Government of India.”²⁰ A business delegation from Japan also visited India but only went back to give India a 21-point suggestion list in order for New Delhi to attract Japanese investments.²¹ Prime Minister Narasimha Rao’s sojourn to Japan in 1992 also did not yield any results and India began to focus more on Southeast Asian countries or the so-called “Asian tigers”. As noted by former Foreign Secretary J. N. Dixit in his memoirs, “... it was, and it is, clear that as far as Japan is concerned, relations with India occupy a secondary priority. Japan’s focus of attention in all dimensions of foreign relations, in terms of priorities, is first, relations with the United States and the West European countries and secondly, relations with China and Russia... Thirdly, focus on the countries in the ASEAN and Asia Pacific region. India figures in the Japanese scheme of things after these areas of attention.”²²

The ambit of India’s eastern outlook expanded in what came to be known as Phase II of the policy which was announced by former Foreign Minister Yashwant Sinha, “... I have said that we have entered Phase-II of

our “Look East” policy, which is both, more comprehensive in its coverage, territorially and materially. In terms of territorial expanse, besides the 10 countries of ASEAN, we are engaged with North East Asia, with Japan ... Therefore, when we talk of India-East Asia engagement, we are including this whole region.”²³

Even though the initial rationale for this eastward foray by India was economic, strategic imperatives also played a significant role in it. For India, Southeast and East Asian countries provide an avenue not just for economic integration but also strategic linkages. New Delhi has had increased defence exchanges, joint exercises, joint patrolling of sea lanes of communication and dialogues between security establishments of both sides. This was India’s response to what it viewed as China’s challenge to its interests in the Indian Ocean. For instance, the Indian Navy was called upon to participate in a multinational navy exercise in the Philippines named “Team Challenge” in 2002 involving Australia, Brunei, Indonesia, Japan, Korea, Malaysia and Singapore among others. What was significant was the fact that it was the first-ever exercise by the Indian Navy in the East Asian security region.²⁴ Similarly, India conducted joint passage exercises with the Japanese Maritime Self Defence Force in the East China Sea in October 2008.²⁵ The Malabar 2007 exercises, which also included trilateral exercises between the United States, Japan and India, were also a landmark event. The “extended neighbourhood” formulation encompassed both southeast and northeast Asia as well.

INDIA’S NUCLEAR TESTS 1998—THE JAPANESE RESPONSE

India’s nuclear tests evoked a sharp response from Tokyo and pushed bilateral relations to a nadir. The response—at two levels—was of course driven by domestic sensitivities and public opinion. At the bilateral level, the Japanese Diet passed a unanimous resolution condemning the test. Official dialogues were cancelled, new yen loans and grant aid to India were frozen, except emergency and humanitarian aid and grant assistance for grassroots projects. The government also decided to “cautiously examine” loans given to India by international financial institutions.²⁶ Even though some Japanese officials were quick to point out that Tokyo was only imposing “measures” as opposed to “sanctions” by other members of the international community, the cost and impact of these measures was of some consequence. At that time, Japan’s commitment to New Delhi in

terms of loans was to the tune of 133 billion yen, while 3.5 billion as grants was at stake.²⁷ The Japanese Ambassador to India Hiroshi Hirabayashi, was temporarily recalled. Expressing his anguish at the tests, Ambassador Hirabayashi later noted, "It (the test) was particularly perceived as a slap in the face by the Japanese people. To be frank, I was rudely shocked and felt betrayed by India, which I believed to be an anti-nuclear champion. Pokharan tests chilled our relationship to a great extent."²⁸

At the regional and multilateral level, Japan—a non-permanent member of the UN Security Council at that time also became one of the key countries which took a lead (joined by Sweden, Costa Rica and Slovenia) in formulating and proposing a UN resolution to condemn the nuclear test in June 1998. It also became known that an earlier draft of the resolution on the nuclear tests in the United Nations formulated by Tokyo had called for the need to address the Kashmir issue perceived to be the root cause of tension in the region.²⁹ A meeting of the Aid India Consortium to be held in Tokyo was cancelled. Tokyo also used the G-8 platform to raise concerns over the nuclear tests. As opined by Purnendra Jain, Japan's action was "swift and severe", "out of proportion", and "unnecessary",³⁰ and there seemed to be a lack of geopolitical calculation that India might act as a useful balancer to a rising China.

In contrast, when China conducted five nuclear tests in 1996, the Japanese reaction was mild in freezing grant aid only for a short while. Yen loans were not affected in this case. India rejected the Japanese and international response to the tests especially on the plea that Tokyo need not moralise on the nuclear issue, considering that it had a nuclear umbrella itself. A senior diplomat at the Indian Embassy in Japan wrote, "The Japanese government not only made no effort to check public reaction, but by being entirely dismissive of India's national security concerns, added to its intensity ... The language of demands, rewards and punishments, benchmarks and so on is reflective of a donor syndrome at its worst, a departure from the earlier history of good sentiments."³¹ Striking a similar note, Indian Ambassador to the United States, Naresh Chandra made this point clear in an interview where he stated that a "lecture from Canada, or Japan or Australia carries no weight. Those nations have nuclear guarantees, a nuclear umbrella."³² Bilateral ties received a further setback with the Japanese interest and inclination to mediate on the Kashmir issue. The then Japanese Prime Minister Ryutaro Hashimoto

and Foreign Minister Keizo Obuchi both referred to and highlighted the Kashmir issue and Japan's interest in participating to resolve it. Japan's neutrality during the Kargil crisis between India and Pakistan in 1999 also disturbed relations.³³

TOWARDS NORMALISATION AFTER THE TESTS

A decision to revoke the stringent measures taken against India was announced in October 2001, while expressing satisfaction over New Delhi's announcement of having a moratorium on conducting further tests. This came under the backdrop of the September 11 attacks on the United States. During Prime Minister Mori's visit to India in August 2000, he proposed a "Global Partnership"—a term which was used by Japan only to describe its relations with the United States. Japan's vision was to recognise "India as an important partner to work with not only for our respective peoples but also the world community at large."³⁴ The idea was to look at wide ranging international issues like UN reform, maritime security, joining hands to combat terrorism and environment. Stress was being laid on the responsibility of both countries to defend and spread the values of democracy and freedom. The value-based reference stood out in contrast to what China believed and practised. The visit became a starting point of what has since evolved into a fast maturing partnership. According to former Japanese Ambassador Hirabayashi, "There was an urgent need to put behind us the strained relations after India's nuclear tests. The visit was necessary to bring our bilateral relations on a new, higher dimension, not only for the promotion of our bilateral relations, but also for the benefit of the rest of Asia and the international community at large."³⁵

WHY THE CHANGE?

The turn of the new century brought India and Japan closer. A number of factors brought the two sides together. In order to put the international situation of that time in perspective, it might be useful to adopt George Modelski's "long cycles" macro-approach. In looking at the dynamics of global political system,³⁶ Modelski avers that global politics, as it were, follows a regular pattern of recurrence of transition or change. According to his thesis, world power transitions tend to occur every few hundreds of years. He stresses on the need for leadership in the world. It is then the

relationship between the leader and “challenger” which becomes one of the main components of the system. Each of the changes or transitions that occur is preceded by antagonism and challenge.

In the post-Cold War era, the United States emerged as the only country that had the prerequisites of a global power.³⁷ This happened following the collapse of the erstwhile Soviet Union, which was until then a challenger to the U.S. hegemony throughout the Cold War period. Meanwhile, there was a power transition in the offing in Asia. This power transition encompassed the arrival of a new challenger, China, on the horizon even as one of the most prominent U.S. allies and the world’s second largest economy, Japan, had begun facing a long period of economic stagnation from around the same time beginning in the early 1990s.

The Japanese economic bubble had burst in the year 1991 after a five-year period of boom and the “economic miracle” had started to wane to give way to what came to be termed as the “lost decade”. The average growth rate of the Japanese economy stood at 1.1 per cent.³⁸ That phase of Japan’s economic woes continues till present and has become even more complex and magnified with economic stagnation across the world. This was also the time when Japan started to expand its strategic horizons. It was the third largest military spender in the 1990s. The Gulf War of 1991 became a turning point in Japan’s policy. Stung by criticism from its ally the United States for what came to be termed as mere “chequebook diplomacy”, Tokyo passed the landmark International Peace Cooperation Law of 1992 allowing its Self-Defence Forces (SDFs) to participate in UN activities. Soon after, in 1997, Tokyo signed the U.S.-Japan revised guidelines envisaging an expanded role for Japanese forces in case of any contingency in the defence of not only its own territory but also in “areas surrounding it”. The third turning point came with the 9/11 attacks and the subsequent war on terror in Afghanistan and Iraq, when the SDF took a number of “first” steps enabled by the passage of domestic laws, which set up the legal framework towards that end.

On the contrary has been the rise of China beginning from this period. China had begun rising economically.³⁹ As the GDP growth figures clearly indicate in Table 2.1, China was ahead of Japan on this critical indicator.

TABLE 2.1
GDP (annual percentage)

Year	Japan	China	India
1991	3.3	9.2	1.1
1992	0.8	14.2	5.5
1993	-0.9	14.0	4.8
1994	2.2	13.1	6.7
1995	2.8	10.9	7.6
1996	2.6	10.0	7.6
1997	1.6	9.3	4.1
1998	-2.0	7.8	6.2
1999	-0.1	7.6	7.4
2000	2.9	8.4	4.0

Source: GDP (Annual %) from <http://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>

On the strategic and military front too, Beijing had started to flex its muscles. The 1990s saw the beginnings of what has come to be a rapid drive towards military modernisation. Critical events like the Taiwan Straits crisis of 1995–1996 catalysed a change in Chinese strategic orientation. There was a steady increase in defence spending during the decade. Of particular significance were the conscious efforts undertaken to modernise naval forces through acquisition of weapons, enhanced training and education of navy personnel and improvement in maintenance and logistics.⁴⁰ China is emerging as a challenger—regional power with considerable economic growth, substantial land army, sea power and less open society. The first two characteristics are explicit through readily available data. Furthermore, the Chinese society is also less open in some ways is becoming increasingly apparent. According to recent reports, for instance, the Chinese government has plans to impose new limitations on media and the Internet freedom. While television channels have been directed to restrict entertainment programmes and include state approved news in their telecasts, there are guidelines even for the Internet users.⁴¹ It seems no coincidence that such moves have also been influenced by developments in other parts of the world where regimes and heads of state and governments have been challenged by the civil society in “revolutions” fuelled and spread through usage of social

networking sites and the Internet. All these developments had and will continue to have long-term implications for balance of power in Asia.

The year 1991 also became a precursor for the rise of another Asian country—India. As mentioned earlier, India had just opened up its economy and had begun to move beyond the “Hindu growth rate” which had been plaguing the economy.⁴² The economic shift was followed by a political and strategic move from non-alignment to relative pragmatism. India today has a formidable armed forces trio with a navy aiming to be a “blue water navy”. However, despite all these factors, India could perhaps best be described as a “limited challenger”. Despite the economic development and progress, there are a number of parameters that tend to have a pull-down effect on India. Problems like lack of infrastructure, corruption, income disparities, poverty and lack of education and health facilities continue to take a toll on growth.⁴³

The visible change in India’s foreign policy and its nuclear power status along with the wider ambit of its “extended neighbourhood” policy encouraged more interaction with neighbours in the east. There was also the concurrent reality of India as a fast growing economy. The recognition of India’s emergence as an economic powerhouse became evident. In a *Yomiuri Shimbun* poll taken in July 2006, as many as 20 per cent of Japanese chose India as the third most important country in the future of world economy after China and the United States.⁴⁴ The warming up of Washington’s relations with New Delhi especially since the late 1990s also led Japan to take a more positive note of India. The 2002 U.S. National Security Strategy called for close ties with India for a “strategically stable Asia.”⁴⁵ Besides, there seemed to be some realisation trickling in Japanese strategic community on the ability of India’s nuclear status to balance China in some way. The terrorist attacks in the United States also kindled the Japanese urge to assist India and the region in its combat against terrorism. Lastly, Japan started recognising the advantages of bringing New Delhi in its fold especially in inter-government institutions mushrooming in the region.

There is, today, a possibility that the United States will find itself facing China as a rival or challenger. China seems to possess some of the distinct features of a “challenger” to the existing status quo in Modelski’s scheme of global politics. According to Modelski, challengers (like China) contest for global leadership and appear to be threat-

ening “because of being centrally situated and continental, capable of exerting pressures in several directions, and needing to be contained by a far flung coalition”.⁴⁶ It has been argued that the United States is increasingly engaging India in South Asia as well as encouraging its ally Japan to move closer to New Delhi in order to balance China in the region. In fact, there was even a proposal by former Japanese Prime Minister Taro Aso for a strategic quadrilateral involving the United States, Japan, India and Australia. However, the idea finally did not see the light of the day, because none of the proposed countries wanted to be seen as being involved in an anti-China coalition. However, in analysing India-Japan relations in the following sections, it becomes clear that maintenance of balance of power against China is not the sole driver of foreign policy or variable bringing the two sides closer. There are other factors that have generated cooperation. The next section builds on some of these issues and attempts to earmark the drivers bringing India and Japan closer.

Endnotes

1. Aaron Friedberg, “Asia’s Past, Europe’s Future”, Johns Hopkins School of Advanced International Studies, Policy Forum Studies No. 3, October 1998, as cited in Robert A. Manning and James J. Przystup, “Asia’s Transition Diplomacy: Hedging Against Futureshock”, *Survival*, Vol. 41, No. 3, Autumn 1999, p. 44.
2. As cited in Manning and Przystup, *Asia’s Transition Diplomacy*, p. 44.
3. The Sino-Japanese friction over the interpretation of history arises out of their varying and conflicting perceptions of wartime history. Differences continue to persist on many issues like the number of deaths and intermittently over how that phase of history has been described in school textbooks. The Chinese allege that some school textbooks have a watered down description of so called ‘Japanese atrocities’. Moreover, problems have also happened over the visit of Japanese leaders, especially former Prime Minister Junichiro Koizumi to the controversial Yasukuni Shrine. The shrine apotheosises and deifies Japanese soldiers and is perceived as a sign of Japanese nationalism and latent militarism.
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10. GNP Per Capita (now known as GNI Per Capita) Atlas method from The World Bank Data. Retrieved from <http://data.worldbank.org/indicator/NY.GNP.PCAP.CD?page=3> on 5 October 2011.
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32. Ambassador Naresh Chandra in an interview with San Diego Tribune, 4 April 1999, as cited in footnote 34, Limaye, “Tokyo’s Dynamic Diplomacy”, p. 339.
33. According to Takako Hirose, the Japanese statement noting “We are not in a position to say who is responsible for it” gave the impression that Tokyo was favourably tilted towards Pakistan, as cited in Takako Hirose in V. R Raghavan (Ed.), *Asian Security Dynamic: US, Japan and the Rising Powers* (New Delhi: Promilla and Co. Publishers, Bibliophile South Asia, 2008), p. 67.
34. Hirabayashi in Kesavan, *Building a Global Partnership*, p. 26.

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43. Some of these problems have been discussed in a report brought out by the London School of Economics entitled 'India: The Next Superpower?' in 2012. For the report go to <http://www2.lse.ac.uk/IDEAS/publications/reports/SR010.aspx>
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THE DRIVERS

A number of changes in the international arena as well as the domestic front in both India and Japan became drivers bringing India and Japan closer. Of course, the most prominent among these factors was the rise of China and the effort of all countries in Asia to accommodate as well as formulate their posturing as a response to Beijing's unprecedented ascent. However, it is to be noted that apart from the rise of China, there was a number of other variables that have bolstered the bilateral relationship—of which the historical and cultural bonhomie, economic complementarities and positive public opinion can be mentioned.

COPING WITH CHINA'S RISE

The likely emergence of China and India, as well as others, as new global players—similar to the advent of a united Germany in the 19th century and a powerful United States in the early 20th century—will transform the geopolitical landscape ... the 20th century may be seen as the time when Asia, led by China and India comes into its own. A combination of sustained high economic growth, expanding military capabilities, and large populations will be at the root of the expected rapid rise in economic and political power of both countries.

– “Mapping the Global Future”, Report of the US National Intelligence Council's 2020 Project, December 2004

Much of the literature on India-Japan relations cites China as the primary driving force bringing the two sides together.¹ The question which remains to be addressed is whether this is solely due to the stimulus

arising out of the ascent of China. While there is little doubt that the power shift in Asia arising out of the rise of China is a primary driver finding resonance in almost every aspect of India-Japan relations, it is no longer the only factor. However, considering that this is a critical driver, a detailed analysis of the same would be helpful.

The situation in the region and attempts to decode India-Japan relations in Asia could best be done through the lens of the power transition theory enunciated by A. F. K. Organski and Jacek Kugler who have discussed the impact of the alteration of the existing status quo in international system—given a situation whereby a dominant and satisfied state is threatened by a dissatisfied challenger. Such a “challenger” to the system aspires to alter the status quo of the dominant country. In introducing the power transition theory in 1958, Organski described international status quo and order as follows:

A powerful nation tends to set up a system of relations with lesser states which can be called an “order” because the relations are stabilised. In time, everyone comes to know what kind of behaviour to expect from the others, habits and patterns are established, and certain rules as to how these relations ought to be carried on grow to be accepted by all parties ... Certain nations are recognised as leaders ... Certain nations are expected to support other nations.²

Later, Kugler and Organski described status quo as “rules that determine ‘the way goods are distributed in the international order’”.³ The dominant state is bound to resist such an alteration and challenge to its supremacy. Furthermore, the power transition theory also professes that:

The measure of the power of a country lies in its internal growth. Power parity between the dominant and challenger state combined with dissatisfaction is likely to become a cause for war. On the contrary, a dissatisfied, but weak country need not be feared. Besides, a country on the ascent which is satisfied with the existing status quo is also not likely to become a challenger even if it achieves some kind of power parity with the dominant power because it does not perceive of any profit through contention.⁴

A calculus of dissatisfaction of the challenger is the content of its alliance portfolio, which represents a different view of the status quo from that of the dominant state. Another measure of the discontent of a challenger is its unprecedented military build-up aimed to be at par with that of the dominant state.⁵

China and India are rising in Asia as robust economic powers gaining considerable political clout as well. Both are nuclear powers. At the same time, Japan has a presence as the world's third largest economy combined with a pacifist strategic culture.⁶ Japan's foreign and security policy is, however, undergoing change in hues as Tokyo attempts to find its rightful place in the international community. Tokyo's altered posture and attempts at making its presence felt come through clearly even in its dealing with Washington as the two sides are struggling to come to an understanding on the relocation of American bases in Okinawa. The Japanese government headed by Prime Minister Yukio Hatoyama had unequivocally called for a more equal alliance with the United States.

In a scenario where the world watches the rise of India and China, there are growing concerns over what Beijing's military modernisation and economic buoyancy would translate into. With its robust GDP estimated to stand at nearly US\$6.989 trillion as per 2011 estimates,⁷ China's internal growth is unquestionable, even though its sustainability may be arguable. China's GDP is predicted to surpass that of the United States by 2027.⁸

The perception of China's surfacing as a fairly dissatisfied "challenger" to the U.S.-led or dominated world order can be felt at two levels. This dissatisfaction can be deciphered from its alliances with countries like Pakistan, Myanmar and North Korea as against preponderant Washington's close relations with Tokyo and rapidly developing intimate ties with India in China's periphery. A recent example of this has been China's recent decision to export two nuclear reactors to Pakistan. Chinese officials stated that the export to Islamabad was acceptable in view of developments like the U.S.-India nuclear deal and the waiver from the Nuclear Suppliers Group for India in 2008.⁹ Beijing has also indirectly challenged Washington by setting up organisations like the Shanghai Cooperation Organisation (SCO). Robert Kagan perceives of the SCO as an "authoritarian camp" and a Chinese vehicle to expand their influence in Asia.¹⁰ Furthermore, Beijing has been feverishly building up as well as modernising its military. It also possesses a formidable sea power—an essential pre-requisite for a challenger, according to Modelski. What also makes China's so-called dissatisfaction a bit more difficult is the fact that it is a non-democratic state with similar allies, even as it does not share belief in the existing neo-liberal international order. Such a pre-condition

is considered to make the dyad have an increased proclivity towards war according to the power transition theory. The vision of the United States, on the contrary, is that of an Asia under American influence. The presence of alliances and forward deployed troops in the region are the tools employed for the purpose.

