

India-Japan Ties: Getting a Boost Under Modi and Abe

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ABSTRACT Since Narendra Modi came to power in 2014, the Indian prime minister and his Japanese counterpart, Shinzo Abe, have been instrumental in what has been the most dramatic leap forward in India-Japan bilateral relations. While the two countries have made strides in strengthening cooperation in recent years, there are limitations that need to be overcome. This brief examines the challenges that remain in the relationship.

INTRODUCTION

When Indian Prime Minister Narendra Modi came to power in May 2014, the prospects for the partnership he shared with his Japanese counterpart Shinzo Abe garnered significant attention. Modi and Abe's common "soft nationalism; their shared proclivity for market-oriented economics, the models labelled "Abenomics"¹ and "Modinomics";² their personal chemistry; their proactive foreign policies; and the fact that they both sought a new "Asianism" that aims to promote a web of interlocking

strategic partnerships among important democracies in the Asia-Pacific,³ all raised expectations that both leaders would usher in a new era in India-Japan ties. Many of these expectations have been met, as Modi and Abe have been instrumental in what has been the most dramatic leap forward in India-Japan ties. However, despite the progress made from the momentum generated by both leaders, this brief argues, there remain substantial challenges to this partnership.

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While the focus of this brief is on India-Japan relations under Modi and Abe, it is only fair to note that it was the institutionalisation of the summit-level dialogues beginning in the early 2000s which provided a platform for a deepening partnership, and for the conclusion of various agreements over the years. Indeed, starting from 2000, when then Japanese Prime Minister Yoshiro Mori visited India and established strategic relations, successive governments in both countries have maintained a continuum in the relationship, which the Modi and Abe governments are only building upon.

Moreover, it is well established that the deepening of India-Japan relations in recent years has been underscored by growing Chinese presence in Asia. Tokyo and New Delhi have been pursuing greater cooperation to further their own regional interests and strengthen their collective capacity to counterbalance China's ambitions and its own connectivity initiatives in Asia and beyond.

Apart from the motivation to balance China's growing assertiveness, there have been other reasons driving this deeper engagement. Amid a certain amount of strategic retrenchment on the part of the US, as well as the uncertainty in US policy under the Trump administration, coordination between Japan and India has become increasingly important for preserving the security architecture in the Indo-Pacific region. Finally, growing security threats—increased transnational terrorism, and piracy, especially in the broader Indo-Pacific Region—are also a shared concern.

KEY AREAS OF PROGRESS

Modi and Abe have undertaken various initiatives and delivered on them significantly. While the ground that has been covered by both leaders is large, and includes progress in areas

such as education, space, science and technology, climate action, and cultural ties, this brief focuses on six key areas where relations have generated the most impact: economic engagement, connectivity and infrastructural ties, nuclear cooperation, maritime security, defence cooperation, and coordination on regional issues.

Economic Relations

Even before Modi's term, Japanese investors have shown a growing interest in India, primarily motivated by the Sino-Japanese territorial conflicts over the Senkaku/Diaoyu Islands. A 2010 survey by the Japan Bank of International Cooperation (JBIC) suggests that 74.9 percent of the 605 Japanese manufacturers selected India as their investment destination over the next 10 years, compared with 71.7 percent that chose China.⁴ This is a change from an earlier survey by JBIC in 2009, which found China to be the first preference, followed by India.⁵

After coming to power in 2014, Modi promised Japanese investors “no red tape, only red carpet”.⁶ Data generated by JBIC show that while there has been continuity in the positive trajectory recorded under the Manmohan Singh government, other developments have emerged under the Modi government as well. For example, India, for the first time since the first JBIC survey in 1992, has consecutively been placed as number one (for 2014, 2015 and 2016) with regard to “Promising Countries/Regions for Overseas Business over the Medium-term”,⁷ overtaking China and other ASEAN states. In 2015, a survey by JBIC also reported that India had emerged as the top investment destination for Japanese companies.⁸

Indeed, India and Japan made a quantum leap in 2016-17, when investments reached

US\$4.7 billion, representing a substantial jump from the US\$2.6 billion recorded in 2015-16.⁹ Japanese investments are also diversifying and now include retail, textile, consumer durables, food and beverages, and banking (credit card services).¹⁰ Moreover, during his December 2015 visit to India, Abe committed US\$12 billion to Modi's 'Make in India' initiative that aims to transform India into a global design, manufacturing, and export hub.

