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**THE JAPAN-INDIA
ENCOUNTER**



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THE JAPAN-INDIA ENCOUNTER

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Introduction

During much of the Cold War and until recently, Japan-India ties were underdeveloped. But the new post-Cold War international environment and shifts in the foreign as well as economic policies of the two countries have reduced the constraints which previously inhibited a cooperative, substantive relationship. Today, in both countries, the potential importance of the other is receiving more recognition. Evidence of this includes increased exchanges of official high-level visits, the initiation of new areas of dialogue and expanded business, academic and media contacts. Relatively, concrete economic, political and even security ties are undergoing a slow, fitful improvement.

This brief essay, in addition to examining key areas of bilateral relations, identifies the parallels and divergences in Japan's and India's policies on major issues and assesses their current and likely interactions on them. Its main argument is that evolving relations between the two countries exhibit not so much a convergence of interests as a declining divergence of interests. This transformation, though not a result of coordinated efforts to improve bilateral ties, provides an opening for more cooperative relations in the future.

Background

The underdeveloped nature of the Japan-India relationship is at once curious and explicable. Curious because there are few inherent reasons why it should be so. No historical, civilisational, religious, territorial, or ideological disputes burden the relationship. Japan and India share legacies, however ancient and indirect, of Buddhism. Each possesses an essentially unique civilisation coterminous with a distinct. Never have these two civilization been in conflict. Both occur a geographical place at the periphery of Asia. A common Asian consciousness, once strong but now faded, even resulted in cooperation against the west during World War II.¹ Each initially welcomed the other's entrance into the international system and international society with admiration and sympathy. For a half-century both have followed democratic processes and operated mixed economies.

That relations have not been more cordial and substantive mostly reflects the Cold War context in which they were pursued, and specifically the divergent approaches to foreign policy adopted by the two states. But even during the Cold War, Japan-India relations were not always distant. Soon after India achieved independence and Japan emerged from American occupation, ties between the two countries were both amicable and cooperative. Symbols, sympathies and gestures contributed to this; but so, too, did concrete decisions and interests.²

¹ Recently the Indian government rehabilitated Subhas Chandra Bose who cooperated with the Japanese against the British. See John. F. Burns, "India Rehabilitates Wartime Leader Who Fought for Japan," *New York Times*, January 24, 1997.

² For a fine review of the immediate post-1945 India-Japan relationship, see Horimoto Takenori, "Synchronising Japan-India Relations," *Japan Quarterly*, January-March 1993.

It was from the early-1960s that India and Japan begin to turn away from one another for a variety of complex, inter-related reasons. First, India itself begins to turn inward. The process begins under Prime Minister India Nehru, especially in the wake of India's military discomfiture by China in 1962. His successor and daughter, Indira Gandhi, carried the policy further. The impact on India's relations with Asia was profound. After championing anti-colonial struggles and an Asian voice in world affairs, India during the next three decades disengaged from Asia, focusing on the interminable conflict with Pakistan and oil-and remittance rich Middle East. When India did make diplomatic forays into Asia, they stirred resentment. Relative political isolation was matched by a closed economic nationalism, making India an even less attractive partner for Asian countries who were then beginning their economic "take-offs." Moreover, continuing India-Pakistan hostilities made the South Asian region seem unlikely to achieve prosperity and stability. Finally, India's increasingly close relationship with the Soviet Union and still denunciations of U.S. policies from the 1960s onward served to alienate much of Asia, including Japan.

India's relative "retreat" from international affairs coincided with Japan's re-emergence as a significant economic power and a "member-in-good standing" of the international community. For example, in 1964 it was inducted as a member of the "closed eight" in the International Monetary Fund (IMF), and in the same year was included among the OECD countries. In 1964 Japan also hoisted the Olympic Games. Japan was thus substantively and symbolically back on the international map. The implications for India-Japan relations were important. Post-war Japanese foreign policymakers had initially seen good relations with an internationally engaged and influential community. With India mired in domestic and regional preoccupations and marginalized internationally, and Japan far out-stripping India economically, Japan's need for India declined.

That from the 1960s Japan squarely sided with the United States in major foreign and defense policy matter was critical, too. After the 1965 India-Pakistan conflict the United States took an essentially hands-off approach to South Asia for a decade and a half. Japan was undoubtedly influenced by the United States' policies and consequently reduced its own ties to India. India in turn responded by basically "writing-off" Japan as an American surrogate in Asia. Japan's close relations with the U.S., and the United States' troubled relations with India, have strongly shaped the Japan-India encounter. But these connections have not been the sole factors. Indeed, for reasons which are elaborated below, the Japan -India relationship is likely to be less determined by U.S.-Japan and U.S.-India ties in the future through they will remain influential.

