



Deconstructing “Tokyo Declaration” 2014: Takeaways from Indian Prime Minister’s Japan visit

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During Indian Prime Minister Narendra Modi’s five-day Japan visit, which concluded on September 3, 2014, India and Japan have announced various measures to take the bilateral relationship to a new height. They have identified areas of cooperation, especially in the economic realm, where they can complement each other. While Japan has announced investment of US\$ 35 billion in India over the next five years, India has promised rolling of ‘red carpet’ for Japanese investors. Japan wants to produce high-tech products to sustain its export-oriented economic growth; India has offered rare earth minerals to Japan that are vital in manufacturing these products. India needs world-class infrastructure, including high-speed railway network, ports and dedicated freight corridors to accelerate its economic growth; Japan has agreed to offer high-speed train technology and capital to India to realise these goals. In addition to these commitments, Japan has agreed to remove some of India’s defence and space enterprises from its “End Users List.” As per the list select Indian enterprises are barred from having any technologies or business interactions with the Japanese companies.

This issue brief, analysing the joint communiqué issued at the end of prime ministerial level summit talks, and selected speeches made by Prime Minister Modi in Japan, highlights some of the key commitments the leadership of the two countries have made to further deepen India–Japan bilateral ties.

India–Japan Strategic Partnership: From Past to Present

Indian Prime Minister Narendra Modi's visit to Japan and his interactions with Japanese counterpart Shinzo Abe was the continuation of a prime ministerial level engagement institutionalised in 2006. While signing the strategic partnership in 2006, India and Japan agreed to hold summit-level talks annually, alternating between New Delhi and Tokyo.

It may be noted that, India–Japan relations have witnessed various intermittent phases in their bilateral relations, including after the Pokhran nuclear test of 1998, during which political interactions between the two countries remained dormant. The institutionalisation of a summit-level engagement has reversed the trend. Undoubtedly, the prime ministerial level interaction, that has taken place almost without interruption since 2006, has transformed the bilateral relationship into a strategic partnership. As part of the strategic partnership, both the countries have identified a number of areas of bilateral interests in which they are cooperating mutually. These include trade, economics, infrastructure, security and defense and energy security.

Japan was eager to continue and intensify this complementary relationship with India and it lost no time in extending an invitation to the new Indian Prime Minister Narendra Modi. It was keen to become his first foreign host soon after his assumption of office. Nonetheless, India Prime Minister chose neighbouring countries, including Bhutan and Nepal for his foreign visits. After rescheduling his Japan visit twice because of domestic engagements, Indian Prime Minister visited Japan on a five-day official visit starting from August 30. Japanese Prime Minister “expressed his deep appreciation”¹ for choosing Japan as his “first destination for a bilateral visit outside India's immediate neighbourhood.”² The statement is reflection of Japan's sense of satisfaction towards deepening India–Japan relations.

During the visit, the old agenda in India–Japan bilateral relations: expansion of trade and economic ties; foreign direct investment, cooperation in infrastructure sector; development of rail, road and port facilities as well as civil nuclear cooperation etc., dominated the agenda. Since some of the issues identified previously have not reached to fruition, it was a wise strategy of the present political dispensation to carry forward the consultations on these issues and take it to a logical conclusion. However, the new agenda, especially some of the dream projects of Prime Minister

Modi, also surfaced during the visit and became the part of bilateral cooperation. Some of these agenda have been discussed below.

Giving New Dimension to Bilateral Strategic Partnership

One of the important outcomes of Prime Minister Narendra Modi's Japan visit is elevation of existing strategic partnership to a "special" strategic and global partnership.³ As of now India has signed strategic partnerships with 29 countries and regional groups. However, the terminologies used are slightly different. Before this summit meeting India had accorded this "special" status only to Russia⁴, with which it has traditional and time-tested ties. Granting Japan a similar status at par with that of Russia is an indication that India attaches utmost importance to its ties with the East Asian Country and in the coming decades Tokyo will remain on the top of New Delhi's foreign policy priorities. Japan was also eager to upgrade the existing 2+2 dialogue between Japanese foreign and defense ministries and their Indian counterparts to the defense and foreign ministers' level. The 2+2 dialogue between India and Japan at present takes place at the levels of top bureaucrats of the two governments. The joint statement issued at the end of the summit meeting between Indian and Japanese Prime Ministers notes the two leaders "underlined the importance of the 2 plus 2 dialogue, involving Foreign and Defence Secretaries, for their growing strategic partnership, and decided to seek ways to intensify this dialogue."⁵ However, the statement stopped short of announcing the up-gradation of this dialogue. The Japanese media has given different interpretations to India's unwillingness to upgrade this dialogue during the recent visit of Indian Prime Minister. "Concerns about China were apparently the major stumbling block,"⁶ noted the *Asahi Shimbun*. Similarly, the *Mainichi Daily* observed that the visit "ended with no high-level security talks that had been sought by Japan, in what may have been a move by India to avoid provoking China."⁷ However, Jeff Kingston, Director of Asian Studies at Temple University, has a different take: "it seems more likely that India is withholding the two-plus-two deal as a bargaining chip in the broader negotiations."⁸ Irrespective of the fact that whether it was India's bargaining chip or China factor that hampered the idea of strategic dialogue's up-gradation, the two countries still need to do some ground work before institutionalising the new framework.

