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*Responses, Articles*

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**Foreign Policy Research Centre**

**NEW DELHI (INDIA)**

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### RESPONSES

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6. **Prof. Malcolm Cook**, Dean, School of International Studies, Flinders University & Visiting Fellow, Lowy Institute, Sydney
7. **Tetsuo Kotani**, Lecturer, Hosei University & Research Fellow, Japan Institute of International Affairs (JIIA), Chiyoda-ku, Tokyo
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### Articles

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## **PREFACE**

There is a lot of awareness in India as well as Japan that bilateral ties are really very important, not just in terms of economic development but also there are many similarities between the two countries. This has done good to the ties between the two sides. They should engage each other much faster and comprehensively.

Today, there is a realisation across the spectrum — from political parties to business leaders, and think-tanks to chambers of commerce — in Japan as well as India that bilateral cooperation should be strengthened. It is very heartening therefore, that the wide galaxy of intellectuals and thinkers have focused on important themes and other related issues in their writings and comments, for this special issue of **FPRC Journal**

We express our heart-felt thanks to our contributors who have shared our sentiments and accepted our invitation to enrich the contents of the Journal. They are always our source of strength.

**Mahendra Gaur**

Director

**Indira Gaur**

Mg. Editor

**Foreign Policy Research Centre**  
**New Delhi**

# **RESPONSES** (pp.05-35)

- 1. Amb. Hiroshi Hirabayashi**, former **Japan's Ambassador to India** and currently **President**, The **Japan-India Association**
- 2. Prof. K. V. Kesavan** ,Distinguished Fellow ,ORF,New Delhi formerly at School of International Studies, (CEAS),Jawaharlal Nehru University, New Delhi
- 3. Ian Hall** , Senior Fellow and the Director of the Graduate Studies in International Affairs (GSIA) program in the Department of International Relations, College of Asia and the Pacific, Australian National University  
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- 6. Prof. Malcolm Cook**,Dean, School of International Studies,Flinders University& Visiting Fellow, Lowy Institute, Sydney
- 7. Tetsuo Kotani** ,Lecturer, Hosei University & Research Fellow, Japan Institute of International Affairs (JIIA),Chiyoda-ku,Tokyo
- 8. Dr Thomas Wilkins**,Senior Lecturer,Centre for International Security Studies,University of Sydney,NSW Australia

## **(1) Amb. Hiroshi Hirabayashi**

former **Japan's Ambassador to India**  
1998 - 2002  
and currently **President, The Japan-India Association**  
**Advisor, FEC**



### **Interview with Amb. Hiroshi HIRABAYASHI**

#### **1. How do you perceive the current state of Japan-India relations?**

The "Japan-India Global Partnership" established in 2000 during my tenure of Ambassador of Japan to India developed into a "Strategic and Global Partnership" in 2006.

Since then, this partnership has been translated into concrete policy coordination on international and regional affairs and bilateral cooperation in economic, cultural and academic, exchange programs of people including the youth. The annual mutual visit of our respective Prime Minister to the partner's capital and multi-layer dialogues at all levels of government have resulted in a number of excellent policy coordination on politico-security matters and have pushed a series of big projects such as Delhi-Mumbai Dedicated Freight Corridor project (DFC), Delhi-Mumbai Industrial Corridor project (DMIC), Bengaluru-Chennai High Speed Railway project as well as many ODA projects successfully planned and implemented like Delhi Metro and similar systems in major metropolis of India. India continues to enjoy No.1 position as recipient of Japanese ODA.

And yet, our cooperation has huge potential which has yet to be exploited. Japan-India relations largely lag behind Japan-China relations in all areas ranging from trade and investment, air and sea traffic frequency, to numbers of visitors and tourists, scholarships, number of each country's residents in the other country.

Our traditionally cordial ties of friendship and our Economic Partnership Agreement which came into effect in August, 2011 and other agreements between the two government and private sectors will ensure our fruitful relationship in the future.

**2. "Strengthening of the IndiaJapan strategic and global partnership enjoys the fullest support across the political spectrum in both our countries and is a factor of peace, prosperity and stability in Asia and the world," Indian Prime Minister Manmohan Singh said. How far do you support this statement?**

I fully agree to PM Manmohan Singh's observation.

Not only myself. This statement is supported by all policy makers, be it politician or bureaucrat.

In fact, in Japan, the Japan-India Parliamentary Friendship League, for example, is composed of MPs of all the major political parties ranging from the governing (as of early September) Democratic Party of Japan to opposition parties such as the Liberal Democratic Party, Komeito Party, etc. The situation is similar in the Indian Parliament.

When it comes to our bilateral relation, there is no historical burden, no ideological divide, no conflict of interests, no foreign policy difference on major issues which would divide our political relationship.

**3. Do you agree with the view that economic ties that lack the support of strategic partnerships tend to be less stable and even volatile, as is apparent from Japan's and India's economic relationships with China.**

I agree to the above-mentioned view.

On the other hand, it is undeniable that economic ties tend to strengthen and consolidate political relations. Solid economic ties would save political relations in adversity.

**4. Despite various initiatives, economic ties between India and Japan have been far below their potential.**

**What perception gaps regarding the business environment in India continue to hinder Japanese investment?**

Except for far-sighted and bold business leaders like Osamu SUZUKI of Suzuki Motors Co., the Japanese business community tends to move cautiously to unaccustomed markets. In Asia they first concentrated their operations to South-East Asia, then to China. As globalization accelerates and competition becomes stronger in established markets, Japanese corporations started to explore new frontiers. India started to attract attention only after the end of cold war when India began to reform and deregulate in foreign trade and investment policy. Japanese economic engagement in India was accelerating in 1990s, when nuclear tests were conducted in India in 1998, which halted temporarily the positive trend.

It was only from 2000 when the Japan-India Global Partnership was declared that Japanese businesses restarted to move into India.

As of October, 2011, 825 Japanese corporations came into India and more than 1200 operation bases-factories and offices have been established. Now, every month two-digit number of Japanese companies come into India or expand existing units. The number is not impressive and leaves a huge potential open.

Some Japanese business captains are still hesitant to deal with India, although they are convinced that India will be the most important business partner in future.

Their immediate concerns are India's business environment and how to deal with what most think, rightly or wrongly, India's "different and difficult" business partners and systems. Japanese companies and their economic organizations present every year a list of requests to the Indian government and state governments ranging from infrastructure building, deregulation, streamlining of bureaucratic processes.

I am advocating to these Japanese business leaders for their need to visit know better India and adjust themselves with Indian business culture and Indian business people's way of thinking and doing.

### **5. Can India push through a Nuclear Deal with Japan?**

Yes, I hope so. Under the circumstances in Japan after Fukushima nuclear accident where the government of Japan is in search for a new policy orientation on nuclear energy policy, it may take some time to restart negotiations in serious manner. How to deal with an eventual nuclear test of India, if any in the future, remains a major pending issue to resolve.

### **6. There certainly exists some logic behind India, Japan and the US working together, and that too in a region that lacks solid security architecture. Is it a "Promising Initiative" ?**

Yes, there is rationale/ necessity for India, Japan and the US to work together on how to deal with increasing uncertainty in security environment in East Asia and the Indian Ocean. In particular, the troika of three Democracies are confronted with rising

threat coming from rapidly developing Chinese military might, especially her blue-water naval capacity.

Our three countries are obliged to promote cooperation in information/intelligence sharing and joint naval exercises and coast guard cooperation.

Our three countries are also encouraged to work together with like-minded countries of South-East Asia.

### **7. Is it not crucial that growing India-Japan ties are viewed independently of each country's relations with China ?**

In most areas of external affairs, India and Japan are adopting independent China policy. However, as China's proactive or even aggressive politico-military posture throw shadows over not only our two countries but other countries of South-East Asia, India-Japan security ties cannot be independent of each country's security policy towards China.

### **8. A Russia-India-Japan triangle is of immense strategic import. It can help deter power disequilibrium in Asia.**

**Do you see any prospects for its formation ?**

An idea of Russia-India-Japan triangle will not come in the scope of Japanese foreign policy, at least in the short span of time, as Japan is harassed by Russia over Northern territorial issue and Russia is not viewed by most Japanese as reliable partner, especially in terms of security issues.

For Japan, the US is a trusted and indispensable ally and the feasibility of the triangle idea may depend on how the US will view it.

To be sure, Russia is concerned with increasing military and economic prowess of China in Siberia and the Far Eastern region.

As Russia wants to be more widely engaged in Asia-Pacific matters as India is, Japan will welcome it and eventually be tempted by the idea of trilateral dialogue and cooperation in the future.

### **9. What do you like most about India?**

Definitely, the answer is Indian people's very pro-Japanese feeling, from where emerge friendly policies and gestures of the Indian government and people to Japan. Then, I have been attracted and even dazzled with India's cultural and spiritual heritages and the beauty of the nature.

My mission in India as Ambassador of Japan from 1998 to 2002 and the responsibility as President of the Japan-India Association since 2006 have given me a great number of opportunities to visit almost all of important historical heritages and different regions of India. That has made me an India lover.

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## (2) Prof. K.V.KESAVAN

Distinguished Fellow

**ORF, New Delhi**

(Joined October 2007)



### **Expertise:**

**Japan's Foreign Policy, Domestic Politics and Economic Development. Japan's Policies in Asia-Pacific region. Indo-Japanese Relations.**

### **Background**

**K.V. Kesavan, one of the leading Indian scholars in the field of Japanese Studies, obtained his doctoral degree from the Indian School of International Studies, New Delhi. He was on the faculty of the Centre for East Asian Studies, School of International Studies, Jawaharlal Nehru University, New Delhi for well over thirty years. He is the author of several books on Japan. He has published numerous research papers in Indian and foreign academic journals on Japan's foreign policy and domestic politics. He has been a recipient of Japan Foundation Fellowship (1973-74; 1988-89 ), Senior Fulbright Fellowship ( 1980-81; 1988 ), Shastri Indo-Canadian Fellowship ( 1993-94 ), etc. He has been a Visiting Fellow at Columbia University, New York; the University of California, Berkeley; the Australian National University, Canberra; Tokyo University; and so on. During 2003-2006, he was a Visiting Professor at the Ritsumeikan University, Kyoto, Japan; Kobe Gakuin University, Kobe, Japan; and the Ocean Policy Research Foundation, Tokyo. In 2001, the Japanese Government conferred on him Japanese Foreign Minister's Commendation Award for his contribution to closer understanding between India and Japan. Professor Kesavan has lived in Japan for a very long time and is fluent in the Japanese language.**

### **Presently**

He is working on a project on Japan's policies on economic partnership agreements in Asia and Indo-Japanese relations. **E-mail ID:** [kvkesavan@orfonline.org](mailto:kvkesavan@orfonline.org)

## **RESPONSE to Questionnaire**

### **1.How do you perceive the current state of Japan-India relations?**

India-Japan relations have become quite stable and multi-faceted. Until recently, bilateral ties remained predominantly economic in nature, but since 2000, the partnership has become more diversified . It encompasses a wide range of interests including security, counter terrorism, maritime security, energy cooperation, UN reforms, climate change , civilian nuclear cooperation, etc.

### **2."Strengthening of the India-Japan strategic and global partnership enjoys the fullest support across the political spectrum in both our countries and is a factor of peace, prosperity and stability in Asia and the world," Indian Prime Minister Manmohan Singh said. How far do you support this statement?**

Yes, in both countries, there is non-partisan support for the partnership. It has transcended the political differences in both countries.

### **3.Do you agree with the view that economic ties that lack the support of strategic partnerships tend to be less stable and even volatile, as is apparent from Japan's and India's economic relationships with China.**

No. In my opinion, any partnership should rest on a solid economic foundation. Strong trade and investment ties constitute the bedrock of a vibrant partnership. In that sense, both India and Japan started off very well by emphasising economic factors such as trade, official development assistance ( ODA )and investment. Now they are diversifying their ties by adding more elements such as security, energy, and so on.

### **4.Despite various initiatives, economic ties between India and Japan have been far below their potential.What perception gaps regarding the business environment in India continue to hinder Japanese investment?**

One main reason is that Japanese business people continue to have strong reservations on the business climate that is prevailing in India. They still keep saying that India has to improve its infrastructure facilities particularly in power, communication and transport sectors. They are also not very happy about the bureaucratic red tapism which often causes enormous delays in clearing projects. They also expect rapid improvements in matters like taxation, labour relations, quick clearances at ports, remittances of profits, etc. Since India and Japan have already entered into a comprehensive economic partnership agreement ( CEPA ) , the situation will improve in the coming years.

### **5.Can India push through a Nuclear Deal with Japan?**

The present Japanese government under Mr Yoshihiko Noda has assured that it is keeping the doors open . But his own position is not all that strong. Further, the future of nuclear energy in Japan is rather uncertain. There is a national debate in Japan on the need to reduce Japan's dependence on nuclear energy. The impact of the Fukushima tragedy is still quite strong. It appears that it will take a fairly long time for the nuclear deal to materialise.

### **6.There certainly exists some logic behind India, Japan and the US working together, and that too in a region that lacks solid security architecture.Is it a "Promising Initiative" ?**

All three have many commonalities and there are strong strategic and economic convergences. It is definitely a promising initiative.

### **7. Do you agree with the argument that the Indo-Japanese partnership could be a stabilising factor in Asia, but it must try to accommodate China in a regional framework?**

It is a stabilizing factor. Both India and Japan are aware that their partnership should not be directed against China. China is their biggest trading partner. There are many compelling reasons for them not have confrontation with China. Further, they also know that in any future regional scenario, China is bound to figure prominently. China will be a determining factor in the evolving security and economic architecture of Asia. Therefore it is very imperative to engage China.

### **8.Is it not crucial that growing India-Japan ties are viewed independently of each country's relations with China?**

Please see above answer

### **9.A Russia-India-Japan triangle is of immense strategic import. It can help deter power disequilibrium in Asia. Do you see any prospects for its formation ?**

Yes, it is always useful to have dialogues with different groups of countries. One basic problem in this situation relates to Russo-Japanese relations. They have to solve their bilateral problems and establish trust and warmth. Only then can they hope to play a useful part in the new group.

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### (3)Dr Ian Hall

**Director ,Graduate Studies in International Affairs (GSIA) program in the Department of International Relations, College of Asia and the Pacific, Australian National University**



Ian Hall is a Senior Fellow and the Director of the Graduate Studies in International Affairs (GSIA) program in the Department of International Relations, College of Asia and the Pacific, Australian National University. From July 2012 until February 2013 he will also be Acting Head of Department. He teaches courses on global security and Indian foreign and security policy. His research presently focuses on interpretivism in international theory and India's foreign relations. His latest book is *Dilemmas of Decline: British Intellectuals and World Politics, 1945-75* (University of California Press, 2012). He has also published in various journals, including *Asian Survey*, *British Journal of Politics and International Relations* and *European Journal of International Relations*.

### Dr David Envall

**Research Fellow in the Department of International Relations, College of Asia and the Pacific, Australian National University**



David Envall is a Research Fellow in the Department of International Relations, College of Asia and the Pacific, Australian National University. He is also the Department's undergraduate course coordinator as well as the editor of the *Policy Background Paper* series, which is part of the [ANU-MacArthur Asia Security Initiative \(ANU-MASI\) Project](#). He has been a visiting researcher at Hitotsubashi and Waseda Universities, Japan. He is presently working on a book project on *Leadership Strategy and Japanese Diplomacy*. He has also published in the *Asian Journal of Political Science*, *East Asian Forum Quarterly* and *Japanese Studies*.

## **Response to Questionnaire**

### **1. How do you perceive the current state of Japan-India relations?**

There can be no doubt that Japan and India enjoy a much deeper and stronger relationship today than they did at the end of the Cold War. Politically and strategically, the two states have a great deal more in common. Militarily, cooperation between the armed forces of Japan and India is continuing apace, with a series of joint exercises over the past decade and more planned. Economically, there is a long way to go before the full potential of the relationship can be realised, but if Japanese capital and India's abundant and increasingly well-educated population are put to the right uses, it should prove immensely profitable to both states and societies. Japan could well prove crucial to India's development, which India provides the labour and market Japan needs to revive its fortunes.

### **2."Strengthening of the India-Japan strategic and global partnership enjoys the fullest support across the political spectrum in both our countries and is a factor of peace, prosperity and stability in Asia and the world," Indian Prime Minister Manmohan Singh said. How far do you support this statement?**

It is hard to disagree with this statement, for all the reasons we have outlined above. There appears to be no significant elite or public opposition in either state to an Indo-Japanese strategic partnership. Japan's high-profile involvement in landmark projects, such as the Delhi metro system, seems to have generated considerable dividends in this regard. The only potential obstacle that both countries will likely far concerned nuclear issues, in terms of public opposition to the further development of the nuclear industries in India and Japan.

### **3. Do you agree with the view that economic ties that lack the support of strategic partnerships tend to be less stable and even volatile, as is apparent from Japan's and India's economic relationships with China?**

Clearly, some sort of agreed framework is desirable if the objective is to sustain and build economic ties. Mutual guarantees are required, for example, to make sure that foreign direct investment is handled properly and that businesspeople travelling between states are not subject to arbitrary arrest or unreasonable prosecutions, still less outright violence. If investment is misappropriated or businesspeople mistreated, the economic relationship can be jeopardised. We may be seeing signs that the China-Japan economic relationship is in exactly this kind of jeopardy today, as anti-Japanese

disorder – including violent attacks on Japanese-owned businesses – continues in China in response to the ongoing dispute over the Diaoyu or Senkaku islands.

But whether a broader political and military relationship is necessary to maintain or even grow an economic relationship is not so obvious. It is helpful, of course, if both sides feel a degree of confidence about the intentions of the other. Certainly it is helpful if business communities on both sides feel confident about investing money and founded enterprises. This kind of confidence is displayed throughout Asia with respect to China, but not all states in the region display a ‘felt need’ to build parallel strategic partnerships, at least involving closer political or military ties.

**4. Maritime security is an area of mutual concern and cooperation. Do you see the feasibility of a ‘quadrilateral approach’ between Japan, Australia, the US and India on maritime security? Even though the promoters of this approach had retired, it had continued in the form of bilateral agreements.**

It is unlikely that we’ll see an overt revival of a ‘quadrilateral’ in the near future, partly because of domestic political opposition in all four states and partly because it looks too much like an incipient or actual anti-China alliance. Far more likely is the continued development of less formal and more ad hoc arrangements between the four, and indeed with other like-minded, concerned states in the region, including Indonesia.

Maritime security is one of those crucial areas of common interest to a number of regional powers where agreement is relatively easy to achieve on the basic points about maintaining the openness of sea lanes of communication, deterring piracy and people smuggling, and so on. So the bilateral, less obvious approach is by far the more likely, and this approach will probably generate similar results as the more formal ‘quadrilateral’ arrangement floated some years ago – i.e. extensive and deepening cooperation between the various navies and coast guards concerned.

**5. Can India push through a Nuclear Deal with Japan?**

There is no doubt that this is possible, but much will depend on the domestic political circumstances in both states. There are sizable and vocal anti-nuclear lobbies in India and Japan, as we have seen in present disputes about the Jaitapur plant in Maharashtra and Kudankulam-I plant in Tamil Nadu, as well as in the aftermath of the Fukushima disaster. If these groups are able to translate their opposition into political influence, perhaps by exploiting some weaknesses in central governments in both India and Japan, we may see delays to the eventual conclusion of a nuclear deal.

The other significant issue is the extension of nuclear deals between India and a series of other existing and potential nuclear suppliers, including France, Russia, and the

United States. India has been prudent in ensuring that it has a full range of options for nuclear fuel and technology, but this means that it arguably does not need a deal with Japan to develop its nuclear industry and address its energy demands.

**6. There certainly exists some logic behind India, Japan and the US working together, and that too in a region that lacks solid security architecture. Is it a “Promising Initiative”?**

There is undoubtedly promise to a package of security arrangements between the three states in what is a very dynamic context. But like most states in the Indo-Pacific region, they will likely aim to ‘hedge’ and pursue many different arrangements with many different states. Significant sections of Indian opinion remain sceptical about deeper cooperation with the United States and ambivalent about China’s rise and what it might portend for India and its ‘strategic autonomy’. Japan’s potential role in any future security architecture remains constrained by the domestic legal and politics restrictions on its defence forces. For these reasons, it seems likely that what we will continue to see will be a series of ad hoc initiatives, such as joint exercises or maritime patrols.

**7. Do you agree with the argument that the Indo-Japanese partnership could be a stabilising factor in Asia, but it must try to accommodate China in a regional framework?**

All states in the Indo-Pacific region have to acknowledge China’s importance and accommodate China to some degree. But the devil, as they say, is in the detail. Over the past 30 years, China has been willing to involve itself in some multilateral institutions, notably those concerned with trade, as well as some regional arrangements, such as the East Asia Summit. But it has also proved reluctant to assume other responsibilities or to bind itself into institutional commitments which might possibly limit its freedom of action sometime in the future.

It needs to be noted that attempts have already been made to draw China into more binding regional arrangements, but these appear to have been rebuffed by Beijing. The Obama administration sought to extend a hand to China in 2009, to involve it in new areas of global governance and to try to get China to take greater responsibility for delivering common goods. Unfortunately, this approach was rebuffed, and China has latterly assumed a more assertive stance on a whole range of issues, including its territorial claims in the South China Sea.

The big question is how to respond to and perhaps accommodate a China that has not yet articulated its own preferred vision of regional order. Clearly, China cannot be excluded from the process of developing a new order, but without a clear

understanding of what it wants that order to look like and what it seeks from such an order, it will continue to be difficult to build it.

**8. Is it not crucial that growing India-Japan ties are viewed independently of each country's relations with China?**

Yes, indeed. The rise of China is the most significant development in the Indo-Pacific region, but it is not the only issue of importance, nor is it yet clear what China's future might be. China aside, the potential synergies that exist between India and Japan are extensive and should be mutually beneficial. Put bluntly: Japan has capital and know-how; India has abundant educated labour and the proven ability to translate know-how into practical initiatives.

**9. A Russia-India-Japan triangle is of immense strategic import. It can help deter power disequilibrium in Asia. Do you see any prospects for its formation?**

Frankly, this is unlikely to emerge soon, if at all. There are a number of obstacles. The most obvious is Japan's close security relationship with the United States, which would likely seek to dissuade Tokyo from building too close a partnership with Russia. There is also the issue of Japan's unresolved territorial dispute with Russia over the Northern Territories (or the South Kuril Islands). Of course, if China evolves into an aggressive, nationalist state, all three states – and the US – would have a common interest in cooperation. But as things stand, each has very different relationships with each other, and with other regional powers, including China, and divergent interests.

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## (4) Prof. Kaoru SUGIHARA

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**Professor**

**Division of Economic and Political Dynamics**

**Economic History**

**BA (Econ.) Kyoto University, 1971**

**MA (Econ.) University of Tokyo, 1973**

**D Econ. University of Tokyo, 1996**

### Current Research Interests

1. The East Asian miracle in global history
2. The history of intra-Asian trade
3. The relationship between the emergence of fossil-fuel-based world economy and environmental degradation in historical perspective
4. A study of the historical path of humansphere-sustainable development

My **first project** aims at a reinterpretation of global economic history from the perspective of recent East and Southeast Asian experiences. It is based on my understanding of the East Asian path of economic development (now published and debated internationally), and involves a systematic treatment of regional and international historiographies.

**Secondly**, I have worked on the statistics of intra-Asian trade for the period from 1800 to the present over the last 30 years, to clarify the nature of western impact and the role of regional trade in Asia's economic development. It now needs to be synthesized in such a way that I can point to very long-term trends.

**Thirdly**, I began working on the history of the emergence of a fossil-fuel-based world economy a few years ago, with the use of available statistics. The current project is an attempt to relate it to environmental degradation, especially deforestation in developing countries over the last two centuries.

**Finally**, I am involved in an interdisciplinary investigation into the path of economic development in tropical Asia and Africa, which is being carried out under the auspices of the Global COE Program. My role is to formulate a paradigm, which conceptualizes human and natural systems in the tropics, by critically reexamining assumptions and categories made in temperate-zone developed countries, and suggesting a more comprehensive framework.

### Publications

- “The Socio-economic History Society of Japan”, *Information Bulletin of the Union of National Economic Association in Japan*, No.31, 2011, pp.95-102.

- “Southeast Asia in the History of the East Asian Miracle”, *Newsletter*, Center for Southeast Asian Studies, Kyoto University, No.63, Spring 2011, pp.6-8.
- “(Interview) La voie est-asiatique du developpement”, *Sciences Humaines*, Hors-serie special No.11, ‘La grande histoire du capitalisme’, May-June 2010, pp.82-83.
- “Formation of an Industrialization-Oriented Monetary Order in East Asia”, in Shigeru Akita and Nicholas J. White eds, *The International Order of Asia in the 1930s and 1950s*, Ashgate, Farnham, Surrey, pp.61-102.
- “The Resurgence of Intra-Asian Trade, 1800-1850”, in Giorgio Riello and Tirthankar Roy eds (with collaboration of Om Prakash and Kaoru Sugihara), *How India Clothed the World: The World of South Asian Textiles, 1500-1850*, Brill, Leiden, 2009, pp. 139-69.
- “The East Asia—Middle East—US/Europe Oil Triangle: Seeing Patterns of Trade and the Growth of the World Economy”, *Middle East Institute Viewpoints: The 1979 Oil Shock: Lessons, Linkages, and Lasting Reverberations*, www.mei.edu, August 2009, pp.60-63.
- “The European Miracle and the East Asian Miracle: Towards a New Global Economic History”, in Kenneth Pomeranz ed., *The Pacific in the Age of Early Industrialization*, Ashgate, Farnham, 2009, pp.1-22. (Reprint of the paper issued in 1996)

## Economic Relations between India and Japan: Past and Present

**Kaoru Sugihara**

**Questionnaire (A) concerns the present and future of the economic relations between India and Japan. I am an economic historian who has studied the history of intra-Asian trade since the late nineteenth century to the present .I hope that a brief summary of my perspective below is helpful to your readers :**

During the period from the late nineteenth century to the First World War, Japan was able to industrialize the country, by importing primary products from other Asian countries and exporting labour-intensive manufactured goods to them. India was crucial to Japan, as she provided raw cotton to Japan and imported cotton textiles and sundries from there. The significance of such a bilateral trade continued into the 1930s, in spite of disruptions by the Great Depression and the setting up of protective and preferential tariffs by the British Government of India. And there was a significant direct contact between Indian and Japanese merchants and producers all over Asia: Indian merchants in Kobe and Yokohama were important buyers of Japanese export goods (shipped to Asia and Africa), while Japanese companies and entrepreneurs invested in cotton mills in Bombay and match factories in Calcutta.

All of these prewar contacts were disrupted by the Second World War, but not everything died out. In the post-independence period Japan imported Indian steel, and began exporting some manufactured goods again. But such trade opportunities were limited during the period of India’s import-substitution industrialization. Meanwhile, Japan went through a period of high-speed growth in the 1950s and the 1960s, and the Japanese economy was transformed from a low-technology, labour-intensive type to a high-technology, human-resource-intensive one. It was

important that Japan was gradually able to restore the prewar pattern of intra-Asian trade of exporting (increasingly high-technology) manufactured goods to NIEs and ASEAN countries, and after the policy shift of 1979, to China, and importing primary products (and increasingly low-technology manufactured goods) from there. We had to wait till 1991 before India joined the dynamics of postwar intra-Asian trade where the flying-geese pattern of development (successive region-wide industrialization with technological grading up of each country) materialized.

The policy shift in 1991 marked an institutional change in terms of India's international trade, especially the reduction of tariffs and the easing of quantitative restrictions, which enabled Japan and other Asian countries to exploit the opportunities for trade with India much more fully than before. By around 2000 the majority of India's trade was conducted eastwards, that is, with the United States and East and Southeast Asia, rather than westwards (Europe, including Russia and Eastern Europe, Middle East and Africa). India is now much better connected with the growth economies of the world.

Meanwhile, the core of the dynamics of intra-Asian trade shifted from Japan to other East and Southeast Asian countries, especially, but not exclusively, to China. After the bubble burst of 1991, the Japanese economy suffered a long period of stagnation, and it continues to this day. This is partly due to domestic factors such as a rapid change to an ageing society with very low proportion of young generation. It has also to do with the slower pace of institutional change towards globalization than those in other Asian countries (China is a much more willing recipient of foreign investment, which many smaller Asian economies are much more willing recipients of foreign workers). Nevertheless, and in spite of the recent tsunami and nuclear plant disasters, Japan remains the third largest economy in the world, with strong technological capabilities. They are not confined to traditional manufacturing but include those which can support the development of medical, educational, environmental and other service industries.

**Q.1. Do you agree with the view that economic ties that lack the support of strategic partnerships tend to be less stable and even volatile, as is apparent from Japan's and India's economic relationships with China?**

Recent territorial disputes certainly show the relevance of this view. It is also true that Japan went into war four times between 1894 and 1945, in which other Asian countries suffered Japanese colonialism and aggression. On the other hand, we have had a very long period of peace as well; China and Japan peacefully coexisted and conducted trade, though small in amount, from the seventeenth to the first half of the nineteenth centuries; And, during the Maoist period, China and Japan conducted a small amount of trade relatively peacefully. After China's policy shift of 1979, the economic relations between China and Japan greatly and relatively steadily strengthened, in spite of a number of political tensions.

**2. What are the Prospects and Challenges for Expanding India-Japan Economic Relations?**

Any political or strategic initiatives should take into account the comparative advantage of each country. Invitation of skilled workers from India to Japan in greater numbers, and the export of technology from Japan to India are among the obvious possibilities. There is much room for Japanese investment in infrastructure and technological support for energy industry, as well as adaptation of Japanese practice in a wide range of agricultural and labour-intensive industries.

**3. Despite various initiatives, economic ties between India and Japan have been far below their potential. What perception gaps regarding the business environment in India continue to hinder Japanese investment?**

I think that the operation of Maruti Suzuki India has been successful, if we think about the entire history since the early 1980s. In spite of the recent riot, it shows that we could have lots of interesting cultural fusion and a mutually beneficial relationship.

**4. Experts say rising consumerism in India offers Japan huge potential. Do you believe that Japanese companies, whose trade and investment relations with the emerging South Asian giant have so far been limited, have a key opportunity to take advantage of the huge potential created by the new trends of consumerism in the country?**

Japanese technologies are already being used by labour-intensive industries, such as apparel industry, in India. I can see the possibilities of some of the more sophisticated technologies in food, clothing and building and construction industries adapted to India, in small but steady ways, with the initiatives of Indian entrepreneurs who visit Japan. This will not only help the growth of India's exports to Japan but more generally. We welcome such a development, and, though not flashy, I believe that, like a steady improvement of agricultural technology, they are arguably as important as high-technology transfer.

**5. Comprehensive Economic Partnership Agreement (CEPA) between India and Japan is set to make strong impact on bilateral ties. India-Japan relationship now is marked by "Shared values to shared interests". Do you share this assessment?**

Shared interests should certainly be recognized. They should however not inhibit the growth of multilateral trade and investment flows. Bilateral relations can only flourish with considerations for their implications for the growth of the regional and world economy as a whole.

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## (5) Prof.G V C Naidu

Centre for South, Central, Southeast Asian and Southwest Pacific Studies,  
School of International Studies, Jawaharlal Nehru University, New Delhi



G V C Naidu is Professor in Southeast Asian studies. A Doctorate from the Centre, he was Senior Fellow at the Institute for Defence Studies and Analyses (IDSA), New Delhi before joining JNU. He specializes in Asia Pacific issues, including Southeast Asian security, Japanese foreign and security policies, Asian multilateralism, maritime security, political economy of East Asia, and India's relations with East Asia. His visiting appointments/fellowships include Research

Fellow at the Institute of Southeast Asian Studies, Singapore; Japan Foundation Visiting Professor at the Daito Bunka University, Japan; Visiting Fellow at the East-West Center, Honolulu; and Visiting Fellow at the Japan Institute of International Affairs, Tokyo.

### Areas of Interest/Specialization

Southeast Asian Studies

### Experience

About 23 years

### Awards & Honours

1. Senior Visiting Fellowship, Japan Institute of International Affairs, Tokyo, May-November 2001.
2. Visiting Fellowship, East-West Center, University of Hawaii, Honolulu, USA: March-June 2000.
3. Visiting Professorship by the Japan Foundation at the Faculty of International Relations, Daito Bunka University, Tokyo: October 1994-September 1995.
4. Research Fellowship by the Institute of Southeast Asian Studies (ISEAS), Singapore: April 1989-June 1990.

### Best Peer Reviewed Publications

1. "Ballistic Missile Defence: Perspectives on India-Japan Cooperation," Strategic Analysis, January-February 2007.
2. "Looking East: India and Southeast Asia" in the Asia Pacific Forum by Academia Sinica, Taipei, Taiwan. April 2005
3. India-Japan Relations: Framework for Cooperation, Occasional Paper # 11 (Tokyo: Japan Institute of International Affairs (JIJA), 2002).
4. Multilateralism and Regional Security: Can the ASEAN Regional Forum Really Make a Difference?, Analysis from East-West Center, Issues # 45, August 2000. (Honolulu: East-West Center, August 2000).
5. "Indian Navy and Southeast Asia", Contemporary Southeast Asia (Singapore: ISEAS), June 1991.

### Recent Peer Reviewed Journals/Books

1. The Indian Navy and Southeast Asia (New Delhi: Knowledge World, IDSA, 2000)
2. Changing Security Dynamic in Eastern Asia (New Delhi: Bibliophile, 2005), ed. with N S Sisodia
3. India-Japan: Partnership for Peace and Security in Asia (New Delhi, Bibliophile, 2006), ed. with N S Sisodia

## **RESPONSE to Questionnaire**

### **1. How do you perceive the current state of Japan-India relations?**

By any yardstick current India-Japan relations are extremely good. No one had ever anticipated that these would make such remarkable progress in such a short period. When seen against the backdrop relations plunging to their lowest consequent to Indian nuclear tests in 1998 and by the time Koizumi visited India in 2005 and signed the historic 8-point Initiative, the relationship now is one of the most important for both countries. Their agenda is no more confined to bilateral issues but encompasses a large array of areas and issues at the global as well as Asian regional level.

### **2."Strengthening of the India-Japan strategic and global partnership enjoys the fullest support across the political spectrum in both our countries and is a factor of peace, prosperity and stability in Asia and the world," Indian Prime Minister ManmohanSingh said. How far do you support this statement?**

It may sound rather odd but surprisingly in both countries there is hardly any disagreement on the issue of strengthening their bilateral relations. Despite a change in political dispensation from LDP to DPJ and notwithstanding frequent changes in top leadership in Japan, and in India from BJP to the Congress, both sides ensured that they do not undermine their relationship. The holding of annual summit meetings, the highest and politically the most significant institutional mechanism between the two, uninterrupted is a testimony to their commitment to each other,

### **3. Do you agree with the view that economic ties that lack the support of strategic partnerships tend to be less stable and even volatile, as is apparent from Japan's and India's economic relationships with China.**

In fact it is the other way round. India and Japan have excellent political and strategic relations but economic links do not commensurate with them. Now efforts are being made to strengthen this relatively weaker leg through a series of measures such as the Comprehensive Economic partnership Agreement, the Delhi-Mumbai Industrial Corridor that is beginning to take off, and the proposed Bengaluru-Chennai Corridor.

### **4. Despite various initiatives, economic ties between India and Japan have been far below their potential. What perception gaps regarding the business environment in India continue to hinder Japanese investment?**

There are historical reasons for this with each pursuing different models of economic development strategies right from the late 1940s. By the time India opened its market in the early 1990s, Japanese economy started receding into prolonged recession and deflation and by

then Southeast Asia and China had emerged far more attractive for investments. India is yet to overcome some of the basic problems Japanese investors (and others too for that matter) face, especially the redtape and poor infrastructure. However, things are looking up. Not only big companies but even small and medium enterprises are now paying attention to India.

### **5. Can India push through a Nuclear Deal with Japan?**

It is a complex and sensitive issue. While Japan unreservedly supported the India-US civilian nuclear deal in NSG and other forums and appeared ready to enter into a bilateral agreement facilitating Japanese companies to enter the Indian market, the 2011 Fukushima nuclear accident created a massive anti-nuclear wave in Japan. No political leadership can ill afford to be insensitive to public sentiment. As a result it has been kept on the backburner although periodic talks continue by officials. From an Indian perspective, an agreement with Japan is critical because Japanese companies are the largest producers of nuclear reactors, have the most advanced technologies and have various technical and other tie ups with global reactor manufacturing companies such as American Westinghouse (Toshiba owns majority shares), GE (Hitachi) and the French Areva (Mitsubishi). Yet a deal is possible once the current anti-nuclear sentiment subsides.

### **6. There certainly exists some logic behind India, Japan and the US working together, and that too in a region that lacks solid security architecture. Is it a “Promising Initiative” ?**

The US-India-Japan trilateral in its recent avatar is yet to take a concrete shape as a formal mechanism and in terms of its objectives and role. It certainly is a major step to deal with enormous uncertainty and fluidity that the East Asian region is faced with. In order for it to succeed, it is indispensable to create an acceptable common agenda after identifying common interests and stakes in a manner that is not seen to be brazenly targeted at any country.

### **7. Do you agree with the argument that the Indo-Japanese partnership could be a stabilising factor in Asia, but it must try to accommodate China in a regional framework?**

No question that India-Japan partnership is a major stabilising factor in Asia. It is already visible in terms regional power balance. China's rise is a reality and it needs to be and can be accommodated in emerging regional order without suspicions and acrimony provided it plays by the established rules. In fact, both India and Japan do take considerable care to ensure that their relations with China remain on an even keel.

### **8. Is it not crucial that growing India-Japan ties are viewed independently of each country's relations with China?**

In any bilateral relationship especially among great powers, the China factor is a reality. That is normal and natural especially in the case of Japan and India as they have unresolved boundary and territorial issues. It is not easy to get rid of the historical baggage. Hence, the challenge is to ensure that mutual suspicions do not degenerate into either a debilitating arms race or a conflict. India-Japan strategic partnership is a kind of hedging strategy to face an unexpected development. Thus, there is no need to pretend as though China hardly matters in their bilateral relationship.

**9. A Russia-India-Japan triangle is of immense strategic import. It can help deter power disequilibrium in Asia. Do you see any prospects for its formation ?**

It is an infeasible idea and most unlikely to materialise certainly from a short to medium-term point of view and so long as Japan-US security agreement remains intact.

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## **(6)Professor Malcolm Cook**

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Before joining Flinders as Dean of the School of International Studies and Professor in International Relations in January 2011, I was the founding East Asia program director at the Lowy Institute in Sydney where I remain a visiting fellow.

Academically, I have a joint Bachelors degree in History and International Relations from McGill University in Canada (my country of birth), a Masters Degree in International Relations from the International University of Japan and a PhD in the same discipline from the Australian National University.

I have had the opportunity of living and working in Canada, Japan, South Korea and the Philippines before moving to Australia and I enjoy working in the intersections between academia, government and media on great power relations in Asia.

## Email Interview with **Professor Malcolm Cook**

### **1. How do you perceive the current state of Japan-India relations?**

I think Japan-India relations over the last 5-10 years have reached a new, higher level diplomatically, strategically and economically. India's membership in a growing number of Asia-Pacific groupings such as the East Asia Summit has aided this.

There is still great potential for the development of stronger and more diverse relations. There are some serious limitations though including distance, the major cultural and organisational differences between the two countries, the comparative lack of economic complementarity and the risk of the Japan-India relationship being perceived as driven by Tokyo's and New Delhi's relations with Washington and Beijing.

### **2. "Strengthening of the India-Japan strategic and global partnership enjoys the fullest support across the political spectrum in both our countries and is a factor of peace, prosperity and stability in Asia and the world," Indian Prime Minister Manmohan Singh said. How far do you support this statement?**

Fully. More predictable and institutionalised relations between major powers like Japan and India are good for peace, prosperity and stability. India's rapidly rising influence and the very dynamic strategic situation in Asia simply add to the importance of such major power relations. Fortunately for India, stronger relations for India suit both the pan-Asianists and the Asia-Pacific-oriented groups within Japan and the Japanese government.

### **3. Do you agree with the view that economic ties that lack the support of strategic partnerships tend to be less stable and even volatile, as is apparent from Japan's and India's economic relationships with China?**

Yes, but I think that Japan and China's respective relations with China show that strong and growing economic relations are very possible between countries that have weak and uncertain strategic relations. Firms trade with each other and within themselves across borders. States conduct strategic relations.

### **4. Maritime security is an area of mutual concern and cooperation. Do you see the feasibility of a 'quadrilateral approach' between Japan, Australia, the US and India on maritime security? Even though the promoters of this approach had retired, it had continued in the form of bilateral agreements.**

The Malabar exercises and Japan's continued participation in them is a good example of this. I would think that US-Japan-India trilateral cooperation is more likely to be frequent and sustained as Japan and the United States have larger and more capable navies than Australia. Multilateral naval exercises like RIMPAC and Kakadu provide opportunities for quadrilateral cooperation.

### **5. Can India push through a Nuclear Deal with Japan?**

Independent of the politics of India's coalition governments, the answer should be yes. Such a deal would be less controversial than the 123 deal with the United States and the Japanese government is keen to promote the export side of its suffering civilian nuclear industry. India's status as a NPT non-signatory should be less of a problem in today's Japan than it has been in the past.

### **6. There certainly exists some logic behind India, Japan and the US working together, and that too in a region that lacks solid security architecture. Is it a "Promising Initiative"?**

Yes, it is promising. More stable and institutionalised relations between major powers are beneficial. The shared strategic interests and democratic values between Japan, India and the United States are a strong basis for closer cooperation. The lack of effective regional security architecture addressing key security concerns in the region is not primarily due to the actions of India, Japan or the United States.

### **7. Do you agree with the argument that the Indo-Japanese partnership could be a stabilising factor in Asia, but it must try to accommodate China in a regional framework?**

In all regional orders in Asia except for a contested Chinese hegemony, a strong India-Japan partnership is stabilising as it is in the present order underpinned by American primacy. When it comes to China and regional frameworks, the onus lies more with China to integrate itself into existing frameworks and institutions and/or to create new ones that other regional states choose to join.

### **.8. Is it not crucial that growing India-Japan ties are viewed independently of each country's relations with China?**

It is very important not to view India-Japan ties as being primarily determined by the two countries' respective relations with the People's Republic of China. China's place in the global economy and the Asian security order are clearly key factors in Japanese and Indian international economic and strategic decision-making but they are far from the only factors. Japan and China have a rich history of interaction and both are major powers in their own right

### **9. A Russia-India-Japan triangle is of immense strategic import. It can help deter power disequilibrium in Asia. Do you see any prospects for its formation ?**

Not while Japan and Russia have an active border dispute over the Northern Territories and not while the United States and Russia do not have a cooperative strategic relationship.

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## (7) Tetsuo Kotani

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Research Fellow,

Japan Institute of International Affairs (JIIA), Chiyoda-ku, Tokyo

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### Research Interests

- The US-Japan alliance
- Maritime Security
- Geopolitics and Geostrategy

*His research focuses on the strategic implications of the forward deployment of U.S. aircraft carrier groups in Japan. His other research interests include U.S.-Japan relations and maritime security. He is preparing his first book on maritime security.*

### Education

2008 Withdrawal from Ph.D. Program in Political Science with a completion of course requirements, Doshisha University (Kyoto)

2001 M.A. in American Studies, Doshisha University (Kyoto)

1998 B.A. in Education, Osaka Kyoiku University (Osaka)

### Professional Experience

2012 Instructor, Faculty of Law, Hosei University (Tokyo)

2010 Special Research Fellow, The Okazaki Institute (Tokyo)

2006 Research Fellow, Ocean Policy Research Foundation (Tokyo)

2003 Fellow, U.S.-Japan Center, Vanderbilt Institute for Public Policy Studies, Vanderbilt University (Nashville, TN)

### Selected Publications

#### Articles

- "Reluctant Sea Power: Geopolitics in Asia and Japan's Maritime Strategy," in Robert Ross et al., ed. *Twenty-First Century Seapower: Cooperation and Conflict at Sea* (Routledge, forthcoming May 2012)
- "Presence and Credibility: Homeporting USS MIDWAY at Yokosuka," *The Journal of American-East Asian Relations*, Vol. 15 (2008)
- "Turbulent Changes: Democratic Party Government and Japan's Foreign Policy," *Russia in Global Affairs*, Vol. 8, No. 4, (October-December 2010)

#### Presentations

- "Atomic Bombing Reconsidered: Japanese "Official" Interpretation?," New York Conference on Asian Studies, September 23, 2005, New Paltz, NY
- "Presence and Credibility: Homeporting USS MIDWAY at Yokosuka," Society for Historians of American Foreign Relations, June 25, 2007, Washington, D.C.

#### Research Grants and Fellowships

2006-2008-Security Studies Fellowship, Research Institute for Peace and Security -2004-Defense Minister Prize

## Response to Questionnaire

### **1. How do you perceive the current state of Japan-India relations?**

The bilateral relations have lots of opportunities and challenges. Under the Japan-India strategic global partnership, both governments have expanded areas of cooperation from maritime security to economic and trade. But the level of cooperation is still primitive. The amount of bilateral trade is still very small. Both governments emphasize "common values" but obviously democracy and freedom mean different things in Japan and India. As we get to know each other more, we will find more differences than similarities. Japan and India will never become allies. We should not expect too much at this moment. The priority is deepen mutual understanding and expand communication channels.

### **2. "Strengthening of the India-Japan strategic and global partnership enjoys the fullest support across the political spectrum in both our countries and is a factor of peace, prosperity and stability in Asia and the world," Indian Prime Minister Manmohan Singh said. How far do you support this statement?**

The Democratic Party of Japan (DPJ) took the government in 2009 and changed Japan's foreign policy very much. But the relationship with India was one of few exceptions. DPJ continued to emphasize the importance of Japan-India relations and deepened the bilateral ties. In that sense, there is a bipartisan support for stronger Japan-India ties in Japan. But Japan-India relations have potential to contribute to peace and prosperity in the region in the future, if we manage the relations carefully.

### **3. Do you agree with the view that economic ties that lack the support of strategic partnerships tend to be less stable and even volatile, as is apparent from Japan's and India's economic relationships with China?**

I don't understand what you want to know. All I can say is Japan and India need to expand economic ties to deepen the overall strategic partnership. Japan and India should consider how their economic cooperation can reduce dependence on China.

### **4. Maritime security is an area of mutual concern and cooperation. Do you see the feasibility of a 'quadrilateral approach' between Japan, Australia, the US and India on maritime security? Even though the promoters of this approach had retired, it had continued in the form of bilateral agreements.**

Mr. Abe may come back as prime minister and try to promote the quadrilateral approach. But among the four countries, only India has excessive claims in its EEZs, infringing freedom of navigation. India's interpretation is very similar to that of China. Unless India

understands the meaning of freedom of navigation, I don't expect too much from the cooperation with India.

### **5. Can India push through a Nuclear Deal with Japan?**

The Fukushima disaster changed the context completely. The problem is not India's nuclear weapons but Japan's non-nuclear policy. Until Japan decides its future nuclear policy, it will be difficult to promote the bilateral nuclear deal.

### **6. There certainly exists some logic behind India, Japan and the US working together, and that too in a region that lacks solid security architecture. Is it a "Promising Initiative" ?**

I don't understand this question. There is no solid security architecture like NATO, but US alliance network and ASEAN provide the foundation for regional security cooperation. There are lots of functional mechanism such as WPNS, ReCAAP, ARF, etc.

### **7. Do you agree with the argument that the Indo-Japanese partnership could be a stabilising factor in Asia, but it must try to accommodate China in a regional framework?**

Yes, but Indo-Japanese partnership is too small to accommodate China at this moment, and needs to be expanded. China knows India is too much dependent on China economically, when Japan is taking distance from China due rising tensions over the Senkaku islands.

### **8. Is it not crucial that growing India-Japan ties are viewed independently of each country's relations with China?**

I think China is the primary driver of the bilateral relations. Without China, I wonder if we have strong incentive to expand the bilateral relations.

### **9. A Russia-India-Japan triangle is of immense strategic import. It can help deter power disequilibrium in Asia. Do you see any prospects for its formation ?**

It's a big hypothesis. Russia and India have historical ties but Japan-Russia relations are complicated. We may be able to work on functional issues such as maritime security and energy security but I don't expect strategic cooperation.

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## (8) Dr Thomas Wilkins

**Senior Lecturer**

**Centre for International Security Studies**

**University of Sydney**

**NSW 2006 Australia**

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BA (Hons) MA (Hons) PhD Birm

Dr Thomas Wilkins specialises in Security Studies and Strategic Studies, with a particular emphasis on the Asia-Pacific region. He wrote his Ph.D thesis on the topic of Coalition Warfare at the University of Birmingham and as an Exchange Visitor at the School of Advanced International Studies, Johns Hopkins University.

Before joining the University of Sydney he was a Lecturer in Military History/Security at the Department of Politics and Contemporary History, University of Salford, and held Post Doctoral Fellowships at the University of San Francisco, the East West Center (Honolulu) and the International Institute for Asian Studies (Amsterdam). In addition to contemporary International Relations and Security Thomas Wilkins retains an active interest in the field of international history, where he regularly contributes to Military History journals.

Tom will spend the 2012-2013 academic year at National Taiwan University under the auspices of a Ministry of Foreign Affairs Taiwan Fellowship and at Tokyo University via a Japan Foundation Japanese Studies Fellowship.

### Publications

#### 2011-2012

##### Book Section/s

**Wilkins T** 2012 (final draft submitted) 'Reinventing Japan in the Asian Century', Book Chapter for Edited Volume, Matthias Maass, Yonsei University

**Wilkins T** 2011 (in press) 'Japan-Australia Security Relations: Building a Real Strategic Partnership?' in Bill Tow and Rikki Kersten, (eds.), *Bilateral Perspectives on Regional Security: Australia, Japan and the Asia-Pacific Region*, London: Palgrave

##### Journal Article/s

**Wilkins T** 2011 (in press) 'Alignment, not Alliance: The Shifting Paradigm of International Security Cooperation' for *Review of International Studies*.

**Wilkins T** 2011 'Japanese Alliance Diversification: A Comparative Analysis of the Indian and Australian Strategic Partnerships', *International Relations of the Asia-Pacific*, vol.11:1, pp. 115-155

**Wilkins T** 2011 'Australia and Japan: Allies in the making', East Asia Forum, July 30th, 2011.

<http://www.eastasiaforum.org/2011/07/30/australia-and-japan-allies-in-the-making/>

**Wilkins T** and Malcolm Cook, 2011 'Australia and Japan: Allies in Partnership', Asia Pacific Bulletin, No. 101, March 17, 2011. East West Center, Washington DC.

**2010**

#### **Book Section/s**

**Wilkins T** 2010 'Building Regional Security Architecture: The Shanghai Cooperation Organisation From an Organisational Theories Perspective' in *State, Society and International Relations in Asia*, ed. M. Parvizi Amineh, Amsterdam University Press, Amsterdam, Netherlands, pp. 163-78

#### **Journal Article/s**

**Wilkins T** 2010 'Book Review: "Strategic Studies: A Reader", edited by Thomas G. Mahnken and Joseph A. Maiolo, London: Routledge, 2008', *Journal of Strategic Studies*, vol.33:1, pp. 172-3

**Wilkins T** 2010 'The new 'Pacific Century' and the rise of China: an international relations perspective', *Australian Journal of International Affairs*, vol.64:4, pp. 381-405

#### **Conference Paper/s**

**Wilkins T** 2010 'Japan's Alliance Mobilization, 51st Annual Convention of the International Studies Association ISA 2010 - "Theory vs. Policy? Connecting Scholars and Practitioners", New Orleans, United States, 20th February 2010

**2009**

#### **Journal Article/s**

**Wilkins T** 2009 'Book Review: Europe at War 1939-1945: No Simple Victory. By Norman Davies. London: Macmillan, 2006. ISBN 978-0333-69285-1', *Journal of Military History*, vol.73:3, pp. 990-1

**Wilkins T** 2009 'Article Review: Anatomy of a Military Disaster: The Fall of Singapore 1942, (Reviewed works: Singapore Burning by Colin Smith, The Battle for Singapore by Peter Thompson, Britain's Greatest Defeat by Alan Warren, and Singapore Diary: The Hidden Journal Of Captain R. M. Horner)', *Journal of Military History*, vol.73:1, pp. 221-230

#### **Conference Paper/s**

**Wilkins T** 2009 'China's 'Strategic Partnership' Network: Mechanisms for Hegemony?', *International Studies Association & Brazilian International Relations Association Joint International Meeting - ISA-ABRI Conference 2009 - "Diversity and Inequality in World Politics"*, Rio de Janeiro, Brazil, 24th July 2009

**Wilkins T** 2009 'Shifting patterns of alignment in the Asia-Pacific, *Santiago 2009 - 21st World Congress of Political Science*, Santiago, Chile, 16th July 2009

**2008**

#### **Journal Article/s**

**Wilkins T** 2008 'Russo-Chinese Strategic Partnership: A New Form of Security Cooperation?', *Contemporary Security Policy*, vol.29:2, pp. 358-383

**Wilkins T** 2008 "Analytical Eclecticism" in *Theorizing Japanese Security Policy: A Review Essay*. Reviewed works: Pyle, Kenneth B., *Japan Rising: The Resurgence of Japanese Power and Purpose* (New York: Public Affairs, 2007), Katzenstein, Peter J., *Rethinking Japanese Security: Internal and External Dimensions* (London: Routledge, 2008), Samuels, Richard J., *Securing Japan: Tokyo's Grand Strategy and the Future of East Asia*, (New York: Cornell University Press, 2007).', *Asian Security*, vol.4:3, pp. 294-9

**Wilkins T** 2008 'Article Review: The Battle for Japan 1944-45 (A 'Critique' of Max Hastings' 'Nemesis')', *The Japan Policy Research Institute*

**Wilkins T** 2008 'Article Review: Forgotten History? The Collapse of British Asia 1941-49 (Reviewed works: 'Forgotten Wars: Freedom and Revolution in Southeast Asia' and 'Forgotten Armies: The Fall of British Asia, 1941-1945' by Christopher Bayly & Tim Harper)', *Journal for the Society for Army Historical Research*, vol.86:345, pp. 101-103

**Wilkins T** 2008 'Article Review: "Graveyard of Armies": A History of Conflict in Afghanistan (Reviewed works: 'Afghanistan' by Amalendu Misra and 'The Origins of Conflict in Afghanistan' by Jeffery J. Roberts)', *Journal of International Peace Keeping*, vol.15:2

**Wilkins T** 2008 'How the West will cope with the rise of Asia (A review Essay of Kishore Mahbubani, 'The New Asian Hemisphere')', *IIAS Newsletter*:49

**Wilkins T** 2008 'Three's a Crowd?: Declining US Hegemony in the Asia-Pacific (A Review Essay of Joseph Camilleri et al. (eds.) 'Asia-Pacific Geopolitics')', *IIAS Newsletter*:47

**Wilkins T** 2008 Forthcoming 'The Korean Presidents: Leadership for Nation-Building', *Journal of Korean Studies*, vol.32

**Wilkins T** 2008 'Security First: For a Muscular, Moral Foreign Policy', *Journal of Strategic Studies*, vol.31:4

**2007**

**Book Section/s**

**Wilkins T** 2007 'Trilateralism and Cooperation on Asymmetrical Threats: Terrorism, WMD and Regional Instability' in *Asia-Pacific Security: US, Australia and Japan and the New Security Triangle (By invitation, with honorarium)*, ed. William Tow & et al, Routledge-Curzon, London, United Kingdom, pp. 164-177

**Journal Article/s**

**Wilkins T** 2007 'Towards a "Trilateral Alliance?" - Understanding the Role of Expediency and Values in American-Japanese-Australian Relations', *Asian Security*, vol.3:3, pp. 251-278

**Wilkins T and Melillo E** 2007 'The "Pacific Century" Revisited', *Pacific Rim Report*, vol.48

**Wilkins T** 2007 'Forgotten Armies: The Fall of British Asia, 1941-1945', *War in History*, vol.15:2

**Wilkins T** 2007 'Japan's Security Policy and The ASEAN Regional Forum', *Pacific Affairs*, vol.80:2

**Wilkins T** 2007 'Pax Pacifica: Terrorism, the Pacific Hemisphere, Globalisation and Peace Studies', *Journal of International Peace Keeping*, vol.14:5

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## **Response to Questionnaire**

### **1. How do you perceive the current state of Japan-India relations?**

Indo-Japanese relations are currently as close as ever. There is every incentive on both sides to make them closer; and yet as is often the case, the potential remains disappointingly under-fulfilled. Japan and India, along with China and the US are the major four powers in the Asia-Pacific region, and so this relationship ought to take on greater significance in the future. I expect trade and investment between the countries to grow substantially coupled with deepening strategic ties.

**2."Strengthening of the India-Japan strategic and global partnership enjoys the fullest support across the political spectrum in both our countries and is a factor of peace, prosperity and stability in Asia and the world," Indian Prime Minister Manmohan Singh said. How far do you support this statement?**

This overall statement may be true from the Indo-Japanese perspective, and likely to be endorsed by the US and its other allies, but it is unlikely to find support in Beijing (or Moscow). First, if it is true that the relationship enjoys bipartisan domestic political support, which I do not doubt, that is a good thing. Second, the part about "peace, prosperity and stability in Asia" is essentially a meaningless cliché, repeated ad finitum by every regional state. It reflects no particular policy objective or initiative.

