



## A Strategic Partnership Between Japan and India?

Vivek Pinto

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By Vivek Pinto

The first lines of Robert Browning's poem, 'The Patriot' – "It was roses, roses, all the way" – may well characterise the splendid success of prime minister Manmohan Singh's visit to Japan during December 13-15. It all started with the "breaking of protocol for a late evening arrival at Tokyo International Airport, Haneda, by the Japanese foreign minister Taro Aso". [1] The next day he had an afternoon audience at the Imperial Palace with the emperor of Japan, Akihito, and empress Michiko, followed by a historic honour – a first for an Indian prime minister – to address the joint session of the Diet, the Japanese parliament. The visit concluded on December 15 with a joint public statement, with the prime minister of Japan, Shinzo Abe, on "India-Japan Strategic and Global Partnership".



Prime Minister Manmohan Singh

Any keen student of recent Indo-Japanese relations could ingeniously ask: Why is Japan so keen on establishing much closer and friendly ties with India? A recent clue could be the Japanese prime minister's speech to the Diet, on October 3, where Abe in a "shift to proactive diplomacy" said, "I will engage in strategic dialogue at the leader's level with countries that share fundamental values such as India... with a view to widening the circle of free societies in Asia." [2]

Undoubtedly, Japan through this visit was obviously moving from words to deeds and clearly signalling how seriously it took the summit with prime minister Singh and those who accompanied him, including union minister for commerce and industry, Kamal Nath, national security adviser, M K Narayanan, foreign secretary, Shiv Shankar Menon, commerce secretary, Gopal Krishna Pillai, India's ambassador to Japan, Hemant K Singh. However, to quite a few analysts Japan's "strong bilateral, strategic, and global partnership" with India should have been under way ever since the visit of then Prime minister Koizumi in April 2005. This it may be recalled was "the first visit since 2000 when his predecessor, Mori Yoshiro, had put India-Japan relations back on track after the stormy phase following the Pokhran nuclear tests of 1998 [and] Japan had led a vociferous campaign against the tests conducted by India and Pakistan and was quick to apply sanctions". [3] The answer to why Japan has now chosen to "raise bilateral relations to a higher level [and] impart [a] stronger political, economic and strategic dimensions to bilateral relations, serve long-term interests of both countries, enhance all-round cooperation and contribute to greater regional peace and stability", [4] is not simple. It requires understanding of a complex variety of forces, shifting regional and international politico-military power equations, and reluctant acceptance of changed economic realities, new ambitions and visions. All of these have recently coalesced, as prime minister Singh said in his speech to the Diet, in "the idea of a new partnership between Japan and India [that] has found its moment today" (emphasis author's). [5] In other words, the changing politico-economic-security- energy-nuclear needs and ambitions of both India and Japan have slowly persuaded each other, in Abe's words, to enter into "probably the most important bilateral relationship". [6]



A view of the nuclear test site at Pokhran in Rajasthan

### Economic Cooperation

For the most part, this dramatic and belated intensification in bilateral relationships is broadly defined by the launching of a joint task force to develop an economic partnership agreement (EPA)/comprehensive economic partnership agreement (CEPA) between India and Japan and the seven memorandums of understanding (MoUs) signed between the two governments. [7] The EPA and CEPA were an outcome of the recommendations submitted by the "Report of the India-Japan Joint Study Group (IJJSG)" in June 2006. [8] The IJJSG made a series of recommendations to further develop and diversify the economic engagement between India and Japan, with the objective of bringing about comprehensive expansion of bilateral economic and commercial relations. The specific areas marked for such cooperation were trade in goods and services, and investment flows. The role of Japanese official development assistance (ODA) – Japan is presently India's largest bilateral ODA partner, with a cumulative ODA loan commitment from the government of Japan as at end March 2005 of ¥ 2,097 billion – in promoting economic partnership has been emphasised. The other area of economic cooperation is the establishment of the "India-Japan Special Economic Partnership Initiative" (SEPI) that will promote Japanese investment to India and "help develop India's infrastructure and manufacturing capacity, taking full advantage of the ample availability of skill and human resources and the public-private partnership policy initiative of the government of India". [9]

