

India-Japan Relations@70: From Civilisational to Strategic Partnership

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Abstract

The rapidly changing strategic scenarios in Asia have increased Japan's ties with India over the last few years. Major global and regional geo-political shifts have taken place in the contemporary world, which include the rise of China, the US policy of rebalancing and pivoting to Asia, and the response of regional countries, evolution of a new security architecture in Asia, maritime security challenges in Indian and Pacific Oceans, nuclear tests by North Korea, tensions on account of territorial disputes in South China Sea and East China, the evolution of ASEAN into an ASEAN community. In these contexts, the two Asian democracies have made concerted attempts to intensify their relationship at various levels- economic, strategic and political.

Though the two countries had never exhibited much keenness in each other's priorities, a confluence of various factors such as structural, domestic and individual leadership have given a new push to the bilateral relationship in recent years.

The present paper attempts to examine and evaluate the changing dimensions of bilateral relations between the two Asian democracies against the backdrop of the Indo-Pacific region's evolving security and strategic scenarios.

Introduction

The rapidly changing strategic scenarios in Asia have increased Japan's ties with India over the last few decades. Major global and regional geo-political shifts are taking place in the contemporary world. These include the rise of China, the US policy of rebalancing and pivot to Asia, the response of regional countries, the evolution of a new security architecture in Asia, maritime security challenges in the Indian and Pacific Oceans, nuclear tests by North Korea, tensions on account of territorial disputes in South China and the East China Sea, evolution of ASEAN into an ASEAN community. The two Asian democracies attempt to intensify their relationship at various economic, strategic and political levels.

Various factors, such as structural, domestic, and individual leadership, have boosted the bilateral relationship in recent years.

At the structural level, the rise of China in the Asia-Pacific and beyond has led India and Japan to rethink their attitudes towards each other. This has led to a fundamental alteration in the strategic calculus of India and Japan. India's burgeoning economy has made it an attractive trading and business partner for Japan. India has also positively approached Japan's pre-eminent role in shaping the evolving Asia-Pacific security architecture. At the individual level, the political leaders of both countries view each other differently, with a lot of warmth and friendliness. All these factors have contributed to a different trajectory of India-Japan relations.

Cultural and Civilizational Ties through History

India and Japan's friendship has a long history rooted in spiritual affinity and strong cultural and civilisational ties. India's earliest documented direct contact with Japan related to the Todaiji Temple in Nara, where the consecration or eye-opening of the holy statue of Lord Buddha Sakyamuni was performed by an Indian monk, Bodhisena, in 752 AD. In modern times, among the eminent Indians associated with Japan were Swami Vivekananda, Rabindranath Tagore, JRD Tata, Netaji Subhas Chandra Bose and Justice Radha Binod Pal. The Japan-India Association was established in 1903 and is regarded as Japan's oldest international friendship body. Remembering the deep linkages between Tagore and Japan, Visva Bharati established a Japanese department in 1954. Because of this, Visva Bharati became the first Indian university to introduce Japanese language courses.

Shortly after independence, India's PM, Mr Nehru, gifted an Indian elephant to the Ueno Zoo in Tokyo. This unique gift brought joy and happiness to the lives of many children who had endured the devastations of the war. The elephant, named Indira after Nehru's daughter, lived till 1983.

Political and Diplomatic Relations since the 50s

The diplomatic relations between the two countries began with the signing of Japan's Peace Treaty with India in 1952, after the end of the Second World War. India facilitated Japan's entry into the mainstream of international and regional politics by inviting Japan to the first Asian Games in New Delhi in 1951 and encouraging Tokyo's participation in the Afro-Asian Conference in Bandung (Indonesia) in 1955. When Japan was rebuilding its economy post-World War II devastation, India chipped in with the supply of essential minerals, especially iron ore. The bilateral visits by Japanese PM Nobuuke Kishi and Indian PM Jawaharlal Nehru added impetus to the relationship. India became the first recipient of the yen loan aid extended by the Japanese government, and Japan, by 1986, emerged as India's largest aid donor¹. However, the Cold War politics hampered the momentum in India-Japan bilateral ties. While India embraced non-alignment as the cornerstone of its foreign policy, which it thought would best protect its national interest by equi-distancing from the two Superpowers and their Blocs, Japan aligned itself with the US and its foreign policy priorities. Japan, being a close ally of the US, was thus dragged overtly into the whirlpool of East-West Bloc rivalry². With India's estrangement from the US and tilting more towards the erstwhile USSR, India's ties with the US and its allies, including Japan, suffered setbacks.