**3. Do you agree with the view that economic ties that lack the support of strategic partnerships tend to be less stable and even volatile, as is apparent from Japan's and India's economic relationships with China?**

Yes – 'real' (as opposed to 'false' or rhetorical) strategic partnerships are built on a stronger and broader platform than a regular bilateral relationship. India was one of the first to recognize the value of such strategic partnerships, which can be defined as (in my own words) as: 'privileged bilateral relations, centered on economic cooperation, but extending to security issues, and including meaningful commitment to shared values and interests. The essence of such a partnership, bringing the parties into alignment, is replicated across a series of government, business, NGO, and public contacts and commitments between such partners.' They fall short of a formal alliance treaty, but can be considered a more versatile, flexible and low-commitment mechanism to acquire allies. Unlike the Japan-PRC bilateral relationship, though economic cooperation is very high (much higher than with India), there is no consensus on shared values and interests, and potential adversarial elements. To dub this bilateral a 'strategic partnership' would be nonsensical. In fact, Japan's recent shift in economic emphasis from China (recently terminating ODA) to India (biggest Japanese ODA recipient) is reflective of the above analysis. Japan and India have huge economic complementarities waiting to be exploited, and it is quite clear that Tokyo feels greater trust towards New Delhi than Beijing, when the wider international picture is considered – hence the strategic partnership.

**4. Maritime security is an area of mutual concern and cooperation. Do you see the feasibility of a 'quadrilateral approach' between Japan, Australia, the US and India on maritime security? Even though the promoters of this approach had retired, it had continued in the form of bilateral agreements.**

The 'quad' approach was evident in the combined maritime relief response to the 2004 Indian Ocean Tsunami (known as the 'core group'). When tried officially in 2007 it aroused Beijing's displeasure, which caused Australia to backpedal on expanding the Trilateral Strategic Dialogue (TSD) into a QSD. As already evidenced, quadrilateral maritime cooperation makes perfect sense (as evidenced by joint operation MALABAR (including Singapore)), but is seen as potentially too provocative to China. Particularly the role of India and Australia in securing the nexus between the Indian and Pacific Oceans (the increasingly touted 'Indo-Pacific' region), is desirable. The current status of the QSD remains uncertain.

**5. Can India push through a Nuclear Deal with Japan?**

I am not qualified to give detailed analysis of this question. One only has to note the deep anti-nuclear sentiments here in Japan, as a result of the Fukushima disaster, to recognize that no

government would dare strike any kind of nuclear deal with India at this time. This is added to an already ambivalent attitude to India's nuclear program, based upon Tokyo's hostile response to New Delhi's 1998 nuclear tests. This has been softened by the US-India nuclear deal and new strategic environment, but remains a factor.

**6. There certainly exists some logic behind India, Japan and the US working together, and that too in a region that lacks solid security architecture. Is it a "Promising Initiative" ?**

Of course such trilateral cooperation has its benefits, though every such hint of such is read negatively in Beijing. The current state of the regional security architecture in the Asia-Pacific is complex and incoherent. There are many 'trilaterals' that supplement and complement wider institutional bodies such as the ARF, APEC, ASEAN+3 and EAS processes.

**7. Do you agree with the argument that the Indo-Japanese partnership could be a stabilising factor in Asia, but it must try to accommodate China in a regional framework?**

Yes, but it all comes down to one's own national point of view. For Japan and India it is stabilizing, for China it could be read as potentially threatening. So far the finest minds among regional policy-makers have been unable to create a security mechanism that squares this circle.

**8. Is it not crucial that growing India-Japan ties are viewed independently of each country's relations with China?**

Yes, bilateral relationships should always be viewed independently, but must also occur within the wider context of regional security and economic dynamics. There is no escaping this fact, as the age-old game of 'great power politics' demonstrates to us.

**9. A Russia-India-Japan triangle is of immense strategic import. It can help deter power disequilibrium in Asia. Do you see any prospects for its formation ?**

Very little, though India and Russia are on excellent terms through the framework of their own 'strategic partnership', Tokyo and Moscow are 'estranged', to put it mildly. Medvedev's visit to the disputed Kurile Islands/Northern Territories was seen as an outrageous affront to Japanese national sentiment, and was to soon be replicated by Seoul (Dokdo/Takeshima Islands), and attempted by Chinese individuals (Senkaku/Daiyou Islands). The current state of nationalist 'island fever' among Japan, China, and Korea is a worrying development for regional stability. Paradoxically, - since Russia stands to benefit immensely from a genuine peace treaty/territorial deal over these disputed territories (since it is clear that Japan would invest enormously in Russia's undeveloped Siberian/Fra East provinces) - one looks on in dismay at this and the subsequent round of populist politics being played by regional premiers.

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# Articles

1. **Prof. Michimi Muranushi**, Gakushuin University, Tokyo, Japan (pp.37-54)
2. **Lieutenant General Yamaguchi**, JGSDF (Ret.) currently a professor of the National Defense Academy of Japan (pp.55-63)
3. **Dr.Artyom LUKIN**, Associate Professor and Deputy Director for Research at the School of Regional and International Studies, Far Eastern Federal University (Vladivostok, Russia) (pp.64-74)
4. **DR.DAVID ARASE**, Professor of International Politics, The Johns Hopkins-Nanjing University Center for Chinese and American Studies, Nanjing, China (pp.75-110)
5. **Dr.Gopalji Malviya**, Dean, Centre for Defence Technology Studies, Hindustan University, Chennai; formerly Professor and Head of the Department of Defence and Strategic Studies at the University of Madras (pp.111-124)
6. **Dr.Yoichiro Sato**, Professor and Director of International Strategic Studies, Ritsumeikan Asia Pacific University, Japan (pp.125-134)
7. **Dr.Rabinder N. Malik**, Visiting Lecturer, Keio University, Tokyo, Japan ; Senior Visiting Fellow/Coordinator, TERI-Japan ; Former Executive Officer, United Nations University, Japan (pp.135-139)
8. **Dr.Makoto KOJIMA**, Professor at Faculty of International Studies, Takushoku University, Tokyo (pp.140-160)
9. **Dr. CHEN Youjun**, Shanghai Institutes for International Studies (pp.161-170)
10. **Sourabh Gupta**, Senior Research Associate, Samuels International Associates, Inc. (SIA), Washington, D.C (pp.171-184)
11. **Yang Fang**, Research Associate, Centre on Asia and Globalization (CAG) at the Lee Kuan Yew School of Public Policy, National University of Singapore (pp.185-204)
12. **Sanjana Joshi**, Senior Consultant with the Indian Council for Research on International Economic Relations (ICRIER) New Delhi & **Isha Dayal**, Research Assistant with the Japan Project at ICRIER (pp.205-217)
13. **Arpita Mathur** has been Visiting Research Fellow with the South Asia division of the S. Rajaratnam School of International Studies at the Nanyang Technological University, Singapore (pp.218-233)
14. **Dr. Joshy M. Paul**, Associate Fellow, National Maritime Foundation, New Delhi, India (pp.234-255)
15. **Dr. Vikash Ranjan**, Research Fellow, Indian Council of World Affairs, New Delhi (pp.256-270)

**Recent Actions and Reactions in Sino-Japanese Dispute  
over the Islands of the East China Sea and their Implication for India**

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## Recent Actions and Reactions in Sino-Japanese Dispute over the Islands of the East China Sea and their Implication for India

**Michimi Muranushi**

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2012 is an eventful year for China. Chongqing mayor Bo Xilai's big money-laundering family project and his wife's involvement in the murder of a British citizen surfaced and casted most serious doubt on the quality of the current political elites of China. This criminal drama is not a matter of individuals but of the way this country is governed. No.2 in GDP and No.1 in corruption, China thrives on a volcano. The rich and powerful plan to hide money across the border, while the poor and powerless have nowhere to go. The concept of 'people' in the People's Republic has become meaningless when the society is sharply divided by wealth and ethnicity. With the 18<sup>th</sup> Chinese Communist Party Congress approaching, China needed legitimation of its system. One way for this was to find an external issue against which people unite and cohere with their rulers.

After the announcement by the Japanese government on September 10, 2012 that the government of Japan purchased the Senkaku island and other islets for 26.15 million U.S. dollars with reserve funds, China started waves of vehement protest against Japan, and the trend continues as of October 2012. Apparently the two countries entered a relatively long period of sustainable tension.

The Senkaku Islands (Dyaoyu Islands in Chinese) consist of 5 islets in the East China Sea. The issue on the sovereignty over the islets and the territorial water around them is not new, but China and Japan did not confront each other over the issue until recently. Japan officially sees the islets as a part of the Okinawa prefecture of Japan. Although each of them is small and now uninhabited, the islets mean a large area of territorial water and economic zone, having been estimated to be rich in oil since around 1970. The control over the islets and their surrounding areas also means control over the southwest end of the Sea of Japan (Yellow Sea), which is essential for the maneuver of Chinese naval forces.

Strangely enough, the Japanese government repeats an unpersuasive phrase that there that there is no outstanding territorial dispute between Japan and China over the Senkaku Islands. This is a way for the government to stress that Japan's sovereignty over the islets is indisputable. But it is a fact that China and Taiwan also claim sovereignty over the area.

Now in September 2012, Chinese foreign minister denounced Japan in the UN that Japan stole the islands from China. But it is a fact that it is only in the early 1970s that

Taiwan began to claim the islands as Diaoyu, and the People's Republic of China followed Taiwan. Shortly before that, the area's potential of natural resources began to be known to the world. The official map of Taiwan used to draw a line between Taiwan and the islets. And the PRC's maps have illustrated the islands as Japanese territory in the 60s during the Cultural Revolution.

*Pro-Chinese way of explanation is, as the Pakistani editorial below ;*

*.....the islands are historically part of China but were lost to Japan in the Sino-Japan war in 1894-95. In the wake of Japanese defeat in the World War II, the legitimacy of the Chinese claim to the islands was recognised by the victors of the war, which included the United States. But somehow the islands remained in the hands of a private landowner, who had even let out one of the rocks to the US air force for practice rocket-firing<sup>1</sup>.*

China stresses that Japan violated the order after World War II. According to China, it has been historically a Chinese territory and Japan was obliged by San Francisco treaty to return to China what it usurped from Qing after the Sino-Japanese War at the end of the 19<sup>th</sup> century

China seems to be making two mutually contradictory requests. One is that the islands are legitimate Chinese territory, and the other is that Japan violated the agreement between China and Japan before normalization to shelve the dispute to be settled by future generations. Behind the latter is the perception that the balance of power between China and Japan will tilt for China's favor in the future.

China now claims that "Diaoyu Islands Are China's Inherent Territory Since Ancient Times<sup>2</sup>." It tries to cite many reasons why the islets have been Chinese territory

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**Note : All the quotes (footnotes) in the article are from online database named World News Connection or WNC in short.**

<sup>1</sup> Pakistan Editorial: China, Japan Need To Settle 'Territorial Dispute' Thru Talks  
Editorial: "Territorial Dispute" *Business Recorder Online Saturday, September 22, 2012 T08:40:58Z*

<sup>2</sup> RMRB Article on Diaoyu Islands History Slams Japan's 'Nationalization'  
Scheme

Article by Guo Jiping: "How Can China Allow Others to Wantonly 'Trade' on Its Diaoyu Islands" *Renmin Ribao Online Tuesday, September 18, 2012 T20:28:13Z*

since the 14<sup>th</sup> century. It says that Japan stole the islets from China at the end of the 19<sup>th</sup> century. But the People's Daily recorded the islets as Japanese in the 1953, using the Japanese name of Senkaku, not Diaoyu. A Chinese citizen's blog which pointed this out this inconvenient truth in September 2012 disappeared a few days later.<sup>3</sup> During the 1950s and 1960s, before the return of Okinawa to Japan, the US forces used the islets for rocket-launching exercise. Neither Beijing nor Taipei filed protest.

Different views exist on the connection between Sino-Japanese diplomatic normalization and the Senkaku island.

*China's former leader Deng Xiaoping famously proposed that, for the sake of better Sino-Japanese relations, the two countries should shelve the Diaoyu/Senkaku dispute for future generations to resolve. That wisdom remains the best advice to date, especially given that the consequences of a worsening bilateral relationship would extend far beyond China and Japan.*<sup>4</sup>

It is Japan's position that Japan did not concede on its sovereignty over the Senkaku islands.

#### Release of a Chinese fishing boat captain in 2010

It is in September 2010 that Japan was compelled to release a Chinese captain of a Chinese fishing boat which entered Japanese territorial water around Senkaku, and intentionally collided with a Japanese patrol boat after being chased. Under multi-dimensional pressure from China, such as China's apparently intentional arrest of Japanese construction engineers who had been working for the disposal of the chemical weapons left by the Japanese army during World War II, and the termination of the Chinese export of rare-earth to Japan, the Democratic Japanese government of prime minister Kan Naoto decided to free the Chinese. After contributing this diplomatic victory to China, the Kan cabinet lied to the Japanese that the decision was made not by the cabinet members but by the district prosecutor's office of Okinawa. This was one of the most submissive moments in recent Japanese history. The released Chinese captain came back to China and received a

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<sup>3</sup> RMRB Article on Diaoyu Islands History Slams Japan's 'Nationalization'

Scheme

Article by Guo Jiping: "How Can China Allow Others to Wantonly 'Trade' on Its Diaoyu Islands" *Renmin Ribao Online Tuesday, September 18, 2012 T20:28:13Z*

<sup>4</sup> ROK Column: Island Sovereignty Issue Hurts China-Japan Relations

Article by Wenran Jiang, "Islands of Nationalism" *Korea JoongAng Daily Online Tuesday, September 4, 2012 T05:43:42Z*

warm welcome as a hero. This capitulation may have given China a false lesson that Japan will succumb to a threat.

Fighting with the district public prosecutor's office of Okinawa, which refuses to prosecute the Chinese captain, some Japanese citizens resorted to the system of mandatory indictment. They finally succeeded in March 2012 to indict the Chinese captain on account of obstructing the performance of official duties. With the captain remaining in China, however, there is little hope that he will be brought to justice under Japan's legal system.

It is around 2010 that China began to use the term 'core interest', apparently to categorize essential Chinese claims, including South China Sea and the Senkaku Islands. And China's control over the South China Sea has been mentioned in the Japanese media more often than before.

### **Acquisition decision**

Japan, which China may have seen as easy country to handle in 2010, tried to survive the humiliation. In late April of 2012 Tokyo governor Ishihara announced that Tokyo municipal government would purchase the Senkaku Islands from its current private owner, Kurihara family. This is a policy to guard against China in Senkaku areas after the 2010 incident. And the governor began negotiation.

This move was supported by the Japanese public, who was willingly to donate to Tokyo for the purchase. Then prime minister Noda Yoshihiko officially announced on September 10 that the Japanese government purchased the islands. The intention of the Japanese government was not to provoke the Chinese government by letting the land fall in Tokyo's hands. But China regarded the whole process as a double act to deceive China. According to China;

*The cards have finally been shown in the double act of Japanese Prime Minister Yoshihiko Noda and Tokyo Governor Shintaro Ishihara in the farce of "island purchase" which has been going on for nearly half a year<sup>5</sup>.*

### **Right wing move?**

China says ;

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<sup>5</sup> PRC Paper Assails Japanese Politicians' Diaoyu Issue Calculations

Article by staff reporter Zhang Lei: "Politicians Pulling Chestnuts From the Fire; China-Japan Relations at Rock Bottom" *Zhongguo Qingnian Bao Online*  
 Tuesday, September 11, 2012 T10:09:41Z

*The "island purchase" incident whipped up by a handful of right-wingers in Japan's politics is a farce of "tail wagging the dog".<sup>6</sup>*

*Japan's coveting of China's Diaoyu Island seemed to be a contention for territory, but was actually the reflection of the reviving phantom of militarism in Japan, which attempted to challenge and break the post-WWII international order.<sup>7</sup>*

China seems to characterize the Japanese move as extremism, reviving phantom of militarism. True, not all Japanese supported the government decision. Nobel prize laureate Oe Kenzaburo and 800 others issued a statement on September 28. The statement mentioned the ongoing Japanese territorial disputes with Korea and China, and said that the decision toward nationalization of the Senkaku Islands was a mistake and that Japanese should have criticized Ishihara. This is, however, a very isolated view.

Failing to perceive that the initial plan of Ishihara had mass support, China miscalculated the move by the Japanese government. It may have hoped that Japan may hesitate to purchase the island at the last moment in front of Chinese warning. The purchase came only a few days after the meeting between Hu Jintao and Noda Yoshihiko at APEC.

For Japan, sovereignty and land ownership are two separable matters. Land can be owned by the central government, local government, a company, or a private citizen. Whether the islets are owned by the central government does not affect Japan's sovereignty. The islets were for many years under Japan's effective control. But evidently for China, where all land is owned by the state, the shift from private ownership to state ownership seems to have meant a qualitative change. Japan probably underestimated the intensity of China's reaction. And Japan did not communicate with China well in advance. It was in answer to a question from the press in July 2012 that Noda said that the government intended to purchase the Senkaku Islands.

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<sup>6</sup> RMRB Article Says Japanese PM 'Fuzzy' on 4 Issues Related to Diaoyudao Island

Article by Ye Xiaowen, Renmin Ribao contract commentator and Chinese side member of the 21st Century Committee for Sino-Japanese Friendship: "Noda Is Fuzzy on Four Issues (Wanghailou Column)" *Renmin Ribao (Overseas Edition) Online Saturday, September 22, 2012 T16:38:10Z*

<sup>7</sup> RROE Article Views US Defense Secretary Panetta's Visit to China

Article by special commentator Tian Wenlin, associated research fellow of the China Institute of Contemporary International Relations: "Enhanced US-China Cooperation Will Bring More Benefits to the United States" *Renmin Ribao (Overseas Edition) Online Saturday, September 22, 2012 T14:24:55Z*

Noda cabinet's decision to purchase the islands was, however, a reaction to Tokyo Governor's move. When the talk between the islands' owner and Tokyo started, Noda cabinet worried about the consequence of the Tokyo plan. To prevent governor Ishihara, one of the arch-enemies of China, from controlling the most controversial part of Japan's territory, Noda, decided to deny the territory to Tokyo. In this sense Noda's intention was avoiding the worst case. As the government of Japan had no legal power to stop Tokyo's ownership, national ownership was almost the only alternative. But China does not show understanding to this.

*In fact, in the "islands purchase" farce, the Japanese government not only has performed a two-man show with Shintaro Ishihara, a Japanese right-wing politician, but also has staged a "drama of plight" to the world. Japanese Prime Minister Yoshihiko Noda said that purchasing the Diaoyu Islands is "for the sake of maintaining steady and stable administration and preventing an unexpected situation from occurring".*

### **Demonstrations and Violence**

China's position is that 'the tense situation around the Diaoyu Islands was completely stirred up by Japan and thus Japan should be responsible for the consequences.'<sup>8</sup>Demonstrations against Japan started in all major cities in the east part of China except Dairen.

A Demonstration is a double edged sword in China. People can use the opportunity permitted to them to express their discontent against the regime rather than against the official enemy. People can carry a placard saying, for example, 'Although we are deprived of houses by the government, we are against Japan' or 'Send our fierce policemen to the islets to fight the Japanese.' The regime have to take care so that demonstrations will not be misdirected.

Carrying such banners as "Leave Japanese dogs" and "Exterminate the Japanese,"<sup>9</sup> the demonstrations often turned violent. Japanese restaurants, supermarkets, and plants, were attacked by mobs. They looted and sometimes set fire on plants. The process testifies to the remnants of totalitarianism under the mask of people's will. The demonstrations

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<sup>8</sup> PRC Expert Calls For Fighting Back Japan Over Diaoyu Islands Issue

By reporter Xi Haiyang, "Expert: Fallacious Argument Cannot Change Japan's Wild Ambition to Usurp and Occupy Chinese Territory" *Zhongguo Xinwen She*  
Thursday, September 13, 2012 T13:01:58Z

<sup>9</sup> AFP: More on Anti-Japan Protests in China as Chinese Ships Enter Senkaku Waters"Anti-Japan Protests as Chinese Boats in Disputed Area" -- AFP headline  
AFP Tuesday, September 18, 2012 T13:34:36Z

were actually organized and directed by the Chinese state. Those who attacked Japanese shops and plants, included the Chinese police. Chinese police were seen distributing water to demonstrators, or taking pictures with them. Some of the leaders who were heading the demonstrations were identified later as police members in the internet.

Some demonstrators carry a large portrait of Mao Tze-tung, revealing extremely shallow understanding of the modern Chinese history. One of them says, "I worship Mao. If we still had Mao, then we would just go fight Japan."<sup>10</sup>

What is the will of the people is a tricky matter in China. People's will cannot be expressed except when it is tolerated. It will be manufactured when it does not exist. China makes full use of the façade of democratic participation. An important day was Sept 18. On September 18, 1931 Japanese soldiers blew up a railway in Manchuria as a pretext to take control of China's entire northeastern region.

It is growing anti-Japanese trend, a newly nominated Japanese ambassador to China, Nishimiya, died suddenly on the street of Tokyo near his home. It was reported to be a heart attack.<sup>11</sup> A few weeks before this, the former Japanese ambassador Niwa's car was stopped on the street of Beijing by a group of Chinese, and they took away the national flag of the car.

### **Responsible for collateral damage?**

China said that Japan had to accept the corresponding consequence of the nationalization of the islands. China's Xinhua said on September 17;

*Some Japanese firms have suspended operation in China amid widespread anti-Japan protests, which is not good news for bilateral ties, nor for the country whose "purchase" of Diaoyu Islands is seen as an extremely provocative move towards China. However, the government of Japan has only itself to blame for the collateral damage arising from the protests, after Japanese electronics firm Canon Inc. announced it would suspend*

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<sup>10</sup> AFP: More on Anti-Japan Protests in China as Chinese Ships Enter Senkaku Waters"Anti-Japan Protests as Chinese Boats in Disputed Area" -- AFP headline  
*AFP Tuesday, September 18, 2012 T13:34:36Z*

<sup>11</sup> AFP Told: Japan's New Envoy to China Nishimiya Dies in Tokyo Hospital  
*AFP Sunday, September 16, 2012 T07:07:40Z*

*production at three of its four plants in China on Monday and Tuesday. Media reports said Panasonic Corp has taken similar steps<sup>12</sup>.*

The Chinese public and the Japanese public do not necessarily share information. In the Chinese media demonstrations were reported, but arson and looting were not. Whether the Chinese were not disappointed with the way their government manipulated the issue will be known later. Their state let hooligans to destroy the plant of the Panasonic, an early contributor to China's modernization. Most of the workers in such destroyed plants and shops were Chinese, who lose their jobs because of their fellow Chinese.

### **Consciousness of Power**

China is conscious of power when it says,

*It is not by chance that the Japanese Government collaborates with the right wing forces. There is a greater backdrop of the acceleration of the tilting to the rightist tendency in Japanese political circles, of the ever adoption of tough stance in diplomacy, and of the tensions with its neighboring countries. Japan has been in economic doldrums for two decades. There has been rapid change in the national strength between China and Japan. Some Japanese sink into frustration and become depressed, and they become agitated and uneasy. From time to time calls for adopting a tough line against China become a "magic political weapon" for some Japanese<sup>13</sup>.*

Chinese logic is that Japan is using the territorial issue to divert public attention from the problems of declining Japan.

The Japanese sees hegemonism in Chinese behavior. A Japanese newspaper says;

*China's intention to seek hegemony in the South China Sea became clearer during the meetings held in the Cambodian capital Phnom Penh related to the Association of Southeast Asian Nations (ASEAN). It is urgent that Japan and the United States*

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<sup>12</sup> Xinhua: China Voice: Japanese Gov't Shall Be Blamed for "Collateral Damage" of China Protests Xinhua: "China Voice: Japanese Gov't Shall Be Blamed for "Collateral Damage" of China Protests" *Xinhua Monday, September 17, 2012 T11:21:13Z*

<sup>13</sup> RMRB Column Urges Japan To Mend Sino-Japan Ties With Action on Senkaku Issue Zhong Sheng: "It is Impossible to Talk About Repairing Relations with China If Japan Does Not Repent and Mend Its Ways" *Renmin Ribao Online Monday, September 24, 2012 T14:04:04Z*

*strengthen their strategies to block "China's sea" (China's domination in the sea) in cooperation with ASEAN.<sup>14</sup> .....*

*China also announced that it will accept international bids for exploration of natural gas and oil fields in the EEZ, an area which Vietnam claims sovereignty. China is making moves to strengthen its effective control over the Paracel, the Spratly, and the Macclesfield Islands by upgrading these islands into "Sansha City" in Hainan Province. This situation cannot be overlooked<sup>15</sup>.*

The following Chinese statement may confirm the above concept of hegemony.

*Moreover, the Asia-Pacific affairs are different from the Middle East issue. The Middle East is a "broken zone" in geopolitical terms without any core power to dominate regional affairs, so external powers can meddle in and manipulate things there by winning over one faction and attacking another. Even so, the United States still cannot completely bring the Middle East under its control. This point has been fully shown by the recent events. In the geopolitical map of Asia-Pacific, China is a "core power" beyond question. China has will and capability to appropriately handle the regional affairs related to the major interests of its own.<sup>16</sup>*

China says,

"The so-called 'purchase' of the Diaoyu Islands is not happenstance, but the result of changes in Japan's domestic political climate. There is an 'evil trend' in Japan that is leading the country and China-Japan relations toward an extremely dangerous situation," Assistant Foreign Minister Le Yucheng said at a seminar on the Diaoyu Islands dispute held in Beijing.

Le said Japan's economic slowdown and a devastating earthquake last year have resulted in instability and uncertainty, allowing right-wing forces represented by

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<sup>14</sup> Japanese Editorial Urges Countering 'China's Hegemony' in South China Sea  
Editorial: "Japan, US should resist 'China's hegemony' in the South China Sea"  
*Sankei Shimbun Online Monday, September 24, 2012 T10:39:20Z*

<sup>15</sup> Japanese Editorial Urges Countering 'China's Hegemony' in South China Sea  
Editorial: "Japan, US should resist 'China's hegemony' in the South China Sea"  
*Sankei Shimbun Online Monday, September 24, 2012 T10:39:20Z*

<sup>16</sup> RROE Article Views US Defense Secretary Panetta's Visit to China  
Article by special commentator Tian Wenlin, associated research fellow of the China Institute of Contemporary International Relations: "Enhanced US-China Cooperation Will Bring More Benefits to the United States"  
*Renmin Ribao (Overseas Edition) Online Saturday, September 22, 2012 T14:24:55Z*

Tokyo Governor Shintaro Ishihara to take advantage of the situation and fan the flames of right-wing ideology.<sup>17</sup>

So far, there is not much understanding in the Chinese discourse that Japan's move is rather a rational reaction to the recent Chinese moves in East China Sea and South China Sea.

### **China now and then**

The Chinese papers think of this issue not only as a territorial dispute but also as a changing power balance between China and Japan.

*-- Eighty-one years have passed since the Japanese invasion of China's northeast. But now, it is time for Japan to drop its sense of superiority regarding China and Asia in general.*

*Japan has to recognize that China is no longer weak and poor as it was in the 1930s, when it suffered great disasters brought by Japanese militarism. The balance of power between the two countries has drastically changed.*

.....

*Japan's arrogance and provocation regarding the Diaoyu Islands is in line with its complex formed over one century ago, when it proclaimed superiority over China and Asia.<sup>18</sup>*

*But 60 years after World War II, the situation has completely changed. China has maintained rapid economic development and in 2010 surpassed Japan to become the world's second-largest economy. The strength of China's national defense has grown accordingly.*

*Japan is now suffering from a long-term economic downturn, along with an aging population.*

*China's rise has touched the nerves of some Japanese, who have resorted to tricks to*

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<sup>17</sup> Xinhua: Chinese Diplomat Warns Against Growing Right Wing in Japan Xinhua: "Chinese Diplomat Warns Against Growing Right Wing in Japan" *Xinhua Friday, September 14, 2012 T14:27:20Z*

<sup>18</sup> Xinhua 'Commentary': Japan Should Drop Its Sense of Superiority Over China, Asia Xinhua "Commentary": "Japan Should Drop Its Sense of Superiority Over China, Asia" *Xinhua Tuesday, September 18, 2012 T13:06:06Z*

*disturb China's peaceful development. This may be the cause of the tension experienced after a short friendly period in the 1980s.<sup>19</sup>*

*A Chinese scholar says,.*

*"China is no longer the old China that was poor and weak and allowed itself to be trampled on by other. The Chinese government and people have the wisdom to launch a counterattack in a way that will not harm themselves, and will not let Japan make the farce a reality.<sup>20</sup>*

The theme that China is no longer the old China which it used to be, is repeatedly expressed concerning this territorial issue.

*The Japanese government must not misjudge the situation. The China today is totally different from the past. It is neither the China during the Sino-Japanese War in 1894, nor the one during the Japanese invasion in 1937. Those times of seizing Chinese territory solely through a treaty have long passed and will not return again. China is in resolute objection against Japan's illegal "purchase of the islands", and will take all necessary measures to safeguard China's territory and sovereignty. If Japan insists on taking its own way, the serious consequences caused by such actions will be borne by Japan itself<sup>21</sup>.*

It is a confirmation that China is no longer a China which Japan used to bully around before and during World War II. It is clear that the Chinese are quite conscious of the fact that China has surpassed Japan in GDP. There is pride as well as the perception that the balance of power is improving for them. Historically China is not accustomed to see other states as equal partners. With the rise of China, this historical legacy may be emerging.

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<sup>19</sup> Xinhua 'Commentary': Japan Should Drop Its Sense of Superiority Over China, Asia *Xinhua Tuesday, September 18, 2012 T13:06:06Z*

<sup>20</sup> PRC Expert Calls For Fighting Back Japan Over Diaoyu Islands Issue

By reporter Xi Haiyang, "Expert: Fallacious Argument Cannot Change Japan's Wild Ambition to Usurp and Occupy Chinese Territory" *Zhongguo Xinwen She Thursday, September 13, 2012 T13:01:58Z*

<sup>21</sup> JFJB: 'Military Expert: China Will Never Yield on Issues of Territory and Sovereignty' Article by Luo Yuan, deputy director of the World Military Research Department of the Academy of Military Sciences of the Chinese PLA and member of the 11th National Committee of the Chinese People's Political Consultative Conference: "Military Expert: China Will Never Yield on Issues of Territory and Sovereignty"; headline as provided by source *Jiefangjun Bao Online Thursday, September 13, 2012 T05:51:24Z*

China is manipulating the national image of the victim of aggression. It is also difficult for the Vietnamese and the Philippines to believe the Chinese logic because China is also claiming territories against much weaker neighbors which had never invaded China. The people inside China, like Xinjiang and Tibet, are aware of this trick. Probably the Chinese leaders are correctly estimating the scope of the modern Japanese, who do not necessarily discover the Chinese pretension behind the rhetoric.

### US Factor

China and Japan compete over US reaction to the Senkaku dispute<sup>22</sup>. Japan wants the US to say clearly that Senkaku is included in the problem of US-Japan alliance. China hopes that the US stays away from the matter of sovereignty.

China sees the US as a fundamental element in the dispute. China seems to think it possible to neutralize the US move, given the intricate economic relations between the US and China. This is sometimes expressed in a bit contemptuous manner.

*...The United States could murky up the waters on the Diaoyudao issue, but in time of trouble, do you expect it to fight for Japan?<sup>23</sup>*

This is certainly a reasonable question. Between the US and Japan, it is Japan that should act mainly in the area of protection of the Japanese territory. Japan is supposed to play the main role. But if the Senkaku islets area becomes a battlefield, it is important to maintain a logistic line, which means that Okinawa, or other parts of Japan can be Chinese targets. In this context, the US can no longer stay away.

The islets are a kind of choke point for China, which difficulty in exiting to the Pacific Ocean from the Sea of Japan. For China to control even a part of the group of islets

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<sup>22</sup> RMRB Zhong Sheng Column: Diaoyu Issue Tests US Political Wisdom "International forum" by Zhong Sheng: "The Diaoyu Issue Tests American Political Wisdom" *Renmin Ribao Online Thursday, September 20, 2012* T08:36:06Z

<sup>23</sup> RMRB Article Says Japanese PM 'Fuzzy' on 4 Issues Related to Diaoyudao Island Article by Ye Xiaowen, Renmin Ribao contract commentator and Chinese side member of the 21st Century Committee for Sino-Japanese Friendship: "Noda Is Fuzzy on Four Issues (Wanghailou Column)" *Renmin Ribao (Overseas Edition) Online Saturday, September 22, 2012* T16:38:10Z

will give a military benefit for China. For this reason concession of the islets to China also means a great loss for the US in the Pacific Ocean.

*History shows that it is completely possible for China to become a reliable partner of the United States; history also shows that if the United States takes China as its rival, it is also completely possible for China to become a real rival of the United States. The correct choice of the United States should be to play a constructive role that benefits peace, stability, development, cooperation in the Asia-Pacific region<sup>24</sup>.*

China wants to replace US-Japan relations by US-China partnership. For example, a Chinese column of People's Daily says,

*"In order to explore with China the building of a new type of great power relationship with China, the United States must learn how to maintain wisdom regarding issues related to China's major core interests, and must oberly realize that the "US-Japan Security Treaty" is a Cold War product, and it must not damage the interests of third parties, including China<sup>25</sup>.*

It may be a bit illogical for China to suggest that the US discard 'Cold War' alliance with Japan in order to cope with 'right-wing', 'militarist' Japan.

*Now, it seems that, in Japan's mind, there is only its alliance relationship with the United States. But, during the years of the war to resist and fight the Japanese fascism, Sino-US relations were also as close as brothers. Besides, the United States has always placed importance on practical interest. Currently, there are too many profound common interests between China and the United States; in addition, the*

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<sup>24</sup> TKP: Chinese Scholar Sees US Military Maneuvers in Asia 'Unwise'

Article by Dr. Chen Xulong, director of the International Strategy Research Department of the China Institute of International Studies: "The United States Is Unwise by Intensively Playing Military Cards in China's Neighboring Areas"

*Ta Kung Pao Online Sunday, September 2, 2012 T01:15:47Z*

<sup>25</sup> RMRB Zhong Sheng Column: Diaoyu Issue Tests US Political Wisdom

"International forum" by Zhong Sheng: "The Diaoyu Issue Tests American Political Wisdom" *Renmin Ribao Online Thursday, September 20, 2012 T08:36:06Z*

*world setting and the balance of power between major powers are changing. What need does the United States have to turn against or even use force against China?*<sup>26</sup>

This may mean that China's move is to try to isolate Japan on this issue.

But can the US keep equidistance between China and Japan? There was understanding between the US and Japan that the Senkaku islands were a part of Okinawa, which the US used for military exercise. The Japanese will be disappointed if the US are not with Japan on this issue now. The US needs to meet the expectation to keep the trust. And the Senkaku islets are too near to the US bases in Okinawa and too convenient an area for the US to choke the Chinese navy.

China stresses the potential of partnership with the US.

*The similar geographic structure determines that their mutual exclusion is greater than their mutual attraction. Once Japan's power grows, its ambition will certainly swells. Then, it is hard to say whether events of repeating the raid on Pearl Harbor and threatening the US homeland security may take place.*

*By comparison, the land-and-sea compound geopolitical feature of "relying on land and facing the sea" determines that China cannot move out of the Eurasian continent to threaten the United States by crossing the Pacific Ocean. In this sense, the judgment that "the Pacific Ocean is vast enough to contain both big powers of China and the United States" includes a profound geopolitical law*<sup>27</sup>.

This can be taken as a Chinese proposal for the co-domination of the Pacific Ocean with the U.S. The Senkaku dispute is a way to express China's status as a pacific state.

China seems to be challenging the US, too.

*People do things all for interests. If the United States wants to sow discord between China and Japan so as to bring both countries under its control by means of dividing them up and then turn them into its "offshore balancing weights" for its self-interest,*

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<sup>26</sup> PRC Daily Urges Japan to Rein in Horse at Edge of Precipice on Diaoyu Islands

Article by Zhang Jianshu, "Do Not Continue to Deceive Yourself As Well As Other; the Horse Must Be Reined in at the Edge of Precipice" *Zhongguo Qingnian Bao Online Saturday, September 15, 2012 T02:52:34Z*

<sup>27</sup> RROE Article Views US Defense Secretary Panetta's Visit to China Article by special commentator Tian Wenlin, associated research fellow of the China Institute of Contemporary International Relations: "Enhanced US-China Cooperation Will Bring More Benefits to the United States" *Renmin Ribao (Overseas Edition) Online Saturday, September 22, 2012 T14:24:55Z*

*then it has made a wrong calculation. In history, the United States has never succeeded in countering and containing China, no matter whether by sending forces to the Korean Peninsula or fighting the Vietnam War, still less can it do so at present when China is no longer a "sick man in East Asia" or a chessman being controlled by foreigners<sup>28</sup>.*

China is also saying that Chinese people will not tolerate weak diplomacy. The Chinese government may be pressed by the Chinese public opinion which overvalues the rise of China. In a sense China can be a victim of its own propaganda. When it stresses the huge accumulation of power under the leadership of the CCP, it cannot avoid inviting criticism that it is too weak to a declining state. Patriotic education ties the hands of China.

*There is no way the Chinese government can avoid making waves in doing so. Furthermore, China is now so very strong that Chinese people will be totally dejected if its government baulks at such minor conflicts<sup>29</sup>*

It is probable, however, that the 'Chinese people' are aware of the expansionary tendencies of their own country and the possible consequence in the future. The Tibetans, the Uighurs and other nationalities, whose homeland had been encroached by the Hans, may feel differently about 'now so very strong' China.

China uses different excuses depending on its competitors. With Japan, China says that Japan keeps the sport of the pre-WWI era. To the US it says that US-Japan alliance is obsolete. To the Philippines, Vietnam, or India. it says long history is important. To Tibet and Xinjiang it says that the nation must be united. The true face of China would be better revealed when its territorial claims with its neighbors are seen as a whole.

There are a lot of credulous patriots in any country. Being patriotic means gaining more freedom of action. Many unlawful actions are tolerated by the government in the name of patriotism. This tendency, however, is so clear a characteristic of totalitarian regime that it casts doubt on China's very claim that it is now a power in Asia which can play a major role along with the US.

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<sup>28</sup> RROE Article Views US Defense Secretary Panetta's Visit to China

Article by special commentator Tian Wenlin, associated research fellow of the China Institute of Contemporary International Relations: "Enhanced US-China Cooperation Will Bring More Benefits to the United States" *Renmin Ribao (Overseas Edition) Online* Saturday, September 22, 2012 T14:24:55Z

<sup>29</sup> Ming Pao Editorial: 'Sino-Japanese Friendship' Editorial: "Sino-Japanese Friendship;" This is a source-supplied translation, carried on the "English Page" of 17 September Ming Pao, of an editorial that originally appeared in Chinese in 14 September Ming Pao in Chinese on p A3; the two versions are identical, with one exception: the title of the Chinese-language editorial reads "Put Aside the Fantasy with Sino-Japanese Friendship, Get Prepared for Defending Diaoyu Islands"; headline as provided by source. *Ming Pao Online*

### War of Nerves

Near the Senkaku islets are Chinese surveillance ships<sup>30</sup> navigating in the consecutive zone, adding pressure to the Japanese coast guard. But Japan takes care not to raise the conflict level. On September 18, 11 Chinese vessels entered into an area known under international maritime law as the contiguous zone<sup>31</sup> but did not enter the territorial water, the principle is to keep harassing the Japanese to the extent of psychological war.

The Chinese government cancelled most important events with Japan, including the ceremony of the 40<sup>th</sup> anniversary of the diplomatic relations with Japan.

Panasonic and Canon have shut down their factories. China has ramped up customs inspection in late September. But China seems rather optimistic about the restart of Japan china trade relations. But China believes that such disruption to business “will be short-lived as the two trade partners cannot afford to let the situation get out of hand<sup>32</sup>.”

China cannot hurt or threaten to hurt Japan without hurting itself.

### Risk-diversification

It is fortunate that the orchestrated demonstration and violence neither killed nor hurt any single Japanese. But China is playing with fire. The violence raised great concern among the Japanese industries in China.

As a big market, China remains essential for Japan. But in terms of labor cost and business regulations, China no longer provides particularly good conditions. The sudden rise of country risk in 2012 at least made the Japanese look for an alternative. An ‘alternative’ is probably a unrealistic term, because China is too big an economy to be dismissed. But the extent that Japan can diversify its risk will turn into a power for Japan to bargain with China.

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<sup>30</sup> Two Chinese surveillance ship fleets arrived at waters around Diaoyu Island and its affiliated islets (Senkaku Islands) on Friday Updated version: adding Urgent tag, fixing tags, and rewriting Subject line; Xinhua "Commentary": "Backroom Deals Don't Justify Unlawful Territorial Claims" *Xinhua Friday, September 14, 2012 T08:36:43Z*

<sup>31</sup> AFP Told: 11 Chinese Ships in Japanese-Administered Senkaku Islands Waters 18 Sep"11 China Govt Ships Near Disputed Isles: Japan Coastguard" -- AFP headline" *AFP Tuesday, September 18, 2012 T09:08:57Z*

<sup>32</sup> To Settle 'Territorial Dispute' Thru Talks Editorial: "Territorial Dispute" *Business Recorder Online Saturday, September 22, 2012 T08:40:58Z*

With its cheap labor cost and absence of historical conflict with Japan, India has a potential to play a major role in the above risk-diversification process of Japan. Given its own territorial dispute with China, history of war with China, and tension with Pakistan allied with China, India is a country destined never to be a good partner of China. Depending on the future exploitation of rare-earth and other natural resources, India has a potential to provide to Japan what China refuses to. India is a federal system and a democracy, which China refuses to shift to. Both India and China have extremely deep social cleavages, but India is more stable, probably due to the cultural legacy of the caste system. India has strong journalism that can compete with Chinese propaganda in Europe and the US. India has an argumentative mentality often lacking in Japan.

### **Conclusion**

China's struggle for sphere of influence with other neighbors such as Vietnam, India, the Philippines, South Korea, are escalating simultaneously. This weakens the Chinese anachronism blaming the resurgence of the right-wing in Japan. A doctor needs to see the patient not as accumulated parts but as a system.

When one begins to think that Xinjiang, Tibet, South China Sea, the Senkaku (Diaoyu) islets, Taiwan, and the Chinese relations with North Korea, Cambodia, Burma, Bangladesh, Sri Lanka, and Pakistan may have the same root, China is not a victim but a potential victor.

True, the Japanese fought a wrong war with China in the past. But China brings historical issues in its relations with Japan not for the sake of those who perished sadly in the past, but for its own unjustifiable current scheme. History can be an instrument to divert Japan's and international attention from a raw fact that it is demanding its 'core interests,' in Asia and tries to deal with the US at the other end of the Pacific Ocean. Having been a victim of aggression is a useful card China will never discard. And generations after generations, there will be conscientious Japanese who are happy to be deceived. Japan now has the paradoxical responsibility that it has to contain a hegemon which used to be its victim.

Modern China is a mixture of capitalist economy and the system of mobilization of lawless mass. China in 2012 proved that the Red Guards, who dance, denounce, and destroy according to the leaders' music were not only not dead but also being reproduced.

In the short run, it is possible to blame, as China does, Noda or Ishihara, who actually triggered the current confrontation. But in the long run, Japan should thank Hu Jintao for finally showing to Japan China's real face China had shown to its other neighbors for many years. Japan should regard this as enlightenment to reset its diplomacy.

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## U.S. Rebalance toward the Asia-Pacific Region

### and the Prospect of Japan-India Cooperation: A Military Perspective

Lt. Gen., (Retd.) **Noboru YAMAGUCHI**



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He was graduated from the National Defense Academy in 1974 majoring applied physics and originally trained as an army aviator flying mainly helicopters. LTG Yamauchi received his MA from the Fletcher School of Law and Diplomacy, Tufts University in 1988, and was a National Security Fellow at John M. Olin Institute for Strategic Studies, Harvard University in 1991-1992. He has held positions as Senior Defense Attaché at the Japanese

Embassy in the United States, Deputy Commandant of the GSDF Aviation School, Vice President of the National Institute for Defense Studies. Since 2006 he held responsibilities as Commanding General of the GSDF Research and Development Command until his retirement from active duty in December 2008. In April 2009, he joined the academy as Professor of Military History and Strategy. After the Great East Japan Earthquake, LTG Yamaguchi served at the Prime Minister's Office as Special Adviser to the Cabinet for Crisis Management until September 2011. His recent writings include: "Japan and China: Towards a 'Strategic Relationship for Mutual Benefit' from 'Politically Cold but Economically Warm' Relations," in *China Rising: Reactions, Assessments, and Strategic Consequences*, Strategic Yearbook 2007, edited by Bo Huld et al. (Sweden: Swedish National Defence College, 2008); "US Defence Transformation and Japan's Defence Policy," in *RUSI Journal* (London: Royal United Services Institute, 2006), and "Balancing Threat Perceptions and Strategic Priorities: Japan's Post-war Defense Policy," edited by Alessio Patalano *Maritime and National Security in Japan and Britain: from the First Alliance to Post 9/11* (Netherlands: Global Oriental, 2012).

## U.S. Rebalance toward the Asia-Pacific Region and the Prospect of Japan-India Cooperation: A Military Perspective

Noboru YAMAGUCHI (as of September 26, 2012)

On 5 January this year, U.S. Department of Defense (DoD) released a new defense strategic guidance titled “Sustaining U.S. Global Leadership: Priorities for 21<sup>st</sup> Century Defense.” The guidance notes that the United States “will of necessity rebalance toward the Asia-Pacific region.”<sup>i</sup> It explains the reason for this change as “U.S. economic and security interests are inextricably linked to developments in the arc extending from the Western Pacific and East Asia into the Indian Ocean region and South Asia.”<sup>ii</sup> This rebalance has been welcomed by America’s friends and allies in this region, including Japan and India. For Japan in particular with its reliance on the U.S.-Japan alliance, America’s strong and continuous commitment to peace and stability of Asia will continue to be the key for its survival and prosperity. This short piece will 1) examine the implications of such U.S. rebalance on security policies of America’s friends and allies drawing four points for serious considerations, and 2) pick up three suggestions on security policies of Japan and India, including cooperation between the two countries.

### Implications of U.S. “Rebalance”

The first point we should take into serious account is that the increasing emphasis on the Asia-Pacific region in the current administration’s foreign policy has been consistent since President Barack Obama took office in January 2009. President Obama’s first foreign guest was Japan’s Prime Minister Taro Aso, while Secretary of State Hillary Clinton made her first official overseas trip to Japan, Indonesia, South Korea and China. In February 2010, DoD released the Quadrennial Defense Review Report (QDR 2010). Unlike the previous QDR released in 2006, which focused on the Global War on Terror with less attention on respective regions, QDR 2010 elaborated regional strategies with particular focus on Asia. The report specifically pointed out the importance of America’s alliances with Japan and the Republic of Korea for deterrence and defense in Northeast Asia. It also declared to “transform Guam, the westernmost sovereign territory of the United States, into a hub for security activities in the region.”<sup>iii</sup>

U.S. Asia-Pacific policy has been further elaborated since last fall. Secretary Clinton’s article “America’s Pacific Century” published in the November 2011 issue of *Foreign Policy* was a comprehensive summary of the administration’s policy focusing on the Asia-Pacific region. The article begins with the notion that “the future of politic will be decided in Asia, not Afghanistan or Iraq, and the United States will be right at the center of the action.”<sup>iv</sup> Her position was eloquently endorsed by President Obama’s speeches in Australia in November last year and followed by the new strategic guidance quoted earlier that illustrated the way how the strategy with focus on Asia-Pacific region should be implemented. In short, America’s coming back to Asia is not a mere change in policy

priorities based on recent development in strategic environment. It is rather a policy reflecting the natural and immutable geo-strategic position where the United States stands.

The second point which needs serious consideration is that the shift toward the Asia-Pacific region may have fundamental aspect of demobilization from a wartime posture rather than a mere change in U.S. policy priorities on geographical areas. As Secretary Clinton notes in her article quoted above, “[A]s the war in Iraq winds down and America begins to withdraw its forces from Afghanistan, the United States stands at a pivot point,”<sup>v</sup> ending wars in the two theaters is the precondition of America’s rebalance towards Asia. According to Japan’s Ministry of Defense, some 190,000 U.S. service members or 13 % of the total strength of 1.4 million are currently deployed in and around Iraq and Afghanistan.<sup>vi</sup> Assuming that three times larger forces are needed for continuous rotational deployment, the United States has kept around 40% of total military strength for over a decade to conduct operations in those theaters, getting ready for replacing the former and recovering from previous deployment. Disengaging from close combat in the two theaters, the United States seems ready for reestablishing a natural pose to prepare for future security challenges.

If this is true, we may have to answer the questions on what kind of normalcy we will face and how the United States and its allies should deal with the challenges in the future. It is obvious that we are not simply returning to the pre-9/11 world. The future world will be much more complicated with a set of unprecedented unknowns. China’s rise alone, for example, will bring tremendous opportunities and serious challenges that require strategic coordination among allies and friends in the region. In this context it is good time for America’s allies and friends such as Japan and India to start discussions with the United States on mid-to-long-term security strategy based on the U.S. QDR 2010 as well as the defense strategic guidance mentioned above and other countries’ newly adopted security policies such as Japan’s new National Defense Program Guidelines adopted in late 2010.

The third point worth noting is that the U.S. rebalance toward the Asia-Pacific region should not be regarded as an anti-China strategy. U.S. allies and partners in this region should assume that the United States will try its best to aim at constructive and cooperative relationship with China when it returns to Asia. Secretary Clinton elaborated this point in her remarks at the U.S. Naval Academy on April 10, 2012 as follows:

We are not seeking new enemies. Today’s China is not the Soviet Union. We are not on the brink of a new Cold War in Asia.... Geopolitics today cannot afford to be a zero-sum game. A thriving China is good for America and a thriving America is good for China, so long as we both thrive in a way that contributes to the regional and global good.... We will only succeed in building a peaceful, prosperous Asia-Pacific if we succeed in building an effective U.S.-China relationship.<sup>vii</sup>

It is obvious that China and the United States as well as other regional countries will share common interests in various fields. When Chinese Defense Minister Liang

Guanglie visited the United States in May 2012, he agreed with U.S. Secretary of Defense Leon Panetta on Sino-U.S. cooperation in the area of cyber security.<sup>viii</sup> In general, it is rather easy to attack but extremely hard to defend the global commons such as the outer space and the cyber space, and any states including China and the United States are naturally vulnerable. We have witnessed various cases that governmental computer networks are attacked by small cyber criminal groups. The outer space too has the same characteristics. It is not difficult to destroy any satellites if one has technologies to launch and control a satellite to get close to the target and eventually blow it up. That is one of the reasons why the Cold War enemies, the West and the East used to refrain from attacking each other in the outer space. For sovereign states in the future, the only alternative for security in the cyber and outer spaces is to cooperate with each other while respecting moratoriums on offensive actions in such spaces. In this regard, Sino-U.S. cooperation on cyber security is a matter of natural development and we should welcome such a course.

The fourth point which needs serious consideration may be contrary to the first point on the consistency of America's Asia-oriented policy. It should be noted that there are wildcards which might cause another drastic change in U.S. foreign policy priorities. As discussed earlier, America's turning back to Asia is based on the assumption that wars in Iraq and Afghanistan are winding down. If situations in the two theaters become seriously worse, U.S. focus may shift away from the Pacific. Problems with Iranian nuclear programs as well as possible chaos caused by the Arab Spring may draw America's attention back to the Middle East. These are additional areas where America's friends and allies have to work extremely hard to keep the precondition of U.S. emphasis on Asia's security intact. In this context, counter piracy operations in the Gulf of Aden for which both Japan and India have been working hard will have greater implications in a larger picture of the security of the Middle East. It is an irony that America's friends and allies in the Asia-Pacific region have to pay keen attention to out-of-area security problems in order to secure region's peace and stability through U.S. political commitment to and military presence in the region.

#### Opportunities for India-Japanese Cooperation

The first area of cooperation between India and Japan related to the discussions above is active participation in international peace activities. This is directly linked to the fourth point on the implications of U.S. Rebalance towards the Asia-Pacific region explained in the previous section. India has long been known as an active participant in international peace operations such as United Nations' Peacekeeping Operations (UNPKOs) since 1950s when Indian soldiers were sent to the Korean Peninsula for post-conflict POW management. The Indian army is well trained and experienced in such operations particularly deploying fairly large scale of contingents to UNPKOs. For example, India was deeply involved in UN Operations in Somalia II where India sent a full infantry brigade with 5,000 soldiers for stability operations in 1993 and a flotilla with two frigates for covering UN withdrawal in 1995. Meanwhile Japan's Self-Defense Forces (JSDF), a relative new comer to UNPKO, have accumulated their experience in such operations since 1992 when Japan sent an engineer battalion consisting of 600 soldiers to Cambodia for its first ever UNPKO. Indian infantry battalions and a Japanese engineer unit are currently working together for stability and reconstruction of South Sudan.<sup>ix</sup> For

counter-piracy operations too Indian Navy and Japanese Maritime Self-Defense Force (JMSDF) have been cooperating in the Gulf of Aden. Such peacekeeping operations will contribute to international efforts to reduce and mitigate dangers in the area stretching from sub-Sahara to Middle East so that U.S. Rebalance towards the Asia-Pacific region could more smoothly be realized.

Another area of India-Japan cooperation related to America's Asia policy is Afghanistan. As stated earlier, winding down of wars in Afghanistan and Iraq is the precondition of U.S. return to Asia. In other words, if the situation there becomes serious again, America might have to return to the area. On 28 June 2012, the Government of India, in cooperation with the Government of Afghanistan and Confederation of Indian Industry hosted an investment summit on Afghanistan in Delhi. This attempt in India to promote financial cooperation for reconstruction of Afghanistan was made in conjunction with Japan's initiative to host a Tokyo Conference on Afghanistan scheduled ten days after on 8 July.<sup>x</sup> The discussion at the Tokyo Conference resulted in the "Tokyo Declaration: Partnership for Self-Reliance in Afghanistan from Transition to Transformation."<sup>xi</sup> Both Tokyo and Delhi are determined to continue their efforts to bring peace and stability in Afghanistan through assisting indigenous industry and economy. If the situation in Afghanistan is becoming suited for post-war economic assistance, Japan has a bigger room to be more deeply involved in Afghan reconstruction. This in turn with cooperation with India will reinforce the precondition of U.S. Rebalance by making sure that the situation allows the withdrawal of U.S. forces from Afghanistan.

Secondly, it is important for both India and Japan to promote their respective relations with the United States in order to keep its commitment to this region. Japan's record on alliance management with the U.S. has not been successful in the last couple of years. In the years to come too, there will be a number of factors that may deteriorate the U.S.-Japan Alliance such as the issue of realignment of U.S. Marines to Futenma Relocation Facilities, and the deployment of Osprey tilt-rotor aircraft to Okinawa. Solving these issues will depend on how well or poorly the two governments handle matters. Now it is more important for the Japanese than before to understand what lies behind particular events such as relocation of marines to Guam.

One of the key phrases for the future forward deployment in this region after U.S. rebalance towards the Asia-Pacific region is "geographically distributed, operationally resilient, and politically sustainable."<sup>xii</sup> All the movement of U.S. forward deployed forces, including marines in Okinawa, will be conducted under this principle. In 2005 and 2006, the United States and Japan agreed to transfer a part of the marines currently stationed in Okinawa to Guam. Australia agreed with the United States last fall to accommodate up to 2,500 rotationally deployed marines and airmen at a base in Darwin. The III Marine Expeditionary Force headquartered in Okinawa has bulk of combat units in Okinawa and Hawaii that represents a rather too north-heavy posture when one looks at the whole area of the Asia-Pacific region. With new stations in Guam and northern Australia, the U.S. Marine Corps in the Western Pacific will become more distributed thus ready for rapid deployment to deal with regional contingencies. In addition, marine bases are concentrated in the southern part of Okinawa, the most densely populated area, thus pose political risks with high profile of the footprint of U.S. military presence. Departing from a posture which U.S. forces are concentrated in Okinawa to a more

distributed one in the Pacific will become more operationally resilient while reducing political risks by mitigating burden on Okinawans.

The deployment of Osprey, tilt-rotor aircraft in this region will reinforce the concept explained above with its superior speed and endurance. Osprey's operational range for a mission transporting 24 troops per aircraft extends to 600 km that covers all of Japan's Southwestern Islands from main island of Okinawa. In addition, while some Ospreys deployed in Okinawa may have to remain on the island to support marines remaining after the relocation, the rest of them do not have to train in Okinawa. Because of its superior airspeed and extended range, Ospreys are able to fly further than their predecessor CH-46 helicopters, thus to conduct training in the area far from their mother base in Okinawa, for example, in the main island Honshu, or even the northernmost major island Hokkaido. This offers an example for a "geographically distributed" training that may bring more politically sustainable stationing.

The third proposal for security policies of America's friends and allies is active engagement with the rising China. Secretary Clinton clearly noted that the United States "will only succeed in building a peaceful, prosperous Asia Pacific if we succeed in building an effective U.S.-China relationship."<sup>xiii</sup> In the coming decades, the United States will keep trying its best to establish better relations with China while preparing for the worse scenarios. America's friends and allies such as India and Japan will also have to work hard to create constructive relations with China.