A Renewed Push to Economic Engagement

While India and Japan were envisioning a long-term strategic partnership they identified that it

would be the “economy” which should be the cornerstone of the relationship. In 2006, in a joint statement, India and Japan had affirmed that “a strong and prosperous India is in the interest of Japan and a strong prosperous Japan is in the interest of India.” Both identified ways to improve their bilateral trade which at that time was abysmally low, around six billion US dollars. They decided to create a favourable environment for each others’ investors and concluded a Comprehensive Economic Partnership Agreement (CEPA) after long negotiations in 2011. As part of the economic partnership, both decided to gradually lower the tariffs imposed on some 90,000 goods traded between the two countries and accorded “national treatment” to each other’s investors. The strategy to lower tariff increased the flow of bilateral trade and within a year of implementation of CEPA, the bilateral trade jumped to 18 billion US dollars by the end of fiscal 2012, which was hovering around 12 billion US dollars at the end of fiscal 2011. However, bilateral trade volume did not touch the expected US\$ 25 billion marks during the next fiscal rather it has come down to US\$ 16 billion.

Similarly, following CEPA Japanese investment was expected to grow exponentially. But it is growing at a slow pace. So far some 1100 Japanese companies have set up their production base in India whereas the number is around 8000 in China. Despite the easing of business norms following adoption of CEPA in 2011, Japanese investors are shying away from Indian market and have been pouring their capitals in Indonesian, Vietnamese and Philippines markets. Sensing the problem faced by the Japanese investors, Indian Prime Minister Narendra Modi during the recently concluded visit has assured them that India is replacing ‘red tape’ with ‘red carpet’ for Japanese businessmen. Addressing a gathering of Japanese entrepreneurs in Tokyo, Indian Prime Minister informed them that India has adopted an “ease of business” policy.⁹ He explained his “make in India” mantra to them and assured the Japanese business that India has vast opportunity for investors. Explaining his “three D Mantra”, he said that India is not only the biggest *Democracy* in the world but also has large *Demography* and *Demand*. Since, India has a young population; demand for goods will remain high domestically for a longer time and thus India can be a place where the Japanese investors can make their fortune. Elaborating on India’s geostrategic location on the world map, he informed them that if they make India their manufacturing hub not only can they sell their finished products to Indian market but also export it to different Asian and African countries through its ports situated alongside India’s Eastern and Western coasts.¹⁰

During this visit Japan has agreed to earmark 35 billion US dollars in loans and investment to India during the next five years. Undoubtedly, this will help India improve its infrastructure, which observers believe, has been one of the impediments in attracting foreign direct investment within the country. Additionally, India has agreed to introduce bullet train technology between Mumbai and Ahmadabad and the Japanese side has expressed its “readiness to provide financial, technical and operational support to introduce *Shinkansen* system.”¹¹ However, it will take a little more time to introduce this technology as joint feasibility study consisting of Indian and Japanese experts started last year is yet to be completed. The success of the bullet train between Mumbai and Ahmadabad will certainly pave the way for introducing this technology between different major cities of India. Both the countries have also signed an agreement to make Varanasi a “smart city” on the lines of Japanese ancient capital Kyoto. Hopefully, the success story of Varanasi and skills learnt during the process will also be experimented on different ancient cities of India.

Some breakthrough was also achieved for joint collaboration in the field of defence technology. Most importantly, Japan has also delisted some of the Indian defense enterprises from its “End Users List”¹² which will pave the way for joint defense production among Japanese and Indian companies and thus will help decrease defense spending. India has been willing to partner with Japan in the field of defense technology. However, Japan owing to its decade-long self-imposed ban on exporting defense and defense related technology, had been showing reluctance. Shinzo Abe’s cabinet, a few months back, eased these restrictions. Stalemate, however, continues over India’s procurement of US-2 amphibious aircraft, the only of its kind available in the world for advanced air–sea search and rescue operations, which can land on rough sea surface as well as land. Tokyo wants to sell US-2 aircraft to New Delhi, but New Delhi wants to produce them jointly since the cost of a single US-2 aircraft is roughly \$109 million. There were speculations that Japan will give green signal to its companies to go for a joint production of the US-2 given the changes in domestic laws that allow them for joint collaboration but the two countries could not reach an agreement. The joint statement, however, “welcomed progress made in discussions in the Joint Working Group on cooperation in US-2 amphibian aircraft and its technology, and directed their officials to accelerate their discussions.”¹³

To attract Japanese investment in India, the new political dispensation has announced some

new measures during this visit including a plan to establish a new unit under the Prime Minister's Office that will facilitate Japanese investment in India.¹⁴ But the political commitment can only be realised when it is backed by its entrepreneurs and investors. It is yet to be seen how the Japanese entrepreneurs respond to Prime Minister Modi's call.

