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469A Bukit Timah Road
#07-01, Tower Block, Singapore 259770
Tel: 6516 6179 / 6516 4239
Fax: 6776 7505 / 6314 5447
Email: isasijie@nus.edu.sg
Website: www.isas.nus.edu.sg



From Condemnation to Strategic Partnership: Japan's Changing View of India (1998-2007)[†]

Purnendra Jain*

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* Purnendra Jain is Professor and Head of the Centre for Asian Studies at the University of Adelaide in Australia. His two recent books are *Japan's Subnational Governments in International Affairs* (2005) and (ed.) *Asia-Pacific and a New International Order: Responses and Options*. He can be contacted at purnendra.jain@adelaide.edu.au. The author would like to thank Professor Takako Hirose and Professor Takenori Horimoto for reading and commenting on an earlier draft of the paper. The paper has also benefited from the comments offered by an anonymous reviewer. However, the author alone is responsible for the content and interpretation offered in this paper.

Executive Summary

Japan's strong response to India's nuclear testing in May 1998 sent the bilateral relationship to its lowest point in the postwar period. Loud condemnation, nationally and internationally, and the imposition of economic and diplomatic sanctions by Japan against India, produced a bumpy relationship through the late 1990s. Prime Minister Yoshiro Mori's visit to India in August 2000 was a lubricant for smoothing relations considerably and set the precedent for visits to India by his successors Junichiro Koizumi (2001–2006) and Shinzo Abe (2006–2007). All three prime ministers preceding the current Prime Minister Yasuo Fukuda offered firm hands of friendship to India, with 2007 marking a bilateral Year of Friendship. The Japanese leaders sought to strengthen bilateral ties through new initiatives and programmes ranging from economic and cultural linkages to defence and security.

What, then, explains Japan's new-found interest in India, especially after Tokyo's highly critical attitude towards India in the late 1990s?

Both external and internal factors have inclined Japan to India. Externally, the China factor—China's rapid rise to a nation of great economic and politico-strategic strength—is most dominant in Japan's strategic thinking. In this context, Tokyo perceives India as a strategically valuable counter-balance to China. Even the business community in Japan that regarded India as a basket case, as far as commercial prospects were concerned, is now giving much more attention to India, particularly after public attacks on Japanese businesses in China in 2005 and a more fertile economic climate in India after market-opening reforms. Importantly, since the United States remains Japan's key security ally and major economic partner, Washington's moves to forge stronger politico-security ties with India, particularly evident from the early 2000s, implicitly sanction Japan's strategic relations with India.

Inside Japan, some political and business leaders have recognised India's growing regional influence and its economic potential. There is surely no strong India counterpart to the China group that works proactively within Japan's parliament, but neither is there major distrust or disagreement about India among politicians of all shades. Japanese business leaders, too, now recognise opportunities in India while the Indian economy is experiencing major growth. India's commercial strength, especially in the information technology (IT) sector, is consequently gaining acknowledgement within the Japanese business community. India's image at the popular level in Japan has also changed significantly—from that of a poverty-stricken third-world country to a modernising nation with world-class IT-enabled services and strength in many other commercial areas from bio-technology and medical science to financial services and pharmaceuticals.

Government to government links have improved significantly through exchange of visits at senior political and bureaucratic levels and a number of new strategic initiatives are under way such as joint naval exercises involving the two countries. Cooperation on aspects of national security such as combating piracy and sea lane defence has also been undertaken.

Although the overall relationship is on the upswing and perceptions of India in Japan have changed considerably in recent years, some areas of the bilateral relationship are still marked by weakness and in some areas ties are still slow to develop. Commercial relations, for example, remain less than satisfactory. Two-way trade has risen in the last five years but still remains considerably low when compared with China–Japan or even India–China trade figures. Similarly, Japanese direct investment in India is minuscule compared to its

investment even in smaller Asian countries such as Vietnam, not to mention China. Yet both sides are aware that more can be done in these areas and in recent years both sides have introduced ideas and plans including for a bilateral free trade agreement. Joint study groups and think tanks have produced several reports for the two national governments, recommending steps to improve economic and other bilateral ties.

Links at the grassroots level, such as people-to-people exchanges, sister-city programmes, and ties between educational and scientific institutions have also been slow to develop, despite Japan's strong grassroots activism in many Asian countries. The deficit is being tackled at different levels. Now government organisations, think tanks, public opinion makers and media in Japan favour greater engagement with India. Furthermore, the growing Indian community in Japan, especially newcomers such as IT engineers, is also playing a role in enhancing India's image in Japan and building bridges between the two nations.

Japanese official perception of India's strategic importance to Japan and the consequent new momentum in the two nations' bilateral relationship are likely to continue no matter who heads government in Japan, given developments now under way on the Asia Pacific region's geo-strategic landscape. Changes in government and political leaders in either country may slow the pace of development. However, it is unlikely that the current move towards a closer embrace strategically and economically will be reversed, as Japanese and Indian official recognition of their shared aspirations and the potential benefit of closer ties is mutual.

Introduction

When India conducted nuclear tests in May 1998, Japan's condemnation of India was strong and unequivocal; Japan–India relations soured as never before. Yet Japan now expresses strong willingness to embrace India politically and strategically, with many believing that other ties, such as commercial and cultural, will also develop further. Successive Japanese prime ministers since 2000 have offered firm hands of friendship to India, with 2007 marking a bilateral Year of Friendship. The bumpy relationship of the late 1990s has smoothed considerably, with Tokyo now eager to expand relations with India to include defence and security. Although shifts in prime minister may produce some slight variation, all indications suggest that Japan–India relations will continue to strengthen as both India and China surface as Asia's new economic giants and Japan adjusts to the consequences for both regional and global strategic architecture.

This paper outlines Japan's changing views of India over the decade from 1998 to 2007 and examines the main factors contributing to the changes as unprecedented and unexpected developments have begun to dramatically reshape the economic and politico-strategic turf of Asia–Pacific. The paper assesses the areas of greater cooperation and remaining weaknesses in the relationship and considers possibilities for improvement. I argue that prospects are strong for further development of the relationship since the two partners now share wide-ranging interests and competition marks the relationship in relatively few areas such as securing energy resources. Nevertheless, the prism through which Japanese officials assess regional and world politics differs from that of Indian policy makers such that the relationship will not necessarily take Japan's preferred form and Japanese overtures will need to adjust accordingly. Clearly, factors that are both external and internal to Japan have inclined Japan towards India across the past decade.

Externally, the China factor—China's swift transformation into a nation of great economic and politico-strategic strength—is most dominant in Japan's strategic thinking and Tokyo has come to see India as a strategically valuable counter-balance to China. Washington's moves to forge stronger politico-security ties with India, particularly evident from the early-2000s, implicitly sanction Japan's strategic dealing with India since the United States remains Japan's key security ally and major economic partner. And as this paper makes clear, differences between Tokyo and New Delhi in their views of China and the United States and in their ways of dealing with these two powerful nations are now partly reconciled by greater flexibility in their views and willingness to cooperate for mutual benefit.

Inside Japan, some political leaders have recognised India's growing regional influence and its economic potential. There is surely no strong India political group like the China group within the national Diet but neither is there major distrust or disagreement about India among politicians of all shades. Furthermore, India's commercial strength, especially in IT, is gaining acknowledgement within the Japanese business community. India's image at the popular level in Japan has also changed significantly—from that of a poverty-stricken third-world country to a modernising nation with world-class IT-enabled services and strength in many other areas from bio-technology and medical science to financial services and pharmaceuticals. These circumstances suggest Japan's view will favour the development of closer and more extensive bilateral relations. Before considering the recent transformation in Japan's views of India, let us briefly consider the nations' postwar bilateral relations as backdrop.

Postwar Bilateral Ties

Postwar Japan's relations with India began on a rather positive note. Unlike Japan's relations with many other Asian neighbours, the two countries have not held mutual grievances from past encounters and early in the post-war period immense goodwill prevailed. Unlike many other Asian countries, India did not press Japan for war reparations and instead supported Japan's entry into the community of nations as soon as possible. It invited Japan (barred from the 1948 London Olympic Games) to the first Asian Games held in New Delhi in 1951 even while Japan was under the Allied Occupation and India strongly supported Japan's case for participation in the Afro-Asian conference held in Bandung (Indonesia) in 1955. Japan's Prime Minister Nobusuke Kishi and his Indian counterpart Prime Minister Jawaharlal Nehru received huge welcome during their respective visits to New Delhi and Tokyo in the late 1950s. Japan expressed its gratefulness to India for supporting Japan in difficult times following its defeat in World War Two. India supplied some essential raw materials (mainly iron ore) for Japan's industrialisation in the early postwar years and became the first recipient of Japan's Official Development Assistance (ODA) yen loans programme in 1958. India's role in Japan's postwar industrialisation is similar to its role in the Meiji period, beginning 1867 when India supplied raw cotton that helped Japan develop its textile industry, propelling Japan's industrialisation (Ogata 1978, 41-48).

Despite the early postwar warmth bilaterally, relations soon cooled as Japan was tied with the United States through the bilateral security treaty while India joined Third World forces and took an active part in the non-aligned movement, distancing itself from the two Cold War camps. The bilateral relationship did not rupture but the two nations drifted apart and disillusion was mutual. For example, when India sought Japan's support in the 1962 Sino-Indian war and the 1965 war with Pakistan, Japan favoured neutrality (Vishwanathan 1993). And while Japan poured billions of dollars in trade, investment and aid into East and Southeast Asia in the 1970s and 1980s, India received only a minuscule share even though India had the 'democracy' and poverty that should have made it particularly eligible for a large share of Japan's official aid. While Japan was willing to invest heavily in communist China in the 1980s, democratic India remained on the periphery of Japan's economic outreach in Asia, despite New Delhi's appeal to Tokyo. Academics, opinion makers, political leaders and diplomats in India sought closer cooperation from Japan but Japan's response remained cool (Vishwanathan 1993; Seminar 1992; Jain and Todhunter 1996).

In the official Japanese view, India was not an attractive partner for developing relations of any kind. Strategically, India was not in the United States camp with Japan and was thus perceived to be on the other side in the imagined strategic dichotomy of Cold War politics. India's sporadic ethnic violence, periodic political turmoil and continuing war and conflict with neighbours were further deterrents for Japan. Economically, Japanese recognised little potential in India's highly regulated economy, lacking the resources and markets that matched Japan's economic needs while India's economic growth remained very low. Japan had more attractive investment and trade destinations in East and Southeast Asia and did not need to think about India, which was generally regarded as 'distant' and 'difficult'.

In earliest years after the end of the Cold War and weakening of India's ties with the former Soviet Union (Russia) in the early 1990s, Japan's official attitude towards India remained unchanged (Jain 2002). Japan saw no economic or geo-political compulsions to revise its position on India and proceeded as if the Cold War strategic logic prevailed in the sub-continent. India tried to woo Japan in the early 1990s as a new government in India set the

country on the course of economic liberalisation and market reform post-Cold War. But mild improvement in the relationship was virtually sundered in 1998 when India conducted nuclear tests and Japan responded severely with economic and diplomatic sanctions and the freezing of its official aid to India.

India's Nuclear Tests and Japan's Response

Japan has opposed India's interest in nuclear defence from the outset more than 30 years ago. Japan reacted strongly even when India tested its first 'peaceful' nuclear device in 1974. Many Japanese felt disappointed and disillusioned with this act of India, especially as their image of India was that of a 'peaceful' country.¹ The Japanese national parliament then passed a unanimous resolution condemning the test, followed by mildly punitive sanctions on specific aid programmes (Langdon 1975:173-80; Endicott, 1975:75). Because of Japan's low-key profile in international politics and low-intensity ties with India at that time, Tokyo did not seek international condemnation of India for pursuing nuclear development. However, at every opportunity Tokyo urged New Delhi to sign the Nuclear non-Proliferation Treaty (NPT) and New Delhi would politely remind Tokyo of both the strategic situation in India's neighbourhood and Japan's comfortable strategic position arising from the nuclear umbrella offered by the United States

At the time of India's 1998 nuclear testing, Japan's international position was vastly different from what it had been in the mid-1970s. In the intervening years, Tokyo came under immense international pressure (mainly from the United States) to play political roles in the international arena commensurate with its status as a global economic power. It was therefore not surprising that Japan's reaction to India's nuclear testing this time was much harsher practically and symbolically and with a much wider reach internationally. Japan was not just one of the first Organization for Economic Cooperation and Development nations to impose a range of economic sanctions on India, but also assumed the role of chief global advocate to 'punish' India for defying the NPT regime, in the United Nations, at the G-8 Summit, at the ASEAN Regional Forum (ARF) meeting and at other international forums soon after. Tokyo also took leadership in drafting and proposing a United Nations resolution to condemn India for nuclear testing, adopted unanimously by the United Nations General Assembly on 6 June 1998.