In comparison, India's rise does not seem to be as worrisome for most countries in the world. Sumit Ganguly attributes this to three reasons—one, because New Delhi does not seek to form a global coalition that wishes to challenge the existing international order. India has, in fact, been forming issue-based ties even with countries like China. The climate change issue at Copenhagen became one such example. Two, India seems to have accepted the existing neo-liberal global order. Lastly by virtue of being a democracy, the threat and possibility of the country going to war scales down drastically.¹¹ The possibility of authoritarian states of going to war is perceived to be more as compared with democracies. Besides, India also has to catch up with China in many ways—especially economically apart from managing several internal challenges it faces.

Is the situation in Asia then “ripe for rivalry” (or for a “global war” as theorised by Modelski) as it would be in case the power transition theory is applied? The answer is at once impossible and risky to arrive at. There have been and could be instances in the future where Beijing chooses to respond aggressively, as in the case of the Taiwan Straits problem or a disturbance on the Korean peninsula. Beijing's reaction of firing missiles into waters near Taiwan in March 1996 was a reflection of its aggressive posturing on the issue. There have also been instances in the past when China has chosen to react strongly when faced with a difficult situation. The EP3 incident of 2001 involving an American plane being forced to land in Hainan after accidentally colliding with a Chinese aircraft was one such case. More recently, in March 2009, Chinese boats manoeuvred closely and aggressively in the South China Sea in front of a U.S. Navy Surveillance ship forcing it to take emergency action. China accused the U.S. navy ship of spying. President Obama responded by ordering the dispatch of heavily armed destroyers to escort the ship in the area.¹² China has also been locking horns with Washington over re-valuation of its currency—the yuan—and convertibility to the U.S. dollar, as well as over the censorship of the U.S.-based company Google.

Nonetheless, there could be three reasons why this might not translate

into war. One is that despite making rapid strides and having an obvious ambition to attain great power status, Beijing still has miles to go. Significant indicators of this are China's GDP per capita of US\$8,400 as compared with that of the United States pegged at US\$48,100 in 2011.¹³ Similarly, there is still a noticeable difference in the military spending of Beijing and Washington at US\$114,300 million¹⁴ and US\$687,105 million for 2010¹⁵ respectively. At the same time, there is no doubt on its claims for regional level leadership role. Two, because countries like the United States, India and Japan have been in the process of "hedging" through creating a network of not necessarily alliances but close enmeshment of relationships to ensure that in case China's rise becomes unmanageable and dangerous, they have a leverage over Beijing. It has to be noted with some urgency here, that China is *not* the singular base on which the superstructure of India-Japan relations is being envisaged to have been built. A healthy and dense bilateral relationship will, however, surely cushion China's weight and impact on the region. After all, nobody can wish away the reality that China is geographically contiguous with both countries—making it effortlessly one of the most critical common denominators in Indian and Japanese foreign policies. Thirdly, and equally vitally, a war becomes a difficult proposition because of the fact that both China and India are nuclear powers. This by itself might prove to be an effective deterrent against going to war. Nuclear deterrence has been at work effectively in South Asia (India and Pakistan for instance) and China.

An anomaly underscores India and Japan's position in the region vis-à-vis China. On the one hand, there is a certain caution and wariness shrouding their views on China and on the other is the rich economic opportunity as well as deep ties of inter-dependence, which bind them with Beijing.

HOT ECONOMICS, COLD POLITICS: ISSUES IN TIES WITH CHINA

The metaphor of "hot economics, cold politics" has been used to paraphrase Japan-China relationship for long.¹⁶ However, this is an apt summarisation even with regard to India-China ties. Both Japan and India have to deal with the reality of their thriving economic relations with China, as juxtaposed to cold political and security relations. Between Beijing and Tokyo, there have been frequent eruptions of tensions over a number of issues including the Yasukuni Shrine issue, textbook row over

interpretation of history and alleged Chinese incursions into Japanese waters. At the same time, Japanese engagement of China is clearly visible in its lukewarm reaction to the Chinese nuclear tests (despite the fact that the test greatly worried Tokyo) as well as its leniency towards Beijing following the Tiananmen Square incident.¹⁷ On the contrary, economic exchanges are vibrant between the two countries. In the year 2004, China surpassed the United States as Japan's largest trading partner.¹⁸

Similarly, India has keen interest in having good neighbourly relations with China, which is a promising market. China is India's second largest trading partner for the year 2010–2011 according to the Economic Survey of India 2011.¹⁹ Political and strategic problems continue to exist. Although bilateral relations have been termed as a "Strategic Cooperation and Partnership for Peace and Prosperity", parallel runs the reality of disputed boundaries, the problem over the Chinese nexus with Pakistan and North Korea all of which threatens to make relations somewhat uneasy. Stephen Cohen notes, "... Beijing must be wary of any dramatic increase in Indian power ... To counter these contingencies, China has long pursued a classic balance of power by supporting Pakistan."²⁰ Another instance this became evident was when China supported Pakistan in its quest for a seat in the UN Security Council. Chinese Foreign Ministry spokesperson Jiang Yu stated that Beijing was in favour of Islamabad playing a more active role in maintaining peace and security. There were speculations that Pakistan made this bid with China's encouragement.²¹ Prof. Cohen goes on to add that "Beijing has supported India's separatist and autonomist groups within India, while remaining an authoritarian state. Indians understand that China is scornful of its "soft" democracy and has acquired a substantial lead over New Delhi in economic capacity and weaponry."²² Beijing's backing of Islamabad has been perceived in India as well as outside as a form of "containment" of New Delhi. The significance of this "all weather friendship" lies in the extent to which it has gone in terms of the transfer of nuclear weapons capability from China to Pakistan. Pakistan has also been projecting its close ties with China when its ties with the United States have become embittered. In 2011, the United States expressed displeasure and discontent over Islamabad's efforts and contribution to its war on terror in Afghanistan. At this time, Pakistan Prime Minister Yusuf Raza Gilani was quick to refer to Beijing, "We are true friends and we count on each other."²³

India and China are both trying to make inroads into Africa. At closer quarters, Chinese influence in neighbouring Myanmar as well as the looming Tibetan problem has embittered relations with India. A number of Indian strategists has also warned about what is termed as the Chinese “string of pearls” strategy²⁴ meant to acquire a chain of naval nodes *en route* the sea-lanes of communication in the Indian Ocean. This includes countries like Myanmar, Bangladesh, the Maldives, Pakistan and now Sri Lanka.

INDIA AND JAPAN RESPOND CAUTIOUSLY

India and Japan have been “hedging” and coming closer at two levels—the bilateral and regional. At the bilateral level, ties saw an upswing and a gradual, staggered and pyramidal build-up of relations from that of benign neglect till the end of the twentieth century to a “Strategic and Global Partnership” today. Both countries have a security arrangement in place in the form of a “Joint Declaration on Security Cooperation between India and Japan”²⁵ signed in October 2008, even as political ties have been vibrant. At the same time, India is one of the topmost recipients of Japan’s Official Development Assistance (ODA). At the regional and multilateral level, India and Japan have been actively and openly supporting each other. The most recent example was Japan’s support to India’s membership of the East Asia Summit (EAS) much to the Chinese chagrin. Japan is also an observer in the South Asian Association for Regional Cooperation (SAARC). At the multilateral level, both countries have vociferously supported each other’s claim to a permanent seat in the UN Security Council. Also emerging are the areas of non-traditional or functional cooperation like energy, anti-piracy efforts, environment and disaster relief which are fast becoming critical factors in bilateral and multilateral cooperation.

In the midst of all this careful and meticulous hedging against the rise of China, both the actors have ensured that China is not antagonised and remains actively engaged and involved in the region. The Armitage-Nye Report made this quite explicit with regard to New Delhi in stating, “Washington and Tokyo have both qualitatively improved their respective relationships with India. However, both should move forward based on the assumption that India will not act as either Japan’s or the United States’ counterweight against Beijing, mindful that India has its own

synergies with China. New Delhi is cautious with respect to Beijing and is not interested in raising tensions with China.²⁶ Another analyst opines, "... the growth in China's power is going to loom large in India's imagination. But its response is not likely to go down a path of frontal confrontation, or even an attempt to match Chinese power. It will try and incrementally improve its deterrent capabilities, but not engage China in an Asia wide competition. Its policies will be more a combination of wariness and accommodation."²⁷

The fizzling out of former Japanese Prime Minister Shinzo Abe's proposed "strategic quadrilateral" was symptomatic of this attitude. Although there was a preliminary meeting of the proposed "strategic quadrilateral" comprising India, Japan, Australia and the United States in Manila in 2007, there was a reason why it did not see the light of the day. China had made its displeasure explicit in sending diplomatic demarches to Tokyo, Washington, New Delhi and Canberra.²⁸ In 2007, the Kevin Rudd administration of Australia unilaterally announced that it would not be part of the proposed quadrilateral. What was of particular interest was the fact that an announcement to the effect was made by the then Foreign Minister Stephen Smith in the presence of his Chinese counterpart which made it seem like a way of pleasing Beijing. India was also clearly not very enthusiastic about such an arrangement.²⁹ This is primarily due to an overall Indian reluctance to be part of alliance systems. Similarly, former Japanese Prime Minister Taro Aso's value-based proposal of the "arc of freedom and prosperity" was also not followed up with enthusiasm. Similarly, both India and Japan are comfortable with ASEAN taking the driver's seat in regional mechanisms as they are perceived as "neutral players". India would not like to be drawn into an anti-China coalition.

INDIA AND JAPAN: FOREIGN POLICY ALTERATIONS

India's foreign policy has unarguably moved on far beyond romanticism and moral and value based rhetoric to more *realpolitik* based outlook. The trajectory of much of India's foreign policy has been based on the Nehruvian tradition which combined "liberal institutionalism and the idea of a strong state, including its domination of the 'commanding heights' of the economy".³⁰ With a somewhat sceptical view of the United States, Nehru admired the Soviet economic model.³¹ The war with China

in 1962 shook Nehru and made him re-examine the “element of unreality” in its China policy and rethink foreign policy in general.³² The most critical factor conditioning Indian foreign policy today is the fact that in order to pursue its growth and economic development, it requires a stable international and regional environment. Prime Minister Manmohan Singh has said that foreign policy “must change from time to time” to meet the emerging challenges such as access to markets, sources of energy and investment and advanced technology.³³ The key notion of economic development in foreign policy is apparent and can be found to be present in what has come to be termed as the Manmohan Singh doctrine. The main features of the doctrine are as follows—

- Growing weight of India’s economy as a factor shaping its role in world affairs
- Improvement of relations with all major powers on the basis of economic growth
- Positive impact of India’s economic globalisation on regional integration in the region and bilateral ties with neighbours
- Recognition that with an open society and economy, bridges can be built with the world with value based credentials like secularism, democracy and liberalism³⁴

There are, of course different shades of opinion on the nature of, and extent to which Indian foreign policy become realist in nature. According to Pratap Bhanu Mehta, “India’s engagement with other countries has seldom been driven by the imperative of balancing another power.”³⁵ According to him, India has also kept itself away from forging alliances in the pursuit of balance of power.³⁶ At the other end of the continuum are others who argue that India is actively balancing China and is gradually going to take on traits of a great power. C. Raja Mohan has noted that, “When it comes to facing a rising China, India’s tendency to engage in regional balancing with Beijing has not come to an end with the proclamation of a strategic partnership ... As India starts to recognise that its political choices have global consequences, it will become less averse to choosing sides on specific issues. Alliance formation and balancing are tools in the kits of all great powers—and so they are likely to be in India’s as well.”³⁷

Regardless of the debate over where Indian foreign policy could be positioned on the theoretical continuum, there is little doubt that

it has become pragmatic. Perhaps the key indicator to this change in India's shying away from "hard power" came with its nuclearisation in 1998. India's test did not really take place as a fallout of a nationalistic government or as an expression of status. It was a step India considered necessary in the light of American extension of the NPT and attempts at conclusion of the CTBT. The nuclear status was also regarded as a critical cushion against China's nuclear power status.³⁸

Another foreign policy orientation bolstered an extension of the geographical ambit of India's foreign policy. This was the notion of attention towards an "extended neighbourhood"—a term which started being increasingly used by the government from the mid 1990s—a way of breaking away from the "claustrophobic confines of South Asia."³⁹ The intended region encompassed an area stretching from the "Suez Canal to the South China Sea and includes within it West Asia, the Gulf, Central Asia, Southeast Asia, East Asia, the Asia Pacific and the Indian Ocean Region."⁴⁰

Japan's post-war foreign and security policy has, over the years been centred around the U.S.-Japan security alliance. However, unlike India, Japan's foreign policy is said to have been more "pragmatic" and "opportunistic". As noted by prominent Japanese historian Akira Iriye,

The Japanese government's foreign policy for a long stretch of time has been pragmatic and does not unfold according to fixed ideas and principles. The government's foreign relations are not controlled by ideology or an ethical view; rather, it is exclusively through the pursuit of the fundamental concept of national interest.⁴¹

For Japan, like all other countries, the post-Cold War Asian balance of power structure was unclear. What was vastly different was the fact that Tokyo was not too comfortable and familiar with the presence of so many fast rising and developing neighbours. The nature of the challenge this reality posed to the Japanese made it difficult for them to formulate their foreign policy towards these countries. Japan's unique strategic culture also naturally translates into a distinctive foreign policy tool. That is, the use of military instruments takes a back seat, while foreign policy and national interests are taken care of through economic means—aid, trade and foreign direct investment, even as there is an increasing attention being paid towards the "noodle bowl" of regional institutions existing in the region.

The rise of China in the post-Cold War era stood out in an even more magnified and exaggerated way because of Japan's own economic

problems. There was a dramatic shift in Japan's economic engagement with Beijing. From being one of the largest recipients of ODA, China has become Japan's largest trading partner and one of its major investment destinations. Tokyo announced in 2005 that Beijing would not receive yen loans from 2008. Moreover, domestic political changes were tipping the normal one-party dominated system with the Liberal Democratic Party (LDP) beginning to decline in clout. Matters came to a head in 2008–2009 when the LDP was routed to make way for a new coalition led by the Democratic Party of Japan (DPJ).

The significance of India in Japanese foreign policy in view of China's rise was articulated by former Deputy Chief of Mission Wataru Nishigahiro to the embassy in India, "The relationship with India is important, partly because of the factor of emerging China. We are not confronting China, but we have to manage the relationship with China carefully. And in that process, our relationship with India becomes more meaningful."⁴²

THE U.S. FACTOR AS A DRIVER

The United States is closely involved in Asia—both in its own right and through its so-called "hub and spokes" system of allies like Japan and South Korea. Washington has been engaging New Delhi consistently in the period from the late 1990s. The 2002 National Security Strategy formulated by the United States called for closer ties with India which could in turn help Washington to create a "strategically stable Asia."⁴³ Another article on the growth of India-U.S. relations notes: "China is a central element in our effort to encourage India's emergence as a world power ... But we don't need to talk about the containment of China. It will take care of itself as India rises."⁴⁴ The two sides also signed the Next Steps in Strategic Partnership (NSSP) in 2004. The bonhomie continued even after the September 11 attacks and perhaps saw a peak with the signing of the Indo-U.S. nuclear deal in 2008.⁴⁵ The deal allows India (not a member of the NPT) to receive international civilian nuclear cooperation, on the condition that New Delhi makes certain commitments, including a safeguard agreement with the International Atomic Energy Agency (IAEA).

The U.S. factor cuts both ways when it comes to India-Japan relations. On one hand, Washington finds it advantageous to use its allies in the region to balance China in a certain way and is encouraging countries

like Japan and India to come closer as an effective soft countervailing hedge to China's rise. In summary, the United States would not want a principal regional power in Asia, more so Chinese hegemony. As noted by Joseph Nye, "We wanted to integrate China into the international system by, say, inviting it to join the World Trade Organisation, but we needed to hedge against the danger that a future and stronger China might turn aggressive...This strategy of 'integrate, but hedge' continued to guide American foreign policy."⁴⁶ This was clearly reflected in the Joint Statement of the U.S.-Japan Security Consultative Committee meeting in 2011 which stated an alliance common strategic objective that both sides "welcome India as a strong and enduring Asia-Pacific partner and encourage India's growing engagement with the region and participation in regional architectures ... [The idea is to] promote trilateral dialogue among the United States, Japan and India."⁴⁷

On the other hand, despite the alliance with Washington, Japan is also well aware of occasional oscillations and deviations with regard to U.S. policy towards China. This brings in even more urgency among sections of the Japanese decision-making circles to identify other partners as allies. The alliance has indeed not been without frictions. Apart from the ongoing scuffle over location of U.S. bases in Okinawa, the "Nixon Shocks" of 1971 and later Clinton's so-called "bypassing of Japan" made Tokyo scurry to re-invigorate the alliance structure. It also realised the benefit of joining hands with countries like India, which seem to be emerging as some kind of balancers against China. The fear of being abandoned has surfaced from time to time among the Japanese. As opined by prominent Indian strategic commentator C. Raja Mohan, "The United States, Japan and a number of other key regional actors have begun to view India "as a net security provider" in the Western Pacific ... drawing India into a strategic partnership, Japan believes it has a better chance of coping with the unfolding re-distribution of power in the region. India, in turn sees huge strategic complementarities with Japan."⁴⁸

WHAT ELSE DRIVES INDIA-JAPAN RELATIONS TODAY?

Apart from the larger drivers pushing India and Japan closer are other issues bringing the two sides together. There is a certain realisation between both sides that they share a number of areas of common concern. There is, therefore, a resultant cooperation in areas including safety and security of

sea lanes of communication, a permanent seat in the UN Security Council.

Two, there are economic complementarities between both countries with India's human resource capital and manpower complementing Japanese "money power" and technical prowess. Japan's ageing society is a severe problem today and the country lacks young and active workforce. India's abundant cheap and skilled workforce can make up for this gap.

Third is the oft-mentioned value based connectivity—democracy, freedom and human rights which combine with rich cultural and historical links. The legacy of history has perhaps become the most important variable which continues to eat away and corrode Japan's ties with most of its Asian neighbours. Tokyo has had problems with Asian neighbours like China and South Korea over the history issue with offshoots in the Yasukuni Shrine issue, the textbooks issue and differing positions over the Nanjing "massacre" and wartime history. The fact that there is no such historical irritant with India makes it easier for the two sides to work towards building the relationship further.

A positive public opinion has only bolstered bilateral relations between India and Japan. This holds true at two levels—among the leaders and policymakers as well as public opinion. Japanese Prime Ministers like Mori, Koizumi and Shinzo Abe have contributed to furthering bilateral relations to a great extent. Abe even went to the extent of noting in his book *Towards a Beautiful Country*, that it will not be surprising if in another 10 years' time, Japan-India relations overtake Japan-U.S. and Japan-China relations." Even though such a projection might sound implausible considering the relative geographical, political, economic and strategic vitality of Beijing in Japan's foreign policy, even if a part of it comes true, India-Japan ties are in for a drastic improvement. According to a public opinion poll on Japan conducted in India, as many as 76 per cent of Indians believe that relations with Japan are excellent or good, while as many as 58 per cent rate Japan as a reliable friend of India. There is also a positive image of Japan as a "technologically advanced and economically strong country" among Indians.⁴⁹

Although India-Japan relations have much to achieve, the history of their ties amply demonstrates that the roots of relations run deep. The cultural historical links arising out of anti-colonialism and the ideas of Pan-Asianism developed and propounded by intellectuals on both sides were not only mutually admired but also encouraged. The trajectory of bilateral

relations has not been without troughs. In fact, India-Japan relations actually picked up only after touching a nadir in 1998 following India's nuclear tests. The post-Cold War period has accorded many reasons and arenas for Tokyo and New Delhi to join hands. The recent change on Japan's political centre stage with the coming of the DPJ government initially seemed to have taken the focus away from India. Apprehensions were laid to rest with Prime Minister Hatoyama's visit to India in December 2009.