The relations between the two countries got further strained when, during the 1962 Sino-Indian border war, Japan preferred to take a neutral stance. It also decided to stay neutral during India's conflicts with Pakistan. India did not experience much economic growth in the initial decades of Independence when it followed the socialistic economic development model. Japan, on the other hand, surged ahead economically. There were, thus, few economic complementarities between the two Asian nations. India remained peripheral to Japanese economic priorities while the latter had deep economic engagements with East and Southeast Asian countries. As one of the most important, powerful, and viable economies in the 1970s and 1980s, Japan intensified its economic ties with China and other Southeast Asian nations. India was content to remain inward-looking, whether with economic orientation or foreign policy priorities. There were also perception problems vis-a-vis each other. The Japanese thought of India as a chaotic, dysfunctional and utterly poor nation, while India viewed Japan as a camp-follower of the US³. Japan did not think India was fit enough to be a potential partner. Japan persisted in its view of India as a local power, always hyphenated with Pakistan. Though Japan contributed to the economic revival of the East and Southeast Asian nations, culminating in the emergence of new institutions such as the ASEAN, India

continued to be seen as an outsider to the ambit of such institutions. It somehow excluded from the very definition of Asia.

Though India experienced a paradigmatic shift in 1991 following its globalisation and liberalisation policy, the India-Japan relationship did not witness any highs. Since Japan's economy was sliding down, it forced the nation to be inward-looking. India was also busy looking up to Western countries, especially the US, to bail out of the economic crisis it had sunk into.

The testing of nuclear devices in Pokhran in 1998 by India marked a new low in the bilateral relationship between the two countries. Japan viewed the tests as 'extremely regrettable' and a challenge to the efforts of the international community to create a world free of nuclear weapons. Japan unequivocally condemned the tests by India and Pakistan in various multinational fora, including the G-8 Summit held in Birmingham in May 1998, the Conference on Disarmament in Geneva in June 1998, and the UN Security Council in June 1998. Japan was instrumental in getting the resolution passed by the UN Security Council, which, among others, called upon India and Pakistan to halt and roll back their nuclear weapons programmes and join the NPT. It also adopted sanction measures against India as a punitive arrangement. The Japanese Diet found the tests to be a threat to humanity's very existence. Japan's punitive measures against India included freezing grant aid for new projects, suspension of yen loans, withdrawal of Tokyo as a venue for the India Development Forum, scrutiny of loans to India by international financial institutions, and putting stringent regulations on technology transfers in place. Japan suspended economic assistance for three years and all political exchange between the two nations.

The strong reaction against India's nuclear tests was almost natural, keeping in view the horrific devastation that Japan had to undergo in the wake of the US bombing during World War II. Owing to the Hiroshima and Nagasaki experience, there exists greater disdain for nuclear weapons among the Japanese people than among the peoples of other countries. Any Government in power in Japan must respond to the public sentiment on the nuclear issue. Having opted for the US nuclear umbrella, Japan had a security interest in maintaining the existing nuclear order. It perceived the nuclear tests by India and Pakistan as a threat to this order. Japan also regarded the nuclear tests as a setback to its non-proliferation objective. It apprehended that the tests would trigger wider proliferation of nuclear weapons, including by North Korea, which would directly threaten Japanese security.

But in many quarters in India, the Japanese reaction was regarded as insensitive, as it failed to appreciate the genuine threat perception that India faced from its two neighbours, China and Pakistan. Moreover, Japan was taking shelter under the security guarantee of the US nuclear umbrella. The initiatives taken by Japan, both unilaterally and jointly with other major powers, created a lot of consternation in India and significantly strained Indo-Japanese relations. The relations were held hostage to the nuclear issue for about three years, from 1998 to 2000. As the Western world gradually came to terms with a Nuclear India, Japan also re-oriented its foreign policy towards India. Since the beginning of this century, both countries have become increasingly aware of their shared security interests in the broadest sense of the term, in Asia and globally, and of the increasing convergence of their perspectives on disarmament and security issues.