Tokyo's official explanation for its swift and severe response included strong anti-nuclear public sentiments in Japan, its own strict adherence to the ODA Charter requiring nations to refrain from militarisation, its strong support for the NPT regime, and Japan's sincere wish to eliminate all kinds of nuclear weapons. New Delhi had contravened Japan's principles and sentiments.² These explanations in fact revealed duplicity since Tokyo did not apply these rules to China when Beijing conducted nuclear testing in 1995. Political factors were surely at work here. Then Prime Minister Ryutaro Hashimoto confronted domestic calamities, especially in financial policy and a banking crisis, and was struggling to restore the confidence of both the international market and the domestic electorate just before an Upper House election in July 1998. Hashimoto was also posturing to fulfill his ambition to be recognised as a pro-active, internationally respected leader who could make swift decisions without waiting for consensus to emerge within Japanese policy-making circles. Such an

¹ This point was made by Professor Takenori Horimoto of Shobi Gakuin University in a personal correspondence.

² Author's interviews with officials of the Ministry of Foreign Affairs in Tokyo, 26 August 1998.

image would boost his own and his party's chances at the election by signaling his tough political aptitude.

Yet whatever the mix of motivations for such a severe official backlash, some highly placed Japanese diplomats saw the move against India as 'out of proportion' and 'unnecessary'.³ Japan's high-handed attitude towards India's nuclear tests, driving suspension of Japanese ODA to India, inspired bilateral diplomatic tensions as Indians rejected the duplicity of Japan's harsh treatment of India alongside lenient attitude of China in the face of both nations' nuclear testing (Jain 2000). The relationship chill brought a lull in diplomatic ties, but not a complete break down. It was anyway short lived since without embedded historical resentment and with emerging mutual strategic interests, both sides worked to establish common ground as the basis for renewing mutual cooperation.

Official/Government Level Engagements

Today the two-way flow of high-ranking officials, including defence personnel as well as political leaders, is stronger than ever. Most significant have been the prime ministerial visits, involving new pledges, joint statements, and rich lodes of symbolism for domestic and international audiences. All three prime ministers preceding the current Prime Minister Yasuo Fukuda visited India during their tenure, seeking to strengthen bilateral ties through new initiatives and programmes.

Prime Ministerial Initiatives

Breaking the tradition of choosing the United States for his first overseas visit as new prime minister, Yoshiro Mori's trip was to India in August 2000, signaling Japan's desire to mend fences and regenerate the relationship just two years after India's nuclear tests.⁴ Some insiders suggested Mori was genuinely interested in improving ties with India, given India's growing economy and its rising political influence, yet other factors such as then United States President Bill Clinton's visit to India six months earlier expand our understanding of this choice.

The Clinton Administration had already accepted that even though India would not sign the two major international anti-nuclear treaties—the NPT and the Comprehensive Nuclear Test Ban Treaty—Washington would dialogue with India on other matters of regional stability and on economic ties (Pickering 2000). Recognising the nature of Japan's relationship with the United States, it seems highly feasible that to some extent Tokyo followed Washington's lead in changing official perception of India.⁵ Some Japanese analysts believe that Mori's acceptance of India's invitation to visit was heavily influenced by the Foreign Affairs Ministry's assessment.⁶

³ Author's interview with a senior diplomat who had served as Japan's ambassador to New Delhi, 19 August 1998.

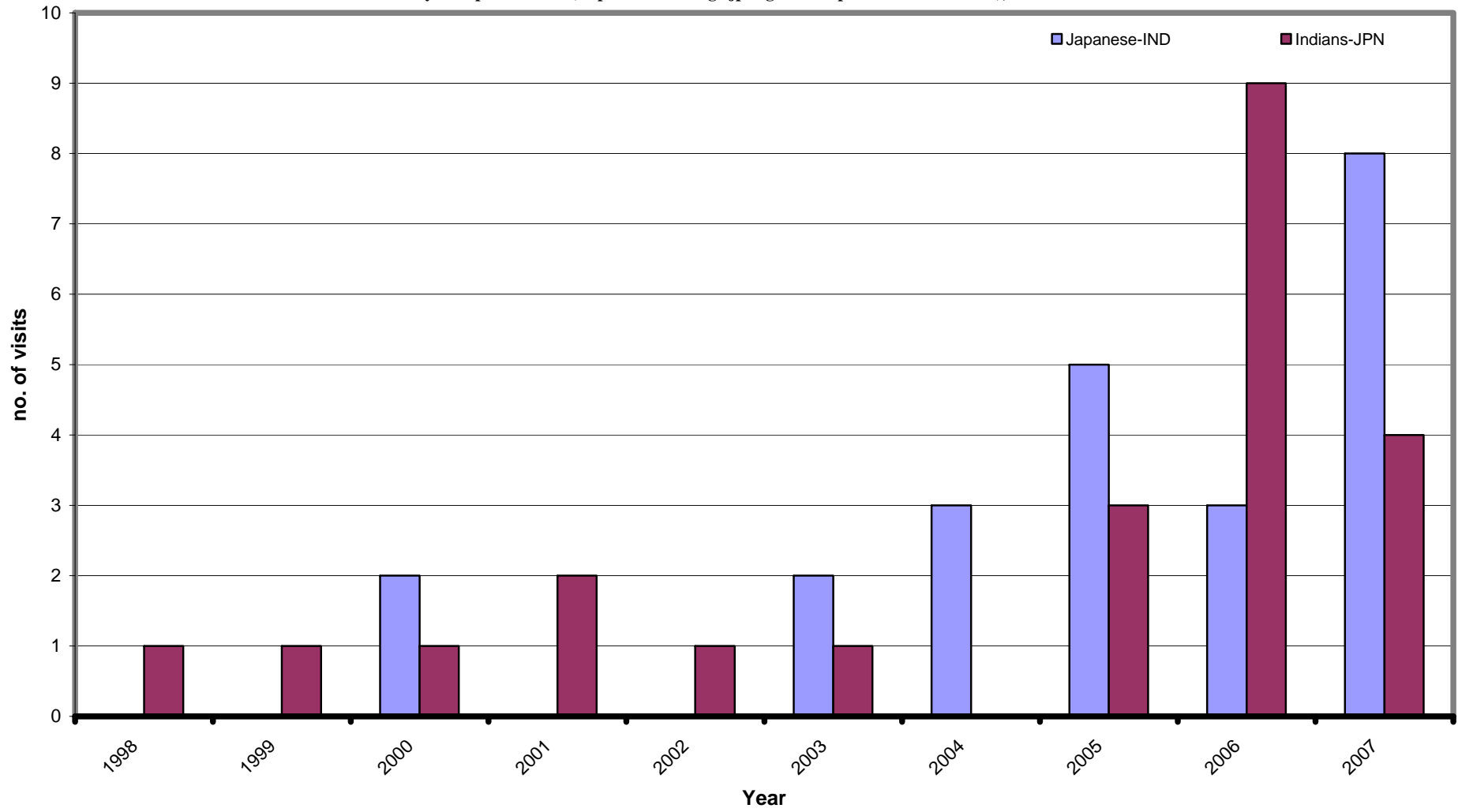
⁴ On Mori's visit and its significance, see Jain (2002) 230-33.

⁵ In a meeting in Washington, D.C., in September 2007, Professor Mike Mochizuki of George Washington University commented that very often visiting Japanese officials would enquire about Washington's India policy, especially after the nuclear tests in India.

⁶ Author's interview with a political analyst in Tokyo, 1 December 2007.

Figure 1: Number of Bilateral VIP Visits (1998-2007)

source: Embassy of Japan in India (<http://www.mofa.go.jp/region/asia-paci/india/index.html>), accessed 14/1/2008



Mori's rhetoric during this visit provided the first clear public signs of both the strategic nature of Japan's rising interest in India and the underlying political motivations at work here. Mori declared Japan and India 'global partners', a term previously used at that level only for Japan's relations with the United States, and he spoke of the two countries' major global responsibility in 'defending and spreading the values of democracy and freedom that India and Japan share'.⁷ Choosing 'democracy' and 'freedom' as the unifiers between India and Japan has direct significance in relation to China where both concepts are contested, rejected or at least highly polemical. When Mori's successor Prime Minister Junichiro Koizumi visited New Delhi in April 2005, he reiterated that the 'global partnership' between the two countries reflected the convergence of their long-term political, economic and strategic interests. He announced an eight-fold initiative to strengthen Japan's global partnership with India, including a dialogue process to promote cooperation in the oil and natural gas sector and a new science and technology initiative (Cherian 2005). One Japanese scholar commented that Koizumi made a significant difference to the bilateral relationship through raising India's status to an equal partner of Japan, a position radically different from the past when India was hyphenated with Pakistan. Moreover, Koizumi was instrumental in establishing a group of four nations (India, Brazil, Germany and Japan) to pursue these nations' case for permanent membership in the United Nations Security Council.⁸ Japan's decoupling of India from Pakistan is a major break from Japan's past diplomacy and should be regarded as of great strategic significance.

Koizumi's successor, Shinzo Abe, made even more use of symbolism on his trip in August 2007. Even before becoming prime minister in September 2006, Shinzo Abe in his book *Utsukushii Kuni e* had echoed the official rhetoric concerning the possibility of a cooperative strategic framework consisting of Japan, India, Australia and the United States that share the values of freedom, democracy and human rights. Here he speculated that in ten years' time, 'Japan-India relations could well overtake Japan-US and Japan-China relations' (Abe 2006, 160). Abe quickly began to give life to these views, even though his own political future was in question after his party's disastrous performance at the July 2007 House of Councilors elections. On a state visit to India the following month despite his political fragility, Abe's Indian counterpart Manmohan Singh granted Abe the rare honor of addressing a joint session of the Indian parliament, accorded to very few select visitors (Jain 2007a).

Abe's Date with History

Abe's India trip had some unprecedented dimensions, including a visit to Kolkata (new name of Calcutta), the capital of West Bengal. This is an unusual destination for a visiting foreign dignitary but Bengal has historical significance for Japan. At least three leaders of the past from Kolkata are acknowledged publicly for their role in generating goodwill between India and Japan. Yet Abe's visit was the first time a Japanese prime minister made these three iconic figures so salient politically through his visit to the state of their birth, a move to lubricate bilateral connections at the popular level in both countries.

Nobel Laureate Rabindranath Tagore wrote his famous travelogue "Journey to Japan" after his travels in Japan in the early 20th century. Tagore praised Japan's rise as an industrial power in the 19th century, but was critical of Japan's intensifying nationalism and advances

⁷ *Hindustan Times*, 24 August 2000.

⁸ Professor Horimoto's comments to the author in a personal correspondence. Some observers though regard that India significantly downgraded Koizumi's visit to New Delhi in 2005 by making it an 'official visit' (*kohin*) rather than a 'state visit' (*kokuhin*). See (Muto 2006), 166-68.

into China in the 1930s (Murthy 1986, 57-66). Subhash Chandra Bose, known in Japan as Chandra Bose, was one of the most highly respected Indian nationalist leaders who, with monetary, political, diplomatic and military assistance from Japan in the 1940s, fought against the British to liberate India from colonisation (Murthy 1986, 107-68). Judge Radhabinod Pal provided the dissenting voice that declared all 28 of Japan's war-time leaders not guilty at the Tokyo International Military Tribunal for the Far East in 1948.

The political symbolism around Judge Pal and his place in Abe's visit is both strong and polemical. At the height of growing nationalism in Japan, a monument to the judge was erected in 2005 at the controversial Yasukuni Shrine, where millions of war dead including some Class A war criminals are enshrined and visits by Japanese prime ministers trigger heated criticism from elsewhere in Asia, most notably China and Korea.⁹ Abe's approach to Judge Pal is imbued with personal history. As a child, Abe was very close to his maternal grandfather Nobusuke Kishi, who was jailed as a suspected Class-A war criminal but was later released as a result of Judge Pal's dissent at the Military Tribunal. Kishi went on to serve as Japan's prime minister in the 1950s and was Japan's first prime minister to visit India in 1957. Within this context, Abe held a brief meeting with the son of the late Judge Pal. Abe also met with distant relatives of Subhash Chandra Bose while he was in Kolkata.