In this regard too, Japan has not been successful. Indeed the current anti-Japanese sentiment in China attracts keen attention not only in the two countries but also in the rest of the world including the United States. As the problem on the Senkaku Islands (or the Diaoyu Islands called by the Chinese) involves sovereignty issue, both Chinese and Japanese tend to become extremely nationalistic and the problems related to this get harder to handle. Meanwhile many of Japanese as well as Chinese know that the two nations will be able to deal with the issue wisely since we have experienced a great number of ups and downs in the bilateral relations in the last thousands of years.

The Sino-Japanese relationship in the first decade of the twenty-first century gradually developed from relations characterized as "politically cold but economically warm" towards "strategic relationship for mutual benefit." Military-to-military relations in accordance with political rapprochement have made certain progress in the last several years. China's attitude vis-à-vis Japan once looked stiffened in 2010 when a Chinese fishing boat collided into Japanese Coast Guard ships, but has become relatively softened particularly after the Great East Japan Earthquake on 3 March 2011 when Chinese were serious about providing humanitarian assistance to Japan. Earlier this year however the issue over the Senkaku Islands became more serious when Governor Ishihara of Tokyo declared that the Tokyo Metropolitan Government would purchase the islands. In order to avoid loosening the national control the Noda administration decided to purchase the islands with the initiative of the Government of Japan. The GOJ's decision seemed to be made for maintaining the status quo over the issue related to the islands by avoiding dangers of more provoking events such as the construction of facilities. This action however was perceived by the Chinese in an opposite way.

With serious ups and downs in the relations with China, including the current disputes, it is crucial for Japan's own security to build reliable communication channels between the military forces of Japan and China. It is also important to make efforts for confidence building through which the two countries could ease tension and avoid accidental confrontation between the two militaries. In particular, as the modernization of Chinese naval and air forces continues and their blue-water fleet capabilities grow, we will find more and more occasions that Chinese vessels pass straits between islands of the southwestern part of Japan. The Maritime and Air Self Defense Forces along with the U.S. Navy have been highly active in the same areas for several decades. This situation will for sure result in more possibility of closer contacts between Chinese naval and air forces and those of Japan and the United States. Under such a situation, it is urgent for concerned parties including China, Japan, and the United States to establish an effective communication channel between regional military and governmental maritime organizations. In this context, it is noteworthy that China and Japan have recently initiated a dialogue aiming at the establishment of a maritime communication mechanism. This naturally applies to the Indian Navy as well since its activities have extended to the Pacific through the South China Sea and India has been and will remain to be one of the maritime nations in this region.

As discussed earlier, there is a big room for India and Japan for more cooperation in international peace operations such as the ongoing activities in the Republic of South Sudan where Indian and Japanese soldiers are working for the common goals. This applies to the Chinese as well. Indeed there is a big room for both India and Japan to engage the People's Liberation Army (PLA) on the common ground of UNPKO and other international military operations. The PLA sent military observers to the Middle East for UN peacekeeping operations for the first time in 1990. This was followed by its first ever dispatch of organized unit, an engineer battalion, for UNPKO in Cambodia in 1992 exactly when and where the JSDF also conducted its first UNPKO mission. Ever since then, the PLA has put enormous emphasis on non-traditional military missions such as peacekeeping, humanitarian assistance/disaster relief, and counter-piracy operations. According to "China's National Defense in 2010," China involved some 2,000 UN peacekeepers in 2010 for nine UN missions including those in Congo, Liberia, Lebanon, and Sudan.<sup>xiv</sup> China has also been active in participating in counter-piracy operations in the Gulf of Aden by sending naval vessels there to protect merchant marines since 2009. Incentives for China to be active in such operations may include a notion that China, as a prominent power in the world, has to play a positive role for peace and stability in the international community as well as urgent need to protect its own national interests spreading over the world in a borderless manner.

### Concluding Thoughts

This short piece thus far has tried to explore possible areas for India-Japan cooperation in conjunction with implications of U.S. rebalance towards the Asia-Pacific region. One of the clear and interesting findings from this discourse is that the areas for the two countries' activities are far more overlapping than ever in both geographic and functional terms, including political, military, and economic aspects. The JMSDF since late 2001

has kept operating in the area from the Indian Ocean to the Gulf of Aden for the ongoing counter-piracy missions as well as the supporting activities for Operation Enduring Freedom in the past, which expanded the areas for its deployment from Northeast Asia through South China Sea to the coast of northern Africa. The Indian Navy too with the country's Look East Policy has extended its reach through the South China Sea to the Pacific Ocean. In early June this year, a four-ship Indian flotilla led by flagship destroyer INS Rana visited Yokosuka and conducted a one-day joint exercise with the JMSDF. On its way to Japan the flotilla visited Singapore, Vietnam and the Philippines. As pointed out earlier, two navies are conducting similar missions in the Gulf of Aden. Theaters for two navies' operations are widely overlapping.

In addition, what India and Japan are trying to do in Afghanistan and in the Republic of South Sudan for reconstruction of these countries suggests wider areas of cooperation in functional as well as geographical terms. In the Republic of South Sudan, two militaries are conducting rather traditional peacekeeping missions for stability of the nation and for reconstruction of the basic national infrastructure while foreseeing future activities for recovery involving more economic engagement. Meanwhile India hosted an investment summit on Afghanistan in Delhi on 28 June in conjunction with Tokyo's attempt to raise international financial assistance in order to vitalize the Afghan economy by hosting Tokyo Conference on Afghanistan on 8 July 2012. These efforts are to recover war-torn nations by military, political and economic means according to the respective phases of post-war reconstruction efforts. In short, possible areas of cooperation between India and Japan in military as well as political and economic arenas have been and will be expanding. Furthermore, as India's economy is growing at a remarkable pace while Japan remains one of world's largest economies, the potential of cooperation between the two countries will keep becoming larger and more important.

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<sup>1</sup> U.S. Department of Defense, *Sustaining Global Leadership: Priorities for 21<sup>st</sup> Century Defense*, released on January 5<sup>th</sup>, 2012.

<sup>2</sup> Ibid.

<sup>3</sup> U.S. Department of Defense, *Quadrennial Defense Review Report, February 2010*, pp. 59, 66.

<sup>4</sup> Hillary Clinton, "America's Pacific Century," *Foreign Policy* (November 2011).

[http://www.foreignpolicy.com/articles/2011/10/11/americas\\_pacific\\_century](http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century)

<sup>5</sup> Ibid.

<sup>6</sup> Ministry of Defense, *Nihon no Bouei (Defense Whitepaper) 2011*, p.55.

<sup>7</sup> Hillary Clinton, Forrester Lecture at the Naval Academy (April 10, 2012, Annapolis MD).

<http://www.state.gov/secretary/rm/2012/04/187693.htm>

<sup>8</sup> Kyodo News, "Beichu, Cyber Kougeki Taisho de Kyouryoku, Kokuboushou-kaidan de Ichi (Defense Ministerial Meeting to Agree on U.S. and China Cooperation on defense in cyber space)," May 8, 2012.

<sup>9</sup> <http://www.un.org/en/peacekeeping/missions/unmiss/facts.shtml>;

<http://indianarmy.nic.in/Site/FormTemplete/frmTempSimple.aspx?MnId=nio+4y+eDmoAUxMimA+cnA==&ParentID=ZiVOc/rMygb82ka8OrRqbw==> (accessed 17 September 2012)

<sup>10</sup> Guishan Sachedeva, "The Delhi Investment Summit on Afghanistan,"

[http://idsa.in/idsacomments/TheDelhiInvesmentSummitonAfghanistan\\_gsachd](http://idsa.in/idsacomments/TheDelhiInvesmentSummitonAfghanistan_gsachd). (accessed on 17 September 2012)

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<sup>11</sup>. Ministry of Foreign Affairs of Japan,  
[http://www.mofa.go.jp/region/middle\\_e/afghanistan/tokyo\\_conference\\_2012/tokyo\\_declaration\\_en1.html](http://www.mofa.go.jp/region/middle_e/afghanistan/tokyo_conference_2012/tokyo_declaration_en1.html). (accessed on 17 September 2012).

<sup>12</sup>In a great number of remarks made by U.S. and Japanese government officials, this phrase repeatedly appears. For example the phrase can be found in the Joint Statement of the Security Consultative Committee dated April 27, 2012 by Secretary of State Clinton, Secretary of Defense Panetta, Minister for Foreign Affairs Gamba and Minister of Defense Tanaka.

<sup>13</sup>. Hillary Clinton, Forrestal Lecture at the Naval Academy (April 10, 2012, Annapolis MD).  
<http://www.state.gov/secretary/rm/2012/04/187693.htm>

<sup>xivxiv</sup>14. English.xinhuanet.com, “Full Text: China’s National Defense in 2010,”  
[http://news.xinhuanet.com/english2010/china/2011-03/31/c\\_13806851\\_19.htm](http://news.xinhuanet.com/english2010/china/2011-03/31/c_13806851_19.htm)

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## The Balance of Power in Northeast Asia and the India Factor:

### A Russian Perspective

*Hegemony Gives Way to the Balance of Power in Northeast Asia*

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### Major Publications

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"Russia and the Emerging Institutional Order in the Asia-Pacific", in *APEC Study Center Consortium Conference 2011. Key Findings and Policy Recommendations: Green Growth, Trade Integration and Regulatory Convergence*. Ed. by Vinod K. Aggarwal and Richard Feinberg. APEC Study Centers Consortium. November 2011, pp. 101-117.

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<http://www.eastasiaforum.org/2010/12/09/northeast-asias-alphabet-soup-gets-a-little-bit-thicker/>

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## **The Balance of Power in Northeast Asia and the India Factor:**

### **A Russian Perspective**

**Dr. Artyom LUKIN**

What is the most appropriate characterization of the present geopolitical order in Northeast Asia? In fact, there are two basic perspectives.

The first view is that America continues to enjoy hegemonic position in the region, although America's predominance is much more tenuous now than it used to be. Even back in the early 2000s, when the U.S. was at the height of its "unipolar moment" in world politics, its position in the region was characterized as "incomplete hegemony"<sup>1</sup> The limited nature of the American primacy was then largely due to the fact that it did not receive full acceptance and support from all of the key regional players, particularly China.

At present, the U.S. – weakened by the economic crisis, distracted by the wars in Iraq and Afghanistan, and being increasingly overshadowed by the rising China – appears to have lost that kind of partial hegemony. Its current geopolitical status in Northeast Asia can be termed "residual hegemony". The U.S. now retains a clear superiority only in military terms. The question is whether America will be able, and willing, to hold on even to such a "truncated" hegemony. Much will depend on whether Japan, South Korea and Taiwan keep their allegiance to Washington as junior partners in bilateral alliances<sup>2</sup>. If they do, the U.S. could continue to function as a pivotal power in Northeast Asia, perhaps increasingly shifting into the offshore balancer mode<sup>3</sup>. Under this scenario, the U.S. will remain the most influential regional actor in military-strategic and perhaps politico-diplomatic terms, while in other areas its standing will be much less impressive.

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Yet there is another perspective, according to which America's lead in military area and its central position in the bilateral alliances with Tokyo and Seoul are no longer sufficient for maintaining Washington's regional hegemony, given the rise of China, North Korea's nuclear and missile capabilities, the resurgence of Russia, and the uncertainty over South Korea's and Taiwan's future geopolitical orientations. From this viewpoint, it would not be a gross overstatement to claim that the balance of power, under which geopolitical influence is more or less equally distributed among two or more players, has already arrived in Northeast Asia. Indeed, America's current residual hegemony, even if it exists, is already extremely close to the balance of power model.

It seems that a multipolar type of the balance of power is emerging in Northeast Asia. This multipolarity is somewhat skewed, though, with the U.S. and China as the two strongest actors, while Russia, North and South Korea, Japan, and Taiwan are noticeably less influential in the region. The picture is further complicated by the fact that some of the regional players are not fully independent in their foreign policies. Japan's foreign policy is especially dependent on America. South Korea's strategic independence is likewise constrained by its alliance with the U.S. Taiwan is also fettered by its heavy reliance on America's (informal) security guarantees, as well as Taipei's lack of international recognition as a sovereign state. Apart from China and the U.S., only Russia and the DPRK<sup>4</sup> can be considered as fully independent players in the region. Therefore the present international order in Northeast Asia can be identified as a complex multipolar balance of power.

#### *Russia's Options: Choosing between China and America?*

The strategic landscape of Northeast Asia, as well as the wider Asia-Pacific, is being increasingly characterized by intensifying geopolitical competition between the United States and China. There is a question of

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how other actors will position themselves in this power struggle. Russia is arguably one of the most crucial “swing states” in Northeast Asia and on the global arena.

Since the late 1990s Russia has been aligned with China, Moscow and Beijing having become “privileged strategic partners” for one another. However, there have been some speculations that Russia is eventually going to abandon China and choose to align itself with the U.S.-led West<sup>5</sup>. As Russia increasingly feels the threat from a rising China, this kind of argument goes, it will have no choice but to move closer to the U. S. and EU.

Even inside Russia, there is a view held by some foreign policy hands, mostly liberals, that Moscow needs to enter into some form of strategic alignment with Washington and Brussels, pointing to the China challenge as one major reason for such a move<sup>6</sup>. This line of strategic thinking appears absolutely logical from the balance-of-power perspective that expects states to form coalitions against potential hegemon. For Russia, this strategy would seem all the more sensible as it shares a 4209-kilometer border with its giant eastern neighbor and thus is exposed to China-related geopolitical risks much more than any Western state.

It is true that both Russia’s governing elites and ordinary people are wary of China. During the past two centuries Russia was more advanced as compared to China, encouraging the Russians to think of the Middle Kingdom somewhat condescendingly. That traditional perception is now being painfully reassessed. Russian leaders are steeped in the balance-of-power politics. They strongly believe in the maxim that what really matters in international arena is capabilities rather than intentions. From this perspective, some form of entente with the United States – the leader of the Western community – to insure against the growing Chinese power could make sense. The problem, though, is that the U.S. is seen by Moscow

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as a bigger, and more immediate, threat than China. There are four principal reasons for that.

First, the West is widely perceived as seeking to transform Russia in its own image, so that Russia would lose its core identity. Efforts by the U.S. and EU to export democracy and liberal values are viewed as aggressive moves designed to undermine the ideational and institutional foundations of Russia's statehood. By contrast, Moscow highly appreciates China's principle of non-interference in other countries' affairs and its tolerance of diverse models of political and socio-economic development.

Second, ever since the 1990s Moscow has been worried about the West's penetration of Russia's "near abroad", that is the territory of the former Soviet Union. The tensions peaked under the George W. Bush administration, culminating in a brief war between Russia and Georgia, a U.S. ally. Under Obama, Washington has somewhat reduced its involvement in the post-Soviet space. Nevertheless, the Kremlin remains deeply suspicious of the U.S. intentions in Russia's backyard. China has also been increasing its engagement with the former Soviet republics, especially in Central Asia. Yet, it has been careful not to provoke Russian ire. China's links to post-Soviet states has mainly been economic, not challenging Russia's residual political hegemony. As opposed to the U.S.-sponsored color revolutions, Beijing has never acted against the post-Soviet ruling regimes with close ties to the Kremlin. To be sure, Moscow is not particularly happy about Beijing's growing economic leverage over Central Asian republics, but is willing to put up with it as long as China respects Russian strategic interests in this area.

Third, America's military strategy is a more serious concern to Russia than China's. In particular, NATO's missile defense program causes grave apprehensions in Moscow. There is a strong opinion within the national strategic establishment that, once completed, the missile shield will be able

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to negate Russia's nuclear deterrent. On the contrary, China's current military posture is assessed as less of a security risk to Russia, because Beijing's defense modernization and deployments are principally aimed at the Taiwan Strait, South China Sea, and the Western Pacific.

Fourth, foreign policy rhetoric and diplomatic style matter a lot in shaping Moscow's threat perceptions. America is not shy talking about its being the sole superpower and its determination to lead the world, which evokes much irritation in Russia. Meanwhile, China endorses the idea of a multi-polar world, wholly backed by Moscow<sup>7</sup>. Furthermore, actions and words by American high-profile politicians and diplomats often contribute to America's image as a country adversarial to Russia. For example, Mitt Romney, a man who can become the next President of the United States, has repeatedly labeled Russia as America's top "geopolitical foe"<sup>8</sup>. Mike McFaul, the U.S. ambassador in Moscow, has made a string of controversial gestures infuriating the Kremlin, such as meeting opposition leaders or publicly alleging that Moscow paid "bribes" to Central Asian leaders<sup>9</sup>. It is simply impossible to imagine Chinese top politicians and diplomats behaving that way.

Russian leadership is well aware that China, with its growing strategic capabilities, may pose a serious geopolitical risk in the future. However, this danger is so far perceived as mostly hypothetical and distant compared to clear and direct challenges presented to Russia by the U.S. and its Western allies. If the U. S. really wants to have Russia on its side in the unfolding competition with China, Washington will have to abandon the promotion of liberal democracy in the post-Soviet space, recognize Russia's hegemony in this region, and scrap its missile defense plans in Europe. It seems unrealistic that the U.S. agrees to those conditions in the foreseeable future. Therefore, rather than tilting toward America, Russia will most likely continue its quasi-alliance with China.

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*The India Factor*

Both Russia and India seek to establish themselves as full-fledged Asia-Pacific powers. However, the validity of their Asia-Pacific claims is often questioned. For one thing, their primary “geopolitical residence” is often seen as not belonging to the Asia-Pacific, but elsewhere. Russia is still viewed by many as predominantly European country, given that the bulk of its trade and political ties remain oriented toward the West. In a similar vein, India is perceived by many as a regional power of South Asia<sup>10</sup>.

Even if Russia and India are recognized as Asia-Pacific powers, their engagement with the Asia-Pacific is mostly limited to its particular sub-regions. Due to geography, Russia’s influence is more or less pronounced in Northeast Asia, while it is minimal in Southeast Asia and other parts of the Asia-Pacific. At the same time, India’s geopolitical presence is tangible in Southeast Asia, while it is tenuous elsewhere. This implies that Russian and Indian spheres of influence in the Asia-Pacific do not overlap. On one hand, that might be a good thing, since it effectively excludes any possibility of clashing interests. On the other hand, this means that it would be difficult for Moscow and New Delhi to render each other substantive assistance when it comes to international politics of the respective sub-regions. For example, there is little India can do to support Russia’s objectives in Northeast Asia, while Russia certainly cannot give much backing to India’s policies in Southeast Asia.

However, one can look at the picture from a different angle. Using its influence in Northeast Asia, Russia could help India strengthen its presence there, while New Delhi could back Moscow’s interests in Southeast Asia. Suffering from the lack of recognition as “true” Asia-Pacific players, both Russia and India should have a mutual stake in supporting one another’s Pacific aspirations. So there is some potential for their strategic collaboration in the Asia-Pacific.

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However, the current prospects for Russia-India axis in the Asia-Pacific, and in Northeast Asia in particular, should not be overrated. It is China that stands in the way of Moscow-New Delhi partnership going too far. As elaborated above, China has become too important for Russia, politically and economically, to risk antagonizing it by entering into strategic arrangements with India<sup>11</sup>.

There is an apparent paradox in Moscow-Beijing-New Delhi triangle. The Russians generally lack genuine trust toward China and feel a lot of sympathy toward India. Yet the Kremlin has chosen China, not India, as its main strategic partner. In fact, this choice is quite logical in geopolitical terms, as Moscow needs an ally (or quasi-ally, for that matter) possessing sufficient diplomatic and economic wherewithal. In the Kremlin's view, India is not yet powerful enough, both globally and in the Asia-Pacific, to court its friendship.

Russia-India strategic axis in the Asia-Pacific could start materializing, if and when: 1) China begins to be perceived by Russia as a major and immediate threat. 2) India becomes sufficiently strong to act as a countervailing force vis-à-vis China. It seems that, in the short- to medium term, these conditions are unlikely to arise.

Short of geopolitical alignment, Russia and India can, and should, develop their links in Northeast Asia. The Russian Far East, with its strategic location and vast natural riches, is well positioned to become the focus of Russia-India cooperation in Northeast Asia. It is telling that, in 1992, India became the first country to open its consulate in Vladivostok, Russia's main Pacific city. India has a tangible cultural presence in the Russian Far East, with Far Eastern Federal University in Vladivostok being one of the major centers of Indian studies in Russia. By contrast, economic ties between the Russian Far East and India are quite insignificant, with the trade volume at 602 million dollars, which constitutes just 1.8% of Russia's Far Eastern

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Federal District's foreign trade<sup>12</sup>. India's biggest investments in the RFE are the 20% stake held by ONGC in Sakhalin-1 oil and gas project, as well as two diamond-producing factories<sup>13</sup>.

### *Conclusion*

Russia is pursuing a multi-polar international order, both globally and in the Asia-Pacific, seeing oneself as one of the major poles. Far from attaining that goal, Moscow now finds itself increasingly sandwiched between the US-led West and China. Moscow fears the West, while lacking trust in China, with which it has entered into marriage of geopolitical convenience. On the contrary, Russia has no serious misgivings about India. Russian and Indian spheres of vital interests do not intersect. Furthermore, India, albeit a self-professed liberal democracy, is not trying to export its values. So, unlike the West, it is not seen by Russia as an ideological threat to national identity. That is why Russia has nothing against India becoming another pole in the desired multi-polar order.

As a center of power in global, and Asia-Pacific, politics, India could also act as a counter-balance to China, thus mitigating Russia's worries about Chinese hegemonic ambitions in Asia. The main problem is that India does not currently have sufficient clout to be any match to China. New Delhi cannot offer Moscow nearly as much as Beijing can, both in economic and political dimensions. Russian-Indian strategic relationship is likely to continue, particularly in the military cooperation domain, but, in the foreseeable future, it will play second fiddle to Sino-Russian axis.

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<sup>1</sup>Michael Mastanduno, "Incomplete Hegemony: The United States and Security Order in Asia," in Muthiah Alagappa, ed., *Asian Security Order: Instrumental and Normative Features*, (Stanford: Stanford University Press, 2003), pp. 141-170.

<sup>2</sup> In case of Taiwan, this alliance relationship is, of course, de-facto and informal.

<sup>3</sup> Christopher Layne, *The Peace of Illusions: American Grand Strategy from 1940 to the Present*, (Ithaca: Cornell University Press, 2006).

<sup>4</sup> Although North Korea is an autonomous actor in international politics, it cannot be regarded as a center of power, or a pole, because it is too weak geopolitically. Apart from its one-million strong army and several nuclear devices, Pyongyang has no strategic assets. At the same time, it has a lot of vulnerabilities, particularly its struggling economy. Therefore there are currently only three centers of power in a multipolar Northeast Asia: two bigger poles (the US and China) and one lesser pole (Russia).

<sup>5</sup> John J. Mearsheimer. "The Gathering Storm: China's Challenge to US Power in Asia". *The Chinese Journal of International Politics*. Vol. 3, 2010, 381-396. Available at <http://mearsheimer.uchicago.edu/pdfs/A0056.pdf>

<sup>6</sup> *The U.S. – Russia relations after the "Reset": Building a New Agenda. A View from Russia. Report by the Russian Participants of the Working Group on the Future of the Russian-U.S. Relations*. Valdai Discussion Club, March 2011. Available at <http://www.scribd.com/doc/51213183/The-U-S-%E2%80%94Russia-Relations-after-the-%C2%ABReset%C2%BB-Building-a-New-Agenda-A-View-from-Russia>

<sup>7</sup> [http://news.xinhuanet.com/english/indepth/2012-05/30/c\\_131621084.htm](http://news.xinhuanet.com/english/indepth/2012-05/30/c_131621084.htm)

<sup>8</sup> [http://www.nytimes.com/2012/05/12/us/politics/romneys-view-of-russia-sparks-debate.html?pagewanted=1&\\_r=3](http://www.nytimes.com/2012/05/12/us/politics/romneys-view-of-russia-sparks-debate.html?pagewanted=1&_r=3)

<sup>9</sup> <http://www.csmonitor.com/World/Europe/2012/0530/Ambassador-McFaul-driver-of-US-Russia-reset-becomes-his-own-obstacle>

<sup>10</sup> Even in Russia, which generally feels positive about India, there are doubts as to whether India truly belongs to the Asia-Pacific, given that it has no Pacific coast. Also, it is not noteworthy that the notion of the "Indo-Pacific region", while getting increasingly popular in the West, has not yet gained currency in Russia.

<sup>11</sup> In 2011, Sino-Russian trade topped 83.5 billion dollars compared to Indian-Russian trade of mere 8.9 billion dollars.

<sup>12</sup> For comparison, China accounts for 27.8% of the Russian Far East's foreign trade.

<sup>13</sup> India's total share of foreign direct investment in the Russian Far East stands at 4%.

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## India-Japan Strategic Partnership in Southeast Asia

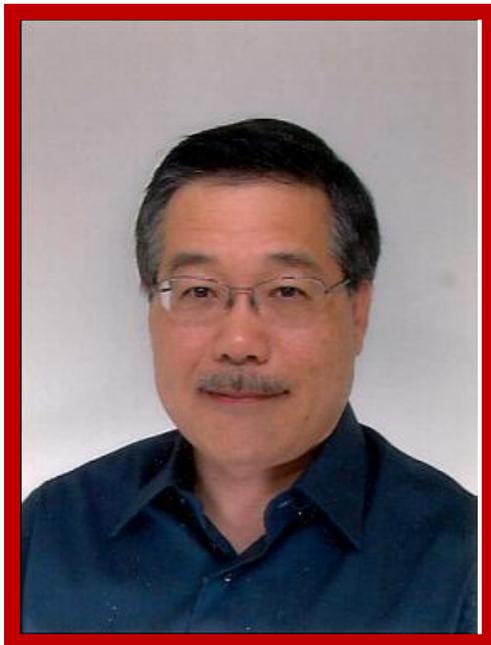
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**Publications and Research:**

Dr. Arase has authored *Buying power: the political economy of Japan's foreign aid* (1995), produced three edited volumes, and published many shorter articles and book chapters. He has visited at the Japan Institute of International Affairs, Institute for Southeast Asian Studies (Singapore), the Institute of East Asian Studies at UC Berkeley, the Centre for Asian Studies at the University of Adelaide, and the Social Science Research Institute at the International Christian University in Tokyo. He has taught at the School of Oriental and African Studies in the University of London, the University of Tsukuba in Japan, and Pomona College in Southern California before assuming his present position.

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## India-Japan Strategic Partnership in Southeast Asia

Dr.David Arase

### Introduction

The interplay of global trends and events, major power strategic relations, the rise of China, and complementary economic interests drive India and Japan toward closer partnership. As they draw together, Southeast Asia will become an increasingly important sub regional venue for cooperation. Until now Southeast Asia has been a geographic and political barrier dividing the two countries as well as their respective Indian Ocean and Asia-Pacific macro-regions. To achieve closer ties, a task of great importance for both Japan and India will be to transform Southeast Asia into a bridge joining their economies and their respective regions. This agenda will engage ASEAN in cooperation that will focus on economic matters, but it could have significant political and strategic ramifications.

### Global trends and events

The growing inadequacy of existing global governance institutions cannot be overlooked. Whether the issue is trade liberalization, global monetary and financial stability, poverty and development, food security, nuclear weapons, or ecological sustainability, problems confronting nations have reached a critical stage. Today's global governance mechanisms (or lack thereof) have not permitted the world to manage these issues in a credible fashion. As the third and fourth largest national economies in the world, India and Japan desire to contribute, but lack a commensurate voice in global governance. They are natural partners in demanding UN Security Council reform, reform of the Bretton Woods institutions, enhancement of the G-20 mechanism, nuclear disarmament, and meaningful measures against climate change.

India and Japan are also natural partners at the regional level. As the failures and lacunae of global institutions have become undeniable, the importance of regional governance has grown. Many pressing problems are regionally specific and global institutions are often uninterested or unable to deal with them. For example, in Southeast Asia, piracy and illegal trafficking, tsunami preparedness, and other non-traditional security issues are endemic, but remain below the radar for the UN Security Council. Leadership in global economic institutions by western countries

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led by the US also fails to address regional concerns. Countries in East and South Asia may be more interested in enhancing infrastructure investment in real economic connectivity than in extending intellectual property rights under the WTO or bailing out Europe.

Regional cooperation grows to compensate for failures at the global level to address critical regional concerns. As two of the three major Asian powers interested in strengthening peaceful, rule-governed, multi-lateral institutions, India and Japan—if they partner—can provide leadership within existing forums. In case existing forums cannot meet their interests and expectations, they can contribute to the Asian noodle bowl of regional agreements by launching new cooperation initiatives without necessarily abandoning existing mechanisms. If joined by others that share democratic norms (such as Indonesia), they could create a genuine regional community of interest and peaceful cooperation.

### **Japan, India, and major power strategic relations**

Japan-Indian bilateral relations are notably trouble-free. There are no zero-sum ideological, territorial, economic, or strategic conflicts to divide them. Factors drawing them together include long standing mutual admiration and respect for each other's culture, memories of cooperation and mutual support in the modern era, complementary economies, shared democratic values, and parallel global and regional interests. They are not likely to be security treaty allies, but the geometry of major power relations aligns their strategic interests.

#### No security alliance targeting third countries

Of particular note in the area of security is that both see China as problematic in ways that will be discussed further below. Nevertheless, at the outset it needs to be stressed that a security alliance between India and Japan against China or any other country is out of the question. A limiting factor is Japan's lack of strategic capability and independence. It is a vulnerable island nation unable to project force or deter nuclear attack due to limits set by its Constitution, force structure, security doctrine, and the pacifism ingrained in the Japanese people. Moreover, Japan lacks independence because the US provides a nuclear umbrella and secure maritime access to global markets and resources in exchange for Japanese foreign policy support and military base facilities in Japan. Hence, Japan on its own cannot come to India's defense in a conflict.

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India has strategic independence provided by its continental size, strong, geopolitical position, nuclear deterrent forces, and potent armed forces with a full spectrum of capabilities. Given its identity as the present incarnation of a great civilization and a leader of the non-aligned movement after WW II, India values independence and is unlikely to seek a strategic alliance with Japan or another power unless forced to by some extreme circumstance. Some might say things are heading in that direction due to the rise of China.<sup>1</sup> Nevertheless, India's fractious domestic politics and passively independent mindset have not led it to develop a coherent, purposeful grand strategy.<sup>2</sup> To keep pace with the rapidly emerging multipolar world, and with an Asian region that may be moving toward Chinese unipolarity, India will have to develop a strategic vision.

For now, India monitors the Indian Ocean littoral and its northern borders for potential threats. Pakistan, a Chinese ally, is an active nuclear, conventional, and terrorism threat. China's influence is set in Sri Lanka and is growing in Afghanistan as well as the Indian Ocean due to its growing naval presence. India has its hands full balancing threats within this geopolitical sphere and is not looking for new security commitments.

#### Russia, the US and China

In strategic affairs, the major powers that could influence the Japan-India relationship are Russia, the US, and China. Russia, however, is neither a likely security partner nor threat for Japan or India at present. Russia's core concerns are limited to domestic consolidation and development, strategic security and independence, and predominant influence in its "near abroad" (the former Soviet republics now surrounding the Russian Federation). It does not seek to antagonize China, nor does it perceive vital interests outside the near abroad, unless they directly link to its core concerns, as in the case of Iran's confrontation with NATO.

The US has been Japan's only treaty ally since Japan regained sovereignty in 1952. Japan is constitutionally prohibited from declaring war, possessing offensive weapons, or sending combat troops to fight overseas. In the US-Japan security arrangement, the US provides a nuclear umbrella and guarantees the security of Japan's global trade. In return, Japan provides the US with bases on its territory, overseas support for US military actions in non-combat roles, economic support (through official forms of assistance) for various US-led initiatives, R&D support in weapons development, and political support in international forums. Japan's

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dependence on the US has forced Japanese foreign policy to work within limits set by US global interests.

The US supports India in important ways today. It was not always so.<sup>3</sup> But after the end of the cold war, India's economic liberalization, the war on terror, and especially since 2005 when Manmohan Singh first visited the US and began negotiating a civilian nuclear energy technology sharing agreement (that was signed in 2008), India-US relations have turned cooperative in selected strategic areas. This, despite the fact that India is not a signatory to the NPT but has nuclear weapons (as demonstrated in 1974 and 1998 test explosions), and has tested a new nuclear capable Agni V ICBM this year. India's ongoing strategic development meets with little US disapproval, while China has warned India not to over-estimate its strength.<sup>4</sup> In sum, both India and the US desire enhanced military cooperation as a hedge against the rise of a warlike China. The Indian emphasis is on weapons technology and production, while the US pushes naval operations such as the Malabar joint naval exercise held annually since 1992. The shift in the US stance on nuclear cooperation has much to do with India's desire to keep up with China, and with the US desire to strengthen a country that has become a natural cooperation partner.

*i) Sino-US security relations*

China has been rapidly expanding the reach of its anti-satellite and cyber war capabilities, land-based missile force, air force, and navy to control and operate freely within the East China and South China seas—what its military strategists call the “first island chain.” After this Chinese strategists call for extending China's perimeter of routine operations and control to the “second island chain” which has the US territory of Guam on its perimeter. In a recent book on strategic sea lane security doctrine, PLA Navy Senior Colonel Liang Fang lays out a service mission to consolidate free naval activity and control within the second island chain (*neigu* 内固), and have a capacity to launch thrusts outward from this safe zone (*waituo* 外拓).<sup>5</sup> The Pentagon calls this Chinese control strategy “Area Access/Area Denial” (A2/AD),<sup>6</sup> while the People's Liberation Army (PLA) calls it one aspect of “active defense” (*jiji fangyu*).<sup>7</sup> This requires an ability to pre-emptively destroy enemy threats inside the PLA Navy's control zone during a military crisis.<sup>8</sup> If US theater forces as far as Guam were preemptively neutralized in a confrontation with China, the US would have to resort to intercontinental means to retaliate. But given a

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secure Chinese nuclear deterrent, the US would have to think again. Hence, the US could be persuaded to decline a confrontation with China in East Asian waters.

If effective, this A2/AD strategy could remove the US ability to defend allies and guarantee the security of air and sea-lanes in East Asia. China has been expanding its zone of routine operations and control in the South China and East China seas since 2010, intimidating US allies (i.e., the Philippines and Japan), and testing the US resolve to confront China.<sup>9</sup> Once A2/AD is tested and proven, China would have a green light to reshape the region to its liking. A desire to meet this challenge is the reason for the US strategic pivot to East Asia announced in 2011.<sup>10</sup>

This shifting balance between China and the US does not directly affect Russian vital interests, but it vitally concerns Japan, which is strategically dependent on the US. It also has direct implications for India, because a China that strategically dominates Southeast Asia could obstruct India's economic and strategic interests in the Asia-Pacific and control the Indian Ocean's eastern rim directly facing the Indian subcontinent. Not by coincidence, The US, Japan, and India held the first of what could be an ongoing trilateral dialogue in December 2011.<sup>11</sup>

This aspect of China's "peaceful" rise alters the strategic environment in the East Asian and the Indian Ocean regions. China is now viewed warily by India, Japan, and the US, as well as by its smaller neighbors for reasons detailed below. Because the US now cooperates with India to help it maintain a strategic balance against China, Japan is free to do the same, though still subject to the above-mentioned constraints. Because China's rise is the main non-economic rationale for closer India-Japan ties, and because this issue is nuanced and rapidly evolving, an extended discussion is needed.

### **The manner of China's rise**

It is hard to find any country opposed to the idea of China's peaceful rise. However, there is concern that, in reality, China's rise is creating a more tense security environment. China's high profile use of its rapidly expanding military advantages to press neighbors for territorial concessions and to warn third parties to stay out of these disputes—even though they may have vital interests involved—is the source of this concern.

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*i) Chinese identity, history, and political system shapes China's rise*

China's identity, history, and political system help to explain why its assertiveness may be difficult to change. China, like India, has independence woven into the fiber of its thinking and identity. China is one of humanity's ancient root civilizations that remain vital today (India and some might say Europe are the others). It traces its cultural identity back to the Bronze Age era Shang Dynasty (1600-1000 BC). Its political character was shaped by the Qin Dynasty (221-207 BC), which unified the population and area bounded by the mountains rising to the Tibetan plateau, the Yellow River valley, the East China Sea, and the Yangtze River region. The Qin put this region under centralized administration, established a common writing system, and mobilized a massive public works effort. The subsequent Han Dynasty (206 BC-220 AD) built on the achievements of the Qin and saw Chinese civilization flower. It anchored Chinese political culture and institutions in Confucianism, and its prosperity brought many breakthroughs in the arts, culture, sciences, and crafts. Its wealth and accomplishments became known via the Silk Road as far as Rome. As late as 1830, China accounted for one-quarter or more of global GDP.

With this cultural heritage, China is unaccustomed to begging the favor of other nations. In Chinese historical memory it has always been the other way around. That is, until China was brought low after the Opium War (1839-42) and suffered cultural trauma during what it calls a "century of humiliation." Since it emerged in 1949 after victimization by Western imperialism, internal revolution, war against Japan, and civil war, China under Communist Party leadership has sought through painful trial-and-error to maintain China's independence and catch up to the rest of the world.

The Communist Party under Deng Xiaoping set out to integrate China into global capitalism without losing its grip on power. It succeeded, but in the process it sacrificed its ideological legitimacy and populist credentials. The Party used its unaccountable exercise of governmental power to enrich itself as a class during the transition from socialism to capitalism. Structural corruption, and the resulting inequalities of income, status, and opportunity, have created mistrust between the Party and the people.

It was hoped that rising incomes would create legitimacy, but paradoxically, even though incomes have quadrupled since 1990, the average Chinese has become less satisfied. In 1990, 68 percent of the top-third, and 65 percent of the bottom-third income categories reported high life satisfaction. In 2007, these numbers were 71

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percent and 42 percent respectively, and the middle-income group declined from 72 percent to 58 percent.<sup>12</sup> This may reflect increasing public awareness of government corruption and other societal ills such as pollution, rising prices, job insecurity, unaffordable health care, inadequate old age pensions, and inadequate legal protections for ordinary citizens.

Needing to find a new basis for ideological legitimacy after abandoning socialism, the Party rebranded itself as the hero of Chinese nationalism using education, entertainment, broadcast news, and Internet. China's history, culture, and identity as constructed by the regime since the 1980s has made the nation impatient to recover its past glory and avenge the century of humiliation. In an unfortunate choice, the regime has highlighted China's growing military strength and revanchist demands against neighbors. Official media such as the Global Times feeds popular expectations of future military successes and hostility toward neighbors. This explains why Beijing's aggressive drive to regain "lost" territories and restore strategic primacy in East Asia reaps such passionate popular support.

This agenda distracts people from their unhappiness at home, and perhaps the regime believes it can meet popular expectations of military successes more easily than popular desires for social welfare and an end to blatant corruption. The dilemma for the regime is that, after rousing the tiger of aggressive mass nationalism, the regime has to feed it regularly. But China depends on global trade and investment for socio-economic stability—which counsels against military aggression.

This picture suggests that there is an uneasy internal political dynamic that, on the one hand, drives military modernization and a revanchist agenda with neighbors to keep mass political support but, on the other hand, requires peaceful trade relations with neighbors to maintain socio-economic stability. This means the regime tries to pursue both ends at the same time, which naturally leads to a question: Is the balance steadily in favor of peaceful trade? One may hypothesize that if popular dissatisfaction with the regime rises to critical levels, the regime could be tempted to instigate an external conflict. China's recent behavior in the South China Sea and the East China Sea may be interpreted in this light. It shows the regime pursuing military dominance in Asia, revanchism toward neighbors, and mass distraction from domestic ills using media mobilization campaigns.

*ii) South China Sea*

From 2009, after Vietnam and the Philippines registered their respective territorial claims in the South China Sea according to procedures mandated by the UN Convention on the Law of the Sea,<sup>13</sup> China submitted to the UN a map of dubious provenance with a 9-dash line of Chinese ownership encompassing roughly 80 percent of the South China Sea.<sup>14</sup> It ignores contiguous continental shelf, island, and EEZ claims by the Philippines, Malaysia, Vietnam, Brunei, and Indonesia, leaving only the near coastal waters of these countries under their jurisdiction. Not only does this map dispossess these countries of food and energy resources, but also makes half of the world's maritime trade tonnage suddenly pass through Chinese national territory.



Sources: UNCLOS and CIA (based on BBC map available at <http://www.bbc.co.uk/news/world-asia-15802063>).

Map source: Xenia Dormandy, *Prepared for future threats? US defence partnerships in the Asia-Pacific Region* (London: Royal Institute of International Affairs, June 2012), p. 23.

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From 2010, China stepped up deployment of its fishing fleet, coast guard, and other official vessels in a paramilitary strategy to establish de facto control over islands and waters within the 9-dash line even when nearby states claim these territories as being national territory or within their exclusive economic zones, which extend 200 nm from the shoreline of home territory (see map).

China uses civilian vessels (its fishing fleet and civilian coast guard, fishery patrol boats, and monitoring vessels) as a paramilitary force to occupy and establish administrative control over disputed territory. Reliance on military forces to do this would be military aggression. Instead, China deploys military assets to back up and “defend” its advancing paramilitary civilian assets. Regardless of the legal rights and wrongs involved, China’s South China Sea neighbors, either individually or collectively, are unable to resist this strategy of territorial expansion.

The US has said it does not take a position on territorial disputes, even those involving its treaty allies. In the South China Sea the US is mainly concerned about the freedom of navigation. This is compatible with China’s desire to keep its neighborly disputes bilateral, non-military, and purely territorial. In this case, China’s power advantage over smaller neighbors is overwhelming.

An example of this strategy in action occurred in April-June 2012 at Scarborough Shoal (see map above), which is 120 miles from Luzon Island (where Manila is located). After the Philippine coast guard tried to arrest Chinese fishing boats for fishing at Scarborough Shoal in April, civilian Chinese surveillance vessels arrived and forced the release the Chinese boats. China then demanded that the Philippine coast guard and fishing boats withdraw from Chinese territory. A lengthy standoff ensued, during which China banned Philippine banana imports to punish Philippine defiance. A Chinese fleet of about 80 civilian vessels arrived and surrounded the single Philippine coast guard vessel and established control in the area. Chinese aircraft buzzed Philippine fishing boats to persuade them to leave. There was a bilateral agreement in June for both sides to withdraw, but after the Philippine coast guard vessel departed, Chinese ships remained and cordoned off the fishing lagoon to prevent Philippine boats from returning.

In July, the Dongguan, a Type 053 frigate (a refurbished 2400-ton Soviet Riga-class frigate), ran aground patrolling China’s claimed waters less than 70 miles from the Philippine island of Palawan. The Type 053 is armed with eight anti-ship missiles, two automatic 100mm guns, four 37mm anti-aircraft guns, and regular and rocket

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launched depth charges. The new Type 056 corvette, the first of which began service in September 2012, will replace the Type 053 as a patrol vessel in this area. The Type 56 is an 1800-ton ship that has air and sea search radars, and is armed with four anti-ship missiles (200 kilometers range), eight anti-aircraft missiles (nine kilometers range), two 30mm autocannon, and one 76mm gun.<sup>15</sup>

The US did not protest China's successful assertion of control over Scarborough Shoal even though the Philippines is a treaty ally. The US position is that it does not take sides in sovereignty disputes, and is interested only in maintaining freedom of navigation through the South China Sea (and of course defending allies against military aggression).

In July, just before the annual ASEAN Regional Forum was held, China laid claim to oil exploration rights on Vietnam's continental shelf based on the 9-dash map. The rights in the area in question had already been leased by Vietnam to an Indian oil company. The Chinese claim lacks a basis in UNCLOS legal principles because there is no Chinese-claimed land feature within 200nm of where China claims oil exploration rights, and the continental shelf is presumed to belong to the nearest contiguous littoral state, which is Vietnam in this case.<sup>16</sup> This action could be interpreted as an action to warn off India from either implicitly supporting Vietnam's position in maritime issues or stealing Chinese resources.

When Vietnam and the Philippines sought ASEAN backing in their disputes with China at the ASEAN Ministerial Meeting that preceded the ASEAN Regional Forum, China used its influence over ARF host country Cambodia to block any mention of these disputes in a joint statement. As a consequence, for the first time in 45 years an ASEAN Ministerial Meeting failed to produce a customary joint statement. This is a bad omen for the future of ASEAN, but a victory for China's strategy in the South China Sea.

China quickly consolidated its advances by creating and staffing Sansha, a municipal government for the Spratley and Paracel Islands, whose jurisdiction will cover some 1.4 million square miles encompassing the heart of the South China Sea. China also established a military garrison to defend Sansha.

Thus, China has used civilian paramilitary forces backed by military power to methodically advance its territorial control and strategic influence without precipitating collective protest, military conflict, or US intervention to defend its

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Philippine ally. China has alienated ASEAN members and challenged US strategic dominance in East Asian waters, but China apparently believes ASEAN members have no recourse but to adjust to the new reality of Chinese dominance. The whole drama filled the Chinese media through the summer and played out to popular satisfaction, obscuring the cloaked drama of Bo Xilai's demise.

*iii) The Senkaku (Diaoyu) Islands dispute in the East China Sea*

The Senkaku or Diaoyu Islands is a group of five islets claimed by both Japan and China. The Japanese claim is based on an uncontested act of incorporation in 1895. From 1945, the US controlled it, along with Okinawa, until 1971. In 1968, nearby oil and gas potential was discovered. When the US returned it to Japanese sovereignty and administrative control in 1971, Taiwan made a historical claim to the islands. China then claimed the islands as part of Taiwan.

After the Scarborough Shoal standoff ended in June, Chinese vessels began appearing near the Senkaku Islands in early July, prompting the US to repeat that the US-Japan Security Treaty included the island group.<sup>17</sup> The mobilization of mass sentiments in China got underway on August 12 when Hong Kong activists set sail for the Senkakus, and police permitted the journey for the first time since 2009. By August 19, there were anti-Japanese demonstrations in at least 23 cities across China.<sup>18</sup>

The Japanese government has owned one Senkaku islet and the rest have been privately owned. Because the islands are disputed with Taiwan and China, the Japanese government has forbidden development of the islands. A Japanese family owning three of the islets wanted to sell them in 2012. The Japanese government purchased them on September 11. The significance of this purchase has been misunderstood. It stopped a plan of the right wing governor of Tokyo, Shintaro Ishihara to purchase the islets and incite conflict with China.<sup>19</sup> By stirring up trouble, he hoped the Japanese public could be driven to support the right wing desire to abandon pacifism, revise the Peace Constitution, and rearm. The national government put a stop to this plan by paying the private owners more than Ishihara offered for the three islands. It should be noted that the Japanese government already owned one island; it did not need to own more. The purchase was meant to keep the islands peaceful and unoccupied.



Senkaku/Diaoyu Islands location. Source :

[http://ajw.asahi.com/article/special/isles\\_dispute/AJ201209050009](http://ajw.asahi.com/article/special/isles_dispute/AJ201209050009)

On September 12, The People's Daily reported Vice-Premier Li Keqiang told the visiting Papua New Guinea prime minister that "Japan's position today on the issue of the Diaoyu Islands is an outright denial of the outcomes of victory in the war against fascism." It also reported that the PLA "reserved the right' to take action on the Diaoyu Islands."<sup>20</sup> The news and commentary about the "nationalization" of the islands made the Japanese government's move to stop Ishihara sound like Japan was invading China again. The media campaign stoked fear, hatred, and rage toward Japan, and by September 17 there were anti-Japanese demonstrations in over 100 cities in China. The government-permitted demonstrations led to attacks on Japanese persons and property, and "the people" demanded action against Japan. Having roused mass support, China began to repeat the tactics it used to occupy and gain control over Scarborough Shoal. The Chinese media reported that a fleet of 1000 fishing vessels escorted by paramilitary patrol vessels set sail for the Senkakus, and demanded that Japanese coast guard vessels leave Chinese territory.<sup>21</sup>

The US would not say if the Senkaku Islands were a part of Japan's sovereign territory, but so long as Japan had de facto administrative control over the islands, a military attack there would trigger a US treaty obligation to defend Japan.<sup>22</sup> This is the same position that the US took in the Scarborough Reef incident. This implied the possibility, demonstrated at Scarborough Reef, that if China could seize control of disputed territory from a US ally using measures below the threshold of military aggression, this would not trigger a US treaty obligation to defend the ally.

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The difference, however, is that Japan's coast guard could prevent a Chinese paramilitary occupation of the Senkaku islands. If Chinese navy ships came to "defend" its civilian vessels from Japanese coast guard attempts to remove them, and a military engagement with the Japanese navy ensued, China could very well lose. If this were the end of the matter, Beijing would have to explain defeat to the Chinese people. To avoid this unacceptable outcome, Beijing could escalate the conflict to all-out war between Japan and China. In this case, China's ballistic missiles and Japan's lack of retaliatory offensive capability would give China victory—unless the US stepped in to defend Japan. So US commitment to defend an ally against a stronger China became a critical variable.

When Chinese radio and TV reported on September 17 that a fleet of a thousand Chinese fishing vessels set sail from Zhejiang Province to occupy the islands, Japan faced the choice of having its normal coast guard presence in the Senkakus overwhelmed, or sending an adequate force to oppose an occupation of the islands. This mission could lead to a loss of civilian life on both sides, which in turn could set the stage for military conflict and war. Before going down this road, Japan would need assurances of support from its US security guarantor.

After consultations in Tokyo, US Defense Secretary Leon Panetta arrived in Beijing for previously scheduled talks with Chinese Defense Minister General Liang Guangkai on the same day that the thousand ships reportedly set sail. Panetta had "candid" discussions in Beijing regarding East Asian maritime territorial disputes, and had an opportunity to say whether the US would support Japan in a war with China.<sup>23</sup>

As Panetta headed for Beijing, Japan decided to send 50 coast guard cutters to prevent an occupation. Mysteriously, the Chinese fishing fleet never materialized on September 18, but their escort of more than a dozen Chinese civilian patrol vessels showed up, and a standoff ensued.<sup>24</sup> While Panetta was in Beijing, street demonstrators attacked the US ambassador's car as it entered the US embassy gates. The attackers blamed the US for encouraging Japan to defy China.

What can be learned from this episode? Turning to the timing of this crisis, some have pointed to rising tensions inside China before the next Party Congress as an explanation.

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The Chinese media turned to the Senkaku issue after the Scarborough Shoal standoff ended in June. Gu Kailai, Chongqing Governor Bo Xilai's wife, was charged with murdering British citizen Neil Heywood on July 26. She was tried on August 9 and received a suspended death sentence on August 20. After the Hong Kong activists were permitted to sail on August 12, the media saw daily reports of confrontation over the Senkakus and inflammatory anti-Japanese commentary. The Senkaku media campaign ramped up in early September when Xi Jinping mysteriously disappeared from public view for two weeks and as criminal charges were announced on September 5 against Wang Lijun, the Chongqing police chief who had sought political asylum in the US Consulate in Chengdu in February. Wang's one-day trial was held a day earlier than scheduled, on September 17,<sup>25</sup> when the phantom 1000 ship fleet set sail for the Senkakus. While the Senkaku crisis still filled the media at the end of September, charges of corruption, abuse of power, and sexual misconduct were announced against Bo Xilai.

Perhaps the timing is coincidental, but what is indisputable is that factional infighting within the Party leadership has delayed the Party Congress and created an air of uncertainty. Filling the media with anti-Japanese news and anticipation of war could be a useful distraction and a release valve for pent up frustrations over a variety of domestic problems. If Beijing had been successful in occupying the Senkakus as it did Scarborough Shoal, it would have set off a wave of national euphoria and given the Party sorely needed popular support. This line of analysis is not implausible, and it shows how, given the present tense political situation inside China, external conflict may serve the interests of Beijing.

There is an external strategic dimension as well that fewer have pointed to as a possible explanation for the timing of the crisis. Was it coincidence that the crisis peaked as Defense Secretary Panetta arrived in Beijing? If it was not planned, the timing of the crisis and his visit led to revealing outcomes. One lesson is that, what prevented a repeat of Scarborough Shoal was Japanese paramilitary and naval superiority in the disputed area, backed by a US pledge to assist Japan in case of all-out war. Another lesson was that, playing host to a US Defense Secretary would not prevent Beijing from threatening the most important US ally in Asia. The US pivot apparently will not stop Chinese efforts to achieve its A2AD objective.

An additional note is that this manufactured crisis may have alienated Japanese feelings toward China in a lasting way. The year 2012 marked the 40<sup>th</sup> anniversary of Sino-Japanese diplomatic relations, when both sides were supposed to celebrate

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their peaceful, friendly, and mutually beneficial relationship. Instead, long planned celebrations had to be canceled due to a war scare instigated by China, and China cast the sole blame on Japan.

The Japanese government demanded compensation for damage to Japanese property inflicted by Chinese street protestors. Japanese businesses then found that routine applications for Chinese work visas were inexplicably delayed. Japanese business began scaling back investment plans in China. Japanese tourists began choosing other destinations. Strategists began to consider more carefully how China's rise is affecting Japanese security. During the crisis, the Liberal Democratic Party unexpectedly elected conservative hawk Shinzo Abe to lead them into the next general election on his platform of Constitutional revision and rearmament. Japan as a whole was left to question whether any friendship with China was possible.

The crisis suggested to Japan that there is little to show after 40 years of effort to cultivate a peaceful, friendly strategic partnership with China. Henceforth, Japan may invest more for short-term profit than in a long-term relationship with China. At a time when the costs and risks of doing business in China are rising for political and other reasons, Japan will naturally turn to Southeast Asia and India, which seem to show genuine appreciation for Japanese efforts to build friendly relations, and are willing to settle differences peacefully. They will welcome Japanese investment, trade, and aid diverted from China. Moreover, the value of Indian friendship rises as the hope for peaceful friendship with China fades.

#### *iv) South Asia*

India has territorial disputes with China on the eastern and western ends of their long shared border. China claims territory on the eastern end, while holding territory seized from India on the western end during the 1962 Sino-Indian War. China has been expanding force deployment and improving transportation and military base infrastructure in Tibet near the disputed areas of the Indian border. These give China new military options to defend or advance its territorial claims as the case may be.

China rejects the present border in the eastern sector drawn by the British Raj (The McMahon Line) and claims that almost the entire state of Arunachal Pradesh (an area of almost 84,000 km<sup>2</sup>) belongs historically to Tibet ("Southern Tibet"), and so to China. To remind India of this, China refuses to give Indian officials born in

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Arunachal Pradesh visas to travel to China. India has been building up its defensive capacity to maintain a local balance along the border, and India should be closely observing China's behavior in the South China and East China territorial disputes to see to how willing China might be to compromise over Arunachal Pradesh.

Using aid and investment, China has highway transportation and planned rail and pipeline links to the Indian Ocean through Pakistan at the ports of Karachi and Gwadar, and through Myanmar at the port of Kyaukphyu. These ports, together with Hambantota built by China in Sri Lanka and other ports elsewhere on the Indian Ocean littoral, support a greater presence of Chinese merchant and naval vessels.

The overall strategic balance in the past 30 years has shifted in China's favor because its economic growth and technological development has been faster than India's. The adverse shift may continue to widen if China remains internally stable. If China's internal stability weakens, the security outcome for India might be even worse.

Pakistan remains an active nuclear, conventional, and terrorism security threat that is aided by China. Since 2007, China has used economic and military aid to gain influence in Sri Lanka, and as NATO leaves Afghanistan, China seems set to increase its influence there. If India continues to rely solely on its own efforts to balance China, the overall strategic balance may continue to shift in China's favor, which can then affect the situation along India's border with China. So India may need to find cooperation partners to help it balance China as well as maintain preponderant influence in the Indian Ocean and its extended neighborhood.

### **What kind of Japan-India strategic partnership is possible?**

The term "strategic partnership" is used here to indicate the overlapping nature of certain core interests of both parties, as well as the absence of serious obstacles, which permit both sides to build a framework for long-term cooperation. Strategic partnership does not mean military alliance, a united front against the world, or an effort to contain another power. It means that in selected areas that touch upon their core interests, both sides have enough mutual trust to invest sincere long term effort in institutionalizing their cooperation. The discussion of these core interests will be divided into political, economic, and security sections.

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### Steadily expanding political engagement

India and Japan carry on high-level political dialogue across a broad front of issues centered on economic partnership (see list of ministerial visits below). The Joint Statement Towards Japan-India Strategic and Global Partnership signed by prime ministers Shinzo Abe and Manmohan Singh in 2006 called for an Economic Partnership Agreement (EPA); enhanced Japanese ODA; bilateral engagement of business leaders; people-to-people exchanges; mutual diplomatic support regarding UN Security Council reform, Indian participation in the East Asian Summit (EAS) and other Asia-Pacific forums; and ongoing discussion of nuclear proliferation issues. Subsequently, cabinet-level and sub-cabinet level ministerial meetings in economy, foreign policy, and security-related areas were routinized. Parliamentary exchange, cultural exchange, and youth exchange programs have grown. To celebrate the 60<sup>th</sup> year of normal diplomatic relations in 2012, the Indian embassy in Tokyo plans 140 business, academic, and cultural events to engage every prefecture and major city in Japan.