Endnotes

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STRATEGIC AND POLITICAL RELATIONS

The political and strategic variables have perhaps been the highlight of the way bilateral relations have evolved between India and Japan after 2000–2001. Not only has there been a regularisation of high-level political visits, but also a distinct realisation of overlapping consequential areas of common concerns and interests. A regular and incremental augmentation of ties to a “strategic and global partnership” exhibits this realisation, as also drawing up of action plans to achieve the same. The India-Japan Joint Declaration on Security Cooperation 2008 along with a well-laid-out and formulated action plan to achieve it is perhaps one of the most significant outcomes of this pattern of engagement by both sides. The action plan envisages foreign-minister level strategic dialogue, regular consultations between the National Security Advisor of India and his Japanese counterpart, an annual 2+2 subcabinet senior officials dialogue and annual comprehensive security dialogue apart from robust defence cooperation. Reciprocal high-level visits between the heads of state have been regularised. The India-Japan security agreement is indeed a momentous milestone in bilateral relations between the two Asian giants, being only the second of its kind similar to what Tokyo has signed with Australia.

There are clearly some prominent areas of common concern and action in the security arena—maritime security, the threat of terrorism and spread of weapons of mass destruction, disarmament, UN peace-keeping operations as well on the political front like the common quest for a permanent seat in the UN Security Council. Both sides have stakes

in regional institutional platforms like ASEAN-led mechanisms, SAARC and more recently the East Asia Summit. What has also been critical is the regularisation of high-level political exchanges in the past decade.

MARITIME SECURITY

Maritime security has acquired increasing significance not just as an issue in itself involving countering piracy and safety of sea-lines of communication (SLOCs), but also because of its inseparability with energy security. More intrinsic and central to the maritime security of India, Japan and China is the fact that all of them have vast coastlines that need to be protected.¹ The geographically endowed vulnerabilities as well as dependency of both India and Japan in the maritime arena are therefore unarguable. At the same time, India's location can be considered to be prime to the extent that the sea transport routes passing through the Indian Ocean and connecting Japan and Southeast Asian countries with the Persian Gulf turn it into a "natural sentry" guarding these traffic flows.²

India's energy security scenario remains unpromising as of now. Two things stand out prominently—one, the Indian demand for basics like electricity as well as developmental needs have to be fuelled by energy supplies, which are currently lagging behind demand. The annual Indian growth rate which has been hovering around seven to nine per cent cannot be sustained or increased without such an uninterrupted supply of energy. Two, considering that its internal resources do not suffice and in fact fall rather short of the demands, the dependence on external sources is critical. According to the Indian government, as much as 30 per cent of India's total energy needs have to be met through imports.³

India's energy supplies are largely sourced from the Middle East as well as now from Africa. Official statistics show that 67.43 per cent of India's oil imports come from the Middle East and two-thirds of it comes from four countries—Saudi Arabia, Kuwait, Iran and Nigeria.⁴ As much as 97 per cent of India's trade is sea-borne. This is due to the fact that there are three major barriers to land-borne transit—natural causes (the Himalayan range across the northern region), neighbouring countries of Pakistan and Bangladesh and insurgency. Hence, there is no doubt about the criticality, vulnerability and dependence of the need for energy as well as the maritime route in India's case.

Japan, too, is one of the leading consumers of energy supplies and is not merely dependent on the sea route in terms of its energy quest, but also for a steady supply of raw materials, metals and also export of its manufactured goods. As an analyst aptly points out, “Shipping performs the function of a conveyer belt for Japan’s economy, drawing in energy, raw materials and food from around the world and distributing manufactured products to overseas markets.”⁵ Japan has experienced the perils of disruption in the maritime route when its tankers came under attack during the 1990–1998 Iran-Iraq war. Being an island state, Japan depends on the sea route for its energy and food supplies. 92 per cent of Japan’s oil comes from West Asia and Africa.

With the presence of Japan—a prominent consumer of energy, along with India and China, fast emerging as frontrunners in terms of share of energy consumption, the Asian energy template becomes complicated. The energy demand from India and China is clearly set to multiply. It will, therefore, mean not just competition for resources, but also a stress on their safe passage to the recipient countries.

In Asia, India, Japan and China are all dependent on the maritime route, especially the sea lanes passing through the two prominent choke points—the Strait of Hormuz and the Southeast Asian Malacca Strait which together actually handle more than 60 per cent of oil transits. Any alternative to the chokepoint would entail both financial repercussions and time delays.⁶

The Strait of Hormuz is only 21 miles wide and is a critical channel for oil supplies sourced from the Persian Gulf nations (like Saudi Arabia and Iran) to Japan (75 per cent of Japanese oil imports pass through this route), the United States and other Asian countries. It connects the Persian Gulf to the Indian Ocean. Similarly, the Malacca Strait has a width of 1.7 miles at the narrowest point and is the passageway for oil from both the Middle East and West Africa heading for these Asian countries.⁷ The Malacca Strait is especially prone to piracy and terror attacks.

The threats to SLOCs are from various quarters—blockades, political instabilities in the neighbouring countries, mines, oil spills from accidents, pirate attacks and now terror attacks.⁸ Radical Islamists have identified and recognised the targeting of oil facilities as a legitimate means of economic *jihad*. Osama Bin Laden openly threatened to open “new fronts for the attrition of the economy of the West”. In 2006, the

al Qaeda issued a book which justified targeting of oil pipelines and workers, but prohibited attacks on oil wells and fields.⁹ Terror attacks are more likely to be focused on transit facilities because of the difficulty in protecting them and hence the need to secure these routes assumes significance.

The aforementioned facts clearly illustrate the criticality of the safety of SLOCs for both India and Japan. The Indian Navy and its Japanese counterpart, the Maritime Self-Defence Force, have been cooperating closely—both at the multilateral and bilateral levels. Perhaps the starting point for the two sides was the rescue of the Japanese vessel *Alondra Rainbow* from pirates by the Indian Navy in 1999. The two sides have had joint exercises like Malabar 2007 and 2009 along with the United States. As many as 4,000 personnel were involved in the exercise with the idea to execute anti-submarine warfare, surface warfare and other kinds of training and exercises. In June 2006, India ratified the Regional Cooperative Agreement for Anti-Piracy (ReCAAP) initiated by Japan, which entered into force three months later. The member countries' aim is to respond to piracy through an information-sharing centre at Singapore. Clearly, there would be much more scope for cooperation as Japan loosens its constraints on the Maritime Self-Defence Forces.

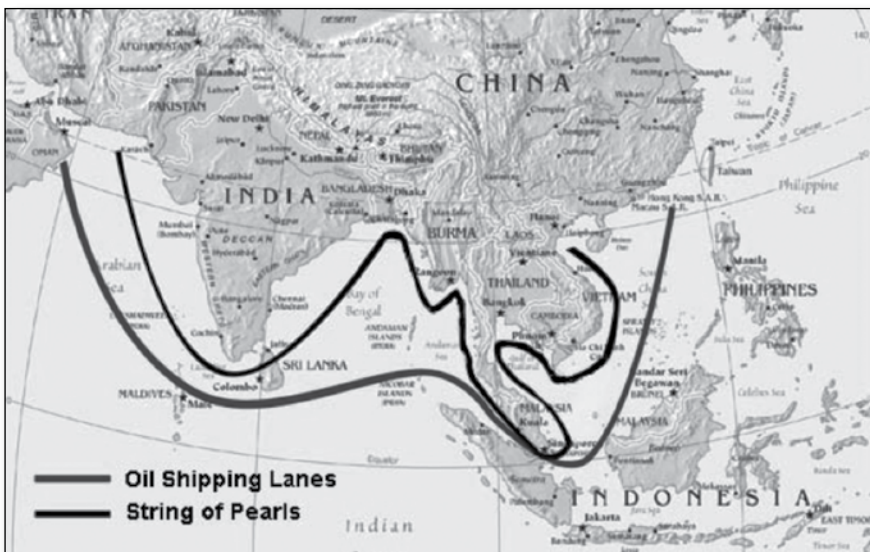
The maritime domain is again one of the arenas where both India and Japan share concerns over the overreach of China—be it over the Indian Ocean or the South and East China Sea, where Japan has territorial disputes with Beijing. The quest for energy and its outsourcing from overseas like Africa and the Persian Gulf has brought China into the Indian Ocean. India is concerned about the Chinese attempts to what many perceive to have string-of-pearls strategy and encircle its maritime borders, sometimes in conjunction with countries traditionally antagonistic towards India. This strategy aims to have bases and diplomatic linkages from the Middle East to south China. Of these, the important nodal points are Gwadar in Pakistan (to monitor traffic in Straits of Hormuz and Arabian Sea), Myanmar (through building naval bases at Kyaukpyu and Hainggyi islands and development of close relations with the military regime) and more recently in Sri Lanka (Hambantota). India and China are interested along with Japan to secure sea lanes and chokepoints along sea routes from Persian Gulf to Malacca Straits and South China Sea. On the same note, New Delhi was alerted after Chinese naval officers

visited the Coco islands along with Burmese delegation in order to help upgrade communications facilities and help build helipads and storage for arms on the island in 2008.¹⁰

Japan, too, has vital stakes in maritime security and presence in the region, considering that it has territorial disputes with China. Japan made forays into the Indian Ocean, traditionally considered beyond the permissible reach of the Japanese Maritime Self-Defence Forces in the aftermath of the 9/11 attacks as it set sail ships on a refuelling mission to bolster American operations. After that, although Japan has also been beefing up its naval capability with the induction of new platforms like the Hyuga destroyer and the DDH-2,¹¹ it is constrained by its Constitution, which limits the role of its Maritime Self-Defence Forces. Like India, Tokyo is both conscious of and concerned about China's active military and naval modernisation programme at the same time.

China's military modernisation has been a subject of discussion and has been dated to have begun in earnest in the 1990s, more specifically according to some analysts in the aftermath of the 1996 Taiwan crisis.¹² Apart from the Taiwan issue, Beijing is also interested in pursuing this

MAP 4.1
China's String of Pearls Strategy



Source: <http://www.atimes.com/atimes/China/MC11Ad02.html>

modernisation strategy in order to safeguard its interests in the maritime arena, more especially in cases of disputes, safety of the SLOCs for its energy supplies as well as to balance and neutralise the U.S. presence in these waters. A report to former U.S. Defence Secretary Donald Rumsfeld stated that China wanted to ensure that its supply lines are not blocked by the U.S. Navy in case of a conflict in Taiwan.¹³ A modern Navy, for the Chinese as much as for any other nation, becomes a source of power projection beyond its own area. The modernisation effort has encompassed an active weapons acquisition programme, expected plans to begin aircraft carrier construction, reform in maintenance and logistics, naval doctrine, education and human resource training.¹⁴ Furthermore, China has not just been having joint exercises with many countries in the region, but has also sent forces to assist in anti-piracy operations in countries like Somalia. In the competition for energy resources, China has beaten India to gain control over oil assets in Kazakhstan, Ecuador and Nigeria.¹⁵ Eighty percent of China's oil passes through the Malacca Strait, which Beijing feels is controlled by the United States.

As a response to this concern, as well as its intent to take on a more noticeable maritime profile in the region, India now has two of the four naval commands in the eastern region—the Eastern Naval Command with headquarters at Vishakhapatnam and the more recently inaugurated Far Eastern Naval Command (FENC) set up in 2005 at Port Blair on Andaman and Nicobar Islands. The purpose of the new FENC is to ensure an improvised control over the domestic exclusive economic zone as well as safeguarding of the SLOCs around the Malacca Strait. The location of this command is midway between the Bay of Bengal and the Malacca Strait—a chokepoint linking the Indian Ocean and the South China Sea. The command is expected to have three main bases and anchor stations with surface combatants, patrol vessels and submarines.¹⁶ The FENC and the Eastern Naval Command together constitute a vital link between India and the major countries in East Asia as well as the SLOCs in its eastern waters.

Operationally, India's strategic theatre and horizons have now clearly gone beyond the Malacca Straits. Prime Minister Manmohan Singh has attested to this interest by stating: "Our strategic footprint covers ... South East Asia and beyond ... Awareness of this reality should inform and animate our strategic thinking and defence planning."¹⁷ Former Chief

of Naval Staff, Admiral Arun Prakash said, "It is imperative for India therefore, to retain a strong maritime capability in order to maintain a balance of maritime power in the Indian Ocean, as well as larger Asia-Pacific regions."¹⁸ On the eastern frontier, India is already making its presence felt up to the South China Sea. India has conducted bilateral and unilateral exercises in the region and is emerging as a credible naval power apart from Japan, the United States and China in the South China Sea with power projection capability. India has also participated in the tsunami assistance to Indonesia, Malaysia and Thailand. 32 ships and 20,000 naval personnel participated in the exercise. Indian ships also escorted U.S. military supply ships after the 9/11 attacks. China has been uncomfortable with this growing Indian naval role.

Cooperation between New Delhi and Tokyo has also been occurring at the Coast Guard (CG) level. Indian and Japanese CGs have held joint exercises regularly like the one in 2006, called Sahyog-Kaijin 06. Both sides also signed the Memorandum of Cooperation in 2006 for cooperation in disaster management, maritime safety and establishing common procedures and guidelines for joint operations. However, the Indian Coast Guard is relatively young, set up only in 1978 following the Coast Guard Act. It has the mandate to safeguard maritime borders and needs to be given more powers to avoid Mumbai-like attacks from the sea which are still said to be a clear and present danger. The traditional role of the CG was limited to deal with problems in the 2.01 million square kilometres Indian EEZ, protection of fishermen, offshore oil spills and search and rescue operations. It has since been given a personnel and force level boost in the wake of the Mumbai terrorist attack of 2008. In this sphere, the Indian Coast Guard, which has been in regular contact with its Japanese counterpart, should look towards increasing inter-operability especially in countering terror attacks and preventing other crimes at sea. What is of special significance here is the fact that the Japanese Coast Guard is increasingly becoming more powerful and being hailed as the "new fighting power". As noted by Richard Samuels, Japanese strategists have "changed the rules of naval engagement, vigorously asserted new maritime rights, circumvented the ban on the export of arms"¹⁹ through empowerment of the Coast Guard. Japan's Coast Guard has a special operations unit dedicated to counterterrorist operations, the Special Security Team, which has been trained by the

U.S. Navy's SEAL unit and Japan's First Airborne Corps. India could learn much from these forces. The change in the Japan Coast Guard became apparent in December 2001, when it fired at and sank a suspected North Korean ship in the East China Sea.²⁰ This step was indeed path-breaking in terms of the CG's response.

There is, therefore, much that India and Japan can envisage in terms of cooperation in the maritime arena. In many ways, the joint declaration on Security Cooperation has been a welcome step in this regard. Even more significant is the Action Plan to advance Security Cooperation based on this Joint Declaration, which delineates in lucid terms the institutional and operational aspects of the variables of this cooperation. In the field of security cooperation, there is a very clear focus on the maritime aspect. Apart from the regular annual Navy-to-Navy ground staff talks, the plan calls for annual bilateral naval exercises (to be held alternatively in Japan and India) towards enhancing cooperation and ability for maritime operations as well as disaster relief operations. Both sides have already dispatched naval vessels to participate in anti-piracy mission off Somalia. Joint exercises in terms of anti-piracy operations as well as transnational crimes have been called for. Furthermore, the two sides are also to take part in multilateral level naval exercises whenever possible. The two maritime forces are to also have PASSEX or the passing exercise during ship visits.²¹ This kind of an interaction involves attempts to increase communication and cooperation both for times of war as well as provision of disaster relief. India and Japan can have a reciprocal security arrangement for sea lines in their zones once both sides reach a certain level of inter-operability. Responses to natural disasters like the tsunami become arenas for cooperation, too. The two maritime forces and Coast Guards can also join hands in UN-led operations at sea. It is critical for Japan to break free from its Constitutional constraints for this kind of cooperation to become more effective and robust.

UNITED NATIONS SECURITY COUNCIL REFORM

Despite the existence of a plethora of regional organisations based in the Asia-Pacific region, the United Nations assumes critical antecedence and salience by virtue of being the only universal synthesis and symphony of states in the world. Both India and Japan are claimants to a permanent seat in the Security Council. In fact, the need for reform of the United

Nations was stressed even by Prime Minister Nehru back in 1960. In December 1992, India initiated a resolution in the General Assembly requesting the Secretary General to invite member-states to submit comments on a possible review of the Council's membership in writing. This resolution was sponsored by as many as 24 states including Japan. The present structure and composition of the UNSC, the body entrusted with the "primary responsibility for the maintenance of international peace and security" has come under review because of the following reasons:

- Disconnect with the reality of the present international order and absence of prominent states like Japan and India,
- Lack of representation of developing countries and regions like Africa, Asia and Latin America,
- No increase in the number of permanent and non-permanent members commensurate with increase in number of total members and
- Disconnect with the key financial and logistic contributors and their relative power in the Council—both financial and logistical. While founder member-countries like India are significant participants in UN peacekeeping missions, Japan and Germany are prominent contributors to UN coffers, with no powerful voice and say in decision-making on usage of contributions considering that they are not permanent members.

There seems to be near unanimity over the need to reform the apex body, but cleavages remain over the following five key issues—membership categories, the veto power question, regional representation, number of members in an expanded Council and working methods as well as relations between the Council and the General Assembly.²² A High-Level Panel on Threats, Challenges and Change was set up by former UN Secretary General Kofi Annan in order to make recommendations on ways of strengthening the United Nations among other things. The report brought out by the panel in 2004, entitled "A More Secure World: Our Shared Responsibility", put forth several suggestions, including the following:

- An increase in the decision-making power of those who contribute most to the United Nations financially, militarily and diplomatically—especially UN budget and peacekeeping operations

- A baseline of 0.7 per cent of GNP for ODA as criterion for developed countries
- More representation for the developing world
- Review of the Security Council in 2020 in terms of effectiveness in taking collective action to tackle threats²³

The report also put forth two options in terms of models for restructuring. Model A called for six new permanent members without veto power and three new two-term non-permanent seats. Model B suggested no new permanent seats but the introduction of a new category of eight four-year renewable term seats. It also suggested two criteria for permanent or long-term seats—one, States among the top three financial/voluntary contributors from their region to the regular budget, and two, the top three troop contributors from their regions to UN peacekeeping missions. The report termed the veto power as being “anachronistic” and urged for its limited use.

Another report by former UN Secretary General Kofi Annan entitled *In “Larger Freedom: Towards Development, Security and Human Rights”* published in 2005 put forth suggestions on strengthening the United Nations. With regard to the SC, the report recommended a change in the composition to make it more broadly representative of the international community and the geographical realities of today. It also called for an increased involvement of those who contribute to the United Nations financially, militarily and diplomatically in the decision-making process.²⁴

Members of the United Nations have been divided into largely two groups—one, comprising claimants like the “G-4 club” and two, composed of naysayers who oppose any changes to the existing structure of the SC. India and Japan became part of the G-4 group which came together along with Brazil and Germany to press for their claim for a seat in the apex body. A joint statement by the G-4 countries released in September 2004 stated that:

Brazil, Germany, India and Japan, based on the firmly shared recognition that they are legitimate candidates for permanent membership in an expanded Security Council, support each other’s candidature. Africa must be represented in the permanent membership in the Security Council. We will work together with other like-minded member states towards realising a meaningful reform of the United Nations, including that of the Security Council.²⁵

India's claim rests on its regional significance, but also as a consistent and active participant in UN peacekeeping operations, a large economy, an impeccable record and lead on issues like disarmament, human rights and environment apart from the huge population, which goes unrepresented. In his speech to the UN General Assembly on 23 September 2004, Indian Prime Minister Manmohan Singh stressed on the need to democratise the functioning of the United Nations, adding that this "democracy deficit" hampers multilateralism, which fumbles due to a lack of "democratically-evolved global consensus". The thrust of the argument was that an "overwhelming majority of the world's population cannot be excluded from an institution that legislates on an increasing number of issues, with an ever-widening impact".²⁶

Japan, on the contrary, stakes its claims on the basis of its voluminous budgetary contribution, participation in UN peacekeeping and as an advocate of disarmament. According to 2011 figures, Japan is the second largest contributor to the UN budget among member countries, bearing about 12.5 per cent of the total budget, following the United States, which makes a 22 per cent contribution.²⁷ Moreover, Tokyo has been on the non-permanent member panel of the SC for a record nine times in the past 50 years.