Representing a more strategic turn in their burgeoning economic partnership was the agreement between the two leaders regarding rare earth elements (REEs). Both India and Japan are heavily dependent on China for their REEs supply. However, after a territorial flare-up in the Senkaku/Diaoyu Islands, China cut export quotas by 40 percent and halted supplies to Japan. Aiming to reduce its reliance on China for REEs, India and Japan signed a trade pact in 2012 allowing India to export REEs to Japan. The big boost came in 2014 when a follow-up deal reached under Modi and Abe estimated that production would reach 2,000 tonnes per year, or 15 percent of Japanese demand. The first REE exports arrived in Japan from India in 2016.¹¹

Connectivity and Infrastructure

Modi and Abe have both affirmed their commitment to cooperating in connectivity and infrastructure projects during Modi's September 2014 visit to Japan. Abe responded to India's request to build approximately 1,200 kilometers of roads in six states in Northeast India. Japan pledged an overseas development assistance loan of US\$845 million for two priority highways—Tura-Dalu road on National Highway 51 in Meghalaya and the Aizawl-Tuipang road on National Highway 54 in Mizoram.¹² In 2015, Abe had also pledged a loan of US\$12 billion for the Mumbai-Ahmedabad high-speed rail (with a total cost of approximately US\$15 billion).¹³

The Asian Development Bank (ADB) and JICA have already pledged significant amounts towards India's nearly 1,000-km-long eastern coastline. This project is poised to play a critical role in India's 'Act East' policy by connecting India with Southeast and East Asia. Understanding the importance of this East Coast Economic Corridor (ECEC) project, ADB President Takehiko Nakao announced the ADB's new country strategy for India (2018-2022) in July 2017 and said that the ADB is prepared to invest up to US\$5 billion more during this period for infrastructure development. He added that the ADB was also willing to invest another US\$5 billion spanning the same timeframe for India's less developed states such as Uttar Pradesh and Chhattisgarh.¹⁴

Perhaps one of the most important steps taken in this area by the two countries was India's expression of willingness to accept Japanese assistance in the Andaman and Nicobar Islands (ANIs). This is the first time India has accepted foreign assistance for developing infrastructure in the strategically important islands, having previously spurned American interest. Japan is now constructing a 15-megawatt diesel plant and a highway on the South Andaman Island.¹⁵ There have also been recent reports that Japan is seeking to upgrade its naval air bases and will construct new signals intelligence stations along the ANI chain, with the goal of monitoring Chinese submarine activity in the region.¹⁶

Finally, looking beyond Asia, Modi and Abe have also raised the stakes by including Africa in their development strategy. In doing so, Modi has expressed "appreciation" for Japan's "Free and Open Indo-Pacific Strategy," which aims to improve connectivity, and promote stability and prosperity in the Indo-Pacific.¹⁷

In May 2017, Modi also announced the Asia Africa Growth Corridor (AAGC), a maritime corridor led by India and Japan that aims to integrate South Asia, Southeast Asia and East Asia with Africa and Oceania.¹⁸ Amid increasing concern over China's Belt and Road initiative (BRI), the AAGC reflects the growing strategic convergence of India and Japan. The 2017 joint statement between India and Japan clearly highlighted that connectivity infrastructure should be developed and used in an "open, transparent and non-exclusive manner based on international standards and responsible debt financing practices, while ensuring respect for sovereignty and territorial integrity, the rule of law, and the environment".¹⁹ Japan and India are also closely watching Afghanistan and Iran as likely sites for future cooperation; the Chabahar Port in Iran is a viable project for collaboration between the two.²⁰

