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## India-Japan Relations - Looking Back, Looking Ahead

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## India-Japan Relations Looking Back, Looking Ahead

Arjun Asrani

Former Ambassador of India to Japan

I have the privilege of being a student of India Japan relations for the last over 51 years. I had three diplomatic assignments in Japan, starting as Third Secretary in the Embassy of India, Tokyo, in 1960 and retiring as Ambassador in 1992. In between, I also served as the Joint Secretary dealing with Japan in our Finance Ministry. I feel honoured to be invited to write this article in celebration of the 60<sup>th</sup> Anniversary of India Japan diplomatic relations.

This article is intended to describe the entire gamut of India Japan relations, albeit in a compact manner.

### . Post-War Period

#### 1. From Pre-War years to immediate post-war years; India's pro-Japan policy

A Japanese friend once described the history of India Japan relations as an unrequited love affair. If we go over the history of India-Japan contacts, we find that the two did know of each other in the early centuries. However, it was mostly a one-sided affair with Japan looking respectfully at India (or *Tenjiku*) as the birthplace of Buddhism. By the time India became aware of Japan as a fascinating country, from the late 19<sup>th</sup> Century onwards, Japan had started looking at the Western countries as models for its industrial revolution and modernization.

Soon after the War, the 1950s were, in my opinion, a golden period in the modern history of India Japan relations. The Japanese were touched by Indian Prime Minister Jawaharlal Nehru's thoughtful gestures like sending a baby elephant called 'Indira' (named after his daughter) to Ueno Zoo at the request of the children of Tokyo. Even more gratifying for the Japanese was Justice Radha-Binod Pal's dissenting judgment at the International Military Tribunal for the Far East. Even today I feel admiration for this judge for having the courage to express his dissent in that period although he was the only non-white in the Tribunal.

India decided not to be a signatory to the San Francisco Peace Treaty because, in that treaty, Japan was being treated as a defeated country. Instead, India and Japan signed a separate bilateral Treaty of Peace and Amity on June 9, 1952. That was, I understand, the first treaty that Japan signed on terms of equality after regaining its sovereignty. With its provision for restoration of Japanese assets in India and the renunciation of reparation claims, it was genuinely a treaty of friendship and goodwill. India also strongly supported Japan's admission to the UN and Japan's being invited to the Bandung Conference of Asia and Africa, Asian Games, etc.

Japan, at that time, was keen to develop relations with India not only as an important and friendly source of iron ore but also as a vast country with great potential. Many Japanese at that time were also in sympathy with Nehru's idealism and ideas on non-alignment. Prime Ministers Nobusuke Kishi and Nehru exchanged the first India Japan Prime Ministerial visits during this period. India became the first country to be extended Japanese Official Development Assistance (ODA) in 1958. Long-term agreements on supply of iron ore from India were concluded, industrial joint ventures and technical collaborations multiplied and agreement had also been reached on avoidance of double taxation.

To crown this golden period, the Crown Prince and Princess of Japan (the present Emperor and Empress) made a memorable goodwill visit to India in 1960. Among other things the Crown Prince laid the Foundation Stone of India International Centre in New Delhi in November 1960 it is now, perhaps, the most important centre for intellectual discourse and cultural activities in India.

## 2. Unhindered relations in spite of the Cold War

For about two-and-a-half decades thereafter, the Cold War came between us. In addition, on the economic side, India started following a quasi-socialist path of inward-looking self-sufficiency. Fortunately, Japan continued with its ODA. Since most of the ODA was by way of tied loans in those days, it also gave business to and supported the continuation of the major Japanese trading company offices in India.

The initial breakthrough in this lean period came in 1984 when our young Prime Minister, Rajiv Gandhi, started showing promise of opening up the economy and Prime Minister Yasuhiro Nakasone paid us a highly successful visit. Cultural Festivals were held in each other's country. The Suzuki-Maruti collaboration in the automobile sector was starting at that time. Ever since, the Japanese auto industry has made an outstanding contribution not only to the auto industry in India but also to the entire

manufacturing sector. It certainly brought Japanese technology and capital but it also brought the Japanese manufacturing and management culture to India.