A New Trajectory since 2000

The relationship witnessed a new and positive beginning with the visit of the Japanese Prime Minister Yoshiro Mori to India in 2000. The bilateral ties acquired a new trajectory aiming at forging a 'global partnership' between the two states. Mori asserted that the two states are responsible for 'defending and spreading the values of democracy and freedom that India and Japan share.' For the first time, Japan used

the term “global partnership” to refer to a nation other than U.S. Prime Minister Yoshiro Mori, who pioneered Japan’s engagement with India. Mori had opined that he envisioned India’s rise as a global power in the 21st century, a significant turning point in strengthening India-Japan relations.

As Harsh V Pant⁴ underlines, the confluence of structural, domestic and individual leadership factors contributed to the new-found dynamism in India-Japan relations.

Structural Factors

Shift in the Balance of Power in the Asia-Pacific

In recent years, the centre of gravity of global politics has witnessed a shift from the Atlantic to the Pacific with the rise of China and India, Japan’s assertion of its military profile, and a major shift in the US global force posture in favour of the Asia Pacific, which is manifest in its policy US Pivot and Rebalancing towards Asia⁵. Chinese foreign policy is now oriented towards augmenting its economic and military prowess to achieve regional hegemony in Asia. Though the US continues its pre-eminence in the Asia-Pacific, the rise of China is reshaping the strategic environment in the region. For a long time, China, Japan, and India have been considered states with the potential for great power status and innate capabilities to impact international economic, political, and military systems. Still, only in the last few years have these predictions been true⁶. Japan dominated Asia first as an imperial power for more than a century. It was the first economy to be at par with the Western level of economic development. Currently, China is on the rise. China’s resurgence is altering the power balance across the Asia-Pacific region, and owing to the absence of effective regional institutions; the region is now at least as volatile as during the Cold War.⁷

Dealing with Chinese resurgence

The increasing heft of China has led the US to reinvigorate its existing alliance with Japan and also cosying up to new partners such as India⁸. US not only signed a pact to enhance cooperation on a ballistic missile defence system in 2004 but also encouraged Japan to forge close strategic and political linkages with neighbouring States such as India and Australia. India is also not lagging in formulating its strategy for dealing with a rising China. Both countries are two major Asian powers with global ambitions and some significant conflicting interests. Elements of stresses and strains will be there in their bilateral relationship. The contemporary geo-political reality of Asia will make it difficult for Hindi-Chini to be bhai bhai (brothers) in the near future. There will be intense competition between China and India as both want to be a major global power. India has recently been reformulating its foreign policy to find new allies and partners. In this changed scenario, India is redefining its relationship with the US and Japan. The Indo-US Civilian Nuclear Deal has substantively transformed the contours of the relationship between these two democracies. India has not only been co-opted into the global nuclear order, but the US has also made a significant declaration of committing itself to the growth of India as a great power.⁹

India’s increasing proximity to the US ensures Japan takes India more seriously. Both are mindful of the Chinese strategy to contain the rise of its two most likely regional competitors. The growing bonhomie between India and Japan is to ensure that China becomes less menacing and ultimately more cooperative and accommodating. Thus, the rise of China is a key factor in the evolution of Indo-Japanese ties. China’s opposition to the restructuring of the UN Security Council to include India and Japan as permanent members also reflected its desire to perpetuate its pre-eminence as a permanent member of the Security Council and as a nuclear weapon state. India’s Look East policy, which envisions active engagement with

ASEAN and East Asia, remains largely anchored upon Japanese support. Japan facilitated India's participation in the East Asia Summit, and the East Asia Community proposed by Japan to counter China's proposal of an East Asian Free Trade also included India. While China opposed the inclusion of India, Australia, and New Zealand in ASEAN, Japan strongly supported the entry of these three nations. The vast structural changes in the geopolitical balance of power in the Asia-Pacific are pushing India and Japan into a close relationship.

Domestic Factors

Domestic factors also account for the augmentation of bilateral ties between Japan and India. In recent years, Japan's economy has been facing a downturn, and China has surged ahead as the second-largest economy in the world. Japanese leaders have been reforming and restructuring their economy to meet the recession. Key sectors of the economy, such as telecommunication, banking, and securities, are being opened. Despite its economic decline, Japan has high technology and investible capital.