### **Ministerial Level Visits between Japan and India from 2005 to 2012**

From Japan to India		From India to Japan	
Year	Name	Year	Name
2005	Mr. Tanigaki, Minister for Finance	2005	Mr. Maran, Minister for Communication and Information Technology
2005	Mr. Takenaka, Minister of State for Economic and Fiscal Policy	2005	Mr. Nath, Minister for Commerce and Industry
2005	Mr. Nakagawa, Minister for Economy, Trade and Industry	2005	Mr. Aiyar, Minister for Petroleum and Natural Gas
2005	Mr. Koizumi, Prime Minister	2006	Mr. Chidambara, Minister for Finance
2005	Mr. Aso, Minister for Internal Affairs and Communications	2006	Mr. Mukherjee, Minister for Defense

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2006	Mr. Aso, Minister for Foreign Affairs	2006	Mr. Nath, Minister for Commerce and Industry
2006	Mr. Tanigaki, Minister for Finance	2006	Mr. Shinde, Minister for Power
2006	Mr. Kitagawa, Minister for Land, Infrastructure and Transport	2006	Mr. Raja, Minister for Environment and Forests
2007	Mr. Suga, Minister for Internal Affairs and Communications	2006	Mr. Sibal, Minister for Science & Technology; Ocean Development
2007	Mr. Aso, Minister for Foreign Affairs	2006	Mr. Narayanan, National Security Adviser
2007	Mr. Amari, Minister for Economy, Trade and Industry	2006	Mr. Nath, Minister for Commerce and Industry
2007	Mr. Matsuoka, Minister of Agriculture, Forestry and Fisheries	2006	Dr. Manmohan Singh, Prime Minister
2007	Mr. Fuyushiba, Minister for Land, Infrastructure and Transport	2007	Mr. Mukherjee, Minister for External Affairs
2007	Mr. Amari, Minister for Economy, Trade and Industry	2007	Mr. Nath, Minister for Commerce and Industry
2007	Mr. Abe, Prime Minister	2007	Mr. Kumar, Minister of State for Industry
2007	Ms. Koike, Minister of Defense	2007	Mr. Soni, Minister of Tourism and Culture
2008	Mr. Nukaga, Minister of Finance	2007	Mr. Reddy, Minister of Urban Development

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2008	Mr. Koumura, Minister for Foreign Affairs	2008	Dr. Manmohan Singh, Prime Minister
2009	Mr. Ozawa, Minister of the Environment	2008	Mr. Nath, Minister for Commerce and Industry
2009	Mr. Hatoyama, Prime Minister	2009	Mr. Prasad, Minister of Railways
2010	Mr. Haraguchi, Minister of Internal Affairs and Communications	2009	Mr. Krishna, Minister for External Affairs
2010	Mr. Naoshima, Minister of Economy, Trade and Industry	2009	Mr. Maran, Minister for Textile
2010	Mr. Kitazawa, Minister of Defense	2009	Mr. Antony, Minister for Defense
2010	Mr. Okada, Minister for Foreign Affairs	2010	Mr. Nath, Minister of Road Transport & Highways
2011	Mr. Noda, Prime Minister	2010	Dr. Manmohan Singh, Prime Minister
2012	Mr. Edano, Minister for Economy, Trade and Industry	2011	Mr. Bansal, Minister of Parliament Affairs
2012	Mr. Maeda, Minister of Land, Infrastructure, Transport and Tourism	2011	Mr. Sharna, Minister of Commerce and Industry
		2011	Mr. Krishna, Minister for External Affairs
		2011	Mr. Antony, Minister for Defense
		2012	Mr. Sahai, Minister of Tourism

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### **Economic complementarity**

It is obvious that capital- and technology-abundant Japan, and labor- and land-abundant India, have complementary economies. However, the economic potential in the relationship has hardly been tapped. The environment for Japanese trade and investment in India needs to be improved; Japan could do more to open its markets and permit Indian workers, especially IT and other professionals, to have careers in Japan; and the structural risks and transaction costs of doing business between India and Japan need to be reduced. Today, in a sign that augurs well for the future, both sides are addressing these issues with a sense of purpose.

Liberalizing reforms and the Look East policy in 1991 signaled that India wanted to tap the economic dynamism of the Asia-Pacific, but this interest was not reciprocated at that time. Now the world has seen the subsequent growth of Indian GDP, the development of advanced IT and service sectors, and the emergence of a consumer class of 300 million. Japan has seen that India's rise is long term and steady, and recent successes by Korean and Singaporean firms in India prove that Japanese trade and investment in India will pay off. At the same time, Japanese optimism regarding the China market has waned as labor costs rise, regulation grows, Chinese industrial policy targets areas of Japanese competitiveness, growth slows, and investment risk due to political factors rise.

The India-Japan Comprehensive Economic Partnership Agreement of 2011 eliminates tariffs on 90 per cent of Indian goods and 97 per cent of Japanese goods within 10 years. It was estimated that the CEPA would allow bilateral trade to more than double by 2014. Japanese direct investment has increased from 267 cases in 2006 to 725 in 2010. The value rose to 809 billion yen in 2008-09, surpassing Japanese FDI in China. Although this value dropped precipitously due to the Wall Street crisis of 2009, the figure recovered to 1.2 trillion yen in 2011 and will grow further as India's rise continues.

Japan's investment in India has been well below potential, but it is accelerating significantly as Japan turns its attention to India, and as India's absorptive capacity grows. Insufficient knowledge about India in Japan is being remedied by Japanese business delegations travelling to India, India trade and investment promotion seminars in Japan for small and medium sized businesses, and meetings between Indian and Japanese business federations. Japanese trade and FDI face an obstacle due to insufficient infrastructure development, but India's 12th Five Year Plan contemplates investing \$500 billion in infrastructure development. Japan has been

India's largest provider of official development assistance for the past seven years, and together with Japan's other official financing, private investment, construction firms, and equipment makers, it is involved in building power projects, the Dedicated Freight Corridor project, the Delhi-Mumbai Industrial Corridor, urban metro systems, and a high-speed train line connecting Bangalore and Chennai. This is creating a foundation for broader bilateral investment, trade, and cooperation.

### **FDI Flows to India (US\$millions)**

	2007-08	2008-09	2009-10	2010-11	2011-12
Total FDI	19,425	22,697	22,461	14,939	23,473
Mauritius	9,518	10,165	9,801	5,616	8,142
Singapore	2,827	3,360	2,218	1,540	3,306
U.S.A	950	1,236	2,212	1,071	994
United Kingdom	508	690	643	538	2,760
Netherlands	601	682	804	1,417	1,289
<b>Japan</b>	<b>457</b>	<b>266</b>	<b>971</b>	<b>1,256</b>	<b>2,089</b>
Cyprus	570	1,211	1,623	571	1,568
Germany	486	611	602	163	368
France	136	437	283	486	589
UAE	226	234	373	188	346

### **Security cooperation**

The bilateral Joint Declaration on Security Cooperation signed in 2008 calls for regular bilateral foreign ministry and defense ministry meetings at the levels of minister, vice-minister, and director-general, bilateral national security adviser meetings, and in bilateral military exchange, meetings between service chief visits,

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naval staff talks, bilateral and multilateral exercises, coast guard exchanges, and military research and educational exchange. There are joint naval training exercises (with an annual bilateral started June 2012), anti-piracy training and cooperation, consultations on peacekeeping operations, and disaster management being actively pursued. The main political action agenda item is a civilian nuclear technology sharing agreement to complement the US-India nuclear technology sharing agreement. It is delayed by the stirred up anti-nuclear sentiments of the people after the Fukushima nuclear plant meltdown.

It is difficult to advance Japan-India security cooperation for structural reasons. Japan is a small, strategically vulnerable, and resource poor island nation. It has only 240,000 troops, no nuclear weapons, and no bombers, no surface-to-surface ballistic missiles, or aircraft carriers. It is Constitutionally prohibited from combat outside of Japanese territory, and it lacks an independent foreign and security policy due to its strategic dependence on the US. India could help Japan balance China strategically, but Japan cannot reciprocate. Moreover, India's insistence on strategic independence has made the idea of a security treaty with another power problematic. So alliance against China is not the point of Japan-India strategic partnership. However, economic partnership has security implications to the extent that a richer India becomes a stronger India.

### **Containing China not the point**

The problem with China's rise is not its economic success. This is welcomed by all, it benefits all, and it keeps China oriented toward peace. Rather, the problem is that the Chinese government seeks military superiority over others and directs the nation's thoughts toward external expansion and aggression to distract from social ills and earn domestic support. This internal dynamic has the unfortunate effect of making peaceful compromise over territorial disputes difficult, and makes peace hostage to Chinese domestic political conditions. India and Japan have an interest in engaging China so that it will stay on the path of peaceful development and resist the temptation to solve its domestic legitimacy deficit through revanchism and war.

India is not interested in actively opposing China's expansive maritime claims in the East and South China Seas. In key areas of Indian interest, such as the reform of global economic institutions, the BRICS group, and India's own economic development, China is a key partner. However, India will counter specific Chinese threats to India's core economic and security interests when these exist.

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Japan shares this basic stance toward China. Japan wants China to be an economic success because this will benefit Japan, and Japan cooperates with China in key initiatives such as ASEAN Plus Three (and related initiatives such as the Chiang Mai Multilateral Initiative), an effort to use their own currencies for trade, finance, and central bank reserves, and so on.

In dealing with China at the level of principle, they can ask China to respect international legal norms, and stop the transfer of nuclear weapons and missile technology to other countries. Where China undermines their economic influence or political standing in international society to justify Chinese actions against their interests, Japan and India can collaborate in existing institutions, or create new forums and relationships among like-minded countries in Southeast Asia leaders such as Indonesia.<sup>26</sup>

### **The core agenda**

What would be the thrust of Japan-Indian strategic partnership? Above all, it would be in the area of bilateral and regional economic relations. The combined weight of the Indian and Japanese economies is larger than China's, and because their economies are complementary, they need each other to reach their full economic potential. India needs Japanese imports, investment, and technology to boost its growth, quality of life, and industrial base. Japan needs new trade and investment income to maintain itself, and domestic households and business can benefit from cheap Indian labor as well as highly skilled Indian professionals in IT, health care, and other services. Japan has spent the last 40 years helping China's rise; it can spend the next 40 years helping India's rise, confident that it will benefit a friend rather than feed a hostile neighbor.

The political and diplomatic agenda is also important. Both Japan and India share political values such as democracy, rule of law, and pacifism; as well as interests such as open and growing trade and investment, security of international transport, non-proliferation, and disarmament. The rarity of war between liberal democracies indicates that a community of genuinely democratic countries can institutionalize a zone of Kantian peace and prosperity. Existing regional institutions have heterodox membership that prevents solidarity in seemingly elementary collective interests (witness the inability to issue a joint statement at the July 2012 ASEAN Ministerial Meeting). India and Japan may provide a nucleus for a group of like-minded democratic countries willing to build a genuine security community for the stability, reassurance, and diplomatic leverage this may bring its members.

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Finally, there is the pursuit of bilateral relations simply for its own sake. The Japanese greatly admire India because it is the birthplace of Buddhism; it values independence, democracy, and pacifism; and Indian leaders and intellectuals such as Rabindranath Tagore, Subhas Chandra Bose, and Radhabinod Pal, the Indian judge at the Tokyo War Crimes Tribunal, showed understanding and appreciation toward Japan as it struggled to achieve modernity. Indians admire Japan for its unique culture, technological and social achievements, and pacifism. There would seem to be good potential for tourism, cultural, and educational exchange.

This agenda is not meant to “contain” China. Containment is a cold war term that referred to economic warfare, intense efforts to destabilize the enemy and its allies, unceasing propaganda warfare, and conventional or nuclear war at the drop of a hat. The aim was the destruction of the enemy. Nothing like this is contemplated against China.

### **Southeast Asia as a critical lynchpin in India-Japan relations**

Southeast Asia has been a barrier to the development of Japan-India economic relations, which is the core aspect of their strategic partnership. It limits Japan-India maritime trade to a circuitous route across the South China Sea and through the Malacca Strait, which is a narrow choke point plagued by local pirates. The Strait also could easily be subject to closure due to accidents or conflict.

In view of the strategic nature of India-Japan economic ties, and because East Asia and the Indian Ocean regions will be global growth centers in coming decades, Southeast Asia should be considered a critical lynchpin in the strategic partnership. Both sides need to lower the time, cost, and risk of transit through Southeast Asia to create better economic opportunity for themselves and their respective regions. Infrastructure development, e.g., multi-modal container transportation infrastructure, cutting through Indo-China on an East-West axis could shorten travel time and distances, as well as eliminate the uncertainties of relying on the Malacca Strait for inter-regional trade.

### **Tripartite cooperation?**

At the same time, the ASEAN Community project meshes with this India-Japan bilateral cooperation interest in Southeast Asia. ASEAN leaders want an Asian Economic Community by 2015 that will be a single market and production base.<sup>27</sup> Connectivity is a main theme in this project.<sup>28</sup> ASEAN also seeks to close the

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development gap between the CLMV members and the rest of ASEAN. Better North-South transportation linkages with China, and new East-West connectivity between the Indian Ocean and the Pacific will directly benefit the CLMV members and turn ASEAN into an integrated crossroads region. Thus, the core long term economic interests of Japan, India, and Southeast Asia overlap and create a tripartite cooperation program with a specific focus: the integration of the Indian Ocean and East Asian regions through the development of markets, resources, and transportation linkages in ASEAN.

Japan-ASEAN ties are well developed, but India's ASEAN relations are less so due to Cold War legacies and early post-cold war era miscues.<sup>29</sup> With Myanmar's inclusion in ASEAN in 1997, India became more serious about engaging ASEAN and the first India-ASEAN summit was held in 2002, but India's thinking toward ASEAN was still overly concerned with countering Chinese influence in the Mekong region and lacked a positive shared vision of broad engagement.<sup>30</sup> Today, that shared vision of broad engagement has come into focus and needs to be realized.<sup>31</sup> The elements of this vision include the Comprehensive Economic Cooperation Agreement, infrastructure connectivity, Indian diplomatic engagement in the EAS, ARF, ADMM+, ADB, and other existing cooperation forums, more non-traditional security cooperation in military and civilian dimensions, development cooperation, and cultural engagement symbolized by the Nalanda University initiative.

### **The leadership question**

The problem of leading a collective effort to create a public good may be divided into resource mobilization and coordination issues. Resources are needed to build a public good, and in this process the interests and actions of multiple actors must be coordinated. The disproportionate size of the Japanese and Indian economies relative to that of ASEAN countries means that Japan and India control the prospects for trilateral cooperation. The benefit to Japanese and Indian interests should make the effort to partner and lead worthwhile. If the pair can coordinate their actions, gaining the support of ASEAN countries collectively or individually should not be problematic.

### **Myanmar**

The political and economic liberalization of Myanmar removes an obstacle to tripartite cooperation that focuses on East-West connectivity. The following discussion relates how Indian, Thai, and Japanese initiatives to advance their

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respective core economic interests converge in Myanmar. The democratic elections in April 2012 that saw Aung San Suu Kyi elected to Parliament has opened a new era in Myanmar and in the wider region. Previously, human rights sanctions denied Myanmar Western trade, aid, and investment, and Myanmar became the missing link between the Indian Ocean and Asia-Pacific regions. Now, however, Myanmar is open for business, and this radically changes the prospects for regional integration.

Myanmar is of special significance to India. It received Buddhism from India and was linked to British India in the colonial period administratively as well as demographically via an influential Indian business and administrative community within Burma. After Indian independence, Myanmar has been included in India's "extended neighborhood" because there is a 1,640 km-long border between Myanmar and the Indian states of Arunachal Pradesh, Nagaland, Manipur and Mizoram. India has been a long-time supporter of democracy and Aung San Suu Kyi. After the suppression of democracy in 1988, India distanced itself from Myanmar's military regime. However, with its 1991 "Look East" policy, India sought to develop new economic linkages with ASEAN and offset Chinese influence that grew as a consequence of Myanmar's isolation from the West.<sup>32</sup>

With the visit of Manmohan Singh to Myanmar in May 2012, a program of bilateral cooperation in many areas has begun.<sup>33</sup> In particular, the Trilateral Highway project—stretching from India proper across India's poor and landlocked Northeast through Myanmar into Thailand and to the South China Sea—will be a priority.<sup>34</sup> An Indian government loan of US\$500 million to Myanmar will include this program.<sup>35</sup> When completed, the three-nation highway system will be about 3,200 kilometres long. Now, connectivity is the road to success for to the India-Myanmar bilateral cooperation launched by the Singh visit, the India-ASEAN FTA, BIMSTEC (Bay of Bengal Initiative for Multi-Sectoral and Technical Cooperation) program, and MGC (Mekong-Ganga Cooperation) program.

In May 2012, ASEAN countries successfully created an ASEAN Infrastructure Fund in the Asian Development Bank to target the strategically important connectivity agenda. With Myanmar now open to aid and investment, ASEAN is thinking about a "Look West" policy toward India, the Middle East, and Africa. Anticipating events, a Thai construction firm committed to building a \$50 billion port, highway, and SEZ project at Dawei in Myanmar. The transportation objective in this plan was to move containers between Dawei on the Indian Ocean and Bangkok in Thailand.

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Japan promotes connectivity through Myanmar in the annual Mekong-Japan Summits and the Mekong-Japan Foreign Ministers' Meetings, where planning for Mekong connectivity and economic development is the main focus.<sup>36</sup> In November 2011 Prime Minister Noda pledged \$26.1 billion to ASEAN for 33 major construction projects, and six were related the southern transportation corridor linking Ho Chi Minh City in Vietnam, Phnom Penh in Cambodia, Bangkok in Thailand, and Dawei port in Myanmar.<sup>37</sup>

The Dawei project has become a natural focus in the effort to turn Southeast Asia into a crossroads joining the Asia-Pacific and the Indian Ocean regions. In 2012, the Thai firm behind the Dawei project failed to find adequate financing, so after plans to extend the road past Bangkok to Laem Chabang port were included, Japan stepped in with \$3.2 billion to keep it moving forward.<sup>38</sup> As part of a multi-purpose Dawei port/industrial complex, a highway from Dawei to the Thai border will be built with customs facilities. It will connect to the highway leading to Bangkok, with onward connections to Ho Chi Minh City, Phnom Penh, and Quy Nhon.<sup>39</sup> This road and port network will permit Japanese firms to relocate production in China and Southeast Asia to India and integrate new Indian production into existing Japanese supply chains and production networks in Southeast Asia.

The Southern Corridor is a Greater Mekong Region project supported by the Asian Development Bank.<sup>40</sup> Another major ADB sponsored project is the East-West corridor, a highway running from Da Nang on the South China Sea to Mawlamyine on the Andaman Sea (see map below). When the Trilateral Highway project connects to these corridors, India will have road access to cities and ports throughout Indochina and the Asia-Pacific.



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Map source: Asian Development Bank, *Initial Assessments of Road Transport Infrastructure and Transport and Logistic Services for Trade Facilitation in the GMS Countries* (Manila, May 4, 2012), p.2.

### **China and tripartite cooperation**

This tripartite Japan-India-Southeast Asia congruence of economic interest should define the basic priorities and rules that guide it. This interest does not directly include China, but neither does it exclude China. China could join tripartite cooperation to build East-West connectivity if it wanted to. It has been busy building North-South connectivity with ASEAN, but it probably would join tripartite cooperation after it gets underway. China will benefit from the integration of the Indian Ocean and Asia-Pacific regions because more prosperous neighbors can buy more things from China. Indeed, the benefits of an ASEAN + 6 FTA appear greater than and ASEAN + 3 FTA.<sup>41</sup> The benefits that tripartite cooperation offers China—more cooperation with neighbors, and more prosperity stemming from regional harmony—should be attractive. It can give China a larger stake in peaceful economic engagement with neighbors, and give China more to lose by pursuing revanchist claims against neighbors.

### **South China Sea issues in India-Japan relations**

To the extent that China raises South China Sea tensions—rendering ASEAN dysfunctional and undermining international legal norms the underpin trade and investment activity in East Asia—China negatively affects the tripartite cooperation agenda at different levels. It threatens ASEAN's institutional viability; it creates risk and uncertainty regarding the sea-lanes that join India and Japan; and it diverts the time and energy of governments and leaders away from more productive uses. It is possible that, for domestic and *realpolitik* reasons, China will persist in its aggressive revanchist claims against neighbors in coming years. This would create impediments to tripartite cooperation that will have to be dealt with using diplomacy, international law, incentives, and counter-balancing strategies as appropriate.

### **Conclusion**

India and Japan are ready for a strategic partnership based on overlapping interests in economic, political, cultural, and security affairs. The core agenda is economic, and other areas will develop as economic partnership widens and deepens. China's

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economic rise benefits both India and Japan, but China's military rise and its revanchist policies toward its neighbors fuelled by virulent nationalism create concern. The response cannot be an anti-China security alliance, but a sophisticated effort to shape China's incentives to cooperate peacefully.

As India and Japan build their strategic partnership, they will naturally focus on Southeast Asia. This is where the ASEAN Community project and the new situation in Myanmar coincide with Indian and Japanese interest in enhancing connectivity between the Indian Ocean and the Asia-Pacific regions. This creates the potential for tripartite cooperation. China will have a low-cost opportunity to join with Japan, India, and ASEAN in promoting this agenda. Membership may help China redefine its interests toward a greater emphasis on peaceful economic engagement and cooperation with its neighbors.

However, it is possible that China may not elevate its perspective in this way. It may even seek to use its influence in existing regional institutions to stop the tripartite agenda until its own demands are met. In this case, India and Japan may wish to add to the Asian alphabet soup bowl of regional institutions and convene a group of like-minded Southeast Asian countries willing to cooperate peacefully to realize their shared agenda. This way, the time and energy of interested governments can remain focused on advancing their core interests.

In the worst case, if for some strange reason China begins to throttle the freedom of navigation that Japan and India require to realize their economic partnership, and that Asia as a whole needs to flourish, the bottom line strategic interests of the US would be engaged. In this case, India, Japan, and other East Asian countries that rely on peaceful trade and the rule of law may need to choose closer alignment with the US to maintain the freedom of navigation. At this point, the Quadrilateral Dialogue mechanism (the US, Japan, India, and Australia) that Japanese prime minister Shinzo Abe helped create in 2006 may re-emerge and gain new members.<sup>42</sup> In an interesting coincidence, Abe was replaced as Japan's Prime Minister in 2007 when he resigned leadership of the Liberal Democratic Party; but he was re-elected LDP president during the September 2012 Senkaku Islands crisis as the man needed to deal with the military threat posed by China. Whether Abe will be able to lead the LDP to victory in the next general election, however, is far from certain.

China may view this effort to build positive cooperation between India and Japan, and to circumvent any obstacles that China may throw up to it, as an effort to "contain" it. But as stated earlier, the economically focused strategic partnership

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between India and Japan, and its agenda of tripartite cooperation in Southeast Asia, is not anti-China, but pro-growth and pro-regional integration. Why a China that is ready to lead Asia would stand against this is hard to understand.

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## Maritime Security as a context of Indo-Japan convergence

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## Maritime Security as a context of Indo-Japan convergence

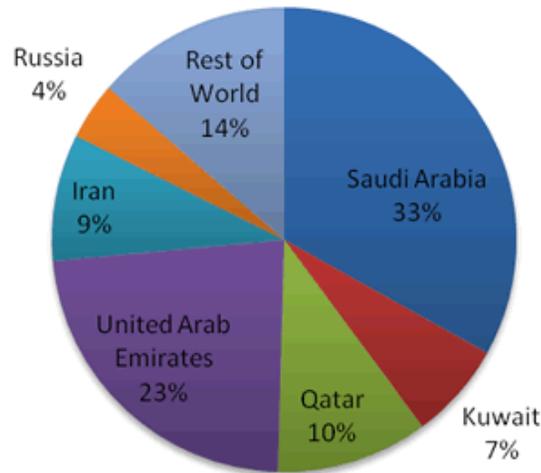
**Dr.Gopalji Malviya**

### Striking a common chord

With a definite shift in focus towards Asia in the coming years in international relations, two significant powers that would have expanded roles to play in the region are India and Japan. Not only are the roles expected to be individually augmented but also increasingly interactive and interdependent. Ideas like “an EU-style East Asia with a single currency and regional political integration”<sup>1</sup> put forward by the new incumbent in Prime Minister Yukio Hatoyama are also being discussed. The ties between our two countries stems from a “more profound cultural and philosophical bond at the bottom of the cultural structure”<sup>2</sup>, as noted by a former Japanese ambassador to India. Today it is strengthened by the shared values of democracy, human rights, rule of law and market economy. Dating back to the 6<sup>th</sup> century are the ancient religious links that have helped imbibe the Indian philosophies of peace coexistence in society and harmonious coexistence with nature by the Japanese. We can identify not just common cause but common problems too. Some issues like natural disasters, terrorism, safety of sea lanes and a need for regional stability can bring India and Japan closer in cooperation. India can also be seen as a natural strategic ally of Japan.<sup>3</sup> Economic relations in the form of Overseas Development Assistance (ODA) of which India is the top beneficiary<sup>4</sup> have paved the way for other areas of potential for cooperation.

One area of converging interests is maritime security, since both India- a littoral state and Japan - an island, are extremely dependent on waterways. As an energy deficient country, Japan needs to keep its sea routes which are the major carriers of energy resources, safe. From the Figure below it is evident that almost 82% of Japan’s oil comes from the West Asia.

**Figure Error! Main Document Only. Japan's Oil Imports by countries 2011**



<http://www.eia.gov/countries/cab.cfm?fips=JA>

US Energy Information Administration, country background of Japan

The same is true about India whose energy needs are also set to grow by leaps and bounds. Thus, the sea-based transport of oil would soon become India's foremost maritime preoccupation. Threats in the form of piracy attacks off the Somali coast are worrying and warrant swift, appropriate and combined action from forces like the Indian navy. This article aims to emphasise the common objective of India and Japan to ensure maritime security. It also highlights the possible hurdles to increased cooperation among these two Asian powers.

### **Primacy of the seas for India**

The geographical position of India as a crest for the Indian Ocean has meant the seas would continue to play a major role in the country's economic and strategic life. As a littoral whose demography is mostly found along the coasts and is expected to increase in the coming years, the ocean remains an inseparable unit of national well-being and security. The coast-living populace uses the seas not just for economic sustenance but nutritive growth too. India is thus a maritime economy. Its growing

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economic potential would boost energy requirements which are now mostly being met by imports. This situation is estimated to continue in the near future too. All the abovesaid reasons make sea lane safety a principal priority area for India. She would need to develop strategies to counter non-traditional maritime challenges like piracy, trafficking, smuggling and terrorist threats.

### **Safe seaways**

India is currently the world seventh largest oil consumer and is expected to become the fifth largest by 2020. Soon to become the most populous country in the world, India's energy needs are will (dis)proportionally rise. As of now, ships through "vulnerable sea lanes" will be the major source of supply<sup>5</sup> of oil imports. Other means of transport such as pipelines over land or under the sea are still on the drawing boards and the prospect for new reserves of oil and gas in the EEZ around the Andaman Sea and the eastern shores can only partially fulfill needs. The Persian Gulf has emerged one of the main suppliers of energy fuel. India's energy security would hence rely heavily on safe SLOCs. This is both a strategic and economic imperative.

Simply put, the sea lanes of communication refer to the entire network of sea routes, ports and other facilities that propel world economy. Globalisation has not only increased opportunities but also multiplied problems. Firstly it has made sea lane defence complex. Not only should countries now ensure sea routes to be safe, they must also prepare for the worst and make alternative routes available in case of disruption of supplies through regular routes.

. With nearly 50,000 ships passing through it annually, the Straits of the Malacca comprise the busiest trade highways over the seas in the world. According to available statistics, out of 150 ships, 58% carrying crude oil pass through the Straits of Malacca every day. Any disruption here would have serious implications on world shipment schedules<sup>6</sup>. The choke point of Malacca Straits has to grapple with a reducing number of piracy incidents but growing concern about maritime terrorism and possible criminal nexus between traffickers and terrorists.

### **Worst menace**

All maritime nations of the world are faced with the problem of piracy. This consists of acts like attempting to forcibly board a ship or any vessel at sea with the intention of gaining profit. Modern day pirates cause not only material loss but also

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inflict violence against crew. This even culminates in killing and maiming them. Technological advancement and gadgetry of the pirates place them in a better position in terms of sophistication of arms and equipment and their speed, precision or lethality as compared to naval and coastguard forces of countries.

The Indian Ocean is a case in point. More than half of India's maritime trade passes through these waters. For some other countries in the Asia-Pacific region like Japan, China and South Korea the problem is accentuated as much of these routes must pass through narrow, strategic choke points. While piracy has been successfully tackled in some areas, maritime terrorism is seen as a growing phenomenon. However through effective patrolling and joint efforts the Southeast Asian waters are now relatively free of the piracy menace. Now the Somalia coast, Iraq in the Gulf and even Indian shores are reporting increasing cases of piracy.<sup>7</sup>

### **India tackling piracy**

The recent attacks off the Somali coast have warranted constant vigil and many countries including India have deployed warships in the region. Cargo or tanker vessels have been the prime targets as they are boarded and crew held for ransom<sup>8</sup> The pirates carry sophisticated equipment and the unstable political situation in Somalia has only added to woes.

In the recent years too, India has successfully staved off attack on several commercial ships and managed to rescue some others that were hijacked. The Indian navy has rescued several ships from Somali pirates. But this regular feature now requires joint multilateral action.

### **Notable success**

India's record of success against piracy dates back to 1999 when a commercial ship *Alondra Rainbow* laden with 7000 tons of aluminium ingots worth \$10 million left from the Indonesian port of Kuala Tanjung to Omutashi in Japan's Kyushu Island. At night the ship was attacked by pirates<sup>9</sup>. The incident was immediately reported by IMB's Piracy Reporting Centre at Kuala Lumpur with an announcement of reward<sup>10</sup>. Having been last sighted off Cape Comorin, India's southern tip, the Indian Coast Guard ship *ICGS Tarabai*, located a ship of similar description on 14 November 1999. But the colour and name of the vessel were changed and repainted as *Mega Rama*. Repeated warnings to stop were unheeded. The Indian Coast Guard vessels pursued the ship for several

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days and later captured it. The capture was made possible with the involvement of Indian Navy's warship, *INS Prahar*; *ICGS Veera* and *Annie Besant* – two coast guard ships, and a Dornier aircraft in the mission<sup>11</sup>. This was one of the first successful captures of a pirated ship<sup>12</sup> It is treated as a "classic example" of how pirates can be defeated through concerted effort.<sup>13</sup>

### **Drug and arms smuggling**

Two major sources of illicit opiates namely, South-West Asia (Afghanistan and Pakistan) also called the 'Golden Crescent' and South-East Asia (Myanmar, Laos, Thailand) termed the 'Golden Triangle' flank India, making it a convenient and vulnerable conduit and destination for drug and human trafficking.

India's vast and mostly unmanned coastline offers ideal choice for landing and transshipment of drugs. The countries of South East Asia and Bangladesh figure prominently in the arms-drugs nexus. Some even reach the hands of Indian insurgents. The sea routes from Thailand to Bangladesh and on to India are especially thriving with this dangerous trade. Drug peddling, production and distribution are often seen as the easiest form of financing subversive activities. Thus the presence of liberation organizations in the region is both the cause and effect of smuggling trade. The geostrategic location of India's far off islands especially the Andaman and Nicobar in the Bay of Bengal is of particular interest. These islands are closer to the Southeast Asian region than the Indian mainland. Also, the major choke points like the Malacca Straits lie close to them. This notorious sea lane which was previously plagued by pirates could now house escaping criminals.

### **Red giant at sea**

The Chinese acquisition of naval bases in countries like Myanmar, Bangladesh, Sri Lanka, Pakistan and such other Indian neighbours or offering to build ports to gain access into the Indian Ocean is seen as an attempt to encircle India through the 'string of pearls' strategy. The establishment of an Indian Tri-services command in the A&N islands is also said to be a counter to this.

### **Maritime Terrorism**

Apart from the abovesaid non traditional issues there is yet another worrying trend. The maritime security lacunae glared during the 2008 Mumbai attacks. Targeting

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marine assets or uses sea-based resources to disrupt peace and stability of the global waters is the aim of maritime terrorism. Ships and other vessels can themselves become 'tools of terror'. The threat of terrorist attack on Southeast Asian sea lanes with crude bombs has also been sounded. Commercial shipping is especially vulnerable to such attacks according to US counterterrorism officials<sup>14</sup>. In future, the busy ports of Indian Ocean and the related maritime assets could become as high value targets and thus are very vulnerable. Worst case scenarios like an oil tanker being sunk in the Malacca Straits are also being built up<sup>15</sup>.

The major concern of the future is disruption of maritime commerce by the many separatist groups in the Southeast Asian and South Asian region. Religious fundamentalist groups in countries like Indonesia, Malaysia and Philippines are some of the important outfits that are seen to have contacts with organizations like Al-Qeada making South East Asia a stage for global war against terrorism. The Bali bombing, which is attributed to Jemaah Islamiah (JI), a terrorist group based in Indonesia, marks the onset of a spiral of violence. Groups like Indonesia based Gerakan Aceh Merdeka (GAM), Malaysian-based Kumpulan Mujahideen Malaysian (KMM), Philippine-based Moro Islamic Liberation Front (MILF) and Abu Sayyaf Group (ASG) have the ability to manoeuvre at sea. The tanker *Penrider*, which was attacked in the straits of Malacca in August 2003, is suspected of being intercepted by GAM<sup>16</sup>. The MILF is connected with JI and Al-Qeada and even before the war on terrorism in Afghanistan; more than 1000 Muslim rebels were thought to be already Al-Qeada trained<sup>17</sup>. The issue of importance is this area is vital seaway to Japan and if Indian economy grows would prove significant for her too.

### **Imperative for Japan**

Most of the above converge with Japanese concerns to keep the sea lanes safe. The extreme dependence of Japan on external energy resources and trade in general make it critical that the SLOCs are safe from the economic and strategic angles. The Japan Indian Ocean Arabian Gulf sea routes (JIA) are the primary SLOCs that serve as the lifeline of the nation.

The piracy situation off the coast of Somalia and the danger of its spread to other areas of Africa and even Indian Ocean is another worry. The number of ships that have been attacked by pirates off the African coast has risen consistently in the past few years. In 2007, a Japanese tanker was hijacked and taken into territorial waters making rescue impossible.<sup>18</sup> In March 2009 a Japanese cargo ship was attacked by pirates and in response to the increasing attacks on their ships Japan has deployed maritime self defence force destroyers in the region.<sup>19</sup>

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In an IMB 2009 Piracy report there is mention of 11 Japanese managed ships being attacked 6 times or more. Many ships of Japanese origin have either been attacked or have escaped from the pirate attacks especially off the Somali coast. A Japanese oil tanker was captured and the crew was let off only after a ransom of \$2 million was paid. Attacks on some ships have been staved off by Indian navy.

### **Japan not just pacifist**

Japan's defence policy is unique in that after the World War II it has been restricted to maintain only a police force that was later expanded to a self defence force. The article 9 of the 'Peace constitution' "delegitimizes the use of Japan's Self Defence Force or SDF other than for defensive purposes".<sup>20</sup> The tasks are circumscribed to defend only Japan. The Post World War II Japanese policy of no standing army has come under renewed criticism from various quarters. The younger generation in particular seeks a more assertive foreign policy including the possession of full-fledged military powers. With the changing international security environment the mandate was enlarged. Consequently, wider powers have been bestowed on the Self Defence forces in that they are now allowed to undertake foreign missions. An adverse strategic environment in the region could further increase the powers. To join effort in countering maritime terrorism, Japan had to amend the existing law regarding deployment of troops abroad. Japan's Maritime Self Defence Forces (MSDF) has now been allowed to man the Somali waterways. The Japanese warships under a changed law passed in June 2009 can now escort foreign vessels too in what is seen as the first international policing assignment since World War II.<sup>21</sup> Such change however was not easy.<sup>22</sup> After the expiry in November 2007 of the original legislation authorizing the MSDF mission, the Replenishment Support Special Measures Law in January 2008 passed the lower house for the second time on January 11, 2008, in order to open the way to "contributions to efforts by the international community for the prevention and eradication of international terrorism".

The maiden off shore assignment for the MSDF was first dispatched to Afghanistan and the surrounding region in support of coalition operations against international terrorism in the Indian Ocean. First, it was allowed to perform an anti-terror activity in the form of refueling of US warships to Afghanistan. While there has been a lot of opposition to the changed agendas the inevitability of international cooperation in dealing with threats of non traditional nature warrant increased role for

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Japan's self defence forces. However, this should also include efforts to "reassure countries in the region that militarism does not dominate Japan's political discourse".<sup>23</sup>

### **Indo-Japan relations now**

India and Japan enjoy friendly relations from times of yore. India introduced what is now the principal religion in Japan, i.e., Buddhism. In the 6<sup>th</sup> century, the Indian monk Bodhisena visited Japan to spread the religion. Subsequently Japanese culture has also been greatly influenced by India and could be seen as "the source of the Japanese people's sense of closeness to India".<sup>24</sup> The Nobel laureate Rabindranath Tagore was a friend of the famous Japanese poet Okakura Tenshin. The support received by the Indian National Army (INA) under Subash Chandra Bose from Japan was also very significant. The Japanese forces also fought alongside INA in many battles against the British. The Indian refusal to attend the San Francisco Peace Conference at the end of World War II and the signing of a separate peace treaty waiving all claims against Japan in 1952 can be seen as examples of the closeness with Japan. Interestingly, India has never criticised Japan's wartime behaviour. India's supply of iron ore to Japan vastly helped post war reconstruction. Till the Cold War the relations were cordial. Jawaharlal Nehru even gifted elephants to the Tokyo zoo to lift the flagging spirits of a defeated people.

However, the constrained relations have revived after a setback following the Pokharan 1998 nuclear tests. High level exchange of visits has become an annual event since 2000. More than three quarters of the Indian respondents in a survey conducted for Japan's Ministry of Foreign Affairs (MOFA) this year saw Japan as "very friendly or friendly".<sup>25</sup> Recently Japan has agreed to provide financial assistance to the tune of \$100 million<sup>26</sup> to reconstruct the Nalanda University, an ancient Buddhist learning centre.

Economic relations in the form of investment and aid have been extensive. Japan was one of the first foreign direct investors in India. The Maruti Suzuki has been one of the most successful ventures. Recently, Japan has also extending help in funding infrastructure projects like the Delhi Metro. Japan is now the sixth largest investor in India. In just three years, the number of private companies with branches in India has almost doubled to 840.<sup>27</sup> The 2007 annual survey conducted by the Japan Bank for International Cooperation ranked India as the most promising overseas investment destination for Japanese companies over the long term. Japanese FDI has tripled to \$5.4

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billion in 2009.<sup>28</sup> Japan's Overseas Development Assistance (ODA) to India has been the highest recipient in recent years. In 2007-08 it has crossed the \$2 billion mark. Last year it was \$13 billion and by 2014 it is expected to touch \$25 billion.<sup>29</sup> A Comprehensive Economic Partnership Agreement (CEPA) aimed at eliminating tariff on majority of products traded between the countries has also been signed.

Shinzo Abe, a former Japanese Prime Minister, estimated that Indo-Japan ties could overtake Japan US relations in a decade.<sup>30</sup> Koizumi spoke of the "arc of advantage and prosperity"<sup>31</sup> to complement his Japan – India Global partnership. Prime Minister Taro Aso, stressed that Japan needed "India as a counterweight to China".<sup>32</sup> He envisaged an "arc of freedom and prosperity" that stretches from Northeast Asia to Central Asia and the Caucasus, Turkey, Central and Eastern Europe and the Baltic states<sup>33</sup>. India was the friendly nation in this arc with which ties must be made firmer. He proposed a group consisting of Japan, India, Germany and Brazil to fight for the long-promised yet-to-fructify UN reforms. Japan also supported India's participation in the East Asian summit.

### Constraints

Last year, the new PM Yoshihiko Noda visited India and the hope of resuming civil nuclear cooperation received fillip. Possibilities of purchase of weapons from Japan to India have brightened with the lifting of a long-standing ban on the export of weapons.<sup>34</sup> The Democratic Party of Japan and its leader Yukio Hatoyama who assumed premiership in 2009 was thought to be aiming at closer ties with China and "Japan can be a balance"<sup>35</sup> between a rising China and a waning USA. This factor has to be looked into keenly to understand what would be the effect of continuation of such a policy vis-à-vis India. Apart from the present situation there are other impediments on the road to enhancing cooperation especially in the area of ocean security. The alliance relationship with USA has been a point of debate within Japan. If India's relations with USA is affected it would have a detrimental effect on Indo-Japanese relations too. Also, only recently has Japan's definition of Asia extended to South Asia. India's ranking in Japanese foreign policy priorities would be yet another impediment. Japan's past has made it extremely difficult to be included in multilateral fora like joint patrolling in the Southeast Asian region. Pro action is in many ways lacking in the interaction between India and Japan. The area of ocean security itself could throw up issues like resource exploitation like fish for example, that could witness the two countries on the opposite ends of an opinion spectrum. The constraints in the possible cooperation between India

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and Japan are nibbling issues. The arcs of stability and continuity are too unwieldy. Added to this, is Japan's view on nuclear proliferation and its fallout on possible peaceful nuclear cooperation with India.

### **Current attempts and future prospects**

The constraints must not deter any effort at cooperation towards secure oceans. Just as India escorted American ships through the Malacca straits so too there could be joint escorting of Japanese ships by Indian and Japanese navies. Technological excellence of Japan could be used to upgrade Indian ships and equipment. Thus the patrolling of the waters of the Indian Ocean offer an opportunity for Indian and Japanese defence forces to operate jointly to prevent piracy.

The Southeast Asian region poses special challenges as far as maritime terrorism is concerned. Separatist movements have extensive interests in maritime areas of these countries. There has been nexus with trafficking, smuggling and piracy. The World War II image of Japan as an aggressor looms large in the Southeast Asian region and hence the countries view Japanese patrolling of these waters with serious reservations. The inclusion or exclusion of China in these aspects needs to be noted. While Japan's idea of a multilateral Ocean Peacekeeping Force proposed by Japanese naval analyst and retired MSDF Rear Admiral Akimoto Kazumine was met with scepticism in several Southeast Asian states particularly Indonesia<sup>36</sup> and this was replaced by the Regional Cooperation Agreement for combating piracy and armed robbery against ships in Asia (ReCAAP). ReCAAP has been an initiative of the Japanese. Proposed by the then Japanese Prime Minister Junichiro Koizumi in October 2001, the ReCAAP initiative aims to enhance multilateral cooperation amongst 16 regional countries, namely the ASEAN 10 plus Japan, China, Republic of Korea, India, Sri Lanka and Bangladesh to combat sea piracy and armed robbery against ships in the region.<sup>37</sup> An information sharing centre (ReCAAP ISC) has been established in Singapore and all nations are expected to contribute voluntarily. In a view to prevent armed robbery against ships the member countries seek to cooperate through information sharing, capacity building and operational cooperation. The centre also prepares reports that use statistical and analytical data to inform the public about the piracy and sea robbery situation in the region. For example the 2008 report, gives details regarding the type of attacks and the areas of frequency.

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Rising Chinese interests in the Indian Ocean region is also another common concern. The availability of special varieties of fish like tuna sustains Japan's interest in the Indian Ocean. In keeping with changing circumstances Japan has augmented the mandate of the Self Defense Forces. There have been many suggestions from Japanese scholars and practitioners regarding maritime security. One such suggestion is that of the creation of a separate "minister in charge of maritime security"<sup>38</sup> "Japan-India Global Partnership" announced in August 2000 was a vision that would foresee the development of the cooperative relationship in the coming new era. High level visits in the recent years have led to greater cooperation.<sup>39</sup> The Indo-Japan 2005 agreement to jointly develop natural gas reserves in the strategically sensitive Andaman Sea signifies India's efforts to increase Japan's profile in this region<sup>40</sup>. A memorandum of cooperation was signed by Indian and Japanese Coast Guards in 2006 to enhance regional cooperation between the two countries to tackle various marine related issues. The two governments have agreed on a framework for cooperation that focuses on cooperation between the coast guards of the two countries; safety of maritime transport and counter terrorism. This includes not only sharing of information or technical assistance but also joint search and rescue operations.<sup>41</sup> The joint exercises with Japanese Maritime Self Defence Force in the MALABAR 2009 series is another instance.

Maritime security is now being listed as one of the key areas of dialogue between the two countries. Future Japanese effort would examine "how the potential of these two countries can be elicited constructively in ways that contribute to the stability and sustainable growth of both Asia and the world."<sup>42</sup> The common goal for Japan and India will be the realization of peace, stability and prosperity in Asia and in today's rapidly deepening globalization and mutual dependence, it will also be the realization of peace, stability and prosperity in the world. Japan and India are strategically important countries for each other and the two countries have several areas of convergence especially in the field of maritime security to cooperate to ensure that the oceans remain safe.

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## END NOTES

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## Japan's Maritime Security Interests in the Indian Ocean Region and Prospects for India-Japan Cooperation

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### Introduction

“China is the most important. Most participants seemed to feel that the future in Asia would be determined by how China behaved, and how others behaved towards China,” writes J. D. B. Miller of Australian National University in his preface to a collective conference volume on India, Japan, and Australia. One might be amazed by how things not change, when I write here that the above statement came out of a 1968 book, rather than some track-two initiatives in the last five years.<sup>1</sup> It is also amazing to see that India-Japan relations are viewed in the same geopolitical framework in this volume as in the more recent discussions. Sir J. G. Crawford, a former Australian Secretary of Trade and Industry, noted “Australia is located at a superficially convenient point in geographical terms and in industrial strength to stress our interest in Asia, and in particular our interests in the two nations at the north-west and north-east extremities of the arc facing inwards to the Asian heartland: India and Japan.”<sup>2</sup> The contemporary parallel analogy to this is the Japanese Prime Minister Taro Aso’s “arc of instability.” The Indian Ocean has been viewed by leaders of the maritime powers in a geopolitical context in relation to the Chinese heartland.

The Indian Ocean became an area of drastically increased importance to Japan after 1955, when Japan shifted its primary energy source from domestically produced coal to petroleum imports from the Middle East. The increase in Japan’s merchandise trade with Europe also added to the importance of the Indian Ocean sealane. Japan’s strictly defense-oriented force structure discouraged possession of long-distance projection capability, and the laws governing the Self Defense Forces restricted its operations outside the territorial space of the country. As a result, security of Japanese ships in the Indian Ocean was dependent on the U.S. Navy. The increasing call for defense burden sharing from the United States in the wake of the first oil shock in 1972 did not result in extension of the Japanese reach into the Indian Ocean. However, Japan’s gradual possession of long-distance capability backed by its participation in UN peacekeeping operations since 1993 led to a major sustained naval operation in the Indian Ocean in the wake of the September 2001 simultaneous terror attacks against the United States. Since then, Japan has participated in several naval and maritime security operations in the Indian Ocean region, in association with the U.S. and other partners.

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China's increasing dependence on the Middle East and African oil is turning security of the Indian Ocean sealane into common goods for both Japan and China, but the two countries have not yet developed a significant cooperative framework to achieve this objective. Japan's developing ties are rather based on shared rivalry vis-à-vis China. While the growing economic ties with China as a common feature of the United States, Japan, Australia, and even India is a driver of their policy away from containment of China, their shared caution against China's naval expansion has resulted in increasing cooperation among these four countries. For Japan, India's positive role in securing the Indian Ocean sealane is increasingly recognized.

Japan's naval approach to the Indian Ocean security since 2001 has been bold compared to its more modest and only occasional presence and reliance on the civilian Coast Guard in Southeast Asia. While absence of negative sentiment against Japan deriving from the world war two history allows Japan to be bold in this region, Japan has also undertaken a development approach to stabilize the littoral states in order to secure the Indian Ocean region. This approach finds a parallel in Southeast Asia where Japan's development aid has led to successful economic growth and political stability during the Cold War and laid the foundation for later democratization in some countries.

## **Japan's Maritime Security Interests in the Indian Ocean Region**

### **Sealane Security and Naval Rivalry**

Japan depended on the United States for protection of the Indian Ocean sealane during the Cold War period. Although Soviet naval presence in the Indian Ocean never amounted to a level of posing a credible challenge to the U.S. dominance, critical oil shipment through the potentially hostile water needed a strong protection. In the post-Cold War political environment, previous threats from the Soviet Union and potentially its ally, India, have receded. On the other hand, increasing naval activities of China in the Indian Ocean are viewed with caution. China has exploited Pakistan's sense of abandonment by the United States post-Cold War and grudges of India's neighbors to establish closer maritime cooperation with them. Port development along the Indian Ocean coasts by China's state-owned capital has alerted India, the United States, and Japan.

### **Non-State Threats of Piracy, Terrorism, and Smuggling**

Threats of piracy in the Malacca Strait and adjacent water rose drastically after the Asian economic crisis of 1997-98. Following the September 2001 simultaneous terror attacks against the United States and the Bali bombing in 2002, counterterrorism became an important feature of U.S. security policy in the region. Japan through its alliance with the United States geared its

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policy to certain extent into this dimension. Japan's existing anti-piracy measures were integrated with a comprehensive maritime security approach, as the United States and Australia coordinated their maritime security policy in Southeast Asia with Japan.

While efforts in Southeast Asia seem to have succeeded with a declining number of piracy incidents, piracy off the coasts of Somalia increased as the civil war torn country solely lacked maritime patrol capability. Criminalized clans organize transnational networks to solicit financial sponsors to operate large-scale offshore piracy operations far from the Somali coasts in the Indian Ocean region. Japan's seaborne trade into the Middle East and to Europe via the Red Sea and the Suez Canal depend on security through the Somali water and the broader Indian Ocean region.

The U.S. response to Al Qaeda and the Taliban in Afghanistan and Pakistan also addressed their smuggling activities through the Indian Ocean as a security concern. Weapons and drug smuggling by sea was countered by a maritime coalition operation, in which Japan took part.

## Disaster Relief

The Indian Ocean tsunami of December 2004 resulted in a massive death toll across the region, including several Japanese tourists. Constant presence of Japanese tourists at beach resorts across the region makes their safety a security issue in the post-Cold War environment. Although massive evacuation by the SDF ships or planes is unlikely considering the long distance from Japan, participation of the Japanese Maritime Self-Defense Force in a 4-country relief mission (U.S., Australia, India, and Japan) demonstrated that Japan was one of the capable countries to undertake a large-scale disaster relief operation.

## U.S.-Japan Security Cooperation in the Indian Ocean Region

The Indian Ocean region had long been outside the scope of U.S.-Japan security cooperation until 2001. The defense treaty set its geographical scope to vaguely defined "Far East," and the sealane defense commitment of Japan to southwest was set at 1,000 nautical miles from Japan—not even reaching the Malacca Strait. Japan's dependence on Indian Ocean sealanes for oil, gas, and other natural resource shipments as well as merchandise exports to Europe has been protected by the dominant presence of the U.S. Navy.

The twin economic rise of China and India, combined with their commonly increasing dependence on energy imports from the Middle East, is turning their historical rivalry into maritime domain. With the rebuilding of the Russian Pacific navy, increasing major power presence in the Indian Ocean region has diluted the U.S. dominance there.

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Japan sees a new opportunity to have its regional security role accepted by other major powers, and stride for developing bilateral security ties with other actors to supplement its alliance with the United States without alienating any other country, particularly China.

### **Operation Enduring Freedom (OEF)**

The September 2001 simultaneous terror attacks against the United States became a major turning point for Japan's security cooperation with the United States. U.S. expectation that Japan becomes its global ally was quietly resisted by Japan, which wanted to use its global security role as a means to have its regional security role accepted by its East Asian neighbors. Japan's Peacekeeping Operation (PKO) Law in 1992 opened a way to SDF dispatches abroad, but strictly confined Japan's participation into UN-authorized frameworks.

The SDF dispatch in conjunction with U.S.-led OEF under a special measures law (SML)—a sunset legislation—rather than under the permanent PKO Law set a precedence of more flexible overseas troop dispatches in “coalition-of-the-willing” security operations. The Japanese naval presence in the Indian Ocean region under OEF continued from late 2001 to early 2010.

### **Operation Iraqi Freedom (OIF)**

The U.S. war against Iraq in 2003 became a further test of the bilateral U.S.-Japan alliance. The U.S. call for “boots on the ground” resulted in Japan's dispatch of Ground SDF troops into Iraq in the post-conflict reconstruction operations between 2004 and 2006. The Maritime SDF, however, also took part in the OIF through its logistical support of the Ground SDF via the port in Kuwait.

Despite the domestic legal designation of Japan's troop dispatch as a unilateral action based on a UN mandate, it was a participation in the coalition operation. Security for the lightly armed Japanese engineering corps was provided by the Dutch, British, and Australian troops, whereas presence of the SDF personnel at the U.S. headquarter greatly enhanced Japan's military intelligence sharing on the Middle East affairs.

### **Somali Piracy**

Ending of the SDF participation in the OEF was largely due to the change of government in Tokyo, but the new government quickly decided on Coast Guard and Maritime SDF dispatch to the Sea of Aden to deal with Somali piracy problems. Attacks on Japanese commercial vessels prepared the domestic public opinion in support of the government action, and the government saw this dispatch as demonstration of Japan's continued contribution to international security and the U.S.-Japan alliance.

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For the long-term presence of the areal patrol units (both Coast Guard and MSDF), Japan leased its first overseas base in the post-WW2 period in Djibouti. An MSDF ship escorts Japanese commercial fleets through the Sea of Aden. Japan's military presence along the key sealane through the Red Sea keeps pace with other major powers like the United States, EU, Russia, China, India, and South Korea.

## Persian Gulf

Above all other concerns in the Indian Ocean region, stability in the Persian Gulf region is of critical importance to Japanese security. The 1992 PKO Law was Japan's response to international criticism that the country was free-riding on international security efforts during the 1990-1991 Gulf Crisis despite its heavy reliance on oil supplies from this region. Japan considered dispatching minesweepers to the Gulf, but failed to do so before the conflict ended.

The ongoing crisis over the suspected nuclear weapons development by Iran has urged the Japanese government to consider dispatching the Maritime SDF to the Gulf. Cautious multilateral diplomacy by the Obama Administration has saved Japan from taking part in bilateral or coalition military actions over opposition by China and Russia. However, escalation of the tension may force Japan into difficult choices.

## India-Japan Maritime Security Cooperation

India has historically been wary of naval power projections into the Indian Ocean by non-littoral powers, be it the United States, China, or its Cold War era patron—the Soviet Union.<sup>3</sup> Despite the Cold War confrontation between the United States and the Soviet Union, the Indian Ocean region remained a less important front than Northeast Asia and Europe. Dominant yet relatively light U.S. presence, albeit during crises in the Persian Gulf, allowed India to be a significant regional naval player at peace time. However, since the end of the Cold War, both U.S. and Chinese attentions to the Indian Ocean increased over sealane security. Lacking independent capability to be the dominant naval power in the region, India seeks a combination of selective cooperation with the United States, Australia, and Japan on one hand and strategic independence in a region, which is increasingly characterized by a multipolar system.<sup>4</sup>

Japan increasingly sees India's military strength as a maximizer of its security in strategic uncertainties surrounding the rise of China.<sup>5</sup> The role India's friendly navy and coast guard can play in securing Japanese ships' passage through the western end of the Malacca Strait is recognized by both India and Japan, and they may see deployment of Indian forces to the Andaman and Nicobar islands as counterbalancing China's growing maritime presence in the Indian Ocean.<sup>6</sup>

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Although development of strategic partnership between India and Japan over various issues including maritime security since 2005 has been faster and broader than previously imagined, there are reasons to believe that the bilateral security ties may not expand as easy as it has during the past seven years. Writing in 2000, Naidu listed three inhibiting factors to India-Japan naval cooperation, all on the Japanese side, to calm the rising Indian expectations, including Japan's geographical remoteness to the region, its constitution that limits the scope of defense cooperation with non-U.S. partners, and the likely message of anti-Chinese containment that China would read in such India-Japan cooperation.<sup>7</sup>

### **Bilateral Assurances to Other States**

Japan has also paid attention to foster security ties with other littoral states in the Indian Ocean region. During the Cold War period, the alliance factor was the predominant consideration, which directed a disproportionately large sum of Japanese development assistance to the primary ally of the United States in the region—Pakistan. The post-Cold War improvement in the U.S.-India relations, democratization of additional countries in the region, and China's approach to the littoral states all provided opportunities and incentives for Japan to diversify its aid partners and move into security assistance. The Japan International Cooperation Agency (JICA) has revised its exclusively "development" oriented assistance policy and started providing security assistance.

In the past, India's role as the regional hegemony in South Asia and its interferences in the domestic conflicts in its neighboring countries were limiting factors against Japan's involvement in the regional security in the Indian Ocean region. Now as China's influence grows in the region, "[b]oth Tokyo and New Delhi seek to hedge against Chinese influence by trying to create stronger relations with other democracies in Asia."<sup>8</sup>

### **Pakistan**

Japan's relations with Pakistan at the turn of the 21<sup>st</sup> century was less than supportive, as the latter's nuclear testing in 1998 invited an economic sanction by the former. The U.S. need to reward Pakistan for its cooperation in the war against Taliban and Al Qaeda in Afghanistan and later in the Federally Administered Tribal Area (FATA) inside Pakistan led to Japan's revision of its Pakistan policy and quiet dropping of the sanction.

A Japanese naval refueling ship in the OEF provided Pakistani navy patrol ships with fuel. As the Pakistan government carefully treads the balance between U.S. request to expand its hunt for Al Qaeda into the Pakistani territory and opposition from the Pakistani public, U.S. expectation that Japan plays an important part in the development aid package to Pakistan increased. Unlike the Cold War period, when Japan's aid was influenced more by the U.S. alliance with Pakistan and their proxy war vis-à-vis India and the Soviet Union, the renewed Japanese aid does not see

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India as a potential threat at all. The long-term objective of a democratic and stable Pakistan is more in line with that of India, which faced hostile military regimes in Pakistan interrupted only by ineffective civilian governments. U.S. and Japanese aid to Pakistan are also expected to dilute the predominant influence China gained during Pakistan's isolation pre-2011.

