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## Indo-Japan Relations

In the Era of Asian Regional Integration

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# INDO-JAPAN RELATIONS

## IN THE ERA OF ASIAN REGIONAL INTEGRATION

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*Report of Seminar held on 16 November 2007*

*(By Siddharth Ramana, Research Assistant, IPCS & Jabin T Jacob, Research Fellow, IPCS)*

### **Akihiko Tanaka**

The India-Japan partnership is one of the most important subjects of Japanese foreign affairs. The recent progress in ties is quite remarkable and a number of high-level visits have taken place between both sides. However, this does not mean that the relationship is the most active one for either side. For example, the trade between Japan and China or that between China and India is far greater than that between India and Japan. Similarly, 5.6 million traveled between China and Japan in the last year while only 160,000 did so between India and Japan.

The upward swing in Indo-Japan ties are however, supported by certain structural trends. First among these is the expanding economic integration in Asia. The usual understanding of the economic growth of Asia is that of the flying geese pattern where Japan was the leader. However, the process needs to be understood more in terms of a movement where expansion took place in different directions and at different points of time.

The region was shaken by the Asian financial crisis in 1997 but recovered and economic links have further expanded within it. While India expanded its links with ASEAN over the last decade and more, Japan was slow to appreciate Indian growth. Japan continued to focus on China despite strained political ties between Tokyo and Beijing, India rapidly developed its economic relations with China and ASEAN. However, with the anti-Japanese riots in China in the spring of 2005,

Japanese businessmen were chastened and decided that they had to expand their focus to beyond the China market. The decision was probably already in the works, but required a political trigger. The fact is that economies are increasingly interlinked; Japan ought to be connected with India and therefore, the Japanese integration with the Indian economy is destined to continue.

The second structural trend has been the rise of China. This is something that is destined to continue as well and the question in Japan has been of how to interpret this rise. Will China be a serious threat? Or will it be a responsible power that Japan can work with? The third structural trend is the rise of India. From the Japanese perspective, India being a democratic country cannot be a threat to Japan.

There are thus two views of China and one of India and combining these different patterns of thinking are evident. A threat-based view of China results in a realist balance of power approach by Japan. Alternatively, a combination of positive views on both countries leads to a liberal institutional approach. This is not the time to adopt a realist approach but to consolidate normal political relations in Asia.

The fourth structural trend in Asia is the emergence of multipolar networks based on normalized diplomatic relations between the countries in the region. The formation of groupings such as ASEAN, APEC, ARF and so on are indicative of an unprecedented trend in Asian history in

contrast to the wars and conflicts of the 19th and 20th centuries. Today, Asia is at a historic moment and the idea of working together in cooperation must be encouraged. China's military modernization still has to be watched carefully but its greater multilateral engagement from the 1990s and its instrumental role in the Six-Party talks on the Korean nuclear crisis are positive signs.

Japan, India and China need to work together more. Meanwhile, whatever the Japanese approach to China, India is an important and an essential partner for Japan

It is important to ground this discussion of abstracts in the reality of Japanese domestic politics. Japanese Prime Minister, Yasuo Fukuda, needs the cooperation of the opposition in the Upper House of the Diet and will therefore not take a confrontational policy towards China. At the same time, he will also continue to maintain close relations with the US. Fukuda's approach to India is not likely to centre on a balance of power as much as on economic engagement and institution building.

### **K V Kesavan**

From 2000 onwards, the India-Japan relationship has passed through a new phase. This partnership has diversified from an economic character into one addressing mutual concerns. These mutual areas of cooperation are in the field of anti-terrorism, maritime security and nuclear disarmament among others and are the result of new commonalities which have emerged in diplomatic and national interests.

There are four reasons for this buoyancy:

1. India's consistent economic liberalization and impressive growth rate

has attracted Japan. Japan tests its relations through economic performance, and it sees India as a country with which it can achieve economic convergence. India's economic growth has been impressive and has thus wooed Japanese business leaders.

2. During the Cold War, Japan was disenchanted with the Indian position of non-alignment. The transition from non-aligned to multi-dimensional foreign policy has helped the thaw in Indo-Japanese relations. India's ties with traditional Japanese ally, the United States, have improved; this has helped boost India-Japan ties as well. Technological collaboration would have pleased the Japanese. Many individual Japanese have welcomed the nuclear deal with the US despite the ambiguity shown by the Japanese government. However, both sections demand greater transparency in the entire process.

3. The most important factor in the improvement of ties between India and Japan is the growing Indian relationship with the East Asian countries. India's Look East policy has helped forge strong relations with the ASEAN countries. India is now a dialogue partner working with the ARF and is also connected to major projects in the region.

4. In the midst of the rapidly changing security scenario, Japan is looking for new diplomatic options, in which India becomes an attractive ally. India's alliances with the US, Japan and Australia are very helpful for Japan in countering the Chinese-North Korean threat. It is however, unknown if Fukuda is going to pursue the push towards military alliance with India which Abe had initiated.