Abe's actions may have promoted popular goodwill in India and Japan but they had a diplomatic price. Abe is often cast domestically and abroad as nationalistic and his meetings with the relatives of the two anti-colonial leaders sympathetic to Japan raised eyebrows in China and South Korea. Beijing and Seoul have repeatedly criticised Tokyo for what they perceive as Japanese attempts to whitewash the nation's wartime history and were critical of Abe overplaying the empathy that Indian leaders such as Subhash Chandra Bose and Radhabinod Pal displayed towards Japan. Recent writings especially by Japanese scholars have brought to public knowledge the criticisms made by both Tagore and Pal about Japan's imperial designs and actions in Asia before and during wartime (Nakajima 2007). However both Japanese and Indian leaders have preferred to keep silent on these critical assessments of Japan.

Abe's visit to India coincided with the 50th anniversary of Prime Minister Nobusuke Kishi's visit to New Delhi that generated considerable goodwill but did not produce long-term tangible results. Abe's visit 50 years later may be seen as an important landmark in Japan-India ties, at a very different historical moment while both nations are acknowledged as Asian powers and both see potential for gain from further strengthening their bilateral relations in a strategically realigning Asia. With developments in this relationship now attracting international media attention, many leading newspapers including the *International Herald Tribune* and *New York Times* reported on Abe's visit. Over 200 business leaders accompanied Abe to India and the national leaders' joint statement containing a number of new initiatives clearly sought to mark a turning point in bilateral ties. Luminaries of international strategic politics around the world have noted Abe's visit with unprecedented interest.¹⁰

⁹ Earlier a monument was erected in Pal's memory at Lake Ashino near Atami in Kanagawa Prefecture (Murthy 1986, 267). In 1966, the Emperor of Japan conferred upon him the First Class of the Order of the Sacred Treasure.

¹⁰ For a detailed commentary on Abe's visit, see Jain (2007b).

By late 2007, Abe's successor Prime Minister Yasuo Fukuda had not made his view explicit on India. In the early days of his leadership he has directed attention to more pressing foreign policy concerns such as Japan's relations with China and the United States, and Japan's role in the so-called war on terror, especially Tokyo's future naval contribution in the Indian Ocean after opposition parties forced through the parliament the withdrawal of Japanese Maritime Self-Defense Force ships. Insiders generally do not foresee a major foreign policy shift as Fukuda is committed to Japan's greater role in Asia. Fukuda may be less keen than his two predecessors to try to position India as strategic balance to China,¹¹ although he did confirm the Japan–India global partnership notion during his meeting with Prime Minister Singh in Singapore at the East Asia Summit in November 2007.

Using the political symbolism of prime ministerial initiatives to convey Japanese gestures appears to be a favoured diplomatic approach in dealings with India. The perception of India's strategic importance to Japan and consequent new momentum in the two nations' bilateral relationship are likely to continue no matter who heads government in Japan, given developments now under way on the Asia Pacific region's geo-strategic landscape. Changes in government and political leaders in either country may slow the pace of development. However it is unlikely that the move towards embracement will be reversed as Japanese and Indian official recognition of their shared aspirations and the potential benefit of closer ties is mutual.

Defence and Security

Japan and India are neighbours of China, so it may be unsurprising that the strategic aspect of the bilateral relationship has taken new shape while China ascends as a global power. Indeed, many observers claim that it is the new strategic climate in Asia–Pacific triggered by China's strengthening capacity for regional dominance that drives Japan's moves towards firmer, more extensive relations with India. To explore the defence and security dimensions of Japan's perceptions of India we therefore need to consider both bilateral and multilateral contexts.

Bilateral Context

Until recent years Tokyo was not interested in India for security and defence ties. By 2007, however, bilateral arrangements involve exchanges between high-level defence authorities.¹² Between September 2005 and April 2006, chiefs of all three wings of Japan's Self-Defense Force visited India. India's chief of naval staff visited Japan in October 2005 and the Indian Defence Minister Pranab Mukherjee visited in May 2006. The joint statement outlining the objectives of India–Japan defence ties indicated their commitment to wide-ranging cooperative frameworks and appropriate mechanisms to achieve them.¹³ During his visit the minister emphasised that India's defence cooperation with Japan was independent of New Delhi's relations with the United States since he believed that 'as two major Asian nations they shared many common interests and concerns'.¹⁴

¹¹ Personal interviews in Tokyo with a range of opinion makers and Japanese and Indian embassy officials, 29–30 November 2007.

¹² Information in this paragraph is drawn from the Japanese Ministry of Foreign Affairs <http://www.mofa.go.jp/region/asia-paci/india/index.html> - and also from the Indian Ministry of Defence *Annual Report*, 2006–2007.

¹³ http://www.embassyofindiajapan.org/word/events/2006_01.doc (accessed 19 November 2007).

¹⁴ I am grateful to the anonymous reader for this comment.

A key concern for Japan about India is India's capacity for nuclear bombing. As mentioned above, Japan was one of the nations most critical of India's nuclear testing in 1998. Although Japan's official displeasure is now far more muted, Japan still holds serious reservations about India's future nuclear aspirations, especially as New Delhi remains outside the NPT regime and public sentiment in Japan remains strongly anti-nuclear. Pressure from India and the United States and subsequently some support from groups inside Japan (Japan Forum on International Relations 2007) have not moved Tokyo to explicitly endorse the civilian nuclear deal between India and the United States unveiled publicly in 2007. Yet neither has concern about India's nuclear bombing capacity stopped Japan from developing defence and security ties with India where Tokyo recognises their potential strategic advantages.

Japan is interested in maritime cooperation due to the importance of sea lanes for its trade-based economy. Coast guards of the two countries have conducted combined exercises annually since 2000, the heads of coast guards exchange visits regularly, and a Memorandum on Cooperation concerning coast guard operations was signed in 2006.¹⁵ Japan, like India, supports coast guard cooperation to enhance the capability of both nations to deal effectively with international piracy and illegal trafficking, which are concerns for both nations (Hirabayashi 2007). The Japan Coast Guard is not subject to the legal and constitutional constraints that apply to the three wings of the Self-Defense Forces, since it is within the Ministry of Land, Infrastructure and Transport rather than the Ministry of Defense.

Multilateral Frameworks

To appreciate these bilateral developments, we must take account of Japan's perception of the regional and global contexts, which now move Japanese policymakers towards involvement in constructing a new multilateral strategic framework. Indeed, the most important development for Japan's strategic relations with India concerns the potential for multilateral defence arrangements that involve both nations. Central to new notions of multilateral strategic architecture and Japan's perception of and placement within them is, without doubt, concern about China.

Japanese political leaders do not readily admit this. Official explanations emphasise shared political outlook—upholding democracy, human rights, freedom and the rule of law—as underlay for the multilateral strategic arrangements Japan now pursues. However, as noted earlier, it is widely understood, and most certainly by Chinese, that these notions are code for excluding China, which is renowned for its shortfall on all four counts. In August 2007 Japan's Ambassador to India, Mr Yasukuni Enoki, sought to counter China's concern about Japan's strategic positioning with India and the United States claiming that Japan did not express concern when Beijing, Moscow and New Delhi conducted a trilateral dialogue.¹⁶ And former Foreign Minister Aso explained, 'Japan thinks that strengthening its relationship with India, which is the world's largest democracy, will contribute towards peace and stability in the world'.¹⁷ Yet timing is surely a question here since India has been the world's largest democracy for the past 60 years.

Some Japanese analysts have warned that Tokyo should avoid involving India in balance-of-power politics in East Asia believing that Japan should opt for engagement with as many countries as possible and construct a networked Asian community rather than playing power

¹⁵ Information derived from the Japanese Embassy New Delhi homepage.

¹⁶ Ambassador's interview in the *Outlook* magazine, 19 August 2007.

¹⁷ *The Hindu*, 27 March 2007.

politics (Shiraishi 2007). However, the dominant view among Japanese policymakers sees China through a strategic lens very different from that of those who advocate engagement. Although official documents do not use the word ‘threat’, Japan’s strategic positioning in recent years makes clear that many high-ranking Japanese politicians see China as a threat.¹⁸ The dominant view informing Japan’s strategic assessment gives top priority to concern about China’s militarisation and opacity on defence spending, consistent with the policy position of Japan’s closest strategic ally, the United States. While the Japanese and United States governments officially deny that their positions are about ‘containing’ China, both see China’s rise as harming their own positions of strength regionally and globally and now pursue trilateral, quadrilateral and other frameworks as precautionary measures.

As a trilateral framework, bringing India into the Japan–United States strategic embrace is part of their response to hedge against China.¹⁹ Unity between the United States and Japan concerning this embrace was reaffirmed in May 2007 when the United States–Japan Security Consultative Committee joint statement made a direct reference to building cooperation with India.²⁰ The three navies conducted their first joint exercises in the Pacific off Japan’s coastline in April 2007, even though India’s defence links with Japan are very recent and India is not part of an alliance with the US. Some see the defence drills as an important vehicle for launching an enduring security and defence triad between the three countries (Green 2007). Japan’s Defense White Paper of July 2007 held a similar view.²¹

A quadrilateral arrangement has been also proposed, to establish a security dialogue between the three nations and Australia. Japanese officials have been instrumental in liaisons that resulted in the first four-way “exploratory meeting” among senior officials on the sidelines of the ARF in Manila in May 2007 (Varadarajan 2007). By design or coincidence, the navies of these four nations came together as part of national responses to the December 2004 tsunami that brought devastation to many Asian countries. The Chinese navy was not in this picture. Some argue that the navy four-way was explicitly to perform a humanitarian act without intending to make a geo-strategic point, but others find this explanation ‘a little too cute’ (Sheridan 2006)—indeed, a deliberate strategic move to pull the four navies together under the cloak of a humanitarian aid mission.

A trilateral security framework is already fairly well developed between Japan, the United States and Australia (Jain 2006). Adding India as a fourth partner is far from a straightforward undertaking since it draws all four players into highly complex relations with each other and, particularly, with China. Australia and Japan are relatively long-standing United States allies and have a strong bilateral relationship that has facilitated their triangulation. India, however, is not in this position with any of the other parties, even though the United States and Japan are now seriously courting it as a strategically ‘like-minded’ nation to the west of China.

The quadrilateral arrangement that the United States and Japan are pushing can be seen to geographically ‘contain’ China on east, south, and west. Neither India nor Australia has given their full agreement to it. India and Australia are particularly concerned not to alienate China,

¹⁸ Onishi (2005) discusses various occasions where Japanese leaders have publicly labeled China as a threat to Japan.

¹⁹ This point was made obvious to the author through several interviews with many high-ranking Japanese officials and opinion makers in Tokyo.

²⁰ <http://www.state.gov/r/pa/prs/ps/2007/may/84084.htm> (accessed 19 September 2007)

²¹ The author is grateful to Professor Horimoto for this point.

which remains hugely important to both nations. Both, therefore, balk at any four-way arrangement that China perceives is expressly about containing China strategically.

The Australian economy booms partly in response to China's economic expansion. The Australian government therefore has a vital interest in Australia maintaining strong relations with China and will act strategically in ways that do not jeopardise this economic relationship. Its approach to any strategic arrangements in the Asia Pacific region is with an eye to China's response. Australia has reaffirmed that it does not see China as a threat and any moves that would serve to contain China strategically (Weisman 2006). The Rudd Labour Government that came to power in November 2007 has already indicated its opposition to the quadrilateral framework (Bagchi 2008)

India holds a similarly affirmative position in aiming for positive relations with China. As with Australia, the Indian economy is also stimulated partly by China's economic surge. Two-way trade has multiplied through the last five years in particular, for India a trade growth more intensive than with any other country. Present day India–China relations are as positive as they have been since before the 1962 China–India border clash.²² Political and official dialogues continue as both sides seek to resolve longstanding border disputes, alongside exchange visits at the highest political level. Yet the fuller geostrategic picture tells a less sanguine story. Here relations are marked by distrust and politico-strategic rivalry. China's Cold War and current ties with Pakistan, its military modernisation programme and the future of Tibet are huge concerns to India. Indian diplomats eye China's increasing presence in and around South Asia as Beijing undermining New Delhi in its traditional zone of influence. China's growing maritime and military links with Myanmar, Bangladesh, Sri Lanka and the Maldives reflect its growing regional influence at India's expense. Clearly, India sees China as a strategic competitor.