## Myanmar

As outbound Japanese ships leave the chokepoint of Malacca Strait, they pass by Myanmar's island possessions along the main sealane of the Indian Ocean. Japan, like India, was alarmed by use of Myanmar's offshore possessions by the Chinese navy. Japan lacked means of influencing Myanmar's security policy after its economic assistance was halted due to the repeated human rights abuses by the Myanmar military and more importantly the western protests against the country for these abuses.

Myanmar's perceived opening of the domestic political process and diplomatic reconciliations with the western countries since 2010 allowed Japan to move back in, in order to reclaim its diplomatic influence. Japan's rush was motivated by its rivalry with China. Undeterred by the Western sanction, China had penetrated Myanmar through economic assistance, investment, and military cooperation even to the extent the Myanmar military leaders felt uncomfortable. Japan, with a positive historical record of training the Burmese independence hero General Aun Sun during the World War Two, is re-entering security diplomacy with Myanmar, although its initial approach is through economic development as was the case in other Southeast Asian countries.

## Other Littoral States

Other littoral states especially along the Indian Ocean-Red Sea sealane have received increasing attention of Japan's aid planner under their new security focus. Democratic consolidation of Bangladesh post-Cold War is viewed positively by Tokyo. Both China's increasing influence in the country and persistent sea robberies in Bay of Bengal are motivating factors of Japanese aid.

Civil war in Sri Lanka, especially maritime terrorism threats of the Tamil separatists (LTTE), was a major concern for Japan. Japan's past diplomatic effort to broker peace did not produce a lasting peace, nor received Indian appreciation. Now that the conflict is over with a military victory of the government forces, there is a renewed window of cooperation with Japan.

The Red Sea littoral states considerably lack maritime patrol capability to deal with the piracy problems. As Somalia remains divided, enhancement of the patrol capability of its neighbors is critically important. Japan is playing a key role in preparation of civilian coast guard in the littoral states through personnel training assistance.

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## Conclusion

Japan's interests in the Indian Ocean stretch from traditional sealane security and naval control to non-traditional security including terrorism, piracy, and disaster relief. Japan's means of achieving security has expanded from its strict development focus to one that is inclusive of security assistance. Direct military projections into the Indian Ocean region has also started in 2001 though still at a limited scale and for a restricted range of non-combat missions.

Security cooperation with India in bilateral, trilateral (Japan-U.S.-India), and quadrilateral (Japan-U.S.-India-Australia) contexts has grown during the past decade, despite some ups and downs, while broader multilateral security frameworks inclusive of China remains no more than discussion forum. The driving question in Japan's relations with India seems to have been constant. P. A. Narasimha Murthy wrote in 1967:

The problem which is of immediate interest to both India and Japan and which is also likely to affect peace and stability in Asia is the challenge posted by China. It is in this context that future Indo-Japanese relations become highly relevant.<sup>9</sup>

J. D. B. Miller synthesized the discussions among Australian, Indian, and Japanese experts on their countries' roles in Asia in 1967 and stated:

[I]f there is to be co-operation of a significant and continuous kind between India, Japan, and Australia, particularly in the military sphere, it will come about if they agree that China is a pressing threat to each and all of them, if they can individually see advantage from seeking one another's help, if they can reconcile their different views of how danger from China can best be dealt with, and if they can fit a new form of association into their existing patterns of international connection.<sup>10</sup>

Mutual expectations between India and Japan are divergent. While Japan places its security priority on maintenance of its alliance with the United States and sees India as a welcome addition to it, India places strategic independence above any formalized alliance and see its new security ties with Japan as means to diversify its security partnerships and avoid overly depending on the United States.<sup>11</sup>

The increasing conversion of geostrategic interests between India and Japan seems to be surviving its first test, a major shift in domestic politics of Japan. Despite the change of the ruling party in 2009, bilateral security cooperation has not lost its momentum.<sup>12</sup> Shinzo Abe's return to the LDP presidency in September 2012 and a possible return to premiership after the next lower-house election may revive the push for quadrilateral cooperation.

On the Indian side, too, future of its policy depends on China's behavior. "[T]he strategic partnership with the United States provides India with leverage to check China's incursions into

South Asia, although India will be cautious in exercising it. Any new development in China's relations with India's neighbors seen as detrimental to India's interests could potentially set back the current rapprochement between Beijing and New Delhi and deepen India's engagement with the United States and Japan." <sup>13</sup>

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## India-Japan Relations:

### Reflections of a long-term Indian Resident of Japan

**RABINDER N. MALIK, Ph.D.**



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Dr. Rabinder Malik has enjoyed a 40-year long, distinguished career with the United Nations, including 20 years with the United Nations University (UNU) in Tokyo, Japan. He has received awards for long meritorious service from the UN Secretary-General and from the United Nations University.

Since retirement from UNU, Dr. Malik has been teaching courses on International Relations and United Nations at a number of Japanese and American universities. He is currently teaching a course at Keio University on "Contemporary Global Issues and the Role of United Nations".

Dr. Malik has served as an Adviser/Lecturer on two occasions on the "Ship for World Youth Program", which is sponsored by the Government of Japan, with the objective to promote multicultural exchange among the youth of the world.

Dr. Malik represents in Japan an Indian research institution, TERI (The Energy and Resources Institute) that deals with issues of energy and environment and global sustainable development.

Dr. Malik is actively involved in promoting international exchange and understanding and in promoting contacts between Japan and India. He is a member of a number of educational, social and cultural organizations in Japan.

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# India-Japan Relations:

## Reflections of a long-term Indian Resident of Japan

**RABINDER N. MALIK, Ph.D.**

### *Arrival in Japan*

Thirty-six years ago, in early 1976, I came to Japan as an official of the United Nations to take up an assignment with the newly-established United Nations University (UNU) soon after it set up its headquarters in Tokyo at the invitation of the Government of Japan. The UNU, an autonomous organ of the United Nations, is a unique international academic institution dealing with human survival and development and has a world-wide network of research and training centres and programs.

It is interesting to note the factors that led to the location of the UNU headquarters in Tokyo. After regaining its sovereignty and re-entering the international community as an independent nation in 1952, Japan was admitted to the United Nations in 1956. During the post-World War II period, Japan's foreign policy actions were guided by close cooperation with the United States, a free-trade system and international cooperation through the United Nations and other multilateral institutions. These worked well and contributed to the phenomenal economic recovery and growth of Japan, and by early 1970s, Japan had become a ranking economic power. This generated a sense of pride and self-esteem in the country and growing support for a more prominent international role. It was around that time the idea of the establishment of an international university was put forward by U Thant, the then UN secretary-general. Within Japan, this idea received strong support from Japanese scholars and the Government of Japan decided to host the United Nations University in Tokyo.

### *Interaction with the Japanese people*

After having worked for UNU for 20 years, I decided to stay on in Japan following my retirement, and started teaching about United Nations at a Japanese university in Tokyo. Subsequently, many other unexpected opportunities came my way, and I got involved with some wonderful programs and activities that have made my retired life both enjoyable and meaningful. One of the programs that I would like to mention here is the Government of Japan's "Ship for World Youth Program" that aims to promote multicultural exchange among the world youth. About 300 young people spend a few weeks together on board a ship and take part in educational and cultural activities. This program was a perfect fit for a person with my background and experience, and twice I served as an Adviser/Lecturer on board the ship.

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Thanks to my extended assignment at UNU, I have many acquaintances in the government and academic circles in Japan. These were supplemented further through teaching and other voluntary activities that I undertook following my retirement. Moreover, the City of Urayasu has been a home away from home for me and my family as we have been living here for more than three decades. I am fully integrated in the community and actively participate in several social, cultural and recreational activities in the city. In 1986, the Mayor of Urayasu asked me to help promote international exchange among foreign and Japanese residents of the city, and for this purpose, the city established Urayasu Foreign Residents Association (UFRA), which I chaired for 17 years and now serve as its senior adviser. In 2007, I was honoured by the City Mayor with an “Education and Culture Award” in recognition of my contributions to the community.

During my long stay in Japan, I got to know Japan and Japanese people well and became an admirer of Japanese culture. Some of the qualities that I appreciate are the quietness, cleanliness and kindness of the Japanese people and especially the egalitarian society of Japan. Japan is the first developed country in Asia and is known for its culture of discipline and systematic processes. One is also impressed by the fact that high technology is used in everyday life. Some of the examples are bullet trains, electronic toilets and all kinds of e-money options. One cannot find another example of a society that has progressed so rapidly in attaining high levels of development and growth and creating a modern society without losing its cultural roots.

Japan is known for aging of its population. But many of my friends have started new careers at 60 and keep themselves very fit and active. I am myself old but being among these “young looking” old people, I also feel young. I consider myself very fortunate that at this ripe old age I can still teach a course at a university, sing songs, play golf and be able to take part in many social and cultural activities, including promotion of India-Japan relations.

On a personal note, I should add that my hobby of singing also helped me in understanding Japanese culture a little better and making more friends in Japan. When I first heard Japanese *Enka* songs, I found the melodies to be very similar to Indian *Ghazals* that I used to sing when I was young. I became interested and after several years of training, in 2001 I made my debut as an *Enka* singer together with two of my Japanese friends. What is amazing is that after learning *Enka* songs I realized that not only the melodies were similar but the words and the message they conveyed were also similar to those of many of the Indian songs that I know. Through these songs I could perceive many similarities between the cultures of our two countries and felt that outwardly we may be different but our two cultures are deeply interlinked.

### ***Japan India Relations***

Last year on March 11, when Japan suffered its triple tragedy of earthquake, tsunami and nuclear plant disaster, India shared Japan’s sorrow and sent members of the Emergency Rescue Force from India to help in the affected areas in Miyagi Prefecture. Together with the whole world, Indians admired the fortitude, discipline and resilience of the Japanese people, and prayed for a newly energized Japan.

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If we go over the history of Japan-India relations, traditionally Japanese have looked at India as the birthplace of Buddhism, which came to Japan via China nearly 1500 years ago. In the 20<sup>th</sup> century, Gurudev Rabindranath Tagore visited Japan a few times and established close personal relationship with Okakura Tenshin, a famous Japanese scholar. Recently, the 150<sup>th</sup> anniversary of the birth of Gurudev Tagore was held in Japan on a grand scale, which demonstrated the admiration and respect Japanese people have for him.

The 1950s are regarded as the golden period in the relationship between our two countries. Firstly, the Japanese people were moved by the thoughtful gesture of Indian Prime Minister Jawaharlal Nehru in presenting a baby elephant named "Indira" to Ueno Zoo to make the children of Japan happy. They also felt gratified by the dissenting judgment by Indian Justice Binod Pal in the International Military Tribunal for the Far East. In 1952, India and Japan signed a treaty of friendship and goodwill.

While the harsh reaction in Japan to the Indian nuclear tests in 1998 resulted in a setback to bilateral relations, the highly successful visit of former Prime Minister Yoshiori Mori to India in 2000 resulted in the launching of the "Global Partnership between India and Japan". In recent years, Japan and India have enhanced their strategic and global partnership, and the incumbent Prime Ministers of the two countries have reaffirmed their commitment to consolidate further the bilateral relationship in a comprehensive manner. It should also be recalled that India and Japan have worked together in the G4 (India, Japan, Germany and Brazil) for the reform of the United Nations Security Council.

Japan has provided consistent support to India in terms of ODA for a number of projects in the key area of infrastructure development, Delhi Metro being a shining example of such cooperation. The remarkable success of the Indian economy, especially in information technology, and the fast-growing market and reservoir of talent in India has changed the Japanese perceptions of India. Moreover, there are socio-economic complementarities between Japan and India that can contribute to the promotion of comprehensive relations between our two countries. In the scientific and professional fields, India can produce manpower of a world standard in IT and other sectors. Japan is rich in capital and technology, and these are the elements that are essentially required for developing Indian infrastructure.

There are endless opportunities for business partnerships between the two countries. For example, with India's huge population, rapid industrialization and development, its energy needs are rising rapidly and this provides an immense potential for technological cooperation between India and Japan, especially in the areas of renewable energy, energy efficiency, climate change. Collaboration in these sectors between Japan and India is being promoted by TERI (The Energy and Resources Institute), a globally well-known Indian research institution, headed by Dr. Rajendra K. Pachauri, chairman of the Intergovernmental Panel on Climate Change (IPCC). I represent TERI in Japan.

As the year 2012 marks the 60<sup>th</sup> anniversary of the establishment of diplomatic relations between the two countries, numerous commemorative events are being organized in both countries. In Urayasu City too, we organized in July a program of Indian dance and music as part of the anniversary celebrations. As a long-term Indian resident of Japan, I am naturally

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interested in promoting collaboration between our two countries. With that objective in mind, I support and participate actively in the activities of the Japan India Association and India Culture Centre. I have also been supporting the Japan India Student Conference, which promotes exchange between Japanese and Indian university students.

To conclude, history, geography, economics, demographics, and even different strengths and weaknesses of the two countries make India and Japan natural partners. There is an urgent need, however, for enhanced people-to-people contacts, particularly among the youth of our two countries, which will provide a strong foundation for long-term, mutually beneficial relations between India and Japan.

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## New Horizon for Japan–India Economic Relations

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**Makoto KOJIMA .Ph.D.**

After serving as a professor at Chiba University of Commerce, currently he is a professor at Faculty of International Studies, Takushoku University, Tokyo. Previously, he was a visiting professor at the Fernand Braudel Institute of World Economy (São Paulo) in 1989-1990. He holds his Bachelor Degree, Master Degree and Ph.D. (Economics) from Keio University. He served as the Chairman of Study Group on India at the Ministry of Finance in 2004-05, and a Member of Japan-India Joint Study Group in 2005-06. He received an Asian Pacific Prize for his book in 2004.

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## **New Horizon for Japan–India Economic Relations**

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### **Introduction**

Thanks to vigorous economic growth under economic reform and its Look East policy introduced after 1991, India has deepened its economic relations with East Asian countries. A remarkable expansion of India’s trade is apparent with ASEAN countries, China, and Korea since the beginning of the 2000s, with only Japan–India relations being apparently left behind. India–China bilateral trade has expanded remarkably to become more than four times greater than Japan–India bilateral trade.

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The first Indian boom occurred in the mid-1990s, and disappeared after India launched nuclear testing in 1998. Although India has become the largest recipient of Japanese ODA since 2003-04, both bilateral trade in goods and Japan's foreign direct investment (FDI) into India had almost been stagnant until quite recently. With major Indian exports to Japan dominated by products of mineral oils, gems and jewels, marine products (mainly shrimp) and iron ore, India and Japan have not yet formed such dynamic international division of labour as are apparent among East Asian countries. Japan's cumulative FDI into India is so far greater than that of Korea, but as far as electronics appliances are concerned, Japanese companies have been overwhelmed by Korean companies in the Indian market.

Both India and Japan are highly complementary economies that have yet to be fully exploited. Japan has abundant capital and is highly advanced in technological skills and product development while India is endowed with a huge market and abundant human resources. Japan is outstanding in terms of its manufacturing abilities, whereas India presents advantages in IT services and bioinformatics. Recently, however, a new tide has been observed in Japan to expand Japan-India relations based on mutual complementarities, which gathers momentum also under the strengthening of strategic and global partnership between the two countries.

In this article, possibilities and challenges of future Japan-India bilateral relations are explored, particularly addressing recent new developments in the fields of trade, FDI, IT offshore investment, and human resource exchange.

#### 1. Japan-India Merchandise Trade on a Modest Growth

Before World War II, India had been Japan's major trade partner, accounting for 10-15 per cent of Japan's foreign trade at least until 1937.

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Major imported products from India were cotton and pig iron. Even after the War, India remained as important trade partner of Japan's, accounting for 2–4 per cent of trade until 1965. In the post-war era, iron ore replaced pig iron as a major imported product from India, and Indian iron ore played a critical role in the remarkable post-war development of the Japanese steel industry at least until Japan started to import iron ore, on a large scale, from Australia and Brazil. Thereafter, under the closed inward-looking regime, India had been long struggling with stagnated industrial development and was largely left behind by the global tide. Japan, however, joined OECD members in 1964, and has ridden on the track of high economic growth, becoming an economic superpower. It was since these times that Japan and India became economically estranged from each other.

India's major trade partners in the 1950s had been the UK and the US; in the 1970s the USSR and Japan also became major India's trade partners along with the US and the UK. This arrangement implied that economic relations between East Asian countries and India had been generally weak except for those with Japan.

Along with the introduction of economic reforms in 1991, India adopted an outward-oriented policy to develop its own economy by making use of the tide of globalization. More specifically, India intended to strengthen economic ties with East Asian countries, an emerging global growth centre, under the Look East policy. Despite pursuit of the Look East policy, Indian trade with Japan has long remained stagnant.

Although total India–Japan bilateral trade amounted to US\$ 4.19 billion in 1996-97, it had shrunk to US\$ 3.64 billion in 2000-01 and US\$ 3.66 billion in 2001-02<sup>1</sup>. It was only in 2003-04 that bilateral trade started to show an upward trend: US\$ 5.36 billion in 2004-05, and US\$ 13.82 billion in 2010-11. Improved bilateral trade, however, has been largely overshadowed in

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comparison to other bilateral trading relations such as those of India–ASEAN, India–China and India–Korea. India–Japan bilateral trade was surpassed by India–China trade in 2002-03, and even by India–Korea trade in 2005-06. In this connection, as of 2010-11, India–China and India–ASEAN trade have increased 4.6 times and 4.2 times, respectively more than that with Japan. Japan’s share in all Indian trade has decreased from 5.9 per cent in 1997-98 to 2.2 per cent in 2010-11, along with a significant decline of Japan’s rank in terms of total amount of trade from third to twelfth. India’s share in Japan’s total amount of trade, in contrast, remained at only 0.6 per cent during 2010-11.

Japan–India trade has almost constantly shown Japan’s surplus, and sluggish bilateral trade was possibly a reflection of major commodities traded on both sides: imports from Japan were composed of, first and foremost, machinery and components, iron and steel products, consumer electronics, auto and components, precision instruments, and so forth, and India’s exports to Japan exclusively concentrated on lower-value added marine products and jewels and ornaments, of which commodities did not reflect the current India’s competitive and dynamic industrial structure. Recently, however, because of increased petroleum products from India, which are becoming the most important Indian exports to Japan, Japan–India bilateral trade has shown signs of increasing since 2006-07 with an average annual growth rate of 19 per cent between 2005-06 and 2010-11. Even so, India–China bilateral trade fairly outperformed, recording 29 per cent annual growth during the same period.

The Japan–India Comprehensive Economic Partnership Agreement/Economic Partnership Agreement (CEPA/EPA) came into effect in August 2011. Tariffs were scheduled for elimination on 90% of Indian and 97% Japanese goods over ten years, compared with around 75% of Indian goods in the case of India–Korea CEPA. Japan is expected to export more

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auto parts and steel products exports to India, and to import more agricultural and marine products from India.

Auto components, iron and steel products, electric and electronics parts, and general machinery are included in concessionary import items on the Indian side. For example, iron and steel products (cold and hot rolling steel plates, alloy steel, and galvanized sheet iron) are currently subject to 5 per cent tariff rates, which are scheduled to be eliminated within five years so that favourable effects on bilateral trade are expected in the near future. Regarding automobile components, the tariff rates for gearboxes and diesel engines, currently 12.5 per cent, will be reduced by half within 6–8 years, while for electric and general machinery, the tariff will be eliminated completely within 10 years. Regarding concessionary import items on the Japanese side, the tariff rate for almost all goods in industrial and mining industries imported from India will be eliminated immediately, together with the rates for durian, asparagus, shrimp, and lumber, while the tariff rate for other agricultural and marine products will be diminished to zero within 7–10 years.

The treatment of generic medicine imported from India deserves special attention. Previously, it had been actually quite difficult for India to export generic medicines to Japan, where quite restrictive measures were instituted for the import of generic medicines. However, increased imports of generic medicines from India can be expected as the national treatment, on the side of Japan, is accorded for applications for registration and other approvals required for the release of generic medicine. Furthermore, some improvement has been made for the mobility of human resources, including Yoga instructors, English teachers, and Indian cuisine masters. It is expected that India–Japan bilateral trade will be more than doubled to \$25 billion by 2014 under the CEPA/EPA.

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Before the Japan–India CEPA/EPA, India–ASEAN FTA had already come into effect in January 2010. India has increased its import machinery from ASEAN, with imports of parts or components showing a remarkable increase. Actually, in 2010, seven items out of top ten imported machinery products comprised various machine-related parts, including semiconductors and thermionic tubes, office equipment parts, auto parts and components, internal combustion engines, and superheating/cooling equipment<sup>2</sup>. This trend indicates that India has apparently incorporated itself increasingly into the East Asian regional production network, where large quantities of machine-parts are imported and exported within the region. Actually, according to a survey of the Japanese companies' activities in Asia–Oceania conducted by JETRO, many Japanese companies located in Singapore and Thailand selected India as the most important country for their operations and export destination in the coming three years<sup>3</sup>.

It is noteworthy that while exports from East Asian countries to India have expanded, finished products exported from India destined to EU and the US have also shown a marked increase<sup>4</sup>, indicating that India, while implementing a multi-directional diplomacy, has also been incorporated into the East Asian production network as an important production and exporting hub. It can be reasonably inferred that such a tendency will be accelerated with the Japan–India EPA comes to fruition.

## 2. New horizons for Japanese investment into India

It is in the field of investment rather than trade where we can witness a more dynamic trend in recent Japan–India economic relations. Japanese foreign direct investment (FDI) into India reached a peak of US\$ 434 million in 1997, but it decreased after that in the wake of India's nuclear experiments in 1998. Japan ranked fifth, accounting for 5% of the total accumulated volume of FDI inflows into India since April 2000 to November 2011. It was as recently as 2007 that Japan's FDI into India began to show conspicuous expansion. Japan's FDI into India increased from US\$ 1,562

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million in 2010-11 to US\$ 2,972 million in 2011-12, ranking 4<sup>rd</sup> after Mauritius, Singapore and United Kingdom<sup>5</sup>.

Faced with stagnant markets in economically advanced countries and aggravated investment environments in China where wages are rising and industrial policies are becoming more restrictive and unpredictable for foreign companies, India has become more attractive in Japanese business circles. Until recently, Japanese companies had a negative image of India's investment environments that constituted a sense of "psychological distance" from India. However, Korean companies' successes in gaining a large share of consumer electronics markets indicate that what Japanese companies identify as areas of concern, i.e. adverse investment environments, are not necessarily critical factors that would deter Korean or Singaporean companies.

Convinced, at long last, that India offers a huge domestic market and that it will grow to be a leading economic power, Japanese companies have been committed to India increasingly. The number of Japanese companies in India has increased from 248 in January 2006 to 438 in January 2008, from 550 in October 2008 to 627 in October 2009, from 725 in October 2010 to 812 in October 2011<sup>6</sup>. Vigorous Japanese investment into India can also be confirmed by the FDI outflow data maintained by the Government of Japan. Japan's FDI into India increased steeply from 178.2 billion yen in 2007 to 542.9 billion yen in 2008 and 344.3 billion yen in 2009<sup>7</sup>, indicating that India became one of the three most important destinations of Japan's FDI into Asia, comparable to China and ASEAN, although it showed a tendency to decline thereafter.

New developments in increasing Japanese FDI in India can be summarized as described below.

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First, Japanese companies have entered increasingly into a wider range of manufacturing sectors, making inroads into the huge market. In the past, Japan's FDI into India had been lopsided in the automobile sector. According to the FDI inflow data maintained by the Government of India, the top sector receiving FDI from Japan from 1991 until 2005 was the transportation industry (60.4%), followed by electrical equipment (7.2%), service sectors – financial and non-financial – (3.7%), ceramics (2.2%) and textiles (2.%)<sup>8</sup>. In recent years, however, not only automobile assemblers and auto-parts suppliers, but also other companies in various fields including steelmakers, pharmaceutical companies, and construction machinery producers have begun to make their presence known in India. Regarding the automobile sector, following Suzuki, all major Japanese assemblers have positioned India as the strongpoint for production of small cars and recently sport utility vehicles (SUVs) in their global strategy. Nissan and Toyota have newly released remarkably low-priced cars geared for emerging countries.

A firm presence of Japanese automobile assemblers and auto parts makers strongly induces other companies engaged in steel production and logistics to come to India. All major Japanese steel producers have tied-up with their Indian counterparts to produce sheet iron for automobiles or to set up blast furnaces in India, with Nippon Steel forming an alliance with Tata Steel, Sumitomo Metal Industries with Bushan Steel, JFE Steel with JSW Steel, and Kobe Steel with SAIL. Logistics companies, including Nippon Express, Hitachi Transport System and Itochu, have already started their operations in India, and shipping companies, including Mitsui O.S.K. Lines, are ready to engage with marine transportation of automobiles exported from India to Europe. In the construction machinery sector also, both Komatsu and Hitachi Construction Machinery are now reinforcing their production in India.

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Regarding the electronics appliances sector, where Japanese companies have lagged far behind Korean companies, Panasonic and Sony have become determined to make a strenuous effort to catch up with LG and Samsung with a firm commitment from top management. Panasonic Electrical Works, currently merged with Panasonic, succeeded in expanding its sales network by acquiring Anchor Electric in 2007. Panasonic has steadily expanded its share in the Indian electronic appliances market from less than 2 per cent in 2010 to 5–6 per cent in 2011, further aiming to expand its share from 10 per cent in 2012 to 25 per cent in 2018 to be the largest electrics appliances company in the Indian market. Sony, using its own production base in Malasia, outstripped the Korean companies of LG and Samsung in the sale of flat panel display TVs in 2010. Sony has no factory in India.

Other promising and newly expanding areas for Japan's FDI into India include pharmaceuticals and products necessary for daily life. Currently, Japanese pharmaceutical companies are keen to establish strongholds in India, aiming to either strengthen their cost competitiveness or to enter the Indian market. Daiichi Sankyo acquired Ranbaxy Laboratories, the largest pharmaceutical company in India, in 2008. Eisai set up its own factory in Andhra Pradesh in 2010 to produce its main generic medicines, which will be exported to Japan and the USA. Fujifilm has recently tied-up with Dr. Reddy's to set up a joint venture in Japan for producing generic medicines. Takeda Pharmaceuticals, the largest Japanese pharmaceutical company, also has a keen eye to invest into India. It is also to be noted that many leading Japanese companies have newly started to enter into India in various fields of goods that are used daily, including foods, stationery, cosmetics, sanitary goods, and other products.

Second, both the Japanese government and private companies are now more willing to commit themselves to infrastructural development in India.

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Poor conditions in infrastructure used to constitute the most formidable barrier deterring Japanese companies from investing in India. However, given that India intends to invest as much as \$1 trillion into infrastructural development during its Twelfth Five Year Plan, the Japanese companies have come to realize that it will surely provide major business opportunities for them. Some Japanese companies are keen to be suppliers of mechanical equipment, notably generation turbines or rolling stock in Ultra Mega Power Projects or the Dedicated Freight Corridor. Mitsubishi Heavy Industries set up two joint venture companies with Larsen & Toubro to produce supercritical pressure boilers and turbines in 2007, with Hitachi subsequently tying-up with BCE Energy Systems, and Toshiba with Jindal South West (JSW). The Delhi–Mumbai Industrial Corridor (DMIC) and Dedicated Freight Corridor (DFC) between Mumbai–Delhi are among the priority areas of Japanese government-sponsored investment into India, along with the newly mooted Integrated Industrial Region in southern India. Obsessed with risk-aversion, strong hesitation has prevailed among the Japanese construction companies against entering Indian markets, which constitutes an impediment to the progress of the DFC. However, a new trend is emerging. Kajima Construction, the leading Japanese general contractor, has recently decided to enter India to construct a factory for Ford Motor Co. Regarding those infrastructural developments for which management aspects are important, Japanese companies are more likely to tie up with Singaporean or Australian companies because they are not experienced in these areas.

Third, Japanese financial institutions such as commercial banks, insurance and security companies, have also come to approach the Indian market aggressively. This has never occurred before. Until recently, the Indian subsidiaries of Japanese commercial banks used to furnish funds only to Japanese companies operating in India. However, given that infrastructural development projects require a huge capital demand and

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knowing that Indian companies are active in their fund-raising in global capital markets, Japanese financial institutions have come to recognize the Indian market as an important target, furnishing funds to Indian companies. For example, the Bank of Tokyo-Mitsubishi UFJ has announced intensification of its investment into India as a region of strategic importance, from the current 700 billion yen to 1 trillion yen by 2014, financing not only Japanese companies but also public enterprises related to infrastructural development. Mizuho Corporate Bank has announced a tie-up with International Finance Corporation to finance infrastructure projects, while Sumitomo Mitsui Banking Corporation has acquired a 4.5% stake in Kotak Mahindra Bank in 2011. In the field of insurance, Tokyo Marine & Nichido Fire Insurance Group had already formed a joint venture with The Indian Farmers Fertilizer Cooperative Limited in 2000, while Nippon Life Insurance Company has recently signed a Memorandum of Understanding (MoU) to acquire a 26% stake in Reliance Capital Asset Management. In the field of securities, Nomura Asset Management Co. purchased a 35% stake in LIC Mutual Asset Management Company, a subsidiary of Life Insurance Corporation of India (LIC) in 2009 to form a joint venture, while Mizuho Securities Co. entered into a strategic alliance with Tata Capital to promote investment banking activities and securities businesses in 2010.

Lastly, we can point out a new trend in the Japanese investment into India, not only in the field of FDI, but also in the field of portfolio investment. Japanese investors have increasingly turned to weight Indian stocks in their financial portfolios via brokerage firms, thanks to a favourable expansion of the Indian economy. Given that domestic interest rates remain at low levels, Japanese people are increasingly turning to foreign markets for their investment. Actually, Indian stocks are getting no less popular than Chinese stocks. Consequently, Japanese portfolio

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investment into India has increased conspicuously since 2005, although some reversal of trends has occurred under the global financial turmoil.

### 3. IT Offshore investment

With India's image as an IT power established, and Indian people's mathematical ability gaining higher esteem, elementary books on Indian mathematics have popped up among best-sellers, and the Indian International schools in Tokyo have attracted attention among parents who are enthusiastic about their children's education. Currently, Japanese people are facing up to the grim fact that young people are increasingly shying away from science studies and that their mathematical ability is declining under the promotion of less stringent educational guidelines across the country.

Japan is globally ranked the second largest IT market with an estimated turnover of \$100 billion. Japan is renowned as an extremely competitive nation in manufacturing industries and hardware production. Today, however, hardware and software are merging, and the importance of software in the manufacturing industry has increased especially in leading-edge sectors so that Japan's strength in hardware manufacturing is expected to decay without software development capabilities. Japan now faces an acute shortage of the IT engineers to meet these demands. Such a phenomenon has become accentuated since 2007, when many IT engineers belonging to the baby boomer generation began to retire. As for 2007, Japan had total capacity of 907,990 IT engineers, and was therefore short of the 501,000 IT engineers it needed, including 360,000 professionals<sup>9</sup>. According to a survey made by the Information-Technology Promotion Agency of three thousand IT companies in Japan, the percentage of those IT companies which felt a quantitative shortage of IT engineers declined from 75.6% in 2007 to 48.8% in 2008 attributable to the recession triggered by the Lehman shock, but as many as 85.5% and 87.0% of them acknowledged a qualitative shortage of IT engineers in 2007 and 2008, respectively.<sup>10</sup>,

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Generally speaking, Japanese companies are inclined to in-house procurement. Then they are rather cautious about overseas IT offshore investment. When looking offshore, they prefer to turn to China, although numerous advantages apply to using Indian IT capabilities. India enjoys good esteem in high-quality control/management capability, a wide range of IT skills covering open to mainframe environments and rich global experience, and its intellectual property regulations are more reliable than those of China. It is no secret any more that Japanese major automobile assemblers outsource some of their embedded software to Indian IT companies. However, Japanese companies overall have not sufficiently tapped Indian IT capabilities. As for the destination of Japan's IT offshore investment, still 80% of Japanese companies have outsourced to China and 25% to India<sup>11</sup>. For India, Japan accounts only for less than 2% of its total software and IT services exports. Main reasons for Japan not using India fully include language barriers and cultural misunderstandings, scarcity of Indian residents in Japan, scarcity in globalized human resources on the side of Japan, and different software development style—characterized as an *integral approach* rather than a modular one—including ambiguity in requirement specifications among Japanese companies.

Many Indian IT major companies, including TCS, Infosys, and Wipro have come to Japan since the early 1990s, but they are still struggling to penetrate the Japanese market. They set up their subsidiaries in China later than Japan, where they have a much larger presence than in Japan. Taking the example of TCS, its employees of TCS Japan still amount to fewer than 500, while its employees in Chinese subsidiaries exceed more than 1500 in 2011. To break the deadlock, they recently showed their intentions to increase their share in the Japanese IT market through mergers and acquisition or by setting up a joint venture<sup>12</sup>. Furthermore, we must incorporate consideration of the temporary aftermath of the Great Eastern Japan Earthquake in March 2011, which reduced the number of Indian IT

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engineers working in Japan from around 15,000 to 7,000. Many Indian IT engineers have not yet returned to Japan.

Indian IT companies are struggling to expand their activities for customers in Japan, but some new trends are visible in Japanese IT offshoring to India. Some hesitation among Japanese companies remains with respect to outsourcing to Indian IT companies, but it is noteworthy that some leading Japanese IT companies are becoming more aggressive in tapping Indian IT capability directly. Japanese IT giants, both NTT Data and Fujitsu, have already set up their own IT captive centres in India through the acquisition of American IT companies. NTT Data intends to expand its IT engineers in India to 10,000 within a year, while Fujitsu plans to expand its IT engineers to 5,000 in three years, with an aim of providing offshore services for Japanese companies. As for Japanese subsidiaries of IBM and Accenture, they are already increasingly using Indian IT resources through offshoring to their Indian counterparts. Sony India Software Center, an R&D hub in Bangalore, has increased its employees by three times to 1000 in the past three years. Currently, it is no exaggeration to say that Japanese IT companies are increasingly under pressure to tap Indian IT capability if they truly seek to become global entities.

#### 4. Human Exchanges

The promotion of human exchange is vital for improvement of mutual understanding and thereby consolidating further expansion of Japan–India relations. It is noteworthy that there are as many as 3 million Indian-Americans, most of whom are professionals, playing an indispensable role in deepening and cementing ties between India and the USA. Regrettably, the level of people-to-people exchange between India and Japan is far from satisfactory in any channel, which marks a remarkable contrast with that between Japan and China. Regarding the level of student exchange, it must be noted that the number of Chinese students remaining in Japan

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amounted to almost 88,173 in 2010, while Indian students were only 546, who are outnumbered not only by those Bangladeshi and Sri Lankan students staying in Japan, but also by Indian students staying in China<sup>13</sup>. Improving scholarship and Japanese language training schemes for Indian students, increasing the number of lectures given in English at Japanese universities, and providing attractive career paths for Indian graduates to apply for expanded employment opportunities in Japanese companies are urgently necessary to attract more Indian students to Japan.

We must also devote attention to the fact that current human exchanges between Japan and India are even lagging behind those of India and Korea. The number of Indian visitors to Korea and vice versa amounted to around 70,000 in 2009, and the number of Korean residents in India amounted to 8518 in 2010, compared with 4,018 Japanese residents in India in that year<sup>14</sup>.

Currently, Japanese companies are desperately in need of young people who are qualified in promoting businesses in emerging economies. Some Japanese MNCs, including JFE Steel, IHI, and Toshiba, which fully recognize the necessity of globalized personnel to brush up their English communications skills and enhance multicultural understanding, have started to send a certain number of their employees to India for training. Now the timing is good, entering this new phase of India–Japan relations, for us to consolidate our relations especially through acceleration of people-to-people exchanges.

## 5. Strategic and Global Partnership

Before full-fledged closer economic relations are established, both Japan and India have progressively formed strategic and global partnership amid growing concern over geopolitical issues. Since Prime Minister Manmohan Singh visited Japan in December 2006, and a strategic

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partnership was formed between the two countries, both prime ministers have agreed to visit each other annually. India is the first case for Japan to make an official promise of mutual visitation, while for India it is the second case after Russia. Along with the prime minister's mutual visitation, strategic dialogue by foreign ministers, national security dialogue by the defence ministers, and other various ministerial level of exchanges including economic policy dialogue between Japan's Minister of Economic and Trade Industry and India's Minister of Industry and Commerce, are held annually, and current governmental exchanges might represent the most active period ever seen in the history of Japan–India relations. Based on the strategic partnership, both governments have come to forge close cooperation in economic and national security spheres.

Both governments share a common goal of becoming permanent members of the UN Security Council, and India has been therefore perceived by Japan as a critical partner in fulfilling their goals together. China's emergence as a global political power, which represents a future destabilizing factor for Japanese foreign policy, has also increased India's importance as a diplomatic trump card for Japan in the Asian region. Japan, wishing to take more weight on the ASEAN + 6, adding three countries, i.e. India, Australia and New Zealand to the ASEAN + 3 (Japan, China and Korea), took the initiative in convening the East Asian Summit including the membership of India under the ASEAN+6 framework, which might surely reflect Japan's national security perspective. In this connection, the East Asian Summit started officially in December 2005. The US and Russia formally participated in November 2011.

In the economic sphere, a long-awaited Japan–India CEPA/EPA was finally signed in February 2011. It came into effect in August through a new upsurge in India–Japan economic relations is to be expected. Prime Minister Noda's visit to India in December 2011 also brought an outcome of

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strengthening bilateral relations in the fields of economy and national security. The Japanese government pledged to offer a total amount of US\$ 4.5 billion loans in the next five years for implementing the Delhi–Mumbai Industrial Corridor and Dedicated Freight Corridor, and arranged economic cooperation for constructing road and port facilities especially in southern India, where many Japanese companies are expected to operate. In addition, during Noda’s visit, both leaders signed an agreement to increase the maximum dollar currency swap arrangement five times up to \$15 billion from the previous limits, which is expected to mitigate negative effects of weakening Indian rupee. Regarding rare earth minerals, which are critical resources especially for auto components manufacturers, the Japanese government has reached an agreement with India, the second largest producer after China, to launch a collaborative development project which will help Japan alleviate negative effects of overdependence on China. Currently, China officially restricts exports of rare earth minerals, which has caused severe damage and anxiety to the Japanese auto industry. In the fields of logistics and national security, primarily to preserve sea lanes in the Indian Ocean, both governments agreed to conduct joint military exercises between the Indian Navy and the Japanese Self-Defense Forces, with the intention of coping with troublesome piracy off Somalia and the growing Chinese influence in the Indian Ocean. The exercise is planned to start from 2012.

Amid steadily progressing formation of the Japan–India strategic partnership, it is important at this point in time for both parties to make an all-out effort at deepening mutual economic dependence either through strengthening Japanese companies’ FDI into India or IT offshore investment. These efforts might contribute to building a robust ground for additional development of bilateral relations. To enhance active economic exchange, so-called “psychological distance” that most Japanese companies have in mind should be removed through various public–private

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partnership channels including official development assistance (ODA) and human exchange programs. We must recall the fact that broad-based human exchanges constitute a prerequisite condition leading to the successful development of America's IT offshoring to India and Japan's FDI to China.

## 6. Prospects and Challenges

The Japanese economy has been strained in the aftermath of the massive earthquake and tsunami in March 2011, accompanied by radiation leakage from Tokyo Electric Power Company's Fukushima No. 1 nuclear power plant. The aftereffects of the Great East Japan Earthquake on India-Japan economic relations cannot be ignored. Japanese manufacturers were obliged to reduce their production in India, because Japanese domestic supply chains were damaged abruptly, but the tide of Japan's FDI into India seems to be irreversible. Currently, Japanese companies are at a crossroads. Faced with stagnant markets in Japan, many Japanese companies are under pressure to go global, devoting great attention to rising emerging economies. Under domestic supply chains damaged by the earthquake and record high yen appreciation, Japanese companies are pressured further to reallocate their production facilities to emerging economies, which provides excellent opportunities for additional acceleration of Japanese FDI into India.

Furthermore, negotiations for Japan-India Nuclear Agreement were suspended following the unprecedentedly severe accident at the Fukushima No. 1 nuclear power plant. Japanese technologies are indispensable for the construction of nuclear power plants, with The Japan Steel Works Ltd. playing a dominant role in producing reactor pressure vessels throughout the world. Nevertheless, negotiations for the Japan-India Nuclear Agreement are expected to resume, given bilateral mutual

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trust that has been firmly established between both governments under strategic and global partnerships.

The following two tasks should be addressed for additional expansion into India–Japan economic relations. First, the greatest efforts possible should be taken under the basis of public-private partnership on both sides to enhance the Delhi–Mumbai Industrial Corridor along the right line, which will further consolidate Japan–India collaboration and engender huge economic benefits for both countries. Second, human exchange should be promoted using every possible channel, which will be a springboard for additional expansion of bilateral relations.

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1. Ministry of Commerce and Industry, Government of India, Export and Import Data Bank.
  2. Ryuichi Ushiyama, “India–ASEAN Relations: Production Network Being Progressively Formed between India and ASEAN”, in Japan Center for Economic Research ed., *India in the World: Leading to Expanding Asia*, JCER, 2011 (in Japanese).
  3. To put it more precisely, in the case of Japanese companies located in Thailand (644 companies replied), India ranked 1st (21.8%), followed by Japan (14.4%), and Indonesia (14.3%); in the case of Japanese companies in Singapore (141 companies replied), India ranked 1st (28.4%), followed by Indonesia (19.9%), and China (12.8%). See JETRO, *Survey of Actual Activities of Japanese Companies in Asia and Oceania*, 2010 October 2010 (in Japanese).
  4. Intermediate products exported from eastern Asia to India had been expanding from US\$ 5.89 billion to US\$ 41.89 billion during 1999-2009, while finished goods exported from India to EU and the USA increased from US\$ 5.89 billion to US\$ 19.67 billion, and US\$ 5.47 billion to US\$ 11.88 billion, respectively. See Ministry of Economy and Industry, Government of Japan, *White Paper on International Economy and Trade 2011*, p.101 (in Japanese).
  5. Ministry of Commerce and Industry, Government of India, *Fact Sheet of Foreign Direct Investment*.
  6. Japanese Embassy in India.
  7. The steep surge in Japanese investment into India in 2008 reflects the fact that Daiichi Sankyo gained a majority control of Ranbaxy Laboratories for 490 billion yen and NTT Docomo bought a 26% equity stake in Tata Teleservices for 250 billion yen.
  8. Governments of Japan and India, *Report of the India–Japan Joint Study Group*, 2006, Chapter 4.
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10. Information-Technology Promotion Agency, Japan, *IPA/SEC White Paper 2008 on Software Development Projects in Japan: Digest Edition*.
11. PriceWaterCoopers estimates based on Publicly available information.
12. TCS set up a joint venture with Mitsubishi Corporation in February 2012, aiming to expand the revenue in Japan from the current fewer than \$100 million to \$500 million within 4–5 years.
13. Indian students accepted in China were already as numerous as 5694 in 2006. Currently it is estimated to increase to around 9,000, including numerous students studying in medical courses. Indian medical candidates chose to study in China, attracted by lower education fees and wider entrance acceptance.
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## New Power Structure in Asia-Pacific Region

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## New Power Structure in Asia-Pacific Region

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The outbreak of the financial crisis in 2008 has brought substantial impact on the international politics and economies. The strength of the traditional capitalist powers, especially the United States, core of the capitalist community, has declined significantly as a result of the depression. On the other hand, the BRICS including China, Brazil, Russia and India, and a number of other emerging economies have been increasing their power steadily. Accordingly, global political structure is changing in favor of those so-called emerging economies.

As one of the main compositions in global economic and political map, the importance of Asia-Pacific region has been emphasized after the financial crisis. And compared with the recession in U.S. and Europe, the strong economic growth in the Asia-Pacific region enhanced its importance to lead the global economic recovery. Moreover, the changes of Asia-Pacific region in the overall international environment, also initiated its inner reform in the power structure. And, U.S., Japan and China, three major economies in this region, also did witness the changes of their own economic, political and strategic facets. So, most importantly, there have been some changes correspondently on the triangle composed by the three great powers, which could be regarded as the stable and fundamental structure in the Asia-Pacific region. However, internal or external changes wouldn't break the basic triangle balance in the important region. That is to say, the triangle structure among U.S., Japan and China was, is and will be the stable base of peace, promoting the economic growth and enhancing the political cooperation in the Asia-Pacific region in coming 20 years or more.

1, An Overview of the China-U.S.-Japan trilateral relations in Asia-Pacific region

The storming financial crisis generated opportunities for the adjustment of relations among China, Japan and the United States, which have all along played major roles in

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shaping the power structure of the Asia-Pacific region. As a matter of fact, the confidence of cooperation among the three has been growing quickly in past years. However, the difficulty of cooperation, coordination and communication is still prominent since they have different domestic political systems, economic structures, strategic objectives and etc.

First of all, we should give a clear picture on the United States of the post-crisis era. No doubt, U.S. is still the strongest power in today's world, though it was the origin of the financial crisis in 2008 and has suffered huge losses in the crisis. Moreover, the U.S. desires to maintain its leadership in each field of the world, just as same as the situation of pre-crisis era. However, the U.S. has been aware that it is much difficult or nearly impossible to realize its one-polar global strategy, which is beneficial for the U.S. to keep his leadership in today's world. So, Washington has to gradually cooperate with other governments and international organizations including the UN (United Nations), IMF (International Monetary Fund), WB (World Bank), WTO (World Trade Organization) and etc., to deal with the disputes and issues in special areas and fields and to promote the development of world economy and political cooperation. That could be regarded as a new strategy in order to keep American leading position in specific organizations, such as the G8, G20 and others. So, in the Asia-Pacific region, Washington is in urgent need to achieve the cooperation from Beijing and Kasumigaseki for keeping the traditional territorial structure in this area. Furthermore, U.S. would never give up its dominant strategy in Asia-Pacific region, even if the domestic economic situation fell into a dilemma.<sup>1</sup> Nowadays, U.S. is still endeavoring to keep its leading position in the whole world, for this reason, the position and activities in Asia-Pacific region will play a crucial role. Therefore, the U.S. shall keep dialogue with China and Japan, the two greatest powers in East Asian region. And we can say that persuading China and Japan to acknowledge the U.S. leadership in Asia-Pacific region will be essential for promoting its Asian strategy.

Then, we will look into Japan. Nowadays, Japan is in a unique dilemma which has never seen before. That is to say, Japan desires to keep balance in the East Asia recognizing that China is growing rapidly. On the other hand, Japan, however, looks forward to cooperating with China to keep peace and promote the development of East Asian region and all the Asian area in the fields of economy and other facets. Moreover, it is much important for Japan to cooperate with China, in order to restrain American affection in East Asia. Actually, if U.S. government completely convenes the affairs in

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Asia, especially in East Asian region, it must be the dominant power across the strategically important area. And then, it is highly possible that U.S. will use great diplomatic resources to enhance its cooperative relation with China, which is regarded as the super power in East Asian region by most Americans. As a result, the importance of Japan to Washington will decrease and their present cooperation and friendship in East Asian region will dilute or disappear rapidly. In fact, Washington has revealed some signs of close contact with China, which virtually suppressed the growth of Japan's political power in East Asian region. In a word, Whether the U.S. government will convene the affairs in East Asian region or not is a diffused and contradictory issue for Japan. It can be the main reason for Japan's reluctance to clear its roadmap of how to realize the East Asian Community, which was of high-profile proposed when the Democratic Party of Japan seized the political power from the Liberal Democratic Party. Moreover, whether Japan will participate into the TPP (Trans-Pacific Strategic Economic Partnership) agreement or not is also difficult for the present Japanese government.<sup>2</sup>

On the other hand, it is much difficult or impossible for Japanese government to realize the reforms on its economic structure in the near future, which will be triggered by its domestic consumption instead of the present export-oriented pattern. Most importantly, the markets of China and America, which are the top two trade partners presently, are both extremely important for Japanese economic recovery. So, the further economic cooperation with the U.S. and China will be the top priority for Japanese government. In addition, the diplomatic relationships with China and the U.S. frequently affected the change of the domestic politics and the stability of the regime in Japan.

After studying U.S. and Japan, we now turn to the situation in China, the largest developing country. Since the policy of reform and opening-up was implemented in 1978, China has achieved fruitful achievements in its economic development and social structural reforming. During more than 30 years' persistence, China's GDP has escalated to the 2nd place after the U.S. and became the biggest developing power in today's world. It is true that China at the primary stages merely concerned about its domestic situation more than 30 years ago. However, it has completely opened its door to the whole world and is gradually integrated into the global political and economic activities. China is rising peacefully to an indispensable power in the constitution of a multi-polar world. On the other hand, China is still a developing country that the GDP per capita in China is staying at a very low level and the number of China's poor people is still about

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70 million according to the statistics of the United Nations in 2008.<sup>3</sup> Therefore, China still needs a peaceful and comfortable external environment in order to keep its internal high-speed economic development. Moreover, Chinese government intends to change its industrial structure in order to sustain the economic growth more efficiently and in lower pollution. So, the R&D achievements and high technologies owned by Japanese and American corporations will be helpful for China's reform on its economic structure. And vice versa, the large market in China is very attractive for exportation of Western countries, which will create great profit for multinational companies and boosts the global economic growth, including the U.S. and Japan. Furthermore, as Japan and the U.S. are two important partners for Chinese exportation, it is necessary for Chinese corporations to accelerate the further development in those markets. And as an important promoter, the Chinese government is actively encouraging the domestic corporations to go outside and make investment in foreign countries, among which, U.S. and Japan are two ideal places.

## **2, stableness and unstableness of the important triangular relation**

It is a absolutely fact that due to the stability of the triangular system composing of the United States, Japan and China, the peace and the economic development in the Asia-Pacific region could be basically kept for the past few decades.<sup>4</sup> Of course, the system itself has undergone tremendous changes and development. And especially due to the occurrence of the financial crisis, more factors of instability appeared suddenly, which maybe destroy the general balance in the Asia-Pacific region. However, we can also regard it as the development and transformation of the stabilizer in new level.

On the other hand, it is necessary to clarify the instability, which came from both inside and outside of the triangular system. In the field of international relation, the scramble for interest is the most normal mode of the participator's interaction. So, the changes of interest objects are the main factors influencing the adjustment of competitive relation. Besides, comprehensive national strengths including economics, financial resources, mineral resources, politics, military, regional influence and social force have extremely significant impact on the transformation of international relations. Currently, the potential changes of national strengths have been the main producers and promoters of the changes of the internal structure in the triangular relation. In addition, Interference factors outside of the triangular structure will influence and restrain the development of the regional relations

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However, Japan's future development is the most instable factor for the traditional regional structure. It is true Japan was an economic power in the 1970s and still remains leading position in current global economics. Due to the collapse of Japan's bubble economy, the growth stopped and fell into the cycle of recession. Moreover, in the past few years, Japan's economic recession can explain the falling of its national strength and also obviously influenced its escalation in the international status and influence in the Asia-Pacific region.<sup>5</sup>

On the other hand, before the financial crisis, homeland security was considered as the priority for the governors in each country, especially after September 11 terrorist attacks. However, the financial crisis made the governors in each country think of the importance of the economic security. Now, both the economic security and the homeland security escalated into the two pillars of national security for most countries in current world. Here, we have to mention Japan. Japan is a special country, whose homeland security is fundamentally depending on the alliance with the United States and the economic security is mainly sustained by the cooperation with Asian countries, especially with China. Meanwhile, with the gradual weakening of the Japanese economy, economic security for Japan is becoming more and more important. That is to say, Japan has to work more actively with the Asian countries including China in order to keep itself far from the economic insecurity. So, Japan is in a dilemma between China and the United States. And Japan cannot turn back to one and approach the other one when dealing with U.S. and China in terms of strategic cooperation.

In summary, in economic, Japan has been the strong power and will keep the status for the next few years. But, in political, Japan is still on the way to become world-class power. So, as pointed out by Jitsuo Tsuchiyama, the vice president of Aoyama Gakuin University and famous scholar in international politics in Japan, "Japan is still a prominent nation in terms of its economy, defense capabilities, culture and education. The first thing Japan should do is to decide how it wants to use these assets".<sup>6</sup> But we can image that Japan's foreign policies will sway between China and the United States in the near future, and it will directly influence the stability mechanism from the inside.

And then, the foreign strategies of the United States and China, another two great powers in the Asia-Pacific region, will decide the future development of the stability mechanism in this area. Relatively to Japan, as world-class great powers both in politics and in economics, the U.S. and China will expand their foreign policies and strategies more stable and on a higher level. Because both two countries are worldwide strong

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powers, their move on the international stage is restrained to a certain degree. And they will have to consider more effects in theory and balance more strength in practical. Ultimately, they will do less adjustment correspondently. As a result of the fact, the triangular structure above will fundamentally keep the traditional architecture. At least, two basic points will not have too much loose or reoriented, and Japan is continuously moving on the line between the two.

And another reason for explaining the stableness in the foreign strategies of China and the U.S. is that the changes of foreign strategies in big powers are only decided by their inside development. Or we can say they received less influence from outside than other countries. On the other side, due to the needs of domestic development in economics respectively, both the U.S. and China need a stable external environment, which will be effective in promoting the peace and the development in Asia-Pacific region. So, the growth strategies of domestic economics both in China and the U.S. will be key points for the regional relations.

Chinese power and influence is expanding and the U.S.'s influence is in decline relatively in the world. However, there is still a huge gap between the two countries. The U.S. government and American society have to accept the fact above and Beijing government have to do more negotiation and cooperation with Washington. Furthermore, such a balance between the two countries will remain for some time in the future.

As far as the development in Asia-Pacific region, besides the unstable factors inside, there are some uncertain factors outside as well. For instance, the developing stories in Korean Peninsula are the typical case in this region.

Since North Korea started the first nuclear test on Oct.9<sup>th</sup>, 2006, the whole world paid more attention on the peace issue in the Korean peninsula. After that, North Korean has been continuously conducting such nuclear weapons test, so that the threat has been escalated ever since in Northeast region, which became an intractable and unpredictable issue. And then, due to the various reasons, the six-party talks, which is regarded as the most efficient and effective multilateral system specified to solve the problems of the Korean Peninsula, turned out to be unsuccessful. Furthermore, Cheonan, a South Korean Naval vessel sank in March 2010, increased the tension in the Korean peninsula and Northeast Asia. Now, the U.S. government and other countries' government realized that it might be an opportunity to adjust their strategies in

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Northeast Asia and Asia-Pacific region. In order to control the development of the situation and keep the peace status in this region, the U.S. government enhanced its military power by promoting its alliance relation with Japan, South Korea and etc. The U.S. forces conducted naval exercises with South Korean and Japan. Furthermore, it is clear that U.S. government intends to establish the military alliance in larger scale in order to make up for the decline of its influence in this region and restrain the upgrading influence of china, Russia and others. However, if the triangular military alliance including the U.S., Japan and South Korea come to existence, no doubt it will undermine the present balance of military security in Northeast Asia, and also trigger a new race of arms cooperation. And then, the present stable structure in Northeast Asia and Asia-Pacific region will be broken, and it will take some time to reestablish the new balance in this region.

In addition, Russia's participation into the order construction in the Asia-Pacific region must be considered, which will have a great effect on the triangular relation in high possibility. Geographically, Moscow, the capital of Russia, is located in Europe, therefore Russia is considered to be a European country. From our point of view, Russia tends to keep very close relationship with the United States and European countries strategically. However, we cannot neglect that Russia is a great political and economic power in current world, whose territory goes across two continents, Europe and Asia. In Asia, especially in the region of Northeast Asia, Russia still owns great benefits. And as a fact, Russia was and is actively taking part in all kinds of dialogues in this region as well. With the recovery of Russian economic strength, its ambition to become world-class political powers once again is growing. Meanwhile, as the diplomacy is the extension of domestic politics, the Russian politicians have to show their tough stand in the foreign affairs, which will be beneficial for resolving the inside conflicts. For instance, in the dispute over the pacific islands (Russia calls them the Southern Kuriles; Japan calls them the Northern Territories) with Japan, Russia's more aggressive than before. Perhaps it is a signal from Russian government that it is concentrating itself on the development of the Far East in Russia and its significant existence in the region of East Asia should be respected by the neighboring countries. With the subsequent development of the Russia-Japan conflict, the possibility of Russian intervention into the regional affairs in the Asia-Pacific region is getting much higher.

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In addition, the ASEAN (The Association of Southeast Asian Nations) countries should be considered as a developing power, which includes Singapore, Philippine, Thailand and others. It can be a greater power in the regional politics and economics if these countries decide to work together. At least in the next few decades, peace and cooperation is still the theme of the times. Although there are numbers of conflicts on the issues of territory, peoples and religion among the Southeast Asian countries, they have to cooperate together closely in order to enlarge their mutual interest. And then, they integrate to overall power and take part in the affairs in practical. Furthermore, they will promote regional integration and “the wave of regional integration will eventually swallow up East Asia”.<sup>7</sup>

### **3, Conclusion**

Based on all the analysis above, the possibility of mutual cooperation among China, the U.S. and Japan is in existence indeed. Although the structure of mutual interests in the trilateral relations is very complex, the symbioses of the three and the interaction of their mutual interest is the basic preconditions, in which the stable development of the trilateral relations can be sustained in the past, present and future. Meanwhile, because there is some difference on the national interest, political system and domestic ideology respectively in the three, and the present interacting relationship among the three countries, which can be ascribed as competition vs. cooperation and conflict vs. coordination, will constantly and stably exist in the long-term future, the present trilateral relation can be viewed as the transitional stage of its development and will gradually develop into a more robust diplomatic platform.