Nuclear Energy

Perhaps one of the biggest highlights of the Modi-Abe partnership was the signing of the "Agreement for Cooperation in the Peaceful Uses of Nuclear Energy". While this deal was initiated in 2010 during the tenure of Manmohan Singh, it was finally inked during Modi's visit to Japan in December 2016, and entered into force in August 2017. This historic and groundbreaking civil nuclear agreement is crucial for an energy-starved India to access sensitive technologies that would generate clean electricity. It should be noted that India is the first non-signatory of the Nuclear Non-Proliferation Treaty (NPT) to have signed such a deal with Japan. However, despite this success, there are challenges that have arisen primarily regarding Westinghouse, which is one of the two US companies selected for constructing nuclear power reactors in India following the landmark 2008 India-US Civil

Nuclear Agreement. These will be addressed in the following section of this brief.

Maritime Security

Given the growing threats of piracy and transnational terrorism, as well as China's inroads into the Indian Ocean Region (IOR) - maritime security has been another significant area of increased cooperation. To provide critical balance to the Asia Pacific region, India and Japan also seem to be moving towards a favorable arrangement, albeit slowly. Showcasing increasing strategic convergence between India and Japan, the December 2015 joint statement welcomed Japan's participation in the India-US Malabar Exercises on a regular basis.²¹ With an eye clearly set on China, this was also done primarily to create stronger capabilities to deal with maritime challenges in the Indo-Pacific region, including through enhanced disaster response and mitigation capacity. In line with this, one can see progress in the increasing complexity of the Japan India Maritime Exercises (JIMEX) as well.

Further, both Abe and Modi have undertaken many individual initiatives to support Southeast Asia. New Delhi, for instance, has undertaken to supply spare parts of Soviet-origin warships and jets for the Vietnam Navy and Air Force, even making donations of patrol ships. For its part, Tokyo has been providing maritime equipment including anti-piracy system, tsunami warning system, cyber defence system, and building infrastructure. Together, Japan and India have been encouraging practical trilateral strategic dialogues and have supported the idea of security through mini-laterals with Vietnam, Singapore, the Philippines, Indonesia, and Malaysia. Their active collaboration will result in a more effective sharing of information, enabling Southeast Asian countries to better identify specific challenges in the maritime

commons. Finally, and most recently, in response to China's aggressive pursuit of its extensive maritime claims, Japan's Foreign Minister Taro Kono announced that Japan will provide a total of US\$500 million in aid for coastal states in the Indo-Pacific till 2019 to help boost maritime security in the region.²²

Defence and Security

In 2016, India and Japan inked two Defense Framework Agreements concerning the Transfer of Defense Equipment and Technology and concerning Security Measures for the Protection of Classified Military Information.²³ Further, the Indian Air Force (IAF) and the Japan Air Self Defense Force (JASDF) held the inaugural 'Air Staff Talks' in 2016 with the view to enhance the service cooperation and functional level exchanges between India and Japan.²⁴

Both Modi and Abe have previously underscored the need to further expand defence engagement through greater two-way collaboration and technology cooperation, co-development and co-production, and by expediting discussions. The first-ever meeting on defence industry cooperation held by the Acquisition, Technology and Logistic Agency (ATLA) and the Department of Defence Production (DDP) took place in Tokyo, which witnessed the significant participation of government entities and companies of both countries.²⁵ Further, a very significant step forward announced during the bilateral defence dialogue held in September 2017, was the decision to enhance cooperation between the Indian Army and the JGSDF; joint field exercises in counterterrorism will be held in 2018.²⁶

Aiming to promote stability and prosperity in the Indo-Pacific region, under Modi and Abe,

security trilaterals in Asia have not only received new momentum, but are also being expanded to incorporate other regional powers. For instance, in June 2015, India, Australia, and Japan held their first ever high-level dialogue (Secretary/Vice Ministerial level) in New Delhi.²⁷ Also, in September 2015, the inaugural US-India-Japan Trilateral Ministerial dialogue was held in New York and was attended by foreign ministers from the three nations. With the aim of further deepening the strategic partnership among these three countries, the next foreign ministers trilateral was held in September 2017.²⁸ There has also been talk of reviving the "quad" (India-Japan-US-Australia), a concept that Abe had initially brought up in his first tenure as prime minister in 2007, but which lost steam due to reluctance from former Indian and Australian Prime Ministers Manmohan Singh and Kevin Rudd.

