



Scaling India-Japan Cooperation in Indo-Pacific and Beyond 2025

Corridors, Connectivity and Contours

Editor

Jagannath P. Panda

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Foreword

Today, one of our most promising bilateral relations of the 21st century is the “India-Japan Special Strategic and Global Partnership”. It is a relationship which is *Special* in many ways and *Global* in its implications. Our ties with Japan, both economic and strategic, stand fundamentally transformed in recent years.

The relevance of the India-Japan strategic partnership is even more profound in a world in which change and uncertainty are the only constants. The old equilibrium has been disrupted while a new equilibrium is yet to emerge. We may even have entered a century of extended uncertainty.

Key drivers of globalisation such as the liberal trading order and the flow of goods, services, capital and technology are being reassessed. Power remains fractured. Traditional and non-traditional security threats, including cross-border terrorism, have grown in magnitude. All known paradigms are experiencing stress. Hedging and multi-alignment are part of every country’s toolkit. This calls for major readjustments and a new consensus.

Asia, home to 60 per cent of the global population, has done exceptionally well on the economic front to emerge as the new fulcrum for global economic growth. The continent is witnessing the simultaneous economic rise of several powers accompanied by some of the highest military expenditures in the world. However, a stable regional security architecture has yet to emerge organically. The sheer pace at which China has enhanced its comprehensive national power has also led to questions about the shape of things to come.

Today, there is open friction over sovereignty and territorial claims. There are unresolved boundary disputes. There are also differences with regard to the alternative models of developmental finance for connectivity projects.

Asia's geography is also increasingly being redefined by the emerging concept of the Indo-Pacific which recognises the new realities of growth and development in a much wider arc. The Indo-Pacific also underscores the importance of treating the terrestrial and maritime domains of two great oceans as one seamless strategic space.

Today, every country is intertwined in a web of trade and investment ties. The level of interdependence is unprecedented. This makes for very difficult strategic choices when it comes to options for building a stable security architecture.

The Asian Century appears inevitable, however, what kind of a century it will be remains unclear. Will it be a century of peace and development, or will it involve long-drawn contestations and wars? Will we follow existing rules of the road? Will there be new rules of the road. Who will define these? Will there be consensus?

The challenge before us is to achieve a balance of power and forge a new equilibrium in Asia.

Amidst all these challenges, it is important that we continue to strive for peace, progress and development. There is no place for a re-emergence of neo-colonial versions of economic or security domination. There are multiple opportunities for India and Japan to work together on the basis of our national interests.

I recall the words of Prime Minister Narendra Modi, who said in his address to the India-Japan Business Leaders Forum in 2018, "India and Japan will play a major role in Asia's emergence". I also recall what Prime Minister Shinzo Abe said, "robust relations between Japan and India are a public good".

In the last few years, our relations with Japan have touched new heights. A relationship that always had potential has begun to blossom in recent years, not the least because of the close personal confidence enjoyed by our two leaders.

As two of Asia's largest democracies, India and Japan have shared values that emphasize openness and transparency, rule of law, freedom of navigation and commerce in the Indo-Pacific region. Further, Japan is one of the few countries with which India has an Annual Summit at the level of the two heads of government.

Today, India and Japan are exploring new vistas of bilateral cooperation by seeking convergence between India's "Act East Policy" and Japan's "Enhanced Partnership for Quality Infrastructure" and Free and Open Indo-Pacific Policy. Their joint Act East Forum seeks to promote infrastructure and connectivity in India's North-East region. There are excellent prospects of India and Japan working together in Southeast Asia and the Indian Ocean Region, including in Africa, based on principles of openness, transparency, economic efficiency, fiscal responsibility and respect for sovereignty and territorial integrity.

Our 2+2 Dialogue at Vice Ministers level and the Trilateral with Australia have given new impetus and provided greater convergence on the Indo-Pacific. The second edition of the Trilateral with the US and Japan at the level of Heads of Government during the G-20 Summit in Osaka suggests that a dialogue between leaders will be a regular feature.

The process of enhancing mutual understanding and cooperation between like-minded countries, has been strengthened by the recent meeting of the Foreign Ministers of India, Japan, Australia and the US in New York on the margins of the UN General Assembly meeting.

Japan remains an anchor of India's economic growth. No partner has played such a decisive role in India's economic transformation as has Japan.

The complementarities between our two economies, especially combining Japan's capital and technology with India's rich human resources and skills, makes for a winning combination for both countries. With growth in China declining, India offers to Japan a scalable alternative global destination for establishing a competitive manufacturing base for tapping global markets. Given our mutual

trust, it is natural that India should be part of every Japanese company's risk mitigation strategy.

India and Japan have also achieved notable progress in their dialogue on cooperation in defence, space, cyber, digital, energy, artificial intelligence, education, agriculture, health, disaster risk reduction, waste management, infrastructure, and urban renewal.

Our people-to-people ties remain robust. With Tokyo hosting the 2020 Olympics, there is a tremendous opportunity to collaborate in sports and tourism.

The India-Japan partnership is one of great substance and purpose. There exists unmatched public goodwill and political consensus in India for our Special Strategic and Global Partnership. I am confident that ties between India and Japan will prove to be the defining relationship of the 21st century.

The edited volume titled *Scaling India-Japan Cooperation in Indo-Pacific and Beyond 2025: Corridors, Connectivity and Contours* is being published at a very opportune moment.

I compliment the editor and the authors and hope that the contents of the volume would augment the existing literature available on the subject of India-Japan relations.

Sujan R. Chinoy

Director General

Institute for Defence Studies and Analyses, New Delhi

(Former Ambassador of India to Japan, 2015–18)

Preface

The security architecture of Asia has been heavily influenced by the growing relationship between India and Japan. The ‘Confluence of Two Seas’ in Prime Minister Shinzo Abe’s speech to Indian Parliament in 2007 surpassed the perceived cartographic boundary between the Indian and Pacific Oceans, converging the geopolitical visions of Delhi and Tokyo. Since then, both the nations have been enhancing their affinity from a ‘Comprehensive Economic Partnership’ to ‘Special Strategic and Global Partnership’ with a *Vision 2025* announced on December 12, 2015. The significance of India-Japan relations has been lying in their mutually envisaged ‘free, open and prosperous’ region of the Indo-Pacific.

The growing trade interdependence and requirement for a ‘Good Order at Sea’ for an uninterrupted maritime trade flow has shaped the bilateral relations further. The crux of the synergy have been the numerous economic, political and strategic bilateral exchanges and agreements acting as an underpinning to a future-oriented partnership. The conglomeration aims to construct a ‘deep, broad-based and action-oriented partnership’ promoting peace and stability in the Indo-Pacific region. Subsequently, an enriched understanding is visible between India and Japan to ensure a rule-based order in the Indo-Pacific theatre with a greater focus on connectivity, corridors and people-to-people contacts.

Geopolitical uncertainty has further paved the way for enhanced strategic cooperation in bilateral, trilateral as well as multilateral forums to ensure security against terrorism, coercive extremism, weapons of mass destruction and non-compliance to International

Law. The security cooperation prolonged even with a change in leadership in Japan in 2009 with the “Action Plan to Advance Security Cooperation based on the Joint Declaration on Security Cooperation between Japan and India.” This introduced a 2+2 Dialogue between both the countries at a ministerial level and annual military-to-military cooperation exercises.

However, their ‘Partnership for Prosperity’ isn’t exempted from challenges. Both India and Japan share unresolved problems and concerns in the maritime domain, primarily with China. Further, both the countries share apprehensions regarding the latter’s increasingly assertive behaviour in the Indo-Pacific. China’s rising power and its autarchic infrastructural initiatives such as the Maritime Silk Road (MSR) under the flagship Belt and Road Initiative (BRI)* contradicts India and Japan’s strategic interest in the region. While both have been maintaining different outlooks towards the BRI, a cautious approach towards China has in turn resulted in bolstered cooperation between the two countries’ regional connectivity and infrastructural projects such as the Asia-Africa Growth Corridor (AAGC). This has enabled both the nations to ensure an inter-continental developmental framework, while balancing out China’s growing strategic outreach.

Moreover, as major maritime powers in the region, both India and Japan are increasingly focusing on changing the complex maritime landscape of the Indo-Pacific. The region remains the strategic pivot for energy sources, housing two of the major Sea Lanes of Communications (SLOCs) and chokepoints of the Strait of Hormuz and Malacca. The situation has been worsening with the growing challenges of sea piracy in the region. For battling the same, India and Japan have been developing their maritime security cooperation under the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP). These have been combined of anti-piracy, search and rescue exercises and coast guard training through a memorandum of cooperation since 2006.

United States’ recent approach of ‘America First’ and its withdrawal from the Trans-Pacific Partnership (TPP) has been

diffusing ambiguities in the region. At the same time, the Trump administration has been developing a comprehensive, multifaceted and long-term strategic vision of 'Asia Reassurance Initiative Act' (ARIA) since 2018 with a US\$ 1.5 billion funding for the next five years which promises a greater security commitment to its partners in the region. The US also introduced the BUILD Act and the Indo-Pacific Transparency Initiative with a US\$ 400 million funding to help countries attract greater private investments, battle corruption and secure their autonomies from external coercion. While the latter initiative hints at a greater American presence in the Indo-Pacific, it doesn't completely eliminate the clouds of ambiguity from the region. To a contrast, ventures such as the Regional Comprehensive Economic Partnership (RCEP) are conclusively trying to ensure a change in the region through free trade and critical economic collaboration. Such initiatives are increasingly attracting smaller powers to play an imperative role in multilateral communications and interactions.

Taking these developments into account, India and Japan's relationship will be impacted and influenced by several unilateral, bilateral and multilateral strategic contours. The growing ambiguities would demand India and Japan to play a greater role in the region. In context to the same, this book reviews and evaluates the bilateral relationship in current as well as future contexts. This book has grown out of the India-Japan Symposium, held at the Institute for Defence Studies and Analyses (IDSA) in December 2018. The dialogue scrutinised an array of issues and challenges, cooperation and partnerships in the field of connectivity and corridors, finance and economics, strategy and security to foresee the scope of India-Japan cooperation beyond 2025. It concluded with the necessity of an enhanced defence and security relationship between India and Japan to guarantee a 'Good Order at Sea'. For this, a greater strategic partnership is needed to promote a more resilient environment against fluidity and challenges.

To further its cause, heightened development is required in regional connectivity to fill up the gaps in infrastructural deficit

in the Indo-Pacific. While India and Japan have already co-envisioned the Asia-Africa Growth Corridor (AAGC), the real-time cooperation concerning this proposed initiative still remains at a nascent stage. Subsequently, India and Japan need to work towards more transparent and plausible alternatives to felicitate significant congruence and infrastructural developments. Finally, a further convergent strategic vision and a progressive and confluent approach is required by both India and Japan to ensure a peaceful and prosperous Indo-Pacific.

Note

1. The terms 'BRI' and 'OBOR' have been used interchangeably in the volume.

Acknowledgements

A book of this nature has grown out of the necessity to discuss the prospects and potentials of India-Japan relations with an academic intent. The prime objective behind this academic exercise has been to put into perspective the progressive India-Japan ties through a scholarly and empirical standpoint.

This academic exercise has been a collaborative effort between the Institute for Defence Studies and Analyses (IDSA), the Japan Foundation and the Japanese Embassy in New Delhi. Such an endeavour has been an arduous exercise which would not have been possible without the support of many individuals who encouraged and supported the progress of the book.

This book has benefited immensely by the strong support of Director General IDSA, Amb. Sujan R. Chinoy. His esteemed expertise and rich experience on East Asia and especially on India-Japan relations has been the main foundation of this book. Amb. Chinoy's encouraging words and foresight on the issues and subjects in the book comes as a bonus. I sincerely thank him for writing the Foreword for this book.

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Lastly, while utmost care has been taken to publish an editorially and scholarly sound book, any factual error, duplication or unauthorised copying of the text in the chapters shall be the sole responsibility of the authors.

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List of Abbreviations

AAGC	Asia-Africa Growth Corridor
ACFA	Accelerated Cofinancing Scheme with ADB
ACSA	Acquisition and Cross-Serving Agreement
ADB	Asian Development Bank
AEP	Act East Policy
AfDB	African Development Bank
AIDS	Acquired Immune Deficiency Syndrome
AIFFP	Australian Infrastructure Financing Facility for the Pacific
AIIB	Asian Infrastructure Investment Bank
AIS	Automatic Identification System
ANI	Andaman and Nicobar Islands
APEC	Asia-Pacific Economic Cooperation
API	Active Pharmaceutical Ingredient
APT	ASEAN Plus Three
ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BRFIC	Belt and Road Forum for International Cooperation
BRI*	Belt and Road Initiative
BRICS	Brazil, Russia, India, China and South Africa
CARs	Central Asian Republics
CCAP	Connect Central Asia Policy
CEPA	Comprehensive Economic Partnership Agreement
CFIUS	Committee on Foreign Investment in the United States

CFZ	Chabahar Free Trade Zone
CJKFTA	China-Japan-South Korea Free Trade Agreement
CLMV	Cambodia, Laos, Myanmar and Vietnam
COBP	Country Operations Business Plan
CPC	Communist Party of China
CPEC	China-Pakistan Economic Corridor
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CSN	Coastal Surveillance Network
DAAU	Deloitte Africa Agribusiness Unit
DMIC	Delhi-Mumbai Industrial Corridor
DMICDC	Delhi-Mumbai Industrial Corridor Development Corporation Ltd
DPJ	Democratic Party of Japan
DRC	Democratic Republic of Congo
EAEC	East Asia Economic Community
EAVG II	East Asia Vision Group II
EEC	Eastern Economic Corridor
EIA	Energy Information Administration
EPA	Economic Partnership Agreement
EPQI	Expanded Partnership for Quality Infrastructure
EU	European Union
FDI	Foreign Direct Investment
FOIP	Free and Open Indo-Pacific
FTA	Free-Trade Agreement
G7	Group of Seven
GDP	Gross Domestic Product
GMS	Greater Mekong Sub-region
GSP	Generalized System of Preferences
HADR	Humanitarian and Disaster Relief
HIV	Human Immunodeficiency Virus
IA	Implementation Agreement
IAEA	International Atomic Energy Agency
IAI	Initiative for ASEAN Integration
IBRD	International Bank for Reconstruction and Development

ICT	Information and Communication Technology
IDA	International Development Association
IIFC	India Infrastructure Finance Company
IJIPP	India-Japan Investment Promotion Partnership
IMAC	Information Management and Analysis Centre
IMF	International Monetary Fund
INS	Indian Naval Ship
INSTC	International North South Transport Corridor
IONS	Indian Ocean Naval Symposium
IOR	Indian Ocean Region
IORA	Indian Ocean Rim Association
IOZOP	Indian Ocean as a Zone of Peace
IREL	Indian Rare Earths Limited
ISRO	Indian Space Research Organisation
ISS	International Space Station
IT	Information Technology
IUU	Illegal, Unreported and Unregulated fishing
JAI	Japan, American, India
JAIA	Japan, America, India and Australia
JAXA	Japan Aerospace Exploration Agency
JBIC	Japan Bank for International Cooperation
JCPOA	Joint Comprehensive Plan of Action
JENESYS	Japan-East Asia Network of Exchange for Students and Youths
JGSDF	Japan Ground Self-Defense Force
JIA	Japan, India, Australia
JICA	Japan International Cooperation Agency
JICT	Japan's ICT and Postal Services
JIMEX	Japan-India Maritime Exercise
JMSDF	Japan Maritime Self-Defense Force
JOGMEC	Japan Oil, Gas and Metals National Corporation
JOIN	Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development
LDC	Least Developed Country
LDP	Liberal Democratic Party of Japan

LMC	Lancang-Mekong Cooperation
LNG	Liquefied Natural Gas
MDA	Maritime Domain Awareness
MDBs	Multilateral Development Banks
METI	Ministry of Economy, Trade and Industry
MIEC	Mekong-India Economic Corridor
MJC	Mekong-Japan Cooperation
MNC	Multinational Corporation
MOFA	Ministry of Foreign Affairs
MOOTW	Military Operations Other Than War
MOU	Memorandum of Understanding
MPAC 2025	Master Plan on ASEAN Connectivity 2025
MSMEs	Micro, Small & Medium Enterprises
MSR	Maritime Silk Route
NAFTA	North American Free Trade Agreement
NAM	Non-Aligned Movement
NDB	New Development Bank
NDRC	National Development and Reform Commission
NER	North Eastern Region
NEXI	Nippon Export and Investment Insurance
NGOs	Non-Governmental Organisations
NMPC	Negin Mokran Development Petrochemical Company
NSS	National Security Strategy
OBOR**	One Belt One Road
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OECF	Overseas Economic Cooperation Fund
OPIC	Overseas Private Investment Corporation
PLA	Chinese People's Liberation Army
PLAN	People's Liberation Army Navy
PPP	Public-Private Partnership
PQI	Partnership for Quality Infrastructure
PRC	People's Republic of China

QUAD	Quadrilateral Security Dialogue
RCEP [†]	Regional Comprehensive Economic Partnership
ReCAAP	Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia
ROK	Republic of Korea
ROO	Rules of Origin
SAARC	South Asian Association for Regional Cooperation
SAGAR	Security and Growth for All in the Region
SCO	Shanghai Cooperation Organisation
SDGs	Sustainable Development Goals
SEZ	Special Economic Zone
SIMBEX	Singapore-India Maritime Bilateral Exercise
SLOC	Sea Lines of Communication
SME	Small and Medium Enterprises
SOA	State Oceanic Administration
SOEs	State-Owned Enterprises
SSBN	Nuclear-powered Ballistic Missile Submarine
TAG	Trade Agreement on Goods
THAAD	Terminal High-Altitude Area Defense
TICAD	Tokyo International Conference on African Development
TPP	Trans-Pacific Partnership
TVET	Technical and Vocational Education and Training
UK	United Kingdom
UN	United Nations
UNCLOS	United Nations Convention on the Law of the Sea
UNESCAP	United Nations Economic and Social Commission for Asia and the Pacific
UNFCCC	United Nations Framework Convention on Climate Change
UNSC	United Nations Security Council
USMCA	United States-Mexico-Canada Agreement
USTR	United States Trade Representative
WHO	World Health Organisation
WMD	Weapon of Mass Destruction

WPR	Western Pacific Region
WTO	World Trade Organisation

Notes

- ^{**} The terms ‘BRI’ and ‘OBOR’ and have been used interchangeably in the volume.
- [†] Most of the chapters in this volume were written before the East Asia Summit (EAS) of November 2019. India has officially stated not to be a part of the RCEP agreement at the recent EAS. Necessary revisions have been made in the book, keeping in view the recent change in India’s decision. While some of the most recent developments have occurred after the publication of the book, the larger arguments and perspectives regarding RCEP remain the same.

1

India-Japan Cooperation in the Indo-Pacific: A Primer

Jagannath P. Panda

The Indo-Pacific construct has gained significant attention with the shift of the locus of geopolitics from west to east. In a growing body of literature that has been written, the domain captures the rise of new powers and growth of new partnerships in a backdrop of cooperation as well as competition.¹ The Indo-Pacific countries of both India and Japan have synergised on their mutual concepts and values towards the region. They have strengthened their shared belief of freedom, democracy and the rule of law while creating a partnership based on principles and pragmatism.²

Their partnership today has corresponded beyond bilateral understandings and agreements, to an enhanced regional and global considerate. Most importantly, India and Japan's "Special Strategic and Global Partnership" has comprehended the need of the region and has complemented to a *Vision 2025*, focussing on developing infrastructure, connectivity and corridors across the Indo-Pacific.³ This has become a crucial pillar in the India-Japan relationship.

However, a co-envisioned partnership for a free, open and prosperous Indo-Pacific doesn't come without challenges. China's rapid rise with its unilateral and autarchic infrastructural initiative of the Belt and Road (BRI) has been a concern for India, Japan, as well as other countries in the region. Furthermore, Donald Trump's new approach of 'America First' and its withdrawal from the Trans-Pacific Partnership (TPP) has created apprehensions for

United States' role as a security provider in the region. With such trepidations and complexities in the backdrop, an advanced India-Japan relation indeed comes as a prerequisite for peace, security and stability of the region. Moreover, these developments are consequent to a greater impact on the strategic, bilateral and regional contours of the partnership between India and Japan.

Japan's Indo-Pacific Advocacy and the India Partnership

Having coined the term "Free and Open Indo-Pacific" at the 2016 TICAD VI held in Kenya, Japan remains the greatest patron to promote the idea of freedom and transparency today.⁴ The geo-economic linkages between the two oceans is deemed important for many countries, but for Japan the region flows from a globalist view, with plenty of strategic interests at stake. Reiterating an unrestricted Indo-Pacific is one of the most salient beliefs of Japan's foreign policy. Japan remains committed to a regional order which is ruled-based, working on transparency, openness and laws for trade, investment, quality infrastructure and importantly, prevention against coercion.

The iteration of the concept of Indo-Pacific dates back to Prime Minister Shinzo Abe's 2007 speech 'Confluence of the Two Seas' at the Indian Parliament where he envisioned the shaping of a 'broader Asia' at 'the confluence of the two seas of the Indian and Pacific Oceans.'⁵ The immediate years following the end of the Second World War were characterised by Japan's alliance with the US as it strove to pursue economic development. The years after the end of the Cold War had been seen as the period of economic stagnation in Japan even as China was growing exponentially, both economically and militarily. This had eroded the pre-eminent position Japan once occupied in Asia, leading to a redistribution of power in the region. These winds of change today, have prompted a shift in Japanese foreign policy, eventually leading to development of the concept of Indo-Pacific.

Japan encourages freedom of navigation which not just corresponds to economic necessity but also has security implications. Japan further indulges in capacity-building, bringing

in peace and stability in the region which subsequently concludes for its own development. It further believes in the growth of the region as a whole and has been investing in enhancing connectivity through sustainable and quality infrastructure.⁶ This has been a grand strategy under the Abe administration to revive its national strength and confidence, enabling Japan to seek a greater regional economic role in the global world order. Promoting infrastructure growth and connectivity would further enable it to tackle challenges of diplomacy and security in the region. The above objectives have evolved into projects such as the Asia-Africa Growth Corridor (AAGC), initiating greater connectivity between the two continents of Asia and Africa.⁷ It has further developed the Mekong region as a bridge between the Indian and Pacific Oceans developing the East-West and Southern economic corridors ensuring economic prosperity throughout the region.⁸

The signs of this move towards a different strategy were already apparent as Japan deepened its bilateral and multilateral engagement with countries and organisations of the Asia-Pacific in the post-Cold War period. As its power has relatively declined, Japan has sought to further its influence through economic investment, engaging in infrastructure and connectivity projects and lobbying for inclusion of states like India, New Zealand and Australia in the East Asia Summit.⁹ Acknowledging that it would not be possible for Japan to deal with the changes underway due to a rising China on its own, it has maintained its alliance with the US while improving relations across the region.¹⁰ Southeast Asia in particular is vital for Japan for economic reasons—being an important trading partner as well as repository of global value chains. In addition to its market potential, it is critical from the view of maritime security as well, which explains Japan's keen interest in extending economic and connectivity links in the region as well as, the focus on cooperating with multilateral organisations centred on the ASEAN.¹¹ Given China's extending footprints in Southeast Asia, Japan has found it prudent to engage with other states like India and Australia to strengthen its position.¹² In this context, given that the region is set to become the nerve-centre

of the emerging order, it is only natural that Japan has carved out its own policy framework reflected in the bilateral and multilateral manoeuvres as well as in elucidation of the Indo-Pacific, so as to continue to be an influential player in what is being heralded as the Asian Century.