India has emerged as a lucrative market for two reasons: a) an increasing consumer spending capacity and b) the availability of cheap labour. Since Japan wants to downsize its dependence on China, it is keen to diversify its Asian trading partners. India's reputation for software development, internet business, and knowledge-intensive industries is compelling Tokyo to appreciate India as the world's rising knowledge superpower.¹⁰ Japan is keen on investing hugely in India, as the former views the latter as a reliable destination. Japan has long considered India a vast and burgeoning market for exporting capital and technology, but it has been seriously regarded as a foreign direct investment. Japan is gradually exploring the potential of the Indian market.

Changing Demographic Scenario

India's demographic dividend and Japan's ageing population are creating significant opportunities for the two Asian nations to strengthen their partnership. Japan has the world's largest population of elderly people and the lowest proportion of children. India will have a strong workforce because of the presence of many young adults. Opinions are being floated that if the Japanese government expands immigration to attract more skilled foreign workers, especially professionals who would contribute substantively to its growth, many benefits may accrue to Japan if its Government opts for immigration reforms.

Changes in the Political Orientations of Leaders

In recent years, the Japanese political leadership has been desirous of recrafting its security role. Japan has been more active as an international security actor in recent years. From providing logistical support for coalition forces operating in Afghanistan, Japan has offered refuelling facilities to the US, UK and other nations' warships since November 2001. Japan's decision to dispatch its forces to the Indian Ocean and Iraq manifested Japan's active security policy. Since India and Japan have no conflict of interest, they can significantly enhance their cooperation in defence and security. There has not been any serious difference of opinion between major political parties within India regarding cementing ties between the countries.

Individual –Level factors

Individual leadership has also been instrumental in crafting a new architecture of India-Japan relations in recent years. Several Indian and Japanese leaders have played vital roles in this regard in the last few years.

Along with a paradigmatic shift in the Indian economy under Prime Minister P V Narasimha Rao, the Indian foreign policy also adopted a 'Look East' Policy whereby strong linkages were sought to be developed with the ASEAN and its northern neighbours. The 'Look East' Policy aimed to enhance regional trade volume and a strategic shift in India's world vision as India sought greater engagement with the hitherto neglected Asia-Pacific nations. Rao's visit to Japan in 1992 laid a strong foundation for future Indo-Japanese ties. Successive Prime Ministers contributed to further cementing the relationship. The Japanese leaders also exhibited the same warmth. From 2000 onwards, the two states have agreed to hold annual talks at the prime ministerial level. Mori, Koizumi, and Shinzo Abe made special efforts to build and consolidate India-Japan solid ties.

Narendra Modi's Historic Visit to Japan in 2014

Prime Minister Modi's visit to Japan in 2014 has been described as a watershed, cementing Asia's new democratic axis and co-opting Tokyo as an important partner in India's development and a collaborator on mutual security. India and Japan agreed to cooperate on defence technology, maritime security and military preparedness, including deterring aggression and ensuring a favourable balance of power in Asia. In keeping with Modi's commitment to reviving slumbering economic growth, the Indian govt. was to significantly strengthen the country's manufacturing base, upgrade its rickety infrastructure, create a network of new 'smart' cities, and introduce bullet trains. Japanese technology and investment could help make Modi's plans a reality. For that reason, Modi emphasised his 'no red tape, only red carpet' message in Japan, saying he was striving to make India more hospitable for corporate activity. 'Some people say there is thick red tape in India, but I would like you to believe there is a red carpet in India', he told Japanese businessmen¹¹.

Japanese Prime Minister Shinzo Abe's \$35 billion pledge in private and public investment and financing over the next five years was huge. This funding was to improve Indian manufacturing and skills, create 'smart cities' and electronics industrial parks, build high-speed rail lines and urban subways, clean up the Ganges, produce clean energy, and accelerate rural development.