The mutual neglect which characterized Japan-India relations for much of the Cold War period dissipated slightly in the 1980s. With the United States once again heavily engaged in the subcontinent following the Soviet invasion of Afghanistan, the Reagan Administration pressed Japan to take a more active role there. While the bulk of U.S. engagement with the region centered on Pakistan during the decade, Washington also managed to concurrently improve relations with New Delhi.³ In

³ See Satu P.Limaye, *United States-Indian Relations: The Pursuit of Accommodation*, Boulder: Westview Press, 1993.

keeping with this approach, Tokyo not extended economic support to Islamabad at Washington's urging, but also followed its lead in improving ties with New Delhi, not least to maintain "even-handedness" in the subcontinent. Another factor which helped heighten Japan-India ties in the years just preceding the end of the Cold War was the economic reform undertaken by Rajiv Gandhi as Prime Minister. But eventually signs of greater Japanese interest withered as the reforms themselves did.

After the Cold War

The purportedly simple certainties of the Cold War era have now given way to a profoundly altered and even more complex international environment, and nowhere more so than in Asia. The evolving Japan India relationship has, therefore, to be seen in the context of to broad trends. From the Indian side, the relationship with Japan is part of a wider effort to re-engage with Asia and diversify its external political and economic ties. Since the early 1990s, India has sought to increase its economic, political, security and even "civilisational" ties with East and Southeast Asia. This is India's version of a "Look East" policy, or what might be described as India's passage to Asia. The compulsions underlying this effort reflect a re-orientation (pun intended) of the country's domestic economic and foreign policies in the wake of the collapse of the Soviet Union and the end of the Cold War.

For India, revived and expanded links with the economically dynamic and politically prominent countries of East and Southeast Asia are crucial. Enhanced ties with the region are a step towards full inclusion in its evolving political, economic and security groupings, an insurance against over-dependence upon any one power (for example, the United States), a compensation for the loss of diplomatic, material and security support from the defunct Soviet Union, a hedge against being eclipsed by a booming China, and a path of escape from marginalisation in a profoundly altered international context.⁴

Similarly, Japan, if in a less studied and dramatic manner, is seeking to enhance and widen its international engagements. Though the political and security relationship with the United States will remain the touchstone of Japan's foreign policy for the foreseeable future, it will increasingly be supplemented with activity through the United Nations and deeper economic and political ties to Asia. The compulsions underlying Japan's emerging policies are certainly complex, but they reflect several developments. First, having become the second most powerful economy in the world, expectations of Japan's international role have increased. Despite constitutional constraints and public concern, there are clear signs that Japan is slowly beginning to respond to external pressures and perceived national interests in becoming a so-called "normal" country. Second, the nature of the United States-Japan relationship is changing significantly. With the demise of the Soviet Union, the *raison d'être* of the U.S.-Japan security alliance is being reformulated to encompass a more balanced and extensive approach to cooperation. At the same time, bitter trade disputes have undermined a degree of trust in the relationship. How the U.S. and Japan reformulate their security ties and manage their economic competition will be one of the most critical post-Cold War international developments. A vital issue

⁴ See Satu P. Limaye, "Message to India: Come Back to Asia," *Asian Wall Street Journal*, December 20, 1993; and Satu P. Limaye, "India and ASEAN Gravitate Toward Common Ground", *ISEAS Trends*, November 27-28, 1993.

related to the U.S.-Japan relationship is the future commitment of the United States to the Asian region. Notwithstanding repeated, official promises that the U.S. will remain engaged, there is growing doubt in Japan and the rest of Asia. These worries in part underlie Tokyo's efforts to expand its international activities. Third, there is an increasing Asian bias in Japan's external economic ties. In part this results from the dynamism of Asian economies, but is also a function of the high value of the yen which is pushing Japan to move its production off-shore, especially in Asia. In this context, the economic opening of India is seen by some Japanese as an important long-term opportunity. Finally, rising Japanese concerns about economic and political developments regarding China have a direct bearing on prospects for the Japan-India relationship.

As the preceding discussion is meant to indicate, the context in which emerging Japan-India ties will be conducted represents a real change from the past. While none of these factors promise a swift or dramatic enhancement of bilateral relations, on the whole they work to widen the scope of potential Japan-India cooperation. This trend marks a distinctive shift from the Cold War era.

Japan-India Economic Relations

India's economic opening and liberalisation since 1991 affords a hopeful area of Japan-India cooperation. For a number of oft-cited reasons, Japan has begun to pay greater attention to economic opportunities in India. These include India's economic reforms since 1991; the country's low labour costs, particularly compared with rising costs in the NICs and within ASEAN; appreciation of the size of India's domestic market and its potential demand for consumer goods; growing regard for Indian labour skills, especially in areas such as computer programming; the possibility of using India as an export base to market in the Middle East, Africa, and Eastern Europe; a wish to diversify, particularly from the Chinese market due to concerns about political and economic instability following Deng Xiaoping's death; and an unwillingness to cede the Indian market to economic competitors from the United States, Europe and Asia.