India's Embrace to Indo-Pacific and Japan

The region of Indo-Pacific reiterates India's commitment towards a democratic and rule-based order with open and free seas, space and airways.¹³ It further connects the region through its vision of "freedom of navigation, unimpeded commerce and peaceful settlement of disputes in accordance with international law", a fundamental aspect to its diplomacy.¹⁴ Most importantly, its perspective towards the region boasts about distinctive inclusivity and connectivity. Its connectivity promotion is swiftly becoming a key facet of its contemporary diplomacy. Further, a changing regional dynamics witnesses an urgency on the part of India towards its connectivity initiatives and infrastructure development activities. Its major policy of 'Act East' remains prime for its connectivity initiatives, while its infrastructural projects of Kaladan Transport Project, Sagarmala and Bharatmala are enabling India to position itself as a major connectivity promoter in the neighbourhood. Through synergic goals and values, Japan has successfully crafted a space to play the role of a major connectivity partner with India.

The pragmatic camaraderie between India and Japan today is a result of the evolutions in their bilateral engagement, taking place since decades. The liberalised India post 1991 witnessed its changing developmental priorities, which compelled its strategic thinkers to upgrade its relations with Japan and forge 'complementary' ties.¹⁵ Although the relations between both the nations were still restrictively economic, Japan envisaged India's developing markets as a great opportunity for its investors. The relationship saw a new high with the signing and implementation of the 'Comprehensive Economic Partnership Agreement' which enabled both the countries to cooperate on issues of trade, investments, infrastructure and

energy.¹⁶ This acted as a foundation to their current partnership which has spread its outreach beyond traditional arenas to areas such as maritime security, infrastructural development and connectivity, capacity building and health.¹⁷

Both the countries today understand the importance of interdependence with like-minded countries having the same core values, needed to not just develop the region economically, but also enhance the regional security. Moreover, Japan has been undertaking both hard and soft connectivity initiatives in countries such as India. This has provided Japan with not just partners, but friends which has considerably enhanced the quality of its bilateral ties. The India-Japan bilateral relationship has grown by leaps and bounds in the 21st century, with a steady increase in political, economic and strategic ties. This period has also coincided in Asia with the rise of China and a subsequent reordering of the regional order, a development impacting both India and Japan. The steadily growing Indian economy, an enhanced partnership with the US and the search for new partners in the region has brought India and Japan closer.

This has been reiterated by India and Japan's *Joint Statement* that outlines their *Vision 2025*, which emphasised on a "Special Strategic and Global Partnership" while working together for peace and prosperity of the Indo-Pacific region.¹⁸ This statement ensured a joint commitment towards devising a long-term action plan concentrating on defence, economy, humanitarian assistance, and most importantly, investing in enhancing the infrastructural connectivity of the region, as a dire need.

Further, India and Japan, through the *Vision 2025* reaffirm their desire to establish enhanced dialogues and exchanges between the two countries for defence and security, such as 2+2 Dialogues, Defence Policy Dialogue, Military to Military Talks and Coast Guard to Coast Guard cooperation. Further, establishing the synergy between both their policies of "Act East" and "Partnership for Quality Infrastructure", both the Prime Ministers acknowledged the strategic importance of securing advanced industrial networks

and regional value chains between both the countries. They also recognised the requirement for a peaceful, just and transparent business environment to achieve the goals of infrastructural development and connectivity. Further, this statement enabled the recognition of the importance of cooperation between India and Japan in the field of energy through establishing high-efficiency, environment friendly coal-fired power generation technology; and Clean Coal technology (CCT).

In other words, the *Vision 2025* reiterated India and Japan's convergence in outlook to promote an inclusive regional order that would promote free and open navigation, quality infrastructure, transparency, rules-based order in Indo-Pacific. Besides, over the last few years, the *Vision 2025* has evolved into a key strategic concept that has been reiterated by the Indian navy in its maritime security strategy and further enunciated in the 2017 India-Japan Joint Statement titled 'Toward a Free, Open and Prosperous Indo-Pacific.'¹⁹ Given its growth trajectory and geographical location, India is poised to be the key player in realising the creation of a rules-based order as it embarks on its own Act East policy. This has also been evident in the partnership in Asia-Africa Growth Corridor (AAGC), which echoes India's vision of Indo-Pacific as 'from the shores of Africa to that of the Americas'.²⁰ Not just bilaterally, India also figures prominently in multilateral groupings like the Quadrilateral initiatives involving Japan, Australia and the United States, JAI (Japan-America-India) and Australia-India-Japan, proclaiming a convergence of ideas on the future of the region with other like-minded partners. The above outline signifies the high importance Japan accords to India in its future vision for Asia, as the two continue to improve bilateral ties free from any historical baggage.

With a shared view towards the Indo-Pacific region, India and Japan acknowledge the necessity to work together to achieve a rule-based and inclusive world order that nurtures trust and assurance by bolstering communication and connectivity. The foreign policy of both the countries endeavours to work for rule of law, unhindered

trade, people-to-people contacts and enhanced technology for peace and prosperity of the region. In this context, India and Japan have been cooperating for the development of connectivity and quality infrastructure carried out bilaterally and amongst other partners. This development is carried out in a transparent and inclusive manner which supports the international standards and condemns unjust debt practices.

The emergence of Japan as a partner in the Northeast India has played a significant role in strengthening the India-Japan relations. This is marked by India partnering with Japan in the region under its 'Act East Policy' to enhance connectivity. Japan has substantially invested in the Northeast Road Network Connectivity Program spread over Assam and Meghalaya. It has invested in the Northeast Network Connectivity project in Meghalaya, Bio-diversity Conservation and Forest Management Project in Sikkim, Sustainable Forest Management Project in Tripura and Technical Cooperation Project for Sustainable Agriculture and Irrigation in Mizoram. Further, Japan has also invested in the Forest Management Project in Nagaland and more.²¹ Most importantly, the infrastructural projects between India and Japan has enhanced the strategic prominence of the Northeast, especially due to its close proximity to the Southeast Asia. This is reiterated by the infrastructural projects in the Northeast connecting India with the Southeast Asian countries through the trilateral highway between India, Myanmar and Thailand (IMT).²²

This collaboration has been extremely beneficial for India, not just for its external growth, but also its internal development. Further, Japan's assistance and aid in connectivity projects in the region enhance India's outreach to the Southeast Asia region, and is deemed necessary for its Act East Policy and international outreach.

The contribution of Japan to India's socio-economic development is commendable. Japan's ODA of Rs 79,000 crore which contributes to 80 per cent of the funding was much appreciated for the Mumbai-Ahmedabad High Speed Rail project.²³ This development was further special as it marked an important symbol for India and Japan's growing partnership, especially on the auspicious occasion

of the 75th anniversary of India's independence.²⁴ Their continued cooperation is also visible in the development of metro projects to support smart cities in India. Further, Japan has also invested in the Western Dedicated Freight Corridor and the Delhi-Mumbai Industrial Corridor.²⁵ Moreover, under Japan's policy of sustainable and quality infrastructure, it is also cooperating with India in its Metro projects by investing in the projects worth 81,000 crore.²⁶ Such symbolises India and Japan's collaborative approach towards connectivity, quality infrastructure and capacity building.

Both the countries have been a part of connectivity projects with countries such as Sri Lanka, Myanmar, Bangladesh as well as Africa. Japan and India are investing in the collaborative developmental projects in regions such as the small-scale port in Trincomalee, Sri Lanka; a port in Dawei in the Myanmar-Thailand border and Matarbari port in Bangladesh.²⁷ These developmental projects reiterate India's dedication towards its 'neighborhood first' policy, and an inclusion of Japan in such projects heightens the latter's importance for India. At the same time, it is important to note that these ports are being built in close proximity to the infrastructural projects already in being constructed by China.²⁸ This determines that while the India-Japan partnership thrives, it doesn't stay aloof of the growing Chinese presence in its backyard. Concerned about the unilateral, assertive and authoritarian Chinese presence in the Indo-Pacific, India and Japan's synergic approach towards the region is categorised by collaborating with like-minded countries such as the United States and Australia. Such collaboration aims to provide inclusive, just, transparent and peaceful alternatives to the development of the region.

On the other hand, Japan's policy initiatives of a 'Free and Open Indo-Pacific' has a lead in its regional economic outreach policy of the Expanded Partnership for Quality Infrastructure (EPQI).²⁹ The important takeaway from this developmental policy initiative has been its intersection with India's Act East Policy and Make in India. With convergent views towards universal values and synergic vision towards the Indo-Pacific, India and Japan have proposed the AAGC with the objective of cultivating value chains, advancing

economic networks and sustainable development, and interconnectedness between and within the two growth poles of Asia and Africa.³⁰ AAGC focuses on four priority areas relating to development projects, quality infrastructure and institutional connectivity, skill development and capacity-building and people-to-people cooperation.³¹

Further, the return of Narendra Modi for his second term as the Prime Minister of India is undoubtedly a welcoming development for India-Japan relations. Modi 2.0 could serve as an opportunity to create a road map for further enhancing the already thriving bilateral relationship between India and Japan. The continuation of the India-Japan relationship was reiterated with the G-20 dialogue where Prime Minister Modi met his Japanese and American counterparts Shinzo Abe and Donald Trump. Also called the JAI meeting, the three leaders had a productive discussion for partnership and cooperation in the fields of infrastructure and connectivity development in the Indo-Pacific.³² Further, India and Japan have launched the India-Japan Startup-Hub which aims for cooperation on digital partnership and enables exchanges between Indian and Japanese businesses. Still at a very nascent stage, the bilateral relations under Modi 2.0 would see a growth in the economic partnership between both the countries owing to their ‘like-mindedness’. Such would ensure a startup hub between India and Japan, talent facilitation, cooperation in R&D and a development for industrial corridors and industrial networks in the region. Japan continues to be India’s most trusted partner in economics and technological modernisation. Further, according to Modi, “India’s software and Japan’s hardware can do wonders”.³³ In this context, Japan’s hardware in the form of cars and electric appliance market can complement India’s software market of skilled professionals. Additionally, Japan has been a leading partner in India’s “Make in India”, “Start-up India”, “Skill India” and “Digital India” initiatives.³⁴ This comes in the backdrop of the “Made in China 2025” which seeks to dominate the global high-tech manufacturing, enhancing the demand for an enhanced India-Japan partnership.

The China Balance

The rise of China in economic as well as military domains are resulting to its assertive approach in Indo-Pacific, which are being perceived as common concerns for both India and Japan. As a result, India and Japan are forging stronger partnerships with not just each other but also countries like USA, Australia, and with countries in ASEAN which hold similar apprehensions associated with China's assertive actions and policies. With mutual visions and values for the maritime domain of Indian Ocean, India and Japan also share mutual concerns for a rapidly changing world order becoming increasingly unilateral, autarchic and assertive. It is also the fear of disrupting regional stability because of China's assertiveness on regional issue, including global common, is drawing India and Japan together.³⁵ Such concerns have been produced by China and its infrastructural initiative of the Belt and Road (BRI).³⁶ India and Japan acknowledge China's economic and military growth in the region and the implications regarding the same.

While BRI promises vast trenches of infrastructure development and connectivity, its opaque and unjust policies are creating financial debt burdens which are hindering sovereignty. Sri Lanka's Hambantota port can be cited as an example for the same which has been handed over to the Chinese ports on a 99-year lease due to Sri Lanka's failure of paying back the loan. This has furthered China's strategic control over the region.³⁷ This further reiterates China's assertiveness in the Indo-Pacific. Beijing also has been extending strategic outreach to Russia, Central Asia, West Asia and Africa in terms of developmental cooperation through its BRI. Its Maritime Silk Road (MRS) under BRI aims to upgrade the maritime domain through its connectivity initiatives and in turn contribute to China's military strategy of a vast military outreach. As a result, this would reiterate its aim to become a major global maritime power pursuing 'open seas protection' through its defence, as well as Mahan's Sea Power Theory.³⁸

Furthermore, Beijing backed China-Pakistan-Economic-Corridor (CPEC) garnering huge amounts of loans, passes through the disputed region of Pakistan Occupied Kashmir (PoK). A

construction of a corridor at such a place by China would certainly hinder India's sovereignty and territorial integrity.³⁹ Such has garnered disapproval by India as well as has been the reason for India's absence from both the Belt and Road Forum (BRF) meetings held in 2017 and 2019.⁴⁰ While India has decided not to be a part of BRI, Japan too has shown apprehensions in many of the BRI projects, even though some conditional cooperation on project based basis are being explored between Japanese and Chinese companies.

Such changes have demanded a need for an enhanced India-Japan partnership for peace and stability in the region. Taking these developments into account, the chapters in the book aim to examine the scope and potential of India-Japan cooperation within infrastructural developments, connectivity and corridors in the region of Indo-Pacific. Further, the chapters examine the bilateral, trilateral and multilateral contours of the growing partnership in the backdrop of a rapidly changing economic order with new partnerships and power projections.

Structure of the Book

The book is divided into four sections. The first section looks into the Connectivity, Corridors and Contours through an Inter-Continental Context. The chapter in this section titled "Framing a Eurasia Link in India-Japan Global Ties" has been written by Jagannath P. Panda and Mrityika Guha Sarkar. The chapter examines the prospects of India-Japan ties in the context of the Eurasia region to transform the potential of this partnership to influence the global security and political architecture. The chapter essentially argues that in order to strengthen the global character of India-Japan partnership, a parallel construction comprising a Eurasia along with an Indo-Pacific framework should be pursued, driven by strategic and economic imperatives between the countries.

The next chapter in this section titled "Innovation, Value Chain and Structural Linkages in Asia-Africa Growth Corridor" is written by Srabani Roy Choudhury. The author discusses the Asia-Africa Growth Corridor in which India and Japan have employed

the complementariness between them and the African nations in order to create a synergy for sustainable economic development for Africa, to integrate the Asian and African economies and to establish a “peaceful, open, equitable, stable and rule based order in the Indo-Pacific”. It examines three sectors of agriculture, health and production network under the backdrop of innovation, skill development and quality capacity building.

The second section of the book talks about the Bilateral Perceptions and Strategic Significance, focussing on Resources and Technology. The first chapter in the section has been written by K.V. Kesavan and is titled “Infrastructure Connectivity and Corridors in Prime Minister Modi’s Japan Policy.” He explores India’s policy towards Japan—a major pillar of India’s Act East policy under Prime Minister Narendra Modi; with a focus on infrastructure development, technological modernisation and connectivity projects. The author also notes the synergy between the two states being embodied in joint projects in the Indo-Pacific region, where they want to maintain a regional order that is open, transparent and rule-based. He posits that the convergence of India-Japan economic and strategic interests has been driven by China’s Belt and Road Initiative.

The second chapter in this section titled “Connectivity and Corridors in Shinzo Abe’s Indo-Pacific Foreign Policy: 2025 and Beyond” has been written by Ryohei Kasai. He looks at the idea of Indo-Pacific that has gained prominence in recent years, with Japan launching the initiative of “Free and Open Indo-Pacific Strategy” (FOIPS) in August 2016. In the process, it has strengthened engagement with the United States, Australia and India. The author analyses the role of Infrastructure development and connectivity in Japan’s Indo-Pacific strategy and examines the ongoing developments as well as challenges that FOIPS will be presented with in the future.

The third chapter in this section titled “Technology and Resource Imperatives in India-Japan Relations” has been written by A.D. Gnanagurunathan. He looks at the India-Japan relationship through the lens of technological necessity and resource imperatives as both developed and developing states seek to find resources to sustain

their growing economies and to improve their standing in the midst of fast depleting hydrocarbon and mineral reserves. In the chapter, the author examines the growing bilateral ties to answer how far India-Japan technology co-operation is geared towards mitigating future resource contingencies.

The fourth chapter of this section has been written by Shamshad A. Khan. In the chapter titled “Role of Forums and Institutional Mechanisms in the India-Japan Partnership of Prosperity”, the author examines the scope of India-Japan bilateral relationship that has transformed into a “special strategic and global partnership”. The ties have deepened since the institutionalisation of prime ministerial level summit talks in 2006. The two sides also cooperate extensively in other bilateral and multilateral forums and institutions; besides engaging with each other in regional and international fora. The author examines the importance of these mechanisms and institutions in furthering India-Japan relations in the chapter.

The third section of the book discusses the Financing Projects and Policies, focussing on the Economic Imperatives. The first chapter in this section has been written by Raviprasad Narayanan. In the chapter titled “The Asian Context: Chinese Economy and India-Japan Ties” he dwells on the Chinese economy that is evolving into becoming the centrifugal force of Asian economic interactions. He points out that as China emerges as the significant trading partner for India and Japan, the need for a deeper engagement between Tokyo and New Delhi is imperative. In order to transform the domestic economy, India will need inputs of technology and capital investment, where Japan will play an important role. The chapter argues that the emergence of China is not to be seen as a threat but as an opportunity for India and Japan to deepen economic relations and further bilateral ties.

The second chapter in this section titled “Prospects of the Free and Open Indo-Pacific Initiatives and India-Japan Partnership” has been written by Takashi Terada. He discusses the Free and Open Indo-Pacific (FOIP) in the context of China’s growing influence in the region and a reduced US interest in multilateralism. The chapter

argues that China has sought to further its influence through initiatives like RCEP and BRI, which in turn has led India and Japan to undertake a balancing act in their relations with China. New Delhi and Tokyo's partnership in the region has been examined in the chapter while also studying the impact of RCEP on the Free and Open Indo-Pacific.

Titli Basu has written the next chapter in this section titled "Infrastructure Financing and Institutional Statecraft: Japan's Role in India's Modernisation". She situates the theme of infrastructure financing and institutional statecraft in the India-Japan context. The chapter argues that Japan should use its influence to achieve mutually beneficial economic development and expand its geopolitical influence. The idea of Free and Open Indo-Pacific can be promoted through financing infrastructure projects of strategic importance in India and coordinating economic and strategic interests in the region.

The last chapter in the section titled "Infrastructure Investment: EPQI, BRI and the Emerging Asian Contest" is written by Amrita Jash. She examines the rapid economic development of Asia that has led to an asymmetry in the demand and supply chain of investment and infrastructure, wherein the emerging countries are unable to finance their infrastructure needs. In view of this, major players like Japan and China, have taken a proactive role. The chapter, in this context, studies the operational aspects of the two initiatives in the emerging Asian context, the planning and perspectives of infrastructure investment of Japan and China and the overall geopolitical context.

The last section of the book talks about Infrastructure and Maritime Congruence in the Indo-Pacific. The first chapter in this section has been written by Abhay Kumar Singh. His chapter titled "India-Japan Strategic Partnership: Imperatives for Ensuring 'Good Order at Sea' in the Indo-Pacific" explores the concept of 'good order at sea' in the Indo-Pacific, situating the India-Japan strategic partnership within its framework. The author examines the regional geopolitical environment to highlight the maritime

security challenges in the Indo-Pacific. In this context, the India-Japan bilateral relationship is studied to examine the opportunities and challenges presented by the prevailing circumstances the region. The chapter also contains suggestions for policy makers to further bilateral ties to promote good order at sea.

Kenta Aoki has written the next chapter in this section and focuses on the Chabahar port. In his chapter titled “Chabahar: The Fault-line in India-Japan Infrastructure Cooperation” he discusses about the deal for development of Chabahar port signed by Afghanistan, India, and Iran. China on its part intends to gain more influence in the Indo-Pacific by realising the ‘One Belt, One Road’ (now officially known as Belt and Road Initiative), and by building its military and economic presence in the region; taking place in the backdrop of a gradual weakening of the influence of the United States in shaping the international order. The chapter thus studies Chabahar port, closely looking at multiple complex factors surrounding it to clarify different strategies of Afghanistan, India, and Iran; analysing their differing motives that make Chabahar the fault-line in India-Japan growing infrastructure cooperation.

Takuya Shimodaira has written the next chapter for this section. In his chapter, “China’s Maritime Policy in the Bay of Bengal: How does it Affect India’s and Japan’s Maritime Interests?” he studies the Indian Ocean, which has been a focal area of interest for China for achieving its geopolitical, economic and security interests and for the PLA Navy to increase its presence under the “Belt and Road” Initiative since 2013. The author argues that the Quad has been reinvigorated to boost trust and security cooperation in the Indo-Pacific region. In this context, the chapter examines how India and Japan can enhance their cooperation in areas like connectivity and maritime security to protect their interests in the Indo-Pacific.

Madhuchanda Ghosh has written the next chapter for this section titled “India and Japan in Bay of Bengal: Strategic Convergence to Maritime Security”. She looks at the Indo-Pacific security landscape and the Bay of Bengal. The author points out that the maritime security environment in the Bay of Bengal has been

a cause of concern due to both traditional and non-traditional security threats. The increasing Chinese naval influence in the Indian Ocean region is another area of concern. In this context, cooperation in the area of maritime security between India and Japan will be critical for enhancing the maritime security of the region, with India's Act East Policy and Japan's Free and Open Indo-Pacific Strategy converging here.

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PART - I

Connectivity, Corridors and Contours: The Inter-Continental Context

Framing a Eurasia Link in India-Japan Global Ties

Jagannath P. Panda and Mrittika Guha Sarkar

The Indo-Pacific narrative has become a central feature in India-Japan relations. India's ambition to emerge as an Indo-Pacific power pursuing a multi-aligned foreign policy with a focus on 'strategic autonomy' and Japan's continuous attempts to build a consensus on 'free and open Indo-Pacific' with 'like-minded' countries—and, importantly, its fortitude to foster interest 'harmoniously' in its newly crowned 'Reiwa' era reiterate the Indo-Pacific narrative.¹ An ever-maturing India-Japan "special strategic and global partnership" comes as a balancer to the peace and prosperity of the Indo-Pacific region, while India's rise and Japan's resurgence as an economic and security actor ensure a multipolar Asia.²

At the same time, the strengthening camaraderie coupled with the presence of the United States in the region has prevented Beijing from overtly pursuing its ambition of transforming Asia into a unipolar entity. The partnership is particularly cautionary to Beijing, as these two economies are strongly connected with the global economy, including China's own. Most importantly, India and Japan enjoy maximum strategic confidence with the United States, the number one economy of the world. In other words, the significance of India's rise and Japan's resurgence has constrained, if not entirely negated, China's strategic choices in Asia. Further, to China's utter discomfort, the fundamentals of India-Japan relations—namely building a complimentary

approach to various maritime issues including the disputes in Asia, highlighting common perspectives to promote a free and fair trading environment in the region and beyond, promoting transparent trans-regional connectivity culture and advocating jointly for quality infrastructure—provide a significant thrust for effectively balancing the security in Asia. As Sujan R. Chinoy, India's former Ambassador to Japan, rightly states that this is a 'partnership of great substance and purpose' that remains central to India's Act East Policy.³

Beijing's 'new era' ambitious foreign policy is increasingly shaping the trajectory of Asia's rise, posing a challenge to the multipolar trends with its unilateral initiatives.⁴ China's 'gray-zone' maritime strategy, ambitious Belt and Road Initiative (BRI) and leadership venture to promote alternative financial institutions such as the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB)—established by the BRICS (Brazil, Russia, India, China and South Africa) countries—highlight its strategic undertones making Asia a unipolar one.