PM Modi realised that India had to strategically collaborate with Tokyo to prevent the rise of a Sino-centric Asia, or else India's world-power aspirations would not be realised. Asia's balance of power is determined predominantly by two key regions: East Asia and the Indian Ocean. According to the 'Tokyo's Declaration for India-Japan Special Strategic and Global Partnership' unveiled during Modi's visit, these two leading maritime democracies in Asia had agreed to 'upgrade and strengthen' their defence relations and work together on advancing security in Asia and the broader Indo-Pacific region, marked by the confluence of the Indian and Pacific Ocean. As energy-deficit countries heavily dependent on oil and gas imports, India and Japan are naturally concerned by China's efforts to assert control over energy supplies and transport routes as well as by its claim to more than 80 per cent of the South China Sea, one of the world's busiest and most-strategic waterways.

China's strategy involving military intimidation or force to make incremental encroachments across land and sea borders has emerged as a key destabilising element in Asia. Obliquely referring to China, the Tokyo Declaration stated India and Japan 'affirmed their shared commitment to maritime security, freedom of navigation and overflight, civil aviation safety, unimpeded lawful commerce, and peaceful settlement of disputes following international law.'

The emerging Indo-Japanese axis is pivoted on a mutual recognition that such an alliance can potentially shape Asian geopolitics in the same way as China's rise or America's 'pivot' to Asia. Abe's dispensation

pursued a ‘pro-active contribution to peace’ strategy by looking beyond its security ties with the US and building strategic partnerships with militarily capable democracies in the Indo-Pacific region. Abe’s optimism was reflected in his statement that Japan-India relations hold ‘the greatest potential of any bilateral relationship anywhere in the world’. Modi echoed similar sentiments when he urged Abe that the two countries should ‘strive to achieve in the next five years their relationship’s unrealised potential of the last five decades.’ He further affirmed that there are ‘no limits’ to cooperation between the two nations and that their actions will help shape the 21st century for Asia. As Brahma Chellaney commented, “This partnership will strengthen maritime security in the Indo-Pacific region- the world’s leading trade and energy seaway- and shape a healthy and stable Asian power equilibrium, with India serving as the southern anchor and Japan the eastern anchor of this power balance”¹².

Japanese PM Abe’s Visit to India in December 2015

During Abe’s visit to India in December 2015, the two Asian democracies agreed to resolve to transform the Japan-India Special Strategic and Global Partnership into a deep, broad-based and action-oriented partnership, which reflects a broad convergence of their long-term political, economic and strategic goals. They announced “Japan and India Vision 2025: Special Strategic and Global Partnership Working Together for Peace and Prosperity of the Indo-Pacific Region and the World”, a joint statement that would serve as a guidepost for the “new era in Japan-India relations”. The joint statement cleared many cobwebs out of the bilateral equation, especially on contentious issues such as cooperation in developing nuclear energy and defence capability¹³.

The Joint Statement set out a detailed framework for a privileged bilateral partnership that addressed a range of Japanese concerns about the security, viability and profitability of Japanese investments in India. This detailing was made possible because Japan and India had come to understand the strategic importance of their bilateral partnership. The Joint Statement repeatedly referred to the Indo-Pacific as the shared region of strategic engagement for both powers.

During Abe’s visit, India and Japan agreed on peaceful uses of nuclear energy, ending years of painstaking negotiations that were delayed by the Fukushima nuclear tragedy in Japan and India’s delay in legislating a nuclear liability law. India also agreed to “tied aid”, enabling Japanese funds to finance Japanese investment, especially in infrastructure and high-speed railway projects. India also expressed willingness to promote Japanese industrial townships to make India a more hospitable destination for Japanese business. The two countries entered a major defence deal for the joint production of Japan’s US-2, an amphibious plane that Japan’s Self-Defense Forces use for search and rescue operations and maritime surveillance¹⁴.

Apart from defence and energy-related issues, Japan became India’s infrastructure partner. Urban development was a key area of Japanese development cooperation with India, with Tokyo aiming to help New Delhi design and plan new townships and industrial estates in the Delhi- Mumbai Industrial corridor, as well as new smart cities and townships in the states of Maharashtra and Andhra Pradesh. Japan had also agreed to export its high-speed rail technology to India, whose rail infrastructure required significant new investment. Tokyo aimed to assist New Delhi in designing and planning new townships and industrial estates.

All this signalled a new level of partnership between Asia’s two great democracies, imparting new self-confidence to both nations at a particularly critical moment in Asia’s emerging power structure.