In the future, the key structure sustaining the balance of the Asia-Pacific region will evolve into a multilateral system including the United States, Japan, China, Russia and other countries around the pacific. However, nowadays in the Asia-Pacific region, the triangle composed by the U.S., Japan and China, is still the most stable and fundamental structure in the field of international relations. And no doubt, the triangular structure of the three countries is also the basis for promoting the cooperation and development in this region. Furthermore, with further integration in this region, the Asia-Pacific countries will become a union, not only including the TPP agreement in the field of economics, but also relating to culture, politics and etc.

In addition, the future is always future, and the reality is always reality. Currently, one of the most difficult problems in Asia-Pacific region is how to correctly understand the developing power of China, which plagues the countries in Asia-Pacific region and the Chinese government, as well. On the other hand, China should endeavor to make the world understand its peaceful rise because of the political conservative forces in some developed powers, by which China's peaceful rise is regarded as the challenge and threat to the traditional system of international politics and economy. So, to China, that being careful to deal with the China-U.S.-Japan trilateral relationship will be the first and basic step to maintain its domestic sustainable development and external international strategy, because the U.S., as the greatest power in today's world, and Japan, as the most important and competitive neighboring country, are both included in this complicated system. In other words, how to develop the friendly relations with the U.S. and Japan is undoubtedly the first and foremost important issue in China's foreign relations. In addition, China has inevitably been integrated into and is releasing its own impact on the institutional development and change of the trilateral relationships.

1. According to the speech of Secretary Clinton, "The alliance between the United States and Japan is a cornerstone of America's engagement in the region and an essential pillar of the Asia-Pacific security architecture." Reference to: U.S. Dept. of State, *Remarks with Japanese Foreign Minister Katsuya Okada after Their Meeting*, Hillary Rodham Clinton, Secretary of State, Marriott Ihilani Resort, Honolulu, Hawaii, January 12, 2010 (<http://www.state.gov/secretary/rm/2010/01/135088.htm>).
2. The Trans-Pacific Strategic Economic Partnership (TPP) agreement is a multilateral free trade agreement aiming to integrate the economies of the Asia-Pacific region. The original agreement was signed on June 3, 2005 with the participation of Brunei, Chile, New Zealand and Singapore, and then entered into force on May 28, 2006. Currently, additional countries including Australia, Malaysia, Peru, United States, Vietnam and Japan are negotiating on whether to join the group or not.
3. *Millennium Development Goals Indicators*, the United Nations site for the MDG Indicators, (<http://mdgs.un.org/unsd/mdg/Data.aspx?cr=156>).
4. Ralph A. Cossa, "U.S. – Japan – China Relations: Can Three Part Harmony Be Sustained?" *The Brown Journal of World Affairs*, Volume VI, Issue 2, Summer/Fall 1999, pp.78-79.
5. Aurelia George Mulgan, "Why Japan Can't Lead," *World Policy Journal*, Summer 2009, p.101.
6. Jitsuo Tsuchiyama, *Japan Must Clarify Goals, Discuss Roles of Alliance*, Special to the Asahi Shimbun, Feb 26, 2011 (<http://www.asahi.com/english/TKY201102250338.html>).
7. Haruo Nishihara, *Without Vision, Some Disputes won't be Resolved*, Special to the Asahi Shimbun, Feb 26, 2011 (<http://www.asahi.com/english/TKY201102250339.html>).

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## JAPAN AND INDIA IN A 'BROADER ASIA':

### Allies, Partners or Casual Friends?

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**Sourabh Gupta**

On August 22<sup>nd</sup>, 2007, in a speech to a joint sitting of the Indian Parliament, the once – and future – Prime Minister of Japan, Shinzo Abe, laid out an evocative vision of a 'broader Asia'- one that would span the entirety of the Pacific and Indian Oceans and bind all within in an immense network of free people, goods, capital and knowledge flows. Following in the footsteps of his grand-father, Nobusuke Kishi, who had been the first Japanese leader to touch down on Indian soil, Prime Minister Abe called for a coupling of the Pacific and Indian Oceans into a sea of freedom and prosperity. In the speech titled "Confluence of the Two Seas," Prime Minister Abe went on to state:<sup>1</sup>

*Now, as this new "broader Asia" takes shape at the confluence of the two seas of the Indian and Pacific Oceans, I feel that it is imperative that the democratic nations located at opposite edges of these seas deepen the friendship among their citizens at every possible level.*

A rhetorical harmony of Indo-Japanese purpose in Asia, with the two countries situated at opposite edges of the great oceans, has never been absent from grand strategic assessments of Asian geo-politics. Thematic allusions to arcs and crescents have repeatedly surfaced in such assessments.

In testimony to the Senate Foreign Relations Committee during the earliest days of the Cold War, Secretary of State, Dean Acheson, noted that the United States' "real center of interest" in Asia needed shifting to that "crescent or semi-circle" of nations situated between Japan at one end and India at the other. To this end, the U.S. State Department and the Foreign Operations Administration sought to jumpstart sound economic development in this arc running from Japan to India, atop which would be grafted U.S. defense commitments to Southeast Asia that would contain the expansion of communism on the Asian mainland. Within this arrangement, Japan would serve as the arsenal of Free Asia, supplying equipment and weapons to Southeast Asia with capital provided through mutual security aid, while finding a

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market for its wares.<sup>2</sup> Fifty years on, in the afterglow of the U.S.-India civil nuclear agreement and a burgeoning U.S.-Japan-Australia-India strategic equation, the U.S. Embassy in New Delhi euphorically – and prematurely - proclaimed a “squaring [of] the circle in the Asia-Pacific region, bringing [together] a geometric and geopolitical connection for democracy that spans nearly half the globe.”

On the Japanese side too, the rhetorical allusion to arcs, crescents and pegs has not been far from the surface. On his state visit to India in 1961, Prime Minister Hayato Ikeda observed that Tokyo and New Delhi were the natural pegs of a security system in Asia. Four decades later, Prime Minister Koizumi unveiled an “arc of advantage and prosperity” to complement his Japan-India Global Partnership. Not to be outdone, Foreign Minister Taro Aso, in a November 2006 speech aimed at laying out an expansive ‘values-oriented’ vision of the Abe government’s diplomatic strategy, revealed his own “arc of freedom and prosperity” that spanned India and beyond.

Yet the reality of Indo-Japanese relations has been rather more mundane and their mutual interests rather less congruent. Particularly with regard to their respective all-important bilateral relationships with the People’s Republic of China, the lack of congruence has been noticeably stark. Infrequent have been the moments over the past six decades when outlook *and, particularly, policies* on Beijing have converged in New Delhi and Tokyo; frequent have been the occasions when the two sides have proceeded along their separate tracks. On the rare extreme occasion, they have even diverged markedly - none more so perhaps than barely five years after Prime Minister Kishi’s visit to New Delhi in 1957 to forge the economic basis of an ‘anti-domino’ cordon against communism in Asia.

Citing border provocations and encirclement, China’s Mao Zedong unleashed a short, sharp attack on India’s border positions along the disputed Sino-Indian boundary line, inflicting a lightning-quick military defeat on New Delhi. At this very moment of attack, representatives of the Ikeda government were inaugurating a ground-breaking quasi-official trade channel, the so-called ‘*L-T (Liao-Takasaka) trade*’ channel with Beijing – the memorandum of trade relations being signed precisely between the two phases of armed conflict on the Sino-Indian border in early-November 1962. During the conflict, the Japanese foreign ministry refused to recognize the validity of the McMahon Line and recalled instead India’s unilateral ‘police action’ in Goa a year earlier.<sup>3</sup> The Japanese political establishment too sided with Beijing, rationalizing that New Delhi had gotten its “just desserts,”<sup>4</sup> although

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Prime Minister Ikeda did at the time convey his “sympathy” to Prime Minister Nehru.

Fast forward to four decades later, the cyclicity of ebb and flow in India’s and Japan’s relations with China during the decade of the 2000s has been marked by an almost inverse synchronicity. As India’s relations with China was casting off its chill during the first half of the decade and was capped off by a landmark agreement on political parameters to resolve their long-festering boundary dispute, Japan-China relations under the Koizumi government was taking a nose-dive. As Sino-Indian relations took a turn for the worse thereafter, Japan-China ties under Prime Ministers Abe and Fukuda perked upwards, capped off by a creative framework agreement to jointly development sea-bed oil and gas resources along their disputed median line in the East China Sea. As Japan-China relations have trended southwards again thereafter and as various characterizations of the ‘China threat’ have issued forth in Tokyo, the Indian foreign policy establishment has, in equal measure, eliminated the language of ‘threat’ from its formal vocabulary of China policy.

Beyond the China factor though, a considerably wider gulf separates the guiding strategic precepts of modern Japanese and Indian foreign policies.

Though swayed by competing currents of Asia-centered or autonomy-oriented diplomacy, modern-day Japan has rarely been able to successfully postulate an order independent of a western-led diplomatic and alliance framework. Its brief attempt to do so in the two decades from the mid-1920s onwards ended in failure and disaster. Instead, for much of this period dating back to its Meiji opening, Tokyo chose to explicitly identify itself with the emerging western trend in the international system – be it attachment to ‘openness, fairness and humanitarianism’ by Japan’s first ever ‘commoner’-led and cabinet-driven government in the immediate aftermath of World War I, pluralism and open markets after the Second World War, or a ‘universal values’-centric diplomacy by revived cabinet-centered governments in the post-9/11 age.

Post-independence India’s foreign policy, by contrast, has never sought to articulate an identity within the framework of an alliance system – be it Western or any other. A United Nations-centered diplomacy that privileges non-bloc identities, and non-interventionist ideologies, has been a staple of New Delhi’s statecraft. Even during that delicate moment when India came closest to treaty alignment with an extra-

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regional superpower to facilitate a unilateral military intervention in its neighborhood, New Delhi was mindful in demanding that the Indo-Soviet Treaty of 1971 explicitly safeguard its policy of non-alignment. No provision for a Soviet military presence in India was provided for nor was Soviet mediation invited after the victorious war effort.<sup>5</sup>

Though having moved away from its Cold War platform of non-alignment, anti-colonialism and global redistributive justice, Indian foreign policy, particularly in regards to East Asia, continues to remain conspicuously committed to a non-Western pluralistic model of a cooperative security order. Strategies of statecraft too appear to have exchanged non-alignment for multi-alignment while retaining intact the kernel of non-alignment – strategic autonomy. Deepening its strategic partnerships with all the major power centers of the world, western and eastern, while disallowing any one set of great power relations to be advanced exclusively to the detriment of another, will remain the foundation of India's diplomatic strategy for the foreseeable future. Within this scheme of things, independent-minded powers that are capable of exercising an autonomy of judgment and decision-making, will be accorded a position a preference.

Given this divide in foreign policy worldviews, efforts by Indian and Japanese statecraft to factor in their counterpart within its scheme of vital interests has perennially tended to fade away into a conceptual and geographic obscurity.

At the peak of its military expansion during the Greater East Asian War, Japan – beyond the occupation of India's Andaman Islands in the Bay of Bengal - barely penetrated the north-eastern fringes of India. During its late-Meiji period diplomatic and alliance-related obligations in Asia - *which at its peak included an obligation to come to the defense of British India* (Second Alliance Treaty of the Anglo-Japanese alliance - 1905-10), an empty political commitment in South Asia was exchanged for Great Britain's formal recognition of Japan's pre-eminent political and naval position in the Far East.<sup>6</sup> Renewed in the immediate aftermath of the Russo-Japanese War of 1904-05, the Second Alliance had, at Britain's request, expanded the scope of the alliance to include the defense of India in the event of a war against a single power.<sup>7</sup> In exchange for lending what was to essentially be a political hand to Britain on sub-continental matters in the Second Alliance, Japanese influence, authority and control in Korea and China was formally validated. Interests in South Asia, veritably, were traded-off for more vital interests further east.

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As for India, confined within an 'Aden to Singapore' geo-strategic horizon, it too has rarely been able to articulate an operationally-deep, pan-Asian agenda for bilateral relations, beyond a common affinity for Buddhism and admiration of a supposedly non-Western collectivistic model of modernization. Strategically, on the lines of its colonial master, glimpses are identifiable today of New Delhi's partiality to trade a limiting of its footprint in the seas - South and East China Sea – beyond the Straits of Malacca in exchange for a tacit recognition of its privileged position within its own Indian Ocean sphere of immediate interest. Further, its identification of Japan within its scheme of interests continues to rest on a more independent-minded Japan assuming a more balanced role within the global and Asian order, more amenable to emerging partners like India, and less attached to the West.

The rhetoric of arcs and crescents and pegs notwithstanding, mutual interests have not been congruent. Even today, they might not be as congruent as it appears.

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### **Japan-India Strategic and Global Partnership: The limits to cooperation**

On paper, the strides taken in the Japan-India relationship over the past half-decade, much like the obligations exchanged in the Second Anglo-Japanese Alliance of 1905, appear impressive.

In April 2005, Prime Minister Koizumi and Prime Minister Singh declared a **Japan-India Partnership in a New Asian Era**, inaugurating in parallel an eight-fold initiative to strengthen bilateral ties. In December 2006, the relationship was elevated to a **Strategic and Global Partnership** by Prime Ministers Abe and Singh. A **Roadmap** to realize this strategic partnership was unveiled in August 2007. To embed the strategic dimension of Indo-Japanese cooperation within the larger bilateral partnership, Prime Ministers Aso and Singh issued a **Joint Declaration on Security Cooperation** in October 2008. To reinforce the notion that the landmark change in party fortunes in Tokyo had in no way negatively impacted the Japan-India relationship, Democratic Party of Japan (DPJ) Prime Minister Hatoyama and Prime Minister Singh drew up an **Action Plan** in December 2009 to advance security cooperation based on the 2008 Joint Declaration on Security Cooperation. At the October 2010 Japan-India annual summit meeting, Prime Ministers Kan and Singh drew up a **Vision Statement** of their strategic partnership for the next decade – an **Enhancement** to which was agreed upon by Prime Ministers Noda and Singh in

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December 2011. Since 2005, Japanese and Indian prime ministers have exchanged visits on an annual basis. They have also supported each other's candidature for permanent seats on an expanded United Nations Security Council.

The reality of strategic cooperation has been rather less impressive, especially in terms of its operational depth at the ground level. At about the same time as the *Japan-India Joint Declaration on Security Cooperation* was signed (October 2008), a similar *Japan-Australia Joint Declaration on Security Cooperation* had been signed (March 2007) by Prime Ministers Abe and Howard. The Japan-India security cooperation agreement, unlike the Japan-Australia agreement, lacks, both, clarity in its enumeration of strategic common interests as well as a reference point to trilateral cooperation with the United States. The two *Action Plans* issued by both sets of countries in 2009 are further revealing. While the functional competencies enumerated in the *Japan-India Action Plan* revolve mostly around maritime constabulary duties, combat exercises and service exchanges, it omits a supporting reference to bilateral military logistics cooperation and classified information sharing. By contrast, the *Japan-Australia Action Plan* makes provision for such deepening of operational cooperation on the ground and at sea. To this end, agreements on reciprocal provision of logistics supplies and services as well as for security of confidential information sharing were signed by Tokyo and Canberra in May 2010 and May 2012, respectively. Neither is envisaged or appears on the horizon in the Japan-India context, in turn placing a shallow operational ceiling to the scope of possible Indo-Japanese bilateral and 'minilateral' security cooperation in Asia and beyond.

Indeed by the Japanese Ministry of Defense's own parameters, the nature of defense exchanges and relations with India – premised on the lack of (a) logistics sharing, (b) information exchange, (c) formulation of joint contingency plans and (d) joint exercises premised on joint response to contingencies – does not rise up to the level of a strategically-salient partnership.<sup>8</sup> And although earlier this year the Indian Navy and the Japanese Maritime Self-Defense Force (MSDF) conducted their first bilateral naval exercises in the Indian Ocean in keeping with the *Declaration on Security Cooperation* (aside from their participation in previous trilateral and multinational exercises), without a clear bilateral political endorsement that opens the door to functionally-joined common actions, the Japan-India defense relationship will bump up quickly against its natural limits. Staff talks, ship and aircraft visits, bilateral

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exercises and unit exchanges between defense divisions, by themselves, will not amount to much.

Bilateral cooperation frameworks aside, both Japan and India appear to operate – formally and informally - within a set of self-imposed operational and geographic confines that limit the practical scope of such cooperation.

On the Indian side, the limits appear more informal. New Delhi, as a matter of principle, appears reluctant, if not opposed, to participating *within* (U.S.-led) ‘coalition of the willing’ operations of common interest - notwithstanding the legal scope to contribute to such missions. Its recent record of support for such selective multilateral initiatives has been to cooperate *with* such missions, while simultaneously calling for their explicit authorization by the United Nations. Particularly in its Indian Ocean zone of core interest, it has displayed a visible disinclination to be appended to American and allied ‘coalition of the willing’ purposes - be it in regards to non-proliferation (Proliferation Security Initiative), anti-terrorism (Indian Ocean refueling operations) or non-traditional security (anti-piracy). And although the four-party December 2004 tsunami humanitarian mission stands out as a vivid exception to this recent record, its principled preference for participating in only U.N.-flagged missions, or those that come under broad-based umbrellas such as the ASEAN Regional Forum, is only likely to be accentuated in the years ahead. Maritime strategy in the Indian Ocean region, meantime, will stay geared to cooperating with most, aligning with none, keeping the seas open to free passage, and closed to great power contestation.<sup>9</sup>

Japan, meantime, for a variety of reasons that are equally security and non-security related, has become an eager convert to participating in such missions. Ever since 2005 when its Defense Guidelines elevated ‘international peace cooperation activities’ to being a ‘primary mission’ Japan Self-Defense Forces (SDF) have had formal sanction to conduct selective ‘coalition of the willing’ operations of common interest. Justified as being in line with the preamble of Japan’s peace constitution, such missions to maintain global peace and security are permitted even if they lack an explicit U.N. Security Council mandate. A slew of constitutional and political restraints however limit the operational scope for cooperating with foreign partners like India in the conduct of such missions.

The prohibition to exercise the right to collective self-defense limits the ability of Japanese forces to assist state actors in combat zones, even in the case of U.N.-

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authorized humanitarian missions. The restrictive weapons use rules of its *Peacekeeping Activities Law*, as currently written, disallows Japanese personnel from assisting state actors – both host state and fellow participating multinational state partners. Its *Anti-Piracy Special Measures Law* disallows similarly the refueling of foreign vessels, even though MSDF patrols are permitted to provide security to foreign state and non-state vessels. The inability to lend support – let alone be joined in any form in the use of force – with a fellow state actor in a combat zone, aside from the case of a contingency in ‘areas surrounding Japan’, severely limits the scope for practical bilateral defense cooperation.

Although a future Abe Government can be expected to appropriately reinterpret some of these constitutional restraints so as to permit cooperation with foreign partners,<sup>10</sup> the scope of such exemptions is unlikely to be sufficiently extensible. A case in point is the recent, December 2011 partial exception to the *Three Arms Sales Principles* instituted by the Noda Government. Although the exception measures in the *Guidelines for Overseas Transfer of Defense Equipment* nominally allow the transfer of defense equipment related to ‘international peace cooperation activities’ to foreign partners, the bulk of such exceptions – with an eye to domestic defense industrial base rationalization - are likely to be for joint weapons development purposes that overwhelmingly benefit Japan’s western partners.

Transfers to India of military or dual-use platforms are likely to be sparse and small-scale. Although Tokyo’s recent willingness to transfer multirole amphibious reconnaissance aircraft is a welcome departure from this prognosis, Indian defense acquisitions in key areas of defense preparedness is ironically likely to be furnished by South Korea. Much like the tapering-off of Japan’s privileged position, both politically and technologically, within the Indian civil nuclear space given the nuclear allergies in Tokyo, so also constitutional restraints and societal misgivings on arms sales to non-Western and non-allied nations like India is likely to translate in Seoul, not Tokyo, becoming New Delhi’s chief weapons sales collaborator in East Asia. The impending purchase of advanced minesweeping vessels from Seoul, despite Tokyo’s demonstrated expertise in this defense technology area, is a likely sign of things to come. The scope for cooperative trilateral acquisitions with the U.S. - already set back by New Delhi and Tokyo’s dissimilar recent choice of suppliers for their next-generation multi-role aircraft - will be commensurately diminished.

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Geographically, meantime, Japan and India appear to travelling on overlapping paths that are gradually beginning to diverge.

The past decade had witnessed a veritable expansion of the geographic writ of Japan's formal security responsibilities, which were extended beyond the home territorial and regional arena to encompass a truly global reach. Maritime refueling operations in the Indian Ocean, as part of Japan's contribution to the war on terror, and permanent deployment of forces in Djibouti, as part of anti-piracy missions in the Gulf of Aden, were conscious attempts designed to position Japan as a front-line global security partner. That decade of expansion appears to be in remission now, notwithstanding the recent skeletal deployment of Ground Self Defense Force units to South Sudan. Japan's horizons appear to be retreating away from the Indian Ocean region and back to the western Pacific and its core 'Far East' area of strategic interest, defined as the region north of the Philippines and the areas surrounding Japan, which include South Korea and Taiwan.

To this end, defense interoperability with the U.S. and Australia in the fields of maritime security, peacekeeping and humanitarian operations, disaster relief, evacuation operations and joint response to contingencies is being tightened at the political-military, military-military and service-to-service level via the bilateral 2+2 process as well as the Trilateral Security and Defense Cooperation Forum (SDCF).

India's ambitions east of Malacca, meantime, remain something of a mystery. Although having participated in multinational exercises with Washington and Tokyo in the waters of the East China Sea, it is by no means clear that New Delhi sees itself as a security partner – *and envisages any extension of security obligation* – in these extra-regional waters. Rather, as previously discussed, tentative signs of an Indian willingness to trade its footprint in these seas in exchange for a tacit recognition of its privileged position within its own Indian Ocean sphere of immediate interest, are tenuously decipherable. New Delhi's disinclination to politically upgrade its annual strategic dialogue with its western partners to a 2+2 (foreign and defense ministers) format doesn't make the process of harmonizing disparate geographic foci any easier.

More tellingly, Japan and India appear to be placing their space-related assets in separate and non-overlapping geographic baskets.

Later this year, a (much-delayed) dedicated communications and surveillance satellite for the Indian Navy is due to be launched on an Ariane-5 rocket from

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French Guiana. In orbit, the satellite's footprint will extend from the Red Sea to the Straits of Malacca. Intended to facilitate maritime domain awareness and network-centric operations for the navy, the dedicated satellite is anticipated to be the first of a number of such satellites launched to cater to India's defense requirements. Concurrently, Tokyo is expected to launch its own 'Quazi-Zenith Satellite System' (QZSS), a Japanese variant of the U.S. Global Positioning System (GPS) which is expected to also have national security functions. Once launched, its orbital path will cover the Western Pacific theater only, flying in figure-eight loops above Japan and Australia. With New Delhi already having inked an agreement with Russia in December 2011 to access precision military signals from the latter's GLONASS constellation of navigational satellites and with Tokyo coupled to the American GPS system, the scope for cooperative acquisitions in areas such as anti-ballistic missile defenses and network-centric warfare is also likely to fade away. This will limit the scope for overlap, interoperability and functionally-deep joint security planning in the 'broader Asian' region at the bilateral, trilateral and minilateral level.

The 'Indo' and the 'Pacific' appear destined to travel along their separate paths on the grand canvas that is the Indo-Pacific region. A "broader Asia that takes shape at the confluence of the two seas of the Indian and Pacific Oceans," that Prime Minister Abe had envisaged in his August 2007 speech, remains stillborn. Whether his notion of a loose countervailing grouping of rimland democracies in the Indo-Pacific region - in response to China's rise - ever lives to see its day, the concept of a 'broader Asia', nevertheless, that seamlessly enfolds the Asia-Pacific maritime periphery with the rising continental core on the basis of principles of pluralism and openness remains one worth pursuing.

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### **Charting a Path Forward ...**

The past half-decade has witnessed a veritable turnaround in the impression of India in the minds of Japanese businesses. As successive METI White Papers on International Economy and Trade have highlighted, India (along with Vietnam) have become the most favored destinations for overseas investment in the medium term, after China. METI's White Paper on small and medium enterprises (SME) too point to India (along with Vietnam and Thailand) as the most favored overseas expansion destinations for Japanese SME's. This heightened private sector interest, and investment commitment, in India provides a robust platform to construct a more

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wide-ranging and deepened geo-political partnership in Asia. Two issues will require changing though.

First, the strongest proponents of Japan-India relations within the political and strategic establishment in Tokyo disproportionately - and unfortunately - also happen to harbor revisionist views and/or are of an ultraconservative bent of mind. Their fondness for India is constructed on two pegs: glorification of the dissenting Bengali judge at the Tokyo Tribunal and, second, a visible loathing of China. Neither inclination bodes well for the long-term durability of the Japan-India strategic partnership in Asia.

As discussed in the first section, the moments of overlap and convergence of policies in New Delhi and Tokyo vis-à-vis Beijing have been few and far between; the more generalized pattern has been one of both countries proceeding along their separate tracks. And while revisionism is not an entirely spent force in Tokyo, it is increasingly the preserve of an aging generation that has not been, and will not be, transferred to a younger generation of Japanese politicians and citizens. Tellingly, some of the most hawkish – distinguished from revisionist – young generation stars in the Japanese political firmament hold little place for India in their realist worldviews, preferring instead to tighten Japan's strategic jointness with allies and partners nearer to home. As much as an ultraconservative revisionist like Shinzo Abe might be invaluable in setting the ball of Japan-India relations rolling, the failure to expand the constituency of India-Japan relations in Tokyo beyond its revisionist and generationally-fading progenitors is likely to doom the effort.

Second, in the area of security and defense cooperation, Japan and India must find a way to engage in scenario-relevant practical cooperation on the ground and at sea, such that joint actions during contingencies can adequately be planned for. As a first step, the two countries should initial a basic military information exchange accord as well as an agreement to share equipment and supplies during U.N. peacekeeping operations. Gradually, such logistics and equipment sharing can be extended across the board to cover a range of non-traditional security missions. Similarly, on the issue of Japan-India strategic cooperation in Asia, rather than seek to vertically expand bilateral cooperation within an exclusivist set of minilateral initiatives, Tokyo and New Delhi need to frame tightly-knit bilateral security arrangements horizontally *within* the emerging practice of Asian security multilateralism. Working within the nascent ASEAN Defense Ministers Meeting-Plus (ADMM+) framework, and its five Expert Workings Groups (EWGs), India and Japan should aim to

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coordinate policy positions amongst itself and across working groups, so as to vertically deepen and horizontally broaden their bilateral security cooperation in Asia.

At bottom, however, the endurance of Japan-India strategic cooperation in Asia will depend on either country's appetite for entanglement in the region's future geopolitical affairs. On this front, real misgivings exist about Tokyo's long-term capabilities.

Since 2009, Japan's total population has been in absolute decline and the 40 per cent decrease in the size of the country's working age population by 2050 is likely to bequeath a mass of citizens who are as risk-averse as they are aged. In 2010, the size of the Japanese economy was smaller than in 1992, despite Japan enjoying its longest post-World War II business-cycle expansion during the Koizumi years. As a result of the deflationary pressures and a 21<sup>st</sup> straight year of decline in residential land prices, central government tax revenues currently trend at late-1980s levels. Figures released in February 2012 by the Health, Labor and Welfare Ministry, meantime, show that the number of welfare recipients exceeded the all-time high logged in fiscal 1951. As a result of this harsh budgetary environment, the Japanese defense budget is currently in its tenth straight year of year-on-year decline.

Given the anemic growth and real deprivation that remains locked within a fiscal straightjacket of unprecedented peace-time dimensions - and one which is unlikely to alter in any significant way in the years and decade ahead, searching questions about Tokyo's staying power will remain a permanent feature of Asia's geopolitical landscape. Strategic discretion that tends towards passivity and functionally avoids too intimate an association with allies and partners should not be ruled out entirely.

For New Delhi, meantime, without a rigorous reorientation of its diplomacy, polity and society 'eastwards', much like the great 'westward' reorientation that the famous Japanese educator Yukichi Fukuzawa had counseled his countrymen more than a century ago, India will continue to be punch beneath its weight on the geopolitical canvas of 21<sup>st</sup> century Asia. Its attempt to revert - after more than half-a-millennium of separation - to that syncretic world whose ideas it once helped shape and within which it once participated in wholly, continues to lack clarity of articulation in terms of concept, content and ideas.

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1. “Confluence of the Two Seas,” speech by Shinzo Abe, Prime Minister of Japan at the Parliament of the Republic of India, New Delhi, August 22, 2007.
  2. See Michael Schaller, *Altered States: The United States and Japan since the Occupation* (New York: Oxford University Press, 1997), 102.
  3. See John Welfield, *An Empire in Eclipse: Japan in the Postwar American Alliance System* (London: Athlone Press, 1988), 180.
  4. See Michael Schaller, *Altered States: The United States and Japan since the Occupation* (New York: Oxford University Press, 1997), 175.
  5. See Robert V. Jackson, *South Asia Crisis: India, Pakistan and Bangladesh – a political and historical analysis of the 1971 war* (New York: Praeger, 1974), 72. See also Richard Sisson and Leo E. Rose, *War and Secession: Pakistan, India and the Creation of Bangladesh* (Berkeley: University of California Press, 1990).
  6. On the Anglo-Japanese Alliance from 1902 to 1923, see Christina L. Davis, “Linkage Diplomacy: Economic and Security Bargaining in the Anglo-Japanese Alliance, 1902-23,” *International Security*, 33:3 (Winter 2008/09), 164-65.
  7. Previously, activation of the alliance was called for only in the event of a two-power war. As such, Great Britain had maintained a neutral stance during the Russo-Japanese War of 1904-05. See Christina L. Davis, “Linkage Diplomacy ...”
  8. See *Defense of Japan 2011 (Annual White Paper)*, Ministry of Defense, Tokyo, p.314.
  9. On India and its engagement with the Indian Ocean region, see Colin Geraghty, *India in the Indian Ocean region: re-calibrating U.S. expectations*, American Security Project, Washington, D.C. October 2012.
  10. A report – **Yanai Report** – laying out four particular functional areas where Article 9 of Japan’s peace constitution is ripe for reinterpretation was submitted to Prime Minister Fukuda in 2008. The panel of security experts who put the the report together had been established by Prime Minister Abe in April 2007.

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**India-Japan Expanding Maritime Security Cooperation  
in a Changing Geopolitical Scenario**

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## **India-Japan Expanding Maritime Security Cooperation in a Changing Geopolitical Scenario**

**Yang Fang**

India initiated its “Look East Policy” two decades ago with the primary focus on promoting economic interactions with East Asian countries. Further, in the later phase it has expanded its interest more into strategic dimension, as we have witnessed in the past decade when India increasingly established and strengthened strategic ties with individual countries in the region and participated in the regional security institutions.

Such policy has enabled India to establish closer ties with East Asian countries and has been well received by the region. Japan, though had not responded positively in almost entire 1990s, has begun to welcome India’s eastward policy and also look for opportunities for cooperation with India since late 1990s. Unsurprisingly, India and Japan are natural allies given that both countries share common democratic norms and strategic values. Besides, unlike the relationships between Japan and Northeast Asian which has been shadowed by strong aversion in some countries due to Japanese invasions in WWII, India and Japan are exempt from such historical baggage. Geographically, the two countries are distant from each other and have not been involved in any territorial dispute with each other. More importantly, both economic giants are heavily dependent on sea-borne trade and energy imports, and

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their shared concerns towards the safety and security of Sea Lanes of Communications (SLOCs) have provided strong basis for bilateral cooperation.

Both countries are also concerned about the rise of China whose rapid economic growth and undergoing military modernization process might change the balance of power in the region. Besides, both Japan and India have territorial disputes with China, and it is viewed that a stronger relationship between Japan and India could be seen as a way to counter China's growing influence in the Asia Pacific region. The US has also played some role in driving the close relationship between India and Japan. However, such a bilateral tie between India and Japan lacks economic incentive and are constraint by some practical challenges.

Nevertheless, this paper argues that India and Japan should accommodate Chinese interest and engage with China in a more constructive way. Both India and Japan have achieved great success through economic interactions with China, and they share common interest with China in maintaining good order at sea and facilitating conduct of maritime trade and energy flows. Therefore, the bilateral relationship between India and Japan should not be targeted at containing China's influence in the region which could give rise to China's uneasiness and provoke tit-for-tat response from China.

### **Strengthening Strategic Connection between India and Japan**

During the Cold War period, India chose to ally with former Soviet Union and was marginalized by most of East Asian countries that leaned to the US camp. The end of

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Cold War brings India an opportunity to achieve rapprochement with East Asia. In early 1990s, India proposed Look East Policy in order to redefine its relevance with East Asian countries and create a mutually beneficial environment for both economic and strategic development. Primarily the policy was aimed at strengthening the economic ties between India and East Asian countries. Gradually, the Look East Policy became multifaceted as India has emerged as a regional player and incorporated strategic cooperation with many countries. As Prime Minister Manmohan Singh said, the Look East policy is “not merely an external economic policy; it is also a strategic shift in India’s vision of the world and India’s place in the evolving global economy.”<sup>1</sup> It has established naval diplomatic relations with many countries in East Asia, including Japan, South Korea, Australia, Indonesia, Vietnam, Malaysia and Singapore.

India’s strategic connection with East Asia especially the immediate Southeast Asia was strengthened first by the allocation of its two naval commands-the Eastern Naval Command and the Far Eastern Naval Comand (FENC). The latter was located in Port Blair on Andaman and Nicobar Islands, a group of islands situated in midway between the Bay of Bengal and the Malacca Strait. India has also increased its presence in the East Asian waters by conducting regular naval exercises with many countries in the region both on the bilateral and multilateral basis.

India and Japan did not emphasize the importance of bilateral strategic tie until August 2000 when Japanese Prime Minister Yoshiro Mori paid a landmark visit to

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Japan and laid foundation for a “Japan-India Global Partnership in the 21<sup>st</sup> Century”. Since then, the bilateral relations have moved at a fast pace. In December 2006, the two countries established a Strategic and Global Partnership.<sup>2</sup>

In October 2008, the Prime Ministers Taro Aso and Manmohan Singh issued “Japan-India Joint Declaration on Security Cooperation”, marking the third such document on bilateral defence cooperation Tokyo has signed with a foreign partner aside from the alliance treaty with the US and Australia.<sup>3</sup> In the Joint Declaration, they defined elements for cooperation and confirmed commitment to conduct consultation and cooperation between the Foreign Minister-level and Defence Authorities. Specifically, the declaration encouraged relevant agencies to conduct cooperation on maritime safety and security issues. For example, the two sides would continue to promote cooperation between their coast guards to ensure maritime safety and security according the Memorandum on Cooperation they signed in 2006.<sup>4</sup>

Based on the Joint Declaration on Security, the two governments further elevated the security cooperation to a higher level by signing the Action Plan in December 2009. The action plan outlined concrete steps for security cooperation, including the establishment of Annual Subcabinet/Senior Officials 2+2 dialogue between the Ministries of Foreign Affairs and Ministries of Defence. The Action agreed to host bilateral naval exercises alternately in Indian Ocean and East China Sea, to enhance cooperation and core ability for maritime operation and disaster.<sup>5</sup> Recently in June 2012, their navies launched joint exercise in waters off Japan as part of official

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commemorations of 60 years of diplomatic ties between the two countries. Such exercise naturally help boost both Japan and India's naval capabilities and projects their power into the whole Indo-Pacific.<sup>6</sup>

### **India-Japan Expanding Maritime Cooperation**

Their increasing dependence on the sea for national survival and prosperity has led to India and Japan to find strategic congruence. Both India and Japan are the world's leading economies, however, both are poor in indigenous energy resources and are heavily dependent on oil imports from Middle East and other regions to sustain their economic growth. Other than oil and gas imports, they also rely on foreign market for supply of raw materials and trade of manufactured products. Consequently, the economic development of India and Japan is inextricably linked to the seas.

It is estimated that more than 90% of India's trade by volume and 77% by value are transported over the seas.<sup>7</sup> To sustain its steady economic development, it needs to import as much as 30% of total energy from foreign markets.<sup>8</sup> Japan, being an island-state, has also found that the sea lane security to the country is "a matter of life and death".<sup>9</sup> It is the world's third-largest oil consumer after the US and China and imports almost all of its oil. After the Fukushima incident in 2011, it has further increased imports of crude oil and low sulfur fuel oil to substitute for the reduced production of nuclear power.

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The Indian and Pacific Oceans sits astride a few key choke points including the Straits of Hormuz and the Straits of Malacca and Singapore. Of all the oil imports to India, 67.43% come from the Middle East.<sup>10</sup>As of Japan, over 90 per cent of its oil and gas imports and substantial external trade pass through the Gulf of Aden, adjoining seas of Indian Ocean and the South China Sea, and the Strait of Malacca.<sup>11</sup> Hence, any disruption of the transportation of energy and goods could seriously damage these two countries' economies.

However, these sea lanes are vulnerable to maritime threats such as piracy and armed robbery, maritime terrorism, arms-trafficking, oil spills from accident, environmental degradation, and also political situation in coastal states. The Strait of Hormuz is the world's most important oil chokepoint and contributes to roughly 40 percent of all seaborne traded oil. But the narrowest point is only 21 miles and it is vulnerable to the threat of closure of the Strait by Iranian naval forces and the maritime terrorist attack on shipping conducted by Al Qaeda linked terrorist groups. For example, on the 28 July 2010, a Japanese oil tanker, the *M Star*, was attacked by the Abdullah Azzam Brigades, a militant group with ties to Al Qaeda as it transited the Strait.<sup>12</sup>

The Straits of Malacca and Singapore, and the South China Sea are the main corridors connecting Indian Ocean, Southeast Asia and Northeast Asia. Southeast Asia is one of the regions with the highest incidents of piracy and armed robbery attacks. The possibility of attack and blockade by maritime terrorist group has also been a concern for regional countries. Piracy incidents off the Horn of Africa/Gulf of

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Aden and the vast area of The Indian Ocean have also been a long-standing problem that attracted international attention.

Both India and Japan are great stakeholders to the safety and security of these SLOCs, hence there is a need for them to share the responsibility to secure the uninterrupted supply of energy and free flow of goods through these SLOCs. Both India navy and Japanese Maritime Self-Defense Force have deployed naval vessels to escort shipping vessels and conduct counter-piracy operations in the West Indian Ocean. India ideally located in the middle of Indian Ocean and such a geographic advantage would allow it to guard the traffic flows from Middle East to East Asia better. To prevent and suppress piracy and armed robbery against ships effectively, Japan has set up a military base in Djibouti.

Both India and Japan are part of the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP). The ReCAAP was initiated by Japanese government in 2001 and to date has been ratified by 17 states including India. Through the focal points in each member state and the Information Sharing Centre (ISC) in Singapore, information on piracy incidents was shared and assistance was provided to the victim ships to prevent future attacks.

There has also been substantial cooperation between Indian and Japanese coast guards. The two agencies launched first anti-piracy, search and rescue exercises between their coast guards in 2000.<sup>13</sup> They also signed the Memorandum of Cooperation in 2006 for cooperation on disaster relief, maritime safety, and joint operation guidelines and procedures.<sup>14</sup>

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### The US Factor

The US has played a role in the evolving India-Japan relationship. As a treaty ally to the US, Japan's pursuit of strategic tie with India was first driven by the US who has made significant strides in military relationship with India since the early 2000s despite that the India still faced sanctions for its 1998 nuclear tests.

In the past two years, with the announcement of so called "pivot to Asia", the US renewed its strategic focus on the Asia-Pacific. While much of the strategy is a continuation and expansion of policies already undertaken by the US in the past, the Chinese are apprehensive that such strategy are aimed at containing its influence in the region. The strengthened ties both bilaterally and multilaterally among the US and other countries in the region has been viewed as security threat by China. China condemned the US for holding on to "Cold War thinking" which would "run counter to the era's trend of peace, development and co-operation."<sup>15</sup> In fact, as early in 2007, China strongly objected the creation of "Quadrilateral security dialogue"-an informal military and strategic alliance between the four democratic countries including the US, Japan, India and Australia, and tagged it as formation of "Asian NATO" to resist China.<sup>16</sup>

The US has pushed India to work more closely with its allies of Japan and Australia on regional issues. India remains wary about China's "aggressive behavior" and the military infrastructure build-up along the border area. Recently, by strengthening

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its relationship with the US and Chinese neighbors such as Vietnam and Myanmar, India has found the opportunity to assert its influence in East Asia and deflect China's interest closer to the Chinese periphery. Despite this inroad, However, India does not want to be dragged into the game of balancing against China. It has avoided direct confrontation with China by joining or forging a trilateral security pact with the US and Australia and insisted that its long-standing stand of bolstering defence cooperation with other countries should strictly be on the one-to-one basis.<sup>17</sup>

There are some doubts about America's sustainability to make contribution in the long run due to its slow domestic economic recovery and its structural budget and fiscal deficits. Such uncertainty about future might have also driven India and Japan to work closer and strengthen their holds across the region.

### **The China Factor**

Both India and Japan have been locked in territorial disputes with China. Besides, China and Indian were also divided by China's support towards Pakistan, and mutual suspicions over Tibet. The relationship between China and Japan too suffered periodically from animosity over territorial, historical and economic disputes. The Sino-Japanese relation recently in September this year again dropped to historical low after Japanese government made an announcement on the purchase of the Diaoyu Islands from a private owner and to "nationalize" the group of rocky islets.

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China's growing economic strength as well as military might has been envisaged as playing assertiveness in the region. The perception towards China has further driven India's move to the East.

*"Indian analysts acknowledge that 'the growing Chinese economic and military influence in Asia clearly appears to be a decisive strategy in moulding India's Look East strategy'".<sup>18</sup>*

Unlike the relationship between China and India, nor that between China and Japan, the India-Japan relationship has been exempt from lingering territorial disputes or historical baggage. The shared democratic norms in both India and Japan have provided a basis for them to approach to each other.

India is also suspicious that China has established basing strategies in Indian Ocean with the intention to encircle India by constructing consecutive ports along the rim of Indian Ocean. Although Beijing has never agreed with such concept and has not announced any formal plan to militarize these ports, the concern over this issue has finally resulted in India's response.<sup>19</sup>

As witnessed in the recent years, India has been actively involved in naval exercises and trainings with regional states in both South China Sea and East China Sea. It has been conducting regular "Milan" multilateral exercises with navies from Southeast Asia, Australia and New Zealand since 1991. It has also been cooperating with Thailand navy on Thailand Coordinated Patrol (INDO-THAI CORPAT) to counter

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terrorism, piracy and arms smuggling since 2006. India has also been involved in the multilateral Malabar naval exercise with the US, Japan, Australia, and Singapore. Meanwhile, India and Singapore have been conducting the annual naval SIMBEX (the Singapore-Indian Maritime Bilateral Exercises) since 1994. In June 2012, India and Japan held their first-ever bilateral joint exercises in waters off Japan.<sup>20</sup>

China has been wary about India's motive in the East Asia. Some Chinese condemned that India is attempting to encircle China by establishing closer military ties with its territorial rivalries.

*"India's expanding joint naval exercises with several South East Asian navies, South Korea, and most importantly with Japan, have conveyed unambiguous signals to China. These have no doubt been in response to Chinese maritime access and basing strategies in South Asia with Pakistan, Bangladesh and Myanmar."*<sup>21</sup>

India has increasingly asserted its interest in the South China Sea, which made China ever more uncomfortable. In October 2011, India's state-owned oil company ONGC Videsh Ltd (OVL) signed a contract with PetroVietnam to jointly explore energy resources in the South China Sea. Chinese government expressed its displeasure towards the move and maintained that its exploration activities offshore were illegal and violated China's sovereignty. Subsequently the company decided to withdraw from operating in the South China Sea and claimed that it was due to commercially unpromising. To the Chinese disappoint, the company again announced that it has

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reconsidered the deal offered by the Vietnamese counterpart and would continue to explore for oil and gas in the block offshore Vietnam in the South China Sea.<sup>22</sup>

This might be driven more by the commercial interest of the company given that the company has pumped in around USD 225 million into Vietnam.<sup>23</sup> But India is expanding economic connection with this region as a result of the Look East Policy, and such close economic integration has also generated strategic implications. India has also raised the concern over freedom of navigation in the region and increasingly used naval diplomacy as a tool to strengthen the strategic connection with regional countries. As noted, when the tension in the South China Sea was high in the mid 2012 especially between the Philippines and China, India dispatched a naval contingent on a good visit to regional countries.<sup>24</sup>

Japan realized that a better relation with India would help to offset China's influence. When China stopped rare-earth metals to Japan after the collision of Chinese fishing vessel with Japanese Coast Guard vessels in disputed waters off Diaoyu islands in 2011, Japan quickly turned to India for help. The Japanese Prime Minister Noda paid a visit to India after the incident and he mentioned that "Indian and Japanese enterprises would jointly undertake industrial activities to produce and export rare earths at the earliest".<sup>25</sup>

However, it is important to note that India is striving to at least maintain what maritime ties it has with China. After the naval exercises with Japan in June 2012, its

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ships paid a visit in Shanghai port on their way back to India, which marked the first naval visit by Indian ships to China in six years.<sup>26</sup>

China, India and Japan have all dispatched naval vessels to Gulf of Aden to patrol against piracy and escort shipping vessels through dangerous waters. These three countries have even started conducting coordinated exercise among their navies in the area since February 2012 and implemented a new mechanism to improve interoperability and coordination in combating piracy.<sup>27</sup> The pact allows the three to synchronize patrols and best allocate each country's escort resources.<sup>28</sup>

### **The Way Ahead**

Despite the fact that uneasiness exists, India has made remarkable achievement through economic engagement with China. In 2011, the bilateral trade between China and India hit a historical record of USD 74.4 billion with an annual growth of 26% compared with previous year.<sup>29</sup> While the trade deficit exists, Beijing promised to import more products from India to narrow the trade gap. The two sides are also confident to boost bilateral trade to USD100 billion by the end of 2015.<sup>30</sup>

The economic tie between China and Japan has also enjoyed significant growth in 2011. Despite affected by the Fukushima nuclear disaster, Sino-Japanese trade volume totaled over USD 340 billion by the end of the year.<sup>31</sup> China has been Japan's largest trade partner since 2007 while Japan is China's fourth largest trade partner,

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after the EU, U.S. and the ASEAN. China is the biggest destination for Japanese exports and biggest source of its imports.<sup>32</sup>

India and Japan's bilateral trade volume has also made some progress especially after they signed a free trade agreement in February 2011. The two countries reached USD18.4 billion of two-way trade in 2011 and have reached 34.29% annual growth.<sup>33</sup>

Still, both India and Japan's respective bilateral economic relationship with China has significantly outweighed that between India and Japan. Therefore, the relationship between India and Japan has so far remained lack of economic incentive in substance. Besides, there are some practical obstacles challenging the existing security tie between India and Japan.

First, as mentioned above, India is inherently reluctant to extend its strategic outreach towards multilateral cooperation for fear that it could be perceived as seeking alliance to counter China. Therefore, the Japan-India Declaration on Security Cooperation and its accompanying Action Plan has no reference to the third party of the US force presence in the region.

Second, as observed by some analyst, the Action Plan signed by India and Japan in end of 2009 has only enumerated some functional competencies and omit any supporting reference to bilateral military logistics support, or classified information

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sharing.<sup>34</sup> By contrast, the US-India Framework for Maritime Security Cooperation in 2006 has addressed these issues.<sup>35</sup>

Third, constrained by Japanese domestic technology control regime in which arms export to other countries is restricted, the Action Plan does not mention technology cooperation and defence trade. This lack of economic motive in the security cooperation between India and Japan will make their strategic relationship less enduring. Nevertheless, Japan has adopted a new rule to relax its ban on arms exports in December 2011 and would allow Japan to pursue joint development and production of arms with India and offer of heavy equipment for UN peacekeeping operations and other overseas activities with humanitarian or peace-building objectives.<sup>36</sup>

Overall, India and Japan are sharing common strategic interest and could naturally develop their strategic relationship further, in particular in the maritime security arena. However, to take Chinese factor into consideration, given the trade volume and economic dependency on each other that is the most dominant feature of the all the bilateral relationship among the three countries, it is better for them to shelve differences and accommodate each other's interest in the Indo-Pacific. One of their common interests lies in the desire to safeguard international maritime traffic and promote economic prosperity. The three largest economies in Asia are so heavily reliant on sea-borne trade and energy imports to fuel their national economy. For the benefit of their national livelihood and well-being, the three countries should

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stand together and share responsibility to enhance maritime safety and security. This will also help other countries in the region to maintain maritime order and international trading system.

Concerning China and India's suspicions towards each other in asserting influence in Indian Ocean and the South China Sea, both China and India should recognize that neither the South China Sea nor the Indian Ocean is exclusive of each other but are intrinsically and seamlessly linked. While India does not take sides in the territorial disputes between China and its neighboring countries and accept China's interest in the Indian Ocean, China should also understand India's increasing economic and strategic stakes in East Asia.

More importantly, the three countries are facing some common security challenges and need to work closely with each other to ensure accommodation of their own interests based on an inclusive security arrangement that is acceptable to all parties. As suggested by Jing Huang, Kanti Bajpai, Kishore Mahbubani with regards to the policy of "pivot to Asia" and how to deal with the relationship with the US, "Beijing and New Delhi share a vital stake in working with other countries in their neighborhood -- and especially with the U.S.-led alliances -- to rearrange the regional security system so that it can accommodate, rather than collide with, China and India's security interests."<sup>37</sup>

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To conclude with Brahma Chellaney's words in his book entitled *Asian Juggernaut: the Rise of China, India, and Japan*,

*"With the world's fastest-growing markets, fastest-rising military expenditures, and most volatile hot spots, a resurgent Asia holds the key to the future global order. Facing complex security, energy, and developmental challenges in this era of globalization and ever-sharpening interstate competition, a strong China, a strong India, and a strong Japan need to move beyond historical legacies and find ways to reconcile their interests in order to coexist peacefully and achieve greater prosperity."* <sup>38</sup>

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**Trends in Japanese Overseas Development Assistance (ODA) to India****Sanjana Joshi and Isha Dayal****Indian Council for Research on International Economic Relations (ICRIER)  
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## Trends in Japanese Overseas Development Assistance (ODA) to India

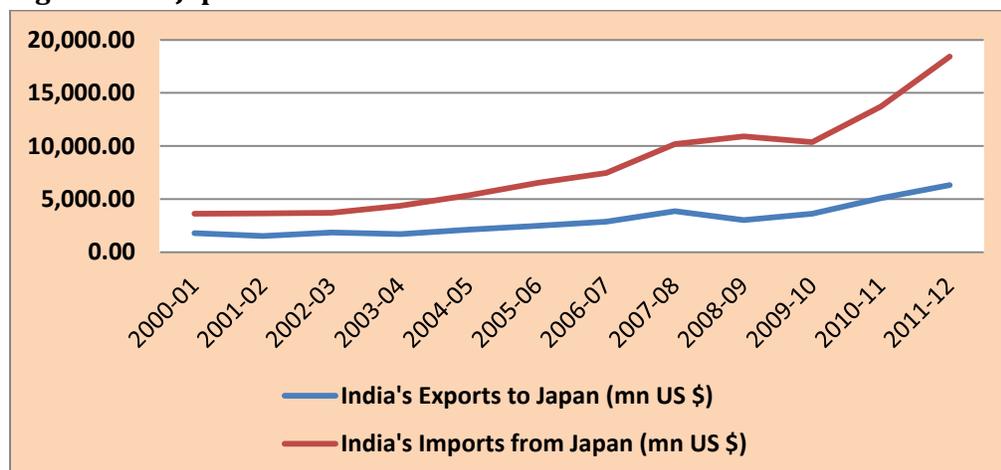
**Sanjana Joshi and Isha Dayal**

### *Introduction*

With the end of the Cold War the strategic divide between India and Japan was over and there appeared to be a convergence of interests in maintaining peace and stability in Asia. The beginning of the 1990s, therefore, saw India and Japan resume high-level interaction to establish close ties with each other. The stagnancy which had been observed for many years in Indo-Japanese economic relationship was also broken in the early 1990s as India undertook major economic reforms and unveiled a “Look East” policy. India’s nuclear explosions in May 1998 saw Japan taking an aggressive stand on the issue of proliferation particularly nuclear proliferation; however, high-level political contacts since January 2000 have restored bilateral relations.

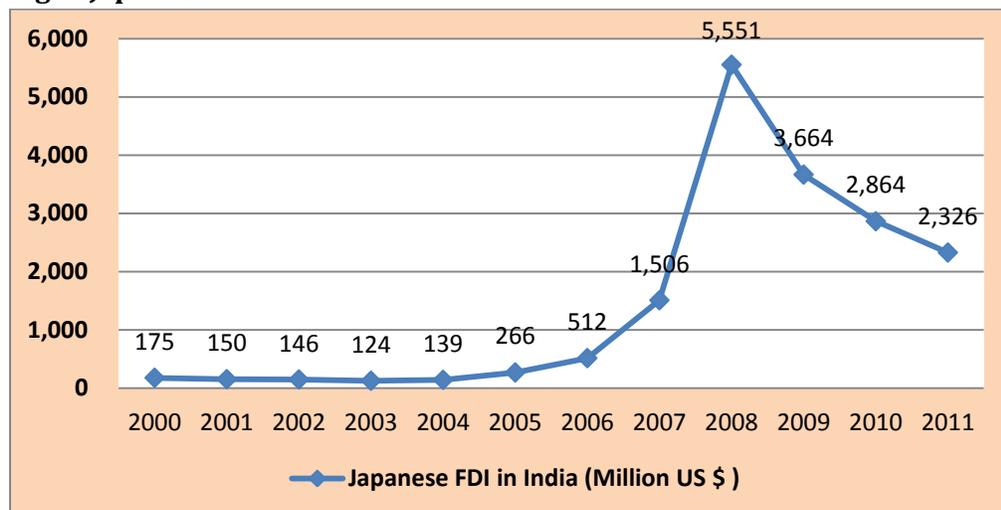
Japan today, aims to build a strong partnership with India in view of the latter’s strong economic growth, cordial international relations and strategic location in Asia. The factors that have contributed to the changing Japanese perception of the Indian economy include economic growth despite the global economic downturn; domestic demand; projections of expansion of India’s working population aged 15-64 over the long term; strengthening ties with other East Asian economies, particularly South Korea; and geographically strategic position of India to develop as a production and export base for the growing market in the Middle East and Africa. Thus economic relations between India and Japan in recent years have gathered momentum after years of stagnation.

**Fig 1: India- Japan Bilateral Trade**



Data Source: Export-Import Databank, Department of Commerce, Govt. of India

Fig 2: Japanese FDI in India



Data Source: Japan External Trade Organization (JETRO)

Importantly, Japan is currently India's largest bilateral developmental assistance donor and India has been the top recipient of Yen loans<sup>1</sup> from Japan since 2003, surpassing China, which had been holding that position for many years.

### *Japan's ODA Program*

From a country whose famous bullet trains were in part financed with foreign aid, Japan has evolved into one of the largest provider of developmental assistance to developing countries. In 2005, for example Japan was the second largest donor among OECD countries with figure of \$ 13.1 billion.<sup>2</sup> 'Economic cooperation' *keizai kyō ryoku* is the terminology most commonly used in Japan. It is a holistic system that covers all aspects of the country's economic relations with developing countries, including aid, trade and foreign direct investment and comprises of both public and private capital flows. In line with the idea of 'economic cooperation' there are some distinguishing features of Japanese ODA:

1. The most important philosophy of Japan's ODA is to support the self-help efforts of developing countries. Accordingly the request for assistance must, in principle, come from the recipient country, after it has formulated and prioritized its own development program.

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2. Japan's ODA program is more in favor of economic growth over poverty reduction. The idea is that economic growth, increase in employment, and improvements in the quality of life are indispensable for realizing poverty reduction.
  3. Japan's ODA emphasizes loans over grants. The idea is that the requirement to repay generates greater efficiency in selecting and implementing projects.
  4. Overall Japan's ODA has tended to be focused on the economic infrastructure needs of recipients. This is in line with the belief that sustainable development and long-lasting poverty reduction can be achieved only through economic growth, which requires a high standard of economic infrastructure.