To counter such growing unilateral development, India and Japan need to take forward their global ties by extending their outreach towards other areas which have become very relevant in international relations. A 'Eurasia' framework of cooperation is currently missing in India-Japan cooperative mechanisms. To take forward their '*Vision 2025*' and to make an impact on the global strategic landscape, both India and Japan need to cooperate more in their immediate and extended neighbourhood in Asia. A region like Eurasia which represents 70 per cent of the world population cannot be overlooked, which needs to be factored in their global partnership. Further, a "global partnership" cannot simply be a concentrated partnership in Indo-Pacific; it needs to have a comprehensive character. This merits the following question for investigation: how will the 'special', 'strategic' and 'globalist' character of India-Japan ties unfold with a Eurasia link in times to come? Thus, this chapter frames India-Japan relations in the Eurasian context, by understanding their past trajectory and current developments, and

looks at the future of this relationship vis-à-vis China's new era foreign policy which is Eurasia centric.⁵

The Progressive Partnership

Literature suggests that an overall cordial, but the low-key progressive relationship was evident between India and Japan during 1945–99. This cordial, yet disengaged relationship grew amidst many globally political events which reiterated India and Japan's divergent stances. Such were, India's leadership moments in the Non-Aligned Movement; Japan's security alliance with the United States; Japan's support for the anti-Communist, anti-Soviet bloc; and India's Treaty of Friendship and Cooperation with Moscow in 1971. However, it was Tokyo's emergency financial assistance of foreign exchange loans to India during the Gulf crisis which provided significant positive momentum to the India-Japan ties.⁶ Nevertheless, this momentum witnessed a setback when India did not join the Comprehensive Nuclear Test Ban Treaty in 1996, and further with India's Pokhran nuclear test in 1998, as Japan was opposed to India emerging as a nuclear power.

A new beginning was witnessed in 2004 when India and Japan conducted naval coordination and humanitarian relief operations following the tsunami in the Indian Ocean. During Prime Minister Junichiro Koizumi's visit to India in 2005, both countries envisioned to strengthen this partnership, factoring Asia as a focus, and offered a strategic orientation to their relationship. They issued a joint statement, titled 'Japan-India Partnership in the New Asian Era: Strategic Orientation of India-Japan Global Partnership', that focused on promoting a better understanding between the two countries in the economic domain, with an all-inclusive development in bilateral relations shaping the progressive ties ahead.⁷ Issues like security, non-proliferation, disarmament and other mainstream regional and global security subject matters gained prominence as discussion points between India and Japan. Annual leadership summits further offered a new narrative to this partnership. From Tokyo's viewpoint, a changing attitude towards security was visible,⁸

and India gradually started gaining more importance in Japan's policy outlook.⁹

Further, a personal commitment towards India-Japan relations was noticed in Japanese Prime Minister Shinzo Abe's first cabinet in 2006–07. Abe's historic speech on August 22, 2007, in the Indian Parliament provided a new fillip to the evolving regional context, with a focus on the region as 'the Arc of Freedom and Prosperity', essentially contextualising a new beginning to the narrative of the Indo-Pacific. In this speech Abe declared that:

Japanese diplomacy is now promoting various concepts in a host of different areas so that a region called "the Arc of Freedom and Prosperity" will be formed along the outer rim of the Eurasian continent.... By Japan and India coming together in this way, this "broader Asia" will evolve into an immense network spanning the entirety of the Pacific Ocean, incorporating the United States of America and Australia.¹⁰

Abe's historic speech was a clear signal of the Japanese intent to build a stronger relationship with India that would be more global in nature, with its focus on the maritime domain. Abe proposed that India and Japan could further strengthen their relationship with democratic countries such as the United States and Australia. It was the beginning to the prospect of the Indo-Pacific construct, to which Japan at present takes a lead along with its alliance partner, the United States.¹¹

The year 2008 witnessed Taro Aso and Manmohan Singh taking forward the India-Japan relations, by the institutionalising defence and security relations between the two nations through the release of the 'Joint Declaration on Security Cooperation'.¹² An 'Action Plan to Advance the Security Cooperation' in 2009 further provided a guidance framework to enhance security cooperation.¹³ The return of Abe to power in Japan in 2012 provided a new context for cooperation on the strategic fronts he had advocated in 2006–07 at the Indian Parliament. India, too, started exemplifying

its commitment towards East Asia, identifying Japan as a long-term partner in global affairs. Abe being the first ever Japanese dignitary to be invited as the Chief Guest for India's 2014 Republic Day parade, outlined Japan's growing importance to India as a partner in its foreign policy. Further, in September 2014, Prime Minister Narendra Modi undertook his first visit outside the immediate neighbourhood region to Japan, which witnessed the 'Global Strategic Partnership' being upgraded to 'Special Strategic and Global Partnership'.¹⁴

Abe's 2015 visit to India witnessed a growing Japanese commitment towards the funding and development of India's high-speed railway with protocols of enabling the future transfer of technology and defence equipment. His visit built strategic confidence in areas pertaining to joint measures in ensuring the protection of classified military information, apart from Japan's request of permanent inclusion in the annual US-India Malabar Naval Exercise. The relationship was further strengthened with Prime Minister Narendra Modi's visit to Japan in 2016. The signing of the bilateral civil nuclear deal paved the way for Japan's nuclear reactor establishments to build power plants and sell parts of nuclear reactors across India. A new wave of thinking was reflected in Japan's public opinion on India, even though India is not a signatory to the Nuclear Non-Proliferation Treaty (NPT). What is important to outline is that the annual leadership summits between the two sides have strengthened the India-Japan bilateral security and defence ties. Exercises between the three services and coast guard units, coast guard-level dialogues, passage exercises and counter-terrorism drills have demonstrated a new level of confidence between the two countries, bilaterally and regionally. This growing bilateral confidence is strongly reflected in their Indo-Pacific outlook too.

In 2017, India and Japan established the Act East Forum which sought to synergise Japan's "Free and Open Indo-Pacific Strategy" (FOIPS) and India's Act East Policy in enhancing connectivity and infrastructure development, forming industrial links and promoting people-to-people contact between the north-eastern region in India

and neighbouring countries in Southeast Asia.¹⁵ This cooperation was also aimed at providing fresh impetus to the struggling sub-regional initiatives, like the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), which involves India, Bangladesh, Nepal, Bhutan, Sri Lanka, Thailand and Myanmar, and the Bangladesh-China-India-Myanmar (BCIM) Forum for Regional Cooperation.

Adding to the momentum, the bilateral trade and economic ties have progressed steadily. In recent times, the pace of Japanese investment in India, too, has diversified greatly. For example, Japanese investment in Indian start-ups surpassed Chinese and American investments in 2017;¹⁶ also, Japanese investment in India for the construction of industrial corridors and clusters during 2015–16 and 2016–17 rose from US\$ 2.6 billion to US\$ 4.7 billion.¹⁷ The Japanese high-speed rail network, commonly called the bullet train, has emerged as the most striking example of India-Japan economic cooperation in enhancing domestic connectivity and infrastructure. There are plans to connect other leading Indian cities via its high-speed rail networks, like the one between Mumbai and Ahmedabad, highlighting Japan's growing status as an influential economic partner in India.¹⁸

This bilateral mode of cooperation is translating slowly at present to a regional mode of grand understanding to envision cooperation between two continents—Asia and Africa—with the lead of India and Japan. The proposed Asia-Africa Growth Corridor (AAGC), focussing on quality infrastructural development, connectivity, capacity building and skill development, and people-to-people contact,¹⁹ comes as a reference to this effect. The plans to build the Japan-India Business Cooperation platform comes as a strategic fillip to this effect, to advance the 'Third Country' cooperation.²⁰ A global partnership of such kind requires to have a comprehensive character where Eurasia can also become one of the most important strategic fulcrum of India-Japan global ties. The basis of this Eurasia cooperation should not be nurtured separately. It could be envisioned parallel to the growing Indo-Pacific narrative to advance further the India-Japan global ties.

The Basis of a Eurasian Cooperation

India and Japan have majorly been traditional actors in the region of Eurasia, and their cooperation in the region can be seen from a more complementary perspective than convergent. Such a partnership can be considered viable owing to India and Japan's shared strategic motives and mutual economic imperatives. While the two countries associate through democratic values of freedom, inclusivity and infrastructural development, balancing China's influence in the Eurasian region through its initiatives of Belt and Road (BRI) and especially the Silk Road Economic Belt (SREB) would remain a converging point.²¹ Further synergy arises from India and Japan's Post-Cold War presence in the Central Asian region through Japan's Silk Road Diplomacy and India's Central Asian Reach.

The Japanese Approach of Goodwill in Central Asia

While the term 'Silk Road' has been adopted by the Chinese in their external economic engagement strategy in the recent times under its flagship Belt and Road Initiative (BRI), Japan was one of the first countries in East Asia which applied the Silk Road concept to its engagement with Central Asia.²² Its post-Cold War engagement with the region was defined by its 'Silk Road Diplomacy' in 1997 while becoming the first nation with diplomatic initiatives focusing on the revival of the ancient Silk Route and connectivity. This policy initiative was announced under the Ryutaro Hashimoto Administration through the latter's speech to the Japan Association of Corporate Executives.²³ The initiative served as an impetus to expand the scope of Japan's foreign policy beyond the Asia-Pacific region, where the Central Asian countries and the Caucasus played a major role. Its policy engagement with the region was divided into two major areas: (a) providing assistance to the states through establishing stability, peace and prosperity to imbibe self-sufficiency; (b) utilising the potential of the states to form channels between Japan and the region, especially in terms of economic and political cooperation, focussing on telecommunications, transport, energy supply system and further energy resource development and

cooperation; (c) It acknowledged the growing presence of China and Russia's dominant influence in the region and sought to avoid a situation where national interests clash between the aforementioned powers. In other words, Prime Minister Hashimoto stressed on establishing a win-win approach to its foreign policy towards the region, accompanied by trust, mutual understanding and long-term commitment amidst a competitive-cooperative environment building in the region of Eurasia.²⁴

Japan's engagement with the region could further be claimed as an 'act of goodwill' due to its comparative disadvantage of distance from the region.²⁵ This, in turn, highlighted the weaknesses in the Japan-Central Asia engagement due to logistics problems and restricted access to the Central Asian markets. However, this was also considered a behaviour of benevolence in regards to other actors in the region such as China and Russia. Further, its connectivity initiatives and assistance attempted to enhance cooperation between the Central Asian states, and gradually became the bedrock of Hashimoto's 'Silk Road Diplomacy'. Subsequently, Japan contributed to the development of the Central Asian region through its Official Development Assistance (ODA). Its Yen loan was utilised in connectivity infrastructures such as the development of roads, railways, airports, bridges, power plants and schools.²⁶ Japanese involvement in the region was hence, seen as positive, maintaining good relations with states like Uzbekistan, Tajikistan, Kyrgyzstan and Kazakhstan and majorly balancing the engagement of China and Russia.²⁷ As a result, the states of Central Asia never viewed Japan through the lens of imperialism; rather, they accorded the latter with its technological prowess, synergic values of democracy, prosperity and a dedicated commitment towards the development of the region. Further, Japan was never feared for its potential to exploit and dominate the region, which had been the case with China as well as Russia to an extent.²⁸ However, Japan's investments in the region were still relatively slow in comparison to new players such as China, providing the region with generous and attractive loan assistance. Further, owing to the IMF and World Bank's strict rules

limiting the amount each Central Asian government can receive as assistance, Japan's donorship in the region was deteriorating with a trade of mere US\$ 446 million (just 0.5 per cent of Japan's foreign trade).²⁹ Subsequently, a new Japanese approach was needed towards the region to sustain Japan's diplomacy in the region.

In August 2004, Prime Minister Junichiro Koizumi launched a diplomatic initiative of 'Central Asia plus Japan' and became the first Prime Minister to visit the Central Asian region.³⁰ The initiative continued the values of the Hashimoto administration and aimed to integrate and empower the states of Central Asia. It carried forward the aim of self-sufficiency while providing the Central Asian states with Japanese political and economic know-how. At the same time, this initiative was liberal in its approach, where instead of forging ties with the region as an alternative to the engagement of China and Russia, Japan called for active engagement by China and Russia as a major point of inclusivity in its foreign policy.³¹ Similar efforts were continued by Prime Minister (earlier as Foreign Minister) Taro Aso with his concept of 'Central Asia as a Corridor of Peace and Stability'.³² Mr Aso through this policy highlighted the importance of Central Asia in terms of abundance of energy resources, due to which the region had become 'an intricate web of concerns and interests from various sources of influence'.³³ Calling it the continuation of the 'Great Game', Mr Aso urged the Central Asian countries to take the leading role rather than having no say in their own state of affairs.³⁴ Additionally, through this concept, Japan aimed to control the Islamic Extremism and terrorism affecting the region to ensure peace and stability. It intended to transform the region into an integrated market for petroleum and natural gas, upgrade the affinity and cooperative relation shared between the region and Japan, and have a proactive relationship with Central Asia.

In recent times, the diplomacy under Prime Minister Shinzo Abe has been witnessing a shift from a value-based approach to a more pragmatic one based on functionality.³⁵ Abe's Free and Open Indo-Pacific Strategy (FOIP), partnering with like-minded countries such as India, US and Australia, determines Japan's continuous search for

a new narrative for its global engagement.³⁶ While Abe's strategy has mostly been a discursive response to China's BRI, its policies haven't yet been very relevant to Japan's Eurasian engagement. Besides, Japan increasingly faces a challenge of defining the importance of Central Asia in its current foreign policy, majorly due to its distance from the region which restricts policymakers from according to significance to the region with pragmatism. This has been impacting its cooperation with the Central Asian states and dwarfs its engagement with the region in comparison to players such as China and Russia, despite its earlier generous policies. The ties further lack personal interactions between the leaderships of the two regions, while interactions by China and South Korea in Central Asia have successively increased. This has further restricted the scope of collaboration between Japan and Central Asia; currently, the scope is overwhelmed by majorly humanitarian cooperation while a decline in economic and political engagement can be clearly witnessed. Such decline emphasizes the gap in the Japanese involvement in Central Asia while reiterating the economic potential and need for a newer vision towards Eurasia.

India's Connect Central Asia and its Rising Profile

India's cultural heritage has been deeply embedded in Central Asia's past. Diplomatic initiatives and policies of India towards Central Asia and vice-versa have mostly been foundational and based on goodwill. Most importantly, the region has been a vital part of India's extended neighbourhood which reiterates the mutual benevolence.³⁷ The region further holds strategic importance for India while sharing two major interests with the countries in the region; upholding security and countering terrorism, and beneficial economic engagement and cooperation in the field of petroleum and natural gas.³⁸

Owing to the above interests, it was P.V. Narasimha Rao who was the first to express the importance of Central Asia for India calling it an area of 'High Priority'.³⁹ He further proclaimed India's 'Look North Policy' for enhancing international relations between India and Central Asia. The importance of the region for India was

further displayed during the meeting between Indian Prime Minister Manmohan Singh and Kazakh President Nursultan Nazarbayev in 2011.⁴⁰ A 'Road Map' was adopted to enhance cooperation and strategic partnership in areas of energy, technology, cyber-security, education, among many others.⁴¹ In June 2012, the Minister of State for External Affairs, Shri E. Ahamed unveiled India's 'New Connect Central Asia Policy (CCAP)' during the India-Central Asia dialogue organised in Bishkek, Kyrgyzstan.⁴² It purported to diversify and deepen India's relationship with Central Asia, increase the frequency of high-level official meetings, establish a strategic partnership with the region, upgrade the economic engagement with connectivity infrastructures and develop the energy partnership. The policy further represented India's liberal and democratic values, a need to build nations on the model of democracy, economic growth, pluralistic structures, rule of law, ethno-religious harmony and civil societies. Such initiatives were continued by India's External Affairs Minister S.M. Krishna while visiting Tajikistan in July 2012.⁴³ He highlighted the importance of the strategic location of the country while proposing bilateral and multilateral cooperation on issues such as counterterrorism, communication and energy. Further, India and Central Asia have cooperated in the field of education, health, banking, pharmaceuticals and transport services. Subsequently, India re-energised the International North-South Transport Corridor (INSTC) in 2012 to fill in the infrastructural gaps and augment connectivity from its port of Mumbai, across the region of Moscow, Russia, further to Europe.⁴⁴

This partnership was further strengthened during Prime Minister Modi's speech in the 18th SCO summit on June 11, 2018, where he emphasised on cooperation in terms of bilateral areas as well as the SCO framework, especially with the countries of Central Asia. He stressed the need for cooperation between SCO countries, especially for renewable and clean energy, energy efficiency, water conservation, etc.⁴⁵ What is imperative to note is that India's objectives in Central Asia were not just restricted to energy but also included national security. One of the most important security concerns was

Afghanistan which shares boundaries with Tajikistan, Uzbekistan and Turkmenistan. It had been well established that Afghanistan had been witnessing turbulence in terms of peace and stability especially with issues such as proliferation of arms, drug trafficking, and resolution of the Pakistan-Afghanistan border which had a direct impact on India's security.⁴⁶ Post the Soviet disintegration, the Central Asian region had also become a breeding ground for Islamic Jihadists. Acknowledging these security concerns, India has been playing an important role in the reconstruction of Afghanistan, entering into a strategic partnership in 2011.⁴⁷ In this regard, India prioritises Afghanistan's national reconciliation to enable it to act as a bridge between itself and the region of Central Asia. It has, therefore, been viable to build cooperation between India and Central Asia, which has been furthered with India's membership in the SCO.⁴⁸ This has been a catalyst to the advanced engagement of India in Central Asia to ensure peace and security in its own neighbourhood. Moreover, India's engagement with Central Asia was always consonant with the former's overall policies with Eurasia, China, Pakistan as well as Russia. Hence, synergic to Japan's Central Asian engagement policies, India too didn't aim for mutually exclusive ties with Central Asia. On the other hand, it pursued its outreach keeping in mind the traditional relationships with the powers of Pakistan and Russia, while even factoring the roles of Asian powers such as China, Japan, and non-resident powers such as the United States.⁴⁹ Such an approach, complimenting Japan's initiatives in the region enhances the possibilities of an India-Japan partnership in the region.

Its subsequent proactive and vigorous engagement with the region today has been welcomed by the Central Asian Region, which perceives India as a 'soft balancer' against the over-dependence on China and Russia. However, India's engagement with Central Asia has been below the potential. Further, the growing geopolitics being shaped by powers such as China, Russia, Japan, India and the US within a 'competitive-cooperative' framework cannot be overlooked.

Facing a China Profile

While enough scholarship has been contributed to studying the engagement between the Central Asian region and the Asian powerhouses; it has been mostly dominated by China's economic and strategic outreach in the region. China holds considerable influence in the region through the Shanghai Cooperation Organisation (SCO) and the Silk Road diplomacy apart from being the most immediate influential neighbour. In particular, China's Silk Road Economic Belt (SREB) plays a significant role in forming the gateway for China's progressively diverse land routes to access markets located to the west of China, that is primarily the Central Asian region.⁵⁰

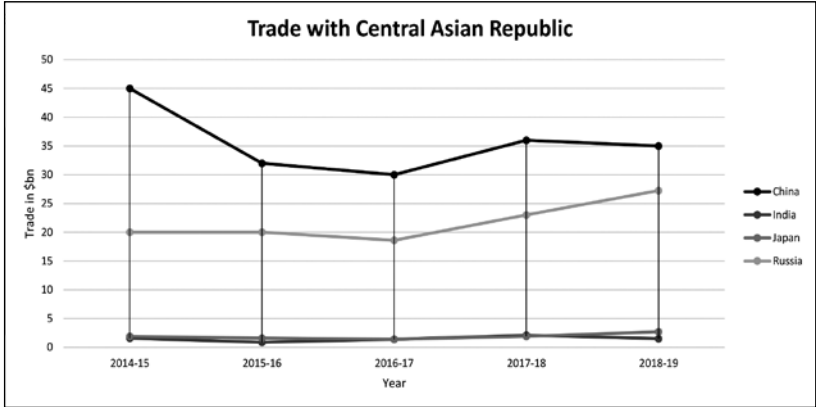
In regard to a growing India-Japan partnership, Beijing, while not overtly expressing its views for or against the growing consonance, has acknowledged the symmetric interests of India and Japan. For instance, it interprets the Asia-Africa Growth Corridor (AAGC) as an infrastructural initiative increasingly aiming to contend China's BRI, while the Quadrilateral Initiative involving Australia and the United States, of which India and Japan form a major part, as an initiative targeting China's maritime outreach in the Indian Ocean.⁵¹ Yet, while Japan's 'Free and Open Indo-Pacific' Strategy has provoked China, India has relied on a more cautious *modus operandi* for China-related issues.

Nonetheless, while China acknowledges that the India-Japan relationship maybe climbing a historic peak, it doesn't quite believe that an India-Japan cooperative relationship will be either long-lasting or stable.⁵² China asserts that the relationship has a weak foundation, and hence, hasn't yielded the desired results so far. Further, Beijing also remains sceptical of any military and political understanding between India, Japan and the US. It is vital to note that China's bilateral trade with India and Japan, respectively, dwarfs the trade between India and Japan. In this context, an India-Japan relationship would not be a grave threat for China, but a cautious reminder to sustain an extensive strategy.⁵³ Thus, though China acknowledges the necessity to closely view the New Delhi-Tokyo relationship with equanimity,

at the same time, it doesn't see the cooperation posing a threat to it. Rather, it appears to be focusing more on respective bilateral issues with both India and Japan.