Security and Strategic Relations

India's 'special strategic and global partnership' with Japan is a principal component of India's grand strategy in the post-Cold War era. These partnerships were driven by economic complementarity, shared concerns over China's phenomenal rise, and increasing footprints in their neighbourhoods. Modi hoped this relationship could exert a profound influence on shaping the course of Asia and our interlinked ocean regions (Ministry of External Affairs, India 2015). Abe became the first Japanese Prime Minister to become the Chief Guest for the Republic Day celebrations in 2015.

Under Modi's leadership, Japan became the first country with India to initiate a formal '2+2' arrangement for talks between the foreign and defence ministries in 2016. This was upgraded to the ministerial level three years later, in 2019. The bilateral agenda expanded from issues of mutual significance within the partnership to regional and global implications. Subsequently, it was broadened into the Annual Defence Ministerial Dialogue, the National Security Advisers' Dialogue, the Defence Policy Dialogue, consultations on cyber issues, and the Association of South-East Asian Nations (ASEAN).

Early security cooperation between India and Japan covered preliminary agreements like the Joint Declaration on Security Cooperation, signed in 2008. The agreement proposed the establishment of meetings between defence ministers, military-to-military talks, navy-to-navy staff talks and student exchanges between defence institutions to foster trust between the two militaries. These inter-military consultations later developed, enabling the two countries to share defence-related information regularly. The military alignment in the India-Japan partnership was visible from the joint military drills, which were started with naval exercises in December 2013 and significantly expanded under Modi. The Indian Army and the Japanese Ground Self Defence Forces (JGSDF) have engaged in a joint military exercise 'Exercise Dharma Guardian' since 2018. The Indian Air Force and the Japanese Air Self-Defence Force (JASDF) do the annual Exercise Shinyuu Maitri. At the same time, the coast guards of the two countries focus on search and rescue, external fire-fighting and sharing best practices through Exercise Sahyog-Kaijin. Japan also regularly participates in the annual Malabar naval Exercises with India, US and Australia.

India's strategic partnership with Japan bestows some degree of prestige and status upon it. The two maritime democracies have been on the same page with their shared interests in humanitarian and disaster response (HADR), upholding the freedom of navigation and reinforcing the rules-based international order. In 2008, Japan lent its support for waiving the Nuclear Suppliers Group's embargo on nuclear trade with India and favoured its membership application. The two countries have been working in tandem on global issues such as terrorism, space and cyber security, proliferation of Weapons of Mass Destruction (WMD) and the environment (the International Solar Alliance). They also hope to obtain a permanent seat in the reformed United Nations Security Council.

Modi's most significant contribution is the impressive growth in bilateral economic matters, where considerable Japanese investments have been pumped into strategic infrastructure projects such as the MAHSR corridor and road connectivity in the Northeastern part of India.

Strengthening of the Strategic Partnership during the Post-Abbe era

The momentum the bilateral relationship acquired has continued unabated during the post-Abbe period. The India-Japan 14th Annual Summit, held in 2022 in New Delhi between Indian Prime Minister Narendra Modi and his Japanese counterpart Kishida Fumio, is a big leap forward in accelerating the momentum of strategic partnership between the two countries based on the spirit of mutual trust, friendship, and shared

progress. The Summit marked the 70th anniversary of the establishment of diplomatic relations between India and Japan, along with the celebrations of the 75th anniversary of India's independence.

After assuming office, Japanese PM Fumio's choice of India for his first major bilateral overseas visit affirmed the significant alliance between the two countries¹⁵.

The Summit opened the window for the two Prime Ministers to deliberate and strategise an actionable roadmap for future policy initiatives towards enhancing strategic cooperation on a plethora of issues that encompass defence and security; trade, investment and connectivity; stable and transparent supply chain; sustainable development in post-Covid world order; energy partnership; climate action; healthcare cooperation, and other issues of mutual interest along with emerging geopolitical challenges in Indo-Pacific about the Ukraine war and Afghanistan security scenario.¹⁶

Both countries reaffirmed the Special Strategic and Global Partnership based on solid affinities in democratic values, principles, shared prosperity, and people-to-people contact.¹⁷ Japan's iteration of its strong support for India's strategic role in global dimensions as the upcoming President of G-20 in 2023 was demonstrative of the cordial relations between the nations.