Burma's recent pledge to sell the entire output from major new undersea gas reserves to China rather than India heightens New Delhi's apprehension towards Beijing, not just because it denies India access to much needed energy but also for the signal that it sends about China's dominance over India. It is reported that China has plans to extend its Tibetan railway to Nepal, enhancing Chinese influence and undermining India's in the Himalayan kingdom. Yet as one report suggests, for its own future strategic reasons New Delhi seeks to be neither projected as a counterweight to China nor in any way involved in a grand strategy to contain China.²³ India is acutely aware of the importance of being seen as an autonomous player in the region, one that strives to maintain as many friends as possible and make no enemies as far as practicable.

While India wants greater strategic engagement with the United States and greater economic engagement with Japan, New Delhi remains cautious about involvement in strategic or defence arrangements that signal India is joining an 'encirclement' of China. Indian leaders approach with the utmost care any security arrangement with the US, Japan and Australia that might be construed negatively by Beijing. This is not because India fears China, but because it recognises that India has most to gain from constructively engaging China rather than attempting to contain it through alliance building with nations such as the United States and Japan that publicly cast China as a threat. The strategic loyalty and friendship of these two possible strategic partners remain untested for India in a new security environment. Indeed

²² Some observers believe this position will be short-lived. See, for example, Pant (2007).

²³ *The Australian*, 12 April 2007.

both Japan and the United States were less than helpful when India sought their understanding during the China–India war in 1962 and during its several wars with Pakistan. Prime Minister Manmohan Singh made it clear to Chinese President Hu Jintao at the G-8 Outreach Summit in Germany that ‘there is no security implication in the quadripartite group’ (quoted in Chellaney 2007b). However, actions speak much louder than words about national strategic intentions, as all strategic players in this picture know.

The Chinese government did not protest officially against the first four-way meeting at the ARF sidelines in Manila, instead responding diplomatically through a Foreign Ministry spokesperson that ‘China believes that to enhance mutual trust, expand cooperation for mutual benefit and win–win, be (sic) open and inclusive is the global trend’.²⁴ No matter what high-ranking officials and political leaders of Japan and the United States may claim, Japan’s recent politico-security orientation towards India is clearly a product of its concern about China and encouragement from the United States to foster closer ties with India.

India’s Response to Japan’s Strategic Gestures

While Japan courts a closer strategic relationship with India bilaterally and multilaterally, it must take into account informed assessment of India’s interests and policy perspectives in the face of China’s and India’s own economic ascent. New Delhi will move in accordance with its own perceptions of the strategic landscape and India’s interests within it. New Delhi does not perceive Japan as an adversary, a threat or a competitor, and does perceive potential for benefit from closer economic engagement with Japan. But these are not sufficient reasons for New Delhi to formalise strategic relations with a powerful nation that is not on side with China, which is India’s powerful neighbour, is in many important senses giant, and shares a significant land border with India. Indeed, while India gains economic clout in the region and beyond, Japan’s economic muscle appears to be losing strength. Even the possibility of this development will also shift power relations within the bilateral relationship, within the region and beyond the region.

Strategic autonomy has remained a hallmark of India’s foreign policy, as India’s support for the Non-aligned Movement attests. Indian political parties of all colours endorse this position even though some strategic thinkers and India’s involvement in joint military exercises suggest a different assessment. New Delhi is, therefore, unlikely to endorse an explicit security alliance with Japan, the United States or other Asia-Pacific nations, unless it sees significant gains for India in both the short and long terms since aggrieving China has a very costly result (Chellaney 2007a; Raja Mohan 2007). India’s preference not to put China offside inevitably shapes India’s response to Japanese strategic initiatives, if not India’s acceptance of the economic proposals that lubricate these initiatives.

India is itself a powerful Asian nation and likely to deliberately distance itself from international perception that it is balancer for Japan or any nation against China. Tokyo must expect that New Delhi will respond to Japanese initiatives, and make its own towards Japan, in a way that demonstrates both India’s highly valued independence and its increasing power in world politics, even if it is now leaning towards the United States and what comes with that strategically.

²⁴ *Indian Express*, 27 June 2007. <http://www.expressindia.com/news/fullstory.php?newsid=88735> (accessed 20 November 2007).

Other Frameworks Involving Japan and India

The trilateral/quadrilateral frameworks discussed above are not the only strategic cooperation proposals that bring Japan together with India or with other nations discussed above beyond the Japan–India bilateralism. Other forums have been proposed in recent years and while some have progressed with several meetings, others did not take off. Precisely what the meetings have achieved remains unclear although serving as a venue for important multilateral dialogue that would otherwise not take place is a worthy result in itself.

A recent suggestion was to establish a trilateral dialogue forum for the United States, Japan and China to deal with China's concerns about the United States and Japan and provide an opportunity for these nations to convince Beijing how their alliance is not directed against China (Glosserman and Glaser, 2007). China, Russia and India have already established a dialogue forum and the foreign ministers of the three nations conducted their third formal meeting in October 2007 in Harbin, China to discuss cooperation in energy and other areas. As well as two previous formal dialogues in New Delhi in February 2007 and in Vladivostok in June 2005, the three foreign ministers have met four other times on the sidelines of different multilateral forum meetings between 2002 and 2005 (Sikri 2007).

Japan has raised the idea of forming a trilateral process comprising Japan, China and India. As India–China relations improved in the early 2000s, Japan became concerned at the greater level of economic and diplomatic cooperation between these two nations and did not want to be isolated in the Asian continental game. The former Japanese Ambassador to India Yasukuni Enoki (2004–2007) first proposed this arrangement officially in mid-2004 and the idea was later endorsed by China and India. Together the countries agreed to take the proposal forward (Raja Mohan 2004; Shahin 2004).

Individually the three Asian nations have significant impact on regional and world politics; jointly their combined weight would certainly challenge the world's largest economic power bases, the United States and the European Union. The United States is still a major player in the region and wants to maintain superpower status. The concomitant growth of India and China' influence politically and economically is already beginning to realign power politics in the Asian region where the multilateral agenda has hitherto been set generally in the context of ASEAN.²⁵ The proposal, however, did not take off as many unresolved issues divide China and Japan and China and India already have a trilateral dialogue with Russia.

The trilateral/quadrilateral frameworks involving India, Japan, the United States and Australia are the most recent. Many have supported the idea of a quad expecting that it promotes democratic principles and values and reduces the possibility of war between these nations, in line with theory arguing that democratic nations do not go to war against each other. As Indian strategic analyst Chellaney writes, '(I)f Asia is to enjoy durable peace and power equilibrium, the coming together of democracies to promote common norms is necessary. Such a constellation of democracies tied together through interlinked strategic partnerships could be a guarantor of political cooperation and stability founded on a community of values' (Chellaney 2007b). The influential foreign editor of the Australian newspaper Greg Sheridan endorses this idea unreservedly. He writes, 'The four great

²⁵ It is clear that now India is a major player in the ASEAN region, especially since it was accepted in the East Asian Summit process from the very beginning, a new turn that did not happen previously when regional bodies were formed. India was either excluded (such as the APEC and ASEM) or included as member much after the establishment of regional bodies (e.g. ARF).

democracies are like-minded nations and find it easy and natural to cooperate' (Sheridan 2007). Some others see Japan and India together promoting democratic values in other Asian countries. As a former Japanese Ambassador comments of Japan and India, 'both countries should be capable of inducing other Asian countries to transform themselves into more democratic societies in an Asian way' (Hirabayashi 2007).

While neither the proposed trilateral nor quadrilateral framework has moved much beyond some initial discussions and it is highly unlikely to move forward under Prime Minister Fukuda, it is clear that India has emerged as a key factor in Japan's strategic thinking, whether through the proposal of a China-India-Japan framework or a US-Japan-India framework or a quadrilateral process that includes Australia. That India appears on the strategic and security radar of Japan is a development that was unthinkable within Japan's strategic community only a few years ago. Growing concerns about China and positive developments in India-United States defence relations have made Japan think seriously about India as a strategic partner, despite lingering concerns about India's nuclear programme. As Michael Green's report suggests, we have good reason to expect that the hitherto ignored Japan-India relationship will now appear in discourses dealing with geo-political strategies and regional order in the Asia Pacific region (Green 2007).

Other Official Initiatives

Official Development Assistance (ODA)

Much has been said in recent years about India overtaking China as recipient of most Japanese ODA. The Japanese Embassy in India declares on its home page that 2003 was 'a landmark year for the Japan-India development partnership', when India became the largest recipient of Japan's yen loan assistance.²⁶ India has held that position through the four years since, with amounts increasing substantially even while Japan's provision of these 'soft' loans is decreasing overall. China remained the top recipient of Japan's aid for a number of years in the 1980s and 1990s, but India has continued to creep higher in the 2000s. As Figure 2 shows, although disbursement to China increased substantially in 2004 and 2005, in 2005 Japan announced that it would cease supplying new yen loans to China from 2008, the year China hosts the Olympic Games. China's loss seems to be India's gain. ODA disbursement amounts suggest China still receives more than India, but Japan's ODA commitment to India in comparison to China gives a different picture that clearly evidences Japan's greater commitment to India (see Figure 3).

Japan has been a major aid donor to India since 1958 when Japan chose India for Japan's first yen loan as ODA. Japan continued to give ODA loans to India with the exception of the short break when Tokyo sanctioned New Delhi through the ODA programme for conducting nuclear tests. During the period of Japan's high economic growth in the 1970s and 1980s when Japan's ODA budget was expanded substantially, Japan began to focus on Southeast Asian nations and later on China as major recipients due to their commercial and strategic significance for Tokyo. In light of the changing geo-strategic environment post Cold War, where Japan is cautious about China and sees India as more attractive strategically and commercially than before, Japan today is naturally more inclined to India as one of its most important ODA recipients.

²⁶ < <http://www.in.emb-japan.go.jp/#> > accessed 3 October 2007.