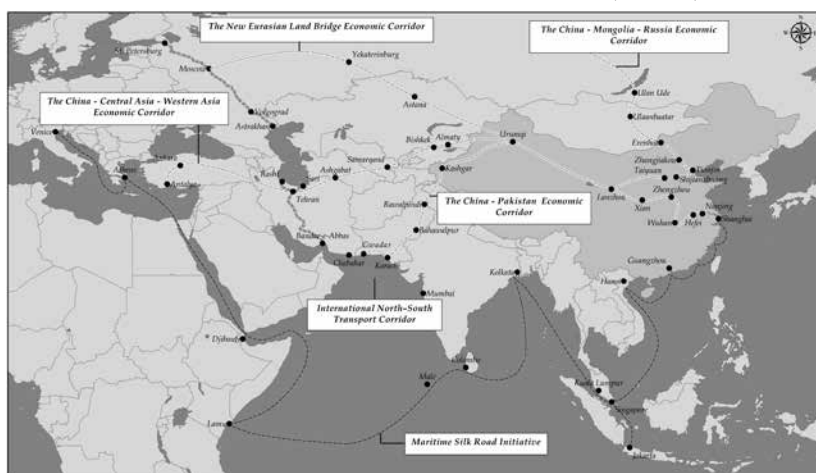
In a similar context, the China factor would become a major concern for the strengthening of India-Japan ties in Central Asia. China's trade with the Central Asian Republics dwarfs the combined trade with India and Japan (Table 2.1). Trade between China and the Central Asian Republics has seen considerable growth to \$36 billion, starting from a meagre \$1.8 billion in 2000.⁵⁴ This development took place majorly due to China's energy projects of 'Central Asia-China Gas Pipeline' and 'Kazakhstan-China Oil Pipeline.'⁵⁵ Subsequently, it has initiated projects such as the Turkmenistan-China gas pipeline and China-Kyrgyzstan railroad, and more. Today, China enjoys the status of the largest investor to Central Asia with its Silk Road Economic Belt (SREB) and the China-Central Asia-West Asia Corridor. This has enabled China to surpass Russia, the erstwhile dominant investor in the region. As a result, China possesses significant amounts of trade as well as energy deals with the region,

Table 2.1: Trade Comparison between Central Asian Republics and India, Japan and China



Source: International Trade Centre: <http://www.intracen.org/>

Map 2.1: India's International North-South Transport Corridor and China's Silk Road Economic Belt (SREB)



© GIS Lab, IDSA. Map not to scale.
Disclaimer: This map should not be used for navigation or legal purposes, depiction of boundaries is not authoritative. It is intended for general reference use only.

Source: GIS Lab, IDSA, New Delhi.

that are only anticipated to intensify in the future. On the other hand, trade between India, Japan and the region still remain at a very nascent level.

However, China's influence coincides with India in Iran where Japan too has shown interest to collaborate (please refer to Map 2.1). It is essential to note that India's INSTC intersects China's SREB at Tehran. Moreover, India and Iran have recently agreed to connect the port Chabahar with the INSTC framework, where Japan has shown considerable interest.⁵⁶ In this context, it may be acknowledged that China may hold significant amounts of influence over Central Asia through its economic outreach, but an India-Japan alliance in the region could tilt the strategic balance and provide the Central Asian states with more room to manoeuvre. Chabahar could set the prelude to this Eurasia framework of India-Japan narrative.

Located in the Sistan-Baluchistan province of energy-rich Iran, Chabahar is a deep-water port being constructed by India since 2012. While Iran is not the safest bet due to the United States growing sanctions on the country, it is China's construction of the Gwadar port in Pakistan which should encourage India to have new relook approach

towards Chabahar.⁵⁷ India's economic footprint in Iran focusses on its geopolitical ambitions to strengthen energy security, improve the regional connectivity and gain access to Central Asian and European markets. This project additionally involves participation by eleven other countries of West Asia, Caucasus, Central Asia as well as Europe.⁵⁸ Although political conditions in Iran have been tremendously tumultuous, it is the country's strategic location which remains extremely attractive, especially for India. The port further remains the cornerstone of Delhi's strategy in the International North-South Transportation Corridor (INSTC) and should be viewed in relation to it.⁵⁹

This port moreover, acts as the gateway into Central Asia as well as Afghanistan, faster than the current route via the Suez Canal and creates trade corridors linking India to European countries via Russia avoiding any routes through Pakistan. India's remoteness from Central Asia, a region extremely important for the former's energy requirements makes the Chabahar port further significant. The proximity between India's Kandla port and the port of Chabahar is just 650 nautical miles, a distance even less than that between two of India's major cities, New Delhi and Mumbai.⁶⁰ This makes a case for shorter transits, speedy economic and energy trade as well as a safer and faster way to reach Central Asia. Furthermore, Chabahar port is situated in close proximity of 72 nautical miles from the China-financed Gwadar Port.⁶¹ With such proximity, Chabahar port would enable India to keep a check on Chinese activities in Gwadar.⁶² The latter remains an important terminus for China in the field of pipelines from Africa as well as West Asia allowing it to circumvent the congested Strait of Hormuz. At the same time, Gwadar provides China with direct entry to the Indian Ocean, a region becoming extremely important for security and trade. As China develops its Maritime Silk Route (MSR) to enter the Indian Ocean as well as connect with both Central and South Asia, Chabahar and Gwadar remain important entry points in the regional geostrategic environment.⁶³

However, despite its strategic benefits, Chabahar has not really emerged as a preferred collaborative project between India and Japan due to its economic unviability. While Chabahar holds immense

importance for India, its utility for conducting long-distance trade over land makes it quite an expensive proposition. Yet, this is the stage where India would need like-minded partners such as Japan. The India-Japan annual summit in 2016 witnessed Japan expressing its desire to be involved in the development of the Chabahar port.⁶⁴ Moreover, its foreign ministry is positively considering any proposal which would enhance the infrastructural connectivity of the region. In this regard, Masayuki Taga, senior regional coordinator with Japan foreign ministry's southwest division stated to Indian media:

In principle, we are interested in improving connectivity. If there is some proposal for improving connectivity from Iran to Central Asia and Afghanistan, we may think positively.⁶⁵

This clearly signified towards Japan's increasing interest in developing infrastructure and connectivity in the region of Chabahar. Further, in 2017, a signing ceremony for grant aid was held in Iran where Japan granted aid worth ¥800 million (US\$ 7.5 million) to the Iranian government to provide customs related equipment for the Chabahar Port.⁶⁶ While Japan has invested in the Chabahar port to strengthen the security measures against smuggling, a greater involvement of Japan in the port would be worth a great deal for the India-Japan partnership.⁶⁷ In this context, according to the official proposition that Tokyo foresees with India, Japan's support towards Chabahar project would be a progressive part of the 'Asia-Africa Growth Corridor' where both India and Japan co-envision to work as partners.⁶⁸ Iran's positive approach towards Japan to enhance Tehran-Tokyo relations on the purview of infrastructure development comes as a strategic solace in this regard.⁶⁹ This needs to be seen in the overall context of India-Japan cooperation with third countries which is already making good progress in Asian countries such as Sri Lanka, Bangladesh and Myanmar, and including in Africa.

Moreover, Japan's involvement in the Chabahar port development project can bolster the economic potential of Afghanistan and Central Asia while circumventing Pakistan for

regional trade. Japan's intent to participate in the port project has strategic implications which cannot be ignored. Its dependence on energy resources in the Persian Gulf remains as high as 80 per cent.⁷⁰ Such a project could enable Japan to diversify its energy sources away from the Gulf to the Central Asian region and reiterate Prime Minister Koizumi's '*Silk Road Energy Mission*' of 2002. Moreover, such collaboration between India and Japan in the Chabahar port would enable both nations to strengthen their oil supply networks, trade and strategic outreach in the region.⁷¹

It is important to note that, Japan acknowledges its concerns towards its companies losing bids for several infrastructural and developmental projects in Asia to countries like China and South Korea which provide the host countries with a relatively cheaper price. Yet, Japan has stuck to its unique initiative to provide better quality infrastructures and services through its 'Quality Infrastructure Program' launched in 2015.⁷² Chabahar owing to its strategic position requires quality infrastructure which would be cost-effective, environmentally friendly and disaster-prone. Further, shifting from China's approach of connectivity and infrastructural projects, the Japanese mode of development would contribute to job creation for the local people while enhancing skills and improving the standard of living. In other words, such development would enhance connectivity between countries in Asia in its actual sense. However, it is significant to understand that while this project would promote Japanese interests to a great extent, its involvement in Chabahar won't be devoid of possible US pressure even after the Chabahar port being exempted of US sanctions. In light of the sanctions against Iran, there's a greater need for Japan to team up with India to mitigate US pressure and hedge unexpected risks caused by local political, economic as well as security circumstances.⁷³ Besides, from Iran's perspective as it tries to balance between China, Russia, Japan and India, bolstering cooperation with the latter two would be beneficial. Japanese investment in the port could ensure stable finances for the development of ports and rail networks.⁷⁴ Involvement in the Chabahar project is hence seen as a rich opportunity for both India and Japan for further access to the post-sanctions Iranian market.

Towards Trilateral Configuration

India and Japan's synergic policies in the region and its ethics of inclusivity enable a potential as well as the requirement for trilateral cooperation. A shared platform for like-minded countries can act as a catalyst for peace, prosperity and development in the region of Eurasia, as well as act as a win-win situation for all the participatory powers. In this regard, an India-Japan-EU and an India-Japan-Russia trilateral cooperation can be considered.

1. India-Japan-EU

The US withdrawal from the Trans-Pacific Partnership (TPP) in 2017 has encouraged the EU to view Asia through a new prism.⁷⁵ Japan and the EU's 'Strategic Partnership Agreement' (SPA)⁷⁶ and 'Economic Partnership Agreement'(EPA) have intensified their bilateral ties, and India's relationship with the EU is also changing from one of donor-recipient to a 'partnership of opportunities'.⁷⁷ The Japan-EU cooperation has concluded the negotiations on an Economic Partnership Agreement in December 2017 and signed the Strategic Partnership Agreement on Climate Change, Energy Security and Cybercrime.⁷⁸ On the other hand, India remains one of the top trading partners for EU, while their FTA talks are still ongoing.⁷⁹ The 14th India-EU summit of 2017 saw India-EU cooperation in the fields of security, geopolitics, trade and investment.⁸⁰ Lastly, the India-EU cooperation reached a new level with their '*Agenda for Action 2020*' to strengthen foreign policy collaboration in the areas of mutual interest such as Asia, Africa, West Asia and Europe.⁸¹

An India-Japan-EU trilateral framework could provide a new impetus for cooperation with possible extension to Central Asia. Both India and Japan already share a common platform with the EU in ASEAN and other multilateral organisations to promote a rules-based, just and democratic international order. A partnership within the Eurasian framework would certainly consolidate this further and shape the global balance of power.

2. India-Japan-Russia/Central Asia

Owing to the changing geopolitics of the region of Eurasia, it is important for New Delhi and Tokyo to think creatively, both in the context of the following two trilateral relationships: India-Japan-Russia and India-Japan-Central Asia. Besides, if India and Japan can co-envision business cooperation in Africa and the Asia-Africa region in the Indo-Pacific, then envisaging a Eurasian framework of cooperation is an equally practical proposition.

Both India and Japan need to see their relationship with Russia, both bilaterally and regionally, in a new context. Russia might appear supportive of China's SREB but inherently it is apprehensive of Beijing dominating the whole region. Notably, Russia's Eurasian Economic Union (EEU) is searching for new partnerships that both India and Japan need to take advantage of. The cooperation could be based on Japan's capital assistance to the Central Asian region—for instance, Tokyo's ¥24 billion of assistance under the 'Initiative for Cooperation in Transport and Logistics'.⁸²

India's outreach in Central Asia has been substantial yet overshadowed, particularly in the post-Soviet period, where China, Russia, the United States, the European Union (EU) and Japan, have emerged as the major influential actors in the region. However, India's 'Connect Central Asia' policy is aimed at repositioning its interests through political and economic outreach with Central Asia and Russia.⁸³ Though currently, the India-Russia relationship is not at its strongest, New Delhi still has not dissociated itself from engaging bilaterally and multilaterally with Moscow. In fact, India's membership in the SCO was majorly possible due to Russia's resolute support. Besides, while the Russia-India-China trilateral strengthens India's Eurasian legacy, a framework like BRICS enriches multilateral cooperation with both Russia and China.

For Tokyo, strengthening its relationship with Russia does not have to come at the cost of China. Abe's 'new approach' towards Russia in May 2016 has factored economic cooperation, with an intent to negotiate on other sensitive or conflicting issues between them.⁸⁴ In fact, Abe's recent approach to China has already stabilised

their relationship, where despite concerns about the strategic ramifications of China's BRI, Japan has sought an economic-oriented partnership under it.

It is clear that in order to construct a Eurasia-specific framework, Tokyo needs to revisit former Prime Minister Hashimoto Ryutaro's 'Eurasian diplomacy' of the 1990s, whose key idea was to give Japan a dynamic regional foothold to have strategic manoeuvre vis-à-vis China and the United States.⁸⁵ As Hashimoto states in his speech in 1997:

At such a historical period of transition, have we not reached a time when we must introduce a new dynamism into our nation's foreign policy by forging a perspective of Eurasian diplomacy viewed from the Pacific? As we look forth beyond Japan, out across a huge continent, this perspective which now emanates from within us spans the Russian Federation, China and the Silk Road region, encompassing the Central Asian Republics of the former Soviet Union and the nations of the Caucasus region.⁸⁶

Hashimoto's 'Eurasia diplomacy' may not have drawn Japan much economic applause, but it did try to convince Moscow of being a partner in the post-Soviet period despite territorial disputes. The intent to manage its relationship with China outside the US-Japan military alliance was also accomplished.⁸⁷ Therefore, Shinzo Abe needs to further rekindle the flame of this classic policy towards Eurasia and actualise a relationship with Russia, Central Asia and Europe, where India, too, can partner with Japan.

A Way Forward

An India-Japan partnership in Eurasia has the potential to balance China's SREB outreach in Central Asia by strengthening India's 'Connect Central Asia' policy and reviving Japan's 'Silk Road Diplomacy'. Japan's 'Central Asia plus Japan' policy advancement under Abe, introduced in 2004 under Prime Minister Koizumi, is based on the same Eurasia framework.⁸⁸ At present, the Japanese approach towards Central Asia is at a nascent stage and is government-

driven. Its desire to play a constructive role in the region would make a bigger impact through cooperation with India, including private sector participation. This will be proportionate with Japan's well-known global economic diplomacy. A way forward would be if Japan contributes to India's proposal to integrate land routes with Central Asia through its International North-South Transport Corridor (INSTC). This would result in an expansion of the geographical scope of connectivity which would have a possibility to include not just Central Asia and the region of Caucasus but also Europe. Further, India's engagement with the Central Asian Republics has been enhanced with increased economic activity and better connectivity especially through the implementation of the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline. In this context, Japanese investments in Turkmenistan can bolster energy engagement. Further, Japanese technological prowess can definitely enable South Asia better access to Central Asian energy resources and prevent frequent delays with Japan's advanced technology and economic know-how.⁸⁹

Above all, India-Japan partnership needs to be restructured beyond the US-led Indo-Pacific framework. The US-China trade war should drive them to search for new opportunities of global cooperation. A partnership which could be an option despite its hitherto China-centric approach to Asia. The US withdrawal from the Trans-Pacific Partnership (TPP) has encouraged the EU to view Asia through a new prism. While Japan-EU's 'Strategic Partnership Agreement' (SPA) and 'Economic Partnership Agreement' (EPA) have established new contacts,⁹⁰ India's relationship with the EU is also changing from an aid donor-recipient to a 'partnership of opportunities.' An India-Japan-EU trilateral framework could provide new momentum for cooperation.⁹¹ Both India and Japan already share a common platform with the EU—both within and outside the ASEAN structure—to promote a rules-based, just and democratic international order. An India-Japan partnership within the Eurasian framework will certainly strengthen this further, shaping the global balance of power to their favour.

Notes

1. The term 'rei' implies auspicious or orderly, while 'wa' means harmony or peace. In Japan, a more autonomous spectrum of security thinking has been fast emerging as a prime quest for some time now. If not entirely a departure from its past 'alliance structure' framework of international posturing that it strongly shares with the United States, Tokyo's attempt is to explore new spectrum of security alignments through fresh mode of policies, projects and partnerships in bilateral, trilateral and multilateral mode, breaking marginally away from its traditional repeats. The arrival of the 'Reiwa' era offers a strategic complementarity to this effect, encouraging policymakers in Tokyo to ponder over a prospective 'new Japan' in world affairs. The term 'Reiwa', inherited from a Japanese classical poem, signifies that Japan's international outlook may factor more 'Japanese-ness', bringing originality and more importantly 'peace'. Thus, the newly arrived 'Reiwa' era perfectly captures Shinzo Abe's 'nationalist' pro-active foreign policy outlook with an advocacy of a 'harmonious' regional order. This strategic reorientation holds significant implications to most countries, particularly India. Read, Eri Sugiura, "Japan Unveils Dawn of the 'Reiwa' Era", *Nikkei Asian Review*, April 1, 2019, at <https://asia.nikkei.com/Spotlight/Japan-s-Reiwa-era/Japan-unveils-dawn-of-the-Reiwa-era>, accessed on July 13, 2019; "The Impact of Japan's New Reiwa Era", China Global Television Network (CGTN), May 3, 2019 at <https://news.cgtn.com/news/3d3d414f7951444e34457a6333566d54/index.html>. (Accessed on July 13, 2019); Sabrina Barr, "Reiwa: What Is the New Japanese Imperial Era and How Will It Affect Everyday Life?", *The Independent*, April 1, 2019 at <https://www.independent.co.uk/life-style/reiwa-era-japan-meaning-emperor-naruhito-akihiro-abdication-a8848601.html>, accessed on July 13, 2019.
2. India has been an ardent advocator of the notion of a 'multipolar Asia'. See, "Inaugural Address by Prime Minister at Second Raisina Dialogue, New Delhi (January 17, 2017)", Ministry of External Affairs, Government of India, January 17, 2017 at https://mea.gov.in/Speeches-Statements.htm?dtl/27948/Inaugural_Address_by_Prime_Minister_at_Second_Raisina_Dialogue_New_Delhi_January_17_2017, accessed on July 13, 2019.
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4. The term 'new era' has been used constantly to signify China's determination to percept the international affairs from a new context. It essentially necessitates that China needs to pursue a foreign policy which will be in tandem to its national goals and interests. However, the term also refers to the leadership skills and policy measures that Xi Jinping advocates

which accords great authority. This reiterates Xi's personal contribution to the Communist Party of China (CPC) with 'Socialism with Chinese Characteristics for a New Era.'

Read, Angela Stanzel et al., "China's 'New Era' with Xi Jinping characteristics", *China Analysis*, European Council of Foreign Relations, December 2017 at https://www.ecfr.eu/page/-/ECFR240_China_Analysis_Party_Congress_Ideology_2.pdf, accessed on July 13, 2019.

5. The main ideas of this chapter draw on Jagannath P. Panda's article titled "India-Japan embrace should stretch out to Eurasia" published in *East Asia Forum* on November 13, 2018. The article can be seen here: <https://www.eastasiaforum.org/2018/11/13/india-japan-embrace-should-stretch-out-to-eurasia/>, accessed on August 18, 2019.
6. Purnendra Jain, "Twin Peaks: Japan's Economic Aid to India in the 1950s and 2010s", JICA-RI Working Paper, No. 139, February 2017, p. 20; also see, Takenori Horimoto, "Japan-India Rapprochement and Its Future Issues", *Japan's Diplomacy Series*, Japan Digital Library at https://www2.jiia.or.jp/en/pdf/digital_library/japan_s_diplomacy/160411_Takenori_Horimoto.pdf, accessed on July 19, 2019.
7. Prime Ministers Junichiro Kozumi and Manmohan Singh, during the former's visit to India in April 2005, focussed on adding greater substance to the bilateral relations in order to further deepen the India-Japan global partnership. By identifying the increasing salience of the global partnership, the leaders followed up with an 'eight-fold' initiative which identified key areas of interaction. See, "Japan-India Partnership in a New Asian Era: Strategic Orientation of Japan—India Global Partnership," Ministry of Foreign Affairs of Japan, April 29, 2005 at <https://www.mofa.go.jp/region/asia-paci/india/partner0504.html>, accessed on July 17, 2019.
8. Leszek Buszynski, "Japan's Security Policy in the Koizumi Era", *Security Challenges*, 2(3), October 2006, pp. 93–107.
9. Ministry of Foreign Affairs of Japan, note 7.
10. "Confluence of the Two Seas", Speech by Shinzo Abe, Prime Minister of Japan at the Parliament of the Republic of India, Ministry of Foreign Affairs of Japan, August 22, 2007 at <https://www.mofa.go.jp/region/asia-paci/pmv0708/speech-2.html>, accessed on July 17, 2019.
11. The year 2007 witnessed Prime Minister Shinzo Abe and Manmohan Singh sign bilateral agreements such as the 'Defence Cooperation Agreement' and a document upgrading the India-Japan relationship to 'Strategic and Global Partnership.' While later in the year in September 2007 Shinzo Abe resigned citing health reasons, the upward trajectory of the bilateral relations remained unhindered.

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Innovation, Value Chain and Structural Linkages in Asia-Africa Growth Corridor

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Introduction

The Asia Africa Growth Corridor (AAGC) is an Indian–Japanese initiative whose objective is to have open, inclusive, sustainable and innovative growth of the entire Asia-Africa region, in cooperation with the international community.¹ Their partnership has leveraged the complementarities between India, Japan and the African nations, in order to create a synergy for the sustainable economic development of Africa; integrate the Asian and African economies; and establish a “peaceful, open, equitable, stable and rule based order in the Indo-Pacific”. Given Japan’s economic power, *this* vision is grounded in economic assistance and partnership. Though still at a nascent stage, the vision document has identified four pillars of the AAGC and embedded innovation and value chain creation, within them.

The chapter would thus explore, first, the complementarities between India, Japan and Africa; second, the significance of embedding ‘innovation’ within the AAGC vision; and third to understand the value chain creation and the necessity of structural linkages. Keeping in mind the complementariness between Africa, India and Japan, one can easily identify two broad sectors namely as agriculture and health. Thus, these two sectors will be studied

by critically examining them under the backdrop of innovation, skill development and quality capacity building. The emulation of the production network that has been a success in South East Asia and has been instrumental in propelling the South East region on its growth path, is definitely on the economic agenda of the AAGC. While the success of the production network in South East Asia was with respect to automobiles, it is argued in this chapter, that in Africa, textile industry would be a better option.

India's engagement in Africa has till lately, been driven by business. The narrative of India's relations with Africa is adequately represented in the historicity of their relations in terms of age-old trade partnerships and socio-cultural bonds, established by a prosperous and successful Indian diaspora. Fond recollections of Gandhi's philosophy, India's support for the anti-colonialist struggle during the Nehru era and the later engagement of African nations Non-Align Movement (NAM) were rhetorically replayed in various forums in India, but hardly any attention was paid to the continent. Rather, the relations were driven by the '*Navaratnas*' the profit making public sector companies of India, which ventured to seek energy resources beyond the Middle East nations and the commercial ventures of the small, medium and big Indian business houses.

Currently, India's forte in the continent has been developmental initiatives such as: Indian Technical and Economic Cooperation; Team 9; and the pan-Africa e-network; among others aimed at building institutional and human capacity, as well as enabling the transfer of skills and knowledge. A close examination of recent speeches and joint statements reveals a conscious attempt at evoking interest in an "alternate model of development" by using terms such as "win-win cooperation" to describe New Delhi's approach to Africa. The establishment of the India-Africa forum is a step in the direction of cooperation and collaboration, both at the political and economic levels.