However, the fact remains that Japan's investment and trade ties with India have expanded only marginally, are a fraction of Japan's economic links with other Asian countries and much lower than those of the United States and certain European countries with India. Between 1951 and 1991, Japan's cumulative direct investment in India amounted to only \$186 million out of a total of \$47.5 billion invested in Asia during the same period.⁵ Since India's economic reform programme began in 1991, levels of Japanese investment have been rising, but slowly and slightly. In fiscal year 1991, Japanese investment amounted to \$14 million; in FY 1992 it jumped to \$122 million; in FY 1993 it plunged to \$39 million; in FY1994 it rose again to \$101 million and in FY 1995 it was \$125 million.⁶ These figures place Japan in fourth place (behind the United States, Israel and Britain) among foreign investors in India. The gap in the share of Japanese and American investment is especially noteworthy; 5%

⁵See James Clad et al., "The Indian Subcontinent" in Nigel Holloway (ed.) *Japan in Asia*, Hong Kong: Review Publishing Company, 1991.

⁶ Figures from document of the International Business Division of Japan's Ministry of Trade and Industry.

of the total compared to 27%. If portfolio investments are included, the disparity between Japan and its American competitor is even more pronounced. As striking is the continued imbalance between Japanese investments in India and its investments in other Asian countries, especially China and key states in ASEAN. This imbalance is likely to persist. A recent report by the Japan External Trade Organisation (JETRO) noted that while increasing numbers of Japanese companies planned to shift production bases to third countries, India was named as a possible site by only 1.3% for China, and 49.4% for ASEAN.

The Japan-India trade relationship is similarly small. Total two-way trade has fluctuated between \$3.5 and about \$5.5 billion per year over the last half decade. For comparison's sake, United States' trade with India is now close to \$9 billion and Japan's trade with China hovers around \$60 billion.⁷ Though small in comparative terms, Japan is India's second largest trade partner after the United States, accounting for around 9% of India's total foreign trade. India, on the other hand, represents less than one percent of Japan's total trade and ranks 20th amongst its trade partners.⁸ More startling, since India's economic reforms began, trade between the two countries declined by almost 2% in 1991 and 5% in 1992, though it increased by 8% in 1993 and 23.5% in 1994. Even these rises pale when set against the explosion of Japan's international trade. One positive aspect of Japan-India trade, from India's perspective, is that since 1990 India has held a trade surplus, though on average its size is only about half a billion dollars. Even this surplus has fluctuated, plummeting 17.5% in 1992 and 19% in 1994.⁹ Composition of trade remains narrow, with over 60% of India's exports comprising just three items; diamonds, marine products and iron ore. Imports from Japan are mostly machinery and project equipment.

The prevailing investment and trade picture between Japan and India is certainly not heartening to Indians. But there is one dimension of the economic relationship which is noteworthy, and which partly offsets the poor private sector linkages; this is official development assistance (ODA) from Japan to India. Indeed, historically, Japan has been generous to India. From the beginning of Japan's official assistance programme in the mid-1960s, India was a major recipient of Japanese aid. After 1966 aid to India tapered off as Japan's attentions shifted to Southeast and East Asia. Since the mid-1980s it has climbed again. From 1988 through 1995 (except 1990), India was among the top ten recipients of Japanese aid and, notably, since 1991 it has been among the top five. Technical assistance to India, in particular, has been rising steadily. Japan has also been strongly supportive of India through international financial institutions such as the International Monetary Fund (IMF), World Bank and Asian Development Bank (ADB).

The aid relationship is not irritant-free. Japan's adoption of principles to guide its aid policies is disliked in India. These principles include democratisation, levels of defense spending, human rights and nonproliferation commitments. India fears that it will become a test case for the application of these principles because Japan's overall stakes in the country are modest (unlike, say, in China). As yet, Japan has not reduced

⁷ These figures are from Japan's Ministry of Finance and published by the Japan Economic Institute in Washington, D.C.

⁸ Trade information supplied by the Embassy of Japan in New Delhi, November 1996

⁹ Data supplied by the Embassy of India, Tokyo, Japan.

or ceased aid to India by invoking these principles and, in the absence of a dramatic development on any of these issues, it is not likely to. Indeed, the opening of bilateral talks on nuclear matters, reductions in Indian defense spending and greater Indian responsiveness on human rights have further reduced the prospect that Japan will apply the ODA principles in India's case.