Figure 2: Japan's ODA gross disbursement to China and India: 1997-2005

source: MOFA ODA White Paper, various issues

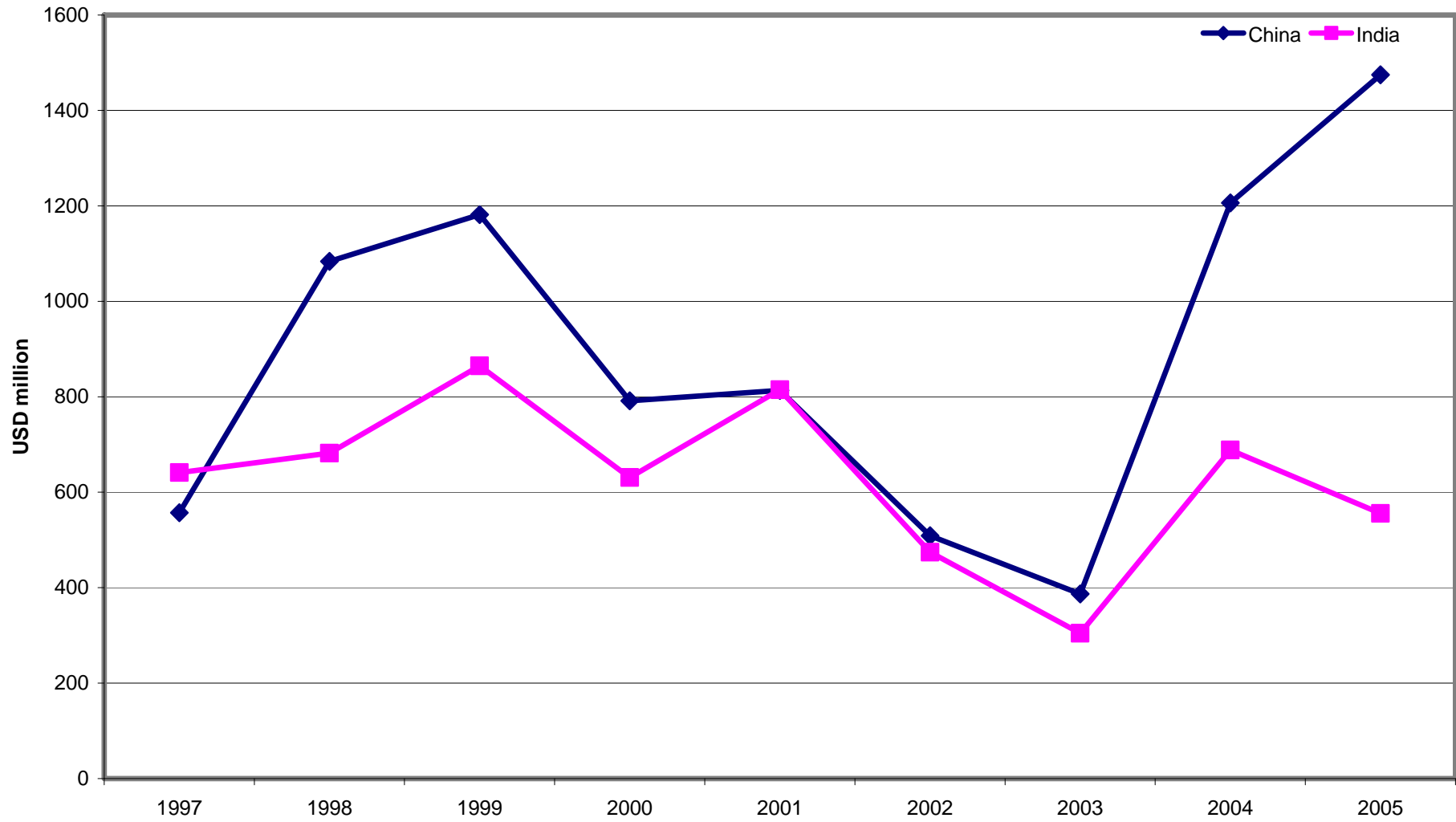
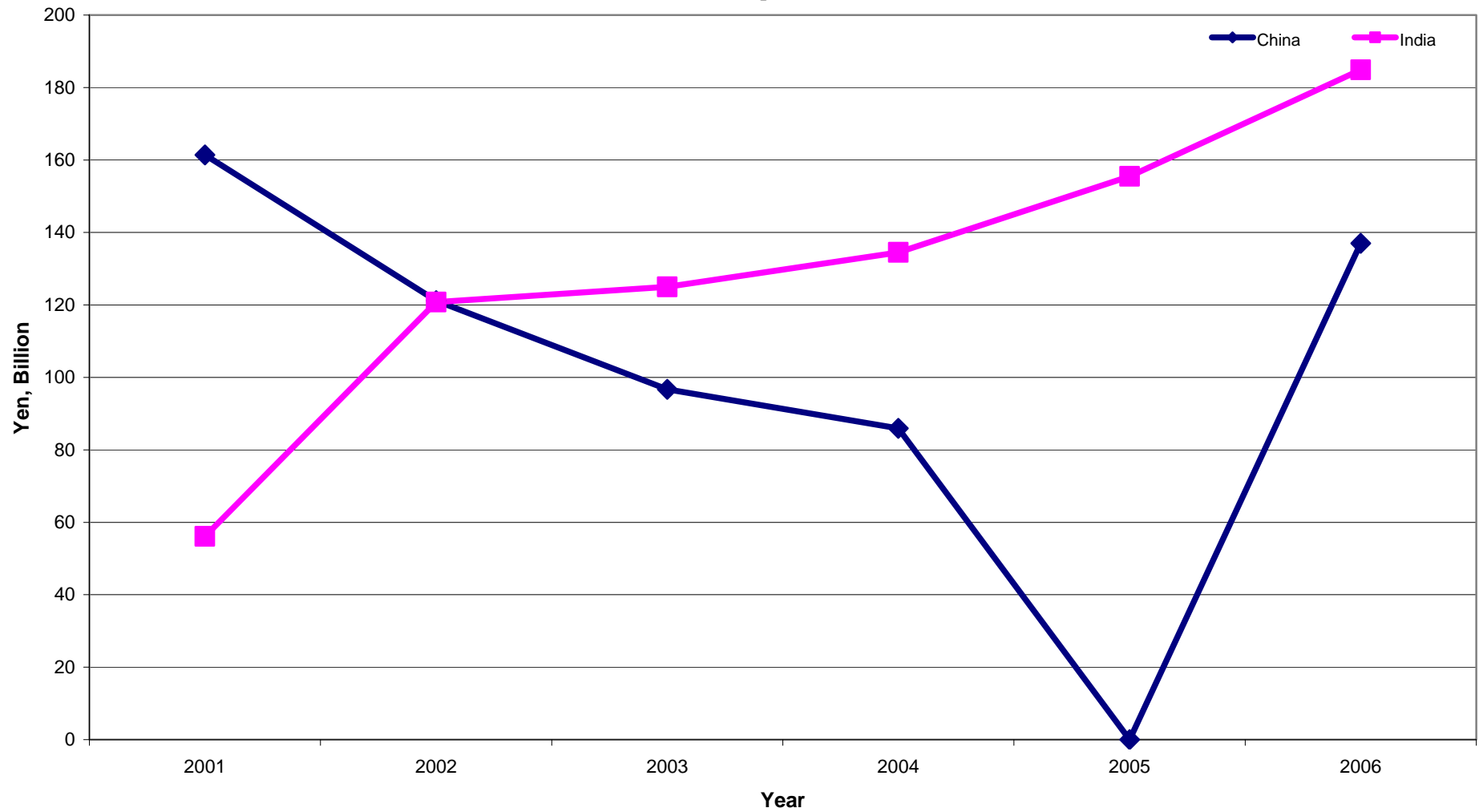


Figure 3: Japan's ODA Loan Commitments to China and Japan
source: JBIC Annual Reports (2003-2007)



In contrast to China where Japan poured billions of dollars in ODA for infrastructure development and other activities, with very little acknowledgement from China of Japan's largesse, India has acknowledged Japan's ODA publicly and with gratitude. Former foreign minister of Japan, Taro Aso opens his 2007 book with reflection on his visit to the Delhi Metro during an official trip to India in 2005. Here he narrates how the people of India were grateful for Japan's ODA to provide this rapid transport system, especially since the national capital suffers chronic traffic jams throughout the metropolitan area (Aso 2007, 9-11). China, on the other hand, has hesitated to acknowledge and at times has even suppressed public knowledge of Japan's ODA support, as exemplified recently in unwillingness to even mention Japan's contribution to the development of its high-speed trains modeled after Japan's bullet trains (Financial Times 2007). Perhaps not surprisingly, Japan's leaders and Japanese people in general regard China as no longer worthy of receiving aid from Japan, especially as the Chinese government is increasing military expenditure and Beijing itself provides 'strategic aid' to many countries in Asia and Africa (Perlez 2006).

Japan's ODA budget has declined in recent years; in October 2007 Japan slipped to number three position following the United States and United Kingdom, after remaining in the top position for more than a decade in the 1990s. Tokyo now focuses its aid programmes more on activities with global implications such as climate change, poverty, public health, and the environment. Japan is nevertheless likely to accommodate India's request for yen loans for major infrastructure projects since Japan has identified India as a potentially important strategic partner.

While Japan-India politico-strategic ties have been strengthened significantly in recent years, bilateral economic relations are relatively slow to develop. Japan's concerns about China and India as a counterbalance could explain the fast pace of developments in the political sphere. As Bill Emmott, former editor of *The Economist* magazine and the author of *Rivals* observes, 'Japan has, since the time of Prime Minister Yoshiro Mori, been strengthening its own ties with India in order to balance the power of China' (Emmott 2007). However, the imperatives for developing economic ties are somewhat different from the thinking that drives politico-strategic developments, although the two are linked inextricably. Japan's neglect of India for so long in the postwar period meant that economic ties developed slowly. With the Japanese government now focusing more than before on India, Japanese business communities are inclining towards India and expanding their economic ties. A major trigger for Japanese business to think seriously of India as a major destination was China, following the attacks in China on Japanese businesses in 2005 and recognition of opportunities in India while the national economy is experiencing major growth.

Other forms of economic cooperation are also under the spotlight at government level. The two governments are establishing an economic partnership agreement (effectively a free trade agreement), which was unimaginable even five years ago. The 2006 India-Japan joint study group consisting of officials, business leaders and academics of the two countries concluded that there was 'a huge untapped potential to further develop and diversify the economic engagement between India and Japan' and recommended launching of 'inter-governmental negotiations to develop an Economic Partnership Agreement or Comprehensive Economic Agreement, within a reasonable period of time' (Ministry of Foreign Affairs 2006). Joint research and study of the prospects for an Economic Partnership Agreement (EPA) with India have led to negotiations from January 2007 (METI 2007, 64). A currency swap agreement is also being discussed along the lines that Japan followed with China, South Korea, Malaysia and the Philippines to insulate the two nations' trade and investment from a regional financial

crisis (Sharma 2007). Prime Minister Fukuda in his meeting with the Indian prime minister on the sidelines of the November 2007 East Asian Summit in Singapore expressed his hope to conclude an agreement with India by mid-2008.

Although they are largely symbolic, Japan is now making concessions on Indian agricultural exports. After several years of negotiations, in 2006 the Japanese government approved India's exports of mangoes to Japan. Gaining access to the Japanese food market (especially fruit and vegetables) with its rigid and strict quarantine regime is certainly an achievement. Indian suppliers now need to ensure that they meet the Japanese requirements and reject any products that fail to meet the Japanese specifications. A good reputation for one product will help to open doors into the Japanese market for other primary producers from India.

The Japanese government has also expressed interest in providing ODA loans to help India build a 'Delhi–Mumbai industrial corridor' that would link India's political and business capitals with a high-speed rail network, and develop sea ports on the west coast with infrastructure such as roads, ports, industrial parks and special economic zones. A massive project and the first of its kind in India, it will cost nearly US\$90 billion and cover some 1,500 kilometres through seven Indian states from Maharashtra to Delhi.²⁷ Plans are to start work in 2008 and to complete the project through several phases. Some Japanese business leaders believe that quality infrastructure will make India a hugely attractive destination for Japanese investment so the proposed industrial corridor will deliver well as envisaged.²⁸

Regional Level Institutional Support

In recent years the Japanese government has also strongly supported India in accessing regional institutional arrangements. Tokyo unequivocally supported India's bid for membership in the East Asian Summit process, started in 2005, that now comprises ASEAN Plus Three (the 10 ASEAN nations plus China, South Korea and Japan) along with Australia, New Zealand and India. Japan's present positive attitude towards India's membership in regional organisations contrasts with its past opposition to India's inclusion in the Asia Pacific Economic Cooperation (APEC) forum, the ARF and the Asia–Europe Meeting (ASEM) in the 1990s. Tokyo's change of attitude is most certainly driven by concern about China's growing regional clout and recognition of India's potential capacity to act as a counterweight in these institutions.²⁹

Japanese policymakers expect that since India is itself on the rise as a regional power, India will remain active in regional institutions and promote its 'Look East' policy through strengthening its commitments to East Asian nations. Former Japanese ambassador to India, Hiroshi Hirabayashi advocates India working with Japan to convince China and other skeptics to accept India's involvement in the political framework of the East Asian Summit and conversion of ASEAN + 3 into ASEAN + 4, that is, with India as the additional fourth member. In his view, 'such efforts will encourage democratic and value-oriented approaches when Asian countries work toward regional groupings' (Hirabayashi 2007).