It was in this context that one of the main MoUs signed during the PM's visit was to promote the Delhi-Mumbai Industrial Corridor. This would be a dedicated freight corridor to facilitate transport of goods, development of infrastructure and promotion of manufacturing, trade, and investment between Delhi and Mumbai. It would also include cooperation in the "development of one or two seaports on the west coast and industrial estates and special economic zones (SEZs) with high quality physical and social infrastructure, and other initiatives, through collaboration between [the] private and government sectors of India and Japan." [10] In addition, further cooperation would be realised in setting up "the dedicated multi-modal high axle load freight corridors with computerised control on Mumbai-Delhi and Delhi-Howrah routes. [India and Japan would] examine the possibility of using Japanese technology in locomotives, signalling, electrical equipment, and in construction in [the] railway sector." [11] No less noteworthy was the promotion of participation of Japanese companies in the power sector in India – to this end, the two projects proposed by the Indian side for participation by Japanese companies include the 4000 MW coastal ultra mega power project at Chayyur, Tamil Nadu, and the 3000 MW Lohit hydroelectric project in Arunachal Pradesh, collaboration towards the development of the Indian Institute of Information Technology for Design and Manufacturing at Jabalpur, major investment in the automobile and allied sectors by Suzuki, Honda, Nissan, and Mitsui companies, and cooperation in science and technology between the department of science and technology (DST) of India and RIKEN (Institute of Physical and Chemical Research), while welcoming future collaboration between the National Institute of Advanced Industrial Science of Japan and the Indian department of biotechnology and the Jawaharlal Nehru Centre for Advanced Scientific Research in advanced industrial science and technology fields, including nanotechnology and materials, energy and environment (clean coal and biomass resources), life sciences, and information and communication technology. The sea change, as seen in the planned bilateral projects and the corresponding large outlay in yen, let alone the transfer in technology and human resources between India and Japan, has come about due to changes in Japanese and Indian foreign policy objectives, India's "economic resurgence [which] offers a variety of investment opportunities both in traditional and new sectors", [12] the strategic transformation of US-Indian relations, the continuing terrorist threat to costly and vital energy supply routes and maritime issues and India's need for nuclear energy. All these multi-faceted reasons explain why Japan and India have finally recognised in 2006 each other's progress and potential to balance the changing shift in power in Asia, rather than earlier.

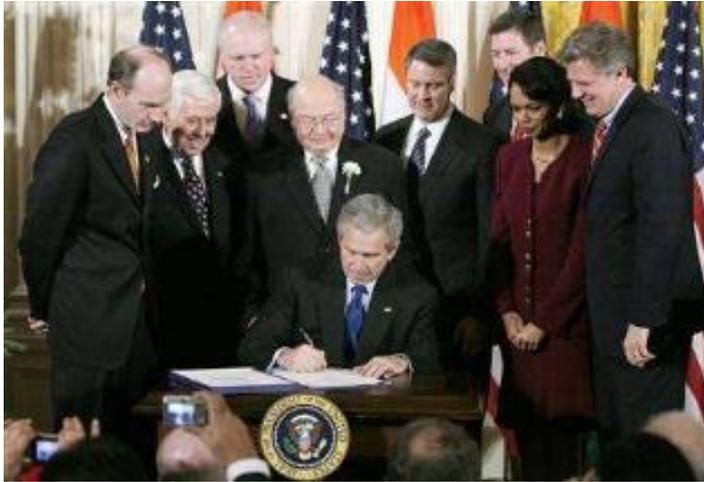
Japan, as do other countries, sees India as a source of labour force, low manufacturing costs, and a large and rising middle class – currently estimated at "300-million-strong and which is not only gaining from the country's rapidly expanding economy, but is also driving the consumption boom.[It was to this class that] Maruti, in partnership with Suzuki Motors Corporation, brought the car within the reach of middle-class households in the mid-1980s by introducing an affordable model." [13] Further, India provides a ready market for its consumer durable goods, has stable democratic institutions, and is governed by rule of law. These attributes are now amply reinforced by an information technology sector, which is manned by young and highly energetic, educated, and creative personnel. These features of the Indian economy, when placed in an international context, result in luring Japanese investors to lucrative markets and investments in India.

In addition, the Indian economy has seen an annual average growth in its gross domestic product of more than 8 per cent during the three years ending 2004-06. Manmohan Singh, in his address to the Japan Chamber of Commerce and Industry on December 15, remarked: "The Indian economy is on a new path of accelerated growth. In the first half of the current fiscal year the growth rate recorded a new high of 9.1 per cent. The manufacturing sector is fast catching up with the services sector. These two sectors account for almost 80 per cent of our national income." [14] He added that, "this remarkable growth is being led by an investment rate of 31 per cent of GDP, financed entirely by a matching savings rate of over 29 per cent. India's stable macroeconomic indicators lead me to believe that we have the potential to achieve double digit growth in the coming years." It is what India has clearly achieved in the economic sector, together with the promise to further step up its vast potential by continued impressive performance that is of interest to Japanese investors and companies. This keenness to make India a destination for rapid expansion of manufacturing capacity and building quality infrastructure facilities through bilateral cooperation becomes all the more attractive if the Indian government is prepared, as it plainly is, to entice Japanese investors and corporations with special benefits and preferences. They in turn reciprocate in hard currency investments and introduce new technology in key sectors of the Indian

economy to speed up exports and in turn augment production and consumption to the mutual advantage of both nations.

## Nuclear Cooperation

Fortuitously, President Bush has recently signed the US-India nuclear cooperation law that will let India receive US civilian nuclear technology and fuel, which hitherto it was banned from receiving, as India was not a signatory to the nuclear non-proliferation treaty. This qualitative change in Indo-US strategic relations has in turn affected Indo-Japanese strategic relations. The US has clearly signalled to Japan that it can go ahead and establish bilateral relations with India in the defence and nuclear sectors. In the defence sector, Japan and India are increasingly cooperating in securing vital sea lanes from the Persian Gulf from where it procures a substantial part of its oil supplies and transports it through the perilous Strait of Hormuz and further through the equally treacherous Strait of Malacca.