The re-engagement of India with Africa can be attributed to few developments. Most important is the fast growing economies, which would expand at the average rate of 5 per cent in next five

years (2019-2014).² It also houses six of the world's fastest growing economies. According to the World Bank estimates (2018), Ethiopia will grow at 8.2 per cent; Ghana 8.3 per cent; Cote d'Ivoire 7.2 per cent; Djibouti 7 per cent; Senegal 6.9 per cent; and Tanzania 6.8 per cent.³ The other compelling factors includes the inroads made by countries like China which set up a military base in Djibouti, and transformed the emerging geopolitics of the African continent. Further, soliciting African nations for a permanent seat in the UNSC is also a reason for India to apply itself to contributing to the growth and development of Africa.

A very encouraging trend in India-Africa relations is the independent engagement of the state governments of India and NGOs with their African counterparts to realise their objectives, be it the sourcing of raw materials, the eradication of poverty or transferring the successful Indian models of self-help groups.

While India has the advantage of historical relations and has a diaspora that helps in bridging any gaps, the African governments are no longer passive bystanders, and are equally playing an active role in shaping the destiny of their continent. They are being enticed by other non-Western powers like Singapore, China, Malaysia, Japan and Korea. India therefore needs to carefully etch its relationship within this continent, and remain conscious of the fact that one policy will not fit the cauldron of the socio-cultural and economically diverse African nations which are at different levels of economic growth and require sectoral attention. Nonetheless, with strong social linkages, and the presence of a few established businesses having strong influence along with the growing geopolitical interest in the surrounding regions, India stands to gain tremendously by forging comprehensive relations with nations of the African subcontinent.

In this context, Japan was the first country to launch a development forum for Africa called, the Tokyo International Conference on African Development (TICAD) in 1993. This was initiated with active participation of the UN and World Bank and involved African businesses, think tanks and government agencies. Originally scheduled to be held every five years, the TICAD in 2013

resolved to meet more frequently—once every three years—to address several issues and concerns, marking the next scheduled meeting in the year 2016; indicated the growing importance of Africa in Japan's foreign policy. Furthermore, with the shift of the venue from Japan to Nairobi (sixth TICAD 2016) Prime Minister Shinzo Abe signalled the deepening relations between Japan and African nations.

Although Japan has reduced its ODA budget due to severe financial constraints, the gross ODA aid disbursement to sub-Saharan Africa rose to US\$ 1.86 billion in 2016 from US\$ 1.64 billion in 2015 and accounted for 14.3 per cent of Japan's bilateral ODA. In 2015 Japan was the top donor to Angola and Eritrea.⁴ Japan's resurgent policy in Africa is aligned with Japan's new foreign policy incorporating a 'Free and Open Indo-Pacific strategy',⁵ as announced in 2016 by Prime Minister Shinzo Abe. At the opening session of the sixth TICAD in Nairobi, Prime Minister Abe declared:

“Japan bears the responsibility of fostering the confluence of the Pacific and Indian Oceans and of Asia and Africa into a place that values freedom, the rule of law, and the market economy, free from force or coercion, and making it prosperous,”⁶ He further added that, “Japan is a country that ardently hopes to resolve the issues facing Africa together with Africa, and will not let up in its efforts.”⁷

In Africa, Japan has followed a three pronged strategy: First, the private sector of Japan has aligned itself with the Japanese government to transform Africa's economy through quality infrastructure development and skill enhancement; second, in keeping with sustainable development, Japan has partnered with international organisations, NGOs and private sector companies for building a resilient health care system. Noteworthy, in this respect is the universal health cover, for which Kenya is one of the pilot countries. Third, Japan's concerns regarding the free movement of goods and services through the Sea Lanes of Communication (SLOC) has prompted it to promote peace and security through capacity building assistance by the dispatching of

Self Defence Forces and making its presence felt, by establishing a base in Djibouti.

There is no doubt that India and Japan stand to gain by engaging with Africa. While India has the historical presence, manpower, capability and competence to undertake business and developmental projects, it lacks capital and high-end technology. Japan's commitment in Africa can be strengthened by joining hands with India, as their interests complement each other. Resting on a strong foundation of bilateral relationship, a partnered engagement in Africa could help bring to realise the dreams of both nations.

Agricultural Sector

Africa is a continent of agricultural diversity that ranges from rain forests to arid desert conditions, that allow for varied agricultural possibilities. The climate of Africa also ranges from temperate to the tropical conditions and is well suited for cattle rearing. In addition, there is a strong mining sector, which helps agriculture indirectly, as when mining flourishes there is a significant increase in population in the mining location resulting in generating demand for food. Thus, it helps agricultural habitats, around the mining region, by creating a demand for agricultural produce ensuring a surge in commercial agricultural activity.

Seventy per cent of Africa's population is involved in the agricultural sector; however, its contribution to GDP has fallen from 56 per cent to 46 per cent.⁸ A large segment of the population also suffers from hunger, malnutrition and poverty. Thus, enhancing agricultural growth in Africa serves two purposes: First, the eradication of hunger and poverty; and second, as a viable export sector—as Africa's agriculture sector has the advantage of cheap labour which with increased productivity, can produce a sizeable surplus for export. According to Omri Van Zyl, head of the Deloitte Africa Agricultural Unit (DAAU) and Deloitte Africa Agriculture Leader, "Diversity is important for the growth of the agricultural sector as it allows for tapping into diverse global markets".⁹

The importance of the agriculture sector is augmented by a number of institutions that have been established to create synergy among nations. Apart from financial institutions like the Africa Development Fund, African Union Commission, and Africa Fertiliser Finance, pan-Africa platforms like the Agricultural Value Chain, Agricultural Sector Strategy, and Partnership for Agricultural Transformation in Africa are working to realise the potential embedded in agricultural sector, while keeping sustainable development, human development and eradication of poverty, central to its decision making.

Unlike European and American agriculture, which is based on large land holdings and is strongly dependent on mechanisation, the African agriculture system is mainly made up of small and medium scale farms. The Green Revolution that enhanced Asia's productivity and put Asia on its growth path, was based on the American and European models. While it led to the growth of the sector, it slowly, reduced marginal farmers to abject poverty or led them sell their small land holdings to larger farmers. Thus, it is necessary that the agricultural sector of Africa finds a new trajectory for its agricultural growth and productivity.

One innovative format has been the creation of 36 'agricultural growth poles' along with nine corridors from 2002 to 2017. Growth poles are simultaneous, coordinated investments in many sectors, like agriculture in this instance, to support self-sustaining industrialisation in a country. They usually combine public and private investments and are specifically built around an already-existing resource at a specific location in an economy. They focus on a group of dynamic industries that are connected around a particular resource.¹⁰ In the last five years alone, over a dozen agro-poles have been established in four countries: Cameroon (2013); Democratic Republic of Congo (DRC) (2014); Gabon (2016); and Ivory Coast (2016).¹¹ Some other countries, like Nigeria, Mali, Mozambique and Togo are currently exploring the potential for setting up their own 'agricultural growth poles'.¹² The agro-poles have been spearheaded by African governments with financial and technical help from regional and multilateral organisations and are seen as a way of attracting private investment and countering the negative image of 'land grabs'.¹³ The essential pattern that African

governments want to follow consists of creating features that will bind agriculture to industry and facilitate the transformation of the agricultural sector into agro-industry. Thus, the agro-based cluster is being developed through the regional or provincial agglomeration of a few hundreds or thousands of hectares of productive agricultural land and by creating network linkages to achieve economies of scale and collective action. It is further planned to create agro-corridors by integrating infrastructure with agri-businesses to enable movement of crops, men and material. In addition, investment in agro-industrial parks gives access to production areas leading to value addition by the processing of food products. Along with these, establishing special economic zones near ports for exports, encouraging FDI and agro-incubators for entrepreneurship development and soft skill enhancement along with imparting better agricultural know-how ranging from understanding cropping patterns, seed quality, use of fertilizer, pesticides, etc., would result in shifting of agricultural sector to agro-industry.

While the above actions and plans are optimistic, agriculture productivity still remains far below world standard. Not only does African agriculture lag behind developed nations and it also has a lot of ground to cover in adopting agricultural practices from Asia. Ninety per cent of agriculture in Africa is still dependent on rainfall with only 5 per cent of the fields have access to irrigation. The lack of water is obviously a significant reason for poor productivity. In addition, non-availability of quality fertilisers, pesticides and high yield seeds due to high costs, contribute to the reduced productivity. Unfortunately, only 20 per cent of farming in Africa is mechanised and it continues to rely on human labour, often on women, the elderly and children.

Although the above problems are faced by all countries in varying degrees, landlocked countries face the additional costs for transportation of fertilisers and pesticides. For instance, Nigeria and Senegal pay three times more than their counterparts in Brazil and India. Undeniably, corruption in the form of fake seeds, subsidies not reaching the farmers, the incorrect identification of beneficiaries and bureaucratic red tape also hampers agricultural sector of Africa.

Undoubtedly, Africa as a continent has significant agricultural potential. Africa has the land, the water and the people. The Guinea Savannah is a vast area spread across 25 countries and has the potential to transform several African nations into global players. Ghana, Mali, Senegal, Mozambique and Tanzania can be the bread baskets of the continent and feed the regional population.

The above discussion highlights that this sector requires attention at all levels. At the ground level the farmers need high yielding seeds, fertiliser and pesticide. Along with this, they need education and better skillsets to effectively combine methods and materials to ensure higher productivity.¹⁴ As a prerequisite, the continent requires irrigation facilities which necessarily imply infrastructure development of two kinds: Canals and good roads. While this will primarily help in enhancing agricultural productivity, the governments today are also looking at building food processing and packaging units, as well port connectivity to enable functioning of identified growth poles and reach the desired level of development.

The lesson for India and Japan for their AAGC is to collaborate in enhancing productivity of this sector. The African agricultural sector is made up of SMEs, as in the case of India and Japan. India's know-how with regard to increasing agricultural productivity can be emulated by Africa. In infrastructure, irrigation systems that have significantly improved India's productivity have huge potential for Africa. India's skill development programmes can also be implemented in Africa. Japan's farming equipment is essentially designed for small farms, ranging from a few acres to a few hectares and thus, can be suitable for agriculture in Africa. Thus, the opportunity is ripe for Japan and India to play to their strengths with respect to farm technology for farming, as well as for financing the beneficiaries.

Health Sector

Around 1.6 million Africans were ravaged by malaria, tuberculosis and HIV-related illnesses in 2015 and it is attributed to lack of basic hygiene and nutrition. Therefore, affordable and timely medicines,

vaccines and other health services would go a long way in lowering the health statistics to a more acceptable benchmark.¹⁵ The issues in the health sector are very complex and would require a multipronged approach that will involve the broader community. The necessity of providing basic amenities does not fall under the purview of the health sector but these are closely associated with good health and well-being. However, ‘affordability’, ‘availability’ and ‘accessibility’ of drugs and health service are of even greater relevance.

The state of the health sector across nations in Africa is appalling. It is important to have in place a robust health policy that caters to the poor, unemployed and marginalised communities. Nevertheless, the immediate concern is providing affordable drugs. Africa produces less than 2 per cent of the drugs required in the continent. Of the 54 nations only 37 nations have pharmaceutical production facilities, but these too are woefully inadequate. Other than South Africa which has built up some capacity to produce pharmaceuticals locally, others rely completely on imports and Africa’s imports of its pharmaceutical products stands at 70 per cent. The other option for African countries is to put in place a public health policy that guarantees affordable medication. Since most African nations are battling against abject poverty and work under severe budgetary constraints, the above policy has not found many takers. However, Ghana and South Africa, which have fairly strong economies, made efforts by putting in place insurance schemes to make drugs affordable. But the schemes have only benefitted 8 per cent of the population, which makes these schemes questionable.

While affordability is one factor, the more important one according to World Health Organisation,¹⁶ is accessibility. “The organisation defines having access to medicine as having medicines continuously available and affordable at health facilities that are within one hour’s walk for the population”.¹⁷ According to WHO,¹⁸ Africa as a continent suffers from three big killer diseases—HIV/AIDS, tuberculosis and malaria. While the three diseases are related to good nutrition and general well-being, in Africa as it stands today, it is strongly in need of medicines to reach the patient. While there

are several factors that inhibit access to medicine, the most critical factors are shortage of resources and lack of skilled personnel. This is strongly attributed to Africa's inefficient and bureaucratic public sector supply chain. While procurement practices are faulty resulting in an increase in the price of the drugs or its unavailability, poor transportation and shortage of storage facilities, add to the crisis. Thus accessibility, availability and affordability are key to averting a health crisis. Given these three important directions, India and Japan have a beneficial role to play in providing drugs at affordable price, availability and accessibility through capital investment in infrastructures and personnel training and skill development.

With respect to affordability of drugs, India has emerged as a contender in the generic drug and bulk drug space, in the world pharmaceutical market (pharmaceutical raw materials known as API). India is the largest exporter of generics (by volume) in the world, accounting for 20 per cent of the global exports.¹⁹ India's advantage has been its strong human resources in the field of science and technology, which also come at a relatively low cost. This along with the generally lower cost of production, than in many other countries, has given Indian exporters of generic medicines a competitive advantage.

In recent years, India's pharmaceutical industry has been in the spotlight as a "sunrise exporting industry". While many pharmaceutical MNCs have set up base in India, Indian companies too are venturing out. Indian companies have followed a public private partnership model. For instance, the experience of India's pharma industry in Latin America provides a good roadmap for conducting business in Africa. In Latin America, India has been ahead of other MNCs and local producers in providing generic drugs at lower costs. Indian companies have gained the reputation of being able to overcome the MNCs and local business nexus, as is evident in Brazil and Chile. The approach has been to first, get a government-led business delegation to make inroads into the market by highlighting the advantages of involving India's pharma sector for providing quality drugs at affordable prices and thus establishing it as a cost effective way of benefitting the health care system of

the host nation. Having established this linkage, Indian pharma houses then spend a considerable amount of time understanding the local pharma trade by holding meetings with established parties, identified by the collaboration and the host nation. Once the trade details are negotiated Indian pharma companies start their exports. Following the success of the exports some Indian companies are looking to producing generic drugs in Latin American countries, rather than just exporting API. This approach of taking the private public partnership route to establish business by initiating export and gaining confidence of the importing country and then setting up operations can be used by India in Africa and under the umbrella of AAGC. India's partnership with Japan has the advantage of using Japanese capital for investment purposes. The second most critical criteria is accessibility, which again points to "connectivity" which has been suggested with respect to the agriculture sector. In this Japan has a major role to play in financing, as well as sharing technology for roads and railway systems.

The available manpower for the primary health care system in Africa is minimal, as education itself is limited and doctors and nurses prefer to stay in urban locations. Many governments provide incentives for health workers who give time to rural health care. With many NGOs working towards providing reasonable health care, there is a strong demand for doctors, nurses, paramedics, midwives for pregnancy, birth and childcare. India has a large pool of resources in all the categories listed above which if channelised in right direction can provide a mutually beneficial outcome.

As in other sectors, technology has a significant role to play in health care too. Digital Health Care has become a compelling alternative for overcoming the unavailability of specialist doctors or even non-specialist doctors in rural areas. Mobile phone technology along with internet use has enabled medical help to reach remote places. Africa can leapfrog to this new digital healthcare system, which will enable it to fulfil the health requirement of the continent. Innovative strategies are thus required to support the implementation of health-related Sustainable Development Goals and Universal

Health Coverage on the continent.²⁰ However, the huge potential benefits of digital healthcare to improve health services delivery in Africa is yet to be fully harnessed.²¹ A digital health care provider in Rwanda, has developed and successfully used a virtual medical consultation platform to reduce the time it takes to consult a doctor. This system significantly reduces the time spent waiting in long queues to be attended to by health practitioners. Zenysis Technologies, a pilot programme of the Ethiopian government, have developed a system that integrates health data from multiple sources, such as surveys and routine information systems, allowing for easy comparison, as well as forecasting of health events.

While digital health services provide an access to health services that would have been beyond one's imagination a decade ago, they also calls for coordination and linkages with other aspects of development, such as the need for 'digital infrastructure development'. Problems that need attention are inter-operability, capacity building²² by creating robust distribution, strengthening partnership with other countries that are providing both the hardware and software for enhancing facilities and also moving down the value chain and connecting medical equipment and devices. In so doing, Africa's health care system will take a quantum leap and enable it to address its health care issues. India's presence in the mobile network in Africa is significant with Airtel commanding 78 per cent of the network. India has the necessary skills to develop apps which can help in collecting data, disbursing information and providing connectivity for treatment and consultation.

Japan's role in health care is with respect to providing technology for better diagnosis, infrastructure for hospitals like medical instruments, robotic surgery equipment, pathology lab equipment and other necessities. Japan, a capital rich nation has the ability to invest long term for small returns, which enables it to commit itself for a long tenure. In collaboration with India, which already has a presence in Africa's health care sector, Japan's support with finance and technology can prove beneficial to Africa.

Production Network

Two production networks that have been identified as engines of growth for countries venturing into industrialisation, are the time tested textile industry and the automobile industry. Japan's economic growth has rested on the twin pillars of the automobile industry and the electronic industry. Thus, whenever Japan sets out to collaborate it is almost an imperative that automobile industry, is under consideration. It is thus important to reflect whether AAGC will enable establishment of a production network to engineer Africa's economic growth.

To understand the possibility of a production network in Africa, it would be interesting to review the successful production networks created by Japan in East Asia where a number of countries are involved in manufacturing and assembling automobile components and parts, and can be a role model for Africa.

Since the Second World War, the composition and pattern of trade has undergone a significant change, more so as developed countries in search of low cost of production have moved to countries localities that can undertake production at lower cost. Globalisation has furthered this method of producing by making it possible to make the components of a product in different countries with defined comparative advantage in technology or skill set and ultimately assembling the same product in low cost countries. It encouraged trade liberalisation, open markets, reduction of barriers for movement of goods and services, foreign trade agreements between nations, as well as reforms in regulatory and other policies around the globe, resulting in a free and open world economy. Technological innovations and improvement enhancements in the field of transportation followed by communication, especially satellite and optical-fibre and computer aided design in the manufacturing sector, have made distant operations easy to direct and lead.

The nations hosting these productions are associated with relatively well endowed resources and have the relevant means of production and skilled manpower to enable technology transfers. The corollary to this is, a labour-scarce country which substitutes the

domestically produced labour-intensive components or assembling units with desired imports from labour-abundant countries, leading to shared production across nations,²³ welfare improves in ways similar to that of implementing labour saving technological progress at home country.²⁴ Hence, offshore sourcing is in some sense a substitute for technological progress, although it can also clearly be complementary. In addition, flexibility in fragmenting production into blocks creates further space for exploiting location advantages. Thus when a production network is created, it is essentially a win-win situation for both nations, in terms of industrial development. In addition, there is a spill over effect in the host nation in terms of the rise in the number of feeder industries and services because of the operations of the affiliated production unit. It thus enhances employment, leads to infrastructure development and enhances the welfare of the host nation.

The setting up of a production network, implementation of production sharing between an advanced and an emerging economy, typically require prior flows of foreign direct investment that presuppose an investment-friendly environment in the host country. It also requires a supporting infrastructure that often needs to be provided by the government. Public infrastructure investment and FDI play an important role in supporting the 'service links' needed to facilitate communication and coordination of production activities spanning national borders.²⁵ Indeed, while production sharing reduces production costs, it may require infrastructure development in communications and connectivity. However, production sharing will not be profitable if the latter costs exceed the savings in production costs.

The production network created in East Asia by Japan and Korea has enabled South East Asian nations to mobilise economic growth and development. The production network process was initiated because of low cost labour and other resources in these nations and also because Japan faced environmental concerns. A careful look at the growth in these nations shows that the production network was furthered by the strong commitment between the host nations and Japan or Korea, as the case may have been. Thus while private

investment initiated production affiliated companies, the host nation created a conducive economic climate for foreign investment. In almost all cases Japan had, through ODA, helped create the road and port infrastructure to ensure movements of goods, by providing long term capital and by participating in the development programmes of the host nations.

The production network between South East Asian countries and Japan, Korea and China created a huge supply chain of production auto components and parts, engines and assembling entire cars. A glance at the movement of goods in this region reveals a criss-crossing of components and units between Japan, China, Taiwan, Indonesia, Malaysia and Thailand which constitutes around 70 per cent of the regional trade. Through this form of production network the region as a whole progressed, and supported each other, until the financial crisis of 2003. Though the financial crisis resulted in a reconsideration of this model of growth, the production network by and large, was spared criticism as it continued to perform, albeit a little slowly.

There is a significant opinion that the AAGC will emulate the production network systems established in the South East Asia by connecting Africa to this region. However, there are a few factors to be considered before making this move. First, in view of the gaining popularity of electric cars and the emergence of robotics, which makes production of automobiles autonomous to a large extent, the automobile sector is going through a huge technological shift. At best Africa can emerge as a final assembling destination for African nations. Arguably, in India too, the auto manufacturing is mainly for the Indian market, but considering that consumerism is yet to get a boost in most African nations, it might be a little early for implementing it there. Second, although the automobile sector has shown that education is not a major consideration, some basic education is still essential. In this too, Africa has a long way to go. Thirdly, the geographical advantage of South East Asia vis-à-vis Japan does not apply to Africa. In spite of the huge communication revolution which enables lightning consultation, distance is a deterrent for private investment, as is evident from Japanese

investment in India, which is yet to match the private investment of South East Asian region.

If an automobile production network is not a viable option, then the growth engine for economic development would have to fall back on the traditional cotton textile industry. Africa is an important producer of cotton and the continent has a significant role to play, along the value chain as a manufacturer of apparel. Africa grows just under 10 per cent of the world's total cotton crop, but unlike most other region it is the small farmer, rather than large-scale plantations, that produce this crop. Cotton seed is also used to extract edible oil used for animal feed and products like margarine. Africa's cotton grows in four zones along a north-south strip stretching from the Nile Valley to South Africa. The most important zone is that of the Nile Valley. Egypt has long been a leading African producer of cotton. Of the 12 leading African cotton-producing countries, eight are in West Africa. Further, this industry requires minimal education and the women are sufficiently skilled to work in this industry.

While the cotton industry has the capability to further the value chain, the major problem has been the competition from US. Though, the WTO gave a verdict against US and ordered the ending of cotton production subsidies, as well as the US agricultural commodity export guarantee programmes, the African nations believe the US is still skirting the trade laws. According to Gail Strickler, assistant US trade representative for textiles and apparel, African textile and apparel exports to the US could potentially quadruple to US\$ 4 billion over the next decade, creating 500,000 new jobs, through the renewal of the 'African Growth Opportunity Act' signed into law in June 2015. Africa has duty free access to Europe in this sector, thus there is a possibility for exports. Both India and Japan can play a significant role in the African cotton industry. Traditionally a cottage industry in Japan, the textile industry today employs high-end technology and equipment and has shrunk in size. India also has made significant strides in the textile industry. Thus there is opportunity for them to set up production units through a public private investment model.