Regional Issues

India and Japan share an imperative geostrategic vision on the importance of democracy, values-based diplomacy, and respect for international law. Thus, both Modi and Abe have increasingly emphasised the need to work with other like-minded democracies in the region. This is of great significance given the issues that the "third wave" of democracy is facing, and also the increasing number of fragile and failing states in the IOR.²⁹ These issues are capable of destabilising not just the neighbourhood, but the extended region as well. While neither Japan nor India takes a political approach to democracy promotion, in the sense that they do not tie aid to the establishment of democracy in recipient states, public statements by Indian and Japanese ministers continually emphasise the importance of this. Against this background, the two leaders also welcomed the symposium on "Shared Values and Democracy in Asia" held in Tokyo in January

2016, with the next symposium to be held later this year.³⁰

Further, both Abe and Modi have been actively voicing the importance in solving territorial disputes by peaceful means, and in accordance with universally recognised principles of international law, including the United Nations Convention on the Laws of the Sea (UNCLOS). Japan and India view China's increasing assertiveness in the South China Sea (SCS) as destabilising. Addressing this, the 2016 joint statement between Japan and India, for the first time explicitly mentioned UNCLOS in the context of resolving the South China Sea dispute.³¹ However, it should be noted that unlike the previous year's statement, the 2017 one did not explicitly mention the SCS, but instead referred to the Indo-Pacific region as a whole.

LIMITATIONS AND CHALLENGES

Despite the significant progress in India-Japan ties under Modi and Abe, challenges and limitations continue to exist.

Bilateral trade, for instance, continues to underperform. In 2015–16, it was a modest US\$14.51 billion, representing a fall by 6.47 percent from the previous year. This trade volume is bleak when compared to India-China and China-Japan trade, which stand at over the US\$70 billion and US\$350 billion, respectively.³² The Comprehensive Economic Partnership Agreement (CEPA) signed by both countries has still not produced the expected benefits, and the trade volume has been declining in recent years.³³

Business opportunities between the two countries have also not expanded as per expectations. As of October 2016, the number of

Japanese companies operating in India is 1,305,³⁴ and while it has increased steadily for the past decade, the absolute number of bases of Japanese companies in India is only one-eighth of those in China. It is, therefore, necessary for both leaders to seek changes in the CEPA to ensure that bilateral trade witnesses significant progress in the coming years, as well as work towards increasing the numbers of Japanese companies operating in India.

Another limitation has been the tendency of analysts to place India and Japan in the same box when dealing with China. This is largely due to the convergence of economic and strategic interests between India and Japan, and has become even more common with the relative decline of the US in Asia. While balancing China through greater India-Japan cooperation may be possible in some avenues, it would be unwise to suppose that counterbalancing China is a simple equation of India plus Japan; deeper complexities exist within each country that limit their ability to support each other.

For example, India and Japan share common concerns regarding the sovereignty, procedural and leadership issues with respect to China's BRI projects. Both states have, and are cooperating on several of their own connectivity projects, as well as those with other countries in the region, in order to balance China's increasing influence in the region. Yet both India and Japan also look at the BRI differently. In May 2017, Modi decided to pull out of the BRI summit in Beijing due to the stated concerns mentioned above, primarily those regarding the China Pakistan Economic Corridor.³⁵ On the other hand, Abe, grasping the unstable security situation in Northeast Asia, as well as the uncertainties under the Trump administration, has made a calculated decision, and expressed interest (with "conditions")

attached) in the BRI, with the hope of improving China-Japan ties.³⁶ This represents a slight economic and strategic divergence, as Japan recognises that bandwagoning against China in this situation, despite sharing concerns with India over BRI, would be counterproductive. Simply put, limitations come into place while trying to maintain a fine balance between infrastructural developmental and strategic needs.