The China factor is very important. China has a positive approach to Asia and as a

result Indian integration with Asia will promote its own relations. It would create an environment of peace around its neighborhood. Promoting integration would help interactions with its neighbors. China's dependence on energy resources is well-known. Its dependence on West Asia and Southeast Asia is growing, as a result of which sea routes such as Malacca are growing more important to China.

China signed a Free Trade Agreement (FTA) with the ASEAN countries earlier than many other countries. Similarly, the Chinese attitude towards the South China Sea is to ensure the confidence of the countries in the region. It is trying to portray itself as a responsible state and not a belligerent country.

For Japan, Abe's views on China were evident from his attempts to create a quadrilateral agreement to contain China. Meanwhile, his successor Fukuda has remained largely silent on India and has not been as enthusiastic about the quadrilateral agreement. It is disappointing to note that there is no mention of India in Fukuda's first major foreign policy speech while China and ASEAN were both very prominent.

Still, Japan is a good friend of India, and this is reflected in the joint communiqué issued by both the Prime Ministers from 2005 onwards. Today various institutional mechanisms are in place in the India-Japan relationship that lent more weight to the partnership. The Japanese view of India remains one of a peace-loving country and of a genuine partner that Japan can work with.

### **Anjan Roy**

India-Japan ties have two economic pillars, namely trade and investment. However, India continues to lag behind in the East Asian integration process

Briefly, a Joint Study Group report on India-South Korea is now complete and the Agreement is likely to be signed soon. India already has a Comprehensive Economic Cooperation Agreement (CECA) in place with Singapore, talks are on with ASEAN on an India-ASEAN FTA, and the Bangkok agreement has become operational. Meanwhile, the SAARC and SAFTA remain dysfunctional even as the bilateral FTA with Sri Lanka has picked up steam.

Two considerations exist for Japan in its promotion of economic ties with a country, namely to what extent is that country contributing to the East Asian integration and how far is that country contributing to peace and stability in Asia?

What integration exists between the Indian and Japanese economies is shallow rather than deep. In the case of investments, while India is an attractive destination it has been noted that Japanese trade follow Japanese investments, as is evident in the case of South Korea, China or Cambodia for example. Therefore, as long as bilateral trade remains limited, Japanese investment is unlikely to pick up. India-Japan economic relations have been affected by non-tariff barriers (NTBs) besides language and cultural barriers. In the services sector, the two countries have different demands of each other for opening up. For the Japanese, these are the maritime. Insurance, civil aviation, and banking industries, while for India, these include, information technology, biotechnology and the medical sectors.

A sector where the two countries can work together is the civilian nuclear energy industry. Meanwhile, connectivity between the two countries needs to be vastly improved. Japanese trading

houses could be used by Indian companies to export to third countries and Indian exporters should also be much more in touch with the requirements and opportunities in Japanese markets.

## DISCUSSION

- As far as mindsets in India and Japan were concerned there was a strong unwillingness to change on both sides. The Indian business community was largely reluctant to produce for and compete against the world. India has had its infrastructure limitations and has carried on with a negative attitude towards security beyond its borders.

- The paradigm of inter-state relations has been changed by technology.

- Since North Korea has supposedly exploded a nuclear device, China's role in the six-party talks has been far from being a success or positive.

- China's role remains constructive despite the immense difficulty of the task. The 'failure' of the six-party talks does not imply that the parties involved played a negative role. China is not responsible for North Korea's nuclear test. The blame if any should be apportioned to all six parties. In fact, the US posture was far from encouraging and probably even provided the pretext for North Korea.

- There is discrimination by Japanese companies against Indian companies when it comes to the matter of hi-tech transfers. Despite a revision of the entities list this year resulting in many Indian companies being struck off the list, Japanese companies continue to discriminate and the situation remains unchanged.

- While the Indian role in multilateral agencies is widely appreciated, India has not found representation in agencies such as APEC and its role in the ARF and ASEAN+ arrangements has been rather slow in coming and remains limited. Nevertheless, there are several areas of cooperation between India and Japan and between India and the rest of the East Asian region especially in areas of non-traditional security.

- Japan views the ASEAN+3 and ASEAN+6 (East Asian Summit, EAS) arrangements differently. For Japan, there are certain aims that are best achieved by the ASEAN+3 mechanism and others that are best left to the EAS mechanism. A degree of competition between the two mechanisms is perhaps useful for it is wise for the long term not to depend on any one institution alone. The two mechanisms differ also in the amount of energy and resources that member states are willing to put into them. ASEAN+3 does not receive much material and financial resources from Japan as it believes the EAS mechanism serves Japanese interests far better.

- European integration lessons are useful for Asia but the club-like structure and specific criteria that organizations such as the CSCE possess might be difficult to replicate in Asia. More useful lessons are perhaps to be drawn from bodies such as the Council of Europe and European views on issues such as open borders.

- The US role in the Indo-Japan partnership is important in that the latter ought to be reinforced by other bilateral relationships such as the Indo-US and the US-Japan partnerships.