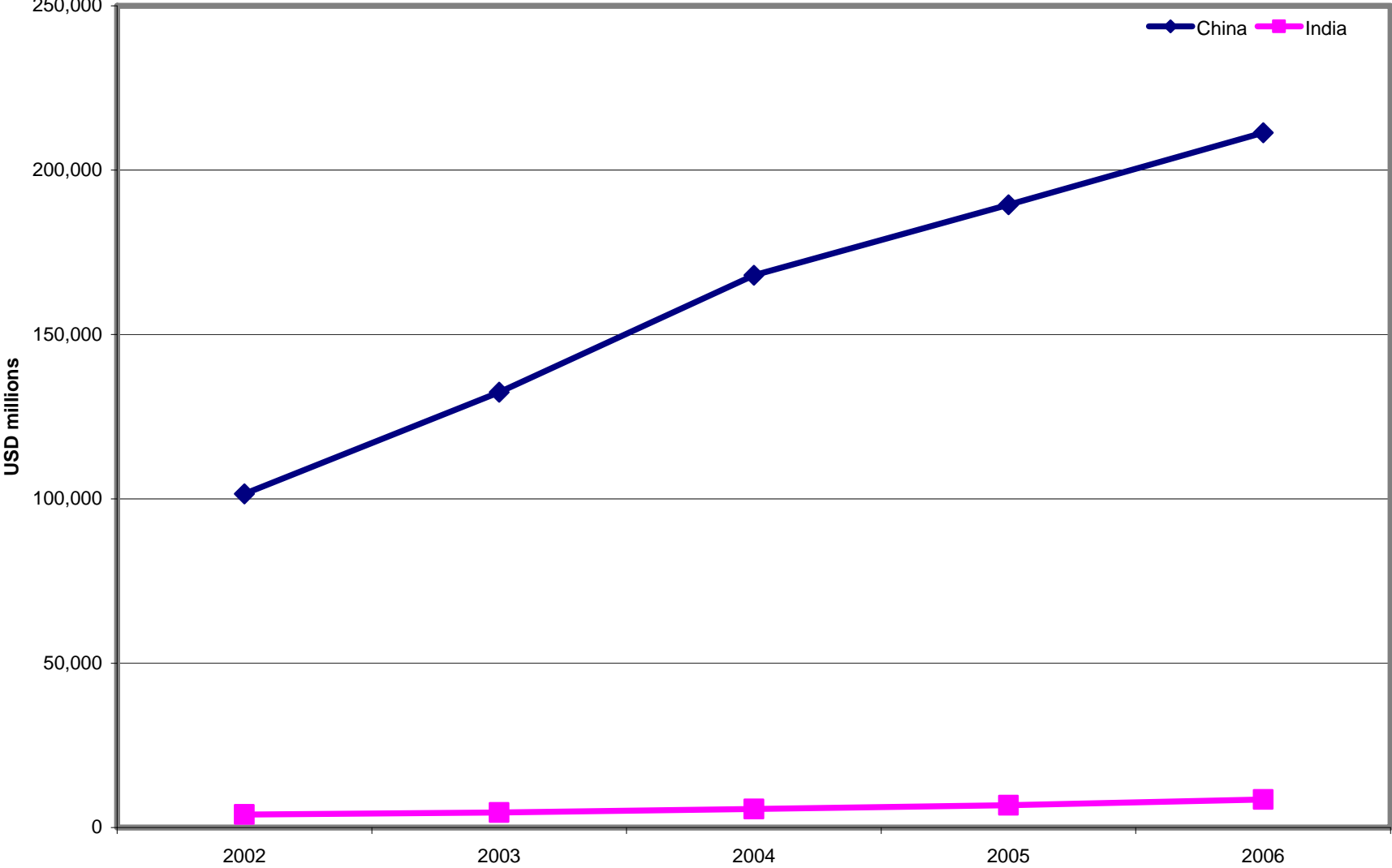
²⁷ *The Hindu*, 2 July 2007.

²⁸ Personal interviews in Tokyo, 29 November 2007.

²⁹ See, Sato (2006). For China–Japan competition in regional institutions, see the collection of essays in *Japanese Studies*, May and September 2006.

Figure 4: Japan's Trade with China and India (2002-2006)

source: JETRO White Paper, various years



Economic Relations

Trade

Bilateral trade valued at about US\$ 4.5 billion in 2003 almost doubled to US\$ 8.5 billion in 2006.³⁰ This level is still extraordinarily low, given the size of both national economies. Japan-India trade looks insignificant when compared with Japan-China trade (see Figure 4). The composition of Japan-India bilateral trade has changed somewhat in recent years as India now exports to Japan ‘petro-chemical products’, which have overtaken India’s traditional items such as gems and jewels (Embassy of Japan in India, 2007). Japan’s exports to India comprise mainly machines, electronics and transport equipment, and their volume is rising.

During Prime Minister Abe’s visit to India in August 2007, the two prime ministers expressed hope that trade could be lifted to about US\$20 billion in the next three years. That was the level of India–China trade in 2006, which continues to grow rapidly. But even this modest target with balanced two-way trade may be difficult to achieve. India’s export items to Japan are limited, and due to language differences and other barriers growth is slow in fields where India excels such as IT-related services, especially in the service sector. India’s manufacturing sector is now expanding and quality products that meet global standards are likely to appear in the world market (Boston Consulting Group 2007). Yet Indian manufacturers find it difficult to establish links and gain access to Japanese markets. Lacking the necessary networks in Japan, and impeded by language and cultural barriers, Indian manufacturers can take at least several years to tie up with Japanese distributors and have their products gain shelf space in Japanese department stores and other retail outlets.³¹

One possibility is ‘reverse export’, where jointly run companies export their products from India to Japan. Reverse exports now flow steadily from China to Japan and flows from India appear to be eminently possible. One likely export area is auto, since in recent years Japanese subsidiaries are locating in India and Indian companies like Bharat Forge produce world-class quality auto parts at competitive prices (Boston Consulting Group 2007, 11-15).

Trade in the service sector is also at a low level despite extensive publicity in Japan about India’s IT sector and high-quality software and design services. Some Indian companies such as Infosys and NIIT entered the Japanese market early but business for them initially was not easy. Personal connections and advocacy have been necessary for early breakthroughs. For example, Isamu Nitta, a former Japanese diplomat with postings in South Asia, became a consultant with Toshiba on retirement and was instrumental in introducing to Toshiba three Indian software vendors—Infosys, Hughes Software Systems and NIIT—whose services Toshiba has used extensively (Matsui and Nakashima 2000). Such breakthroughs and connections are vital for foreign companies to make inroads into the Japanese market. But they are few and far between for Indian companies. The Indian President of an IT company in Japan lamented, ‘After so many years of operation in Japan, none of the Indian companies

³⁰ <http://www.in.emb-japan.go.jp/Japan-India-Relations/JapanActiveEngagement2007-j.html>

³¹ Some 5000 Indians are reported to have reasonable Japanese language proficiency. By comparison, China has 165,000 people with at least this level of proficiency (Shukan Toyo Keizai 2007, 44). According to the most recent survey of the Japan Foundation, there were 2.9 million people across the world learning the Japanese language of which South Asia as a whole had about 24,000 learners while China had a little over 680,000 learners. South Korea, China, Australia and Indonesia were the top four countries in that order. See Japan Foundation (2007).

here has been able to break the US\$100 million mark', indicating Japan's closed business structure and reluctance to outsource to Indian companies.³² But this observer added hastily that all Indian IT companies in Japan are profitable and despite the barriers they face, none seeks to close shop; indeed most think business will grow.

The Indian IT sector in Japan has prospered well but not to its full potential. As the observer discussed above noted, this sector is likely to grow further as many Indian companies are upbeat about their prospects in Japan. A recent report claims, 'Japan is in the midst of an Indian IT boom', with some 10,000 Indians working in this sector in Japan, mainly in Tokyo. The report indicates that roughly 100 Indian companies operate in Japan. In 2006 the Indian share of Japan's US\$200 billion IT market grew to about four percent (about US\$8 billion) and further growth is expected (Clarke 2007). India's share of Japan's IT market has remained at about four percent for a decade. But while constant in percentage terms, the absolute amount has more than doubled and now there is greater acceptance of Indian IT companies inside Japan.

Investment

Japan's foreign direct investment in India has been minuscule. Even in the last few years, despite some enthusiasm in the Japanese business community to seriously consider India as a major investment destination (Shimada 2006), the level of actual investment has been rather low. Analysts in Japan often compare aspects of Japan-India relations to the equivalent in Japan-China relations, especially in economic matters (Shukan Daiyamondo 2006 and Shukan Toyo Keizai 2007). On both numbers of Japanese companies operating in India and actual dollar figures for investments, India performs poorly in comparison with China (Abe 2007). Abe concludes pessimistically in his recent study that 'insofar as FDI relations are concerned, India and Japan have no rosy prospects in the future and we cannot expect to see developments witnessed in China with India' (Abe 2007, 8).

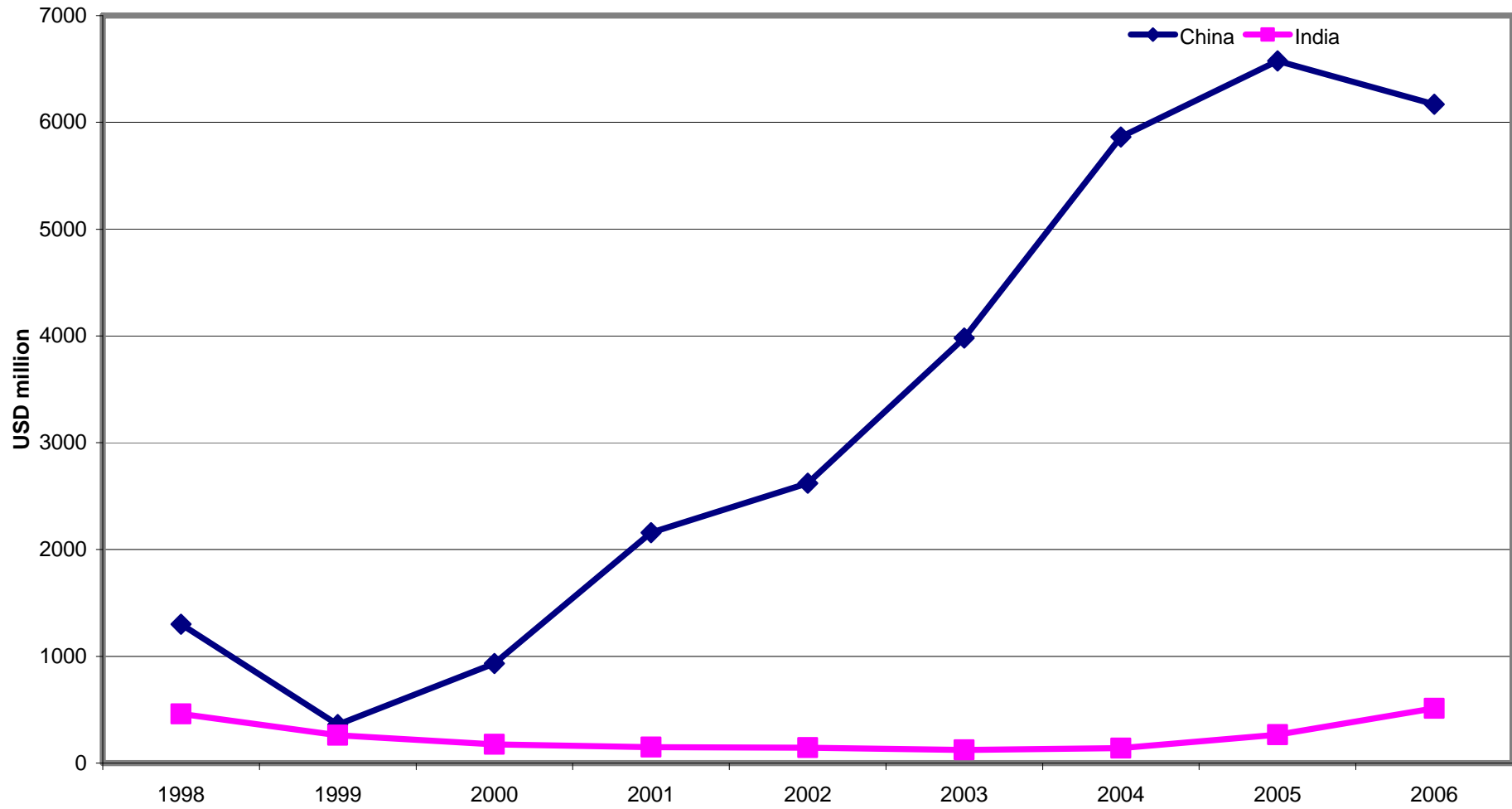
However, official statistics and reports from business groups tell a somewhat different story. The website of the Japanese Embassy in India presents detailed statistics of investment that reveal a dramatic rise in the last few years. It reports that Japan's FDI to India more than doubled in 2006 compared with 2005, from US\$254 million to US\$515 million. FDI inflows to India in 2006 were the largest annual FDI flows since the last peak in 1997 (Embassy of Japan 2007). The same document reports that about US\$5.5 billion in investment is expected over the next five years as companies such as Maruti-Suzuki, Toyota, Nissan, Honda and Asahi India Glass have revealed major expansion plans and fresh injections of Japanese capital.³³ Auto companies and other Japanese investors in India that hitherto relied solely on India's domestic market are now considering India as an export base. Maruti-Suzuki exported some 35,000 cars or about six percent of its domestic sales in 2005. It plans to sell about 200,000 cars annually in the next two to three years. Honda and Nissan have similar plans (Embassy of Japan 2007; Shukan Toyo Keizai 2007, 76-78). If this strategy succeeds, Japanese FDI to India may increase substantially in the future.

³² Personal interview in Tokyo on 30 November 2007.