Further, both nations boast of world class designers, who can collaborate to help the emerging African design hub.

Conclusion

AAGC is an attempt to create a nexus between Japan, India and the African continent. The major tool of Japan's foreign policy has been its economic diplomacy. It is through this diplomacy that its relations with the nations of South East Asia were forged and it was able to neutralise the historical antagonism. It is economic diplomacy that has strengthened and added substance to Japan's relations with India. While it is evident that Japan's interest in Africa dates back to the early 1990s, it has not been able to negotiate and exploit its potential. The growing presence of China and its influence in the politics of the continent has raised concerns in Japan. India too is staking claim a technology provider, capacity builder and as a rich source of manpower. India's narrative in the international arena is also seeing a significant change. India is slowly charting a path in which both economics and strategic diplomacy are being combined to great effect.

The AAGC is a platform that India and Japan plan to leverage to complement their potency to negotiate, establish nexus and work concomitantly to meet the needs of African nations. This chapter has identified the agricultural sector as one where all three have strong complementarities. Their synergy in the health sector is strongly evident both in terms of the service value chain and the technology value chain. The embedding of digital technology into the health care system has a strong potential in which India's human resources and capabilities can be harnessed along with Japanese capital investment. Further, the financing of health care through public-private partnership has possibilities that are being explored. Here too India's experience and learning can provide a good road map. The production network in the automobile sector, which is under consideration because of Japanese success, has to be treated with caution as the sector is in a transitory mode and new rules are being established. Instead, there are great opportunities in the cotton industry at the base level; both the agriculture and the textile manufacturing sector have the potential

for providing high end designer services, in which both Japan and India have a lot to contribute and is also in keeping with the economic agendas of most African states. While it is too early to categorically predict a trajectory for the AAGC, the possibilities are infinite and by establishing this partnership, Japan and India, are in position to harness a formidable advantage.

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PART - II

Bilateral Perceptions and Strategic Significance: Resources and Technology

Infrastructure Connectivity and Corridors in Prime Minister Modi's Japan Policy

K.V. Kesavan

Japan is India's valued partner. We have a Special Strategic and Global Partnership. Our ties with Japan, both economic and strategic, stand completely transformed in recent years. It is today a partnership of great substance and purpose. It rests on the strong pillars of India's Act East Policy, and our shared vision and commitment to a free, open and inclusive Indo-Pacific.

—Prime Minister Modi's
statement, on October 26, 2018

It is 66 years since India and Japan established diplomatic relations and during this period, both have created a very robust strategic and economic partnership. Until very recently, their bilateral ties were narrowly focused only on their economic engagements such as official development assistance (ODA), trade and investment. But there has been a sea change in the complexion of the partnership particularly since 2000 when both countries embarked on a global partnership. Since then, the profile of the partnership has been steadily growing and in 2014, Shinzo Abe and Narendra Modi described it as a Special Strategic and Global Partnership, for the peace and prosperity of the Indo-Pacific region and the world. Today India-Japan ties have significantly diversified to cover a wide range of interests including regional security, nuclear disarmament, counter terrorism, regional economic cooperation and integration,

maritime security and UN reforms. As both Modi and Abe stated in their first summit meeting in 2014, their countries are united by convergent global interests which include critical maritime inter-connection, a strong commitment towards maintaining peace and stability, international rule of law and an open global trade regime. Both recognised that “their economies have vast complementarities that create boundless opportunities for mutually beneficial economic partnership”.¹

Reasons for Modi’s preference

There are many reasons for Modi’s special interest in strengthening relations with Japan. Even as Gujarat Chief Minister, Modi visited Japan twice. The first reason is that in 2007, when Abe was the prime minister of Japan, Modi took advantage of his visit to meet Abe and some of his cabinet colleagues, in addition to meeting the leaders of the Japanese business world. He also visited several industrial and manufacturing plants to gain an idea about Japan’s technological prowess. Modi again visited Japan in 2012 when the Democratic Party of Japan (DPJ) was in power. This gave him an opportunity to interact with a cross section of political and business leaders.² Modi invited Japanese business houses to invest, particularly in Gujarat state. The second reason is that by 2014 India-Japan partnership was already stable and strong. India has been the largest recipient of Japanese ODA since 2005. Further, there was a bipartisan consensus within India on the importance of stable and strong relations with Japan. Third, Modi believed that Japan, endowed with superior technological skills and financial strength, could to a large extent fulfil many of India’s development aspirations, in several spheres including infrastructure. Modi has always believed that infrastructure and connectivity are the arteries for development and progress. By embarking on a major integrated infrastructure programme involving the construction of roads, railways, airports and waterways, he wanted to augment the employment opportunities in the manufacturing sector and increase the share of manufacturing in the GDP, to more than 25 per cent by 2022. Modi also wanted to enhance the proportion of infrastructure

spending in India's GDP. Japan has already been of considerable help to India for several years.

Japan's active contribution to India's economic development started as early as 1958 when Tokyo extended its first ODA loans and grants to India, following the historic visit made by former Prime Minister Jawaharlal Nehru to Japan. It marked the starting point of Japan's aid policy with regard to the developing countries of Asia. Since then the ODA has been the core element of India-Japan bilateral relations. In the past 60 odd years ending FY 2017-18, Japan has made an accumulated commitment of Rs 3 lakh crore (¥5.3 trillion) under ODA.³

Since 2003–2004, India has been one of the largest recipients of Japan's ODA. During the 1990s, Japan had the distinction of being the highest donor country in the world, but it could not retain that status after 2000, due mainly to its declining economy. But what is remarkable is, that even when Japan's overall ODA volume was declining, its assistance to India was maintained on a high scale. This only underlined the importance that Japan attached to India. This donor-recipient relationship was marked by a strong sense of mutual goodwill and understanding.

Unlike other countries, ODA has never been involved in any domestic financial or political controversy. The Indian economy consistently gained numerous benefits from Japan's ODA loans, which flowed into several critical areas like power, transportation, communication, irrigation, environment and those connected with human needs. Transport which used to account for about 21.9 per cent of the total Japanese ODA until 2007, jumped to 64 per cent during the period 2008–2017. Other sectors including water, energy, and agriculture and forestry figure significantly in the sharing of Japanese ODA, during the same period.⁴

The quality and quantity of Japan's aid also tended to improve appreciably over the years. Today, ODA loans are almost project oriented, are repayable within a prescribed time and carry a very modest rate of interest. One of the major issues in the longstanding India-Japan ODA relations has been centred on the need to bridge the

gap between Japan's committed aid and its actual disbursement. For a long time, there was no stability in the actual amount committed. But in recent years, a significant change has been noticed. While the amount committed by Japan has stabilised, the pace of disbursement has also substantially improved and in the last three years or so, this gap has been considerably reduced. For instance, in 2015–2016, the committed amount was ¥400 billion whereas the disbursed amount was as high as ¥390 billion.

**Table 4.1: ODA loans and Disbursements:
Japanese Yen in billions**

Year	Commitment	Disbursement
2010-11	203.566	123.840
2011-12	134.288	139.220
2012-13	351.106	113.964
2013-14	365.059	144.254
2014-15	71.390	74.360
2015-16	400.000	390.000
2016-17	308.800	206.100
2018-19	316.458	

Source: Japanese Embassy in India.⁵

The Role of Japanese Funding Institutions

- **JICA:** As one of the first countries to adopt economic diplomacy, Japan quite quickly set up some very important institutions to carry its message of peace through economic cooperation. Very soon these institutions became closely involved in many of India's development projects. Though there was a sudden slow-down in their activities in India during the 1990s, due to reasons such as the post-1990 economic recession in Japan and India's nuclear tests in 1998, bilateral economic engagement started picking up after Prime Minister Yoshiro Mori's visit to India in 2000.⁶

The Japan International Cooperation Agency (JICA) played a key role in promoting economic cooperation with developing

countries, for a very long time. It is a government agency that coordinates Japan's official development assistance (ODA). It is the largest bilateral funding body in the whole world today and India is its largest and oldest partner. JICA's effectiveness in the world, springs from Japan's strong belief in the need for ensuring peace, stability and prosperity. It is no surprise that for a country, that chose to avoid military involvement and play a chiefly economic role in assisting numerous countries, JICA became an important vehicle for translating Japan's new diplomacy into action. Few funding bodies in the world are capable of integrating the planning and execution of technical cooperation and financial cooperation projects. But JICA is an exception. It is deeply involved in promoting the investment environment in developing countries, with a view to encourage Japanese companies to invest there. Another important objective of JICA is to promote human resource development in science and technology. JICA's economic assistance has taken three forms—bilateral loans, technical assistance and outright grants. Of these, loans form the core element of Japan's assistance. Unlike most western countries which have extended grants, Japan's policy of giving loans emanated from its own past development experience that was centred on such loans. According to Japan, loans compel a recipient country to work hard to stand on its own feet, and fulfil its own development aspirations. Though Japan's technical assistance and grants are not negligible, they pale into insignificance when compared to the loan amounts. By 2017–2018, Japan's total commitment of loans to India amounted to about ¥5.3 trillion (Rs 3 lakh crore).⁷

- **JBIC:** Another important body intimately connected with India's economic development is the Japan Bank for International Cooperation (JBIC). It was founded in 1999 by the merging of two agencies namely the Japan Export-Import Bank (EXIM) and the Overseas Economic Cooperation Fund (OECF). The main aim of JBIC is to promote economic cooperation between Japan and foreign countries by providing resources for foreign investment.

The Bank strives to improve the global competitiveness of Japanese industries in addition to securing important resources for Japan. It also strives to provide financial support for large infrastructure and resource development projects that require long term financing. It supplements the financial transactions of private sector financial bodies.

The JBIC has been supporting Indian infrastructure projects which import Japanese machinery and equipment and are operated by Japanese subsidiaries and joint venture companies, through JBIC overseas loans. The JBIC is very much involved in promoting several infrastructure projects in India by providing efficient and reliable technologies from Japan. One of the most important examples of this is the Delhi Mumbai Industrial Corridor, a project being led by India and Japan, for developing industrial parks and other infrastructure development projects along a 150 km area on both sides of the Delhi-Mumbai Freight Corridor, which covers a distance of 1483 km, across six states. The JBIC and India's Export-Import Bank (EXIM Bank) have maintained close cooperative relations and signed a Memorandum of Understanding (MoU) in 2014, to jointly explore the possibilities of infrastructure development collaboration, to promote connectivity and regional integration. They are also exploring the prospects of financing business opportunities in other countries in Asia and Africa.

Abe's return to Power and His Economic Strategies

The return of PM Abe to power in 2012, proved to be a game changer as far as Japan's relations with the developing countries of Asia were concerned. After spending nearly five years on the sidelines of Japanese politics, Abe displayed a rekindled enthusiasm for undertaking new initiatives to revamp Japan's economy, which was of great significance, particularly for Asian countries. Asserting that Japan would "come back", he declared that his country would never accept a second-class status in global politics. He firmly believed that unless Japan once again revitalised and regained its economic

and technological power, it would remain on the periphery of regional and global politics. It was with this vision that he launched his Abenomics with a three-pronged approach. Abe's infrastructure system export strategy was initiated in May 2013, with the clear objective of capturing global markets. From then on, infrastructure exports became the central aspect of Abe's drive for Japan's economic rejuvenation. He further believed that it was essential to integrate ODA with his infrastructure promotion efforts. In this, Abe received a great deal of support from the powerful business lobby in Japan. For instance, the Keidanren (Japan Business Federation), extended its full support to Abe's strategy which was achieving two goals with one stroke. First, infrastructure exports would go a long way in fulfilling the needs of developing countries like Indonesia, Vietnam, India and Thailand. Second, it was also stemming the growing influence of China, which has been vigorously pursuing its own geo-strategic interests in the region, through its Belt and Road Initiative (BRI).⁸

In May 2015, Abe announced his new strategy of 'Partnership for Quality Infrastructure', with a view to meeting the massive infrastructure needs of Asian countries. He also, in collaboration with the Asian Development Bank, pledged to provide approximately US\$ 110 billion (¥13 trillion) for 'quality infrastructure' in Asia over the next five years. This initiative, it was claimed, would play a 'catalytic role' in mobilising financial resources and know-how from private sector across the globe to Asia, so as to promote infrastructure investment that the region, needs both in terms of quantity and quality.⁹ As Hidetada Yoshimatsu argues, a purposeful institutionalised government-business relationship is a crucial aspect of Japan's commitment to the export of infrastructure systems.¹⁰

Strong support for the infrastructure export strategy came from the powerful Keidanren which has been making policy proposals on key issues, particularly since 2013. On the basis of its own surveys of its member companies, it has made several suggestions to the government. These are: Though Quality Infrastructure may appear costly at first sight, it is cost-effective in the long run in the sense

that it is durable, disaster resilient, and environmentally friendly. It contributes towards boosting connectivity among Asian countries and creates jobs for local people. Since the high quality and resilient aspects of the Japan's infrastructure system are acknowledged by the international community, it is necessary for the Japanese government to enhance the leadership function of its Ministerial Meeting on Strategy relating to Infrastructure Export and Economic Cooperation and to offer a proper combination of technologies and financing, by fully reflecting private-sector needs. Many Asian countries such as Indonesia, Vietnam, India and Myanmar have shown great interest in Japan's infrastructure exports. Their interests are mainly centred on sectors like railways, harbours, airports, electric power plants, telecommunication and industrial plants.¹¹

Partnership for quality infrastructure, according to Abe, rests on the following four pillars:

- Expansion and acceleration of assistance through full mobilisation of Japan's economic cooperation tools;
- Collaboration between Japan and the Asian Development Bank;
- Measures to double the funding for projects and the utilisation of mechanisms like the JBIC, JOIN, etc. and;
- Promoting "quality Infrastructure Investment" as an international standard.¹²

Modi and India-Japan convergence

When Modi assumed office in 2014, his views on the importance of Japan for India's economic progress resonated strongly in Japan. Commending the fact that Japan has done more for modernising India's infrastructure than any other country, Modi affirmed that the bilateral partnership could accelerate inclusive development in India by transforming the infrastructure and manufacturing sectors. Prime Minister Modi shared many of Abe's views on infrastructure development, the role of institutions devoted to bilateral economic cooperation and also the importance of regional cooperation. Elevating their relations to a Special Strategic and

Global Partnership, Modi agreed to draw on Japan's shared values, convergent and complementary resources to promote economic and social development, capacity-building and infrastructure development in India. Both India and Japan could also help in the economic development of other countries.¹³

In their very first bilateral summit held in Tokyo, both Modi and Abe set the target of doubling Japan's direct investment and the number of Japanese private companies in India within five years. Japan decided to make a ¥3.5 trillion (US\$ 33.5 billion) public and private investment in India, apart from funding from the ODA, over five years. This amount would be used to support projects in several areas including infrastructure, connectivity, transport, smart cities, energy and skill development. In addition, Abe also pledged an ODA loan of ¥50 billion to India Infrastructure Finance Company (IIFC) for infrastructure development in India.

Modi decided to set up a number of Japan industrial townships for developing technology, connecting people and inspiring innovation. In addition, both Modi and Abe also decided to set up a number of electronic industrial parks. In turn, Abe affirmed that Japan would strongly support India's, Make in India, Digital India and Skills India programmes.

The quantum of Japanese investment has also been increasing in recent years. Many surveys conducted by the Japan Bank for International Cooperation (JBIC) have consistently named India as a favoured destination for Japanese companies in the medium and long term. India has ranked at the top, for the last several years in the view of Japanese companies. In particular, there has been a significant surge in the flow of Japanese FDI to India since 2014. It has jumped from US\$ 1.7 billion in 2014 to US\$ 4.7 billion in 2016–2017. With a cumulative FDI of US\$ 25.2 billion from April 2000 to December 2016, Japan is the third largest investor in India accounting for 8 per cent of the total FDI. Japanese investment has flowed into automobile, telecommunication, and electrical equipment, chemical and pharmaceutical sectors. It is also important to note that the number of Japanese companies operating in India had jumped to

1441 till October 2018, marking an addition of 72 companies from the previous year. The manufacturing sector accounts for half of the total number of companies. These companies maintain 5120 business establishments in India that include liaison and branch offices throughout the country. It is also encouraging to note that more and more Indian companies are setting up branch offices in Japan. Though at present there are only about 100, the number is likely to go up significantly in the coming years.¹⁴

Modi's efforts to attract Japanese investors by setting up a Japan-Plus desk at the commerce ministry, and getting Japan involved in some of his national initiatives including Make in India, Skills India and Digital India, have also stimulated the interest of the Japanese investors. Japan Plus in particular, has become a key element in fostering Japanese investment in India. It was set up by the department of industrial policy and promotion to fast-track investment proposals from Japan. Composed of representatives of the government of India and Japan's Ministry of Economy, Trade and Industry (METI) it was set up in October 2014. The government of India has also formed a core group under the cabinet secretary for India-Japan Investment Promotion Partnership (IJIPP). The core group coordinates and closely monitors the process to make sure the investments from Japan under IJIPP are facilitated and opportunities of investment and technology transfer are fully exploited.¹⁵ Modi has also shown great interest in implementing the on-going flagship projects like the Delhi-Mumbai Freight Corridor, Delhi-Mumbai Industrial Corridor and the Chennai-Bengaluru Industrial Corridor.

On-going flagship projects

It is well-known that Japan is closely associated with the construction of the Delhi-Mumbai Freight Corridor and the Delhi-Mumbai Industrial Corridor. Although both were initiated during the Manmohan Singh administration, the Modi government has accorded considerable importance to the two projects. The DMFC envisages the construction of a dedicated super speed connectivity for high axle load wagons. Covering a distance of 1483 km between

Delhi and the Jawaharlal Nehru Port, Mumbai, it will pass through the six states of Uttar Pradesh, Delhi, Haryana, Rajasthan, Gujarat, and Maharashtra. The main objective of this project is to reduce the congestion on the Delhi-Mumbai route. The project is being implemented through JICA's funding of ¥550 billion. Till July 2018, a total of ¥443 billion had been disbursed. Almost 99 per cent of the land acquisition had been completed. The inaugural freight train ran on the 190 km long Ateli-Phulera section of the Dedicated Freight Corridor,¹⁶ on August 15, 2018.

It is also planned to develop an industrial corridor on both sides of the freight corridor covering an area of 150 km on each side. The Delhi-Mumbai Industrial Corridor (DMIC) is being planned as a global investment and manufacturing destination with the accent on expanding the manufacturing and service base. According to the perspective plan of the DMIC, it is envisaged to develop 24 investment and industrial regions. The DMIC also envisages the development of infrastructure linkages, like power plants, dependable water supply modern urban transportation and logistics facilities like skills development centres providing employment opportunities for young persons. The following eight investment regions are being taken up for development in Phase 1 of the DMIC project:

- Dholera Special Investment Region in Gujarat (920 sq km)
- Shendra-Bidkin Industrial Area in Maharashtra (84 sq km)
- Dighi Port Industrial Area in Maharashtra (253 sq km)
- Manesar-Bawal Investment Region in Haryana (402 sq km)
- Khuskera-Bhiwadi-Neemrana Investment Region in Rajasthan (165 sq km)
- Jodhpur Pali Marwar Industrial Area in Rajasthan (154 sq km)
- Pithampur-Dhar-Mhow Investment Region in Madhya Pradesh (372 sq km)
- Dadri-Noida-Ghaziabad Investment Region in Uttar Pradesh (200 sq km)

Permission has been granted to the industrial units to set up their manufacturing plants. The sectors that have been identified include general manufacturing, auto and auto components, defence manufacturing, R&D high tech industries, agro and food processing. A foreign company has been cleared to set up a manufacturing unit in the Shendra industrial area in Maharashtra on 100 acres. It is expected, the corridor project will generate employment for about 2.46 million people¹⁷ over the next three decades.

The industrial corridor project is reported to have started off well and large companies like Larsen and Toubro, Shapoorji Pallonji, and Shubash Projects have commenced setting up infrastructure facilities, administrative units, sewage, water treatment plants. It is also reported that the government provided Rs 5 billion to DMIC during 2016–17.¹⁸

The success of the DMIC would, however, depend on the rapid completion of the freight corridor project, which is the lifeline of the industrial corridor, but since there has been considerable delay in the execution of the freight corridor project, work on the DMIC has also suffered correspondingly. In addition, several other reasons like bureaucratic lethargy, legal obstructions in land acquisition and resistance from vested interests have delayed the smooth take off of the two projects.¹⁹ One can understand that projects of this magnitude involving six states and huge financial expenditure do face many serious bottlenecks at the implementation stage. But despite these hiccups, one can see a strong resolve on the part of both Indian and Japanese governments to complete the project as quickly as possible.

Japan's interest in India's Northeast Region (NER)

The Modi government from the very start has been emphasising the importance of Northeast region (NER) in its Act East policy. Given that the region is the gateway to South East Asia, Modi has shown a strong commitment to developing the infrastructure of the region in transport, highways, communication, power and waterways. Since Japan's interests in the Northeast India are quite deep and rooted in history, there is a broad bilateral consensus to cooperate for the

economic advancement of the region. Several recent developments in India-Japan relations have clearly underscored the growing convergence of interests between the two. Both will stand to benefit by collaborating in the region. In the past, the NER was hampered by economic backwardness, inadequate infrastructure, political neglect by New Delhi, local insurgency and disorder, and external interference. It would be a formidable financial challenge for India to address all these issues on its own. It would therefore be practical and wise to seek the assistance of a friendly country like Japan, for improving the economic and social infrastructure of the region.²⁰

In their very first summit meeting held in Tokyo in September 2014, both Modi and Abe laid special emphasis on the importance of the Northeast region. The Tokyo Declaration underscored Japan's commitment to enhancing connectivity and development in Northeast India and stressed the need for linking the region with other economic corridors within India and South East Asia for the economic development and prosperity of the region.²¹ At the next Annual Summit held in 2015 at New Delhi, Abe expressed his intention to provide ODA loans for the improvement of road network connectivity in Northeastern states. In 2016, Japan reaffirmed its strong commitment to enhancing connectivity and also expressed satisfaction at the progress of projects in the region.

India-Japan cooperation in the Northeast received a boost with both prime ministers signing an agreement in September 2017, to establish the India-Japan Act East Forum.²² The Forum provides a platform for bilateral collaboration and will identify projects for the economic and social development of the region, with particular focus on connectivity projects, disaster management, environment and enabling people-to-people contacts through promotion of tourism and culture. The Forum was inaugurated in December 2017 and has met twice so far. In September 2017, Japan agreed to extend a loan of Rs 2239 crore to India for upgrading the National Highway 40 (NH40) and also for constructing a bypass on NH 54 in the Northeast. The loan will also support India's connectivity initiatives in Bangladesh, Myanmar and other neighbouring countries.²³

Similarly, at the time of Modi's visit to Tokyo in October 2018, Japan agreed to extend its cooperation for a bridge project across the Brahmaputra River, linking Dhubri in Assam and Phulbari in Meghalaya. This bridge, when completed, will be the longest in the whole of India. It will shorten the travel time from eight hours to only twenty minutes.²⁴ These connectivity projects will bring about greater integration not only within NER, but also externally with neighbouring countries. This will fulfil one of the main objectives of the Act East Policy to enhance synergies with the countries of the Indo-Pacific.