Japanese ODA allocations to India were also doubled at this time. When we speak of ODA, the Japanese-aided project that has made the greatest popular impact in Delhi in recent times is perhaps the success of Delhi Metro project. However, this is an appropriate occasion to recall some other landmark projects of Japanese ODA in India that have also played a significant role in our economic development. Perhaps the most outstanding was the Bombay High Deep Sea Drilling Project under which India's first offshore jack-up drilling rig, provided by Japan, started drilling off the coast near Mumbai, in 1974. It greatly reduced India's dependence on expensive imported oil. In August 1982, the Government of India brought out a postage stamp depicting this rig to commemorate the success of its oil exploration program. Even the Reserve Bank of India displayed the rig on its one-rupee notes in 1994, the 20<sup>th</sup> Anniversary of the project. Other important projects I can recall are Visakhapatnam Outer Harbour Project on the east coast of the state of Andhra Pradesh, Cochin Shipyard on the west coast of the state of Kerala, and several fertilizer projects that helped our Green Revolution, making India self-sufficient in food grains production.

Reflecting the cordial relations between our two countries, the Indian Government observed 3 days' official mourning on Emperor Showa's passing away in 1989. The President of India Sri R. Venkataraman attended Emperor Showa's state funeral in 1989 as also the present Emperor's enthronement ceremony in 1990.

## . End of Cold War & Dawn of New Bilateral Relations

### 1. Start of a new era of bilateral relations

The bilateral relations kept improving even more significantly in the 1990s with the end of the Cold War and the start of economic reforms in India.

In 1991, when our balance of payments position was under severe pressure, Japan was the main country that came to our rescue in a situation where we were otherwise facing default on our foreign debt repayments. The situation was so bad that the Government of India were seriously considering selling our highly valuable Embassy Office property along the Imperial moat at Chidorigafuchi in Tokyo. Fortunately, Japan extended quick-disbursing bilateral aid and helped further assistance through the Asian Development Bank, World Bank and IMF. The Finance Ministry of Japan also advised Japanese banks to roll over substantial short term commercial debts of Indian

entities. The crisis passed. India has ever since been grateful for this timely assistance.

From the Indian side, when Japan sent its minesweepers to the Gulf after the first Gulf War of 1991 was ended to clear the waters of the Gulf, non-aligned India readily acceded to Japan's request to afford facilities at Indian ports in case of need. Land was provided at a concessional price to the Japanese Embassy in New Delhi for constructing a Japanese school. In response to a request from Japanese business executives, our then Finance Minister (now Prime Minister) Dr. Manmohan Singh allowed all foreign residents in India to import their food-stuff free of import duties, within a certain quota.

## 2. India' nuclear tests and launching " India-Japan Global Partnership "

The most important development at this time was that the Indian economic reforms had started attracting the attention of Japanese companies by way of Foreign Direct Investment (FDI) and trade. Unfortunately, the Indian nuclear tests of May 1998 and Japan's harsh reaction thereto resulted in a grievous setback to the relations between the two countries. Apart from freezing ODA for new projects, the Japanese 'measures' acted as a major psychological break on the growing momentum of Japanese business interest in India.

Curiously, it was perhaps the highly publicized visit to India of US President Clinton in March, 2000 that provided a wake-up call to Japan regarding India's progress in the world of Information Technology and its potential as a global power. The highly successful visit to India in August that year by the affable Prime Minister Mori broke the ice and the " Global Partnership between India and Japan " was launched by Prime Ministers A. B. Vajpayee and Yoshiro Mori. However, a complete recovery of the ODA relationship had to await the 9/11 tragedy in 2001, which brought to the fore the war against international terrorism and put India in the global coalition against international terrorism.

Until the 1990s our relationship had been highly asymmetrical. On the strategic-political side we had the cold-war abyss between us; on the economic side, we, in India, were too inward-looking to be of interest to Japan. We, on the other hand, always needed Japanese aid, investment and technology. All this has changed substantially. The post-cold-war realities are creating a strategic bond between us and the remarkable success of the Indian economy in certain sectors and, above all,

the growing Indian market and reservoir of talent are fast changing the Japanese perceptions of India. The interest is now mutual and, therefore, healthier.