³³ Maruti has a 54.5 percent share of the Indian car market followed by Korea's Hyundai (16.8 percent). But with Maruti's expansion plans and additional capital, and other Japanese auto companies also investing in India, the Japanese share is likely to increase further. See Shukan Tokyo Keizai (2007, 77).

Figure 5: Japan's FDI to China and India (1998-2006)

source: JETRO, <http://www.jetro.go.jp/en/stats/>



The number of Japanese companies operating in India also has increased in recent years. Figures vary depending upon definitions of Japanese companies in India (for example, whether a company has Japanese employees in India or not), but the number is certainly on the rise. According to annual reports from the Toyo Keizai data bank, 198 Japanese companies operated in India in 2006 and their number rose to 216 in 2007 (Toyo Keizai annual). The numbers reported on the Japanese Embassy website differ: 328 in January 2006 and 475 in February 2007. Whichever is closer to the actual number, both sets of data indicate that more and more Japanese companies are making India their, or an, investment destination.

India has just appeared on the Japanese business radar and it will take time to identify the full impact as economic relations continue to develop. At the moment India's performance vis a vis Japan appears to be very poor compared even to smaller Asian countries such as Thailand and Vietnam. Certainly India stands nowhere near China, which has become the key reference point when Japan–India relations are discussed (see Figure 5).

Another type of investment often overlooked in the literature is portfolio investment funds, through which Japanese investors can invest in the Indian stock market. Here we see signs of Japanese investor confidence in the Indian market.³⁴ The first Japanese fund for the Indian market was established in 2004, by November 2005 there were eight such funds, and by March 2007 they rose to 16. Total investment in these funds exceeded US\$8 billion in 2006 (Embassy of Japan, 2007) and some analysts claim that this type of Japanese investment is likely to continue growing.³⁵

It is appropriate to ask why Japanese investors have been reluctant to invest in the Indian market even while other investors, especially American, European and South Korean companies, have begun to invest heavily in India in recent years. A dominant Japanese view long maintained that India is a 'distant' country (Vishwantahan 1993), and that even though India is in Asia, India's culture and business practices are 'difficult' for Japanese companies.³⁶ The comfort zone for Japanese companies in Asia has been East and Southeast Asia. Apart from 'distance', Japanese companies considering India expressed concerns about poor infrastructure, red-tape and control regimes as factors that held back their interest (Nikkei Bijinesu 2006). Yet even after liberalisation of India's economy began in 1991 and made the investment regime far more attractive than it was before, Japanese still seemed reluctant to invest in India.

A recent report suggests that even 15 years after the economic liberalisation process began in India, poor infrastructure is still a huge issue discouraging Japanese companies from investing in India. The Chief Executive Officer (CEO) of Mitsui has opined prospectively that many companies from Japan and other parts of the world will come to India if India's infrastructure is improved (Thomas 2007). A systematic study conducted in 2005 supports Japanese investors' concern about India's infrastructure. The report found that even though controls and bureaucratic complexities remain issues of concern, the key factor that business leaders of Japanese multinational enterprises identified was the importance of infrastructure

³⁴ Personal interview with Mr Eisuke Sakakibara in Tokyo, 29 November 2007.

³⁵ Personal interview with a researcher at the Indian Economic Research Institute in Tokyo, 29 November 2007. Also, see Chihara (2006), 118.

³⁶ Muto, a former Japanese diplomat who served in the Japanese mission in India, in his 2006 book mentions about Japan's feeling of India as a distant country what he calls 'mental distance' (his own translation of *shinritekina kyori*) rather than 'physical distance' (*butsuritekina kyori*). Muto (2006), 9.

development (Siddharthan and Lakhera 2005). The Indian government has recognised this shortcoming and has committed to improving infrastructure in the next several years. The proposed Mumbai–Delhi freight and industrial corridor is part of that commitment. The government has also given tax incentives and other support to foreign companies interested in developing special economic zones in India (Thomas 2007). Country-specific industrial parks could be another attraction for Japanese companies.³⁷

Japan's place in India's investment environment has risen from sixth in 2003 and third in 2004 to second, after China, since 2005 (JBIC 2006, 49). India's national economic performance is improving on various indicators, such as fiscal and monetary policy, but it still performs poorly on infrastructure. A questionnaire survey of assessment of business risks in a number of Asian countries, conducted by Japan External Trade Organization in 2006, revealed India drew the worst response on infrastructure: 57 percent of respondents rated India's infrastructure poor while the figure for Indonesia was 30 percent, for China 21 percent, and for Singapore it was zero. India also performed poorly on assessment of its legal system and administrative complexities (35 percent found these to be poor), but here China was the worst performer with 60 percent (METI 2007, 39).

Apart from 'hard' infrastructure such as roads and ports, there is also the issue of India's 'soft' infrastructure. For example, Japanese businesspeople often lament that good Japanese restaurants and grocery shops are few, even in metropolitan cities like New Delhi, Mumbai and Bangalore that are most attractive to Japanese companies. One Japanese business magazine observes that in India Japanese people can have hard time finding food and entertainment that are readily available in Southeast Asian countries and China (Nikkei Bijinesu 2006). Those with young children find it difficult to take their family on assignment to India given the virtual absence of educational facilities using Japanese teaching curricula. International schools and Indian English-language schools in India make it easier for English-speaking expatriates to settle in India but expatriates from non-English speaking countries still experience difficulty associated with language differences.³⁸

Grassroots Linkages

Grassroots programmes can provide opportunities for forging invaluable links transnationally and for this reason Japanese government and non-government bodies conduct or support a wide range of programmes worldwide. Japan's prefectural and municipal governments (hereafter subnational governments) conduct sister city programmes with state and city authorities especially in North America, Europe, Oceania and Asia to provide opportunities for educational, sporting and cultural links at the grassroots level (Jain 2005). Japan has many such programmes on the ground in Asian nations but very few are with India. As early as in 1965 the port cities of Yokohama in Kanagawa Prefecture and Bombay (Mumbai) in Maharashtra state in central India signed a sister city agreement but it appears to be largely inactive. After years with little grassroots activity between Japan and India, between 2005 and 2007 two new agreements were signed involving Maharashtra state, one was signed with

³⁷ One such industrial park designated for Japanese companies in 2006 is in the state of Rajasthan, called Neemrana Industrial Park. Nihon Keizai Shinbunsha (ed.) *Indo*, 199-200.

³⁸ In several of my interviews with IT professionals in Tokyo with young families, they mentioned that with an Indian school in Tokyo and another soon to be opened in Yokohama, they feel much more comfortable in Japan. It must also be noted that there are many Indian restaurants in the Tokyo area and indeed throughout Japan. Indian grocery is available online from suppliers in major cities in Japan and they supply grocery to home addresses within one to two day working days.

Hyderabad which is the capital of Andhra Pradesh state and another was signed with Delhi, the national capital.

In Maharashtra, the city of Pune and the small town Pimpri Chinchwad signed agreements with Okayama Prefecture in January 2006. Hyderabad in southern India and Miyoshi city near Hiroshima signed in July 2006.³⁹ A similar agreement was signed between the National Capital Territory of Delhi and Fukuoka Prefecture in March 2007. According to CLAIR, which is the quasi-government body responsible for sister city agreements, permission from the Indian government was required for the agreement with Delhi given its special status as national capital.⁴⁰ These are still early days to make any assessment of their activities and impact on the bilateral relationship.

The other well-known government-sponsored initiative that establishes links at the grassroots level for foreign nationals in Japan is the Japan Exchange and Teaching (JET) Programme. The programme has immense value as it ultimately establishes long-term understanding and connections between communities in Japan and partner nations linked through the JET programme (McConnell, 2000). But India is a tiny player in this programme. Of 5,508 teachers invited to Japan through the JET programme between 2002 and 2006, only 25 were Indians—even fewer than Singaporeans and Jamaicans.⁴¹ Moreover, none of the JET participants from India teaches any of the Indian languages through this programme; they either assist Japanese school teachers in helping with their English language teaching or they perform administrative tasks in the international relations offices of subnational governments.

During the 2007 Year of Friendship between Japan and India, many events at grassroots levels were organised in India and Japan (see Embassy of Japan in India website). But real results will derive only from sustained activities through the likes of sister-city programmes and the JET programme. One-off and other *ad hoc* cultural programmes may help to raise the level of community awareness but they have limited value if there are no follow up programmes.

Compared to the situation some five years ago, the presence of Indian people in Japan is more noticeable, which is true of people in Japan from almost all countries. Nevertheless, the institutionalised programmes with India such as through sister-cities and JET are still not at a level where the results of grassroots linkages noticeably improve or sustain bilateral relations through the personal linkages these programmes foster. Grassroots linkages take time to prosper and need commitment from people on the ground on both sides. Commercial relations have certainly increased the flow of people between the two nations and this helps to lubricate mutual goodwill, knowledge and understanding. It may also help to generate support from government and non-government bodies with the experience and wherewithal to conduct grassroots linkage programmes that over time are mutually efficacious in both countries.

³⁹ <http://www.hindu.com/2006/07/23/stories/2006072322380300.htm> (accessed 2 November 2007.)

⁴⁰ See number 41 of the joint statement, <http://www.in.emb-japan.go.jp/PDF/joint0612.pdf>

Also, see CLAIR (<http://www.clair.or.jp/cgi-bin/simai/j/04.cgi?n1=福岡県&n2=テリ一準州>) accessed 3 November 2007.

⁴¹ <http://www.jetprogramme.org/e/introduction/stats.html> (accessed 13 November 2007).

Popular Perception and Lobbying India

Interest in Japan about India was at low level for a long time. This could be attributed partly to Japanese people's low level of political and economic interest in India. However, as political interest has begun to rise recently so has interest from other groups. Business leaders, independent consultants, former and serving government officials, media people, researchers in think tanks and academics are now expressing interest in India through their writings, advice and lobbying and thus serve to expand and deepen this interest across Japan.

The Japan Forum on International Relations, an independent think tank in Tokyo that produces reports and policy recommendations for the Japanese government, published *India's Leap Forward and Japan* in September 2007. This policy paper was prepared by Eisuke Sakakibara (a former high profile Ministry of Finance official, popularly known as 'Mr Yen') and four task force members and presented to Prime Minister Abe. One of its ten recommendations calls upon the private sector to take the lead role in both boosting investment in and trade with India and reducing reliance on ODA-led economic ties. Its final recommendation calls for the government to cooperate with India on peaceful use of nuclear energy. As a major policy paper it represents a huge departure from Japan's earlier reservations about India's nuclear programme. Buoyed by India's 2007 civilian nuclear technology deal with the United States, the business community is now optimistic about commercial opportunities for Japanese companies with world-class technology and know-how in building nuclear power plants.

This policy paper is simply one of a range of signals that India's image in Japan is growing and being refined. Only a few years ago India's image in Japan constituted little more than a land of mystery where Buddhism originated. Most Japanese people associated India with 'curry', the Taj Mahal and as a 'hot' (*atsui*) and 'distant' (*toi*) country.⁴² The Japanese media's interest focused on the polluted Ganges, beggars, the half-naked *sadhus* (mystical persons) and poverty. India was 'distant' and not part of Japan's 'Asia'. That image is certainly changing in today's Japan. For example, a long-time Japanese business consultant who has worked on some Japanese projects in India commented that now even NHK (government-funded national television) runs stories about India's successful IT industry and other strengths rather than simply projecting 'stereotype' images of 'poor' India, as it did in the past.⁴³ Indeed NHK has just produced a book that captures many of modern India's achievements, including its strength in IT, economic growth and rising political influence (NHK 2007).

Overall, interest in India is growing throughout Japan. This is evident not just in the proliferation of Indian restaurants (especially in the greater Tokyo area), cultural events, or popular yoga classes. The newly cultivated interest is in India's economic potential, its world-class IT services and growing biotechnology and pharmaceutical industries. High-profile officials such as the Governor of the Bank of Japan have commented on India's strength in the service industry and its growing presence in the world through its successful merger and acquisition of companies internationally.⁴⁴ Newspapers in Japan have reported on these issues sporadically, but the growing interest in 'New India' is most evident through visits to bookstores in Japan. Whereas in the past the only materials available about India were generally travelogues or books on mystical matters in the philosophy section, in the last

⁴² Comment of a senior Indian diplomat in Japan, 22 November 2007.

⁴³ Personal interview in Japan, 25 November 2007.

⁴⁴ 'Indo Keizai symposiumu' (Symposium on the Indian economy) *Nihon Keizai Shinbun*, 6 June 2007.

few years books on contemporary India concerning its economy, politics and business move rapidly onto the business and current affairs bookshelves.