The invitation to India to participate in the upcoming G-7 summit reflected the spike in India's influence in balancing multipolar global dynamics, with Japan being an important partner. Being two important Asian democracies in the Indo-Pacific region, India and Japan have expressed their commitment to play more significant roles in QUAD cooperation while acknowledging enhanced space for collaboration between India-led Indo-Pacific Oceans Initiative (IPOI) and Free and Open Indo-Pacific (FOIP) in conjunction with ensuring full compliance of United Nations Convention on the Law of the Sea (UNCLOS) towards establishing maritime security and rules-based maritime order in the East and South China Seas.¹⁸

Both countries have been exploring new avenues to effectively deepen defence and security partnerships and address emerging challenges. Operationalisation of the Agreement Concerning Reciprocal Provision of Supplies and Services between the Indian Armed Forces and Japan Self-Defence Forces in conjunction with continued participation in bilateral and multilateral defence exercises such as "Dharma Guardian" and "Malabar" are signs of a keen desire for future strategic engagements to combat long-term security contingencies in the region and maintaining geo-strategic equilibrium.¹⁹

Economic Ties between India and Japan

The beginning of the 21st century witnessed a dramatic transformation in bilateral ties. Guided by the strategic vision of the then-Japanese PM Yoshiro Mori, the two countries' leadership, cutting across party lines, recognised the merit of substantive bilateral engagement. Recognition of the mutual advantage in enhancing and widening the ambit of the bilateral relationship has driven India-Japan ties in the past two decades. During Prime Minister Mori's path-breaking visit to India in 2000, the Japan-India Global Partnership in the 21st Century was launched, providing the much-needed impetus for the trajectory of relations to soar to new heights.

India and Japan are highly complementary economies, but their mutual complementarities have not been adequately exploited for a significant period. While Japan possesses abundant capital and is highly advanced in technology and product development, India has an enormous market and ample human resources. While Japan has an outstanding record in manufacturing abilities, India enjoys advantages in IT services and bioinformatics.

The long-anticipated India-Japan CEPA (Comprehensive Economic Partnership Agreement) was finally signed in February 2011 and came into effect in August 2011. The agreement aimed to abolish tariffs on traded goods and services over the next ten years and encompassed bilateral cooperation in the fields of investments, intellectual property rights, customs procedures, and other trade-related services.

More and more Japanese companies have entered a wider range of manufacturing sectors. Automobile assemblers, suppliers, and other companies in different fields, including steel makers, pharmaceutical companies, and construction machinery producers, have started favourably considering India.

Japanese ODA, long the backbone of the bilateral relationship, continues to provide long-term loans for India’s infrastructural development²⁰. Japanese assistance helped conceptualise and execute the prestigious Delhi Metro Project, the Western Dedicated Freight Corridor (DFC), the Delhi-Mumbai Industrial Corridor with eight new industrial townships, and the Chennai-Bengaluru Industrial Corridor (CBIC), which are all mega projects.

Prime Minister Modi’s visit in 2014 rekindled hopes of forging strong bilateral ties. Abbe’s assurance of 33.5 billion public and private investment and financing, including ODA, doubling Japanese FDI and the number of companies in India over the next five years were the highlights of this visit.

The bilateral trade between the two countries has blossomed post the signing of the CEPA and crossed US\$20.0 billion in FY 2022. However, after the signing of the CEPA, India’s trade deficit with Japan nearly doubled in a span of 11 years to US\$8.2 billion in FY2022 from US\$5.8 billion in FY2012. India’s imports from Japan depicted a CAGR (Compound Annual Growth Rate) growth of 1.6 per cent. In comparison, India’s exports to Japan declined by 0.3 per cent from FY2012 to FY2022.²¹ Both governments are working towards a mutually beneficial trade relationship with the Government of India emphasising on the ‘Make in India’ campaign, the PLI scheme and the diversification of the trade basket, etc., to strengthen its manufacturing sector and make it more competitive. This will aid in increasing its contribution to exports.