The Joint Statement on “ the Global Partnership ” issued during Mr. Mori’s visit reflected this change and, for the first time, recognized India as a global partner (Until then India had been considered a leading country in South Asia). The Joint Statement issued during the visit of Prime Minister Koizumi in 2005 added even greater substance to this partnership while emphasizing the shared democratic and human values. In my judgment, a most significant sentence in the Joint Statement was: “ A strong prosperous and dynamic India is in the interest of Japan and vice versa. ”

This recognized for the first time that our two countries are not in competition for leadership in Asia but in fact take comfort from each other’s strength. It gave a new strategic orientation to the “ Global Partnership in the New Asian Era ” . As a result, Japan went out of its way to get India invited to the East Asia Summit at Kuala Lumpur in December 2005. India and Japan have also since worked together in the G4 (India, Japan, Germany, Brazil) for the reform of the United Nations Security Council. The two countries have also agreed to work together to realize the vision of an Asian Economic Community. It has been decided to hold annual Prime Minister’ visit to each other’s capital and regular ministerial level exchanges including those between the Foreign, Defense, Trade, Finance and Information & Communications Technology Ministers.

#### . Future Perspectives for India Japan Cooperation

All these positive developments provide a political / strategic framework within which comprehensive relations between our two countries can flourish. In addition, there are impressive socio-economic complementarities between the two countries which can contribute to the process. In my personal opinion, these can be summed up as follows:

##### 1. Socio-economic Complementarities

- Indians can be visionary and articulate but tend to be theoretical. The Japanese are shy but wise, with a hands-on, pragmatic approach. From this it follows that Indians can be good at presenting a macro perspective but the Japanese are much better at examining the micro details for implementing a project on schedule.

- The Japanese are outstanding in manufacturing but, in view of the high wages in Japan, they are moving on to higher value-added industries. This may create a shortage of qualified manpower in Japan, especially in the IT sector.
- India has shown that it is precisely in the scientific and professional areas that it can produce manpower of a world standard with Indian salaries. Apart from IT services, computer software and scientific research, Indians have a good track record in management consultancy, media and entertainment, fashion designing and haute couture, the health and hospitality sectors, advertising and public relations, as well as all finance-related activities like banking, accounting, insurance and the capital markets.
- The Japanese are shy in the use of foreign languages. The widespread use of English in India is now helping its globalization. Indians are also good at learning even other foreign languages, including Japanese.
- Japan will soon have an aging society accompanied by a diminishing birth rate. India's population will continue to be relatively young in the foreseeable future with a growing skilled workforce.
- The middle class has similar attributes in both countries-well-educated, frugal, savings-oriented, giving high priority to family and education of children, looking after aged parents etc. However, India's middle class may be about 25% of its population while the corresponding figure is likely to be 80% in Japan.
- Whatever its GDP growth rate, Japan remains rich in capital and technology, the very elements required for developing Indian infrastructure.

All these complementarities are already starting to show results. Japan, to my mind, is one of the two most important economic partners of India (the other being USA) if one takes into account all economic activities like FDI, ODA, Foreign Institutional Investment (FII) in Indian equity and debt markets, technology transfers, bilateral trade and trilateral trade undertaken by Japanese trading companies located in India.

The most important aspect of Japanese FDI is not the capital it brings; it is the whole basket of technology, manufacturing practices, shop-floor management, labour education and, as in the case of the auto sector, the uniquely Japanese work culture that is even more important. On a larger canvas, both Japan and India are facing the economic challenge of a manufacturing juggernaut that is China today. Neither Japan, with its much smaller and diminishing population, nor India, with its present unimpressive performance in the overall manufacturing sector, may be equal to this challenge by itself in the coming decades. By combining their strengths, however,

these two largely complementary economies can be equal to this challenge and safeguard against any hegemony in Asia.

## 2. Problem Areas in Indian Manufacturing Sector

I am aware that prospective Japanese investors have long identified the following impediments in considering FDI in manufacturing industries in India:

- Poor infrastructure, especially as regards power, water, railways, roads and ports
- Lack of adequate literacy, often resulting in poor productivity in the blue collar work force
- Inadequate progress in deregulation and reforms e.g. in labour laws,
- Unreasonable interpretation of regulations at the lower and middle levels of the bureaucracy.

All these shortcomings regrettably do exist and, while successive Governments in India has been trying to improve the situation, much remains to be done. All I can say is that Indian industrialists also face the same obstacles but have learned to cope with or get around them. The South Koreans too seem to have somehow managed successfully. Keeping this in mind, Japanese companies can perhaps establish joint ventures with reputed Indian partners where the Japanese side could keep the majority shareholding and all aspects of manufacturing under its own supervision, leaving the Indian partner to handle relations with government authorities, manpower recruitment and labour relations. No doubt, a suitable Indian partner has to be located in each case.