Japan's unwillingness to convert outstanding loans to a dollar basis or to issue new loans in dollars is also a source of Indian concern (shared by many recipients of Japanese aid). The high value of the Japanese yen has made official loan repayments difficult for recipients, and notably for India which has been receiving a higher share of ODA in loans rather than grants in recent years.¹⁰ India has also grumbled that Tokyo's aid is "tied" to the purchases of Japanese services and commodities. This has been so in the past but, partly due to pressure by the United States and Western countries, Japan has begun to reduce the tied share of its official assistance. More generally, New Delhi has in the past resented what it perceives as Japan's efforts to secure special conditions and access for its businesses using the aid lever as a quid pro quo.¹¹

Quite apart from the details of Japanese aid policy in India, two related issues deserve highlighting. First, Japanese aid in some sense compensates for the low level of investment and trade with India. Though reduced, the remaining tied share of Japanese aid does permit the country's businesses access to India's market without all the risks and costs of direct investment. It thus preserves a commercial involvement which can be increased as conditions warrant. A second point is that the aid relationship between Japan and India illustrates the Japanese governments, rather than private sector's, efforts to stay engaged in India's economy. The Japanese government sees its role of encouraging and facilitating private sector engagement with India as a necessary pre-condition for the development of the overall bilateral relationship.

The Japanese government has sent two high-level official missions to explore the Indian market, one in 1991 and the other in 1994. More significantly, in January 1995 Ryutaro Hashimoto, the then chief of the powerful Ministry of International Trade and Industry (and now Prime Minister), visited India. This was the first such visit. While in India, Hashimoto announced seven initiatives to encourage and facilitate Japanese business activity, including a \$1 billion credit line to Japanese companies investing in the country, lowering the export-insurance and investment premium rates for India, easing screening requirements, and establishing a second office of the Japan External Trade Organisation in Bombay.¹² Also, in 1994 MITT's *Economic Cooperation White Paper* for the first time devoted a section to India, identifying it as one of the three emerging markets (China and Vietnam were the other two) to which Japan should devote special attention. MITT has also established an India Study Group to explore and assess future bilateral links.

¹⁰ For a discussion of the Japan-India ODA relationship see Jon Choy, *Japan and South Asia: Obstacles and Opportunities*, Japan Economic Institute, Report No 48A, December 23, 1994.

¹¹ See Richard P. Cronin, *Japan, the United States, and Prospects for the Asia-Pacific Century: Three Scenarios for the Future*, Institute of Southeast Asian Studies, especially page 85.

¹² See "Japanese Minister Offers \$1 billion credit," *The Hindu*, January 14, 1995.

Notwithstanding its government's efforts, Japan's private sector remains cautious about India. What accounts for this? The reasons are multiple, but shed an interesting light on the Japan-India relationship in general.

Japanese businessmen give a myriad of reasons for their hesitations about India. They note sensible impediments such as poor infrastructure, inadequate financial and labour sector reform and the absence of immediate approval for 100% equity investment. They also point out that India's reforms lag behind those in Southeast Asian countries. For example, corporate taxes on foreign companies remain higher than in Thailand, Malaysia, and Singapore, repatriation of capital and dividends is restricted, and tariffs, particularly on raw materials and intermediate-goods, are high. The future of reforms is considered doubtful, given the political uncertainty and the potential backlash from vested business, bureaucratic, and labour interests. Indeed, some Japanese wonder whether coddled Indian companies are sincerely interested in joint ventures with foreign partners. Past experience also plays a role. During the 1980s, responding to Indian economic tinkering, Japanese companies established a number of joint ventures, with only one real success-Suzuki's joint venture with state-owned automaker Maruti. India is also deemed by some to be too distant geographically from the network of production bases Japanese companies are establishing in Asia, though this is an odd reason given the fact that distances between India and parts of Southeast Asia are comparable to those between Japan and the region. India's delays in implementing overseas development assistance-financed projects, low-quality exports and missed delivery schedules have also alienated Japanese businessmen.

Many of these complaints by Japanese are justifiable. But it is curious that these same factors have not dampened the enthusiasm of investors from America, Europe or even Asia. The fact is that India's characteristics which make Americans and Europeans optimistic about doing business there tend to leave the Japanese unimpressed. Japanese generally discount India's much-vaunted middle class. Distribution of wealth and actual purchasing power, not theoretical size, they emphasise, are more important. Moreover, they point out, India restricts consumer imports. India's cheap labour force is seen as a straw man. Detailed Japanese studies reject the basic premise, and highlight Indian labour's shoddy productivity. Some Western firms have come to similar conclusions. But the Japanese are especially uncomfortable with managing an unruly and heterogeneous labour pool.