Japan-India Trade (Yen: Billion)

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
Trade from India to Japan	739	589	509	619	585	593	500	744	833
Trade from Japan to India	861	981	889	1,044	1,236	1,176	1,021	1,423	2,018

(Source: Japanese government documents)

India’s chief exports to Japan comprise engineering goods, petroleum products, and agricultural and allied products. The exports mostly comprise low-value-added goods, such as ferrous and non-ferrous metals, machine tools and instruments, and transport equipment parts. India’s chief imports from Japan comprise manufactured products, such as engineering goods, chemical and related products, and electronic goods. India’s imports mainly comprise high-value-added goods, such as electrical and non-electrical machinery, automobiles, computer hardware, agro, and residual chemicals.

Regarding the Foreign Direct Investment in India, Japan is regarded as the fifth largest investor with cumulative FDI worth US\$38 billion from April 2000 - September 2022.²² Japan’s investments in India are spread across transportation, automobile industry, telecommunications, and services sector. FDI inflows from Japan have fluctuated, and the share in total FDI inflows to India has declined over the years

even though India remained one of the top invested nations in 2021. The auto and services sectors are Japan's largest investment destinations, followed by drugs and pharmaceuticals.

Direct Investment from Japan (Yen: Billion)

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
Direct Investment from Japan	282	368	567	357	371	522	214	493	471

(Source: Japanese government documents)

During the 14th India-Japan Annual Summit in CY2022, both economies set an investment target of JPY5 trillion for the next five years²³. Some of the proposed projects are in the area of stable energy and infrastructure development. The projects in the pipeline include the Mumbai-Ahmedabad High-Speed Rail (MAHSR) project, the Mumbai Trans Harbour Link, the Delhi-Mumbai Industrial Corridor with 12 industrial townships, the Chennai-Bengaluru Industrial Corridor besides the Clean Energy Partnership, and the Sustainable Development Initiative for North-East India. The FDI is expected to be utilised for public and private projects of mutual interest.

Japan’s investment in the transportation sector is of paramount importance, which includes the Delhi Mass Rapid Transport System Project, Hyderabad Outer Ring Road Project, Visakhapatnam Port Expansion Project, and dedicated Freight Corridor Project.²⁴

In the wake of the rising geopolitical tension, Japan has been incentivising its companies to shift manufacturing facilities from China to India, Vietnam, Bangladesh, Myanmar, and Thailand.²⁵ The rapidly weakening yen, global supply-chain constraints, geopolitical risks, changing wage patterns, and surging labour costs in other nations are prompting Japanese manufacturers to return home. Japanese manufacturers have sought to shift their base out of China as wages in China rose and infrastructure in countries such as Vietnam and Bangladesh improved. Due to the increasing COVID-19 infections in China and the enforcement of the Zero COVID policy, global supply chains have been badly affected. In 2020 alone, over 1,700 Japan-invested firms and manufacturers pulled out of China. India remains a lucrative option for establishing a manufacturing base for Japanese companies with a stable political framework, strong growth prospects, pro-growth government, and low wages. As per DnB Hoover's data, currently, more than 4,000 Japanese companies are operating in India, and only 113 Indian companies are operating in Japan. Japan is the only country in the world with 12 dedicated country-focused industrial townships across nine states all over India.²⁶ Japanese firms may continue to expand their presence in India as an alternative base to China in the coming days.

Conclusion

The ‘civilisational neighbours’²⁷, India and Japan, have recently rediscovered each other. Both are forging close alliances based on shared interests, liberal-democratic values, and free market values. India views its strategic and economic partnership with Japan as key to its vision of a dynamic, multi-polar Asia.

As the global balance of power witnesses a gradual shift towards Asia, a deepened India-Japan partnership will likely have a greater impact in the coming decades. Both countries enjoy a lot of complementary ties in which they can engage in mutually beneficial cooperation. These sectors include the economic field, energy, security and global governance. Both countries are home to roughly 20 per cent of the world’s

population and are two of the three largest economies in Asia, a region that will experience fast growth in the ensuing decades. As PM Modi has described, “the deepening of India-Japan partnership is not only important for the two countries but also for the Indo-Pacific region and will encourage peace, prosperity and stability for the world”.

Japan and India are two of the oldest democracies in Asia. They make natural partners in numerous ways since they have no serious disagreements, such as territorial disputes, and share concerns about China's rise. India and Japan have great opportunities to bolster their bilateral relationship through various political, economic, and security initiatives. Japan has given South Asia higher priority in its foreign policy. As India is central to South Asia, India-Japan relations will occupy centre stage in Japan's South Asia policy.

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