There is another cluster of states that are naysayers to this expansion of the SC who have formed a group called the Uniting for Consensus or the "Coffee Club".²⁸ There are others who may not necessarily be opposed to all of the G-4 member claims. Despite the active efforts of the G-4 countries, they were not able to garner enough support for their cases. In the case of India and Japan, China's vociferous objection to especially Tokyo's membership became a constraining factor. Furthermore, the legacy of history continues to haunt Tokyo, having a spill over effect even in discussions over the expansion of the UNSC. Even Pyongyang has openly opposed Tokyo's candidacy to the apex body. In a debate over the proposed restructuring in the UN General Assembly recently, DPRK representative Sin Son Ho noted that Japan should never be granted a seat since "it revives militaristic ambition by persistently denying the history of aggression, instead of recognising and repairing its crime-woven past."²⁹ The other point of discord has been whether this membership would entail the right to veto, which the current P-5 members would resist. Besides, it is understood that Japan's choices do become difficult due to its domestic constitutional constraints, which prohibit it from

exercising the right to collective self-defence. This might constrain Japan from exercising its permanent membership, which might sometimes require the use of force.

For India and Japan, therefore, the claim to a permanent seat in the UN Security Council remains a challenge and issue to be worked upon. The heads of member states of the United Nations had affirmed the need to reform the Security Council at the World Summit in September 2005. An open-ended working group had been working on the matter for about 15 years from January 1994. The discussions have now entered a phase of inter-governmental negotiations in February 2009 to be headed by Ambassador Zahir Tanin from Afghanistan.³⁰ A decision has been taken to pursue the task with renewed vigour from March 2009. In order to reinvigorate efforts to become a permanent member of the UNSC, the time is both ripe and opportune for India and Japan to join hands again and draw up a well-thought-out strategy to pursue the goal. It would be crucial for both sides to reach an understanding on the five key questions under consideration while envisaging the reform of the Council. Critical among these are the veto question and categorisation of the new membership. Unfortunately, it seems at present, domestic and other issues are keeping them preoccupied while this issue has been placed on the backburner. Even though the joint statements have been mentioning the need to join hands on the matter, in terms of action on the ground as well as discussions over the matter, there is much left to be done. The current three non-permanent members of the UN Security Council, India, South Africa and Brazil have very recently repeated their plea for a restructuring of the Council. In their communiqué termed as the Tshwane Declaration, the three sides discussed the G4 initiative and called on the UN member states to consider the support for this initiative as “the basis for further discussion in the ongoing intergovernmental negotiations on the UNSC reform.”³¹

UN PEACEKEEPING OPERATIONS

Peacekeeping operations are one of the most critical functions of the United Nations towards bringing about peace in trouble-torn and conflict-ridden countries. While there is no prescribed definition of peacekeeping, it falls under the two traditional tasks of the United Nations—peaceful resolution of disputes through negotiations and mediation on one hand

and more forceful attempts to quell conflict.³² The bandwidth of such operations is very broad today, encompassing activities ranging from implementation of peace agreements and maintaining ceasefires to human rights monitoring and building institutional systems for governance. The first ever operation of such a kind was initiated in the Middle East in 1948, and there have been as many as 63 such operations till the present.

As a founding member of the United Nations, India has been closely associated with peacekeeping missions. More than 100,000 Indian troops, military observers and civilian police officers have participated in such operations. India has been a part of as many as 43 of the 63 PKOs which have been conducted so far,³³ from Angola to Sierra Leone and Haiti. The initiation of Japan's UN Peacekeeping activities began much later in 1989. The turning point in this regard came with the passage of the 1992 peacekeeping law. The law was passed after Tokyo was stung by Washington's criticism of what came to be termed as mere "chequebook diplomacy" during the Gulf War which permitted the Self-Defence Forces to also participate in such operations apart from the police personnel. Japan started making forays into peacekeeping operations thereafter, even as it was very clear that such involvement would not be military in nature and would not entail work like inspection of weapons and monitoring ceasefires, but would entail provision of medicines, clothes and other necessities in the mission.

However, the more recent development has been elevation of peacekeeping from a supplementary to a primary mission of the Japanese Self-Defence Forces in 2007. Operations included primary missions of the SDF encompassing maintenance of international peace and security, including international peace cooperation and disaster relief and maintenance of peace and security around Japan, including rear-area support and ship inspections and minesweeping.³⁴ This step has opened new vistas of cooperation between India and Japan. The possibilities of both forces working in tandem under the UN auspices as part of one common peacekeeping force are perhaps more evident now and inter-operability and coordination among them would make the task simpler.

COUNTERING TERRORISM

Countering the threat of terrorism is high on the agenda of almost every nation today. It is indeed ironical that despite the constant threat of ter-

rorism looming large over most parts of the world there is no one universally acceptable definition of terrorism. The United States Department has defined terrorism as “premeditated, politically motivated violence perpetrated against non-combatant targets by sub-national groups or clandestine agents, usually intended to influence an audience.”³⁵ There are, currently about 13 instruments and three amendments against international terrorism by the United Nations. The key principles guiding these instruments include the following—importance of the criminalisation of terrorist offences, making terrorist activities punishable by law and calling for prosecution and extradition of perpetrators and member states to cooperate and exchange information and intelligence gathering.³⁶

India’s experiences with terror attacks started long before the 9/11 incident in the United States. Other parts of Asia including Southeast Asia have terror networks operating from and against them. With countless terror attacks over the years in many parts of the country, India’s tryst with the menace remains a challenge. The terror attacks not just fall into the domestic bracket like those from Naxalites, but also involve large-scale cross-border terrorism. Japan experienced the threat of terrorism during the 1970s, when the Red Brigade was involved in terror activities like hijackings and bombings. Moreover, they also faced the 1995 sarin gas attacks by the Aum Shinrikyo cult in the Tokyo subway. It is increasingly becoming clear that no country remains insulated from the threat of terror attacks. In fact, Japan seems to be on the terror radar of various groups, more so being an ally of the United States. In a statement aired on a satellite broadcast in October 2003 in Qatar, there was a warning of continued attacks on the United States as well as a suggestion that a similar fate would befall other countries like the United Kingdom, Spain, Australia and Japan. Bin Laden is supposed to have stated: “We possess the right to retaliate against all countries participating in the unlawful war (against Iraq) and especially the United Kingdom, Spain, Australia, Poland, Japan and Italy, at the proper time and place.”³⁷ Similarly, in a statement aired on an Arabic website in May 2004, a reward of 500 grams of gold was announced for anyone killing citizens from U.S. allies like Japan and Italy.³⁸ Japan is also prone to face ripples of unrest from terrorist groups in Southeast Asia being geographically contiguous to them. This became evident when a Toyota showroom was bombed in

Makassar (Indonesia) in December 2002. Many Japanese citizens have also lost their lives in terror attacks like Bali.³⁹

The joint statement brought out by India and Japan has consistently mentioned the common agenda of fighting terrorism. This has been envisaged at two levels—bilateral, through the joint working group on countering terrorism and at the global level through organisations like the United Nations. Both countries are signatories to the UN instruments and conventions on terrorism making it possible for them to cooperate at the multilateral level.

Two of the three pillars of Japan's counter-terrorism policy are international cooperation and counter-terrorism capacity building assistance to countries in need.⁴⁰ Bilaterally, the two sides can cooperate in devising mechanisms to ensure freezing and cutting down of terrorist financing. Japan has been assisting many countries in counter-terrorism mechanisms with a focus on six areas—immigration control, aviation security, customs cooperation, export control, police work and law enforcement cooperation apart from interdiction of terrorist financing and port and maritime security. Maritime terrorism is another common issue of common concern, considering the sea lanes are also lifelines for energy flow into these countries, as well as India's own tryst with Mumbai-like attacks which came from the sea route.

The two sides have formed a Joint Working Group on Counter-terrorism. They also envisage the establishment of an information exchange network between the two financial intelligence units (FIUs) on money laundering and terrorist financing. While Japan could serve as a source of very significant technical expertise on matters like immigration control and aviation security, India could also assist Japan as well as share information on terrorist networks and operating mechanisms considering that its experiences with terror attacks have also given much insight into the functioning of the terror groups. However, apart from the establishment of this working group, there is much more the two sides can accomplish by joining hands. More cooperation like that being undertaken by Japan with several Southeast Asian countries could be applied to India also. Meanwhile, both New Delhi and Tokyo have been pressing for the early completion and adoption on the comprehensive convention on international terrorism by the United Nations.

REGIONAL MULTILATERAL INSTITUTIONS: COMMON PLATFORMS

Regional institutions like the East Asia Summit (EAS) and the SAARC have become a common platform of interaction for both India and Japan. Apart from that, regional institutions like ASEAN+3/ASEAN+1 and the ASEAN Regional Forum provide a common platform for both countries since they are both member states in different capacities. Despite their limitations, these regional institutions could be useful mechanisms to further not just bilateral but regional ties as well.

Japan has been active in fostering regionalism in recent years, especially through its participation and involvement in the East Asia Summit (EAS), being perceived as a stepping stone towards the formation of the East Asian Community (EAC). Japan has been advocating in favour of open regionalism, with stress on the need to cultivate friendly relations with countries outside the region, a focus on functional cooperation in social and economic fields, respect for universal values and confidence building in security and non-traditional areas. Tokyo's vision of a "broader" Asia as envisioned by leaders like Shinzo Abe includes not just countries like China and Korea but also India, Australia and ASEAN countries.

The first East Asia Summit was significant because it redefined the traditional parameters and geographical norms defining East Asia. This region came to be defined more in political terms to encompass a larger geographical area. A large part of the credit for this redefinition goes to Japan, which along with other ASEAN+3 members lobbied hard to ensure India, Australia and New Zealand's membership—a clear pointer to Tokyo's inclusive thinking on Asia today. The underlying implication was of course clear—that the inclusion of these countries would neutralise Beijing's influence to a certain extent. The second Japanese advantage came with the abortive Chinese attempts to play host to the proposed second Summit meeting. China wanted these countries out of the forum as they were seen as close U.S. allies and potential balancers to its power. However, Beijing only garnered support from Malaysia. The second summit focused on issues like eradicating poverty, natural disaster mitigation, etc. Japan's initiatives are indicative of its own quest for leadership in the region and attempts to check Chinese dominance. Former Japanese Prime Minister Yukio Hatoyama has also been stressing an Asia-centred diplomacy and strongly advocating the idea of an East Asian Community. Although his

concept is vague and undefined as yet, there is little doubt that India would have a significant role to play in such a community.

India has responded enthusiastically to the EAS and the Joint statement of 2006 confirmed the intention of both sides “to work closely in the EAS framework ... [and] actively contribute to the objective of closer cooperation and community building in the region”, adding that they would “stress the importance of the development of a roadmap and modalities for the progressive realisation of an EAC in the EAS framework”. India perceives the EAS as an opportunity to “put in place a regional architecture for greater cooperation and economic integration among countries of East Asia”. India also recognises its participation in the EAS as a “reflection of the increasing significance of the eastern orientation of India’s foreign policy”. Both sides see Free Trade Areas (FTAs) as building blocks of this community. In its own backyard, India supported Japan’s inclusion as an observer in SAARC, bringing it closer to South Asia.

The political and strategic dimensions of India-Japan relations, therefore, appear to be set firmly on track with the gradual establishment of the institutions and frameworks of cooperation. The regularisation of reciprocal high-level visits, the action plan on security cooperation, overlapping membership of regional institutions is all part of such mechanisms. What is important is to also build on the economic aspects of bilateral relations, which leave much room for improvement. Common areas of concern like maritime security, uninterrupted supply of energy flows through the SLOCs, counter-terrorism measures and the common aspiration for a permanent seat in the UN Security Council all ensures that both India and Japan have a lot of pursuits in common for cooperation.

Endnotes

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ECONOMIC LINKAGES

Economic enmeshment between India and Japan has clearly failed to keep pace with strategic aspects of bilateral relations. Not only has it been a game of low volume and low interest, but also an asymmetric relationship. The trade and FDI volume has been small, while focus has been on official development assistance. The figures pale even further when compared with those of China. According to a report brought out by the Japan External Trade Organisation (JETRO) in August 2011, Japan's total trade with China rose 17.9 per cent year-on-year to US\$163.2 billion in the first half of 2011. Japan's exports to China rose 14.3 per cent to US\$78.2 billion and imports from China rose 21.4 per cent to US\$84.9 billion. All these achievements were in the midst of the aftermath of the Great Japan Earthquake.¹ The figures relating to Japan's exports to India stood at US\$9,052 million and imports from India at US\$5,683 million respectively for the year 2010.² Similarly, Japanese FDI in China has been much more than that in India. The contrast is evident in figures on Japanese outward FDI into China and India in 2010, which stood at US\$7,252 million (12.7 per cent share) and US\$2,864 million (5 per cent share) respectively.³ What has been a success story is the Japanese official development assistance doled out to India. Not only has it been quantitatively voluminous, but has also managed to focus on the critical areas of concern in India including infrastructure and poverty reduction.

The future of the bilateral relationship seems to be more promising than the past. There are two primary indicators of this trend. One is the

fact that the two sides have successfully negotiated and concluded an Comprehensive Economic Partnership Agreement (CEPA). Two, Japan is also closing in on the Indian economy through actively participating in the development of the Delhi-Mumbai Industrial Corridor project (DMIC). The DMIC is a proposed Multi-modal High Axle Load Dedicated Freight Corridor with a length of 1483 kilometres and is to have a parallel Dedicated Freight Corridor (DFC) alongside.⁴ The significance of the DMIC lies in the fact that it will form a backbone of development in India with the aim of doubling employment potential, tripling industrial output and quadrupling exports from the region—all in a timeframe of five years. The proposed DMIC is aimed to be a base with a “globally competitive environment and state-of-the-art infrastructure to activate local commerce, enhance foreign investments and attain sustainable development”.⁵ The most significant aspect of the DMIC will be the development of investment regions, each with a minimum area of around 200 square kilometres along with an industrial area for the establishment of manufacturing facilities.

These two developments have to be perceived within the paradigm of the natural complementarities both sides share in terms of India possessing an abundant, skilled young workforce, and Japan the technological edge and capital advantage. Besides, there are a number of clear indicators pointing towards the fact that the Japanese are increasingly looking towards what has been termed as a “China-plus-One” strategy.⁶ In simpler terms, many Japanese multinational firms are in favour of risk diversification in terms of geographical location rather than concentrating their production activities in China. Regardless of the advantages that most investors and companies draw from China like good infrastructure and cheap labour, there is a simultaneous realisation that significant problems also pervade the system there. Issues like uncertainty arising out of the revaluation of the Chinese currency (renminbi), frequent anti-Japan protests arising out of the legacy of history and Yasukuni Shrine problem as well as the undemocratic political system of China inject uncertainty into operations there. Given such a scenario, good alternatives have been seen in ASEAN countries (especially Vietnam) and even India.

There is no denying the fact that India has to surmount considerable problems itself to become an attractive trade and investment destination

for Japan, but keeping in view its relative advantage in some sectors like information technology as well as the growing market, Japanese businesses will be compelled to take a re-look at destination India. A few beginnings are being made in new sectors with Japanese securities firms like Daiwa Securities Group, Nomura Holdings Inc. and Mizuho Securities Co. Developing a keen interest in investing in India now is being perceived as a fertile ground for investors.⁷ Similarly, Sumitomo Mitsui Banking Corporation is the first Japanese bank to invest and buy a 4.5 per cent stake in India's Kotak Mahindra Bank by spending as much as US\$294.2 million. Sumitomo has indicated that it would offer bonds and stocks underwriting for Japanese companies wanting to invest in India through Kotak's brokerage division.⁸

HISTORY OF ECONOMIC ENGAGEMENT

Historically, it might be prudent to acknowledge that India-Japan bilateral ties during the post-war period were primarily economic in nature and did not attain noticeable strategic and political profiles. The reconstruction and restructuring of the Japanese economy took priority in the aftermath of the post-War years. However, following that period, Japan set off on a course of development and industrialisation after the late 1950s and as it stepped into the 1960s. The need for both raw materials and markets for Japanese goods led the Japanese to look overseas. The outlook had to naturally exclude China, Manchuria and Korea, its erstwhile colonies that it had lost during the course of the War. Trade figures from that time clearly exhibit that these countries had accounted for as much as 40 per cent of Japanese exports during pre-war years.⁹ Japan also wanted to make a dent in Asian markets and it chose to do so through the Southeast Asian route. What was, however, undisputable and widespread at that time was the fear of yet another Japanese attempt to establish a "Greater East Asia Co-prosperity Sphere" or a sphere of economic dominance.

It is pertinent to note here that the Southeast Asian context here was not limited to just that region, but also included South Asian countries like India till the mid 60s.¹⁰ As noted by Hatano Sumio, not only did Japanese officials and big business heads conceive of Southeast Asia in conjunction with South Asia, but he also stressed on countries like India and Pakistan, which were not claiming reparations from Japan.¹¹ Another

pointer towards this was the fact that Japanese Prime Minister Kishi's Southeast Asian sojourn included visits to both India and Pakistan in the late 1950s.

India, on the other hand, needed machinery and equipment for its own development, but could not afford to import the same with limited resources. It was at that stage that Japan decided to assist the Indian side in which it saw tremendous potential.¹² A major conduit towards achieving this end was the Colombo Plan of 1952, under which Tokyo gave grants to India. Besides, a number of Indians was trained by Japan in the fields of heavy electrical and industrial machinery with big Japanese corporate like Mitsui and Mitsubishi. A number of Japanese trainers also visited India under the programme to impart training to Indians. Japan was also a member of the 13-state Aid India Consortium and provided India with as much as US\$681.6 million in 11-yen credits.¹³ For Japan, it was critical to be part of a group that provided necessary bailout funds for Indian reserves, which stood at only US\$400 million in September 1958. It was necessary for India to have enough funds and not default on creditor payments. The Japanese were sure to be hit by such an event considering that their exports to India had been covered by government export insurance schemes and would thus mean a big loss of millions of dollars for them.¹⁴ It would also be pertinent to add here that the Japanese contributions were to a great extent a fallout of American pressure and were in many ways tied to aid. According to archival records, when in 1962 the Japanese pledged as much as US\$80 million to US\$95 million for the initial two years of the Indian Third Five-year Plan, any additional amount was to be disbursed depending to "an important extent on whether or not Japanese firms [get] the contract for construction of the alloy and tool steel plant at Durgapur".¹⁵

With regard to trade, the Indo-Japan Trade agreement was signed in February 1958 under which both sides gave each other the Most Favoured Nation (MFN) status in trade, tariffs, business, travel, residence and shipping. Besides, India also liberalised trade with Japan by choosing to withdraw application of Article XXXV of the former General Agreement on Tariffs and Trade (GATT).¹⁶ The first ever Japanese industrial mission to India was led by President of Toshiba Electric Company Ishizaka Taizo in April 1952 with a view to decipher the possible areas of cooperation as well as to seek reasonable prices for Indian iron ore and manganese

exports to Japan. In terms of the commodity composition of Japanese exports to India, unlike the pre-war years' focus on textiles, by 1957 as much as 80 per cent of its focus got transferred to iron and steel, railway vehicles and textile machinery.¹⁷

India had become a significant source of iron ore and manganese for Japanese steel mills in the late 1950s and 1960s, with these constituting as much as 40 per cent of the total Indian exports. Steel was considered to be the vertebrae of domestic industrial development and Japan imported iron ore for the same from India, Malaysia and the Philippines. The production of Japanese steel peaked and grew over 100 times in a period of 30 years from 1946. As noted by a prominent Japanese businessman from those times Yoshio Yamanouchi, "There are hardly any people who know that it was India that was behind such a good start. I do not want to be called an ungrateful person."¹⁸ The reason why India continued to export this raw material lay in the fact that it was itself at the advent of a new era following independence and required such big export orders for her own developmental needs. In summary, the complementarity of interests came out in sharp relief as Japan imported raw materials from India and used these to manufacture heavy industrial machinery, which in turn was imported by India to move forth on its developmental path.

The success saga of Japanese official development assistance to India was initiated in February 1958 with the disbursement of the first yen credit to the tune of 18 billion yen (US\$50 million) given out following the visit of Prime Minister Jawaharlal Nehru.¹⁹ The amount was to be utilised by India to import goods and machinery from Japan. Besides, the funds were also aimed at making up for a deficit of foreign exchange to the tune of about US\$ 1.4 billion required for the successful completion of the implementation of the Second Five-year Plan (1956–1961).

