

## **Prime Minister's Japan Visit: Staying the Course**

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A new government under Narendra Modi assumed office towards the end of May 2014 on the promise of delivering “acche din” (good days ahead) to the common people of India. Already in its fourth month, the new government has realized its limitations on delivering on the various components of the “acche din”. It seems, in contrast, it is easy to deliver on foreign policy successes and the efforts in this direction are well rewarded when one takes a journey in the direction already set.

Prime Minister Narendra Modi concluded a successful 5 day visit to Japan. Scholars, officials and media in general have hailed the outcome of the visit and Union Council of Ministers has even adopted a resolution complimenting the Prime Minister on the achievement. India and Japan have signed a number of agreements and Japan has assured massive support to meet India's growing need for infrastructure funding. India has invited Japanese businesses to set up manufacturing hubs in India. Prime Minister pointed out that three essentials for business, namely democracy, demography and demand is very much part of India's political and economic success story. This emphasis was much needed as the two countries have untapped potential to contribute to each other's economy. Another area the two sides can unlock is the enhancement of the volume of their trade. It is not clear how this would unfold but there is great potential in this domain. India, however, would need to enhance effectiveness and efficiency of its ports and logistics infrastructure. Japanese companies would be wary of cost escalation in the absence of proper infrastructure and may compare the relative attractiveness of India with yet other countries like Vietnam or Thailand to produce their goods. This scenario is regrettable because India's population is many more times than most countries in Asia and India has long-standing relations with countries in Africa and the Middle-East. Apart from the huge domestic market in India, the country can act as a bridge for exports to those countries.

Despite India's and China's populations being roughly similar, number of Japanese companies working in India is just about 5 % of those doing business in China and Japanese share of total FDI in India is only 7 %. According to Sunil Chacko, an expert on India-Japan relations, “all this should change as Japanese companies are urgently seeking another location in Asia to do business, given the sometimes hostile reaction they face in China, and their realization that in fact there could potentially be tangible advantages in India, such as ownership of factory land, as compared to China where all land is owned by the government”. An area of concern for the Japanese investors is the volatility in the rupee's exchange rate. Investors are wary of an unstable currency as they cannot work out returns on their investment in terms of a foreign currency.

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In a joint statement Japan has expressed its readiness to provide financial, technical and operational support for introduction of bullet trains in India. India has assured the Japanese side of improving system and processes so that Japanese investment and business can operate in a conducive environment in India. In the words of the Prime Minister, “There is no red tape but red carpet in India”. Japan has committed to double its foreign direct investment in India and both the countries have also decided to upgrade their political and security cooperation to the level of 'Special Strategic and Global Partnership'.

It is well known that there is a fierce debate in Japan regarding the interpretation of the country's Constitution, particularly Article 9, centering around what constitutes self defence and to what extent the country can modernize its Self Defence Forces. In view of Japan's critical dependence on energy import from the Middle East and elsewhere, it is imperative for the country to modernize and upgrade its naval capabilities for securing sea lanes. Additionally the rise of China and the potential threat that it poses to the security and stability of the region is uppermost in the mind and defence planning of the Japanese policy makers. These factors coupled with the gradual reluctance of the United States to shoulder the defence burden of Japan and the region makes it necessary for Japan to further strengthen and widen its security and defence cooperation with India. A high level of symmetry and synergy in defence cooperation with India can provide new security architecture in East Asia and the Pacific. Former Prime Minister Manmohan Singh had said that India does not see the relationship with Japan only in economic terms but “we see Japan as a natural and indispensable partner in our quest for stability and peace in the vast region of Asia that is washed by the Pacific and Indian Oceans”.

A crucial test of Narendra Modi's visit was if India could persuade Japan and negotiate a civil nuclear cooperation agreement. Despite India's efforts, the result was negative. Japan has appreciated India's non-proliferation record and expressed its satisfaction to India's assurance that goods and technologies transferred from Japan would not be used in the delivery system for nuclear weapons. However, Japan's insistence on a tougher safeguard regime and a firm commitment to 'no nuclear test' stalled the negotiations. Japan wants India to guarantee not to conduct nuclear tests and to accept stricter conditions regarding international inspection of its nuclear facilities. India has already made significant readjustment of its policy in this regard and cannot fritter away its autonomy of decision making in matters related to national security. At the same time, there is no denying that there are internal compulsions within Japan (the only country in the world that has suffered a nuclear attack) from politicians and bureaucrats who insist on greater nuclear safeguards.

Japan has been cash rich and the country has invested in project support to meet India's development needs. There was no doubt that this support could be enhanced significantly. Japan has committed to provide USD 35 billion (approx Rs 21,0000 crores) through public and private funding over a period of five years. The support, however, would be project specific. The

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Japanese refused to commit financial support in a general way. They insisted that support would be specific to definitive projects that can be worked out. Here, the delays in the existing India-Japan project, the Delhi-Mumbai Industrial Corridor (DMIC), can act as a dampener for implementing new pledges, especially since Japanese private sector involvement is essential. There is a feeling in Japan that progress on actual project development and implementation could have been faster in DMIC.

Analysts have pointed out the tremendous potential in the bilateral relationship between India and Japan and both the countries have experienced mutuality over the decades. There is hardly any divergence except in the domain of nuclear energy cooperation and seen from this perspective, Narendra Modi's visit has reinforced the existing positive frame. A strong partnership with Japan was one of the cornerstones of foreign policy pursued by the UPA government led by Dr Manmohan Singh and Mr. Modi's visit has only strengthened the emphasis on a stronger relationship with Japan. UPA government had invited the Japanese Prime Minister Shinzo Abe to be the Chief Guest in this year's Republic Day function. Japanese analysts pointed out that India has a special place in Abe's mind. Japanese have been quite enthusiastic about India and there are obvious political and security synergy between the two countries.

In Japan, Narendra Modi referred to India's abhorrence of 'expansionist' policies in international relations, an obvious reference to China. This may have gladdened the Japanese. Soon India is going to host the Chinese President. Both India and Japan trade much more with China than they do with each other. The new government of Narendra Modi would soon realize that in matters of foreign policy balancing country's international relations is no less important than concluding a successful visit. There are strong domestic compulsions to portray Prime Minister's international engagements in a positive light and there is no doubt that his Japan visit was a success despite the failure to dispel Japanese misgivings on the civil nuclear cooperation. Prime Minister stayed the course and could compensate a bit for the increasingly visible deficit on the promise of "acche din".

*(Views expressed does not necessarily reflect the institutional stand of GIF)*