But what really differentiates Japan from other aid giving nations is the extent to which the Japanese aid program is closely coordinated with the wider economic and strategic interests of the country. Japan's ODA history began in 1954, when it joined the Colombo Plan to extend technical cooperation to Asian countries. As Fukushima Akiko points out, providing aid in the late 1950s was a hard political decision to make, since Japan could not yet satisfy its own financial needs.<sup>3</sup> In February 1957, Japanese Kishi elaborated upon the Japanese aid philosophy as follows <sup>4</sup>,

*First of all, Japan's aid to Asian countries which are in the midst of their respective nation building will enhance the national welfare of those countries. Secondly, reparations and economic cooperation towards these countries will eventually secure a new export market for Japanese industries and will ultimately contribute to the Japanese economy.*

Even the First White Paper on Economic Cooperation issued by the Ministry of International Trade and Industry (MITI) in 1958 was quite specific in Japanese aid objectives: economic cooperation was to serve two purposes, namely, the promotion of stable markets for goods, and the securing of reliable sources of raw materials. <sup>5</sup> Japanese development aid was thus "explicitly regarded as a legitimate arm of national policy"<sup>6</sup> and evolved in tandem with two primary purposes. First, aid represented a vital part of the government's effort to reestablish regional economic ties that were severed in the aftermath of World War II. Second, aid flows played an important role in the government's strategy of "guided capitalism" wherein aid flows were designed to complement Japanese-based foreign

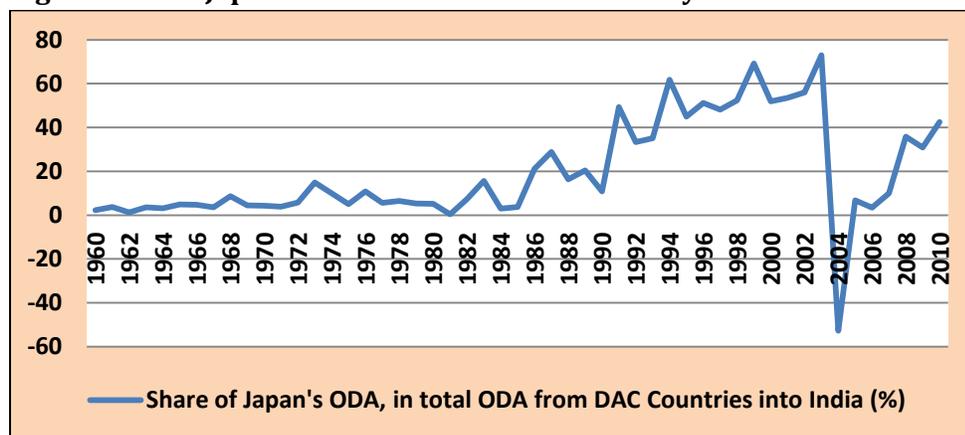
investments and trade networks.<sup>7</sup> This was reflected in the characteristics of Japan’s ODA in this period - most of Japan’s ODA was ‘tied’, a heavy concentration in bilateral loans, as opposed to multilateral aid or grant aid, and geographical distribution was overwhelmingly biased towards Asia, particularly South East Asia.

In the face of international criticism that Japan’s ODA was too commercial and highly tied to Japanese business interests, over the years many reforms have been undertaken. The ‘mercantilist’ character of Japan’s ODA has given way to a more humanitarian orientation with sustainable development as its focus. Nevertheless the ODA Charter revised in 2003 clearly states: “The objective of Japan’s ODA are to contribute to the peace and development of the international community, and thereby to help ensure Japan’s own security and prosperity.”

**Japanese Development Assistance to India**

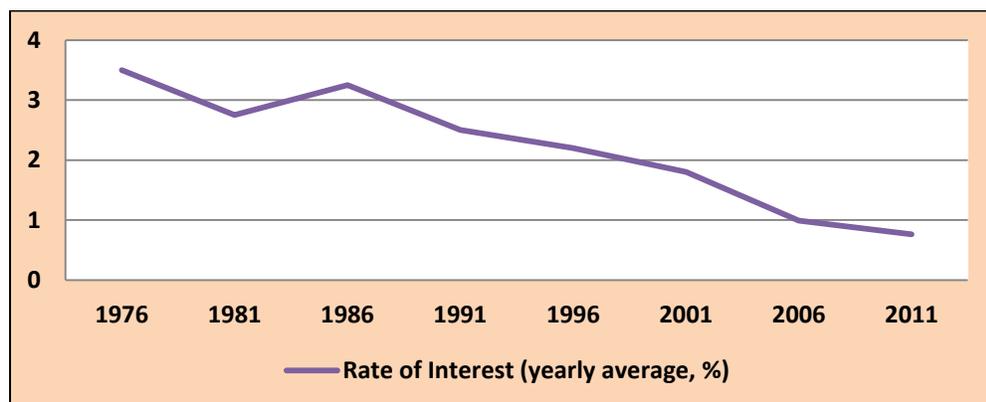
Economic co-operation between India and Japan began in the year 1958 with the disbursement of the first ever ODA loan. The share of Japanese development assistance in total ODA received by India has been significantly increasing over the past few years to stand at 42 percent in 2010. Further, the Rate of Interest (ROI) on Japanese ODA loans has been declining over the years reaching an average overall rate of 0.8 percent in 2011.

**Fig 3: Share of Japan’s ODA in total ODA received by India**



Data source: World Development Indicators, World Bank (2012)

**Fig 4: Trend of ROI charged on ODA loans (Main portion, in percentage)**



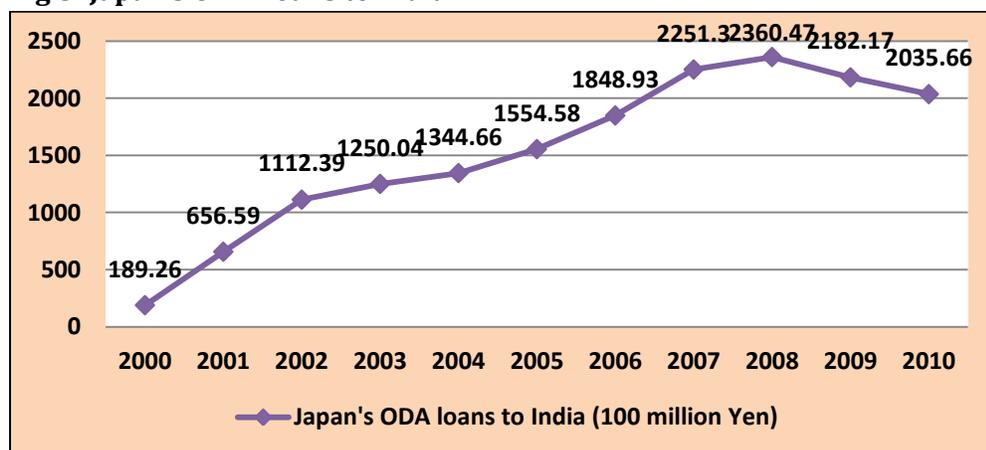
Source: Estimated from data provided by Japan International Corporation Agency (JICA)

The priority areas of Japanese ODA to India can be clubbed into the following broad themes:

- Promotion of sustainable economic growth through assisting with the infrastructure development
- Assistance for economic growth along with employment generation and poverty reduction
- Assistance for tackling environment issues and climate change

The ODA disbursements from Japan have been rising, reaching as high as 236.05 billion Yen in 2008; with the maximum rise of 21 percent over 2006-07. Even with the global economic downturn impacting Japan severely, the ODA disbursements to India have decreased only by approx 6.5 percent to reach 203.56 billion Yen in 2010<sup>8</sup>.

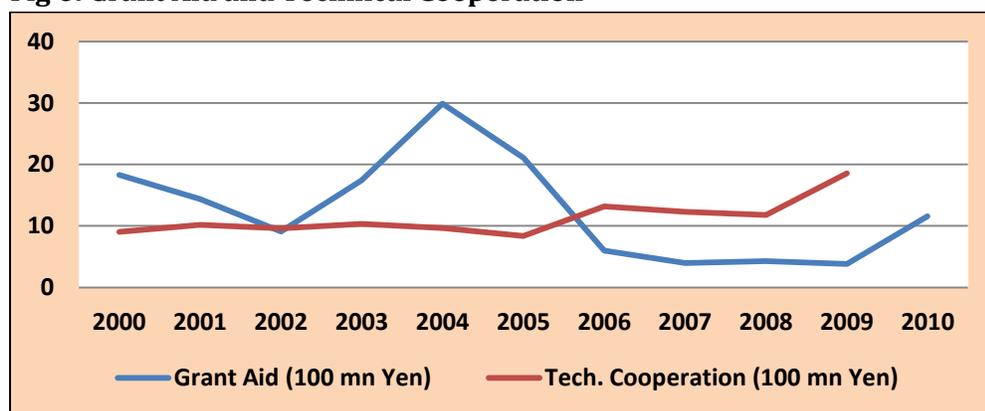
Fig 5: Japan’s ODA Loans to India



Data source: Embassy of Japan, New Delhi

In addition Japan also provides grant aid and technical cooperation to India. Grant aid has been extended since 1977 and amounted to 1.16 billion Yen in 2010. It is given to help India achieve its basic human needs with focus on the health sector (eg. eradication of polio), grass-root projects relating to human security and culture, as well as for construction of facilities and procurement of products / services necessary for undertaking development projects. Technical cooperation looks after the soft aspects of the projects in the sectors of health, women empowerment, water conservation, roads and power. Technical co-operation entails not just monetary assistance, but also technical training of Indians in Japan and provision of Japanese technical experts to India.

**Fig 6: Grant Aid and Technical Cooperation**



Data source: Embassy of Japan, New Delhi

### ***Sector-wise Disbursements of Japanese ODA***

Disaggregated time-series data on Japanese ODA to India is not readily available. Part of the difficulty in compiling these statistics is that ODA encompasses three major schemes; i.e. grant aid, loan aid, and technical cooperation; with different agencies being responsible for each of the components until recently. ODA in the form of loan aid is the most pre-dominant form of aid to India. Japan International Corporation Agency (JICA) provides project-wise details of the ODA loan commitments which can henceforth be compiled into a time-series data for ODA disbursements to different sectors of the Indian economy.

From 31<sup>st</sup> March 1976 till 31<sup>st</sup> March 2012, the number of ODA loan projects that have been approved by Japan for India is 231; with the Yen loan disbursements in these 36 years amounting to a total of 3,471 billion Yen (JICA ODA loan statistics)<sup>9</sup>.

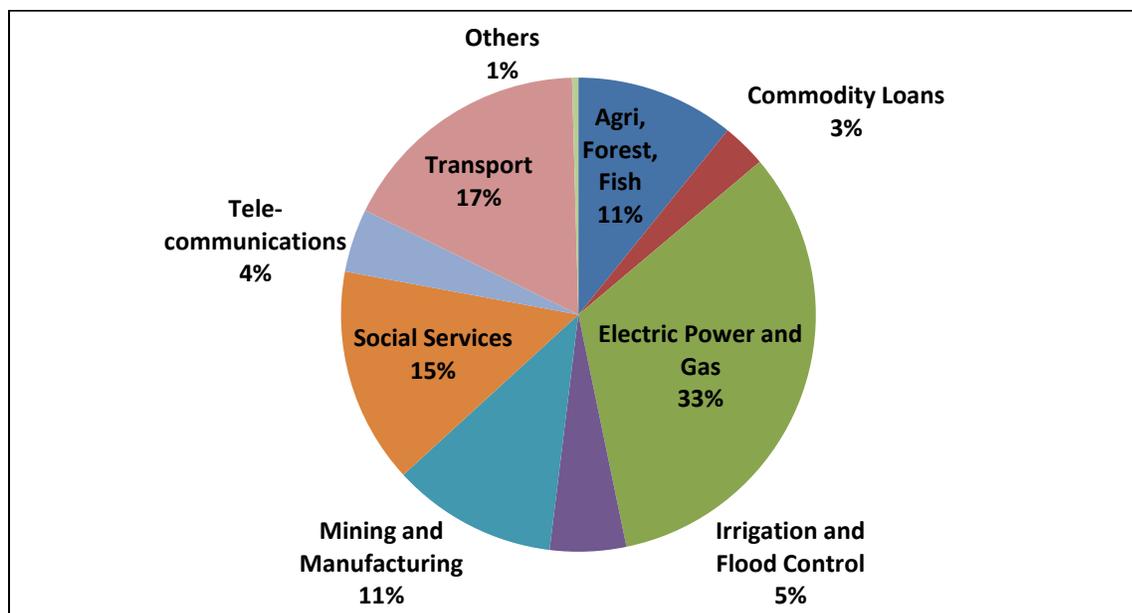
Table 1: Sector-wise Disbursements (Mar 1976 – Mar 2012)

<i>Sector</i>	<i>Projects</i>		<i>Environmental Projects in each Sector</i>		<i>Sectoral disbursements</i>		<i>Environmental disbursements in each sector</i>	
	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>	<i>Mn Yen</i>	<i>%</i>	<i>Mn Yen</i>	<i>%</i>
<b>Agri, Forestry, Fisheries</b>	<b>25</b>	<b>10.82</b>	<b>21</b>	<b>84.00</b>	<b>238,170</b>	<b>6.86</b>	<b>210,945</b>	<b>88.57</b>
<b>Commodity Loans</b>	<b>7</b>	<b>3.03</b>	<b>0</b>	<b>0</b>	<b>125,841</b>	<b>3.63</b>	<b>0</b>	<b>0</b>
<b>Electric Power and Gas</b>	<b>76</b>	<b>32.90</b>	<b>3</b>	<b>3.95</b>	<b>1,105,109</b>	<b>31.84</b>	<b>50,554</b>	<b>4.57</b>
<b>Irrigation and Flood Control</b>	<b>12</b>	<b>5.19</b>	<b>2</b>	<b>16.67</b>	<b>97,837</b>	<b>2.82</b>	<b>3,577</b>	<b>3.66</b>
<b>Mining and Manufacturing</b>	<b>26</b>	<b>11.26</b>	<b>3</b>	<b>11.54</b>	<b>349,351</b>	<b>10.06</b>	<b>33,171</b>	<b>9.50</b>
<b>Social Services</b>	<b>34</b>	<b>14.72</b>	<b>29</b>	<b>85.29</b>	<b>512,302</b>	<b>14.76</b>	<b>478,884</b>	<b>93.48</b>
<b>Tele-communications</b>	<b>10</b>	<b>4.33</b>	<b>0</b>	<b>0</b>	<b>69,867</b>	<b>2.01</b>	<b>0</b>	<b>0</b>
<b>Transportation</b>	<b>40</b>	<b>17.32</b>	<b>17</b>	<b>42.50</b>	<b>942,853</b>	<b>27.16</b>	<b>720,348</b>	<b>76.40</b>
<b>Others</b>	<b>1</b>	<b>0.43</b>	<b>1</b>	<b>100</b>	<b>30,000</b>	<b>0.86</b>	<b>30,000</b>	<b>100</b>
<b>Total</b>	<b>231</b>	<b>100</b>	<b>75</b>	<b>32.47</b>	<b>3,471,330</b>	<b>100</b>	<b>1,527,479</b>	<b>44</b>

Source: JICA, with percentage elements being self-calculated

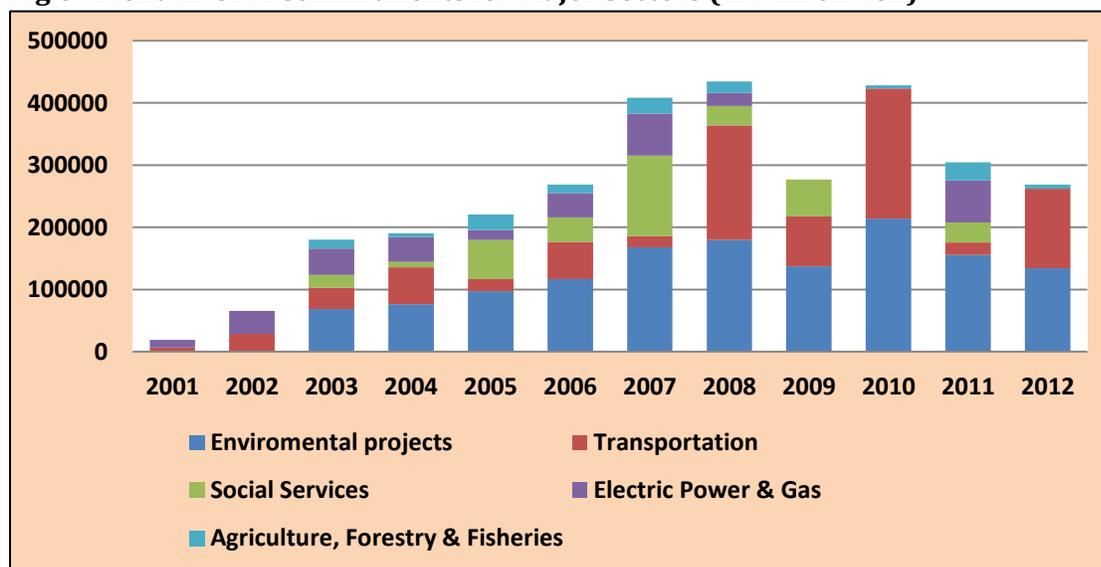
If we look at the sector-wise disbursement of ODA flows, electric power and gas have received the maximum ODA flows in terms of not just the number of projects (almost one-third of total projects), but also in terms of the amount committed of 1,105 billion Yen. The other important sectors attracting Japanese assistance are transportation and social services. The environmental conservation aspect has been prevalent in most of the projects belonging to the transport and social services sectors with almost 94 percent of all projects in the social services having an environmental component. The projects in the Agriculture, Forestry and Fisheries sector are also largely aimed at biodiversity conservation projects.

Fig 7: Sectoral Share (percentage of total projects)



Source: JICA

Fig 8: Trend in ODA Commitments for Major Sectors (in Million Yen)



Data Source: JICA

Over the years, the ODA Loan disbursements have varied with changes in the distributional pattern and sectors of importance. The periods of 1980's and 1990's saw an emphasis on the development of India's telecommunication systems, electric

power and gas, and projects in the mining and manufacturing department. Sectors like agriculture, forestry and fisheries; irrigation and flood control, social services, and transportation have received greater emphasis post FY2000 in terms of the number of projects commissioned as well as the total Yen loans approved. The share of environmental projects in the above sectors has also seen a rise over the years.

The sub-sector level division of Transportation, Social Services, and Electric power and Gas reveal affinity towards projects related to railways; water supply, sewerage and sanitation; and power plants respectively; owing to the large number of metro rail projects in different cities of India, emphasis on poverty reduction through improvement of rural environment and infrastructure, and efforts towards strengthening the capacity to obtain stable electricity supply, energy saving and efficiency. An interesting point to note is that majority of projects in the above three important sub-sectors have a strong environmental protection and conservation aspect.

**Table 2: Sub-Sector Level Analysis of Major ODA Receiving Sectors (1976-2012)**

<i>Sector</i>	<i>Sub-sectors</i>	<i>No. of Projects</i>	<i>ODA share (% of sector)</i>
Transportation	Railways	25	83.11
	Roads	7	12.88
	Ports and Marine Transport	7	2.94
Social Services	Water Supply, Sewerage & Sanitation	25	89.37
	Tourism	4	5.82
	Urban / Rural community infra	2	1.58
	Public Health & Medicine	1	1.55
Electric Power & Gas	Power Plants	54	69.24
	Transmission Lines and Distribution Systems	18	23.10
	Gas	3	4.95

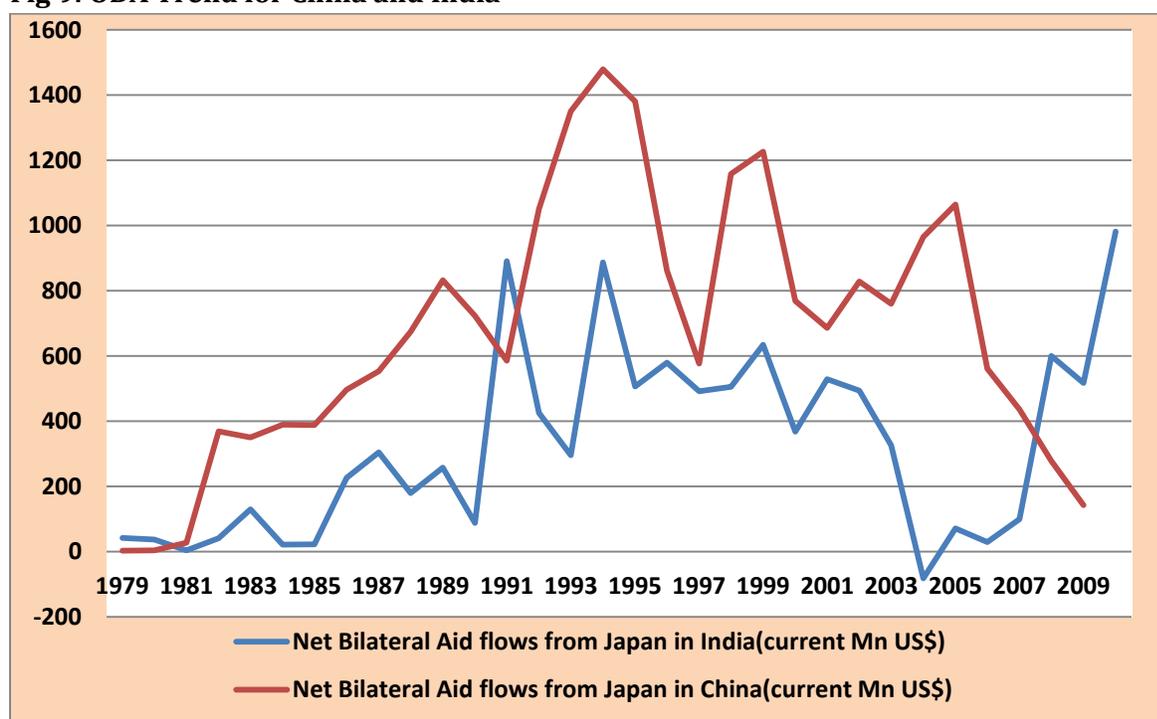
Data Source: JICA

### *Japanese ODA to China and India- A Comparison*

An important aspect of Japanese ODA's shifting focus, to "Japan's own security and prosperity", has been the review of aid to China. Japan was China's largest bilateral

aid donor during the two decades between 1979 and 1998. However with China’s rapid economic take off during the 1990s the argument that China was an economic threat gained momentum in Japan and correspondingly ODA disbursements to India increased, pointing to the rising Japanese interest in India’s economic growth. Indeed a review of the shift in priority of Japanese ODA flow to China and now to India greatly corresponds to the importance Japan has placed on closer relations with each of these countries.

**Fig 9: ODA Trend for China and India**



**Data Source: World Development Indicators, World Bank (2012)**

Also, the major sectors attracting the attention of Japanese ODA in China and India are largely similar. In China, from April 1980- December 2007, 48 percent of the projects belonged to the transportation sector and electric power and gas sector. In the case of India, from March 1976 – March 2012, 50 percent of the projects have belonged to the transportation sector and electric power and gas sector. Similarly the percentage share of environmental projects for China and India in the periods mentioned above has been 30 percent and 33 percent respectively.

Indeed the notable example of Japanese affinity for providing developmental assistance in infrastructure and environment is the proposed Delhi - Mumbai Industrial Corridor. According to the December 2011 Joint Statement issued after

the 6<sup>th</sup> Annual India-Japan Summit, Japan intends to invest US\$ 4.5 billion<sup>10</sup> in the Delhi-Mumbai Industrial Corridor (DMIC) project. On the lines of the successfully operating Tokyo-Osaka belt in Japan, the objective is to help the infrastructure growth in India through advanced technology and green growth, as well as to promote balanced urbanization and strengthening of open lands. This project is the single largest overseas project being financed by Japan. The amount shall include finances from Japan Bank for International Co-operation (JBIC) as well as ODA. Consortium of Japanese private sector companies are already collaborating with the DMIC Development Corporation as well as the Governments of the concerned states, for developing eco-friendly townships in the DMIC zone using Japan's best practices.

The DMIC will cover seven states<sup>11</sup> - Uttar Pradesh, Delhi-NCR, Haryana, Rajasthan, Gujarat, Madhya Pradesh and Maharashtra; linking a number of cities with a population of more than 10 lakh including Faridabad, Surat, Delhi, Greater Mumbai, Meerut, Jaipur, Ahmedabad, Surat, Vadodara, Pune and Nashik. The area influenced by DMIC will be more than 66 percent of the geographical area of the states it covers. The 1,483 km long industrial corridor will incorporate nine mega-industrial zones, a 4000 MW power plant, three ports and six airports, apart from connecting with existing seaports. Japan has recently received 26 percent equity participation in DMIC Development Cooperation to ensure greater participation in the project. The DMIC project forms an integral part of India's recently announced National Manufacturing Policy that aims to create 100 million jobs within a decade, and increase the share of manufacturing in the country's GDP to 25 percent by 2022.

### ***Concluding Remarks***

According to the Ministry of Foreign Affairs Japan, ODA for India is one of the important tools to strengthen India-Japan relations set forth by "Japan-India Strategic and Global Partnership." This is because "sustainable growth of India is paramount in ensuring that of Asia, including Japan." Herein lies the significance of increasing Japanese ODA to India. The increases in ODA disbursements are a strong signal of growing Japanese economic focus on India, and the emphasis on infrastructure and environment points to Japanese interest in partnering sustainable economic growth and development of the Indian economy.

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1. 95 percent of Japan's ODA to India is in the form of Yen loans.
  2. <http://www.oecd.org/dataoecd/52/18/37790990.pdf>
  3. Fukushima Akiko "Official Development Assistance As a Japanese Foreign Policy Tool" in Inoguchi Takashi and Purnendra Jain (ed.) *Japanese Foreign Policy Today* (New York:

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- Palgrave, 2000) p. 156
4. Cited in Fukushima Akiko “Official Development Assistance As a Japanese Foreign Policy Tool” in Inoguchi Takashi and Purnendra Jain (ed.) *Japanese Foreign Policy Today* (New York: Palgrave, 2000) p. 156
  5. Sueo Sudo *The International Relations of Japan and South East Asia* (London: Routledge, 2002) p. 58
  6. Alan Rix *Japan's Economic Aid: Policy Making and Politics* (New York: St. Martin's Press, 1980) p. 268.
  7. See Steven W. Hook and Guang Zhang ‘Japan’s Aid Policy Since the Cold War’ *Asian Survey* vol. 38,m no. 11, November 1998. p. 1053-1054
  8. Embassy of Japan in India: [http://www.in.emb-japan.go.jp/Japan-India-Relations/ODA\\_Eng\\_Jun2011.pdf](http://www.in.emb-japan.go.jp/Japan-India-Relations/ODA_Eng_Jun2011.pdf)
  9. Japan International Cooperation Agency ODA Statistics (for download): [http://www2.jica.go.jp/en/yen\\_loan/index.php](http://www2.jica.go.jp/en/yen_loan/index.php)
  10. Ministry of Foreign Affairs, Japan: [http://www.mofa.go.jp/region/asia-paci/india/pmv1112/joint\\_statement\\_en.html](http://www.mofa.go.jp/region/asia-paci/india/pmv1112/joint_statement_en.html)
  11. <http://delhimumbaiindustrialcorridor.com/dmic-maps.php>

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## INDIA-JAPAN RELATIONS: AN OVERVIEW

**Arpita Mathur**



Arpita Mathur has been Visiting Research Fellow with the South Asia division of the S. Rajaratnam School of International Studies at the Nanyang Technological University, Singapore. Prior to her assignment with the RSIS, she was Associate Fellow at the Institute for Defence Studies and Analyses, New Delhi. Her areas of interest include East and South Asian relations and domestic politics, foreign and security policies. She has also been working on gender and food security issues. She has contributed several book chapters, articles in peer reviewed journals, commentaries and policy briefs and participated in conferences and seminars related to these issues.

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## INDIA-JAPAN RELATIONS: AN OVERVIEW

**Arpita Mathur**

The saga of India-Japan relations has progressed from being one of ‘missed opportunities’ to become an ‘opportune time’ to cultivate the fertile possibilities of fostering a closer relationship in the coming future. Currently, Asia presents an interesting locale of an ongoing power transition with the presence of China, Japan and India. This combines with the very prominent interest of the United States in the region. The very apparent and close US connect through its hub and spokes system has its own ramifications on equations and relations amongst Asian countries. As noted by US Secretary of State, Hillary Clinton recently,

The Asia-Pacific has become a key driver of global politics. Stretching from the Indian subcontinent to the western shores of the Americas, the region spans two oceans – the Pacific and the Indian –....At a time when the region is building a more mature security and economic architecture to promote stability and prosperity, the U.S. commitment there is essential. It will help build that architecture and pay dividends for continued American leadership well into this century....In Asia, they ask whether we are really there to stay,...whether we can make – and keep – credible economic and strategic commitments...The answer is: We can, and we will. <sup>1</sup>

Amongst these Asian players, along with the Southeast Asian countries and Russia, the rapid and sometimes worrisome ‘rise of China’ is a matter of common concern. It follows naturally that each of these major regional powers like India and Japan have been in the process of devising strategies to respond to this development in their neighbourhood, even as China pursues its relentless ambition to become a great power – regionally and globally.

In the given scenario, this paper is an attempt to study the drivers and trends in the strategic, political, economic and functional aspects of India-Japan relationship. The aim of the study is to decipher the post-Cold war developments in bilateral ties between the two sides and to delineate possible arenas of cooperation in the future. The paper argues that even though the rise of China is one of the major factors catalyzing strides in growth and development of Tokyo’s ties with New Delhi, there is now enough essence and motivation for both countries to come closer and not only sustain, but build a robust relationship.

### *A Peep into History*

Before setting out to analyze the various hues of India-Japan relations, it might be pertinent to earmark prominent strands of linkages between the two sides, which might not have proved effective enough to bring ties to a complete fruition, yet continue to provide an optimistic substratum for the future of the relationship. Historically, India-Japan ties have

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existed for more than a thousand years. It is said that Japan first came into contact with India during the reign of Emperor Kimmei (539-571 A.D.).<sup>2</sup> Buddhism is clearly the first point of affiliation shared by both sides, although it did not travel directly from India to Japan. Korea was instrumental in introducing the Buddhist philosophy to Japan. Buddhism became the state religion of Japan under the rule of Prince Umayado (593-622 A.D.).<sup>3</sup> Buddhists promoted art, culture and philanthropic activities even as the religion branched out into sects like *Tendai* and *Shingou*.<sup>4</sup> This linkage continues till today with a number of Japanese travellers visiting cities like Bodh Gaya (the place where Gautam Buddha is said to have attained enlightenment). Besides, Japan has taken an initiative (with Singapore) to resurrect the Nalanada University in Bihar (a Buddhist seat of learning from 5-6<sup>th</sup> century) as a prominent seat of learning.

The second vital link between both sides was the feeling of Pan-Asianism. At the time of the Indian Renaissance (1881-1905), the country was keenly looking at building a spirit of Asian oneness. Prominent intellectuals like Swami Vivekananda travelled around the region including Japan to work towards furthering this spirit. The third link was formed when in the aftermath of its victory in the war with Russia in 1905 there was widespread admiration for Japan's perceived combat against colonialism. This spirit, according to some "partly influenced the growth of extremism in Indian politics."<sup>5</sup> There was a reciprocal genuine Japanese response with a positive and friendly feeling among Japanese with regard to the Indian independence struggle. A fourth industrial connect between the two sides was made as India became a source of raw cotton for Japan's spinning industry. India also became a destination for finished Japanese goods. An Indo-Japanese Trade convention was signed in 1894, marking the initiation of "opening of regular ocean transport" between the two sides.<sup>6</sup>

The Indian National Movement proved to be ground for a further interaction. At a time when Indians decided to boycott foreign goods, Japanese goods were exempt from the ban. The well-known Indian newspaper Kesari clearly called on people to choose Japanese goods over all other foreign manufactured ones.<sup>7</sup> Besides, Indian revolutionaries like Rash Bihari Bose and Subhash Chandra Bose developed intimate links with Japan and the Japanese. R.B. Bose made Japan his home and was able to influence and muster public opinion in India's favour through writings and meetings with opinion leaders there. On the cultural and literary front, the legendary friendship between Okakura Tenshin and Indian poet Rabindranath Tagore is well known. Tagore visited Japan and also invited and hosted Japanese artists and poets in his school Shantiniketan.

The downfall in bilateral ties began during the period of Japanese militarism and imperialist lashout in the 1930s. Jawaharlal Nehru openly critiqued Japan for its expansionism and imperialistic tendencies. Thereafter began a period of relative estrangement between the two sides which continued from the end of the World war through the Cold war era. However, the silver lining to the bilateral relationship at this juncture was Justice Radhabinod Pal's dissenting judgement at the Tokyo International Military Tribunal for

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the Far East in 1948. In a landmark verdict, Justice Pal gave the only dissenting vote declaring all the Japanese war-time leaders not guilty. He continues to remain a symbol of reverence till today.

The foundations for a new chapter in India-Japan relations were laid in 1952 with the signing of the bilateral peace treaty. However, the Cold War which had set in placed both sides in opposite camps. Following its defeat in the war, Japan came under the US umbrella and became its ally. On the contrary, New Delhi chose to follow the path of non-alignment with the definitive tilt towards the Soviet Union. Not only did the political and strategic loyalties lie on opposite ends, but economic model pursued by the two sides also varied.

### *The Post-Cold War Turn*

The end of the Cold War heralded an alteration in the existing bipolar world order exposing the international system to a struggle to cope with new challenges. Not only were they to identify their place in the new order, but also reconstruct their foreign and security policies to adapt to the new environment. For both India and Japan, the rise of China during the 1990s became a cause of wariness. There was a growing common concern over China's growing assertiveness, military modernization and arms build-up.

At the time of the end of the Cold War and the 1990s decade, Japan found itself in a midst of challenges. It was shaken up by the US critique of its financial contribution during the 1990 Gulf war. The North Korean missile tests of 1993 and the US-North Korean nuclear crisis of 1994 further disturbed Tokyo. All this combined with concern over China. Bilaterally, although Sino-Japanese relations were relatively good in the early part of the decade with Tokyo's instrumental role in bringing Beijing back to the international fold after the 1989 Tiananmen Square incident, the situation began deteriorating soon after. China conducted nuclear tests in 1995 and its weapons acquisitions had accelerated. History continued to sour relations having its offshoot in the Yasukuni Shrine issue and the textbook controversy, as also competing claims to territory. The Senkaku islands dispute was a case in point, which continues to hamper and corrode ties till date.

The end of the Cold War also had an impact on India's domestic, security and foreign policy. Along with a loss of its close partner the Soviet Union, India's woes were aggravated by the disastrous collapse of the closed-door economy. This made New Delhi look admiringly towards the 'Asian tigers' and China well on their path to steady development and marked the force behind its 'Look East' policy. The LEP initially embraced the Southeast Asian countries gradually engulfed East Asian countries like Japan in what came to be known as Phase II of LEP. Like Japan, India also had its share of issues with Beijing at the bilateral level. The unresolved border issue, Beijing's close linkages with countries like Pakistan and Myanmar and competition over energy resources were and continue to be some of the irritants in relations between both sides. The Indian nuclear test of 1998 brought a distinct injury to relations with Beijing. The phase following the nuclear test also

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became the lowest point in India-Japan relations. Tokyo made its displeasure felt clearly at both the bilateral and multilateral levels. Bilaterally it froze ODA to India, except emergency and humanitarian aid and official dialogues were cancelled. At the international level, it took a lead in formulating and proposing a UN resolution to condemn the tests.

A decision to revoke the stringent measures taken against New Delhi was announced in 2001 while expressing satisfaction over a moratorium on further testing. During the visit of then Prime Minister Yoshiro Mori to India in August 2000, Japan proposed a 'Global Partnership' and the need to recognize "India as an important partner to work with not only for our respective peoples but also the world community at large."<sup>8</sup> The idea was to look at wide ranging international issues like UN reform, maritime security, combating terrorism and so on. This change in attitude has to be perceived in the context of the overall situation at that time. In the post Cold War period, the US had emerged as the sole superpower. However, the emergence of a new 'challenger' to US hegemony in the form of China had also become evident. Not only had Beijing risen economically, but it had also begun flexing its muscles politically and strategically. It was fast becoming a substantial sea power with a strong land army. Japan, on the contrary, after experiencing a thriving 'bubble economy' started facing stagnation. Tokyo also began reviewing its own self-imposed limitations and passed the International Peacekeeping Law to participate in UN activities and also revised the US-Japan guidelines envisaging an expanded role for Japanese forces not only in safeguarding its own territory, but also in case of a contingency in 'areas surrounding Japan.' At the same time, India was undergoing throes of impending change. There were visible changes in its foreign policy and nuclear status. New Delhi was now talking about moving beyond the traditional confines of South Asia to exploring an "extended neighbourhood." Besides, it was emerging as an economic powerhouse. All this coalesced to make India some form of a balance against the growing might of China.

#### *The Drivers:*

In examining the drivers bringing India and Japan closer, perhaps the most evident is the rise of China. However, if the bigger picture is analyzed, it is noted that even though that might be the most vital variable, there are other reasons like economic complementarities, the US factor, historical and cultural bonhomie and a positive public opinion which bolster bilateral ties. Considering that China appears to be the primary driving force bringing the two sides together, it merits a discussion foremost. A 'power transition'<sup>9</sup> is occurring in Asia due to the rise of China and India. According to the power transition theory, the dominant state is bound to resist any alteration and challenge to its supremacy by a rising dissatisfied challenger. The measure or calculus of dissatisfaction of the challenger, according to the theory, lies in its alliance portfolio as well as unprecedented military build-up aimed to be at par with the dominant state. China and India are rising as robust economic powers with considerable political clout as well. They are both nuclear powers as

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well. In this scenario, there are growing concerns over what Beijing's much touted 'peaceful rise' might translate into.

The perception of China as a fairly dissatisfied 'challenger' to the US dominated world order can be felt at two levels – one, through its close relationships with countries like North Korea, Myanmar and Pakistan contrasted with US's close relationships with Japan and now India in China's periphery.<sup>10</sup> Besides, China is building up a formidable sea power and armed forces. All this combined with its non-democratic system along with similar allies make it appear to have features of the so-called challenger according to the power transition theory. For the US, the idea of world order would be include an Asia under US influence through alliances and presence of forward deployed troops.

In comparison, India's rise does not seem to be as worrisome for most countries. Prof. Sumit Ganguly attributes this to three reasons- one, because New Delhi does not wish to form coalitions challenging the world order, two, India seems to have accepted the existing neo-liberal international order and three, being a democratic country, the threat of its going to war scales down drastically.<sup>11</sup>

India and Japan have been 'hedging' and coming closer at two levels – bilateral and regional. Bilaterally, the two sides have closer political and strategic linkages. Tokyo has also encouraged New Delhi's inclusion in regional organizations like the East Asia Summit. Both support each other in their claim to a permanent seat in the UN Security Council. However, at the same time, despite all the meticulous hedging, both have also ensured that China does not get antagonized and remains actively engaged in the region. An indicator of this reluctance to ruffle feathers with China became apparent when former Prime Minister Shizo Abe's proposal of a 'strategic quadrilateral' fizzled out in the wake of Chinese protests. Both India and Japan also have deal with the reality of 'hot economics, cold politics' with regard to China. Dense Japan-China economic ties are as much a fact as India's interest in continuing to maintain good relations with the promising market.

The significance of India in Japanese foreign policy in view of China was aptly articulated by former Deputy Chief of Mission Wataru Nishigahiro to the embassy in India, "The relationship with India is important, partly because of the factor of emerging China. We are not confronting China, but we have to manage the relationship with China carefully. And in that process, our relationship with India becomes more meaningful. " <sup>12</sup>

The second significant factor bringing India and Japan closer is the US. The US is closely involved in Asia, both in its own right as well as through its hub and spokes allies like Japan and South Korea. Washington has been engaging New Delhi consistently from the late 1990s. The bonhomie saw its peak with the signing of the Indo-US nuclear deal in 2008. The US factor has two dimensions – one, Washington finds it advantageous to use its allies in the region to balance China in a certain way and is encouraging countries like Japan and India to become soft countervailing hedge to China's rise. Two, despite the alliance with

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the US, Japan is conscious of the occasional oscillations with regard to its Japan policy. Certain sections of the Japanese decision-making circles have felt the need to identify other partners as allies. Clinton's so-called 'bypassing' of Japan as well as the 'Nixon shocks' of 1971 were examples of such deviations.

Besides, economic complementarities stand out sharply between the two sides. India possesses vast and young human resource capital and manpower complementing Japan's technical prowess and 'money power.' There are also oft-mentioned value based connectivity – democracy, freedom and human rights apart from rich cultural and historical linkages. A positive opinion amongst policy makers, opinion leaders and public has helped make things even better.

### *Strategic and Political Relations*

Political and strategic variables have been the highlight of the way bilateral relations have evolved between India and Japan after 2000-1. Not only have high-level political visits been regularized, but a number of common areas of interest have been identified and worked upon. Relations have been elevated to a 'Strategic and Global Partnership' along with a concrete action plan to realize the same. Besides, a Joint Declaration on Security Cooperation and action plan was also signed. The India-Japan security arrangement is momentous in being only the second of its kind similar to what Tokyo has signed with Australia.

Maritime security is the foremost area of common concern in the strategic arena for both India and Japan considering that safety and security of the sea-lines of communication (SLOCs) is significant more so in keeping with its linkage with energy security. To begin with Japan, India and China have vast coastlines which need to be protected, making them geographically vulnerable. More specifically, for India, the reasons for concerns over maritime security are as follows. First, its energy security scenario remains critical where for instance demand for electricity supersedes supply. Developmental needs also augment energy requirements. The fact that domestic supplies of energy are insufficient translates into dependence on external sources through imports. Of the approximately 30 percent energy imports<sup>13</sup> most are sourced from the Middle East and Africa. Nearly 97 percent of India's trade is sea-borne. In Japan's case, like India it is a major consumer of energy. Besides energy, being an island country, Tokyo sources raw materials, metals, food supplies and exports manufactured goods using these SLOCs.

There is a great deal of dependence on SLOCs passing through the Strait of Hormuz and the Malacca Strait, which together manage more than 60 percent of oil transits. Any alternative route would translate into time delays and increased financial implications.<sup>14</sup> Threats to SLOCs come from blockades, political instabilities, piracy and terror attacks.<sup>15</sup> The Indian Navy and Japanese Maritime Self-defense Force (MSDFs) held their ground-breaking first joint exercise JIMEX12 in May 2012. Prior to this such exercises had been held only at the

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Coast Guard level. The rescue of Japanese vessel Alondra Rainbow from pirates in 1999 by the Indian Navy remains a significant milestone in this area. Besides, at the multilateral level, the two sides have taken part in the Malabar exercises along with the US. The common concern over China also brings both sides to a platform. Tokyo is worried over Beijing's reach in the Indian Ocean as well as the East and South China Sea, where territorial disputes like Senkaku islands are still simmering with tension. India has concerns over the so called 'string of pearls' strategy of Chinese strategy to have bases and diplomatic linkages around its maritime borders. Both sides are also worried about Beijing's military and naval modernization. Most recently, China has inducted its first aircraft carrier, *Liaoning* into its navy in the midst of ongoing tensions with Japan on Senkaku.

At the Coast Guard level, bilateral exercises like Sahyog-Kaijin 06 have been held. A Memorandum of Cooperation was also signed by them in 2006 for cooperation in disaster management, maritime safety and establishing common procedures for joint operations. A relatively young Indian CG faced a new form of challenge after the Mumbai terror attacks. The JCG is being hailed as a "new fighting power"<sup>16</sup> and Indian CG could learn from JCGs special operations unit dedicated to counter-terrorism operation.

Reform of the United Nations Security Council is the second tier of commonality India and Japan share. India's claim to a permanent seat in the UNSC rests on its regional significance, active participation in UN peacekeeping operations (UNPKOs), promising economy, impeccable record and lead on issues like human rights and disarmament and vast population which goes unrepresented. Japan stakes its claim on the basis of its voluminous budgetary contribution, participation in PKOs and as an advocate of disarmament. The time is opportune for both countries to work with renewed vigor to pursue the goal. Unfortunately, it seems at present domestic problems in both countries are making them keep this issue on the backburner.

The third arena of common interest of both India and Japan lies in UNPKOs. Peacekeeping by the UN involves a number of activities ranging from implementation of peace agreements and maintaining ceasefires to human rights monitoring and building institutional systems for governance. As a founding member of the UN, India has been actively associated with peacekeeping missions. More than 100,000 Indian troops, military observers and civilian police officers have participated in such operations. India has been part of nearly 43 out of 63 PKOs conducted so far.<sup>17</sup> The initiation of Japan's PKOs began much later. The turning point in this regards came in 1992 with the passage of the 1992 Peacekeeping law. This involvement is still not permitted to include work like inspection of weapons, monitoring ceasefires, but permits work like provision of medicines, clothes and other necessities in the mission. Peacekeeping has also been elevated from supplementary to primary mission of the Japan SDFs in 2007. This has opened new vistas of cooperation between India and Japan. The possibility of both working in tandem under UN auspices as part of a common PK force is now more evident and coordination and inter-operability would make the task easier.

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Countering terrorism has emerged as one of the major fields of cooperation between India and Japan. India's tryst with terrorism started much before the 9/11 attacks on the US, and includes both domestic grown as well as cross border terrorism. Japan's experience with terror during the 1970s came with the Red Brigade which was involved in terror activities such as hijackings and bombings. The 1995 subway sarin gas attack by members of the Aum Shinrikyo cult was a grim reminder that no country is insulated from this menace. Japan remains on the terror radar also because of the fact that it is an ally of Washington. An open threat had come from Osama Bin Laden on retaliation "against all countries participating in the unlawful war (against Iraq) and especially against the UK, Spain, Australia., Japan and Italy..."<sup>18</sup> Tokyo is also exposed to unrest from Southeast Asia being geographically contiguous. India and Japan have envisaged fighting terror at two levels – bilaterally, through a joint working group and globally through organizations like UN. Japan's counter-terrorism policy calls for international cooperation and counter-terrorism capacity building assistance to countries in need.<sup>19</sup> India could learn some such mechanisms from Tokyo like immigration control, aviation security and jointly take steps such as cutting down on terrorist financing etc. India could also share its own wide experience with Japan in combating terror.

Lastly, regional multilateral institutions such as the East Asia Summit (EAS) and SAARC, as also ASEAN+3 and ASEAN Regional Forum provide rich ground for enhancing political relations. Japan has been active in fostering regionalism in recent years and has been an advocate of open regionalism, with stress on cultivating friendly ties with countries outside the region, focus on functional cooperation, respect for universal values and confidence building in security and non-traditional areas. Tokyo's vision of a 'broader' Asia encompasses India as well. Tokyo lobbied hard to get India into the inaugural EAS much against Chinese wishes. The underlying implication of neutralizing Chinese influence was of course apparent. India responded enthusiastically to the Japanese encouragement and both sides have agreed to work closely in the EAS framework towards community building. India also supported Japan's inclusion in SAARC.

#### *Economic Ties*

Economic enmeshment between India and Japan has clearly failed to keep pace with progress in the political and strategic arenas. It has been a saga of an asymmetric low volume and low interest relationship. While trade and investment volume has been low, the focus has been on Official Development Assistance (ODA). The figures pale even further when compared with China. However, it might be prudent to add that the future of bilateral economic ties could safely be assumed to be more promising than the past. This is primarily due to two reasons – one, the two sides have successfully negotiated and concluded a Comprehensive Economic Partnership Agreement (CEPA). Two, Japan is also closing in on the Indian economy through the development of the Delhi-Mumbai Industrial Corridor Project (DMIC) – a proposed Multi-modal High Axle Load Dedicated Freight

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Corridor (DF) alongside.<sup>20</sup> Besides, India has also taken steps like establishment of Special Economic Zones (SEZs) – like the one at Neemrana close to Delhi which caters specifically to Japanese investors. Japanese companies are being offered incentives like tax breaks and slashed tax rates. This is expected to form the backbone of development by providing employment potential, increasing industrial output and exports from the region. This only adds to the reality of natural complementarities both sides share. India possesses an abundant and skilled young workforce and Japan technical prowess and capital resource. India also presents an alternative to China for Japan in being a promising huge market as also serving as a cushion against any uncertainty that might create problems there.

In specific terms, looking at Japanese trade and investment in India, it becomes clear that these have been weak links in ties. Japanese FDI in India stood at US\$2,864 million (5 percent share), as against US\$7,252 million (12.7 percent share) in China.<sup>21</sup> It is amply clear that this low volume stems from Japanese reluctance to engage with India as a host economy due to lack of infrastructural facilities, inefficiency and bureaucratic rules, corruption and overall business milieu. It is upto India to improve its business environment and attract more investment. The focus of Japanese FDI has been in sectors such as automobile industry, electrical equipment, industrial machinery and service sector.

Bilateral trade between India and Japan has been expanding in recent years. However, the scope and speed of this expansion is still limited. The CEPA was concluded in February 2011. In terms of trade, Japan has exported machinery, transport equipment and iron and steel. This also shows that there is a distinct need to diversify the trade portfolio between the two countries. On the other hand, India's trade with Japan consists of gems, jewellery, iron and marine products, petroleum products, textiles and non-metallic mineral products.<sup>22</sup>

The signing of the CEPA accords Tokyo the same advantages as South Koreans have garnered in concluding a similar agreement with India. South Korean companies like Samsung, LG and Hyundai have gained a strong foothold in the Indian market. The CEPA has been signed with objectives like – facilitation of liberalization and trade in goods between the two sides, increasing investment opportunities and protection of intellectual property and cooperation.<sup>23</sup> India has agreed to remove tariffs on as many as 94 percent goods over a period of 10 years, making it easier for Japanese to enter the market. At a time when Japan is recovering from the disaster of the earthquake, and its economy is in the midst of a slowdown, the time is ripe to tap the vast Indian market. Similarly, Tokyo has also agreed to remove import tariffs for upto 97 percent of tariff lines.<sup>24</sup>

Japan's ODA to India has been the highlight of economic linkages between the two countries. The first aid from Japan came in 1958. With an exception of the period following the Indian nuclear tests in 1998, aid has been flowing in regularly. New Delhi was the largest recipient of Japan's ODA loans for developing infrastructure including transport and power as well as eradication of poverty. Perhaps the most noteworthy ongoing project in

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the last few years was the Delhi Mass Rapid Transport system. The Japanese commitment of ODA loan in 2008 showed an increase by 4.8 percent over the previous year, making India the largest recipient of ODA loan for six consecutive years from FY 2003.<sup>25</sup> The Country Assistance Program for India formulated in 2006 marked the following areas for ODA disbursement – promotion of economic growth, infrastructure development, environmental protection and health and medical sector.

A cumulative outlook for Japan-India economic engagement is far more stable now. The CEPA provides a sound foundation to build ties upon. It will be imperative for both sides to understand each other's business psyche and work culture. Besides the language barrier has to be broken. India has to make efforts to clean up its business environment and adopt the discipline and methodical processes associated with Japanese work culture. On the contrary Japan has to realize that it could do much more to tap the full potential of the Indian market despite the many problems associated with it just the way other Asian countries like South Korea and China. Steps like setting up of the 'Japan Cell' in India are welcome steps in this regard and should be made full use of.

*Non-Traditional Security: Points to Ponder*

Following a discussion of the traditional political, strategic and economic aspects of India-Japan relations, it will help to complete the picture by identifying a number of so-called non-traditional security activities both sides could collaborate on. Nuclear energy, issues of climate change and environmental conservation are arenas to explore in constructing ties in the future.

The first and foremost obvious point of connect could be found in energy security which in turn is related to the question and discourse over nuclear energy. China, Japan and India are all big energy consumers. Beijing has, in fact, already overtaken Washington as the world's largest energy consumer in 2010, according to the International Energy Agency.<sup>26</sup> India is also facing the energy crunch due to the growing demands of an ever burgeoning population, changing patterns of energy consumption (shift from traditional fuels usage) and lack of domestic sources. According to estimates, India will have to augment its primary energy supply by 3-4 times from 2003-04 levels to sustain the current growth rate of approximately 8 percent as well as meet the needs of its people through 2031-32.<sup>27</sup> At present, India depends on domestic coal and imported oil (mainly imported from Middle East and North Africa) for its energy requirements. Coal provides about 40 percent of India's primary energy supply, biomass and waste 27 percent and oil 24 percent.<sup>28</sup> In keeping with the expected manifold amplified demand in the future, New Delhi has to diversify its energy sources and also explore new options like fossil fuels, renewable and nuclear energy. India's civilian nuclear program received an impetus after the signing of the Indo-US Nuclear Deal, following which a number of countries have come forward to sign civil nuclear deal with it. India's dependence on nuclear energy is unavoidable unless an effective and more eco-friendly source is identified.

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Like India and China, Japan too has its own imperatives for pursuit of a vigorous energy policy. The first reason is that being resource starved country; it depends largely on imports for its energy supplies like oil from the Middle East. This has the twin implications of increasing cost of acquisition, as also imposing uncertainty and risk to supplies. Risk from political instabilities and perils during transportation through 'choke points' creates problems. Tokyo depended notably on nuclear energy which stood at 29.3 percent of its energy fuel mix by the year 2009.<sup>29</sup> The advantages of nuclear energy were obvious – one, it was environment friendly, two it was produced domestically. However, the Japanese confidence in nuclear energy received a serious jolt in the Great East Japan Earthquake of March 2011. The earthquake set off a tsunami which damaged the Fukushima Dai-ichi nuclear power plant. The cooling system of the reactor and spent fuel failed and a series of explosions that led to exposure of radiation followed. This set off a debate both within and outside Japan over the safety and feasibility of using nuclear power. In Japan's case, it would be a challenge to drastically reduce its nuclear energy option from alternative sources like renewable which is perhaps not developed enough to replace it. The question is pressing for the country at a time when it is in the midst of financial woes.

What then are the possibilities of India-Japan cooperation in this arena? On the civilian nuclear energy front, the possibility and potential for cooperation is expected to lie untapped and unexploited till Tokyo is able to get over its own inhibitions. India too faces massive anti-nuclear power plant protests in plants such as Kudamkulam and Jaitapur. The chaos spread by the tsunami and nuclear disaster thereafter clearly expose the need to develop safer and more technologically sophisticated and disaster-insulated systems. There is scope for India and Japan to work closely in this regard, considering that both their peoples have similar concerns over the safety of nuclear power plants. There is also a common threat to nuclear plants from terror attacks which both sides to work together to find solutions to. Besides, Tokyo could assist India in its drive towards looking at renewable energy and fossil fuels. Japan is way ahead of India in hydro and wind energy, as well as creation of power from waste and biomass. Finally, Japan could be instrumental in assisting India to build an infrastructure which ensures that an optimum part of the energy produced is divided and utilized the best possible way.

Closely related to the energy question is that of environmental conservation and curbing climate change. This engulfs many issues like deforestation to impact on biodiversity. In this area, Japan and India find themselves on the opposite ends of the continuum, while India and China have joined ranks. Developing countries like China, India, Brazil and South Africa are not in favour of pledging any cuts in emission unless developed countries like US and Japan convert their promises into actions. The difference primarily is over tension between development and environmental security and the question of cost sharing. In sum, despite the consensus over environmental protection, there is yet no legally binding international agreement on cutting carbon emissions in place.

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India has been a willing and enthusiastic supporter of initiatives towards sustainable development and environmental conservation. However despite a voluntary national resolve to achieve the same, there is a clear call that the international contribution to arrest climate change has to be based on “common, but differentiated responsibilities and respective capabilities.”<sup>30</sup> The belief is that there is a need to focus on growth while developed countries need to help finance projects and transfer technology to them to help sustain their efforts. China has echoed India’s stance and made it clear that it is not in favour of binding commitments to cut down emissions. Japan, on the contrary has been part of the group of developed countries and at the COP16 Cancun Summit refused to make a second pledge to the Kyoto Protocol- the only legal climate change agreement due to expire in 2012. Tokyo made it clear that it would not make any greenhouse emission reduction targets unless there is more contribution from both developing and developed countries. This difference of opinion between India and Japan, and warming up of India-China ties on the environmental issue made two things explicit – one, India-Japan ties are not hostage to the China factor and two, that even in the midst of the power transition, India’s foreign policy is not based on merely balance of power with regard to Beijing. Despite the differences, India and Japan could cooperate on developing eco-friendly technologies to achieve sustainable growth, creation of energy efficient products, conservation of forests and natural resources and support for efforts like forestation.

The third point of collaboration between India and Japan could be over rare earth minerals. These are a set of 17 components used in high technology items such as computer hard drives, superconductors and mobile phones. Japan is amongst the biggest consumer markets of these rare earth minerals, while China is the biggest supplier upto the tune of 60 percent.<sup>31</sup> Disturbed political relations have had an impact on Chinese supplies of these minerals. In 2010, Beijing for instance used rare earth mineral supply cuts as an arm twisting tactic with the Japanese. Also, Beijing had announced a cut in rare earth mineral exports by approximately 30 percent in 2010. This raised concerns in the world including US and Japan over exposure to fluctuations in supply from China. India also has deposits of these rare earth minerals and can become a viable alternative supplier of the same to Japan. However, for that to happen effectively, New Delhi has to take steps to work on capacity building and research and development towards stepping up their exploration and production.

### *In Conclusion*

India-Japan relations have had a long trajectory – although largely incompatible with its actual potential at most times owing to benevolent neglect. There have been the close historical, cultural and religions links, which were perhaps not able to bring both sides as close as might have been possible. However, these have the efficacy of providing a sound base to building bilateral relations even today. The Cold War years only injected further chill into the relationship as both countries found each other in opposite camps of the

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erstwhile international system. India chose non-alignment with a tilt towards the former Soviet Union and Japan became an ally of the US.

The end of Cold War removed one of the biggest hindrances in bringing both countries together. The breaking point came with former Prime Minister Yoshiro Mori's landmark visit to India in the year 2000. One, this was the first visit by a Japanese head of state after a hiatus of 10 years and secondly it also broke the impasse which had dampened bilateral relations in the aftermath of the 1998 nuclear tests conducted by India. The second turning point was former Prime Minister Junichiro Koizumi to India in 2005 when a "Strategic Orientation of a Global Partnership was envisaged, laying the ground and roadmap for growth of the bilateral relationship.