Further, due to the lack of an over-arching alliance structure, such as the one Japan shares with the US, and an increasingly economically interdependent Asia, this trend is likely to continue. This is also visible with regard to multilateral development banks. India supports, and was a founding member of the China-led Asian Infrastructural Investment Bank (AIIB). Japan, on the other hand, alongside its US ally categorically refused to join the AIIB, given that this bank would be direct competition to the Japan-led ADB. While it is improbable to expect Japan and India to form an alliance, there is undoubtedly greater economic and strategic convergence under an alliance structure that even strong bilateral relationships such as the one shared by India and Japan will have limitations in achieving.

India and Japan have also been unable to engage effectively with each other on key infrastructural development projects in the Bay of Bengal. This region has become a crucial economic and strategic hub. China's development of a new port in Sri Lanka, and the Special Economic Zone at Kyauapkyu in Myanmar, places it in a leading position to shape the geopolitical and geostrategic dynamics in the Bay. India can no longer afford the luxury of contesting Chinese strategic forays into the subcontinent on an individual basis,³⁷ and needs

to step up in its engagement with Japan in this regard.

For example, Japanese investments in the key strategic sites in ANIs are likely to help New Delhi establish a major security sentinel in the eastern Indian Ocean.³⁸ Yet, Japanese offers to help India develop the islands have stalled. Reports from the Japanese mission in New Delhi have acknowledged that a power plant that Japan had agreed to build in the ANIs has been bogged down in paperwork, and there has been no progress on its proposals to help build ports and airstrips on the islands.³⁹ Despite reinforcing its commitment to develop "smart islands" extending into the Indo-Pacific in the 2017 joint statement,⁴⁰ there is limited clarity on what smart islands will entail, and any real commitments are yet to be seen.⁴¹

Another important project that India could engage with Japan is the latter's BIG-B project in Bangladesh. Labelled as Japan's "cornerstone" policy in South Asia, this three-pronged strategy focuses on boosting energy, transport, and investment.⁴² The BIG-B would benefit India substantially, such as increasing connectivity to and within India's Northeast, development of a network of international shipping lanes, ports and infrastructure, and it would boost India's Act East policy by complementing the Vizag Chennai Industrial Corridor.⁴³ So far, however, it has mainly been the Chief Minister of Andhra Pradesh, N. Chandrababu Naidu who has voiced interest in connecting the BIG-B to his state. He substantiated this by flying to Tokyo in 2015, and signing a number of MoUs with the government.

India and Japan have also refrained from explicitly taking sides in each other's bilateral territorial disputes with China. India and China were most recently facing off in the Doklam

trijunction on India's Northeastern border, and there is also the disputed Aksai Chin region in India's Jammu and Kashmir. For Japan, it currently has a territorial dispute with China over the Senkaku/Diaoyu Islands in the East China Sea (ECS). While on international and regional platforms, both Modi and Abe have continually expressed the need to abide by international law in solving territorial disputes, as well as the importance to not change the status quo by unilateral action, they have not interfered in the bilateral affairs of the other. The Indian government holds no official position that directly supports Japan regarding its territorial row with China in the ECS. India under Modi has increased its attention on the South China Sea disputes. India has also maintained a studied silence on Japan's Northern Territories/Kuril Islands issue vis-a-vis Russia.

Japan has also remained calculated on the Aksai Chin dispute. However, most recently, Japan became the first country to explicitly back India in its Doklam border standoff with China. Japan's ambassador to India conveyed that India was "involved" in the incident "based on bilateral agreements" with Bhutan, and that all parties involved should "not resort to unilateral attempts to change the status quo by force".⁴⁴ Given this, it can be asked if Tokyo would expect increased support from New Delhi regarding its ECS dispute with China? It is difficult to draw a direct answer. It has to be kept in mind that despite being an ally to Japan, the US has always taken the position that although it will defend the Senkaku Islands in accordance with the US-Japan treaty, it would not get involved in the sovereignty issue. However, given China's increasing assertiveness in territorial disputes, it is worth recognising that as the strategic visions of both India and Japan continue to converge, this could be a crucial area to voice support for each other in the future.