U.S. President George W. Bush signs the United States-India Peaceful Atomic Energy Cooperation Act in the East Room of the White House, Dec. 18, 2006.

Japan "is Asia's biggest oil importer. Oil is a strategic resource for Japan and securing its regular and uninterrupted supply is vital to its economic being". [15] Manmohan Singh, in his speech to the Diet, referred to the "equal stake in promoting defence cooperation, including [the] protection of sea-lanes to secure our trade and energy flows". India and Japan are currently organising frequent coast guard and naval exercises in the region to prepare for terrorist attacks to the vital and vulnerable oil tankers plying in the region. This cooperation will undoubtedly accelerate in time.

At the time of writing, "Japan [has] already agreed to engage in discussions with India on civilian nuclear cooperation under 'appropriate' international safeguards" and there is sufficient, positive indication that Japan, as a member of the 44-nation Nuclear Suppliers Group (NSG) would support India's needs for nuclear energy. Data from Japan's Agency for Natural Resources and Energy states that "currently there are 52 commercial reactors in operation in Japan and they generate 45,740 MW of electricity. Japan is third in the world, following the US and France, in nuclear power generation. Positioned as a key power source, nuclear energy provides approximately 34.6 per cent (FY2001) of Japan's electric power supply. In the future too, it will continue to be an important source of energy that Japan will depend on considerably." [16] Manmohan Singh, in his speech to the Diet, particularly sought Japan's assistance and declared that, "Like Japan, India seeks nuclear power as a viable and clean energy source to meet its growing needs. We seek Japan's support in helping put in place innovative and forward-looking approaches ... to make this possible." [17] Some informed energy analysts, however, are sceptical about India sufficiently meeting its energy needs through its ambitious nuclear construction plans – "up to 30 plants are planned over the next two decades". [18] They state that it is "unlikely" that India would be "getting even 5 per cent of its electricity or 2 per cent of its total energy from nuclear power in 2020" [19] through these plants. Instead, they argue that India, like China, is in a different position from Japan in that India has "vast land areas that contain a large dispersed and diverse portfolio of renewable energy sources such as solar, wind, and biomass [which is a] far more practical energy option for India". [20]

Japan and India are thus posed, at the end of 2006, through this historic and significant visit of Prime minister Singh, to develop and foster a strategic economic and political partnership, which hitherto has eluded these two natural Asian partners. Japan, the world's current second largest economic power, and India, which is set to become a world-class economy ready to join the industrialised nations as a major consumer of resources and provider of key economic services, desire a stable Asia that is imperative to their continued growth and progress. The prime question which clearly cannot be avoided is: Where does China, with its potential, promise and prowess as a much desired stabilising force, but which could equally bring insecurity and disharmony, fit into this equation? That is where the proverbial thorn lies among the roses.

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## Notes

1 A J Philip, '[Japan's Visit Quest for East: PM](#)', The Tribune, December 13, 2006.

2 'Text of Prime Minister's Policy Speech to the Diet', The Japan Times, October 3, 2006, p3.

3 John Cherian, '[A Strategic Stopover](#)', Frontline, 10, May 7- 20, 2005.

4 'Joint Statement: Towards India-Japan Strategic and Global Partnership', December 15, 2006, Tokyo, signed by the prime minister of the Republic of India and the prime minister of Japan, p 2.

- 5 Prime minister's speech to the Diet, December 14, 2006, Tokyo, p 8.
- 6 Speech by prime minister, Shinzo Abe, August 14, Tokyo, at the launching of India-Japan Friendship Year, 2007.
- 7 See '[Highlights of Documents Signed between India and Japan](#)', The Hindu, December 15, 2005.
- 8 '[Report of the India-Japan Joint Study Group](#)', June 2006.
- 9 'Joint Statement: Towards India-Japan Strategic and Global Partnership', p 4.
- 10 Ibid, pp 4-5.
- 11 Ibid, p 4.
- 12 Prime minister's speech to the Diet, p 4.
- 13 'India's Middle-class Reaps Riches as Economy Booms', The Daily Yomiuri, December 19, 2006, p 8.
- 14 Prime minister's remarks, Japan India Business Luncheon Meeting, Tokyo, December 15, 2006, p 2.
- 15 Vivek Pinto, 'Making Up for the Lost Decade', Economic and Political Weekly, June 24, 2006, p2519.
- 16 '[The Position of Nuclear Energy in Japan](#)', Agency for Natural Resources and Energy.
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- 18 Christopher Flavin and Gary Gardner, 'China, India, and the New World Order', State of the World 2006, WW Norton, New York, 2006, p11.
- 19 'India's Electricity Reforms', The Economist, September 24, 2005, quoted in State of the World 2006, p 11.
- 20 State of the World 2006, p 11.