These economic interactions began to erode from the period of mid-1960s. India was forced to focus on the neighbourhood with war erupting on the Chinese border in 1962 and with Pakistan in 1965. Japan refused to take sides or be drawn into the war with China. Simultaneously, there was a visible shift in the erstwhile Japanese perception of Southeast Asia which now began to condense and limit itself to the region east of Burma (now Myanmar). For instance, the then President of Mitsubishi Electric Corporation and Chairman of Keidanren's Economic Cooperation Committee, Takasugi Shin'ichi, had begun to emphasise economic relations

with countries like Indonesia and Vietnam, rather than India.²⁰

Perhaps the first real success story of Japanese forays into the Indian market was that of the automobile company Suzuki, which tied up with the Indian nationalised company, Maruti Limited, in the early 1980s. Suzuki entered the Indian market with an initial investment of a total of US\$200 million and a ratio of 26 per cent in the joint venture. As noted by Osamu Suzuki, Chairman and CEO of Suzuki Motor Corporation, “Although our entry into India was certainly a big challenge, we finally made a decision to go for the joint production, expecting that India had huge potential for growth due to its population of over 700 million, and a huge land area.”²¹ In summary, the period till the 1990s was primarily overshadowed by the differences in economic systems both sides chose to follow. India’s closed economy could never coordinate or draw the best possible economic linkages with the free enterprise economy of Japan. Even in the aftermath of India’s opening up and pursuit of “Look East” policy, the initial Japanese response was lukewarm.

This reaction was also partly due to the fact that the period coincided with the bursting of the bubble in Japan after reaching a peak in 1989 when it was contributing as much as 30 per cent of the world flows of FDI during that year.²² The decade thereafter through the 1990s was largely marked by an overall decline in FDI outflows with a few exceptions from 1993–1995.

JAPANESE TRADE AND INVESTMENT IN INDIA: THE LAST DECADE

Japanese trade and investment in India has been a weak link in bilateral relations. More often than not, in the case of Japan, both are linked closely—that is, Japanese investment is followed up by increasing trade linkages. Prominent Japanese economist Kojima theorised on the FDI-trade linkages of Japanese FDI and opined that Japanese firms combine their technical expertise with countries that have a lower cost of production.²³ This is done by moving the bases of production to offshore locations. The winning combination of low cost goods as well as foreign capital then makes these products more competitive and further induces trade. This increased trade leads to a vicious cycle of more investment and trade.²⁴ If such an application of Japanese investments is made in India, whereby Japanese investments pour into India and bolster trade linkages, it can be ascertained that both trade and investments would be likely to grow. The Confederation of Indian Industry (CII) in fact made

this proposal to the Japanese side that bilateral trade should be based on FDI rather than on Official Development Assistance (ODA)²⁵—which had been the focus of Indo-Japanese economic linkages thus far. There is tremendous scope for Japanese firms to invest in India, especially in infrastructure and this has been increasingly facilitated by steps like the establishment of Special Economic Zones (SEZs)—more specifically like the one at Neemrana, which caters to Japanese investors. Japan can make use of low cost of skilled labour and growing infrastructure even as it contributes to this development through both ODA and FDI.

Bilateral trade between India and Japan has been expanding in recent years. However, the speed and scope of expansion are still limited. In December 2006, the Prime Ministers of the two countries decided to launch immediate negotiations for the conclusion of a bilateral Economic Partnership Agreement/Comprehensive Economic Partnership Agreement aiming to complete in substance as soon as possible in approximately two years. For Japan, this is the first EPA with BRICS countries.²⁶ An EPA according to the Ministry of Foreign Affairs of Japan aims at “elimination of restraints on foreign investment, establishment of rules governing investment, harmonisation of intellectual property systems and competition policy, and cooperation in various areas”.²⁷ Fourteen rounds of negotiations were held in New Delhi and Tokyo before the

TABLE 5.1
India's trade with Japan (millions of US dollars)

Year	Exports	Imports
2000	1,767	2,016
2001	2,011 (V)	2,134
2002	1,776	1,914
2003	1,748	2,460
2004	1,911	2,921
2005	2,393	3,855
2006	2,767	4,462
2007	3,606	5,891
2008	3,214	7,286
2009	3,186	6,386
2010	4,832	7,791

Source: IMF, Direction of Trade Statistics (Washington D.C.: IMF), 2011 and 2007

CEPA was finally concluded in February 2011. The conclusion of the CEPA reportedly got delayed due to a few unresolved issues like those of non-tariff barriers to the export of generics and pharmaceuticals to Japan. In the automobile industry, unlike other players, Japanese manufacturers import most parts from Japanese suppliers.²⁸ Another promising area of chemicals also remains relatively underdeveloped due to the fact that the Japanese side has very strict approval requirements for the same.²⁹

In terms of trade, Japan has exported machinery, transport equipment and iron and steel. There is a need to diversify trade portfolio between the two countries. The turning point in this case could be the recent successful conclusion of the EPA.

India's trade with Japan was focused on the exports of cotton yarn in the pre-war years and changed to that of iron-ore in the post-war years as mentioned earlier. India exports gems, jewellery, iron and marine products to Japan. The major items of India's export to Japan are marine products (like fish, shell fish, shrimps), iron-ore, petroleum products, gems and jewellery, textiles and non-metallic mineral products.³⁰ More recently, exports of oil-related products have increased rapidly.³¹

The saga of Japanese investments in India has not been too encouraging. Statistical evidence amply demonstrates that despite the much talked about attractiveness and potential of Indian markets, Japanese investments have been rather slow to pour in. A report brought out by the

TABLE 5.2
Japan's trade with India (millions of US dollars)

Year	Exports	Imports
2000	2,488	2,637
2001	1,940	2,212
2002	1,869	2,090
2003	2,396	2,174
2004	3,044	2,611
2005	3,524	3,194
2006	4,486	4,117
2007	6,165	4,159
2008	7,910	5,270
2009	6,332	3,729
2010	9,052	5,683

Source: IMF, Direction of Trade Statistics (Washington, D.C.: IMF), 2011 and 2007

TABLE 5.3
Japan-India trade items

Japan-India trade items	Percentage	India-Japan trade items	Percentage
Machineries	32%	Petroleum related Products	28%
Electronics	16%	Iron ore	11%
Steel products	12%	Jewellery and precious stones	11%
Automobiles	9%	Marine products	8%
Chemical products	5%	Chemical products	5%
Others	26%	Apparel	4%
		Others	33%

Source: Handout on Japan-India Relations: Economy, received from an official of the Ministry of Foreign Affairs of Japan, Tokyo. Figures are as of 2008.

Confederation of Indian Industry (CII) in 2007 pointed out that between 1991 and 2006, Japanese investments were to the tune of US\$2.15 billion, which amounted to just about 6 per cent of total FDI flows into India for the period. Similarly, during the period 2001–2006, India received about 17 times less Japanese FDI than China—US\$23.7 billion as compared to US\$1.4 billion to India making it lesser than 1 per cent of Japanese FDI.³²

The very obvious reluctance of the Japanese has stemmed from the fact that they are uncomfortable with India as a host economy due to its lack of basic infrastructural facilities, inefficiency and bureaucratic rules, corruption and overall business milieu. One of the key requirements therefore is to ensure an improvement in the overall investment and business environment in India.

To be sure, there has been significant Japanese investment in important sectors such as the automobile industry (27%), electrical equipment (11%), industrial machinery (7%), trading (7%) and the services sector (14%).³³ Technology transfer has been undertaken in the transportation industry, electrical equipment and chemicals sector. Among the big Japanese-Indian tie-ups in terms of amount of FDI are the Matsushita Electric Works Ltd.-Anchor Electricals Pvt. Ltd., Maruti-Suzuki and Tata Teleservices-NTT Do Co Mo. Also significant is the tie-up in the pharmaceuticals sector between Ranbaxy Laboratories Ltd. and Daiichi Sankyo Co. Ltd. (Japan) for \$5 billion.

Another milestone in recent years is the establishment of the Neemrana industrial estate about 100 kilometres from Delhi as an exclusive Japanese economic zone. Under an MoU signed between the JETRO and Rajasthan State Industrial Development and Investment Corporation in 2006 and further extended in 2008, the zone encourages Japanese investors to set up their bases in the region, even as they are being offered incentives like tax breaks and slashed sales tax rates. As of August 2009, as many as 17 companies have decided to set up their operations at the industrial park. Several Japanese companies like Mitsui Prime Advanced Composites India, Nissin Brakes India Pvt. Ltd., Mitsui Prime Advanced Composites India, Toyoda Gosei Pvt. Ltd. and Daikin Air-conditioning India Pvt. Ltd. are setting up their facilities there. Hitachi is even planning to set up a power plant in the park to meet the supply deficit. Neemrana is locationally advantageous apart from being low-cost and well connected to National Highway-8. India would benefit from increased Japanese investments in manufacturing, retail and infrastructure sectors that would lead to creation of employment opportunities.

Bilateral cooperation on the flagship Delhi Metro Industrial Corridor (DMIC) project has also taken off with the creation of the Project Development Fund. The fund set up with equal contribution from the Indian and Japanese governments of US\$75 million each, envisages plans to develop investment regions and industrial nodes. The two sides have also undertaken the joint creation of eco-friendly “smart communities” along the corridor. Much of the infrastructure work to be accomplished along the corridor would be done by public-private partnership.

Such recent developments will hopefully be pointers towards a positive trend. In fact, the figure on Japanese investment to India in fiscal year April 2008-March 2009 had touched 809 billion yen, surpassing that of the investment to China for the same period. However, experts and officials in Japan were quick to stress that these might be “wrong numbers” or perhaps inappropriate indicators to be upbeat about. According to them, this number is primarily due to the NTT Do Co Mo tie-up and Ranbaxy acquisition in this time frame. The more recent data on Japan’s outward FDI to India stands at US\$2,864 million in 2010. It is amply clear that despite the visible expansion and broader interaction between both countries in terms of investment, much needs to be accomplished. South Korean companies have been gaining considerable ground and

have managed to build inroads into the Indian markets when compared with their Japanese counterparts. They have essentially been able to capture the market due to the competitive pricing of their products. There remains much to be done to bolster Japanese investment interest in India and bring it to a level which complements the kind of “global and strategic partnership” both countries have envisaged. Not only are the Japanese investment figures relatively low and unimpressive, there are also Japanese concerns and problems which have been articulated at different times through various feedback channels like the report by the Japan Chambers of Commerce and Industry in India to the Indian government and which require concerted action to encourage.³⁴ It seems that more needs to be done to allay Japanese fears and apprehensions in order to receive increased Japanese investments. Besides an increase in volume, there is also scope to encourage investments in more sectors as well as more geographical regions in India.

TABLE 5.4
Japan’s outward FDI to India (BoP basis, net and flow in US\$ million)

Year	Japanese investments in India
2009	3,664
2008	5,551
2007	1,506
2006	512
2005	266
2004	139
2003	124
2002	146
2001	150
2000	175
1999	261
1998	460
1997	485
1996	262

Source: *Japan’s Outward FDI by Country/Region* (BOP basis, net and flow)
JETRO website – <http://www.jetro.go.jp/en/reports/statistics/>

DECONSTRUCTING THE JAPANESE RELUCTANCE:

A number of interesting surveys have been carried out on the reasons why Japanese investors have been reluctant to test Indian waters. One is of course the fact that apart from the Maruti-Suzuki success story, other Japanese investors did not have a positive experience in the country and largely carried back a negative image of investing in India. For instance, according to a study on “Japanese FDI Experiences in India”, Toyota Kirloskar Motors tried to enter Indian markets, but faced difficulties and friction in its partnership with DCM, India in building light commercial vehicles. Similar unfortunate experiences were faced by other Japanese companies, like Satake and Soyo.³⁵ Such Japanese companies, according to the study, chose to stay away from Indian markets even after liberalisation of the economy. More recently, after the taking over of Ranbaxy by Daichii Sankyo, Ranbaxy has been facing problems with the US Food and Drug Administration. Two of its products that were to hit the US markets did not get the requisite approval from authorities leading to losses and the falling of stocks. According to a prominent Japanese expert, these problems arose because inadequate homework preceded the signing of the deal.

Secondly, most importantly, India indubitably lacks the solid bedrock required to magnetise investment—infrastructure. Infrastructure problems are deep-rooted and widespread—be it road and railway networks, power, electricity, water supply systems or warehousing.

Thirdly, Japanese investors complain about high tariffs, tax structure, legal and regulatory set-up, procedural delays and bottlenecks. An observation made by a CII study, for instance, notes that *a typical power project requires 43 Central Government clearances and 57 State Government level (including the local administration) clearances.*³⁶ Added to this is the fact that unlike other countries, which might require as many clearances, there is corruption, lack of transparency on requirements, decision-making and documentation.³⁷

Moreover, there are general problems associated with corruption in the public sphere, which ultimately translates into loss of time, extra financial burden and ambiguity over the fate of the investment. Such factors have proven to be deterrents to many investors who have chosen not to make forays into the Indian market. Some other obstacles Japanese investors have earmarked are related to adoption and implementation of

Japanese management techniques in India and include the following:

- Gaps between Japanese and Indian management concepts including the introduction of modern management systems
- Corporate sector cultural differences—for example, in Japan, corporate culture develops suppliers, while in India they are selected
- Lack of team spirit and discipline—issues like punctuality
- Lack of quality consciousness and
- Labour problems and laws, infrastructure issues, caste problems and bureaucratic delays and bottlenecks³⁸

A survey on rankings of risk factors for doing business with Asian countries including India projected the following figures:

TABLE 5.5
Rankings of Risk Factors for Doing Business in/with an Asian Country

Risk Factor (out of 8)/Percentage	Ranking
Political/Social instability	5/15.4%
Concerns over Local Currency	6/6.5%
Underdeveloped Infrastructure	1/57.2%
Under-developed legal system/problems with legal procedures	2/35.3%
Underdeveloped or no accumulation of related industries	3/18.4%
Problems with protection of intellectual property rights	2/13.9%
High/increasing labor costs	8/3.5%
Risk/problems of taxation	2/17.9%

Source: JETRO FY2006 Survey of Japanese Firms' International Operations, March 2007 from <http://www.jetro.go.jp/en/news/releases/20070228845-news/Survey1.pdf>

Lastly, there have also been some cases on visa problems reportedly even from the Indian side. A prominent Indian businessman and chairman of one of India's largest companies (listed at NASDAQ) was asked by the Japanese consulate in Mumbai for an interview.³⁹ Indians have complained of problems in acquiring a Japan visa for conducting business, hampering bilateral economic interaction opportunities.

THE CHANGING PERCEPTION: INDIA AS AN OPPORTUNITY

There is however, an increasing awareness and acknowledgement of the criticality of the Indian option. A survey report on Overseas Business

Operations by Japanese manufacturing companies brought out by the Japan Bank of International Cooperation (JBIC) carried out in November 2008 reveals that although China holds the top position among promising countries for investment, other countries including India are fast catching up.⁴⁰ The number of companies that perceive India as promising is now on par with China. India is thus becoming a destination for “new” investments. For these companies, the major reasons for such a perception stem from the future growth potential of the local market, inexpensive labour and skilled human resources. India also figures at the second rank as a promising country for small and medium enterprises (SMEs) in the medium term, even as it tops the list in long-term prospects (over the next 10 years). The Japan External Trade Relations Organisation (JETRO) expects more FDI in automobiles, infrastructure (US\$150 billion estimated in 10 years), raw materials, and food processing and service sector. A survey carried out by the JETRO in 2006 revealed that Japanese firms were getting more interested in expanding their business in India due to economic growth and expanding markets. Japanese firms that showed interest in expanding production in India were those dealing with cars/car parts, transportation machinery, iron and steel/non-ferrous metal and metal.⁴¹

Other prominent studies on investment options have been giving India a very high ranking as an investment destination, albeit next to China. The *World Investment Report 2009: Transnational Corporations, Agricultural Production and Development*, UNCTAD had predicted FDI growth in areas such as infrastructure and retail in both China and India.⁴² The findings of the *World Investment Prospects to 2011: Foreign Direct Investment and the Challenge of Political Risk* throw more light on India as an investment destination:⁴³

- India ranks number three among the most preferred FDI locations.
- India is ranked second among top recipient countries for “new” FDI projects.
- Its business environment rank for the period 2007–2011 is 54, 8 places up from 2002–2006 and just one rank below China.

Despite the fact that India is now ranking high among potential areas for investment, statistics also show that the gap between China and India as the top two recipients is wide. There is the obvious geo-political angle to such a fact. For a country like Japan, which is closer to China

geographically, it is natural to tilt in favour of investing in China, even as there is an “advantage China” in terms of infrastructure facilities and business environment. India seems to be catching up, but there is a lot to be accomplished in order to be a viable and alternative attractive option for Japanese investors. Japanese investors are known to be cautious and risk averse and it is of salience to undertake some introspection in India on several aspects of the domestic economic construct.

First, it is vital to create a better business environment. As noted above, India is currently ranked only 54th in business environment ranks for the period 2007–2011. This rating is a measure of quality or attractiveness of business environment. Poor infrastructural facilities have often been cited as having the most significant pullback effect on investments. Also, India has to solve other issues like labour problems, poor quality of human resource due to the problem of low quality education and a cumbersome investment procedure.

The outlook for the future of Japanese investments in India will only look better once these concerns and impediments are removed. There is a new Japanese thrust and orientation towards investing in SMEs in India—a trend that needs to be encouraged, considering that it is these companies which require more encouragement and assistance in terms of both financing and technology. This was acknowledged and mentioned in a joint statement by Indian Minister of Commerce and Industry Kamal Nath and Japanese Minister of Economy, Trade and Industry of Japan Toshihiro Nikai, which drew out an action plan to “strengthen Japan-India economic relations with focus on SMEs’ investments into India”. This action plan includes the setting up of an information hub for Japanese and Indian investors in conjunction with JETRO and CII. Simultaneously, METI, Japan would also set up a Trade and Investment Promotion Desk (TIP Desk) to provide information about investing in India. It was also envisaged to set up Business Support Centres (BSC) supported by JETRO for SMEs wanting to invest in India.⁴⁴ Investments in these enterprises would not only help in terms of bringing about the much-needed finances, but also sharpen the technical and managerial skills—also generating employment opportunities among sections of the Indian populace that is unskilled and untrained. The International Division of the Japan Finance Corporation for Small and Medium Enterprises (JASME) could be tapped for the same. The JASME accepts government official and study groups

from other countries. In this context, arenas like food processing would be an attractive sector for Japan. This would not only assist in curbing food wastage, but also create jobs and employment.⁴⁵

TOWARDS EXPLOITING THE OPPORTUNITY: CEPA CONCLUDED

While many of these concerns and issues relate to India's own infrastructural and governance deficiencies as well as differences in work cultures, Tokyo and New Delhi have set a firm foot on the path to a growth in economic relations with the signing of the CEPA in early 2011. The CEPA will give Tokyo the same advantages that the South Koreans have garnered in concluding a similar agreement with India. This assumes significance simply because of the fact that South Korea competes with Japan in sectors such as automobiles and electronics and would find the vast Indian consumer market very attractive. South Korean companies like Samsung, LG and Hyundai have gained a strong foothold in the Indian market. The opportunities offered by the Indian market (as well as the Chinese) assume manifold significance especially for the disaster-struck Japanese economy, which was already in doldrums. This would also smoothen the Japanese use of vast Indian manpower resources.

The India-Japan CEPA, a comprehensive document with 147 Articles, was signed with the following objectives in view:

- Facilitation of liberalisation and trade in goods between both sides
- Increasing investment opportunities and strengthening protection for investments
- Protection of intellectual property and cooperation
- Improving business environment in both parties and
- Creation of effective procedures for implementation and application of the CEPA and resolution of disputes⁴⁶

Under the provisions of the CEPA, India agreed to remove tariffs on as many as 94 per cent of goods over a period of 10 years. This would facilitate easier and more comfortable Japanese entry into the Indian market. Of course, some sectors have been kept protected and insulated from foreign competition like agriculture and agricultural products and some auto parts.⁴⁷ Japan, on the other hand, has agreed to remove import tariffs for up to 97 per cent tariff lines.⁴⁸ The agreement also includes and incorporates the service sector within its ambit.

