

ISSUE BRIEF

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India and Japan: Delivering Regional Public Goods

by Amb. Hemant Krishan Singh



Contrary to predictions of "Japan passing", Japan is not preparing to ride

gently into the sunset. It has been a major Asian power for over a century and will remain a leading Asian power in this century. Given its historically tested ability for renewal, it will continue to provide answers to the challenges of the day and the future. While its economy will become increasingly dependent on Asian growth, Japan's security posture may progressively become more robust.

Japan has been an integral part of India's attempts to define an Asian identity for the past 100 years. There are no "history issues" between India and Japan. Enjoying bi-partisan political support in both capitals, the India-Japan strategic and global partnership is based on the premise that a vibrant and prosperous India is in the best interest of Japan and a resilient and resurgent Japan is in the best interest of India. In the years ahead, India-Japan relations will come to be regarded as regional public goods in an Asian Century.

Unravelling the myth of "Japan passing"

If one were to go by Japan's 20-year downward spiral of a deflationary economy, ageing society and political dysfunction, it might be easy to conclude that predictions of "Japan passing" are possibly true and even likely to transpire. We in India are not immune to such thinking, not least because of the attention India has come to enjoy as an emerging economy of vast promise and opportunity. Fortunately for both India and Asia, Japan is not preparing to gently ride into the sunset. That it remains vibrant and resilient is amply reflected in the remarkable recovery Japan has staged from an unprecedented natural disaster in just a year. As Europe struggles, Japan (and the US) will in fact lead the industrialised world in terms of $\pm 2\%$ economic growth in 2012, feeble as that may sound from India's perspective.

If history is a guide, the transformations which Japan has wrought over the past century and a half to become Asia's most empowered economy and highly developed society would constitute a rather unique record for any nation. That it has done so while retaining its immaculate civilisational heritage makes Japan's achievements even more distinctive. What is more, the stream of ideas, religions and cultural traditions that have across centuries traversed the sea and land silk

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routes from India, Central Asia and China to Japan have been imbibed and preserved in a manner that makes Japan an unmatched repository of Asian civilisations.

So, what exactly makes Japan tick? To the extent that short answers to such questions are feasible, it is the force of formidable national cohesion and coherence based on deliberative practices going back some 1500 years. The continuity and durability of these is symbolized in Japan's 2600-year-old Emperor institution, with the current incumbent being the 125th in an unbroken chain. The coming together of generations for a national purpose following the Tohoku disaster in March, 2012 is another affirmation.

Japan has been a major Asian power for over a century and will remain a leading Asian power in this century. After the Meiji restoration of 1868, which ended a prolonged period of isolation, it rapidly emerged as a modernising and transformational power to become Asia's most advanced industrial nation by the early 20th century. For a multiplicity of factors, it thereafter became a militaristic power with pan-Asian leadership pretensions. Post World War-II, Japan literally rose from the ashes to once again become a global economic powerhouse within three decades.

This manifests Japan's historically tested ability to rise, renew and constantly re-invent itself. Virtually devoid of natural resources, Japan has found innovative ways to manage potentially crippling external dependencies for raw materials through system-wide efficiencies and created a global template for manufacturing

pro prowess. Japan's financial strength is reflected in a \$15-20 trillion hoard of domestic savings alone and its technological strength in the number of patents its companies hold and continue to accumulate each year (second only to the US). Despite its misleading name, Japan's compact Self Defence Force (SDF) packs a potent punch.

When all these factors are taken together in conjunction with Japan's unmatched social cohesion, institutional strengths and organisational capacity, it becomes clear that neither political dysfunction nor a dwindling population are likely to marginalise Japan's role in Asia and the world, even though the economies of China, India and Indonesia will certainly overtake that of Japan in the coming decades.

Given the propensity for disorganised order that sustains India's pluralistic democracy, we have seldom recognised how much Japan's example and influence has mattered to Asia's emerging economies. After regaining economic prosperity, Japan spread its example of high quality infrastructure and industrialization through targeted FDI and the sharing of manufacturing technologies to create in East Asia the world's most integrated region in terms of production networks. As its domestic and developed country markets decline, Japan is currently devising new ways to sustain growth through the accelerated development of emerging Asian markets and regional infrastructure. India is only just beginning to benefit from this trend, having entirely missed the "Asian tiger" phase of the 1980s and 90s. As it does, it could do well to emulate Japan's culture of discipline and dignified conduct and its business ethic of constant improvement, meticulous preparation and quality consciousness.

What more can be expected from Japan's regional leadership? Following

the heels of Japan, several societies in East Asia are in demographic decline. Long-term solutions for ageing societies that enable citizens to live longer, healthier and more productive working lives constitute the next frontier. Hopefully, Japan will have the answers well before India, as the youngest among Asian societies, needs them.