India's much-celebrated democracy does not have the same resonance for Japanese as it does for most Westerners. Many Japanese privately agree with 'Singapore' Senior Minister Lee Kwan Yew that democracy impedes rather than facilitates economic growth. Japanese are discomfited by the political unpredictability of India's jostling democracy. Litigation-averse Japanese have had losing experiences with India's ponderous legal system and therefore do not regard it as a guarantor of their interests. The heavy Japanese emphasis on longstanding personal ties in conduction business are more akin to the Chinese than Indian way of doing business. Indian businessmen's fluency in English and the prevalence of academic degrees from top-notch American and European institution contrast with most Japanese businessmen's self-conscious linguistic shortcomings and relatively standard education. And Japan has few expatriate Indians to smooth entrance into the Indian

market-though its small Indian population is one of the country's oldest and most well-established foreign communities.

Finally, a clash of styles also plays a role in Japan-India economic relations, and indeed relations generally.¹³ Evidence of this is largely anecdotal, but not necessarily less compelling. Japanese salarymen complain that Indians talk too much and too loudly, making them appear arrogant. Some Japanese who have lived and worked in India point out "the difference in common sense", an example they cite is Indians' penchant for pronouncing "no problem!" when there clearly is one. These impressions should not be dismissed as the idiosyncrasies of individual annoyance and encounters. They have serious implications and reverberations. For example, Japanese official pointed out that India was one of just a handful of countries which did not make full use of a technical cooperation programme. While he diplomatically referred to a "lack of communication between Japanese technical experts..... and their trainees" the deeper problem is Indian resentment at being offered low-levels of technology and Indians demand high-technology transfers and, not training.

Just how important these stylistic or cultural factors are in inhibiting Japan-India economic ties is difficult to fathom precisely. Indians and Japanese differ among themselves on the issue. But none denies the issue exists. Some suggest that these factors are assuming a greater role because contacts between the two countries are less optimistic. Some Japanese argue that India is simply too large, tumultuous, complicated and "different" for them to ever feel comfortable.

The exact weight which should be accorded to the various reasons cited for low Japan-India investment and trade relations is, however, less important than the possible negative effects on cooperation that unmet mutual expectations could have. Again, anecdotal evidence suggests that some Indians are taking a nationalist attitude toward Japan's low economic engagement. When told about the comments of a Japanese businessman who suggested that if India wants investment, it should at least clean up the shanty towns on the road from the airport into Bombay, an Indian replied sharply, "we don't build Potemkin villages here!"

Similar attitudes have marked official, high-level economic contacts. Indians recount how in 1992 a high-powered Japanese delegation issued 21 questions on the reform programme. India, they say, subsequently responded favourably to all but two: immediate approval for 100% equity investment and an exit policy. Still, no significant investments materialized. A follow-up Japanese mission in 1994 was, according to one of its members, "put on the defensive" when Indians raised grievances about Japan's lukewarm responses to their overtures. The episodes created an uncomfortable climate. Some Indians suspect that Japanese companies want special incentives and positions in return for investing. Others believe that Japanese businesses are only interested in investing where they can dominate the economy and this, they argue, is impossible in India given the range of indigenous industries.

¹³ A fascinating discussion of "psychological barriers" between Japanese and Indians may be found in a speech by a former Indian Ambassador to Japan, Arjun Asrani, entitled "Psychological Distance between India and Japan," to the Association of Japanese Commerce and Industry, New Delhi, June 22, 1995.

There is an understandable Indian disappointment and puzzlement with the Japanese response to the country's economic reforms. But it should be noted that the reforms are very new and incomplete. As a practical matter, India needs money and Japan has it—even if not so much as in the 1980s. Ignoring or slighting the Japanese on the grounds that America and Europe are excited about India's economy may prove to be a grave mistake. It is incontestable that the Japanese usually take a much more long-term view on these matters than Europe and America. Depending upon developments in the rest of the Asian region (especially China) and the future of India's and Japan's economies, Japan may yet turn out to be a critical economic partner for India in the next century.

Japanese officials insist that further development of overall relations with India will depend on the level of economic cooperation. They argue that only when Japanese businesses are heavily active in India will Japan's political leaders and the society generally give greater attention to India and result in deepened political ties. No doubt strengthened economic links will buttress other aspects of the Japan-India relationship.

Japan-India Political Relations

After a long period of separation. Even estrangement, Japan and India are attempting to understand each other's national interests, policy directions, and prospects for mutual cooperation. Much is still unclear about how Japan-India political ties will develop. On the whole, however, it is evident that Japan-India divergences on major issues are declining and therefore creating a basis for a cooperative relations. It should be emphasised that this shift has little do with India's or Japan's policies vis-a-vis each other. Rather, the declining divergences are an indirect by-product of changes in their respective foreign policies and the international environment in general.