OFFICIAL DEVELOPMENT ASSISTANCE

Japanese ODA to India has perhaps been a high point in economic linkages between both sides. The first aid from Japan came to India in 1958 as its first yen loan disbursement. While the bilateral loan assistance comes from the Japan Bank for International Cooperation (JBIC or the former Overseas Economic Cooperation Fund), the grant aid and technical cooperation are passed on by the Japan International Cooperation Agency (JICA).

The saga of ODA to India has been regular except for the period just after 1998 when India conducted its nuclear tests. Japan itself has slipped to the fifth position as an ODA donor country behind the United States, Germany, the United Kingdom and France. India was the largest recipient of Japan's ODA loans for developing infrastructure including transport and power as well as eradication of poverty. New Delhi received a total of US\$599.81 million in 2008 in the form of grant aid and yen loans. Perhaps the most noteworthy ongoing project as of 2008 has been the Delhi Mass Rapid Transport system now in Phase 2. The Japanese commitment of ODA loan in the year 2008 showed an increase by 4.8 per cent over the previous year, making India the largest recipient of Japanese ODA loan for six consecutive years from fiscal year 2003.⁴⁹

The Japanese government formulated a Country Assistance Program for India formulated in May 2006 and earmarked the following priority areas for ODA disbursement:

- Promotion of economic growth
- Development of infrastructure (mainly power and infrastructure)
- Environmental protection
- Health and medical sector and
- Expansion of human resources development

There are also three medium-term-policy objectives of Japanese ODA to India from FY 2007⁵⁰:

- Promotion of economic growth and strengthening bilateral economic relations
- Poverty reduction and social sector development and
- Cooperation in the fields of environment, climate change and energy

TABLE 5.6
Japan's ODA disbursements to India (Net disbursements, \$ million)

Year	Loan aid	Grant aid	Cooperation	Total
2003	304.66	2.31	18.82	325.79
2004	-109.37	7.73	19.59	-82.05
2005	40.27	13.75	17.45	71.46
2006	-7.63	17.6	19.57	29.53
2007	68.07	9.32	22.49	99.89
2008	576.48	3.53	19.80	599.81
2009	484.54	6.69	27.97	517.01

Source: <http://www.mofa.go.jp/policy/oda/data/pdfs/india.pdf> and data for the year 2008 from Japan's ODA White Paper, <http://www.mofa.go.jp/policy/oda/white/2009/pdfs/part2-2-3.pdf>, p. 136
Data for 2009 from Japan's ODA White Paper 2010 from http://www.mofa.go.jp/policy/oda/white/2010/pdfs/10_part3-2-3.pdf, p. 90.

The prognosis for the future of India-Japan relations could best be described as being both promising and positive. As discussed, there are three major components of this bilateral interaction of which trade and investment have been feeble links. With the conclusion of the CEPA, one of the major obstacles on the path to closer economic ties has been cleared. Needless to add, the conclusion of the CEPA was a long-drawn-out and at times rough ride, with both sides finding it difficult to find a common meeting point. There were differences over generics and other issues over which negotiations seemed to fail to reach a consensus. While the CEPA will in effect take care of the structural building blocks of economic relations, the more significant challenge will be for both sides to understand the other side's business psyche and work culture. It is imperative for the Japanese to realise that they are losing time and opportunity by not tapping the full potential of the Indian market with the kind of problems associated with it, even as other Asian countries like South Korea and China are making successful inroads into it. For the Indian business community, the challenge of dealing with their Japanese counterparts involves the language barrier as well as working in tandem with their organised and efficient working culture. These are worth emulating and would bridge the gap between the two sides. Greater interaction and exchange of both people and more specifically the business community could gradually assist in tiding over these problems.

India also has to solve the deep-rooted governance issues plaguing the system like corruption and red-tapism which are an effective deterrent to foreign investors.

Endnotes

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NON-TRADITIONAL SECURITY

BUILDING BRIDGES

While there is ample proof that traditional security concerns and issues provide enough scope for India and Japan to converge, there are a number of so-called non-traditional security activities that could be explored to further bolster and broaden the horizons of the bilateral relationship. Japan has been actively involved in India in areas like development of energy, transportation, health, water, environmental conservation and agriculture through governmental agencies like the Japan International Cooperation Agency (JICA) and the Japan Bank for International Cooperation (JBIC). The realisation that there is considerable scope in this field is expressed in a joint statement like that on the “Enhancement of Cooperation on Environmental Protection and Energy Security”, which should form the basis of more concrete roadmaps and implementation in these areas. Nuclear energy, issues of climate change and environmental conservation are arenas to be explored in constructing ties in the future. There are possibilities of finding common aims, common ground and work towards achievable targets in tandem with each other.

ENERGY AND NUCLEAR ENERGY DILEMMA

Energy is one of the foremost components and to a great extent drives the foreign and economic policies of countries around the world today. There are three essential components in considering energy policy of a country also termed as the three E’s by the International Energy Agency—energy security, environmental protection, economic growth in addition to

which there is now a recognition of the need for a fourth one—engagement around the world. According to estimates, the world's primary energy consumption has grown by 45 per cent in the last 20 years and is estimated to grow by about 39 per cent over the next 20 years.¹ Non-OECD energy consumption is expected to be 68 per cent higher by the year 2030 and will account for 93 per cent of global energy growth.² Asia is dotted with energy-hungry countries including India, China and Japan. India and China are expected to overtake countries like Japan in their quest for energy resources in the years ahead. In fact, China has been reported to have already overtaken the world's largest energy consumer, the United States, in 2010 according to the IEA. New data released by the agency in 2010 stated that Beijing consumed four per cent more oil equivalent than the United States.³ The projections for expected Chinese consumption of energy in the future seem to corroborate and attest the fact. There is also a clear intra-regional competition between India and China over energy resources. Their contest over resources in Africa is a well-documented and discussed matter today. The magnitude of China's influence in Africa (October 2011) became very apparent recently with the South African government's denial of a visa to Tibetan leader Dalai Lama who was slated to travel to South Africa to receive an award. The South African government clearly did not want to ruffle feathers with Beijing on any matter. More recently, the competition has moved closer to the South China Sea from where there have been reports of vocal Chinese objections to an agreement on joint Indo-Vietnamese oil exploration in the South China Sea.⁴

THE ENERGY SCENARIO IN INDIA

As a fast developing country, India has both its own unique and general compulsions behind being an increasingly energy-hungry country. It is pertinent to note that despite concerns over India's potential expansion and its potential impact on demand for energy, presently much of the Indian population continues to be deprived of electricity and still continues to use biomass to cook. India's per capita energy consumption is also pegged at about less than 500 kgoe as against the world average of about 1,800 kgoe.⁵ The growing demand of an ever burgeoning population, changing consumption patterns (in terms of shift away from traditional fuels), lack of domestic supplies and rising demands from the transport

sector have all catapulted energy requisition to an unprecedented high. According to estimates, India would need to increase its primary energy supply by three to four times and its electricity generation capacity by five to six times from the 2003–2004 levels in order to sustain its current growth rate of about eight per cent and meet the needs of its populace through 2031–2032.⁶

TABLE 6.1
 Share of world energy consumption in India 1990–2035 (percentage of world total)

Year	Percent share of world energy consumption in India and China (in parenthesis)
1990	2.50 (7.60)
1995	3.30 (9.31)
2000	3.60 (8.97)
2007	4.10 (15.76)
2015	4.50 (18.65)
2020	4.80 (20.56)
2025	4.90 (22.29)
2030	5.00 (23.70)
2035	5.10 (24.62)

Source: EIA, International Energy Statistics database (as of November 2009), web site www.eia.gov/emeu/international. Projections: EIA, World Energy Projection System Plus (2010), From International energy Outlook report, EIA from <http://205.254.135.24/oiaf/ieo/world.html>

The Indian outlook on energy security has been succinctly delineated in the country’s Integrated Energy Policy Report 2006, which states that, “We are energy secure when we can supply lifeline energy to all our citizens as well as meet their effective demand for safe and convenient energy to satisfy various needs at affordable costs at all times with a prescribed confidence level considering shocks and disruptions that can be reasonably expected.”⁷ Currently, India’s energy basket mix comprises a huge dependence on domestic coal and imported oil. To an extent, India is more self-sufficient than Japan in resources like coal, but that marginal advantage will soon erode with usage through the passage of time. Currently, coal comprises about 40 per cent of India’s primary energy supply, biomass and waste 27 per cent and oil 24 per cent.⁸ Oil and natural gas

supplies are, however, largely sourced from the same oil-rich Middle East and North Africa (MENA)

Considering that all trends and estimates clearly predict an increase in energy needs and consumption, there is an urgent and compelling need for India to diversify its energy sources and explore options like fossil fuels, renewable and nuclear energy. India's civilian nuclear power ambition received a massive impetus with the signing of the Indo-U.S. Nuclear Deal. The deal practically pulled India out of its nuclear pariah status, leading a number of countries like France, Canada, South Korea and Argentina to sign civil nuclear deals with New Delhi. According to the Nuclear Power Corporation of India Ltd.—a public sector government enterprise with the sole authority to operate nuclear power plants to generate electricity, ongoing projects aim to create 2,000 megawatts of electricity, while operational ones provide 4,780 megawatts.⁹ India's dependence on nuclear energy, therefore, is both undeniable and unavoidable unless effective and more eco-friendly alternative energy sources are found.

JAPAN'S ENERGY SITUATION

The imperatives of Japan to pursue a vigorous energy policy are also immensely clear. The first and most obvious driver is the fact that being a resource poor country itself, Japan depends on imports for as much as 83.7 per cent of its energy supply.¹⁰ It does not possess any domestic fossil fuel, oil, coal or natural gas supplies forcing upon it a heavy dependence on imports from richly endowed areas like the Middle East.

TABLE 6.2
 Self-sufficiency rates (percent) for energy sources excluding nuclear

Country	1970s	1980s	1990s	2000s
Japan	8.1	6.5	4.7	4.2
China	101.9	104.9	100.9	95.2
OECD average	64.7	69.7	64.7	60.3

Source: Tomoko Murakami, Mitsuru Motokura, Ichiro Kutani, *An Analysis of Major Countries' Energy Security Policies and Conditions: Quantitative Assessment of Energy Security Policies*, Institute of Energy economics, Japan, March 2011, p. 6 from <http://eneken.iecej.or.jp/data/3719.pdf>, Accessed on 31 August 2011

This not only adds on a great measure in terms of the cost of acquisition of energy sources, but also imposes a certain amount of uncertainty and risk to the process of that acquirement. The exposure to peril emanates from the possibility of political instability within the supplying country, erratic price fluctuations (like that experienced during the Oil crisis of 1973) as well as the hazards that accompany passage of energy supplies through “choke points”. In the case of Japan, the Malacca, Hormuz and Suez straits are of particular significance. Table 6.2 amply demonstrates Japan’s low self-sufficiency index in terms of energy sources as compared to China and the OECD average.

The continuous rising demand for energy fuels this thirst further. During the period 1960–1972, when Tokyo experienced dramatic economic growth, its energy consumption also galloped fast and by the year 1976, with only three per cent of the world’s population Japan was consuming nearly six per cent of the world’s energy supplies.¹¹ Although continued attempts have been made to dilute dependence on oil, Japan’s demand for energy continues to be largely met with oil as a source of energy. However, coal, nuclear energy and natural gas have also increasingly become energy sources.

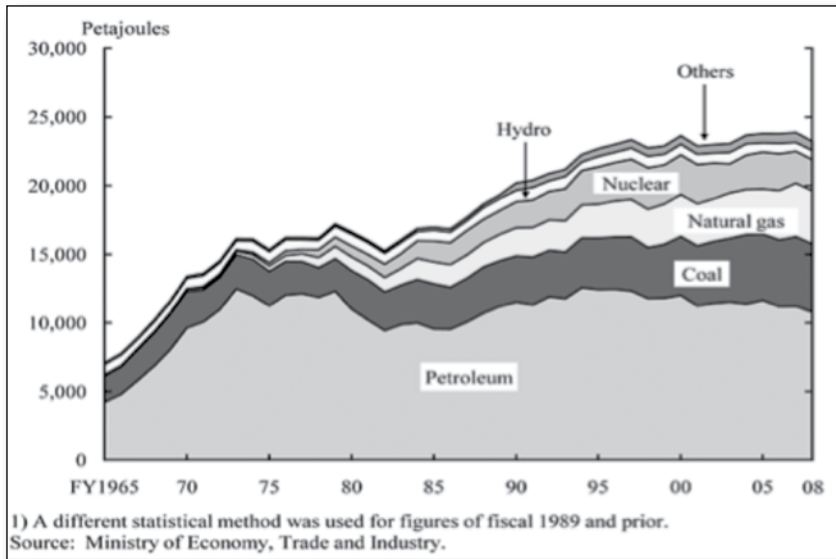
TABLE 6.3
Demand and supply of energy in Japan (as of Fiscal Year 2008)

Item	Total	Item	Total
Domestic supply of primary energy	21,565	Final energy consumption	14,726
Total primary energy supply	23,219	Industry	6,273
Indigenous production	3,782	Non-manufacturing	451
Import	19,437	Manufacturing	5,822
Export	-1,384	Residential and commercial	4,978
		Transportation	3,475

Source: Director-General’s Secretariat, Agency for Natural Resources and Energy from Chapter 10, Energy and Water, Japan Statistical Yearbook 2011 from <http://www.stat.go.jp/english/data/nenkan/1431-10.htm>,

Note: The table shows all energy sources in a common unit (petajoules). The minus sign in the table show energy inputs. Petajoule is a unit of energy. One petajoule is one billion megajoule. Total domestic supply of primary energy = Final Energy Consumption – Energy Conversion + Statistical error

FIGURE 6.1
Japan's total primary energy supply



Source: *Japan Statistical Yearbook 2010*, p.79, retrieved from <http://www.stat.go.jp/english/data/handbook/c07cont.htm> on 15 March 2011

Japan's basket composition of energy sources had an integral presence of nuclear energy, which by the year 2009 amounted to nearly a third of its electricity fuel mix at 29.3 per cent.¹² The Strategic Energy Plan of Japan (June 2010) called for a policy that incorporates energy security, environmental protection, efficient supply towards attaining energy-based economic growth and reform of the energy industrial sector.¹³ The plan had also called for a conspicuous bolstering of the nuclear superstructure with at least nine or more nuclear plants by 2020 and more than 14 by 2030. There was a distinct need felt to decrease dependence on external supplies of energy and increasingly use renewables like solar power and geothermal to secure energy supplies. The advantages of nuclear power for Japan were primarily three-fold. One, it was a domestically produced source. Two, it was known to be environmentally friendly. Lastly, it proved to be a panacea for the ever-rising electricity demand, considering that it is the third largest consumer of electricity in the world. According to an estimate, Tokyo has invested more than US\$70 billion in research on nuclear power in the past 30 years.¹⁴

THE GREAT JAPAN EARTHQUAKE: A TURNING POINT?

The Japanese credence in nuclear energy configuration suffered a serious jolt in 2011 in the aftermath of the “Great East Japan Earthquake” of magnitude 9 on the Richter scale that hit the country on 11 March 2011. The earthquake triggered off a tsunami along the east coast of Japan bringing with it immense loss of life and property. The impact was also felt on the nuclear power installations—Tokai, Higashi Dori, Onagawa and Da-ini, which appropriately responded by automatically shutting down as a result of built-in mechanisms that operate on detecting earthquakes.¹⁵ The brunt of the disaster was, however borne by the Fukushima Dai-ichi nuclear power plant, which was being operated by the privately owned Tokyo Electric Power Company (TEPCO). The tsunami waves, which were estimated to be more than 14 metres high, damaged the power plant to the extent that there was not just a loss of power, but damaged control systems as well. The cooling system of reactor and spent fuel failed and there was a series of explosions that led to exposure of radiation in the area around the reactor.

The Fukushima disaster opened the floodgates of debate both domestically and internationally about the safety and feasibility of using nuclear power as a source of energy. Internationally, countries like Germany relinquished the use of nuclear energy, shutting down seven of its 17 nuclear power plants even as China announced a moratorium on building further nuclear plants.

Japan will find it difficult to tackle the imperative of anomaly it faces today. On the one hand, Tokyo has emerged as champion and leader for the cause of environmental protection. On the other hand, as a large consumer of energy and a resource poor nation, its alternatives are both limited and have not yet reached fruition as viable options. In other words, if Japan decides to drastically scale down and wean itself off nuclear energy, the challenge remains of having to replace that magnitude of supply from alternative source like renewables. This option does not currently look promising and developed enough to be touted as an alternative. The quantitative adequacy of renewables like solar and hydropower as replacements for nuclear power continues to remain in question. Moreover, there are also associated problems with energy sources like solar and wind. For instance, it is difficult to store the generated electricity from these sources—a significant prerequisite in

considering them as an alternative source. Considering that this energy is drawn and supplemented from natural sources, there are associated consequences to be kept in mind. Much depends on the climate of the specific country and the supply of energy can be erratic, for instance, in the case of wind and solar.¹⁶

This also further complicates the financial woes of Japan as it struggles with a stagnant economy and gets back to yet another round of reconstruction and rebuilding. Reports are replete with power cuts, energy saving steps and concurrent impact on production and manufacturing in Japanese companies. Units in Japan that form an essential part of the supply chain have suffered. For instance, according to the Japanese Automobile Dealers' Association (JADA), sales of automobiles dropped by more than half (51 per cent) in the month of April 2011 following a drop in production after the tsunami. Toyota recorded a fall in sales by 69 per cent and Honda by 49 per cent.¹⁷ Toyota and Ford were forced to stop production for a couple of months not just in Japan but outside as well. If these problems persist, there are increasing chances of companies shifting bases outside Japan.

Another domestic reason that would have an impact on the trajectory of Japan's pursuit of nuclear power in the future has been the munificent subsidies being doled out to residents of areas where these plants are being built. According to Professor Takenori Horimoto, these are mostly areas that "lack financial viability". The subsidies, according to him, are "political power generators" and play a noteworthy role in acceptance and expansion of nuclear power plants.¹⁸ This political angle of the nuclear dilemma will add its own dimension to the debate, even though in the present scenario it is not politically prudent or gainsaying to support the nuclear cause.

Therefore, until the time technology in other areas of energy generation is suitably developed, Japan's dependence on nuclear energy cannot possibly be declared completely redundant. Examples of countries like Germany have exhibited that given a situation where the drive is away from nuclear power, options seem to go back to the fossil fuels like coal and gas. Reports suggest that emissions by Germany could rise by as much as 40 per cent if it does execute its plan of phasing out its nuclear plants by 2022 as announced in the post Fukushima phase.¹⁹ As noted by a prominent academician, "Despite a post-Fukushima push to step

up alternative energies and by some to move away from nuclear power, alternative energies can as yet nowhere near compensate for the quantitative output of nuclear or fossil fuels. It appears Japan will ... retain existing nuclear operations, all more tightly regulated, at least for the short-term triple-disaster recovery period while renewable technology is advanced.”²⁰ This is going to be a challenge for a country like Japan, which has taken upon itself to be a champion of environmental causes.

IS THERE A MEETING POINT FOR INDIA AND JAPAN?

The question that arises at this stage is over the kind of cooperation or meeting point between Tokyo and New Delhi over the energy issue. On the nuclear front, the possibilities of a bilateral civilian nuclear cooperation were certainly on the agenda of both sides. There was also a huge potential for Japan to step into the Indian market. This potential continues to lie untapped for a few reasons. One, there have been reports of some undelivered commitments New Delhi had made to Tokyo in 2008. A newspaper report citing high level diplomatic sources stated that, “It’s not about NPT which we know India is not going to sign. The main issue is that even the commitments made by the then foreign minister in 2008 before NSG have not been translated into action and this is the main problem preventing civil nuclear problem between the two countries.”²¹ In his statement, former Foreign Minister Pranab Mukherjee had stated that India would continue having a moratorium on nuclear testing and also work towards the conclusion of the FMCT.²² India has not been able to procure a clean waiver from the NSG for nuclear commerce.