During the visit Indian Prime Minister also exhorted Japanese leadership to adopt a new political vision to deepen the ties between the two countries. He impressed upon Japanese leadership to establish a "Look at India" policy on the similar lines of India's "Look East Policy"¹⁵ to further deepen economic and political relationship between the two countries. He also observed that "India is incomplete without Japan and Japan is incomplete without India."¹⁶ This statement is akin to the 2006 commitment in which they identified that a strong and prosperous India and Japan are in each other's interests.

Civil Nuclear Cooperation: The Stalemate Continues

Despite some of the success stories of India–Japan relations, signing a nuclear cooperation agreement with Japan remains as an unfinished agenda. The inconclusive agreement is vital for India's energy security. However, Japan, owing to concerns of its people who remain opposed to selling nuclear technology to non-NPT signatories, has been treading cautiously in signing nuclear cooperation deal with India. It was expected that Prime Minister Abe who considers selling of technology, including nuclear technology abroad as one of the main pillars of Japan's economic revival will clinch the pending civilian nuclear cooperation agreement. They noted in their joint statement that the two prime ministers "directed their officials to further accelerate the negotiations with a view to concluding the Agreement at an early date."¹⁷ Similar observations have been made about the nuclear cooperation in the joint statement signed between Prime Minister Manmohan Singh and his Japanese counterparts during the last few years. The persisting stalemate between the two countries over the nuclear cooperation agreement suggests that they need to do more to bridge their perception.

Conclusion

Undoubtedly, Japan's cooperation with India in improving its infrastructure by providing loans and technology including the metro rail system has transformed India's urban landscape. It is hoped that

the commitment made during Indian Prime Minister's recent visit to Japan will be implemented in letter and spirit. The complementary nature of the relationship between India and Japan would guide the Asian region into a prosperous and peaceful region. Also, it is hoped that both the countries would reach a consensus accommodating each other's stance over the deadlocked civil nuclear cooperation agreement that will give a new fillip to India–Japan economic ties.

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Disclaimer: Views expressed are of author and do not reflect the views of the Council.*

Endnotes:

¹ “Tokyo Declaration for India - Japan Special Strategic and Global Partnership”, September 1, 2014, *Ministry of External Affairs of India*, available at <http://www.mea.gov.in/bilateral-documents.htm?dtl/23965/Tokyo+Declaration+for+India++Japan+Special+Strategic+and+Global+Partnership> (accessed on September 3, 2014).

² Ibid.

³ Ibid.

⁴ India's strategic partnership with Russia has been termed as “Special and Privileged Strategic Partnership.”

⁵ Ibid.

⁶ “China gets in way of Japan, India agreement”, *The Asahi Shimbun*, September 2, 2014. Available at http://ajw.asahi.com/article/behind_news/politics/AJ201409020042 (accessed on September 2, 2014).

⁷ “Modi visit fails to produce high-level security framework between Japan, India”, *The Mainichi Daily*, September 2, 2014, available at <http://mainichi.jp/english/english/newsselect/news/20140902p2a00m0na017000c.html> (accessed on September 2, 2014).

⁸ Jeff Kingston, “Showmanship trumps substance during Modi visit”, *The Japan Times*, September 6, 2014.

⁹ Text of PM's keynote address at event organized by Nikkei Inc. and Japan External Trade Organization (JETRO), September 2, 2014, *Prime Minister Office of India*, complete text of speech available at http://pmindia.gov.in/en/news_updates/text-of-pms-keynote-address-at-event-organized-by-nikkei-inc-and-japan-external-trade-organization-jetro-2/ (accessed on September 5, 2014).

¹⁰ Ibid.

¹¹ “Tokyo Declaration for India - Japan Special Strategic and Global Partnership”, Op. Cit. n.1.

¹² Ibid.

¹³ Ibid.

¹⁴ “Japanese Men in Modi PMO's Special Team”, *The Economic Times*, September 2, 2014.

¹⁵ Text of PM's keynote address at event organized by Nikkei Inc. and Japan External Trade Organization (JETRO), Op. Cit. n.8.

¹⁶ Ibid.

¹⁷ “Tokyo Declaration for India - Japan Special Strategic and Global Partnership”, Op. Cit. n.1.