'Mega Market India' (2005), by Shimada Takashi who is the president of a consulting firm in Tokyo, emphasises the importance of the Indian market in global trade. He explains how a country with a population of about 300 million middle class people and still growing has great unrealised economic potential. Some authors of books about India in Japanese plead for Japanese people/corporations/government to quickly recognise the importance of this huge market and respond accordingly. In another 2005 book with a somewhat sensational title, *It's No Good to Tell about Japan's Future Without Good Knowledge of India* (original English title of the book in Japanese), well-known television personality and commentator Kenichi Takemura, with Eisuke Sakakibara, highlight the emerging economic and strategic importance of India for Japan. Some, like Kojima (2002) exhort Japan to pay more attention to India and not be just fixated on China. Japan's premier economic newspaper, *Nihon Keizai Shinbun*, also published a book highlighting India's economic and industrial power (Nihon Keizai Sinbunsha 2007). Although many of the new books and cover page media stories about India question the poor infrastructure facilities and other bottlenecks (for example, see Nikkei Bijinesu 2006), their assessment of India is generally positive and they urge Japanese businesses and government to establish closer links with India.

Sakakibara with another Japanese author Tetsuo Yoshikoshi explain the strengths of the Indian market in such areas as the automobile, pharmaceutical, medical and IT industries in their 2005 publication *Indo kyodai shijo o yomitoku*, a kind of manual for Japanese businesspeople. They also explain how to deal with India and the style needed when approaching this market as different from approaching business in China. And unlike in China where economic growth is led by industrial manufacturing and exports, in India economic growth so far has been based on the knowledge industry and research and development.

Comparing India and China, the premier weekly business magazine *Shukan Daiyamondo* carried a comprehensive special issue in January 2006 titled 'India and China: the rising economies of 2.3 billion people'. This issue is rich in data comparing various facets of the two economic powerhouses, and also carries analytical assessments of both markets by authors such as eminent economist Iwao Nakatani, management guru Kenichi Ohmae, and Seiichiro Saito, Senior Vice President of the NTT Data Institute of Management Consulting. All have presented very positive assessments of the Indian economy with discussion of the tremendous growth in IT and pharmaceuticals, modern shopping malls and franchising opportunities. Similarly, another popular weekly economics news magazine *Shukan Toyo Keizai* in its October 2007 issue highlights India and China and their growing importance for Japan. Here discussions highlight India's educational system, especially the Indian Institutes of Technology, and their role in producing world-class engineers.

Most Japanese books and analyses concerning India, including those mentioned above, recognise India in the role of a strategic balancer against China. Their message is that since Japanese businesses have invested heavily in China, it is now time to extend their vision to the Indian market where the investment environment is improving significantly and prospects for long-term growth are very strong.⁴⁵ Some observers recognise the importance of China in their appraisal of India, but this factor appears to be downplayed in popular commentaries. It

⁴⁵ Personal interview with Mr Eisuke Sakakibara in Tokyo on 29 November 2007.

is surely not downplayed, however, in the business community, where business people now consider China as a major factor when directing their attention towards India.

The Indian Diaspora in Japan

The role of the Indian diaspora in improving India's image abroad is well recorded. Some 20 million Non-resident Indians (NRIs) who include Indian overseas migrants, now play a major role in helping to advance India's economic interests and foreign policy and security goals (Hussain 2005; Sebastian 2006). In the United States, for example, an over 2 million strong Indian diaspora has played a key role in changing India's image in political circles and in the American community at large, especially after the political backlash following India's nuclear testing in 1998 (Rubinoff 2005).

Japan's restrictive migration policy has kept the country's Indian community relatively very small and concentrated mainly in the port cities of Yokohama and Kobe where Indian business people are engaged mainly in the textiles and precious stones businesses (Shimizu 2005). Numbers have increased in recent years after Tokyo recognised the potential of India's capable IT engineers to make valuable contributions in Japan and enabled Indian engineers to easily obtain a three-year work visa. Around 16,000 Indians are now in Japan; more than half are in the greater Tokyo area and a majority work in the IT sector (Shukan Toyo Keizai 2007, 75). Although they are mostly on temporary work visas, the newly arrived groups of Indians have taken an active role in promoting India in Japan. They have raised India's profile and public familiarity with contemporary India and have developed grassroots connections much like Indian communities have done in the United Kingdom and the United States, although on a much smaller scale given their small number, the status of Indian citizens as temporary residents, and the persistent language and cultural barriers that can be difficult to overcome.

An Indian Institutes of Technology (IIT) Alumni Association (www.IITJapan.org) is now based in Tokyo, as many of the newly arrived engineers are graduates of the, seven IIT located across India. The association actively promotes Indian interests in Japan and strengthens bilateral business linkages, as well as organising social and cultural activities. In November 2007, for example, the Association organised the India-Japan Partnership Conference at Keio University, a top-ranking private university in Tokyo, where business leaders, heads of academic institutions, serving and retired high-ranking diplomats and officials from both countries addressed the conference.⁴⁶ The Association aims to serve as an important vehicle for representing India's voice in Japan.⁴⁷ As the *Shukan Toyo Keizai* article noted, although growth of the Indian community in Japan will remain highly restricted, this community has now begun to make an impact on Japanese perceptions of India and Japanese are taking note of the Indian contributions (Shukan Toyo Keizai 2007, 75)

While accepting the 2006 National Association of Software and Services Companies Award for Excellence in IT Usage, Chairman, President and CEO of Shinsei Bank Mr Masamoto Yashiro commented that the 'Indian IT industry has been instrumental in transforming Shinsei Bank to the most profitable bank in Japan; we have the most innovative approach in IT, that has helped us create new business models and increase revenue growth.'⁴⁸ Yashiro's successor at Shinsei Bank, Thierry Port, observed similarly that 'The success of Indian

⁴⁶ For the list of speakers, see (<http://www.iitjapan.org/program.php>) (accessed 11 November 2007).

⁴⁷ Personal interview in Tokyo with an IIT graduate, who runs his own company and plays a key role in the Alumni Association, 30 November 2007.

⁴⁸ (accessed 17 November 2007).

professionals in rehabilitating Shinsei Bank has become the talk of the banking and IT community in Japan'. (Joshi 2006).

India Center is another Tokyo-based community organisation, involved in promoting India in Japan since the early 1990s. It claims to serve as a facilitator for business and political meetings between the leadership of the two nations and organises cultural events such as the annual Namaste India in which thousands of locals from the Tokyo area participate. It makes public its close connections with former Prime Minister Shinzo Abe.⁴⁹

India is now becoming more visible than ever at the popular level in Japan. 'Namaste India', an annual festival organised in Tokyo and mentioned above, attracted some 80,000 people in 2007, a huge increase over the previous year's 50,000 visitors (Shukan Toyo Keizai 2007). The festival is sponsored and organised by private groups and showcases aspects of Indian culture including food, classical music, yoga and pop culture. The absence of historical ill-will enables smooth cultivation of goodwill on both sides, unlike in relations between Japan and its present partners in East and Southeast Asia, which are still marred by the historical legacy of Japan's Pacific War invasion. Japanese newspapers and other sources advise that opinion polls taken in India reveal that Japan is consistently regarded very highly (*Yomiuri Shinbun*, 2006; Ministry of Foreign Affairs 2000). There is no such poll taken in Japan about India. The Cabinet Office annual poll does not ask questions specifically on India, but on South Asia as a whole which includes India, Pakistan, Bangladesh, etc. Looking at the results in the last 4-5 years, it is clear that more positive responses have been registered since 2004 than in the previous two years. In the same period there were more negative responses for China than in previous years (Naikakufu, various years). In a 6-Nation Pew Global Attitudes Survey carried out in September 2006, 65 percent of those polled in Japan held favourable view of India while only 28 percent held unfavourable view. This was in stark contrast to China for which 70 percent Japanese held unfavourable view while only 21 percent registered favourable views.⁵⁰

Conclusion

Considering Japan's past low-key approach to India and its reluctance to engage India in a consistent and comprehensive manner, the unfolding of a new era in Japan's attention towards India can be understood through both external and internal factors. The rise of China is clearly a major factor that explains Japan's recent politico-strategic and economic orientation towards India. While Japan balances China with India, it also band wagens with the United States against China. This strategic thinking has led to a much higher level of and frequent government-to-government contact between Japan and India extending even to defence and security matters. These are still early days in development of more formal, possibly more comprehensive, security arrangements between Japan and India bilaterally and multilaterally, particularly in collaboration with the United States and Australia. But for now it is clear, and both Japan and India intend, that recent moves in this direction signal to other nations the mutual interest of Japan and India in establishing a more comprehensive

⁴⁹ Details of the India Center and its activities are available on the Centre's homepage (<http://www.india-center.org/>) (accessed several times during 2007).

⁵⁰ 'China's Neighbors Worry About its Growing Military Strength: Publics of Asian Powers hold Negative Views of One Another', <http://pewglobal.org/reports/pdf/255.pdf> (the same poll revealed that 60 percent Indians have favourable view of Japan and only 25 percent unfavourable)

arrangement that will reshape understandings of the evolving security architecture in the Asia–Pacific region.

Annual meetings at prime ministerial level of the two nations and other high-level government-level contacts provide opportunities to eventually open many other doors bilaterally, in both commercial and non-commercial sectors. Some signs of more extensive commercial links are already apparent and more are likely to follow, particularly in the wake of Japan's ODA and a robust growth in the Indian economy. Some sectors in the Japanese business community, such as auto, steel and even financial services are especially bullish about prospects in India. Here, too the China factor is important. China's anti-Japan demonstrations and attacks on Japanese businesses in major Chinese cities in 2005 made Japanese business seriously consider India more positively, away from their earlier image of India being 'distant' and 'difficult'. Furthermore, Japan's media and opinion makers have begun to turn their attention to India, too, presenting a more comprehensive picture than just the negative stereotypes that informed earlier understandings and thus helping to shift perceptions of India in Japan.

Questions are now asked in many quarters whether the current level of interest in India would continue. With Yasuo Fukuda as Prime Minister, political interest in India may seem to have slowed a little, as Fukuda's 'Asia' is, like his father who served as Prime Minister in the 1970s, China and Southeast Asia. But change of prime minister in Japan is unlikely to stop the current flow of interest in favour of India. The geo-political climate (China's rise, in particular) and India's growing economic and political power are great pull factors for Japan. Furthermore, business people in Japan have already recognised the importance of India now and in the future. All indications suggest that there will be a greater level of economic interest in India. Comparison with Japan's economic and other interests in China may be misplaced, but now with many Japanese companies willing to engage India both for the Indian domestic market and as a base to launch business externally, there is no looking backwards.

At the popular level, too, India is attracting attention in Japan, as evident through media reports and popular books on India outlining India's strengths in education, technology and even manufacturing. Furthermore, opinion polls such as those carried out by Pew in 2006 clearly indicate that more and more Japanese hold favourable view of India. However, grassroots exchange programmes are likely to remain at low level. Interaction between subnational governments of the two nations is slow to develop and prospects of its growth are not so bright, especially as Japan's subnational governments are in financial difficulty and, unlike Chinese provinces, state and local governments in India are not yet players of any significance in promoting their interests abroad. But if more Indians make their home in Japan, linkages at the grassroots level through them could be a real possibility. The Year of Exchange in 2007 between India and Japan has set several grassroots initiatives in place, now it is for the two sides to make sure that the momentum continues.

Undoubtedly Japan's view of India has altered considerably at all levels—government, business and popular—since India's nuclear testing in 1998. Contributing factors have been both external and internal. The relationship has moved upwards from a very low base in both the political and economic spheres. Currently there is a highly optimistic mood in Japan about India, but whether the pace will continue over the medium to long-term is contested. It appears that in some key political and corporate strategic areas, like sea-lane defence, IT industry and selected manufacturing items such as auto India will remain highly attractive to Japan. Although India will not disappear from Japan's diplomatic and business radar screen

as it did for many years during the Cold War period and subsequently, it is highly unlikely that India will become anywhere near as critical to Japan as China in near future. How the partnership will develop in coming years would depend very much on whether the relationship moves from the realm of political rhetoric and official pronouncements to more substantive bilateral trade, investment, cultural and educational exchanges, and joint activities related to key regional and global issues.

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Note on translation

All titles translated by author are in (). Japanese books and articles that have their own English translation of titles are indicated in [].