Two, possibilities of early steps towards cooperation on the nuclear energy option in the short term suffered a serious jolt in the aftermath of the massive tsunami and the nuclear crises unfolding thereafter. While Japan’s inhibitions on nuclear energy found a new fortification and prop, there were resultant sharp reactions and resistance against nuclear energy in India as well. In the Tulsanda village of Maharashtra, the Indian government is planning to build the Jaitapur nuclear power plant with a capacity of generating 9,900 megawatts of electricity. The plant is built by the French conglomerate Areva. Protestors have been vociferous in expressing their displeasure and discomfiture felt over the plant terming it as a “monster”²³ Similar opposition has also been reported from the 2,000 MWe Kudankulam nuclear power plant in the state of Tamil

Nadu.²⁴ A large number of protestors have been expressing their unease over the Russian nuclear plant project in the aftermath of the Fukushima crisis. The plant has not been able to be operationalised yet due to this furore. The Indian government is also suspecting that foreign funding is being used to fuel these protests against the power plant.²⁵ The state government of West Bengal (India) also faced anti-nuclear sentiment in Haripur and decided to abandon its plan for the same.

However, the government posture clearly exhibits a determination to go ahead with the nuclear power plan. Environment Minister Jairam Ramesh noted that although the disaster was a “wake-up call”, the country would continue to go ahead with its plan of installing 30,000 megawatts of nuclear power by the year 2020.²⁶ India has made known its intent of continuing with its nuclear energy programme with adequate safeguards and checks following the Fukushima incident. Prime Minister Manmohan Singh noted that, “For a large and fast growing economy like ours, it is imperative that we tap all sources of energy, and diversify our energy mix. Nuclear energy has the potential of playing an increasingly important role in giving our country energy independence from traditional and often polluting sources of energy.”²⁷

Japan is an integral variable in any nuclear cooperation and deals between Indian and U.S. or French companies like Toshiba-Westinghouse and GE Hitachi. General Electric and Areva have been given contracts to set nuclear plants in India, while Westinghouse is negotiating to do so.²⁸ The tsunami and nuclear havoc that played out thereafter clearly indicates the need to develop safe, secure and more technologically sophisticated and disaster-insulated nuclear power plants. While the recent developments may have proven to be a short-term impediment towards Japanese cooperation with India on the nuclear front considering that it is a sensitive matter, there is scope for India and Japan to jointly undertake research and development in this arena. Japan’s Prime Minister Yoshihiko Noda has already made it clearly known that his country is “determined to raise the safety of nuclear power generation to the highest level in the world.”²⁹ Safety of nuclear reactors not just from natural disasters, but also from other threats like terror attacks and technical glitches leaves much to be built upon. It is well known that even the Indian nuclear power installations are exposed to such dangers. Concerns are particularly acute over the Jaitapur power plant, which is located in

a seismically active belt where an estimated 95 earthquakes are said to have occurred during the period 1985–2005. For Japan, the loss would be economic, considering that Japanese companies will not be able to venture into the Indian market and increasingly lose ground to their counterparts like South Korean and French companies, which already have made a head start. It is this realisation that is pushing the Japanese government to support the domestic nuclear industry and companies to sell nuclear technology to other countries. Prime Minister Noda made it clear that “Japan stands ready to respond to the interests of countries seeking to use nuclear power generation. For several years, emerging nations and many other countries around the world have earnestly explored ways of using nuclear energy amid the needs for energy security and for responses to global warming. Japan has been supporting their efforts, including their improvements of nuclear safety. Japan remains steadfast in responding positively to their interest in our understanding.” In keeping with Tokyo’s aforementioned intent, it is perhaps only pertinent that New Delhi becomes a recipient and beneficiary of Japan’s technology and investment in the nuclear field.

India also could take lessons from Japan which has an advantage as

TABLE 6.4
Renewables and waste in Japan and India 2008 compared

Source	Gross electricity generation in Japan (Gwh)	Gross electricity generation in India (Gwh)
Municipal waste	6,837	0
Industrial waste	472	0
Primary solid biomass	15,079	1,973
Biogas	0	0
Liquid biofuels	0	0
Geo thermals	2,752	0
Solar geothermals	0	0
Hydro	83,295	114,295
Solar photovoltaics	2,251	20
Tide, wave and ocean	0	0
Wind	2,623	13,740

Source: International Energy Agency database from http://www.iea.org/stats/renew-data.asp?COUNTRY_CODE=JP/INDIA and Japan

one of the most energy-efficient countries in the world.³⁰ Energy efficiency can be deciphered from the fact that despite an expanding energy consumption pattern, the volume of primary energy required to generate the same amount of gross domestic product (GDP), (that is, primary energy supply per GDP) is lower in Japan than in the other industrialised nations.³¹ A primary case in point has been Japan's Top Runners approach initiated in 1998 to push energy efficiency through the development of energy-saving products. This programme had covered as many as 21 products by the year 2009.³² This has already found a mention in the Joint Statement on the Enhancement of Cooperation on Environmental Protection and Energy Security signed between the two sides in 2009. Such programmes could be good guiding models for India to pursue. Grassroots efforts at energy conservation made at the household level in Japan, for instance, could be emulated in India. Tokyo has also been involved in contributing towards dissemination of such information to India. An example of such interaction has been the Japan International Cooperation Agency (JICA)—a Japanese government agency's MSME (Micro, small and medium enterprise) Energy Saving Project. JICA has been encouraging such small and medium enterprises to invest in energy saving mechanisms like machinery, reduce carbon emission and improve energy efficiency.³³

As part of developing both energy security and curbing climate change, Tokyo and New Delhi could also join hands in order at the bilateral and multilateral levels in order to further research and development in the field of renewable energy sources.³⁴ It has been estimated that even with a resolute drive the Indian renewables are expected to account for only five to six per cent of India's energy basket by 2031–2032.³⁵ Tokyo could prove to be a useful partner in this Indian effort as it itself looks to "technological innovation in the areas of renewable energies, energy saving and clean use of fossil fuels, movement referred to as 'green innovation'".³⁶ A comparison between the electricity productions from renewable in both countries clearly suggests that apart from hydro and wind energy, Japan is way ahead of India. Japan's limitations in terms of hydropower are due to natural causes as compared with India, which has abundant water resources. According to the Federation of Electric Power Companies of Japan, the country has used up nearly all possible large-scale hydro-power facilities.³⁷ Apart from this, as the comparative

Table 6.4 on renewable clearly shows, India could learn from the Japanese experience, especially on sources like creation of power from waste (envisaged in the National Action Plan on Climate Change) and biomass.

Japan has also taken a concrete step ahead towards focusing on renewable sources of energy with the passage of the Renewable Energy Bill in the Japanese Diet in August 2011. According to the Bill, utilities are encouraged to buy electricity from sources like geothermal, solar and wind sources at higher prices in order to increase investments. The government plans to subsidise electricity produced through renewable as part of its resolve to reduce dependence on nuclear power in the long run.³⁸ At the multilateral level, India and Japan are members of the International Renewable Energy Agency formed at Bonn in 2009. The agency seeks to respond to the twin challenges of achieving energy security through renewable sources as well as contributing to conserving the environment by curbing carbon emissions. Both India and Japan have contributed funds to the IRENA in 2011 and could use the platform to further efforts on developing knowledge and technology in this field.³⁹

Lastly and equally importantly, Japan and India could join hands to improve the supporting infrastructure that is needed to ensure that an optimum part of the produced energy is utilised for and reaches maximum population in India. As discussed earlier, this would mean not just increased Japanese Official Development Assistance, but also augmented investment in such facilities. Japan's SEZs could become role models in this regard as they plan to build eco-friendly nodes and colonies around these SEZs. The ongoing energy dialogues between India and Japan could become the venue for greater cooperation and coordination as well as provide an opportunity for experts and professionals on both sides to draw out implementable roadmaps and give a final shape to such ideas.

ENVIRONMENTAL ISSUES AND CLIMATE CHANGE

Closely intertwined with the energy conundrum are climate change and environmental conservation—both issues troubling countries all over the world. Environmental issues encompass a plethora of concerns ranging from climate change to deforestation and impact on biodiversity. The Intergovernmental Panel on Climate Change (IPCC) defines climate change as “a change in the state of the climate that can be identified by changes in the means and/or the variability of its properties, and that

persists for an extended period, typically decades or longer. It refers to any change in climate over time, whether due to natural variability or as a result of human activity.”⁴⁰

The seemingly insatiable need for energy and the related impact in terms of climate change have to be coupled with economic development. Over the years, the growing use of fossil fuels like coal, oil and gas has dominated energy supply sources and led to augmented carbon emissions. There has been a noticeable discrepancy between the developed and developing nations with regard to means, ways, responses and responsibilities to tackle climate change. Developing countries such as China, Brazil, South Africa and India (also known as the BASIC countries) are clearly not in favour of pledging any cuts in emissions unless industrialised and developed countries convert their promises into actions. At the other end of the continuum are developed countries like the United States and Japan which wish to follow the same goal while choosing a different path. The differences primarily revolve around tensions between development and environmental security (which is more acute for developing countries); the question of cost sharing, that is, should developed countries, which are largely “responsible” for the problem, bear a higher proportion of the cost? And should responsibility rest on the basis of per capita emission or consumption (developed countries) or aggregate emission consumption (large developing nations as well as developed ones)? In summary, despite a consensus on the need to arrest global warming and climate change, there is yet no legally binding international agreement on cutting carbon emissions.

Development in India entails not just an increasing industrialisation, changing lifestyle and consumption patterns but also an attempt to provide basic human needs like food, water, clothing and electricity to a vast human population. It is, indeed, ironical that a country with a consistently high growth rate has an abysmal record of human development index. There is little doubt that India is concerned about climate change and wants to make its own contribution towards prevention of the same. Carbon emissions and resultant environmental damage are natural fallout of the path of development that the country has set out on. However, statistics clearly proves that India’s per capita carbon emission record when compared with other countries like the United States, Japan and China and the world average is minimal.

TABLE 6.5
A comparison of India's GHG emissions with other countries

Country	Per capita carbon-dioxide emissions (per capita)
U.S.	20.1
Japan	9.87
China	3.60
India	1.02
World average	4.25

Source: National Action Plan on Climate Change, Government of India, Prime Minister's Council on Climate Change from <http://pmindia.nic.in/Pg01-52.pdf>, p. 14

India has been a willing, enthusiastic and strong supporter of international initiatives aimed at sustainable development and environmental conservation like the United Nations Framework Convention on Climate Change (UNFCCC). In order to streamline and guide policies promoting environmental causes, the Indian government brought out a document entitled the "National Action Plan for Climate Change". This clearly earmarks a list of eight national goals encompassing solar energy, enhanced energy efficiency, maintenance of the Himalayan ecosystem and pursuit of development of strategic knowledge for climate change among other recommendations.⁴¹ The Indian stance on approaches towards tackling climate change was spelt out in the National Environment Policy 2006, which called for the following:

- Adherence to principle of common but differentiated responsibilities and respective capabilities
- Priority to be given to the right to development
- Equal per capita entitlements of all countries to global environmental resources
- Dependence on multilateral approaches and
- Joining hands in voluntary partnerships in tune with the UN Framework Convention on Climate Change⁴²

Even as a voluntary national resolve and road map to achieve the same has been delineated in no unclear terms, there has been an equally lucid exhortation that the international contribution to arrest climate change has to be based on the principle of "common, but differentiated

responsibilities and respective capabilities”⁴³ The Indian stance echoes the belief held by developing countries that they need to focus on growth and it is only prudent that developed countries help finance projects and transfer technology to them in order to sustain their efforts to curb climate change. India has, however, undertaken to reduce the emissions intensity of GDP by 20–25 per cent by 2020 as compared with 2005.⁴⁴

The outlook became apparent during the United Nations Climate Conference 2010 held at Cancun in December 2010. The developing countries were in favour of a second extension of the Kyoto Protocol targets making it mandatory for all developed countries to cut emissions, while leaving it flexible for the developing countries still grappling with developmental challenges. At an Indian event held on the sidelines of the Conference, India was part of a group of countries which emphasised the need for an equitable approach to climate change negotiations. The head of Indian delegation and Minister for Environment and Forests Jairam Ramesh noted, “In the context of the 2 deg C global goal, the issue of equitable access becomes even more important. The phrase equitable access is not the right to pollute, but the right to sustainable development.”⁴⁵ During the meeting, an Indian expert pointed out that in considering emissions from 1850, developed countries are responsible for more than 65 per cent of the total carbon stock in the atmosphere, adding that this is a strong enough case for developed nations to cut down on emissions as well as compensate the developing ones by technology transfer.⁴⁶ Like India, China also supported the idea and stressed on the need for developing countries to “also ... take *effective voluntary adaptation and mitigation actions according to their national conditions and capacity* (emphasis added)”⁴⁷ In summary, both China and India, firmly set on the path of development, have made it clear that they are not in favour of binding commitments to cut down emissions, even though they have made announcements on voluntary cuts to the same. The fact that Beijing and New Delhi were in tandem with each other on the issue became apparent as Indian Minister of State for Environment and Forests Jairam Ramesh proclaimed that both countries were “standing 100 per cent together” and that “India feels closer to China than the United States in this regard.”⁴⁸ Towards the end of the Copenhagen Summit, both countries also became the last two signatories to the climate change accord. The accord is not binding and calls for assistance to developing

countries in developing low carbon energy systems and protection of tropical forests.⁴⁹

On the contrary, the approach and outlook of developed countries is different. Japan has, in fact been a very active proponent, participant and leader in many environmental initiatives. Japan hosted the UNFCCC Conference of Parties (COP) 3 in Kyoto (1997) where under the Kyoto Protocol 37, major developed countries and greenhouse emitters like the United States, European Union and Japan agreed to a reduction in greenhouse emissions. This was to be achieved through efforts at the domestic level and through the Clean Development Mechanisms (CDMs). Japan pledged to cut emissions by six per cent from the 1990 levels during 2008–2012 and has confirmed its intentions to continue doing so even in the aftermath of the tsunami and disaster thereafter. In the year 2009, Japan's total carbon emissions from consumption of energy stood at 1,097.965 million metric tonnes.⁵⁰

However, at the COP 16 Cancun summit, Tokyo refused to make a second pledge to the Kyoto protocol—the only legal climate agreement that is due to expire in 2012. Tokyo made it clear that it would not make any further greenhouse gas emission reduction targets unless there is more contribution and participation from both developed and developing countries. In his speech at the summit, Japan's then Environment Minister Ryu Matsumoto stated that his country would rather be in favour of establishing a new international framework “based on the Copenhagen Accord, as it covers countries representing more than 80 per cent of global energy-related CO₂ emissions.”⁵¹ Tokyo has made it explicit in no uncertain terms that it wants countries like the United States and China to be made party to a new internationally binding framework on climate change. There have been ups and downs or changes in perceptions of Japanese leaders and political parties on the extent to which they would go to curb climate change.

Thus the gap in perception and approach came to the fore quite starkly during the climate change negotiations. In the process, more often than not, India and Japan have found themselves on the opposite ends of the spectrum while advocating the “fair” and “just” path towards environmental conservation and climate change. It is here, interestingly, that Indian and Chinese interests seem to converge more. Beijing and New Delhi chose to come out together on the matter. The two sides had even

signed a pre-Copenhagen agreement towards addressing climate change in October 2009. Under the agreement, the two sides decided to attempt reduction of greenhouse emissions and technological development.⁵² Later at the Copenhagen Summit, the Indian and Chinese delegations walked out briefly at the ministerial level talks, building up tensions there.⁵³ The two countries were apparently unhappy over the developed countries going back on their commitments to cut down emissions under the Kyoto Protocol. This was a clear exhibition of two things—one, that India-Japan relations is not hostage to the China factor alone and two, that even in the midst of power transition taking place in the region, foreign policy is not just based on balance of power with regard to Beijing.

Despite their differences, India and Japan have considerable scope for cooperation on environmental issues. There can be cooperation on developing eco-friendly technologies to combat climate change and achievement of sustainable growth. In this regard, India could take a leaf from Japan's "Top Runner", which resonates with its own national mission for achieving enhanced energy efficiency in the National Program of Climate Change. The Top Runner approach practised by Japan is one of the pillars of its climate change combat efforts. The aim is to create the best possible energy-efficient products like automobiles, home appliances including air conditioners and television sets as well as water heaters.⁵⁴ Technology and knowledge transfer in areas such as this would be helpful in producing greater energy efficiency in India, thereby lowering costs and enhancing sustainable development.

Japan has also been transferring technology to and financing clean energy projects in India under the CDM scheme spelt out under the UNFCCC Kyoto Protocol. The CDM allows industrialised/developed countries (listed in Annexure B of the Kyoto Protocol) to meet their carbon emission targets by setting up clean energy projects in developing countries, thereby fulfilling two outcomes—one, earning certified emission reduction (CER) credits to meet their targets, and two, helping developing countries acquire technology and finance on such plans in the process. As a developed country, Tokyo has set up as many as 26 projects in India and 283 in China till September 2011.⁵⁵ The Indian initiatives have been largely built around wind power, biomass and hydropower and such initiatives need to be increased to ensure that India gets benefits of external funding from Japan which in turn gains from earning CERs in the process.

The Japan Bank for International Cooperation (JBIC) is also encouraging investments in environmental projects in developing countries in Asia under the rubric of Leading Investment for the Environment (LIFE).

Japan can also be increasingly involved in India's efforts towards conservation of natural resources and environmental preservation like afforestation. The Indian government has already envisaged a National Mission for a Green India. Japan can contribute towards such Indian efforts. Tokyo has in fact been promoting Indian efforts at forestation and forest conservation through the Japan International Cooperation Agency (JICA). JICA has ongoing projects like Afforestation in Tamil Nadu, Capacity Development for Forest Management and Personnel Training and Restoration and Management of Hussainsagar Lake.⁵⁶

Joint disaster management in the face of natural calamities is another tested arena of cooperation between Japan and India, which could be further developed and streamlined for better results and efficiency. This has to be done both at the research and practical level. For instance, there is already a joint team working on Information Network for Disaster Mitigation and Recovery Project (DISANET) aiming at collaboration in natural disaster prevention and furtherance of science and technology to tackle such calamities. At the operational level, greater compatibility could be achieved through regularisation of exercises in disaster management. There is also scope for enhancing Indian capabilities through cooperation between the Indian National Disaster Management Agency and its Japanese counterpart. They could exchange information and ideas on best practices with regard to disaster management.

Rare earth minerals

Rare earth minerals—a set of 17 elements are critical components in several high technology items including computer hard drives, superconductors, mobile phones and laser-guided weapons. China is the largest producer of rare earth minerals and is said to account for more than 95 per cent of the world's output. According to the U.S. Geological Survey deposits of rare earth minerals in 2010, China remains the top producer of rare earth metals at about 55 million metric tons, followed by other countries like the United States and the former Soviet Union, with India at 3.10 million metric tons.⁵⁷

Being the technological giant in the world, Japan is one of the biggest consumer markets for rare earth minerals. The dependence on China in that sense is not purely incidental, but significant to the tune of 60 per cent of Chinese imports.⁵⁸ However, the road has not been smooth for Tokyo which has seen scarred political relations between both sides taking a toll on rare earth supplies. In an unrelated dispute in 2010, Beijing used rare earth mineral supply cuts to arm-twist the Japanese. It became apparent that Chinese supplies can be unreliable when irritants emerge in bilateral relations—which are oft-repeated features between both countries. Moreover, in the year 2010 China announced that it would cut down and slash its rare earth mineral exports by about 30 per cent by early 2011. Both these developments had set alarm bells ringing among countries like Japan and the United States about their exposure to vulnerability. More recently, the matter has taken on more serious overtones with the United States, European Union and Japan joining hands in filing a case with the World Trade Organisation (WTO) for what U.S. President Barak Obama termed as “businesses (are) being subjected to unfair practices.”⁵⁹ China has countered the claim and stated that it hoped “other countries with rare earths would also actively develop their rare earth resources to share the burden of global rare earths supply.”⁶⁰

Other countries have tried to step in and new mines have come up in the United States and Australia.⁶¹ It was at the time that China announced these cuts that India also offered to step in. In an interview to Dow Jones newswire, an Indian government official noted, “The Chinese event is a signal ... to look for rare earths, find out where they are occurring, and what is required to be done in terms of research and development.”⁶² However, to fill in the caveat effectively, the current level of ability of India might not suffice and it has to become more proactive in terms of becoming a consequential supplier of these earths. New Delhi has already started taking steps towards stepping up production. A committee has been set up to expedite the process of exploration of these metals. A plant to produce rare earths has been set up in the state of Orissa (India). Furthermore, companies like Toyota Tsusho is reportedly planning to set up a plant in Visakhapatnam in India with a partial supply of mixed rare earth chloride from Indian rare earths.⁶³

To conclude, it can easily be deciphered that while there have been some nascent steps taken by India and Japan to collaborate and cooperate

in the so-called non-traditional security areas, there could be much more done in order for these to reach full fruition. Nuclear energy cooperation seems to have reached a temporary roadblock with Japanese sensitivities playing out strongly against such energy in the aftermath of the Fukushima crisis. However, this should remain a temporary problem considering that the Japanese government is itself keen to promote disseminating technology and investment in this sector overseas. Besides, there is much that India could learn from Japan in terms of energy efficiency, especially at a time when it is focusing on economic growth and development. The augmented use of renewables and clean sources of energy could be taken up more seriously by both countries. Another promising area of cooperation is that of rare earths where much will depend upon India's initiative to emerge as a dependable and viable alternative supplier of these minerals. There also remain areas of differences between India and Japan on environmental issues and climate change. However, the silver lining is that both countries are keen to achieve the same goal of environmental conservation and curbing climate change, despite disagreeing on issues like quantum of responsibilities and cost sharing. This should be incentive enough for both sides to join hands and cooperate towards achieving the common end.