A glance at Japan's recent and on-going projects in the Northeast would clearly show Tokyo's deepening involvement not only in road network connectivity, but also in many other spheres including energy, water supply, health, agriculture, environment and people to people exchanges.

India, Japan and AAGC

As noted earlier, the Northeast is where India's Act East policy and Japan's "Free and Open Indo-Pacific strategy" converge and both countries are keen to extend their cooperation to the larger Indo-Pacific region. That includes the African continent too. In May 2016, Modi announced a proposal to develop an Asia-Africa Growth Corridor (AAGC) with the support of Japan. The AAGC is a proposal for creating a "free and open Indo-Pacific region" by building a series of sea corridors that would connect the African continent with India and other countries of South and South East Asia.²⁵ A major objective of the proposal is to bring about greater integration within the Indo-Pacific region by undertaking several infrastructure projects. The AAGC would consist of four main elements: development of cooperative projects; quality infrastructure and institutional connectivity; capacity building and people to people partnerships.²⁶

It is important to note that India and Japan are already collaborating in projects in Sri Lanka (LNG related infrastructure), Myanmar (development efforts in the Rakhine state), Bangladesh

(road and reconstruction of bridges) and also in Africa (health services in Kenya). Both countries have had a long engagement with the African continent which would be very useful in promoting the AAGG. That said, it has to be admitted that both countries still have a long way to go before they can achieve their cherished goals. It is too premature now to think in terms of AAGC as a counter to the Belt and Road Initiative (BRI) of China. In this context, it is also necessary to keep in mind the somewhat differing approaches of India and Japan towards China's BRI, as well as the improving relations between China and Japan and China and India.

Mumbai-Ahmedabad High Speed Rail Project

Another significant development in Modi's connectivity programme relates to the agreement signed by the JICA to financially support the ambitious project for the Mumbai-Ahmedabad high speed rail system. The objective of the project is to develop, for the first time in India, the very sophisticated Japanese *Shinkansen* system that would enhance mobility in India and contribute to regional economic development. India has opted for the *Shinkansen* system because of its excellent technology and flawless track record. The project aims to ensure smooth mobility, improve connectivity and enhance regional economic development with a safe and reliable inter-city transport system. The project is also expected to contribute to India's 'Make in India' programme and generate employment in the region.

Apart from signing two agreements for the initial loans, JICA is also supporting the establishment of institutes that impart training in the different operational and safety aspects of the *Shinkansen* system.²⁷ In addition, Japan is also deeply interested in the broader modernisation of Indian railway system which is one of the largest and oldest networks in the world. Several study teams have visited India with a view to advising the Indian government on how to modernise the Indian railways. Japan has already demonstrated its superior technology by constructing a series of metro systems in major Indian cities including New Delhi, Chennai, Bengaluru, Kolkata and Mumbai. In fact, the metro systems have brought about

a revolutionary change in urban transportation in India and JICA is particularly credited with introducing a very efficient metro culture across India. Today, India's major cities are beneficiaries of a modern, efficient and sophisticated transport system mainly because of JICA.

Conclusion

To sum up, the India-Japan partnership has markedly diversified in the last five years and now encompasses a wide spectrum of interests. Japan's involvement in India's infrastructure and connectivity projects has also deepened significantly. The initiative for Japan's participation in India's development programme was not new. Japan's economic profile in India has been growing for decades since 1958 when the first ODA loans were extended to India. Though the Cold War period saw a psychological barrier between the two countries, they were still able to find adequate space to pursue their bilateral interactions in trade, investment and official economic assistance. After the end of the Cold War and more especially after 2000, the bilateral partnership made speedy progress moving from a global partnership, to a strategic and global partnership. A vast array of political and economic mechanisms was created to buttress the bilateral engagements. During 2004–14 when Manmohan Singh was prime minister, the India-Japan partnership became a multifaceted and significant element of regional peace and stability. But Modi took it many steps further to make the India-Japan relationship a special strategic and global partnership. As Modi claimed with much justification, “No nation has contributed so much to India's modernisation and progress like Japan, and no partner is likely to play as big a role in India's development as Japan.”

Through industrial corridors, smart cities and technology parks, the Modi government is striving for holistic development of the country. These initiatives would help to create an environment that is conducive for industrial development and advanced manufacturing practices in India. Japan's financial and technological assistance has undoubtedly contributed much towards the creation of that environment.

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5

Connectivity and Corridors in Shinzo Abe's Indo-Pacific Foreign Policy: 2025 and Beyond

Ryohei Kasai

Introduction

The Indo-Pacific has recently taken the centre stage in global and regional politics and economy, as an evolving new regional concept, linking the Pacific Ocean and the Indian Ocean. It has, in particular, acquired strategic significance since Prime Minister Shinzo Abe of Japan launched the “Free and Open Indo-Pacific Strategy” in August 2016. In order to promote this new policy direction, Japan has taken the initiative for holding a series of high-level dialogues and talks with the United States, India, and Australia. While various agendas such as respect for a rule-based order, promotion of trade, and improvement of business environment have been discussed as possible areas of cooperation, infrastructure and connectivity development seems to have surfaced as the most important objective for the countries involved in the process. This chapter discusses Japan's Indo-Pacific foreign policy, focusing on how and why, infrastructure and connectivity development play a central role in it. It first discusses the process of the conceptualising of the policy by the Japanese government, followed by an analysis of the responses of the United States, India, and Australia, with reference to their respective views towards China its the Belt and

Road Initiative. It then examines the recent initiatives for advancing cooperation and coordination for infrastructure and connectivity. It then goes on to discuss several challenges that Japan faces, or may face, in the future.

Conceptualising the Indo-Pacific

The term “Indo-Pacific” started appearing in foreign policy and geopolitical discourse from around 2007. Gurpreet Khurana, Executive Director at the National Maritime Foundation, claims that he coined the concept by combining the Indian Ocean Region (IOR) and the Western Pacific Region (WPR) on the basis of his conviction, that the two regions “cannot possibly be treated separately”.¹ It gained further prominence not only among academics but also policy makers when US Secretary of State Hillary Clinton made a reference to the Indo-Pacific in Honolulu, Hawaii, in October 2010. In a speech about “America’s Engagement in the Asia Pacific”, she pointed out that “we are expanding our work with the Indian navy in the Pacific because we understand how important the Indo-Pacific basin is to global trade and commerce”.² She made another reference to the term in her argument in *Foreign Policy* in October 2011, mentioning an expansion of the US alliance with Australia from a “Pacific partnership to an Indo-Pacific one”.³ Australian Defence White Paper 2013 also said “a new Indo-Pacific strategic arc is beginning to emerge”.⁴

Japan was also among the countries which became increasingly aware of the Indo-Pacific. It did not take much time to incorporate the new concept into Tokyo’s foreign policy, replacing the decades-old emphasis on the Asia Pacific. Foreign Minister Fumio Kishida made a policy speech on “Special Partnership for the Era of the Indo-Pacific” at the Indian Council of World Affairs, during his visit to New Delhi in January 2015.⁵ Japan and India issued a joint statement during Prime Minister Shinzo Abe’s visit to New Delhi for an annual summit meeting with his counterpart in December 2015. It was entitled “Japan and India Vision 2025 Special Strategic and Global Partnership Working Together for Peace and Prosperity of

the Indo-Pacific Region and the World”, possibly the first bilateral document that included the term “Indo-Pacific”. According to the document, the two prime ministers expressed “their unwavering commitment to realise a peaceful, open, equitable, stable and rule-based order in the Indo-Pacific region and beyond”. They also underlined “their determination to expand cooperation with other partners, to enhance connectivity”.⁶

Actually, the idea for linking the Pacific Ocean and the Indian Ocean was already in Abe's mind, during his first and short-lived tenure as prime minister from 2006 to 2007. In his famous speech at the joint session of the Indian Parliament in August 2007, he articulated his vision for a “Confluence of the Two Seas”, stating “the Pacific and the Indian Oceans are now bringing about a dynamic coupling as seas of freedom and of prosperity”, adding that a “broader Asia” is taking shape.⁷ He apparently maintained his interest in the idea. This was evident from the fact that he was ready to reiterate it in his speech on “The Bounty of the Open Seas: Five New Principles for Japanese Diplomacy” in Jakarta in mid-January 2013, within one month of his return as prime minister after his Liberal Democratic Party defeated the ruling Democratic Party of Japan in the Lower House election in December 2012.⁸ However, he could not deliver this speech as he had to leave Indonesia earlier than originally scheduled, due to a sudden change in his itinerary because of the Japanese nationals taken hostage in Algeria.

Japan became an ardent advocate of the Indo-Pacific concept, and incorporated it into its foreign policy strategy. Prime Minister Abe unveiled the “Free and Open Indo-Pacific Strategy” in his address at the sixth Tokyo International Conference on African Development (TICAD VI) held in Nairobi, Kenya, in August 2016. He said, “What will give stability and prosperity to the world is none other than the enormous liveliness brought forth through the union of two free and open oceans and two continents” and emphasised it was Japan's responsibility to foster “the confluence of the Pacific and Indian Oceans and of Asia and Africa into a place

that values freedom, the rule of law, and the market economy, free from force or coercion, and making it prosperous.⁹

It should be noted that several “values” were included in this pronouncement, making the Indo-Pacific not only a new geographical concept, but also a more policy-oriented one. A “special feature” column on the Abe’s strategy appeared in the *Foreign Ministry’s Diplomatic Bluebook 2017*.¹⁰ Its 2018 edition listed the ‘Free and Open Indo-Pacific Strategy’ as one of the six “priority areas of Japan’s Foreign Policy”.¹¹ It further elaborated on the initiative by introducing three specific measures. These were the: “Pursuit of economic prosperity through enhancing connectivity, including through Quality Infrastructure development in accordance of international standards”.¹² In the bilateral relations with India, Tokyo agreed to coordinate the “Free and Open Indo-Pacific Strategy” with the latter’s “Act East Policy” during the visit of Prime Minister Narendra Modi of India to Tokyo, in November 2016.

Responses from the Partners

Japan was quick to redouble its efforts to implement the Free and Open Indo-Pacific Strategy by getting the crucial partner countries on board. As far as the United States, with whom Japan has maintained an alliance for more than half a century, is concerned, it expressed its support for the initiative. Secretary of State Rex Tillerson, in his address at the Centre for Strategic and International Studies in October 2017, pointed out that “the world’s centre of gravity is shifting to the Indo-Pacific” and “it is time we act on our vision of a free and open Indo-Pacific”.¹³ The Free and Open Indo-Pacific Strategy was also endorsed by President Donald Trump when he visited Tokyo in November 2017. He and Prime Minister Abe agreed to “develop the Indo-Pacific free and open” and identified three areas for cooperation: (i) Promotion and establishment of fundamental values such as rule of law and freedom of navigation; (ii) Pursuit of economic prosperity including improvement of connectivity; and (iii) Commitment for peace and stability including capacity building

on maritime law enforcement.¹⁴ It also should be noted that “Indo-Pacific” replaced “Asia-Pacific” in National Security Strategy in 2017, thus committing to “a free and open Indo-Pacific”.¹⁵

Japan also initiated senior official level quadrilateral consultations on the Indo-Pacific with the United States, India, and Australia. The first meeting was held on the sidelines of the East Asia Summit in Manila in November 2017, and focused on “measures to ensure a free and open international order based on the rule of law in the Indo-Pacific”.¹⁶ The four countries also held two meetings in 2018, in which they reaffirmed their shared support for “a free, open, and inclusive region that fosters universal respect for international law, freedom of navigation and overflight, and sustainable development”.¹⁷ In a latest development, the first ever trilateral summit was held between Japan, the United States, and India on the sidelines of the G-20 summit in Buenos Aires on November 30, 2018, where the three leaders agreed to strengthen cooperation in areas that including, maritime security and regional connectivity, in the Indo-Pacific, according to the press release in Japanese issued by Japan's Ministry of Foreign Affairs.¹⁸

While the four countries are building common ground on the Indo-Pacific and expanding dialogue and cooperation, there also differences. The very definition of the term indicates the subtle differences in the approaches of the respective governments. There appears to be no objection for the Indo-Pacific to be “the rule-based”, “free”, and “open” as advocated by Japan. However, some other adjectives have also been used in speeches and diplomatic statements on the new concept. Prime Minister Modi in his keynote address at the Shangri-la dialogue in Singapore in early June 2018, made important remarks that reflected India's views on the Indo-Pacific. After saying that India's vision for the Indo-Pacific region is “a positive one”, he went on to elaborate by pointing out that New Delhi stands for “a free, open, inclusive (emphasis added) region, which embraces us all in a common pursuit of progress and prosperity”.¹⁹ “Inclusiveness” seems to be a keyword of his government's approach towards the Indo-Pacific as it appeared

four times, in the address. The Australian response is also similar to that of India. In its *Foreign Policy White Paper 2017*, it listed the promotion of “an open, inclusive and prosperous Indo-Pacific region in which the rights of all states are respected” as one of the five objectives of “fundamental importance” for their security and prosperity.²⁰ The question, then, is: What is the purpose behind the inclusion of the terms: ‘inclusive’ and ‘prosperous.’ One of the factor might be, an emerging China. While making a commitment for promoting the Indo-Pacific, both India and Australia would not like it to be seen as a concerted effort to contain China, or counter the Belt and Road Initiative (BRI). They are, therefore, keen to make it “inclusive” in order to negate any such concerns and express their openness with regard to the multilateral move. ‘Prosperous’ also gives an impression that they are more interested in the economics and development, rather than security and defence.

Sensing these growing concerns, Tokyo has recently also made a small, but important modification, in its approach towards the Indo-Pacific policy. According to a report in Japanese by the *Nihon Keizai Shimbun*, or *Nikkei*, the Japanese government decided to use the term “Free and Open Indo-Pacific Vision (emphasis added)” instead of the “Free and Open Indo-Pacific Strategy”, so that the South East Asian countries, many of whom have close ties with China, would be more positive about the initiative. This, hence is now simply known as the “Free and Open Indo-Pacific (FOIP)”,²¹ in order to make it more neutral and less confrontational. Foreign Minister Kono referred to the FOIP during his courtesy call on Indian Prime Minister Modi; as well as during the 10th Strategic Dialogue with his Indian counterpart Sushma Swaraj during his visit to New Delhi in January 2019.²² Prime Minister Abe also used the same expression in his annual policy speech to the Diet, later in the same month.

Initiatives for Financing Infrastructure Development in the Indo-Pacific

While Japan has been holding intensive talks on the measures necessary for the Indo-Pacific policy with interested partners

since the launch of the strategy, it has been lagging far behind than the China-led BRI, when it comes to specific projects in the region. Although infrastructure development and connectivity have always figured high in the FOIP policy, there have been no specific announcements for developing ports, oil and gas facilities, and maritime logistic systems. In a way, the FOIP policy has existed only on paper, meetings and talks.

However, significant progress was made with regard to financial institutions in the second half of 2018. At the end of July 2018, the US Overseas Private Investment Corporation (OPIC), the Japan Bank for International Cooperation (JBIC), and the Australian government formed a trilateral partnership to invest in “infrastructure, energy, transportation, tourism, and technology to help stabilise economies, enhance connectivity, and provide lasting benefits throughout the region”.²³ In addition, the three institutions²⁴ signed a Memorandum of Understanding (MoU) for business cooperation in the field of infrastructure, energy and natural resources sectors in third countries, with a focus on the Indo-Pacific region, through collaboration in financing.²⁵ According to a news report, liquefied natural gas terminals and undersea cables are among the possible projects identified for joint financing.²⁶ In another development the US Vice President Mike Pence, in his remarks in the joint press statement with Prime Minister Abe in November 2018, stated that his country would provide US\$ 60 billion for development financing as his government considers infrastructure projects in the Indo-Pacific a priority, while Japan also has budgeted US\$ 10 billion for energy infrastructure projects.²⁷ Australian Prime Minister Scott Morrison, in a unilateral move, in November 2018, also announced his government’s decision to set up what he called an “Australian Infrastructure Financing Facility for the Pacific (AIFFP)”, an initiative that would provide US\$ 2 billion for supporting infrastructure projects in Pacific countries, as well as Timor Leste.²⁸

Challenges Ahead

In the less than two and half years, since the launch of the bold policy initiative, Japan, in coordination with the US, Australia, and India, has made considerable efforts to make it work. If the current phase is the formative stage, the next step will be the planning and implementation stage, which may require grappling with several challenges. This particularly applies to infrastructure development and connectivity.

First, the relevant countries need to identify specific projects. While some important preparatory work was done in 2018, they are yet to announce any concrete plans to finance or develop infrastructure in the region. It does not necessarily have to be a large project, but should be one that would attract more countries from the region to the Indo-Pacific initiative. In this regard, bilateral cooperation between Tokyo and New Delhi, within third countries, will be a key component. According to the fact sheet on Prime Minister Modi's Japan visit in late October 2018, the two governments identified four countries and one region for possible future cooperation: the development of LNG-related infrastructure in Sri Lanka; synergising development efforts in the Rakhine state in Myanmar; enhancing connectivity by developing roads and bridges in Bangladesh; and the possibility of a collaborative project in the health sector in Africa.²⁹ Moreover, Japan's possible participation in the joint development of Chabahar, an Iranian port with the potential to provide better connectivity with Afghanistan, Central Asia and should also be pursued further.

Second, they need to manage their differences as to how to deal with China. India appears to be cautious about not creating any unnecessary tensions with China, as it has improved its bilateral relations with its northern neighbour, since Prime Minister Modi and President Xi Jinping met in Wuhan in April 2018. Japan-China relations have also been improving. Prime Minister Abe has expressed his readiness to participate in the BRI, so far as it will "fully incorporate such a common frame of thinking, and come into harmony with the free and fair Trans Pacific economic zone, and

contribute to the peace and prosperity of the region and the world”.³⁰ He paid a visit to Beijing in October 2018, the first by a Japanese Prime Minister since December 2011. President Xi is also expected to reciprocate by visiting Tokyo in 2019. However, this is not the case with US-China relations, amid their rising tensions over trade. Vice President Pence's China policy speech at the Hudson Institute in October 2018, also made it clear that the current administration is ready to confront China. These differences may affect the future direction of the Indo-Pacific. It may be correct to say that the concept was created partly, as an alternative to the BRI, but it is not necessarily exclusive of China. But the deeper the divisions vis-à-vis China among countries, the more difficult it would be, to have a common approach for advancing cooperation and collaboration in the Indo-Pacific.

Third, the time may soon come when they will have to seriously consider admitting new countries into the group. While it is necessary to continue and deepen the bilateral, trilateral, and quadrilateral talks and coordination between Japan, the US, Australia, and India, the induction of new members will further boost and expand the FOIP initiative. From this perspective, it is noteworthy that Australia in its *Foreign Policy White Paper 2017*, names Indonesia and South Korea, in addition to Japan and India, as the “Indo-Pacific democracies” that are “of first order importance” for them.³¹ Some of the countries in South East Asia would be ideal partners, in view of the fact that “ASEAN centrality” is mentioned often in the Indo-Pacific documents and statements. Singaporean Prime Minister Lee Hsien-Loong, as chairman of the 21st ASEAN-Japan Summit in mid-November 2018, also stated that:

ASEAN shared the view to promote a rules-based Indo-Pacific region that is free and open, embraces key principles such as ASEAN's unity and Centrality, inclusiveness, transparency and complements ASEAN's community building process.³²

In addition to incorporating the points made by Prime Minister Lee, efforts would be necessary to allay ASEAN member countries' concerns that the FOIP is trying to counter China.

Fourth, outreach with relevant regional organisations will be crucial for pursuing the Indo-Pacific policy. The Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) and the Indian Ocean Rim Association (IORA) might be considered as possible partners, since these organisations are also focusing on development in their respective region and it is expected to benefit both them and the FOIP countries. An institutional arrangement such as the “Act East Forum” may also play a role in the initiative as far as connectivity between India's Northeast region and its eastern neighbours is concerned. Measures to position the Asia-Africa Growth Corridor (AAGC) within the Indo-Pacific policy should be taken. As mentioned earlier, Japan and India envisage cooperation in the health sector in Africa. While it is considered to be a good kick-off project, they will need to work on more ambitious projects that connect Asia and Africa through the Indian Ocean, thus realising the enormous potential of the two continents.

Conclusion

In a little more than a decade, the Indo-Pacific has not only gained acceptance, but several countries have also made it a significant component of their foreign policy. Japan, among others, has been most committed to the concept, as it has advocated a “Free and Open Indo-Pacific” since 2016. It has so far succeeded in getting the US, Australia, and India on board, though their perceptions and interests differ on some crucial issues, including their relationship with China. Infrastructure development and connectivity are considered significant for promoting the FOIP initiative, and recently some concrete steps have been taken to plan and invest in projects in the region, paving the way for the implementation of the Indo-Pacific policy. However, there are several likely challenges that include, not only the China factor, but also issues regarding enhancing the outreach to more countries. How they will address

these current and future challenges could determine the course of this initiative in the years to come.

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Technology and Resource Imperatives in India-Japan Relations

A.D. Gnanagurunathan

The India-Japan relationship is an interesting contradiction. Indians are largely fond of both the Japanese people and their products, material and their culture. The Japanese express a similar interest in certain things that are Indian, if not with the same passion. Yet, the relationship has not really taken off, after the initial attraction. Nonetheless, there has been a renewed attempt to infuse new vigour into the relationship in the last decade or so, as the international system is witnessing significant changes, which can be attributed either to the important changes in the economic and military state of China, or the ubiquitous influence of technology, depending upon one's vantage point.

This paper attempts to explore and establish linkages between technology and international relations in the case of India and Japan. This paper applies techno-political approach for this investigation. This paper is divided into three parts. The first part attempts to sketch a framework establishing as to how technology and resources are the predominant drivers of interaction among states. The second part identifies the triggers for renewed and intense India-Japan interaction in the recent years, and given this framework, the third part strives to situate space co-operation, as the most optimal case for India-Japan co-operation.

Security as determinant

In international politics, especially in the dominant neo-realist perspective, states strive to achieve security through self-help and alliances, to survive in an anarchical environment. The process of self-help for states involves augmenting their material capabilities, which are predominantly military. And, states align with strong or powerful states, who provide not only provide security, but also help the dependent partner become stronger. Therefore, the ability or the power to effect any systemic change is expressed in terms of capabilities representing physical equipment, systems and processes and possession of technologies.