There have been significant changes in Japan's strategic posture over the last decade. The post-9/11 scenario and US military interventions in Iraq and Afghanistan witnessed the unprecedented deployment of the GSDF in a supporting role to the Iraq theatre and a MSDF naval refuelling mission to the Arabian Sea. In 2006, the US and Japan agreed to a realignment plan for US forces that also envisaged a widening role for Japan in the security objectives of the alliance in East Asia and greater interoperability between the SDF and US forces. In January 2007, Japan finally created a Ministry of Defence and abolished the erstwhile "Self Defence Agency". Residual inhibitions among the Japanese public have thus far prevented progress on even modest amendments to Article 9 of Japan's pacifist constitution, under which war was forever renounced as an option, but this process has at least been initiated for future consideration by the Diet.

The period 2007-2010 witnessed several setbacks to the US-Japan alliance culminating in a major wobble after the DPJ assumed power in 2009, demanding "more equal" ties

with the US, announcing a China-centred “Asian policy” and even envisaging a China-Japan-ROK “East Asian Community” (though this composition was left formally undefined). The realignment plan for US Forces, centred around relocation of the Futenma base in Okinawa, was virtually shelved, leaving the matter largely unsettled to this day. The 50th anniversary of the US-Japan alliance passed unnoticed in 2010 in the midst of this turbulence.

Then, out of the blue, came a standoff over the seizure of a renegade Chinese fishing vessel in Japan’s southernmost Senkaku Islands, which was utilised by Beijing to browbeat and even humiliate Japan and announce (somewhat prematurely) China’s arrival as the dominant power of the region. That ended the DPJ wobble as well as the domestic debate on China’s reliability from the perspective of Japan’s security. To the DPJ’s credit, several corrective measures followed. Japan confirmed a \$5 billion package of host nation support for US Forces and announced new defence policy guidelines in December, 2010 that introduced a “dynamic defence” posture that included reinforced SDF deployments in Southern Japan. Since then, Japan has also relaxed its long-standing ban on defence exports to allow greater cooperation on weapons development with select foreign partners, as well as major upgrades of defence hardware ranging from more submarines to US-made F-35 fighters.

Key areas which are yet to see change include the easing of curbs on collective security and lifting of restrictions on the defence

budget (traditionally capped at 1% of GDP). A combination of nuclear and missile threats from North Korea, vulnerability to China’s relentless military expansion and historically unresolved boundary disputes with neighbours will continue to propel further changes in Japan’s security posture, which is likely to progressively become more robust in the years ahead.

The India – Japan – US – Australia quadrilateral construct, championed by PM Shinzo Abe, marked India’s entry into Japan’s security calculus, albeit without immediate success, with the US opting to demur and Australia vacillating. However, India’s role as a factor of reassurance for Japan remains very much alive, as reflected in the re-emergence of the Abe idea under its new avatar of an India-US-Japan Trilateral which holds its second meeting in April, 2012.

India and Japan, bridging the Indo-Pacific

Even though this is not widely remembered today, Japan has been an integral part of India’s attempts to define an Asian identity for the past 100 years, ever since the incipient Indian freedom struggle saw glimmers of hope in Japan’s victory over Russia, a European power, in their 1904-05 war. India did not sympathise with Japanese militarism and its people did not rise against British imperialism when Japanese forces occupied the Andamans and invaded Northeast India in 1942. But equally, post-independence India did not inherit British wartime animosities towards Japan. After WWII, India signed its own separate peace treaty with Japan in 1952 and became the first country to accept Japan’s ODA in 1957, when the overhang of wartime occupation still clouded relations of most Asian countries with Japan.

That there are no “history issues” between India and Japan is most poignantly illustrated in Japanese Prime Minister Shinzo Abe’s ability to hold a summit with the Indian Prime Minister in New Delhi on one day and pay tribute to Netaji Subhash Chandra Bose in Kolkata on the next (July 2007).

Unfortunately, even this positive historical legacy could not survive the impact of the US-Japan alliance, the Cold War and India’s non-alignment, which together created a hiatus between the two countries for over three decades. Japan reacted harshly to India’s nuclear tests of 1998. However, the ensuing freeze did not last long. Against the advice of the powerful Japanese Gaimusho, Prime Minister Yoshiro Mori decided to see for himself the successes of India’s then emerging IT industry and conclude a global partnership agreement with India in August 2000. Thereafter, rapid progress in India-US relations impacted Japanese thinking favourably, but the major factor which led Japan to identify India as its new Asian partner of choice most certainly included the stellar performance of the Indian economy over the five years 2003-2008. This opened a veritable new era of India-Japan ties.