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CONCLUSION

The India-Japan relationship has traversed a lengthy pathway—one largely inconsistent with its actual potential at most given points in history as well as in the present. There have been periods of “peaks and troughs”,¹ but the latent potential of ties still remains unexploited and unrealised. The reasons for this have been varied. Following a marked period of historical warmth and connectivity in the aftermath of the Indian freedom struggle, during which Japan got involved indirectly with the movement through Bose’s decision to take refuge there, the bilateral relationship clearly suffered benign neglect. The cultural and religious links, despite being strong, could not be a binding force. Positivity in mutual perceptions largely failed to make a lasting impact either. However, looking back, this same thread of positivity and the cultural and religious links form an additional ingredient bringing both sides together. The Japanese interest and connect with Buddhism continues till today and is sure to find renewed interest with the ongoing Nalanda University project which involves Japanese assistance.

The Cold War international scenario reinforced the chill in bilateral ties as the two found themselves with divergent interests of the international system then. This resultantly became a protracted delaying factor in energising relations. Initially, Japan was feverishly engaged in the process of post-war reconstruction, while newly independent India was still finding its feet as an independent nation. Thereafter, diametrically opposite political, strategic and economic positions kept Tokyo and New Delhi effectively apart. India chose non-alignment with a tilt towards the

Soviet Union and a socialist pattern of economy, while Japan became a staunch ally and protégé of the United States under the U.S.-Japan Security Alliance.

The end of the Cold War in a sense removed one of the biggest obstacles keeping the two sides aloof. Thereafter, there were two significant turning points in the course of the history of the bilateral relationship. The first was in the year 2000 when Prime Minister Mori Yoshiro visited India—the first visit of a Japanese head of state after a gap of a decade. This visit was also vital because it seemed to suggest an encouraging change in all aspects of bilateral relations which had hit a nadir in the aftermath of India’s nuclear test of 1998. The second traction point was reached in the year 2005 during the visit of former Prime Minister Koizumi’s visit to India when a “Strategic Orientation of a Global Partnership” was envisaged. The detailed joint-statement document laid out the pillars and blueprint for a well-rounded, comprehensive and all-inclusive roadmap towards greater cooperation and collaboration in manifold arenas. At present, both a favourable environment and a blueprint for the fruition of relations are present. On the strategic and political front, regular high-level dialogues and exchanges, security dialogues (since 2001) on the 2+2 format are in place, while the CEPA has been successfully concluded to what could be the initiation of a rich trade and investment portfolio. There are a number of avenues for cooperation and coordination which could be enlarged in scope to become consequential. Of these, perhaps nuclear energy would be the most noteworthy.

IS THE INDIA-JAPAN RELATIONSHIP HOSTAGE TO THE CHINA FACTOR?

Much of the literature on India-Japan relations locates the origin and drive behind the warming of India-Japan bilateral relations in China. The argument is that imperatives of ties clearly exhibit that Beijing’s rise and an effective balance of power strategy in case this rise becomes threatening is one of the primary drivers catalysing India-Japan ties. As discussed earlier, there are four primary actors in the puzzle of power transition in Asia—the United States as a declining hegemon, Japan as a declining ally, China as an emerging perturbing “challenger” and India as a somewhat “swing state” and a suitable candidate to be propped up as an effective balancer against what many perceive to be the “menacing” rise of China. In applying Modelski’s phenomenon of “long cycles”

among these actors, it is pertinent to perceive the relationship between the leader and challenger. All actors are vying and competing for the position of leadership.

According to Modelski, the hegemon or the global power ought to have the following characteristics—provide order to the global system, maintain coalitions and presence in all parts of the world and possess sea power. Furthermore, in his conceptualisation of long cycles, the future could hold the possibility of a global war and emergence of a new challenger. Of course, this global war is not necessarily bound to happen and there is an on-going discussion over what the possible alternatives might be.²

The position of the United States as the hegemon seems to be weakening. However, Washington by far remains the only country which fulfils the qualifications of a hegemon or leader. Evidently Washington does not want the emergence of a strong and influential power in the region, especially China. It is visibly encouraging its ally Tokyo to perceive and cultivate New Delhi as a “strong and enduring Asia-Pacific partner”. The close U.S. ally—Japan on the other hand—finds itself in the midst of an economic downturn, which promises to become increasingly exigent as the country goes through another round of reconstruction process in the post tsunami and resultant nuclear crisis period. The state of domestic politics does not look promising or stable either with as many as six Prime Ministers having changed from 2006 to 2011—a span of five years.

China, on the contrary, seems to possess all the attributes of a challenger. It is building up a formidable military power and developing close ties with countries like Pakistan, Myanmar and North Korea—which either have troubled relations with the United States or are authoritarian regimes. China also seems to be creating a “systemic perception of threats”, qualifying for Modelski’s characterisation of a challenger. It is centrally located and a continental power which is “capable of exerting pressures in several directions and needing to be contained by a far-flung coalition ... in forms such as core alliances ... or general coalitions”³ There are several examples of such pressures. Militarily, China is flexing its muscles not just through its rapid military modernisation but also through its aggressive posturing on various occasions like those in territorial disputes in the South China Sea relating to the Spratly Island to which there are overlapping claims by countries such as Vietnam, the Philippines and Malaysia. China has vehemently opposed any kind of oil

exploration in parts of South China Sea that it claims.⁴ There was a clear friction between Beijing and Manila over the latter's decision to invite foreign companies to explore oil in offshore areas which it perceives as its exclusive economic zone (EEZ). Beijing, however, claimed the area as its own and is under Chinese jurisdiction.⁵ Similarly, in 2011, Vietnam claimed that a Chinese fishing boat along with two Chinese naval patrol craft cut a cable being used by a seismic survey craft operated by a Vietnamese state-run energy company.⁶ China's naval presence is also spread to the Middle East and in and around the Gulf of Aden. The Chinese Navy made a port call to Saudi Arabia in November 2010.⁷ Beijing has also reportedly sent a 4,000 tonne frigate to Libya near the Mediterranean Sea for a humanitarian rescue mission.⁸ All these developments are a clear signal towards China's growing strategic role and ambit.

Economically, the Chinese market is huge and attractive. Beijing has been playing its cards well and applying pressure in the ongoing Eurozone debt crisis. Chinese Premier Wen Jiabao told the president of the European Council that "The most urgent task is to take decisive measures to prevent the debt crisis from spreading further and avoid financial market turbulence..."⁹ Beijing is finally likely to contribute to the Europe bailout, but according to reports, much depends on the European capacity to fulfil conditions. According to a Chinese official, "The last thing China wants is to throw away the country's wealth and be seen as just a source of dumb money."¹⁰

India, of course, as discussed earlier can best be perceived as a "limited challenger" in keeping with its several problems. Besides, it does not appear to be intimidating. New Delhi has been seen as a vital balancer against the absolute dominance by China at different points in time. Perhaps the Indian membership of the East Asia Summit (EAS) was one of the most significant examples of this strategy. Keeping these dynamics in mind, it is clear that the United States, Japan and India are all cautiously watching the rise of China. Nevertheless for both countries as well as the United States, alternatives like bandwagoning, neutrality and containment would not be preferred options considering that they have stakes in maintaining ties with Beijing. This strategy was perhaps echoed in the words of Joseph Nye, when he stated that:

It is in the interest of the U.S., Japan and China that China's rise be peaceful and harmonious (in the words of their leaders). That is why

the strategy of integration plus a hedge against uncertainty makes sense for both the U.S. and Japan. In the words of Robert Zoellick, it is in our interests to welcome the rise of China as a “responsible stakeholder”. If by some mishap, China does turn aggressive, it will find that Asia contains others such as India and Australia as well as Japan that would contain its power. But it would be a mistake to turn to containment under current circumstances. If we treat China as an enemy, we guarantee enmity. Integration plus a hedge against uncertainty is a better approach.¹¹

A closer examination of the China factor in India-Japan relations reveals that purely realist balance of power concerns is perhaps not wholly accurate. The other side of the coin reveals that both Tokyo and New Delhi are cautious, aware and sensitive not to be abrasive in their respective equations with China. These countries are therefore choosing to hedge and practise soft balancing against the potentially precipitous fallout of Beijing’s rise in case it gets threatening. It is here that other factors behind foreign policy decisions such as functional cooperation and economic complementarity and inter-dependence have come into play, which has led them to tread gingerly. This has become evident in various points in time.

The proposal for a “strategic quadrilateral” was quashed without much ado considering that all anticipated partners avoided showing enthusiasm in ruffling Beijing’s feathers. Economic imperatives and the promise of Chinese markets have also tended to dilute tensions which might have erupted with China. Besides, there have been occasions when India and Japan have found themselves to be on the opposite ends of the spectrum while India has found support from China such as in the case of the negotiations on climate change. The hedging strategy against Beijing notwithstanding, equations among the Asian trio have also exhibited issue-based stances. Another noteworthy example of issue-based cooperation has been seen between India and China at the Doha round of World Trade Organisation (WTO) negotiations, where the two are pitted against developed countries like the United States and Japan. Differences continue to persist over issues like agriculture, industrial tariffs and non-tariff barriers and services.¹² In the negotiations over agricultural trade liberalisation, China and India, which form part of the G-20 group of developing nations, demanded subsidies and tariff reduction from developed countries.¹³

India and Japan share much more in terms of the so-called Asian values, complementary economic interests and possibilities of cooperation in the so-called non-traditional areas of security including science and technology that even though the need to hedge against Beijing underscoring ties remains vital, it is no longer the only rationale or factor influencing or shaping bilateral relations. These countries are indubitably practising balance of power techniques—“internal balancing”—and building their own capabilities. Simultaneously, they are also building closer relations and increasing interactions bilaterally to ensure hedging or soft balancing. Nevertheless, for a healthier relationship, New Delhi and Tokyo do not need to use the Beijing card to develop closer bilateral relations between each other.

FACING THE CHALLENGES

The prospects for the future of India-Japan relations look promising, but can only be realised with consistent efforts from both sides to bridge still existing gaps and meet challenges. For instance, the conclusion of the CEPA was indeed a long-drawn-out and arduous process involving differences in perceptions and coordination from both sides. Variances in work culture, business style and of course the language barrier remain prospective obstacles. Japanese companies find it more attractive to invest in China and ASEAN countries like Vietnam. While there is no denying that the Indian system leaves much to be desired in terms of weak infrastructure, administrative bottlenecks and other related problems, there are clear pointers to the quick headway and inroads other countries like South Korea, United States and China seem to be making within the framework of similar conditions. There has to be some cognizance of a change in the Indian market by Japan.

Secondly, domestic instabilities and change of governance and leadership could slow down the efforts to build ties. Although the relationship has set off on a steady pathway, the repeated change of leaders at the helm of political affairs in Japan could have implications for foreign policy in general and may affect ties in terms of lack of continuity. At the other end, the government in New Delhi is facing a number of problems in governance caused by the pressures of coalition politics and this may affect foreign policy in general. Careful management of domestic-external linkages will have to be done by both sides.

Thirdly, although nuclear energy can present a great opportunity for the Japanese in India, the mindset of the Japanese population has to undergo a change for this to happen fast and smoothly. There is hope on that front considering that despite internal protests, the Japanese government has made it known that it would be keen to sell nuclear technology to countries keen to use nuclear energy. India would also welcome Japan's contribution in the field of civilian nuclear energy technology, although the Indian government also faces an internal problem of anti-nuclear power protests in the aftermath of the Fukushima disaster in Japan. In the past, the nuclear factor has proven to be an irritant in the relationship. Japan's sharp reaction to the Indian nuclear tests and its continued point of view that India signs the Non-Proliferation Treaty have not found favour with New Delhi, which had its own domestic and security compulsions in mind behind conducting the test. Nevertheless, both countries share the vision of a nuclear weapon-free world, and should work towards achieving the same.

Fourthly, some of the features of the so-called pacifist Japanese Constitution seem to restrict possibilities of closer cooperation between the two sides. For instance, the gradually expanding, yet circumscribed role of the Japanese SDFs may curb new and possible vistas for cooperation with the Indian armed forces. Some steps have already been taken in this regard such as increased participation of the SDF in UN peacekeeping operations. Similarly, with the recent lifting of Japan's self-imposed ban on arms exports after 1967, a new window might open for India-Japan cooperation. The Japanese government announced in 2011 that it had decided to do away with the self-imposed ban on joint development as well as export of military technology.¹⁴ This comes at a time when India has taken on the mantle of becoming the world's largest arms importer.¹⁵

Another difference in outlook lies in India's continued reluctance to be a part of any security alliance unlike Japan. For instance, India was reluctant to join the "strategic quadrilateral" proposed by Tokyo. India does maintain close and distinct bilateral security ties with the United States, Japan and Australia, but would not like to be drawn into an alliance system of any kind and Japan has to understand and be comfortable with this.

Much like the nuclear issue, climate change is another area where there is consensus on the ultimate goal of prevention of global warming

and conservation of the environment. However, there is a difference of opinion on the calculus of responsibility on emissions as India does not want to be tied down on its path of development and wants the developed world to partake more share of cutting down on pollution. Both countries will need to move towards each other to find common ground for what is, in the end, a common problem.

Lastly, some well-known Japanese experts on South Asia perceive Pakistan and its relations with Tokyo as a hurdle in India-Japan relations.¹⁶ According to them, New Delhi has reservations and disapproves Tokyo's so-called "tilt" towards Islamabad. These challenges are centripetal forces working on the bilateral relationship and need to be managed.

THE WAY AHEAD: CULTIVATING CONVERGENCES

Both sides have clearly moved beyond the era of benign neglect. Bilateral ties in the past two decades have evolved to a degree of maturity, with significant consequences for strategic equations on the Asian chessboard. A number of old and new commonalities has been identified, acknowledged and built upon, bringing the two countries closer. However, this does not necessarily mean that challenges and differences have been overcome in totality. The form and shape of the future of India-Japan relations will depend upon the ability of the two sides to fully exploit the latent potential efficaciously for development of ties as much as removing hindrances that continue to impede the fruition of the association.

There is no doubt that Tokyo and New Delhi have enough areas of convergence, providing an enduring and durable foundation on which a superstructure of relations has been built. Of these, the caution and wariness surrounding the rise of China in the vicinity remains the most obvious. There is also an underlying similarity in terms of the dilemma the two countries face vis-à-vis Beijing—that of dense, thriving economic enmeshment, but political and territorial disputes which sour and at times ignite trouble. The concern over the possibility of China's rise becoming menacing, the discomfort over its lack of transparency, rapid military modernisation and incidences of aggressive posturing, are all common variables in the Indian and Japanese outlooks. All these factors have indubitably encouraged and magnetised the two to come closer as part of a "hedging" strategy. The United States has also favoured the warming of Indo-Japan relations. China, in effect, remains one of the

most influential points of convergence between New Delhi and Tokyo. The strategic and political relationship between them is now robust and vibrant with regular high-level visits, security dialogues and joint exercises between the Indian Navy and Japan's Maritime Self-Defence Forces as well as U.S. naval forces.

Moreover, there are enough shared regional platforms, where Japan has been in favour of India's presence like the East Asia Summit. India has become firmly entrenched in East Asian regional multilateral institutions and in that sense the traditional geographical boundaries of East Asia seem to have been eroded. The China factor also looms large in this arena where New Delhi is seen as a neutralising force to Beijing's growing influence in these organisations.

However, China is not the only point of confluence as far as India and Japan are concerned. Another major factor is that of the economic complementarities of interests the two sides share. Japan is a technologically advanced country with an ageing society, while India has vast human resources and a burgeoning young population. While the economic aspect has been one of the weak links in ties, the recent conclusion of the CEPA and the continuing rich Japanese ODA to India should be able to help ameliorate the situation. That, of course, depends further on the capacity of India to overcome the domestic factors which impede and discourage foreign investment and trade like inadequate infrastructure. On the other side, this also requires a change in the Japanese mindset and a realisation that the opportunity provided by the Indian market is being under-utilised by them as compared with other countries like South Korea.

Maritime security and the quest for energy is yet another prominent point of common interest. Security of the piracy-stricken SLOCs is as critical for Japan as it is for India. In their thirst for energy, India can learn a lot from Japan in the field of energy efficiency and eco-friendly technology. Both sides can join hands to cooperate on the development and usage of renewable energy sources.

A fourth critical common goal that Japan and India are striving towards is the reform of the UN Security Council. The efforts which were being pursued actively under the aegis of the so-called G-4 group seem to have lost some momentum and need to be rejuvenated. At the United Nations, India and Japan are also active participants in peacekeeping

operations. The Japanese contribution found impetus after the passage of the 1992 UN Peacekeeping law. India has been a regular participant in peacekeeping missions of the United Nations and this provides another possible meeting point for the two countries. Other areas of mutual concern and action are efforts towards curbing terrorism and disaster management, which assume increasing significance in the aftermath of the Asian tsunami as well as the Fukushima disaster. A shared belief in values such as democracy, freedom and human rights as well as a positive legacy of history helps to strengthen as well as provide further common ground and reason for India and Japan to come closer.

It is clear that in order to raise the bar of bilateral ties to the next level in the future, these convergences have to be cultivated and optimised, while divergences have to be diluted and narrowed down. It is important not to limit the cause of furthering India-Japan relations just as a measure to counter or hedge against the rise of China, but to see more substance in it. Some steps need to be taken to further strengthen and bolster India-Japan ties. Firstly, it is important to work on and ameliorate the bilateral economic relationship. Towards that end, India has to take steps like improvement of infrastructure and cutting down on red-tapism and corruption and become an attractive and welcoming trade and investment destination. New Delhi also needs to proactively work towards developing in areas like production of rare earth minerals so as to prove to be a viable alternative to China.

Furthermore, it will also help to find commonalities even in divergences. For instance, on the prospects of civilian nuclear cooperation, yet to occur, the two sides can work towards research and development on how best to minimise risks to nuclear sites in case of natural calamities like the Fukushima disaster or terror attacks on nuclear facilities. Moreover, there remain other low key sectors of cooperation like science and technology and water and food security. Lastly, the language barrier has to be overcome and consistent efforts made to increase awareness and people-to-people exchange.

The time has come for India and Japan to move beyond limiting themselves to signing joint statements and come up with concrete action plans to realise the same. These plans have to be implementable and need to have clearly drawn-out timelines. Positive opinions among public and opinion leaders on both sides have to be exploited towards this end. It is

clear that such positive opinions and attitudes have a critical role to play in building relations. Noteworthy contributions of Indian leaders like Narasimha Rao and his “Look East” policy and Manmohan Singh and their Japanese counterparts like former Japanese Prime Ministers Yoshiro Mori, Junichiro Koizumi, Shinzo Abe and Taro Aso cannot be ignored in this regard. Both countries need to realise and earmark their commonalities and complementarities, which go much beyond “balancing” against China, work harder and align their efforts within definitive timeframes so that they can look back with greater pride when they complete a century of the establishment of diplomatic ties in a few decades from now.

Endnotes

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India's relationship with Japan has grown rapidly in the post-Cold War era. Though China's rise is the primary factor, the warmth of the historical relationship and current expectations of mutual gain are also key drivers. The author analyses the strategic, economic and other dimensions of the relationship and shows how its full potential can be realised.



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