In looking at the China factor in India-Japan relations, it becomes apparent that purely realist balance of power is not perhaps the sole guiding factor driving ties. Despite the common concern over a rising China as well as a very clear 'hedging' strategy to manage the same, both New Delhi and Tokyo have made it a point to ensure that their relations with Beijing are not abrasive or damaging. This is due to the fact that foreign policy decisions are guided by the need for functional cooperation and economic inter-dependence. Besides, there have been times when India and Japan have been on opposite sides, such as in the case of the climate change debate where Beijing found close friend in New Delhi. At the same time, both India and Japan are also actively involved in 'internal balancing' by building their own capabilities and capacities – militarily, politically and strategically. The China variable, therefore, despite being a primary driver is no longer the only one pushing both countries to a closer relationship.

Nevertheless, challenges to the future of bilateral relations remain. One, economically, there remains much to be done to understand each other's business style, work cultures and perceptions. India has a long way to go in terms of making its infrastructure and investment and trade climate more congenial. Two, domestic instabilities and political uncertainty on both sides might impede the growth of relations. A change in leadership could also have an impact on foreign policy matters in Japan, while the pressures of coalition politics in India might affect foreign policy in general. Thirdly, on the civilian nuclear power front Japanese domestic sentiment and anti-nuclear protests in India threaten to delay cooperation. Fourthly, Japan's so-called pacifist Constitution which restricts the role of the SDFs also limits avenues for cooperation with the Indian armed forces. One such barrier was broken with the passage of the UN Peacekeeping Law. Fifthly, unlike Japan which is open to strategic alliances, India chooses to remain reluctant to be part of any such tie-up.

To sum up, it can be safely concluded that India and Japan have moved far ahead of the period of neglect and have reached a level of maturity. There are enough vistas for cooperation in the strategic, political, economic and non-traditional security arenas. In order for the bilateral relationship to attain fruition in a complete sense, it is imperative that these convergences are cultivated and divergences and challenges narrowed down with

caution. This becomes easier considering that there is mutual respect for Asian values, cultures, a positive public opinion and most importantly no baggage and legacy of history to have a regressive effect and pull back the relationship. If this is done, India and Japan will be able to look back with greater sense of pride and achievement when they complete a century of the establishment of diplomatic relations in a few decades from now.

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## Indo-Japan Strategic Cooperation: Problems and Prospects

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3. "Maritime Security in the South China Sea: From Territorial Dispute to Power Rivalry" NMF Seminar Hall, 17 June 2009.
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## Indo-Japan Strategic Cooperation: Problems and Prospects

**Joshy M. Paul**

### **Introduction**

Indo-Japan strategic relations have been growing since the beginning of the current century in an unprecedented manner. Japan is a major economic power and is now in the process of becoming a 'normal' military power. While India is fast emerging as a major power in both economic as well as in military terms, though officially India still does not proclaim any intentions of becoming a military power. Importantly, Japan and India are natural allies in Asia because they have no conflict of strategic interests, and they share common goals to establish stability, peace and institutionalised multilateral mechanism in Asia. Earlier, Indo-Japanese relations were predominantly economic in nature through official development assistance (ODA) and private investment in Indian economy, both in private and public sectors. While the changing dynamics in Asia, especially the rise of China and the miscreant regime of North Korea, have necessitated Japan to reinvigorate better ties with fellow Asian countries. At the same time, New Delhi has sought to establish friendly relationship with all major powers including both China and Japan, thereby enabling India to enhance its role and prestige. Therefore, of late the Indo-Japanese relationship has transformed along pragmatic and realistic lines from that of a purely economic partnership into a strategic one.

### **Politico-Historical Background -A Past of Mistrust**

Relations between India and Japan have passed through several phases marked by friendship, goodwill, but occasional apathy and mistrust. Each phase was characterised by certain special features, as the Indo-Japanese relationship has grown to the status of a strategic partnership. The first phase, which continued from the time of the signing of the San Francisco Peace Treaty till the early 1960s, was a period of peace and goodwill and strengthening of the relationship. Japan viewed a better Indo-Japan relationship would

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enhance in gaining access to the Afro-Asian world. Japan held Jawaharlal Nehru's Panchasheel principle in high esteem as it was rooted in the Buddhist philosophy. Japan viewed Panchasheel as a moral and idealistic principle capable of solving world problems. The second phase began in 1963, in the wake of the India's conflict with China as India sought to enlarge its relationship with Japan, among other countries of Asia. While contrary to Indian expectations, Japan took a neutral stand to the conflict. After India's defeat in the 1962 war against China, Japan began to view non-alignment as an impractical and unrealistic foreign policy doctrine as it was not able to ensure India's security. During this time Japan sought to strengthen the relationship with the US and the Japan-US alliance system became the bedrock of Japan's security policy. Indo-Japan relationship further deteriorated in the aftermath of the Pokran nuclear test of 1974 which severely antagonised Japan. By the mid-1980s, the relationship evidently warmed largely due to India's decision to open its economy. Finally, with the end of the Cold War, both countries identified common interests in strategic terms with a view to enhancing regional and global security interests.

Differences in approach in worldview had been the predominant feature of the India-Japan political relationship in the past. Ever since independence, India believed in a political outlook rooted in non-alignment, now less rigid than before, whereas Japan has followed a policy of alliance with US. While India regarded Japan as a willing and a silent partner of the US, while Japan felt India's non-alignment policy was apparently be sympathetic to the former Soviet Union, though Japan was supportive to non-alignment policy in the early stage. India has shown vociferous political activism on global issues at most forums, while trade-oriented Japan has chosen to contribute to trade and development related issues. Finally, for reasons that are partly historical and partly political, both the countries look to the West more than to each other. Their differences are by no means insignificant, and because of that Indo-Japanese relations have remained short of being comprehensive, neither hostile nor cordial. Moreover, the rise of the Cold War and the attendant international security order played a major role in shaping their

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national outlooks and foreign policy strategies, which left an overwhelming bearing on their economic policies as well.

Earlier, Japan treated India on par with Pakistan with regard to the situation on South Asia. Throughout the history of the Indo-Pak conflict, Japan pursued a delicate balancing act with regard to South Asia. Its policy towards the problem was in consonance with US policy towards South Asia. Japan's attitude to the 1971 Bangladesh crisis was also half-hearted vis-à-vis India. Japan joined Italy and Belgium in forwarding a UN resolution demanding immediate ceasefire and cessation of all military activities of India in the erstwhile East Pakistan. Japan subsequently supported another UN resolution sponsored by the US condemning India's military assistance to Sheikh Mujibur Rehman's revolt against Pakistani forces. Finally, the Indo-Soviet Treaty of Peace, Friendship and Cooperation of 1971 led Japan to presume that India was a de facto Soviet ally in the region.

On nuclear disarmament and non-proliferation, both countries began with almost identical views. However, even here the similarities began to steadily blur. India and Japan came to harbour divergent views about the elimination of nuclear weapons. India stood for a comprehensive ban of all nuclear fissile materials while Japan's stand was ambiguous since the US nuclear umbrella protected it from a possible Soviet security threat, though Japan is a major victim of nuclear armaments. The situation was further aggravated when India conducted a peaceful nuclear test in 1974, to which Japan reacted severely, passing a unanimous resolution in the *Diet* condemning India's action. Wasting no time, Japan ratified the Nuclear Non-Proliferation Treaty (NPT) in 1976. Similarly Japan reacted harshly to India's nuclear tests in 1998 by suspending all grant aid and subsequent new yen loans. Japan took on the role of the chief global advocate of 'punishing' India for its defiance of the NPT regime in the UN, at the G-8 summit, at the ASEAN Regional Forum (ARF) meeting and other international forums<sup>1</sup>. Japan also played a leading role in drafting and proposing a UN resolution that was unanimously adopted by the UN General Assembly on 6 June 1998 condemning India.

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By the end of the Cold War both India and Japan became closer in a more meaningful way aimed to fashioning common strategies and objectives relate to the future of Asia. The relative decline of the US presence in East Asia and the emergence of China as a new regional power centre compelled Japan to reorient its foreign and security policy. Japan was forced to pursue a policy of ‘cooperative approach to regional security’<sup>2</sup> in Asia that laid a platform for Japan to extend the web of relationship with fellow Asia countries. Concurrently, India’s “Look-East Policy “ unleashed by Prime Minister Narasimha Rao in the 1990s helped India integrating with the Asia-Pacific region economically as well as politically. The Look-East policy had in fact twin objectives, firstly, to emulate the development model of Asian tigers and, secondly, to enhance India’s political involvement to the region<sup>3</sup>, which lately culminated in the form of being a member of ASEAN Regional Forum (ARF). But India focused more on economic benefits from the Asia-Pacific countries than the strategic leverage. On the contrary, Japan had been undergoing economic gloom during this period so that much progress could not be occurred.

### **Strategic Bond Strengthening the Relationship**

The term strategic generally has two connotations: firstly, it implies a long-term relationship with a common vision and shared interests and concerns and not tactical, short-term interests and, secondly, that the national security of the two countries forms one of the components of the bilateral relationship. It may be the predominant or very important component, as in the case of Pakistan’s relations with the US or China, or India’s relations with the erstwhile Soviet Union<sup>4</sup>.

By the latter part of 1990s, however, Japan began to reorient its overall foreign policy particularly its policy towards Asia. Developments in the region like nuclear crisis in the North Korean Peninsula (1993 and 1998), China’s rapid military modernisation programme and relative strategic decline of the US in the Asia-Pacific region especially the Clinton administration’s policy of ‘strategic engagement’ with China forced Japan to adopt an independent approach to security<sup>5</sup>. When Japanese Prime Minister Yoshiro Mori

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visited India in 2000 as part of his four-nation South Asian tour—a hiatus of ten years since the last visit at the prime ministerial level—an agreement on ‘Japan-India Global Partnership in the 21st Century’ was signed between India and Japan<sup>6</sup>. This agreement put Indo-Japanese relations back on track after a stormy phase following the nuclear tests of 1998. The so-called agreement set the stage for the first meetings of the Japan-India Security Dialogue and the Japan-India Military-Military Consultation, which were held in Tokyo in July 2001. On 26 October 2001, the Government of Japan announced its decision to discontinue the punitive measures taken against India following the 1998 nuclear tests, in spite of India’s noncommittal about Japan’s demands of signing NPT<sup>7</sup>. This decision eventually upheld India’s importance in Japan’s strategic framework. In the following December, Prime Ministers Junichiro Koizumi and Vajpayee signed the Japan-India Joint Declaration, in which both sides vowed to cooperate in supporting the war on terrorism, countering the proliferation of WMD and their means of delivery, and ensuring the safety and security of maritime traffic, and importantly reaffirmed their intention to foster defence exchanges<sup>8</sup>. Significantly, both Prime Ministers confirmed that it is important to continue such dialogues and to hold the Comprehensive Security Dialogue annually covering the entire range of issues of mutual concern including disarmament and non-proliferation, and military-to-military consultations.

It was during Koizumi’s period that Japan sought to pursue ‘active’ foreign policy mechanism in its relationship with the outside world. He resuscitated a nationalist fervour in the guise of anti-China sentiment and sought to establish better relations with the older rivals of China such as Vietnam and India. He went ahead with making better partnership with fellow Asian countries aimed to materialize Japan’s old glory in Asia, but this time in politico-strategic terms compared with politico-economic terms of the 1980s. During Prime Minister Koizumi’s visit to New Delhi in 2005, he produced a joint statement with his Indian counterpart Manmohan Singh “Japan-India Partnership in a New Asian Era: Strategic Orientation of Japan-India Global Partnership,” as well as an action plan called the “Eight-fold Initiative for Strengthening Japan-India Global Partnership.” One of the eight goals outlined by the plan was for both sides to enhance bilateral security dialogue

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and cooperation by: (a) further developing dialogue and exchanges, including through full utilization of existing consultation forums; (b) strengthening service-to-service exchanges between defense establishments of the two countries; (c) working to ensure the safety and security of maritime traffic through joint exercises against piracy and the annual Japan Coast Guard-Indian Coast Guard talks; and (d) building up cooperation between the MSDF and the Indian Navy in recognition of the importance of maritime security<sup>9</sup>.

This new initiative was significant not just in the context of the China-Japan squabble, but reflected a genuinely new phase in Indo-Japanese relations<sup>10</sup>. It earnestly symbolised Japan's recognition of India's strategic importance in Asia, particularly in matters relating to its political and military role. A series of reciprocal visits occurred within a span of three years, including Prime Minister Manmohan Singh's two visits to Japan in December 2006 and October 2008 and former Japanese Prime Minister Shinzo Abe's visit in August 2007. These visits signalled a new era in Indo-Japanese relations, prompting both countries to give attention to establish stronger political, economic and strategic dimensions to their bilateral relations. Today Prime Ministers of both countries visiting each other's capital in alternative years. Japan's new approach to India culminated in the understanding that a better strategic engagement with India is necessary for the preservation of Asian security, apart from Japan's reliance on the US for ensuring peace and stability in Asia.

The new partnership has been largely driven by three factors. Firstly, it must be seen as part of Japan's emergence as a 'normal' power in the post-Cold War period. By the end of the Cold War, Japan's security calculus began to change profoundly, forcing it to formulate new strategies to face a 'multiplicity of challenges'. On many occasion Japan had always been criticized of its "cheque-book" diplomacy of major international problems. However, North Korea's launch of a *Taepodong-1* missile over Japan's airspace in August 1998 demonstrated that Japan has not been insured from the vulnerability of a ballistic missile attack. Besides, during US President Clinton's visit to

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Northeast Asia in June 1998, he visited only China, not Japan. This raised a debate on the reliability of the US security guarantee for Japan. Over the past decade, Japan has given considerable importance to upgrading its national defence capabilities. During the last few years, the Japanese *Diet* has passed a series of legislations on national emergency that for the first time in the post-War period established a comprehensive framework to strengthen the ability of Japan's Self Defence Forces (JSDF) to respond to a direct attack.<sup>11</sup> Moreover, the Shinzo Abe government was determined to amend the pacifist character of the constitution, especially Article 9, which constrains Japan from becoming a major 'military power'. Significantly, Japan has recently upgraded the Japan Defence Agency (JDA) into the Ministry of Defence<sup>12</sup>. The current Liberal Democratic Party (LDP) leadership has been giving considerable attention to the importance of increasing Japan's own military capabilities to avert a possible attack from North Korea. Japan thinks if it makes a better relationship with other democracies in Asia it can assuage a possible fear of revitalising its old militarism as a result of this normalisation process. (In this normalisation effort, it has sought to assuage fears of its old militarism while enhancing its relations with Asian countries such as Vietnam and India). Importantly, in his first policy speech in Japan's Parliament, Abe mentioned wanting to deepen relations with India and Australia in his endeavour for a 'proactive' diplomacy and with a view to widening the circle of free societies in Asia as well as the world<sup>13</sup>. It was the first time that a Japanese Prime Minister mentioned India in his policy speech in the *Diet*.

Secondly, China's pursuit for pre-eminence in Asia has accelerated the need to bridge the gap between India and Japan. Japan perceives the crisis in the Taiwan Strait and the attendant implications of China's military presence in the region would necessarily be a major threat to Japan's security calculation in the long-term perspective<sup>14</sup>. Indeed, Japan began to depict China as a major threat to its security in its official proceedings. In its third National Defence Programme Guidelines of 2004, a security brief of Japan, China and North Korea were referred to as major 'threats' for Japan<sup>15</sup>. This apprehension was heightened by China's economic rise, and by the quantitative as well as qualitative build

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up of its armed forces. More importantly, the Taiwan Strait crisis of 1996 raised Japan's suspicions about China's military posture. Japan is also concerned about the quantum leap in China's defence spending over the years, which for the nineteenth consecutive year continues to be in double digits<sup>16</sup>. In 2007, China's defence spending was US\$ 45.99 billion of its total national budget, a 19.47 per cent higher than the previous year<sup>17</sup>. Evidently, Japan's concerns are heightened not just by the expansion of China's military capabilities per se, but also by China's willingness to project military power beyond its immediate borders in support of its national interest. Beijing could use its small blue-water surface, submarine and amphibious naval capacities to assert China's territorial claims to the South China Sea, thereby disrupting Sea Lanes of Communication (SLOCs) in the South China Sea<sup>18</sup>. China's regular dispatch of 'research ships' and warships into the disputed Senkaku/Diaoyu island 'zones' have been seen as indicative of China's aggressive intentions<sup>19</sup>. Japan's concerns vis-à-vis China was heightened when a Chinese nuclear-powered submarine passed through Japanese territorial waters in late 2004, for which Japan demanded a formal apology from China. Bilateral friction still continues over China's natural gas exploration activities (started in early 2005) in an East China Sea oilfield abutting what Japan claims as its exclusive economic zone (EEZ). Although Prime Ministers Shinzo Abe and Yasuo Fukuda made a visit to China during the short span of their Prime Ministership, the differences between the two countries continued, albeit to a lesser degree than during the Koizumi years. In coping with the perceived threat to China, Japan has been assiduously trying not to be entrapped in the 'tug of war' between the US and China over Taiwan. Rather, Japan has been pursuing a 'hedging' strategy towards China<sup>20</sup>. This involves increasing Japan's political and economic engagement with China, strengthening its bilateral security alliance with the US, increasing its strategic partnership with India and strengthening its own national military capabilities, without much alienating China.

Significantly, Japan's embracing of India in the guise of establishing a multilateral Asia can be seen in its efforts to support India's inclusion in the first East Asia Summit(EAS) held in Kuala Lumpur in December 2005. Initially China was reluctant to India's

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participation in the summit, as the USA was already out of the meeting, and propagated that India is not a part of the greater Pacific Asian region, which caused to perceive EAS a China-centric organisation in the region. Eventually, with Japan's active involvement and ASEAN's support India has made an entry into the summit. Since then Japan has cooperated with India in ensuring an inclusive and multilateral security order in Asia which culminated in the form of a joint partnership for seeking a permanent member of the United Nations Security Council in which China is the sole Asian representative.

Thirdly, Japan's increased acceptance of India's growing strategic importance in the Indian Ocean littoral region has culminated in the necessity to build a strategic partnership with India. In spite of sanctions imposed by Japan and the US in the aftermath of the 1998 nuclear test, India has managed to continue its economic growth averaging 7 per cent for the past five years, demonstrating the maturity of India's economy. Likewise, its minimum nuclear deterrent capability and an advanced delivery capability have made India more capable of deterring any offence from a hostile country. After India's crushing defeat by China in 1962, there was the view persisted in Japan over the years that India was economically weakened and strategically dwarfed. The prompt humanitarian relief operations after the tsunami in December 2005 showed India's naval capability during an emergency situation. In recent times, India has increased its manoeuvrability across the India Ocean with an advanced naval fleet that can deter any impending conventional challenge as well as 'new' threats like terrorism and fissile material proliferation. India's increasingly dominant role in the region was underlined by Yasushi Akashi, Japan's special envoy to Sri Lanka, who stated that India has a lot of knowledge and experience about Sri Lanka and the region and should therefore play a 'more influential role' in the island nation's tottering peace process<sup>21</sup>. In this regard, a stronger partnership with India became a necessary corollary of Japan's long-term strategic priorities. The strategic partnership between the two has two connotations; ensuring regional security and promoting global partnerships.

Koizumi-Manmohan's "Eight-fold Initiative for Strengthening Japan-India Global

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Partnership” provided basic institutional mechanisms to develop strategic cooperation between the two countries<sup>22</sup>. The second visit of Prime Minister Manmohan Singh to Japan in October 2008 activated the process of bilateral mechanism in the relationship. Dr. Singh and his counterpart Taro Aso issued a landmark “Japan-India Joint Declaration on Security Cooperation”, the third such document on bilateral defence cooperation Tokyo has signed with a foreign partner, apart from its alliance treaty with the US and the 2007 agreement with Australia. The declaration emphasised bilateral cooperation within multilateral frameworks in Asia<sup>23</sup>, and the leaders observed that the declaration on security would become ‘an essential pillar of the future architecture of the region’. It aimed to strengthen the bilateral defence cooperation which is rooted in their similar perceptions of the evolving environment in the region, including peace, stability and development of Asia. The declaration provided a detailed mechanism of consultation and cooperation at numerous levels that resonates the depth and breadth of security engagement between the two countries. Although the declaration does not give any guidelines as to what kind of Asian security both countries visualise, but it provides a clear indication of the necessity of seeking a new security order in East Asia.

The visit of Japanese Prime Minister Yukio Hatoyama to India in December 2009 provided further impetus to the budding bilateral strategic ties between India and Japan. Both the Prime Ministers decided to elevate the security cooperation to a higher level by signing the “Action Plan to Advance Security Cooperation based on the Joint Declaration on Security Cooperation between Japan and India”<sup>24</sup>. The Action Plan outlined concrete steps on security cooperation, including the establishment of a sub-cabinet/senior official 2+2 dialogue. It was an offshoot of the Joint Declaration on Security Cooperation signed in October 2008 between the two countries. The action plan gives a new direction to the Indo-Japan security cooperation that aims to enhance information exchange and policy coordination on security issues in the Asia-Pacific region; it promote open, transparent and inclusive regional cooperation in Asia and strengthening of multilateral mechanisms in Asia such as East Asia Summit, ASEAN Regional Forum (ARF) and the Regional

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Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP), among others<sup>25</sup> It also envisages an annual strategic dialogue at the Foreign and Defence Ministers' level; regular consultations between the National Security Advisor (NSA) of India and his Japanese counterpart; regular reciprocal visits between Service Chiefs of both sides; periodic Staff talks between the respective ground forces and navies; and an annual bilateral naval exercises to enhance cooperation and "core ability" for maritime operation and disaster relief.

Taking the ties to new heights, India and Japan have decided to hold senior-level dialogue of Ministry of Foreign Affairs and Ministry of Defence, known as '2+2 dialogue'. The first '2+2 dialogue' meeting was held in New Delhi on July 10, 2010, during which they discussed ways to enhance security cooperation and reviewed bilateral ties, including commencement of talks for the nuclear pact<sup>26</sup> It was for the first time that Japan had engaged in such a dialogue with India, as Tokyo usually engaged in such consultations only with its mutual allies, the US and Australia, though at the ministerial level. In fact, the '2+2 dialogue' signifies the importance Tokyo has given to New Delhi for the joint management of the Asian security apparatus.

### **Global Partnership**

In terms of regional and global partnership, the first priority for the two countries is to ensure stable security order in Asia. When Japanese Prime Minister Shinzo Abe visited New Delhi in 2007, he pushed a joint mechanism concerning the regional security and sought to provide an ideological basis for the relationship through his 'Arch of Freedom and Prosperity' initiative, which he proposed in his address at the Japan Institute of International Affairs in November 2006.<sup>27</sup> He emphasized that Japan should pursue 'value oriented diplomacy', justifying Japan's closer cooperation with India along with other countries such as the US, Australia and NATO states which are holding 'shared values' of democracy, freedom, human rights, the rule of law and the market economy. Subsequently, a mechanism of four countries; India, Japan Brazil and Germany formed

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to seek permanent membership at the United Nations Security Council.

Abe's visit and the so called 'Quadrilateral Initiative' for the stability of 'broader Asia', from the Pacific Ocean to India including the US and Australia, was aimed to cultivate a multilateral framework regarding security of Asia, in which Japan and US can engage in tandem with other regional countries such as India, Singapore and Australia. Alongside the visit, Japan participated in the annual India-US Malabar naval exercise and transformed it into a multilateral naval exercise, named "Malabar 07", joining by the Singaporean and Australian navies, in the Bay of Bengal.

Since 80 per cent of the oil and 20 per cent of the ships bound for Japan pass through the Straits of Malacca, its protection is a matter of concern for Japan. The Straits of Malacca are prone to piracy, robbery and other forms of maritime terrorism. The concentration of pirate attacks continues to be greatest in Southeast Asia, especially in the waters around the Indonesian archipelago including stretches of the Malacca Straits which accounted for roughly 25 percent of all global incidents during 2006. According to International Maritime Bureau (IMB) reports, in 2008 there were 42 piracy incident occurred in the confluence of the waters of Indonesia, Malaysia and Singapore, though it increasingly reduced from 99 in the year 2004<sup>28</sup>. At the same time, the worldwide attacks have decreased in recent years from a high of 445 in 2003 down to 230 in 2006, While Asia still accounts for a large proportion of the attacks (38% in 2006)<sup>29</sup>.

In financial terms, it has been estimated that the loss of cargo and rising insurance costs amount billions of dollars per year<sup>30</sup>. On an average, 600 ships transit the Straits every day. In 2005, a Japanese tugboat was attacked by pirates in the Malaca Strait and kidnapped three crew for ransom<sup>31</sup>. And also an attempt to attack on a Japanese Cargo was averted in 2006 in the Strait<sup>32</sup>. Since domestic constrains prohibits Japan from expediting a military option to protect its interests in this region, it cooperates with regional countries to ensure safety of the shipping route. Japan also gave three patrol boats to Indonesia for "effectively to secure the Straits of Malacca"<sup>33</sup>. In 1999, a Japanese merchant ship *MV Alondra Rainbow* was recovered a joint operation by the

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Indian Navy and Coast Guard, which had been hijacked in the Malacca Straits, off the coast of Goa. Such incidents helped closer coordination between the naval forces of Japan and India. This rescue operation was appreciated by the Japanese government, which stated that the Indian initiative in this regard underscored the importance of international cooperation to challenge piracy<sup>34</sup> The geostrategic importance of India for Japanese maritime security is critical for the steady and uninterrupted supply of energy from the Middle East. As a major power with considerable naval prowess, Japan understandably expects India to assume a high-profile role in patrolling and safeguarding the busiest sea lane in the Indian Ocean.

India and Japan have increased their maritime cooperation at the bilateral and multilateral levels. India has joined as the tenth member of the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP), the first regional government-to-government initiative to promote and enhance cooperation against piracy and armed robbery at sea. Likewise, both countries share their mutual concerns at the Council for Security Cooperation in the Asia-Pacific (CSCAP), a non-governmental grouping discussing maritime-related and other security issues.

### **Energy Security**

With the increasing demand for energy to fuel the economic growth, India had also sought to pursue cooperation with major consumers of oil and natural gas such as China, South Korea and Japan to chalk out plans for sustainability of demand and supply and to streamline the pricing formula. In order to increase cooperation between the oil producing and oil consuming countries, India organised a high level round table meeting in Delhi in January 2005. This meeting was attended by ministerial representatives of the principal Asian consuming countries—China, Japan, South Korea and India—and the principal west and Southeast Asian oil and gas exporting countries—Saudi Arabia, Iran, Qatar, Oman, UAE, Kuwait, Malaysia and Indonesia<sup>35</sup> And the third round of Asian Ministerial meeting was held in Tokyo on April 19, 2009, in which at least 20 countries

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was attended<sup>36</sup>. India has also mooted the idea of an Asian gas grid, an Asian counterpart to the International Energy Agency (IEA) through cooperation between principal oil consuming nations of Asia. During the visit to Tokyo in 2005 by Mani Shankar Aiyar, India's Minister of Petroleum and Natural Gas, both countries expressed the need to accelerate, deepen and widen bilateral cooperation in the hydrocarbon sector<sup>37</sup>. Both Japan and India have also agreed to increase scientific and technological cooperation in oil and gas; R&D cooperation in energy-related areas such as coal bed methane, underground coal gasification and other unconventional fuels such as hydrogen, biofuels and gas hydrates; and decided to exchange personnel for research and academic institutions and to promote greater mutual understanding in the hydrocarbon sector. During Prime Minister Manmohan Singh's visit to Tokyo in 2006, it was agreed that the two sides would tackle global energy security issues jointly.

Besides the hydrocarbon sector, cooperation in the nuclear energy sector has also been improving between the two states of late. Given the recently signed Indo-US civilian nuclear deal and the Nuclear Suppliers Group's (NSG) approval for India to trade with other NPT countries on nuclear material, India can cooperate significantly with Japan in the peaceful use of nuclear energy. Japan has already facilitated India's participation in the International Thermonuclear Experimental Research (ITER) project situated in France. India is the only country outside the NPT regime to have become a part of ITER. When Manmohan Singh visited Japan, it agreed in principle to cooperate with India in the civilian nuclear energy sector in accordance with 'appropriate international safeguards'<sup>38</sup>. Japan is the third largest producer of nuclear energy after the US and France and has proven technology especially with major private Japanese companies. The waiver provides Japanese companies immense business opportunities in India, which is planning to construct 18 to 20 more nuclear reactors worth about \$100 billion over the next 15 years. Being a leading player in the global nuclear industry, Japanese companies like Toshiba and Mitsubishi, which have major stake in global majors like Westinghouse and General Electric, would vie for a considerable slice of this commercial opportunity. A high-level nuclear delegation from Japan, including

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representative from reactor majors Hitachi Ltd, Mitsubishi Heavy Industries and Toshiba Corporation, visited India on 23 November 2008 and held talks with Department of Atomic Energy officials and the top-brass of state-owned Nuclear Power Corporation of India Ltd <sup>39</sup>. However, more homework needs to be done in getting a bilateral agreement with Japan implemented as domestic opposition to nuclear cooperation with a non-NPT nation is very strong in Japan. If the cooperation on civilian nuclear sector materialised, Japan could provide sophisticated technology and hardware for India's future civil nuclear energy programme.

### **Need for Better Cooperation**

Nevertheless, if India-Japan strategic cooperation needs to be raised on the lines of the Indo-Russia relationship, it should go to the next stage of relationship, that is arms transfers, sale of dual-use technologies and joint development of military hardware. Japan is the only major producer of advanced military technologies in the world that does not supply arms and equipment to India. Japan's leading conglomerates like Mitsubishi, Ishikawajima, Toshiba and Kawasaki hold a treasure trove of advanced military technologies and they have sold dual-use technology to the United States in developing sophisticated technologies for the US defence forces. However, Japan's strict domestic laws that came into existence in 1976 which prohibits sale of arms exports of any kind to another country, which partially amended in 1983 only to participate United States' Star Wars program, has made difficulty in cooperating with Indian defence sector in a major way.

In recent years, however, the Japanese government has increasingly indicated its willingness to a partial lift of ban of military technology sale and export of hardware, or even the general abandonment. In fact Japan had inadvertently breached this policy earlier through the export of essentially civilian but dual-use technologies, such as maritime radars, transport trucks, and patrol boats that have been utilised for military purposes. There are three reasons which led Japan to such initiative: firstly to join the development of US' Ballistic Missile Defence(BMD) system that will require a higher

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volume of two-way technology sharing and transfer; secondly, Japan's defence planners see the removal of the ban on military technology transfer as necessary to entering into joint project with the US and third countries that can produce interoperable defence equipment for participation in multinational peace and security activities; and thirdly, Japan's domestic armaments industry falling behind other advanced industrial states or potential military competitors as a result of such ban<sup>40</sup>. In some sectors like the sensors and elements of missile technology, Japan is well advanced and has built up an indigenous military industrial base ('kokusanka') within the paradigm of its civilian industry. But for these civilian conglomerates, in contrast to many US prime defence contractors, defence production represents a small percentage of their overall turnover (no more than 10.5%), and they relied majorly on process of developing dual use technologies with "spin-off" application. At the same time, Japan's reliance on US for the purchase of high-end-use military hardware for its security has become an issue of concern when the US rejected Japan's proposal for buying the latest fifth generation stealth fighter F-22A Raptor because of US export restriction of such sophisticated technology<sup>41</sup>. Under such circumstances, for commercial as well as for security reasons, Japanese policy makers could not keep hold for long the restrictive measures of direct application of military technology.

Interestingly, Japan's policymakers see an end to the exports ban the key to emerging as a 'normal' power and reversing the decline in the domestic defence production base and preserving a degree of 'kokusanka' through international cooperation. In January 2004, then JDA Director General Ishiba, in a speech in The Hague, touched upon the need to lift the ban on exports to facilitate defence production with the US and other countries, and lately the Japanese Government considered a further partial lifting only to participate in the US BMD<sup>42</sup>. Moreover, the LDP's Defence Policy Subcommittee in 2004 proposed that the total ban be lifted in favour of an export licensing scheme. Besides, former PM Shinzo Abe advocated a return to the principles of the 1967 ban on arms exports to communist countries, countries under US sanctions and states party to conflict, thereby clearing the way for high-tech weapons sales and co-production with other developed

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countries<sup>43</sup>. In the report of *Japan's Visions for Future Security and Defense Capabilities* prepared by the Prime Minister's Council on Security and Defence Capabilities in 2004, stated that "...the government must now reassess the ban on arms exports that has been in effect since the mid-1970s. First, it has to explore ways to participate in international joint development project and role sharing in production, which are becoming the global norm, to preserve the "core technologies" that are indispensable to Japan's security"<sup>44</sup>. Subsequently, the Japanese government passed Basic Space Law in August 2008 that lifted a long-standing ban on the use of space for defence purposes<sup>45</sup>. This amendment helped to sign an agreement on cooperation between the Japanese Aerospace Exploration Agency (JAXA) and the Indian Space Research Organization (ISRO) in the field of disaster management<sup>46</sup>. In this regard, Japan may likely to change its law related to ban of application of military technology in near future and if any such changes Japan did India would be one of the major beneficiary after the United States.

## Conclusion

Indo-Japan strategic relationship has grown phenomenally in recent times. This relationship can be seen as one of the most successful diplomatic initiatives India has unleashed in the Asian continent in the recent past. Earlier the relationship was limited due to a variety of issues such as nuclear non-proliferation, alliance system, economic disparities and psychological distance. However, the changing dynamics of Asia's security order, especially the emergence of China as a potential economic and military super power in Asia, and the search for a just and equitable world order and the expansion of the UN Security Council have brought both countries to join hands in managing regional and international issues. A major aspect of this improvement in the relationship has been the fact that both countries have started viewing international security issues in a synergetic manner. By developing a better and stronger relationship with Japan, India can achieve increasing economic and strategic benefits. For India, Japan would make a reliable alliance partner after the demise of the former Soviet Union. More importantly, the recognition of India's strategic importance in Asia by Japan could enhance India's political leverage in the regional security scenario. This would go a long way in helping India to become a major partner in terms of decision making on global security issues.

In a nutshell, it can be argued the greater the strategic interaction between India and Japan, the lesser will be the overall concern about Asian security order. Thus, the strengthening of future Indo-Japanese relations will depend on how the Asian security order will evolve and the nature of China's approach to the order in the coming years.

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## **Need to Enhance India-Japan Relations in the Turbulent Regional Circumstances**

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### **Introduction:**

India-Japan relations have undergone profound changes in the post cold war dynamics and have become comprehensive and multi-dimensional. Still they are far away from realising their full potential. The current global and financial crisis, coupled with the uncertain security situation in the region on account of overlapping territorial claims in the East and South China Sea, among various littoral countries, along with enigmatic North Korean leadership change, and the winds of changes blowing in Myanmar, all these have influenced directly or indirectly India-Japan relations.

India-Japan relations got a boost from the launch of strategic and global partnership in 2006. The partnership is based on five pillars of cooperation, namely: Political, Defence and Security cooperation, Comprehensive Economic Partnership, Science and Technology Initiative, people to people exchanges, and cooperation in Regional and Multilateral fora.

### **Economic Relations:**

India's emerging buoyant economy, young and expanding population, lower costs of production, and a large market, combines well with Japan's technological prowess, manufacturing skills, and financial resources. India provides an excellent opportunity for Japanese companies that are looking for new areas for investments and markets. The complementary needs of India and Japan shall help both the countries in strengthening their economic position. Bilateral India-Japan trade has begun to rise from \$4.1 billion in 2001 to \$12.89 billion in 2010-11, which during April-January 2011-12, have been reported to have crossed US\$14.7 billion. But, this is very small compared to the rising

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bilateral India-China, or, Japan-China trade. In 2010-11 bilateral Japan-China trade stood at \$340 billion, which was about twenty six times that of India-Japan trade. In 2011-12 bilateral India-China trade reached \$73.90 billion, which was about more than five times that of bilateral India-Japan trade. Moreover, though China has emerged as both India and Japan's biggest bilateral trade partner, fear of China on account of increasing nationalistic fervour and maritime disputes grips Japanese businesses.

India is concerned about the nature of trade and rising trade imbalances with China. India had a record trade imbalance of \$27.08 billion with China in 2011-12, as China of late has started exporting high-end value added products such as electrical machinery, electrical goods and components, organic chemicals, etc, to India, widening the trade deficit. Moreover, as India's export to China largely consists of ores, minerals, primary and semi-finished iron and steel iron ore, China's announcement in November 2010 to spend 30 billion Yuan (\$4.5 billion) in the next five years, to limit imports of iron ore to 50% of consumption and copper ore to 75% by expanding exploration of mineral deposits within the country, to reduce dependence on imports for minerals, has impacted trade imbalance between India and China. Besides, India and China have also traded bans on import items from the other country, on different accounts.

Therefore, to offset any adverse impact from growing trade imbalances between India and China, India not only needs to diversify its export structure and start exporting value added goods, it needs to embark on a new phase of widening bilateral economic cooperation with Japan to take advantage of the complementary nature of the two economies. Economic cooperation between India and Japan needs to be enhanced significantly to counter any negative fallout of India's increasing dependence on China's exports, considering the growing trade frictions and trust deficit between the two countries in political and security spheres.

Similarly, though Japan has large trade deals with China, it cannot rely on China, given the fact that both the countries have historical animosities, and Japan feels itself marginalized in the face of the growing Chinese economy. The recent incident in the East China Sea over Senkaku/Diaoyu islands reminds of September 2010 when after the

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fishery boat incident involving the two countries China stopped the export of rare earth minerals to Japan. As China accounts for 97% of the global supply of rare earth minerals which are crucial for high technology industries from mobile phones to missiles, highlights the vulnerability of Japan's economy vis-à-vis China. In the recent conflict the wide perception in China that Japan's economic dependence on China is more acute than the vice versa, accentuates the grim situation.

For this, the signing of Comprehensive Economic Partnership Agreement (CEPA) between India and Japan on 16th February 2011 is significant, as it is likely to accelerate trade and economic partnership between the two countries, and will act as a hedge against their increasing dependence on China in the economic sector. The Japan-India Comprehensive Economic Partnership Agreement (CEPA) took effect in August 2011, which will eliminate about 94% of the tariffs between Japan and India within 10 years. Still, the two way bilateral trade and economic relations have long way to go before unleashing their full potential

In terms of Official Development Assistance (ODA), since 2003 India has been the largest recipient of Japanese ODA. Through ODA and Special Economic Partnership Initiatives, India has embarked upon mega infrastructure projects which have the potential of transforming the Indian economy. Delhi Metro is one of the most successful examples of Japanese cooperation through the utilization of ODA. The Dedicated Freight Corridor (DFC) and the Delhi-Mumbai Industrial Corridor (DMIC) are two symbolic projects of cooperation between India and Japan.

Japanese Prime Minister Yoshihiko Noda during his visit to India in December 2011 announced to make available 4.5 billion US dollar in the next five years for DMIC project. Japanese companies are partnering with India to build Metro Rail Services in cities like, Delhi, Kolkata, and Chennai.

The freight corridor is aimed at coping with the increasing demand for freight transport in India by constructing a new dedicated freight railway system, and improving and modernizing inter-nodal logistic system, which will promote comprehensive regional economic development along the freight corridor. As at present many Japanese

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businesses are apprehensive about the limited infrastructure development in India, these developments on the infrastructural sectors would accelerate economic partnership between the two countries. It is to be noted here that though since 1986 Japan has been India's highest official aid giver; such enthusiasm was not met by Japanese private sector, which found China a more attractive destination.

Nevertheless, according to the Japanese External Trade Organization, (JETRO), Japanese firms increasingly prefer India as an investment destination over China. The number of Japanese companies in India has grown eight fold over the last five years from approximately 100 companies in 2006-07 to 812 in October 2011. Japanese investment in India grew by 90 per cent from 2010-11, amounting to \$2,972 million in fiscal 2011-12. During 2011-12, Japan became fourth biggest foreign investor in India, from ninth position in fiscal 2008-09.

Taking into account all these cooperation between India and Japan in the economic sector, it is axiomatic that economic relations between the two countries have been on a rise in the recent times, which would further get a boost with the signing of CEPA in the due course of time.

**Nuclear Issue:**

To meet its energy needs, India would like to partner Japan on the peaceful uses of nuclear energy. However, while the civil nuclear agreement between India and Japan is under discussion, the negotiators face the challenging task of harmonizing a pacifist principle with a pragmatic policy. They are actively exchanging discussions about nuclear energy industries, including through business missions. As the business potential of nuclear energy cooperation is huge, there is an interest in signing civil nuclear deal between the two countries, on the lines of the deals India has signed with other countries. Civilian nuclear cooperation agreement between India and Japan is vital also because all the US and French firms, which have bagged contracts to build nuclear plants in India are either partly or, wholly owned by Japanese companies. As Japanese firms have very advanced capabilities in the nuclear field and play a very important role in the global supply chain, it will not be possible for these companies to use Japanese technology,

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because of Japan's ban on the transfer of military and arms related technology since 1976. For example, French firm Areva depends upon Japan Steel Works, the world's main forger, and Mitsubishi Heavy Industries, for the manufacturing of equipments that are installed in Areva's nuclear power plants. However, the 2011 triple disaster in Japan in the form of earthquake, tsunami, and nuclear disaster has hardened public opinion against any nuclear cooperation in Japan.

Moreover, as India is not a signatory to CTBT (Comprehensive Test Ban Treaty) or, NPT (Nuclear Non-Proliferation Treaty), Japan is apprehensive about signing a nuclear cooperation agreement with India. The discriminatory nature of NPT has refrained India from signing the treaty. Still, India has adopted 'no first use' principle in using the nuclear weapons, and announced a moratorium on further testing to assuage people's perception. As India has an impeccable record of nuclear non-proliferation, and is surrounded by unstable countries, Japan should take into account India's security concerns into account.

As far as CTBT is concerned, India has unilaterally declared a moratorium on testing, but wants the world to move categorically towards nuclear disarmament in a credible time-bound manner. FMCT (Fissile Material Cut off Treaty), which aims to stop further production of fissile material for weapons purposes, India's stand is that it will accept anything which is universal, non-discriminatory, and effectively verifiable in nature.

Considering India's stand on different non proliferation regimes, it is highly axiomatic that both the countries seem to share the end goal of nuclear non-proliferation, but, differ on the means to that end. This may be because of the fact that both the countries face different security challenges, and hence prescribe different means to meet those challenges.

**Strategic Issues:**

While the emergence of a new India has opened up many business opportunities for Japan, and the world at large; the increasing threat various countries of the region feel on account of a resurgent China, has led India and Japan to strengthen their relationships in

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the political and strategic spheres. It has to be noted here that while the rise of the Chinese economy has opened up many opportunities for India and Japan in the economic sphere, China's increasing assertiveness particularly in the East and South China Sea, military modernisation and the growing nationalistic fervour has concerned most of the countries in the region.

Security architecture in the Asia-Pacific region is in flux on account of China's navy modernization, and the recent announcement of the United States to reposition sixty percent of its naval fleet in the region by the end of this decade, up from the current level of about fifty percent. These developments have given rise to speculations about the evolving nature of security architecture in the region, and its implications on regional issues like South China Sea dispute, recurrent skirmishes of China with regional countries, etc.

The death of Kim Jong Il in North Korea and transitionary processes in Myanmar has further enhanced the security dilemma for the region. Because the uncertainty associated with North Korea and accelerated engagement of the international community with Myanmar has provided space to other powers to increase their engagement with the region, which may alter the status-quo. US enhanced engagement with the region will have major implications for India- Japan Relations. Because any negative development on the regional issues shall embroil the two powers in these conflicts one way or the other.

**China's naval modernization:**

China's first aircraft carrier, stealth fighter', and the long-range ballistic missile capable of hitting a moving ship at sea, are emblematic of China's broadening strategic horizons. China's capabilities seem to focus on developing a regional anti-access or area denial strategy, not only to challenge American interests where they need to be challenged, but also to prevent Taiwan from declaring independence. The aircraft carrier Varyag will operate the new J-15 Flying Shark strike fighter, based on Russian Sukhoi SU-33 jet design. China's aircraft carrier is part of its 2004 historic mission that the People's Liberation Army will increasingly defend the Communist Party's interests outside of

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China, for which it wants a military that will be globally deployable by 2020. Western experts believe that the carrier will only confer prestige of a rising great power on China, and serve a training role, as carrier operations require significant expertise which can only be built up over time.

Besides the aircraft carrier, China is also deploying DF-21D (known in the West as the CSS-5) anti-ship ballistic missile, a land-based system having a range in excess of 1,500 km which would potentially target US carrier battle groups. The DF-21D is fired from a wheeled transport vehicle armed with a manoeuvrable warhead that gives the Chinese military the ability to strike ships in the western Pacific Ocean. Apart from the aircraft carrier and the ballistic missiles, China's Chengdu J-20 is believed to have the radar-evading stealth capability.

The aircraft carrier in combination with the stealth fighter and the ballistic missile, designed to sink aircraft carriers manoeuvring at sea up to 1,500 km (930 miles) offshore, will limit the preeminent power of US in the region, and will prevent it from intervening in any future crisis involving Taiwan. All of these can target US bases, US ships and US carriers in Asia. They will make it much more dangerous for US carrier fleets to operate close to China's coast, pushing them out further offshore. This in turn would open up more room for China to flex its military muscles and help it in protecting its strategic and economic interests.

Moreover, the notion of China's peaceful rise has become questionable. In a meeting of military officials in December 2011, Chinese President Hu Jintao said that China's navy should 'accelerate its transformation and modernisation in a sturdy way, and make extended preparations for warfare in order to make greater contributions to safeguard national security'. This implies a more assertive China in the medium to long term.

By increasing its naval capabilities for integrated offshore operations, strategic deterrence, and strategic counterattacks, China is trying to increase its share in the international maritime affairs by making its presence felt from East China Sea to the shores of East Africa. The modernization and increasing expenditure on navy is important for China from two perspectives. First, it needs to secure the Sea Lines of

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Communications (SLOCs), to get uninterrupted, safe and guaranteed passage of trade and commerce from middle-east, central Asia, and Africa to cater to its growing economy. Second, because of its growing power PLA navy needs large operating space to influence events in favour of its own national interest.

But, China's growing military is a matter of concern for other stakeholders in the region. The safe passage of trade and commerce is not only important from the economic perspective of China, but also of other regional countries. Apart from that the opaqueness of Chinese military objectives and its increasing assertiveness in settling international disputes in its favour has threatened other countries interests. South China Sea dispute involves a number of countries like Vietnam, Philippines, Brunei, Indonesia, Malaysia, and Taiwan, besides China. But, China considers South China Sea as part of its 'core interests', as evident from planting of Chinese national flag in the South China Sea in 2010 by a submersible vehicle, announcement of oil exploration blocks in South China Sea, dispute over Senkaku/ Diaoyu islands with Japan, reflects China's assertiveness. The stand of China in South China Sea was a digression from the 'Declaration on the Conduct of Parties in the South China Sea', in which all concerned parties resolved 'to exercise self-restraint in the conduct of activities that would complicate or escalate disputes and affect peace and stability' in the region. Though, the declaration is non-binding, the actions of the signatories to the contrary have the potential to destabilize the whole region. Therefore, increasing operating space for Chinese navy will have ramifications over the maritime interests of other stakeholders' interests in the region.

Chinese Navy's enhanced capabilities as a result of rapid modernization, combined with an assertion of 'operating in distant waters' are indicative of eventual permanent presence and power projection in East and South China Sea, West Pacific, and Indian Ocean Region (IOR), raises security concerns for all East, Southeast, and South Asian countries, including India and Japan in its ambit.

On the global level, the increase in piracy in the Gulf of Aden and off the Somali coast mandated global efforts, where China also participated as an affected party. But, the issue in itself should not be made an excuse to gain strategic advantages by China, because,

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even if the problem of piracy in the Arabian Sea gets resolved, Chinese Navy is unlikely to return to China, especially after investing so much effort, resources and international relations capital. By participating in curbing piracy, China has gained strong sea legs, vital lessons in inter-operability and above all, a say in global maritime matters. Flush with over \$2.5 trillion foreign exchange reserves; China is making efforts to secure logistics bases in the Indian Ocean region, commonly known as the ‘String of Pearls’ strategy, which has the potential to threaten, not only India’s maritime interests, but, also its security and stability. The possibility of Chinese assertion that its energy security in the Indian Ocean could become a hostage to illegal activities by pirates or by other issues, needs to be countered at the very incipient stage, as it will go against the dictum of Indian maritime strategy.

Indian maritime imperative is to secure a coastline of over 7,000km, exclusive economic zone of about 2.5million sq.km, and to have unimpeded access to the sea to secure its international trade constituting about 35% of its GDP. It has to be noted here that ninety per cent of India’s commerce is by sea, out of which about 45 per cent of India’s seaborne trade moves (and comes from) westwards to Africa, Europe and the US; while 55 per cent moves eastwards (and comes from) across the Asia-Pacific region. Moreover, India is located in a region which is a haven of failed and failing states. Therefore, the threat of piracy, gun-running, sea borne terrorism, illegal immigration by the sea, operations against poaching of natural resources, smuggling, etc. continues to loom large in India’s neighbourhood. Hence, maritime developments impacting seaborne trade need to be monitored closely and counter measures taken to safeguard India, Japan and other countries interests.

**Developments in North Korea:**

North Korea is a matter of concern. Aspersions have been cast about the stability of the North Korean regime after the death of Kim Jong-II and coming to power of a relatively immature and inexperienced Kim-Jong-Un. How the regime succession in North Korea would turn out to be, how the elites in the country would align themselves with the new regime, and how the reclusive State would posture to the larger world in the ambit of its

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nuclear and missile capabilities, has concerned all the stakeholders in the region. Given North Korea's missile and nuclear capabilities, with struggle for preeminent position among the various elite-groups in the country has the potential to destabilise the whole region.

India is concerned about the developments in the Korean peninsula because, while Pakistan's transfer of sensitive uranium enrichment technology to North Korea destabilized the security scenario in East Asia region; North Korea's transfer of medium range missile technology to Pakistan brought many Indian cities under Pakistan's nuclear arsenal with the induction of 1,500 km range 'Ghauri' missile. As a consequence, any negative development in North Korea, if put together with Pakistan's own instability and power struggle, may have ramifications for the entire South Asian region. Nuclear Pakistan and North Korea, both allies of China, provides another dimension for enhanced India-Japan cooperation.

#### **Myanmar in the throes of Change:**

While South China Sea dispute and developments in North Korea has concerned the whole region, winds of change in Myanmar, has opened avenues for the international community to limit Chinese influence. The suspension of work on the Myitsone hydroelectric power project suggests that Myanmar is ready to break its ties with the past and start afresh. Through this stand, Myanmar has shown its desire to break ranks with its ally and powerful neighbour China, and engage with the international community. It is useful to point out that in the past Myanmar's political and economic isolation provided space to China to deepen its economic engagement with the country.

The admission of Myanmar in ASEAN in 1997, made India ASEAN's contiguous neighbour, and has given boost to India's 'Look East Policy'. India has enormous stakes in developing good relations with Myanmar from both security and economic perspectives. While large quantity of unexploited oil and gas reserves of Myanmar can be useful in meeting India's energy security; for developing India's north-east region, Myanmar's cooperation is necessary. Cooperation of Myanmar is also important for maintaining

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India's internal security, as insurgent groups from the north east find safe heavens in the neighbouring.

Myanmar's Minister for Science and Technology announcement on 23 September 2011, to abandon plan to build nuclear technology as it may cause concern to the international community echoes the country's desire to jettison its political and economic isolation, and start a new chapter in the country's history.

Myanmar's location in the Bay of Bengal region is also of strategic significance, as US, China, and India, are likely to pay greater attention to this region. This is based on the premise that in recent times U.S. announced to reposition sixty percent of its naval fleet in the Asia-Pacific region by the end of this decade, up from the current level of about fifty percent.

Indian Ocean Region is likely to become new arena of strategic competition. With trade and resources security becoming critical, together with growing Chinese influence in the Indian Ocean Region, maritime dimension will become increasingly critical forcing rethink on naval capabilities and the way to limit Chinese influence in the region. If one observes the China's entry point into Indian Ocean its either through Gwadar port in Pakistan, or, through Sittwe port in Bay of Bengal linking with Indian Ocean region. Therefore, avenues of cooperation in Myanmar will provide ways to limit China's influence in the Bay of Bengal and Indian Ocean region. It will create strategic buffer by bringing China's immediate periphery within economic and political influence.

In a nutshell, winds of change in Myanmar has opened up a window of opportunity for Japan and India to begin a process of concentrated and coordinated engagement for the benefit of common people in Myanmar and for broader peace and stability in the Asia-Pacific region.

### **Security Cooperation:**

India and Japan signed a security cooperation agreement in 2008. Although the 2008 agreement does not sound very grand, its significance can be gauged from the fact that Japan has such a security pact with only two other countries – the United States and Australia. In the Japan's National Defense Policy Guidelines (NDPG) 2010, India figures

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among the four countries/ regions with which Japan wants to enhance its security cooperation, the other countries/region being Republic of Korea, Australia, and ASEAN (Association of Southeast Asian Nations), besides its traditional ally United States. As India needs to enhance its cooperation with other countries to secure its interests in the Indian Ocean, Southeast, and East Asian region, India-Japan ties can become the pivot around which these co-operations can be consolidated.

Japan needs India's cooperation to secure its oil supplies in the Indian Ocean, which are becoming increasingly endangered, due to the rising conventional and non-conventional security threats. In this regard, the two countries are involved in coordinated anti-piracy operations in the Gulf of Aden to combat piracy off the coast of Somalia, besides a number of other countries. Both the countries have also launched Japan-India Shipping Policy Forum, and desire to enhance their cooperation in responding to security challenges such as terrorism, maritime security, counter-piracy, humanitarian assistance, disaster relief, and other areas. In this regard the addition of a third objective to the Japan's security policy in NDPG 2010 that is 'securing global peace and stability and ensuring human security' besides the earlier two objectives that is 'to prevent and repel external threat from reaching Japan', and 'to improve international security environment to reduce the chances that any threat would reach Japan', opens up huge opportunities for both the countries to widen their security interests.

Taking a cue from all these incidents, India and Japan need to design a strategy to counter China's increasing assertiveness in the long run, and its desire to become the hegemon the Asia -Pacific region. As China has encircled India with its 'string of pearls' strategy by establishing its strategic naval presence at India's surrounding countries like Pakistan (Gwadar), Srilanka (Hambantotta), Myanmar (Sittwe), Bangladesh (Chittagong), Maldives, and Mauritius; India needs to adopt a similar strategy in collaboration with Japan to limit China within its own boundaries, by extending cooperation with China's neighbours both in East and Central Asia region.

**Conclusion:**

Taking all economic and strategic dimensions into account it is mandatory

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for India and Japan to enhance their relations in all spheres. Given Japan's technological prowess, high domestic savings, a well diversified economy of \$5 trillion, and a huge current account surplus, it is logical for India and Japan relations to flourish.

For Japan's perspective it is necessary for it to hedge its stakes by investing in India. Given the increasing labour costs, near saturation of market, and increasing hostility of Chinese people against Japan, it makes complete economic and security sense for Japanese businesses to invest in India. Moreover, as a research report by Morgan Stanley had stated that India could overtake China's growth rate by 2013 and is expected to be notably ahead by 2015 onwards, opens up huge scope for Japan.

However, to strengthen relations in the economic sector, Japanese companies are concerned about issues relating to infrastructures, taxation system, and customs clearances in India. The land acquisition is also a major obstacle to facilitate Japanese investments in India. In a report, the Heritage Foundation had held corruption responsible for choking growth in India by making it difficult for entrepreneurs to start business. India ranks 165th out of 183 countries in the World Bank's measures of the difficulty of starting a business. These systemic bottlenecks need to be removed by India to facilitate Japanese and other foreign investments in the country.

The two countries also need to enhance their cooperation in the political and strategic spheres to protect and promote their national interests, by curtailing conventional and non-conventional security threats. For this increasing cooperation with countries surrounding China like Myanmar and expanding maritime cooperation in the Indian Ocean and Southeast and East Asian region is a viable option. India and Japan can also become the pivot around which security interests of the Central, East, South, and Southeast Asian countries can be consolidated, which feel a very realistic threat from an increasing assertive China. For this Japan can provide India with military related technologies to connect with Central Asian region, and to enhance their maritime cooperation in the Indian Ocean region, by lifting the 1976 ban on exports of military related technologies. The two countries decision to cooperate in cyber security, space security, and maritime domain during the visit of Japanese Foreign Minister Koichiro

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Gemba to India earlier this year is a welcome development. Taking this cue, India and Japan can enhance their cooperation in the high technology sectors, such as biotechnology, supercomputers, etc. Their joint efforts shall enable them to find solutions to various other problems plaguing the regional and global community.

In a nutshell, India and Japan's failure to involve each other earlier let them lose significant opportunities to benefit each other in both economic and strategic spheres. However, the complementary nature of Indian and Japanese economy, and their converging security and political interests, make them "natural allies" with "common causes", and therefore, mandatory partners in the long run. A strong India-Japan relation can be a precursor for growth and stability of the region and the world.

(\*These are author's personal opinion and do not reflect the stand of the Indian Council of World Affairs)

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