There is also the problem of being able to understand a vast, sometimes chaotic, democracy like India with its numerous diversities ethnic, linguistic, religious, caste and class as well as the Indian tendency to be argumentative. I like to think of this situation as a case of dynamic stability. In other words, we have daily miniature eruptions which prevent any volcano-like eruption. Compared to many developing economies, the Indian press is brutally independent and critical of Government. This could cause apprehension to an unseasoned foreign observer that a civil war or revolution might be about to break out in the country. This may be especially so for the Japanese who have so much peace at home!

### 3. Future Areas of Bilateral Cooperation

The continuing reverberations of the global economic crisis of the last three years in the developed countries make a compelling case for export-dependent countries like Japan, rich in capital and technology, to pay maximum attention to the fast-growing and vast market that is India. I learn that there is increasing demand from economic analysts within Japan that the country's manufacturing industry, which was hitherto geared to the markets of the West, should adjust to the needs of emerging economies like India. Some large Japanese companies in the field of home and office appliances have already started modifying their products to the Indian consumer scene. Even some high technology Japanese companies are now planning to set up manufacturing facilities in India.

In the field of infrastructure development, where Japanese producers of equipment find it difficult to compete with the Asian new tigers, it may be best to set up production in India, possibly with Indian collaborators. Besides, India's skilled manpower in areas already identified above can be a source of considerable promise in rejuvenating the Japanese economy.

While Japanese ODA may no longer be the chief bonding factor between the two countries, it will continue to play an important role in the Indian infrastructure projects, sometimes in collaboration with the private sector. A sector that could have increasing importance in the future in many countries like India is that of projects related to water urban drinking water, cleaning up of rivers, hydro-electricity, osmosis from sea-water, pipelines for water, etc.

There are also vast areas of possible cooperation in the areas of renewable energy, energy efficiency, climate change and new areas of research like nano and bio technology where Japan and India can cooperate and contribute to solving global problems.

India's Free Trade Agreements (FTAs) with ASEAN countries should be of special interest to Japan since many Japanese ventures established in these countries over the last three decades will benefit the most from ASEAN trade with India. Hopefully, over a period of time, Japanese manufacturing in India will also benefit from exports to ASEAN. One also hopes that the Comprehensive Economic Partnership Agreement (CEPA) between India and Japan which came into effect in August 2011 will open the doors to substantially increasing our bilateral trade and investment. It could also provide a further impetus to the development of two great projects initiated and promoted

by the two Governments, namely the Dedicated Freight Corridors and Delhi-Mumbai Industrial Corridor between Delhi and Mumbai.

India can also be a useful base for exports to, and joint ventures in, the Middle East and Africa. Apart from the factors of geographic proximity and fast-growing economic relations, there is a sizeable community of successful Indian expatriate businessmen and workers in these areas.

I am glad that in a hitherto taboo area, namely civil nuclear power cooperation, official negotiations have started between our two Governments. I know this is a very difficult subject for Japan. I would however like to submit that, seen from the Indian perspective, the Japanese position is to a large extent influenced by sentiment. India has not signed the NPT on principle. But it has practiced non-proliferation more honestly than some countries who have signed the NPT. Besides, like Japan, India's desire for a global accord towards a zero nuclear weapons target is genuine and in its self-interest. This is because India's dangerous neighbourhood is similar to that of Japan.

#### 4. Strengthening Strategic Partnership

In December 2006, Prime Minister Dr. Manmohan Singh and Shinzo Abe issued a Joint Declaration on the "Strategic and Global Partnership between India and Japan", upgrading "the Global Partnership" launched by Prime Ministers A. B. Vajpayee and Yoshiro Mori.

There are some obvious limits to India Japan defense cooperation. On the Japanese side there is the Article 9 of its Constitution. On the Indian side there is the strong influence of Nehruvian non-alignment which, in today's post-cold war world, has been translated into a pragmatic, independent stance in a multi-polar world where India and Japan are two of the poles.

Within these constraints, I am happy that our two countries have a Security Cooperation Agreement which covers several fields; I am particularly happy about the cooperation between our naval forces, including the Coast Guards, in a variety of interactions. Japan needs a safe passage for its oil tankers and cargo ships plying between the Gulf and Japan through the Indian Ocean sea-lanes. A friendly Indian Navy or Coast Guard has a credible capability for assisting in this regard. This has already been evinced in some cases of piracy against Japanese vessels.