The United States. No discussion of Japan-India ties can afford to ignore the United States. Divergent relations with Washington have been a serious source of discord in the Japan-India relationship. To some extent, these differences persist. Tokyo remains Washington's closest ally, while India frets that the United States will use its position as the world's strongest power to dictate terms on a range of political, security and economic issues. Despite these basic differences, however, several factors serve to narrow Japan-India divergences regarding the United States.

First, like it or not, the United States remains the most important external actor for both countries. For India, the reasons are simple. With the Soviet Union's collapse, New Delhi has no veto-shield against unfavorable resolutions on Kashmir, no counterweight to China, no restrainer against Pakistan. Working, if not warm, relations with the U.S. can help to defuse pressure or provide support in all these areas. More critically, the U.S. has the capital, technology, market, influence in global financial institutions and expatriate Indians necessary to the success of India's economic reforms. The U.S. is today India's largest trade partner and investor and will probably retain those positions. For Japan, the U.S., though a less important economic partner than in the past is still a major player.

It is even more so for Japan's security. In essence, Japan and India are obliged to play ball with the U.S. This is a commonality which was less evident during the Cold War.

Second, India's relations with United States have improved over the last decade. Since Tokyo has largely followed Washington's lead (particularly on political matters) vis-a-vis India, improved U.S.-India relations will facilitate enhanced Japan-India links. They have already done so. It is not coincidental that Japan upgraded ties with India in the mid-1980s as Washington was doing the same.

Third, Indian and Japanese ambiguity about the United States is more balanced than during the Cold War. India has for long made no secret of its suspicions about U.S. intentions. Japan's dissatisfactions with the U.S., recently, are more plainly and often expressed. Japan and India share the dubious distinction of once being two of the three (Brazil was the other) countries slated for unilateral sanctions under America's notorious 1988 Omnibus Trade Act. Trade disputes pitting the U.S. against Japan and India continue to fester. Neither Tokyo nor Delhi, both democracies, relish America's penchant for linking democratization, human rights and other political issue to economic ties. India will edge towards a more balanced and independent role vis-à-vis the U.S. in the year ahead.

In essence, the common ground between Japan and India vis-a-vis the United States has increased in the post-Cold War world. Indians should not, however, count on a swift or dramatic break in U.S. -Japan relations in the expectation that such a shift will bring Japan and India closer in the context of an independent role for both in Asia. For some time to come, New Delhi's path to Tokyo, and vice versa, will go through Washington.

The People's Republic of China. China looms large in India's and Japan's calculations. After decades of being out of sync with each other on China, Japan's and India's policies now show less divergence: pursuer constructive engagement, be alert for a strategic challenge. Over the past decade, India has improved its relations with China across the board, but with no resolution of fundamental issues such as the border dispute. Indian analysts continue to regard China as their country's most probable long-term competitor. Japan's economic ties with China have rise massively. But Japan's concerns about Chinese nationalism, nuclear tests, territorial desires, military power and strategic ambitions have grown too. The two countries also have disputed territory. Cooperative wariness will likely govern both Tokyo's and New Delhi's approach to Beijing.

In both Japan and India there has been thought and talk about joint cooperation in constraining China should the need arise. Indians particularly, lacking security partners, find such a scenario appealing. But for the foreseeable future, Japan will rely on its security alliance with the United States, its own considerable military capacity and possible Southeast Asian partners to keep China at bay. Only under extreme conditions such as an absent United States, a blatantly aggressive China, and prostrate neighbors would Japan seek anything like an alliance with India to deal with China. Such a radical scenario would cancel all current bets about Asia's future, including a non-nuclear Japan.

Russia. India's ties to old Soviet Union were detrimental to the Japan-India relationship. And only partly because they also irked the United States. There is a deep historical animosity in Japan towards Russia which predates the creation of the Soviet Union; the Russo-Japanese War was fought in 1904-1905. Unresolved issues, such as the fate of the northern territories continue to bedevil Japan-Russia relations. Moreover, India's close, quasi-military ties to the Soviet Union, often seen through the prism of Washington, were disenchanting to a Tokyo used to India's non-alignment proclamations. The days of the Indo-Soviet Friendship treaty are over. Japan recognizes this. But it remains suspicious of Russia-India links, and pointedly about Russian military sales to India.

Three factors are working to offset this divergence, however. First, the Sino-Russian rapprochement, however limited, worries both India and Japan. Second, reduced differences about the United States partially offset continuing differences about Russia. Third, Japan's marginally improving relationship with Russia lessens the divide with India. In sum, given progress in other areas, relations with Russia are not likely to stand in the way of improved Japan-India relations.