The India-Japan strategic and global partnership (SGP) was established in 2006, which also saw the conclusion of a defence cooperation agreement. A Joint Declaration on Security Cooperation followed in 2008 and an Action Plan pursuant to this Declaration in 2009. Japan is the only country with which India has a security pact and an institutionalised 2+2 dialogue. Shared democratic values and

strategic convergences link India and Japan in an arc of freedom and prosperity.

This process required breaking new ground and changing systemic mindsets on both sides. Apart from fabled rigidities in Gaimusho, the Indian Foreign Office debated whether Japan's pivot towards India was genuine and on occasion was uncertain on how far to move forward with Japan without annoying China. However, these difficulties were overcome till the logic of enhanced relations became self-sustaining. By 2008, India did not need to dispatch a special envoy to Japan to seek support for the NSG waiver. The Japanese Foreign Minister (Koumura) conveyed to me that recognising India's strategic importance for Japan, it would not stand in the way, thereby confirming that India-Japan relations stood irrevocably transformed. Again, contrary to expectations, the Japanese Foreign Minister (Okada) informed the Diet in 2010 that Japan would begin civil nuclear cooperation negotiations with India.

There is also an anecdote of the seamless transition of Japanese policy towards India under the DPJ. After the LDP lost power, there was concern in India as to whether the annual summit would take place as scheduled in 2009. A newly ensconced DPJ Prime Minister (Hatoyama) received India's National Security Adviser at short notice to confirm that there would be no change in the established bilateral agenda, including the summit. When India's Prime Minister visited Japan for the annual summit in 2010, several former Japanese Prime Ministers, political leaders and Members of Parliament representing both the DPJ and the LDP welcomed him jointly at a reception. The Japan-India Parliamentary Friendship League was reconstituted in 2010 on a bi-partisan basis. We should need no further convincing on where we stand with

Japan.

From India's perspective, the promise and unfulfilled potential of economic engagement with Japan has been the centrepiece of the India-Japan SGP since its inception. A Japanese Cabinet decision in 2006 established a policy of supporting India's emergence as an economic power and partner of Japan through strategic inputs of ODA funding for infrastructure development. For the past eight years, and despite falling ODA budgets as well as Japan's own financial difficulties after the 2011 Tsunami, India has remained the highest recipient of Japanese Yen loans. The India-Japan CEPA entered into force in 2011, providing a boost to the growing presence of Japanese companies in India as well as bilateral trade and investment.

During the course of 2012, we can look forward to further progress in what is already a comprehensive bilateral agenda. Priority areas are likely to include:

- Strengthening defence and security ties through strategic and 2+2 dialogues.
- Widening security engagement to include defence industrial cooperation.
- Enhanced maritime security cooperation and interoperability through annual bilateral naval exercises to be initiated in 2012. The MSDF and the Indian Navy should develop operational linkages from Sasebo to Singapore, Port Blair to Djibouti, bridging the Indo-Pacific.
- Conclusion of the pending India-Japan civil nuclear cooperation agreement as a strategic and economic necessity.
- Initiation of the Ministerial-level Economic Dialogue to promote multi-sectoral economic engagement.
- Developing technology partnerships on energy efficiency, renewable energy and climate change.
- Maintaining progress on ongoing mega infrastructure projects in India, the Dedicated Freight Corridor (West) and Delhi-Mumbai Industrial Corridor, and initiation of a new Bengaluru-Chennai Industrial Corridor.
- Implementation of CEPA to expand bilateral trade and Japan's manufacturing investments in India, including in areas of high technology (trade is still meagre at \$15 billion and there are only 812 Japanese companies in India, even though their number has tripled over the past six years).
- Advancing India's integration with ASEAN and East Asian production and logistics networks under Japan-mentored ERIA programmes (Comprehensive Asian Development Plan-2, Mekong-India Industrial Corridor).
- Enhancing cooperation on Asian economic and security architecture (EAS, ADMM+, CEPEA).
- Progressing India-Japan-US trilateral cooperation across the Indo-Pacific littoral.



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Conclusion

The India-Japan Strategic and Global Partnership (SGP), which enjoys bipartisan political support in both capitals, is based on the premise that a vibrant and prosperous India is in the best interest of Japan and a resilient and resurgent Japan is in the best interest of India. This implies a mutually reinforcing security posture and a vigorous economic partnership between the two countries. In the years ahead, India-Japan relations can come to be regarded as perhaps the most important and defining partnership for an Asian Century, delivering regional public goods. Despite domestic political preoccupations in both countries, they have good reasons to celebrate the 60th anniversary of diplomatic relations in 2012.

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