The ongoing global economic meltdown may compel many countries to review their existing policies. In this light, it is conceivable that Japan's self-imposed restrictions on exports of defense material may have to be reviewed. The defense industry by its nature involves huge investments and requires a market larger than a single country. That is why even neutral countries like Switzerland and Sweden are prominent exporters of defense equipment. I understand that at least some people in Japan have started thinking about this subject. Should the Government of Japan modify its policies at some date in the future, I would imagine India could be a large and friendly market for defense equipment and for joint R & D in this sector.

It is also good that USA, Japan and India have been having a trilateral dialogue which is being raised to Track I level. It should not bother us if that causes concern to China. After all, that country indulges in a lot of activities and assertive statements which cause concern to its neighbours. There are many subjects for a dialogue but one of the subjects has to be the growing military expenditure and power of China behind the opacity of its systems. Having said that, none of the three countries have any policy of containment of China there is enough space for all of us to grow and prosper. What is desired is that China too should accept this in practice.

There is a growing integration of India and Japan in the Asia Pacific region. In this context, the latest East Asia Summit in Bali in November 2011 revealed some interesting aspects. Reportedly, as many as 16 out of 18 countries, including Japan and India, addressed the issue of maritime security in the South China Sea in the context of recent Chinese aggressive assertiveness regarding their core interests. Our leaders, along with President Obama and others, emphasized the importance of international law in dealing with maritime security. We must continue to work together for an inclusive framework for ensuring freedom of navigation in the South China Sea.

Now that Myanmar is opening up, Japan and India can collaborate to jointly assist in developing the infrastructure of Myanmar even if USA takes its own time in dismantling its sanctions after the recent visit there by the US Secretary of State, Mrs. Clinton.

##### 5. Cultural Exchanges and Soft-power Cooperation

The successive Joint Statements issued every year during the exchange of Prime Ministerial visits have also attached considerable importance to people-to-people

and other cultural contacts. Thus, tourism is being strongly encouraged as each country has cultural heritages and beautiful nature in abundance. The learning of the Japanese language at school and university level is being increasingly encouraged in India and there is a growing trend in exchange of scholars.

Since the year 2012 is the 60<sup>th</sup> anniversary of India Japan diplomatic relations, there will no doubt be a great number of exchanges in the cultural and other fields. We should, in particular, aim at substantially increasing student exchanges. During his Prime Ministerial visit in 2007, Mr. Abe had thoughtfully brought along a dozen of Japanese university presidents for establishing exchange programmes and other cooperations with their counterparts in India. Since then a group of Japanese universities have established their presence in India through the offices of Ritsumeikan University in New Delhi and University of Tokyo in Bangalore. We should have more scholarships to promote exchange of students. Both Japanese and Indian companies often have budgets for Corporate Social Responsibility (CSR). I hope that at least the more successful India-Japan joint ventures, both in India and Japan, will set up scholarships as part of their CSR activities.

In terms of Soft Power , Japan has always enjoyed high popularity across all regions of India. The warmth towards Japan cuts across party lines in India. This regard and respect went up even further after the tragic earthquakes and tunamis which hit Eastern part of the Tohoku region on March 11<sup>th</sup> 2011. The people of India genuinely shared Japan's sorrow and admired the Japanese people's fortitude, discipline and resilience. The Government of India dispatched for the first time abroad 48 members of the Emergency Rescue Force to Miyagi Prefecture. We look forward to a newly energized Japan marching to greater heights.

### Looking Ahead

History, geography, economics, demographics, even different strengths and weaknesses all converge to make India and Japan natural partners. Both India and Japan have a value system that respects nature and strives for harmony between man and his environment. In a world threatened by Climate Change, it is these values that must be revived and India and Japan can hopefully lead the world in this regard.

New Delhi, Early December 2011

**BIO-DATA**

Ambassador Arjun Asrani

1956 Graduated from Bombay University and qualified to  
Indian Foreign Service

1975 ~ 77 Consul General, New York

1977 ~ 79 Joint Secretary (Americas),  
Ministry of Foreign Affairs(外務省米州局長)

1979 ~ 81 Joint Secretary(Economic Affairs), MEA(經濟局長)

1981 ~ 84 Ambassador to Libya and concurrently High  
Commissioner to Malta

1984 ~ 86 Ambassador to Thailand

1986 ~ 88 Additional Secretary, then Special Secretary(Americas & Europe)  
(米欧担当次官補)

1988 ~ 92 Ambassador to Japan(駐日大使)

At present, Chairman, India-Japan Partnership Forum at FICCI

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