Pakistan. Tokyo generally eschews engagement in the bitter India-Pakistan dispute. However, during the last decade, Japan has been more vocal in urging a peaceful resolution of India-Pakistan problems. Some Indians suspect that Tokyo's statements reflect Washington's urgings. India will remain wary of any external involvement in what it views as a bilateral issue, even from Japan. It also remains frustrated by Tokyo's "evenhandedness" in the subcontinent. But barring any acute, negative developments between India and Pakistan, Japan will not embroil itself deeply in their bilateral matters. Progress on economic and other political fronts with India, not the India-Pakistan issue, is in Japan's overall interests. To be sure Japan has its own interest in dealing with Pakistan, and here the U.S. connection is important, but unlike the U.S., Japan does not have long-standing or deep ties with Islamabad.

The United Nations. Japan and India have been active members of the United Nations through in different ways. Japan has been a major financial contributor whereas India has contributed heavily to peacekeeping operations. In this latter area there is more room for cooperation. Since the passage of its International Peace Cooperation Law in 1992, Japan has dispatched personnel for U.N. peacekeeping activities. Such activities are an area where the two countries would be able to benefit from greater exchange of experiences and perspectives.

Publicly, neither India nor Japan has explicitly commented on the other's desire for permanent United Nations Security Council membership. Each has, however, sought the other's support for its claims. In mid-1995 Japan sent its officials to New Delhi to discuss issues relating to U.N. reform in greater detail. This marks a new area of the bilateral political dialogue. As yet, the two countries' positions differ substantively. India's approach has been that the Security Council must be reformed as part of an overall reform of the global organisation and that criteria must be established to effect this restructuring. Of course, India has some criteria in mind which would buttress its case for a UNSC seat. Japan's approach has been a mixture of unilateralism and bilateralism: Japan is able and willing to play a role on the Security Council and therefore deserves a role and a number of countries have blessed Tokyo's bid for membership. Reform of the Security Council is some

time off and the issue is not of immediate or great importance in the development of a Japan-India political relationship. In the future, as the reform question receives closer U.N. attention, it could become a serious issue between the two countries.

More recently, India's loss to Japan for a non-permanent seat on the Security Council has led to much hand-wringing in New Delhi. It is difficult to gauge what if any damage has been done to India-Japan relations as a result of that tussle. My hunch is: not much. Japan set out to achieve a distinct goal: getting elected to the seat. It did not set out to humiliate or defeat India per se. As the victors in that sideshow, Japan is unlikely to gloat. Tokyo's long-term sights are clearly centered on winning a permanent seat and the non-permanent seat competition was useful practice; it will use adroit as well as yen diplomacy to reach the ultimate goal. Indeed, the entire issue of the non-permanent seat has far more resonance in New Delhi than in Tokyo (or anywhere else) and says much more about the operation and tenor of India's own foreign policy than about Japan-India relations.

Asia. In addition to China, several "Asian issues" illustrate diminishing divergences between Japan and India. First, as already noted, for both Japan and India. Economic links with Asia are increasingly critical. Investment, trade and, for India, aid, biases are shifting to the dynamic Asian region. Second. After alienating Tokyo by harsh criticisms of U.S. policy in Vietnam (a policy that Japan was bound to support given its U.S. ties) and silence on Vietnam's invasion of Cambodia. India and Japan no longer find themselves at odds about the country. Japan. Like India. Has welcomed Vietnam's inclusion in the region's political and economic groupings and both have considered its role vis-a-vis China.

Third, India's rising economic. Political and security relations with ASEAN member countries reverse decades of coolness towards an organisation with which Japan has had very close cooperation. Japan has noted India's recent acceptance as a full-dialogue partner of ASEAN and a member of the ASEAN Regional Forum (ARF). More broadly. Japan's response to India's bid for membership in arrangements such as the Asia-Pacific Economic Cooperation (APEC) forum is uncertain. Japan's future stance will probably be shaped by India's own relations with the region, the attitudes of other key members of these groupings, and the evolution and character of the organisations themselves. On the whole, Japan seems unopposed to Indian membership in other regional fora. But, it is not likely to push India's case.

A fourth area of similarity between Japan and India is in the tricky sphere of so-called Asian issues. Both countries have a growing sympathy for Asia's ascendance, though neither government speaks explicitly in these terms. It is clear that neither country is comfortable with the West's harping on human rights or attempts to link aid and trade with political issues. Both fear that Western economic troubles will result in increasing pressures on their economic policies. The Asian connection is an especially sensitive one for Japan and India given their histories and geographies. But, if the trend towards "Asianisation" of their economies continues, both may seek solidarity with the region by appealing to purported Asian values. That they will do this on the basis of their relatively healthy democracies as opposed to self-serving authoritarian governments will give a special resonance to their views.