Geography is another limiting factor. India and Japan are not physically contiguous, separated from each other by China and the Sea of Japan. Further, both nations have unstable nuclear neighbours; Pakistan for India, and North Korea for Japan, with China being the common nuclear neighbour for both. While the common perception in India used to be that Japan was not concerned enough about Pakistan, Japan had similar concerns about India's perception vis-à-vis North Korea.⁴⁵ This is beginning to change under Modi and Abe, with both leaders taking tougher stances against Pakistan and North Korea. In the 2016 and 2017 joint statements, Japan for the first time urged Pakistan to take punitive actions against terrorist groups operating from its territory,⁴⁶ and India in response to North Korea's nuclear tests most recently called on Pyongyang to "refrain from such actions that undermine international peace and stability".⁴⁷

Keeping in mind that Japan and India operate under resource constraints, as well as differing laws, to what extent can either nation be expected to support the other, if at all, in case of an attack by Pakistan or North Korea? Japan's sensitivities and attitude towards India's nuclear weapons also cannot be ignored. To move forward, both sides will have to be more aware of each other's priorities.


Logistical issues have also limited the progress of the India-Japan Civil Nuclear Cooperation Agreement. Westinghouse Electric Co, was acquired by Toshiba (a Japanese company) in 2006, and was one of the two US companies selected for constructing nuclear power reactors in India following the landmark 2008 India-US Civil Nuclear Agreement. However, in March 2017, Westinghouse filed for bankruptcy, leaving the proposed construction

of six Westinghouse AP1000 reactors in Andhra Pradesh in limbo.⁴⁸ For gains of the deal to be met, all three governments involved - the US, Japan, and India - would need to find a solution, sooner than later.

Similarly, there have been delays in the area of defence cooperation as well. The long pending US-2 amphibious aircraft deal is yet to get approval from India due to bureaucratic delays, pricing concerns and technology-transfer issues.⁴⁹ Indeed, after the Civil Nuclear Cooperation Agreement, this deal is probably the most significant among the issues pending between Japan and India. As China increases its forays into the IOR, India's possession of the US-2 amphibious planes would enable it to project a stronger presence in the region. Further, as India seeks to facilitate Japan's emergence as a 'normal' military power,⁵⁰ this sale would be important in altering Japan's relatively pacifist political mood. Carrying with it the important effects as a symbolic first trade, it would be an extremely crucial political step in Japan's "normalisation", and enable Japan to contribute more proactively towards achieving regional peace.⁵¹ Finally, the deal could also open doors to the procurement of a wider variety of defence-related technologies for India from Japan. While

this should be mutually beneficial for both nations, it is still pending five years on.

Finally, the limiting impact of the domestic issues in both countries needs to be considered. For Japan, the domestic political situation has begun to change significantly. In July 2017, Abe dealt with what is yet his lowest approval rating of 33 percent.⁵² This can mainly be attributed to the series of scandals in his Liberal Democratic Party, which also led to their loss in the local assembly elections in the major cities of Tokyo and Osaka. Though Abe's approval ratings have risen since then – currently about 55 percent – primarily due to the boost from his recent Cabinet reshuffle, the LDP's political energies would focus intensely on the domestic situation in Japan for the time being. This can already be seen with Abe's decision to hold snap elections in October 2017, a year earlier than planned.

For India, large resource constraints, and its domestic and immediate neighbourhood draw immense political and economic attention and need to be considered. Given Japan's domestic political situation, and with Modi likely to train his focus on the 2019 elections in India, it remains to be seen if strong ties between these nations will not only be sustained, but continue to grow beyond an Abe and Modi partnership. 

ABOUT THE AUTHOR

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ENDNOTES

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