Nuclear Non-proliferation. India and Japan have long differed about the international nuclear non-proliferation regime. Japan reacted with dismay to India's nuclear test in 1974. Since the early 1990s, Japan and India have begun bilateral talks on nuclear matters, but these have shown little progress. India's decision to enter the talks probably reflected Japan's position as the largest aid donor and its adoption of ODA guidelines linking assistance with a country's non-proliferation policies. India remains suspicious that Japan's interest in a bilateral nuclear dialogue was actually hatched in Washington. This may be so. But Japan has an interest in being seen as active in non-proliferation matters too.

Indians might also note that Tokyo's approach to nuclear matters in the subcontinent differs markedly from Washington's. While Washington berates Delhi and Islamabad over nuclear proliferation, Tokyo quietly urges both to sign the Nuclear Non-Proliferation Treaty (NPT)—with little expectation that either will. Recent hysteria in Washington about possible Indian and Pakistan nuclear tests went unanchored in Tokyo. Tokyo's key worry is that India's absence from elements of the nuclear nonproliferation regime such as the Comprehensive Test Ban Treaty (CTBT) and the Fissile Material Control Treaty (FMCT) will give China a reason to evade such commitments. Japan's key non-proliferation concern is China. Eradicating India's nuclear weapons programme is not the overwhelming goal of Japan's bilateral relations with India.

Security Ties. Any discussion of possible Japan-India security cooperation must take into account the peculiar and narrow nature of the security debate in Japan. Traditional topics such as arms sales, alliances and military exercises cannot be pursued with any country except the United States. For this reason alone, there is no regular, systematic security dialogue between Japan and India. But mutual exchanges of defense and military officials between the two countries have occurred. Some of these exchanges have been at senior levels, including the heads of the defence establishments. The Japanese Self Defense Forces (JSDF) officials are reportedly much more keen on such contacts with their Indian counterparts than is the Ministry of Foreign Affairs, though the latter has no objection to expanded dialogue, including on security matters, between Japanese and Indian research institutes and scholars. These non-official dialogues have begun.

Some of the common and differing security concerns of the two countries have been discussed above. An additional one for both countries is the protection of the sea-lanes which run from the Persian Gulf, through the Indian Ocean and Southeast Asia, to Japan. Japan relies on this route for about 70% of its Persian Gulf oil. Japan, however, will continue to rely on the United States, not India, to protect these routes. In this context, the improvement of U.S-Indian relations, and specifically U.S-India naval exchanges, are regarded as positive developments. Like the United States, Japan at one time regarded Indo-Soviet naval cooperation with particular concern. Similarly, Japan regards enhanced India-ASEAN ties and naval exchanges as contributing to confidence-building in the region.

Concerns about India's military expenditures have been a theme in Japan. Until 1990, Japan's official *Defense White Papers* noted concerns expressed elsewhere about a possible Indian military threat to the region, including the country's drive to build a blue-water naval capability. Much of this probably reflected views

circulating in Australia and some ASEAN countries in the late 1980s. Undoubtedly, Japan-India security discussions will be shaped by regional developments. But they can be counted on to grow more substantive in the years ahead.

Observations and Conclusions

Based on the preceding discussion, several general observations about the future direction of Japan-India relations are possible.

First, despite the insistence of officials in both countries that expanded economic ties will lead to enhanced political ties, Japan-India political collaboration is already proceeding at pace with, if not surpassing, economic engagement. This trend marks a departure in Japan's relations with most Asian countries.

Second, given reasonable assumptions about continued economic reform and political stability in India, trade and investment relations will grow. But they will do so steadily not quickly. In the meantime, Japan will retain a presence in the Indian economy through its official development assistance.

Third, on political issues generally, and perhaps erring on the side of caution rather than optimism, evolving Japan-India relations should be regarded not so much as a growing convergence of interests but as a declining divergence of interests. It will take some time for the residual perceptions of the Cold War era to change in both countries. Even in the U.S.-India relationship, which has improved over the past several years, Cold War hangovers have proved difficult to shake-off. In the process of a Japan-India rapprochement, "cultural" or stylistic differences between the two countries will be compelling, but in the final analysis they will not preclude more cooperative and amicable ties.

Fourth, an overall asymmetry in Japan-India relations will persist with Japan more important to India than vice versa. However, this asymmetry will be less marked in the political arena than in the economic field.

The policy communities in both countries which will press for enhanced ties may differ. In Japan, MITI and the Defense Agency are said to have the most interest in India. While the Foreign Ministry and the private sectors remain cautious. In India there appears to be a more balanced approach, across the relevant ministries, in favour of improving ties with Japan. This undoubtedly reflects the fact that Japan is a more important potential partner for India across a range of issues than vice versa.

Japan-India relations will not be the most crucial bilateral relationship in the Asia-Pacific, but the emerging ties between two large, democratic, potentially powerful states will certainly have important implications for this complex and dynamic region.

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