However, most realist accounts render only a passive, neutral, external and instrumental role to technology, while giving primacy to power distribution in causing systemic change. Of course, you have classical realist scholars like Morgenthau giving prominence to technology, especially nuclear, in high politics.¹ But, for them power/capability remains the central, or system defining attribute of international politics. This can be attributed to:

Neo-realism's drive for theoretical parsimony combined with its instrumental and narrow conception of technology that impedes its ability to conceptualize system change generated by the emergence and diffusion of new technologies, interaction patterns, actors and institutions.²

For example, certain new technical devices and systems like the horse stirrup, compass, airplane, missiles, drones, and shacking software, have not only transformed warfare continually, but also brought about large scale changes in international politics. Moreover, realism affords limited space for technology concepts. As a result, it neglects the "reciprocal relationship between technological evolution and structural change in world politics".³ In fact, all the mainstream schools of IR 'conceptually externalise technology while presuming it in their projects'.⁴

India and Japan have signed, or are in the process of signing, a number of bilateral agreements for resource acquisition and technology co-operation, apart from their strategic engagements in the recent years. These range from infrastructural development to civil-nuclear co-operation, to joint space exploration. This active relationship is usually expressed in obvious strategic terms diluting the central role played by technology. We shall try and study the interactive pattern of the relationship in terms of technology and resources. Naturally, this leads us to the following questions: To what extent is India-Japan's decision to forge closer relations, in security terms, a reflection of technological necessity and resource imperative; and to what extent is the India-Japan technology co-operation geared towards mitigating future resource contingencies?

Dominant Narrative

The standard or the dominant narrative determine that India-Japan relations since the end of the Cold War that is the unprecedented economic growth and development of China, and its increased spending on the expansion of its armed forces which has unravelled the security situation in the East Asian region. Further, China's nuclear tests, its policies towards Taiwan, its support for North Korea and its assertive claims about maritime territorial boundaries, have vitiated the atmosphere. In particular, the maritime incident involving a Chinese fishing vessel and a Japanese coast guard boat in the waters close to the disputed Senkaku/Diaoyu Islands, and its rows with South East Asian states are the markers for Chinese aggression.⁵

Besides, China continues its unfriendly activities on its shared land border with India, in: Daulat Beg Oldi, Chumar and Demchok in Ladakh; and the Doklam plateau. China's commercial ports building activities in countries around India like Bangladesh, Maldives, Pakistan and Sri Lanka are seen to be a part of its, so called, 'string of pearls' strategy to encircle India. In addition, its continued economic and military support to Pakistan are seen as inimical to India's security interests.⁶

Since both India and Japan face security threats from a common adversary, it is logical that they should strengthen their relationship in order to counter them. The assumption/expectation was that both the countries would come to each other's rescue or assistance in case of tension or conflict. Moreover, Japan being a leader in many leading technologies, would contribute to India's nuclear and defence infrastructure. And, in turn, India would provide security to Japanese ships in the Indian Ocean.

If security concerns were the primary drivers of the relationship, it would have taken off a long time ago. But it did not. Of course, one may point to the periodic institutionalised political engagement and military exercises, as evidence for the consummation of the relationship. But, the proof is in the pudding. Neither India voiced its support, when Japan wrangled with China over the boat incident in Senkaku in 2010, nor did Japan during India's border standoffs with China. The much touted civil nuclear deal took over half a decade to fructify, and the US 2 amphibious aircraft has not reached the Indian shores yet. Most importantly, India is not going to stake itself for Tokyo, nor is Japan going to substitute itself for New Delhi in a nuclear situation with China, notwithstanding, the United States' nuclear umbrella over Japan, or the US strategic partnership with India. Therefore, the contradiction, in the purported strategic partnership and perceived/actual lack of progress arises, because the relationship is defined or categorised in security terms.

Technological Systems

One of the important reasons for this misunderstanding is that instead of focusing on the technological systems that are integral to India-Japan interaction, the emphasis is laid on security factors. In fact, the concept of 'technological systems' better explains the choices and interactive patterns of India and Japan. According to Thomas P. Hughes, a historian of technology:

Technological systems contain messy, complex, problem-solving components. They are both socially constructed and society

shaping. They are physical components such as the turbogenerators ... organisations such as manufacturing firms, utility companies, and investment banks, and scientific components such as books, articles, and university teaching and research programmes. Legislative artefacts, such as regulatory laws, and since they are socially constructed and adapted in order to function in systems, natural resources, such as coal mines, also qualify as system artefacts.⁷ Therefore, technological systems are not merely the physical artefacts of technology, they also encompass industrial, academic, legal and resource components that interact and influence each other in the process.

India is a developing economy with a Gross Domestic Product (GDP) growth rate of 7.3 per cent in 2017–18. India's recorded GDP in 2018 was US\$ 2.94 trillion dollars (estimated), yet nearly 56 per cent of its population lacks access to basic health, education and vital services. India requires not only strategic technologies, but also other emerging technologies such as, cloud technology, the Internet of Things (IoT), advanced energy storage, etc., to develop its economy and strengthen its military. According to a McKinsey Report,⁸ adoption of 12 empowering technologies could have a US\$ 500 billion to US\$ 1 trillion annual economic impact, in India by 2025. However, India's footprint in the emerging technology sector has been less than satisfactory, although privately owned software design and service firms like Wipro and Infosys have gained certain credibility in the global arena. Hence, acquisition of cutting-edge technologies is crucial for furthering India's development trajectory.

On the other hand, Japan is a developed economy, the third largest, with a GDP of US\$ 5.48 trillion and a growth rate of 1.4 per cent in 2018. This was a significant upward swing from -0.5 per cent in 2011.⁹ Japan derives its pre-eminence from its leading-edge technologies. For example, in 2017, Japan exported US\$ 83 billions of high-technology products for aerospace, computers, pharmaceuticals, scientific instruments, electrical machinery, etc. This figure fluctuates from US\$ 126 billion dollars in 2011 to US\$

83 billion dollars in 2017.¹⁰ And, to sustain that pre-eminence, as a resource starved nation, Japan needs an uninterrupted supply of energy and resources, especially rare earth materials like cobalt, that are vital for its high-tech industry. Therefore, India's demand for technology and Japan's requirement for resources is a function of various technological systems, which in turn influence their interactive patterns. Hence, it is crucial to understand technological systems to ensure desirable outcomes in bilateral interaction.

States, including India and Japan, sprint to find technologies and resources to sustain their economies and improve their standing in world politics, in the midst of rapidly depleting and polluting hydrocarbons and mineral reserves. So, in such a situation, states are generally faced with the choice of either competition or co-operation in their interaction. This is because the state's drive to acquire resources is not merely a function of consumption, but also dependant on the possession of technology to obtain those resources. Therefore, at a fundamental level, technology drives, or determines, interactive patterns among states in the international system.

History also suggests that the trigger for both Japan and India, to seek technology, was in respond to 'external stimuli'. For Japan, modern technology-led industrialisation was the only way to survive the national emergency created by the forceful actions of the Western powers with regard to Japan and her neighbours in the form of unequal treaties, in order to protect its age-old independence. Technology was seen as an indispensable tool to preserve its identity and attain the rank of a modern power along with the Western powers.¹¹ In the case of India, emerging from two-centuries of British colonial rule, the quest for technology was driven by the desire to attain its rightful place in the comity of nations, especially through the strategic technologies of nuclear and space science.¹²

Despite the obvious quest for dominance through obtaining power, the driving force for both countries has been the pursuit of technology because, technology determines the power potential and outcome of interaction among states. Hence, acquisition and possession of technology was paramount for both the states not

only for their survival but also for their economic development and global standing.

The steam engine, the harbinger of modern industrialisation, was fuelled by coal. Colonial control over sources of coal and other resources sustained their dominance in the 19th century. The discovery of oil and American control over the oil fields of Arabia helped the US to maintain its growth and power in the 20th century. The splitting of the atom and its dual-use capability revolutionised economic activity plus global politics by producing clean energy and the ultimate weapon in history. Of course, other renewables like hydro, wind and solar, certainly provide alternative sources of clean energy, but none of them have the ability to determine the outcome of political interactions like the nuclear or the hydrocarbon.

Yet, the global warming crisis along with the uncertainties about hydrocarbon supplies due to geopolitical manoeuvres and the dangers of prioritising nuclear energy, as an alternative to fossil fuels, especially after the Fukushima fiasco, have focused the attention of the competing nation states on finding of new sources of energy, that would not only drive 21st century economic development, but also enable them to achieve dominance. Therefore, whoever manages to crack the code would lead the pack.

Resource Imperatives

The strides made by technology in the 21st century are palpable in the way they are transforming the interaction among states in the international system. For example, the crucial role played by Information Communications Technology (ICT) in determining the outcomes of the Arab Spring or in the last US presidential election is self-evident. So, as aspiring powers, it was important for India to acquire such technologies, and for Japan to sustain its leadership in those technologies, through an uninterrupted supply of energy and resources. Moreover, for India, it was a logical necessity to strengthen its relationship with Japan, as certain crucial technologies, like nuclear, could not be acquired from the US, without the consent of Japan as they have binding agreements. For, Japan, China's unofficial

ban, following the fishing trawler incident, on export of rare earth materials vital for Japan's high-tech industries, forced it to look for alternative supply sources.

Both India and Japan are dependent on imported energy sources. As of the FY 2016, Japan's dependence on imported hydrocarbons was 89 per cent.¹³ India's dependence on imported energy sources was about 82 per cent as of August 2018.¹⁴ Besides the rising demand for energy, slowing economies could leave them in a quandary. This could render both India and Japan's stability and security vulnerable, not only to the vagaries of nature, but also to the volatility of world politics.

Of course, both of them have taken cognisance of the situation, and set about addressing it, both individually, and collectively. The short and medium term objective is to maintain the supplies of hydrocarbons and sustain the generation of renewable energy. And, the long-term goal is to find an alternative to hydrocarbon sources of energy. Many believe that the answer lies in fusion energy reactors with helium-3 as a possible fuel source as it is not radioactive and does not produce any harmful waste.

The Asia-Africa Growth Corridor (AAGC) launched by Indian Prime Minister Narendra Modi and Japanese Prime Minister Shinzo Abe is one such initiative. Japan is a resource scarce nation, while Africa has plenty of natural resource reserves. Japan imports most of its base and minor metals, required to maintain its dominance in the automobile and electrical appliance industries, from Africa. Although India has considerable mineral wealth, its burgeoning economy and population necessitates fossil fuels that Africa can supply.¹⁵ India imported 113 million barrels of crude oil from Nigeria in 2017. Therefore, AAGC is an Indo-Japan collaborative effort to address their resource constraints, apart from the other stated objectives. Nonetheless, it is yet a vague vision and in a nascent stage of development.¹⁶

One may also argue that this renewed India-Japan science, technology and resource co-operation was triggered by China's 'Made in China 2025' programme, a ten-year action plan

unveiled in 2015 to leapfrog Chinese industrial base, from low-cost manufacturing to high-tech industry. The emphasis was on promoting information technology, aerospace, and new energy vehicles, apart from other areas. Such a programme could transform China into a leading industrial state by 2049, the 100th anniversary of Chinese revolution.¹⁷ Although it is seen as a direct challenge to the US dominance, other states in the international system have also recognised its implications.

Moreover, Japan derives its influence in the international system primarily through its leading-edge technologies such as semi-conductors and aerospace. On the other hand, a developing economy like India aspires to acquire such leading edge technologies to develop its industries and transform itself into a developed state. From a balance of power perspective, any attempt by China to augment its power potential through plans such as ‘Made in China 2025’, could prove detrimental to stability in the international system, as it would enhance the capabilities of China at the cost of other states. As a result, it may also motivate other states to develop their technological edge, to catch up, or balance it.

The future of the high-tech industry depends on the sustained supply of rare earth materials. Since geopolitical conundrums make the availability of rare earth materials uncertain, it forces states to explore alternative sources. Asteroid mining is seen as one supply source with the requisite raw materials, for an emerging on-orbit manufacturing economy. In this context, India and Japan have joined the global race for explorations on the Moon and Mars to find sources of energy, and other resources apart from the potential for human settlement.

Space Co-operation

Autonomy and international cooperation have been the basic principles governing Japan’s space policy.¹⁸ Japan began its space activities in the 1950s by developing rockets and readied itself for space activities in the 1960s. In the 1970s it responded to societal needs

for space applications, by developing satellites for communication and other purposes, and with US assistance acquired advanced space capabilities in the 1980s for launching satellites into orbit. And, then came Japan's participation in the International Space Station (ISS) in the early 1990s.

But, in the 1990s trade conflict with the US forced it to focus on developing new technologies and initiate scientific missions to improve the competitiveness of Japanese industry. Further, North Korea's launching of *Taepodong* missiles in 1998 pushed Japan into enhancing its satellite capabilities. These changes eventually led to the passing of the Basic Space Law of 2008. In accordance with this law, the 2015 Basic Plan on Space Policy laid down fundamental goals for Japan's space policy such as: Strengthening space security; promoting space applications to benefit society and support private industry for developing such applications; and to improve the international competitiveness of Japanese space industry while it's advancing scientific and technological capabilities.¹⁹

On the other hand, Indian space activities were largely success driven and directed towards economic and social uplift, rather than the journey into the outer space.²⁰ India's space activities began in the early 1960s and were institutionalised with the establishment of Indian Space Research Organisation (ISRO) in 1969. However, much of India's space capabilities were indigenously built through improvisation, reverse engineering and trial and error. Nonetheless, India has proven its space potential not just by developing world class communication, weather and imaging satellites but also the capability to launch rockets and foray into deep space missions like *Chandrayan-I and II*.

Moreover, India has gained expertise and experience in the areas of remote sensing and geo-spatial monitoring, which has facilitated new commercial endeavours and business prospects through Antrix, the commercial arm of ISRO. Further, it has proven its cost-effectiveness, which can be a great boost for international space ventures and co-operation. In addition, in recent years India has also reviewed and expanded its space policy to include the security aspect.

These common objectives and policies are a solid base for space cooperation between India and Japan. Further, both have space access capabilities and operational space assets, which can boost the co-operation immensely. Hence, space co-operation provides better opportunities not only to strengthen and to take forward the relationship, unlike nuclear and defence technology co-operation, where disparities in technological capabilities and resources impeded the progress.

There are a number of areas for co-operation such as: formulation of space policy and legal regimes; joint space missions; satellite navigation; utilisation of the ISS and space exploration; space applications for disaster management and climate change; space robotics; maritime domain awareness and space situational awareness; regional contribution in the Asia Pacific region; and industrial partnership.²¹

The Joint Statement by Prime Minister Modi and Prime Minister Abe in 2016 emphasised and highlighted bilateral space co-operation. In this endeavour, India and Japan have formed many mutually beneficial partnerships. For example, apart from a number of other science and technology agreements between the two governments, the Japan Aerospace Exploration Agency (JAXA) and the Indian Space Research Organisation (ISRO) signed the Implementation Arrangement (IA) on Lunar Polar Exploration. JAXA and ISRO signed a Memorandum of Understanding (MOU) to promote collaboration in space in November 2016, under which, both agencies have been exploring the possibilities of mutual cooperation in the field of lunar pole surface exploration.²²

Apart from these government to government initiatives, a number of private start-ups, both Indian and Japanese, are crowding space exploration. For example, the Japanese company Ispace intends to create a “‘Moon Valley’, a place (on the Moon) where people live, work, and play in space suits”.²³ Hakuto has created a rover called Sorato, which won the Google Lunar X Prize. On the Indian side, start-ups like Team Indus, SATSURE, ReBeam, Bellatrix, and Astrom

are foraying into space engineering and exploration. Collaborations between Indian and Japanese private players are taking place. Japanese Ispace has an agreement with Team Indus, which has a lander and a launch contract with Indian Space Research Organisation (ISRO). This could give Ispace a ride to the Moon. Such ventures augur well for the future of India-Japan space co-operation.

No doubt, space cooperation offers immense opportunities for strengthening the relationship between both the countries, because they can mitigate future resource contingencies, unlike the present approach. Further, both can contribute to each other's advancement in terms of technology exchange and possible resource extraction. Nevertheless, the path is fraught with numerous obstacles. To begin with, "it is much more difficult to draw a line between the military and civilian sectors in the field of space activities than it is in other areas involving advanced technology, such as nuclear power, biotechnology, and artificial intelligence".²⁴ Moreover, a large part of the decision making still remains in the hands of the political, bureaucratic, and at times scientific elite, who exclude the complex chain of stake holders in the technological system like space start-ups who have come up with new technologies and methods for space exploration in the decision making process.

This failure to understand the nuances or the extent of large technological systems, while banking predominantly on the political mechanism to deliver nuclear and other defence technologies reveals a neo-realist inability to take into account the hiccups in India-Japan relations, and explain as to why India-Japan relations have not really taken off, despite much effort.

It is the large technological systems that are determining the pace and the direction of the interaction. Therefore, it is imperative to understand how these systems work in both the countries, find the glitches, and seek ways to address them in order to overcome the contradictions in India-Japan relations. Otherwise, much of the optimism in the relationship will fade and the potential of the interaction would remain unfulfilled.

The positives of the bilateral relationship ought to be utilised for the benefit of the region and the larger world. India and Japan, as mature democracies have an important role to play in maintaining peace and stability in the Indo-Pacific region, as the region is in a churn because of shifting alliances and capability augmentation. Nonetheless, the recent co-operative efforts made by both the Indian and Japanese governments, for strengthening the relationship are a step in the right direction now, and in the future.

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Role of Forums and Institutional Mechanisms in the India-Japan Partnership of Prosperity

Shamshad A. Khan

Introduction

India-Japan relations have witnessed various phases of estrangements and engagements in the past. However, after the institutionalisation of prime ministerial level summit talks in 2006, the ties between the two Asian democracies are gradually deepening. Both the countries have identified several areas of cooperation including security both at the bilateral and global level. The bilateral relationship has thus transformed into a ‘Special Strategic and Global Partnership.’ Different bilateral and multilateral forums and institutions have helped forge this strategic tie. Apart from the annual summit talks, there are other institutional mechanisms like the: ‘2 plus 2’ dialogue; annual maritime affairs dialogues; and energy dialogues, that ensure regular interaction between the two countries.

The India-Japan relationship is multi-layered and has both a bilateral and global dynamic. Their cooperation at the bilateral level, is focused on infrastructure development, economic cooperation and trade, energy security plus defence cooperation. At the international level, both are cooperating: to create, as well as preserve rules-based order and promote UN reforms. At the international level, both are cooperating: to create, as well as preserve rules based order;

promote UN reforms; and in African countries through the Asia Africa Growth Corridor. This chapter examines the importance of these mechanisms and institutions and their potential for further deepening India-Japan relations.

In order to comprehensively examine the India-Japan relationship, this chapter studies the impact of their strategic partnership especially after 2006, the year in which the prime ministers of India and Japan decided to hold an annual summit dialogue. This chapter is divided into sections to focus the readers' attention on their various areas of cooperation. The first part examines how the "institutionalisation" affects the relationship, with references to India-Japan relations and how it has helped strengthen bilateral relations, including how India and Japan figure in each other's strategic perceptions. Then it enumerates the various forums and mechanisms instituted after the signing of India-Japan strategic partnership in 2006 and assesses its impact on some of the key issues they have taken up. This section is further divided into two parts: the impact of the relationship at the bilateral and global levels; it also analyses whether it has really been a 'partnership of prosperity' or is it still to cover some ground in view of the differences in their approaches. The concluding part summarises the debate by making a few policy suggestions.

Looking at the India-Japan relationship through the Institutional Prism

Does an institution play a role in facilitating inter-state interaction or in promoting a bilateral relationship? Since an institution has been defined as an "established law or practice"¹ which essentially regulates patterns or behaviours that lend stability and predictability to political and social life, it can be safely said that an institution does influence a state's decisions and regulates states' behaviours. Since some of the institutions are formalised by codified rules and organisations—governments, parties, bureaucracy, etc.—they also structure the behaviour of the participating states or bodies.² It is debatable, however, whether India-Japan relations that are at present guided by an annual summit steered by the two prime ministers

can fit into the definition of Institution. Nonetheless, it cannot be denied that India and Japan have “institutionalised” their summit level dialogue, especially after 2006 and annual summit meetings, have taken place in New Delhi and Tokyo alternately (see Figure 1). To understand whether this institutional mechanism has helped strengthen and deepen India-Japan relations, or not, it is necessary to examine the evolution of the bilateral relationship.

India-Japan relations before Institutionalisation of Summit level Talks

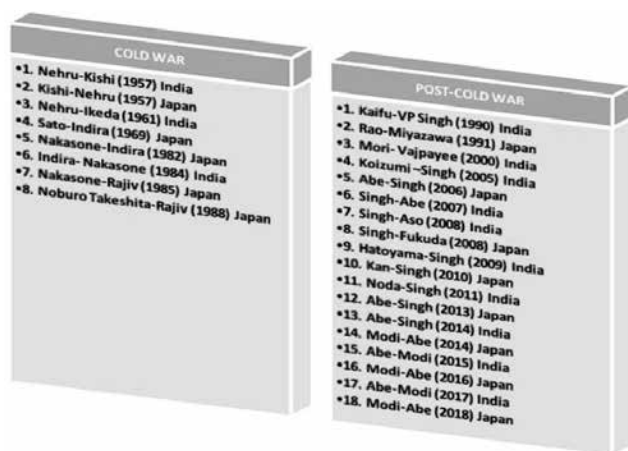
A glance at the recent history of India-Japan relationship, especially after establishment of diplomatic ties in 1952, shows that the bilateral relationship went through various phases of “peaks” and “troughs”, during which the relationship was either strong or very minimal. The relationship in the post-War period started on a positive note. Jawaharlal Nehru’s decision to waive-off war reparation, generated much goodwill for India among the Japanese people. Japanese Prime Minister Kishi Nobusuke’s visit to New Delhi in 1957, raised hopes that both Asian democracies would forge strong bilateral ties. However, Japan’s decision to join the US led bipolar world order, and India’s decision to spearhead a Non-Aligned Movement, created a political divide—often as dubbed the iron curtain—between the two countries. Even though there was a psychological barrier between the two, during this period, trade and economic cooperation continued. But economic cooperation also started weakening following Indira Gandhi’s nationalisation policy and the curbs on export of raw materials that were indispensable for Japanese industry.

The psychological barrier between the two countries, however, started shrinking after the end of the Cold War. The end of the Cold War coincided with India’s economic liberalisation and Japan, especially its investors, saw opportunities in the newly liberalised Indian market. But the relationship again faced a major stumbling block when India’s nuclear test took place in May 1998. In response to this test, nuclear allergic Japan in line with strong anti-nuclear

sentiments of its people imposed economic sanctions on India. New Delhi made consistent efforts to put the relationship back on track, politically and economically, by sending emissaries—including cabinet ministers—to engage with Tokyo. This resulted in softening of Japan's attitude towards India and the two countries signed various agreements during Japanese Prime Minister Yoshiro Mori's visit to India in 2000, which took the relationship to new heights. Later during Prime Minister Junichiro Koizumi's 2006 visit to New Delhi, the relationship was upgraded to a strategic partnership. It is worth noting that 2006 onwards, prime ministers of the two countries have held 13 rounds of summit level talks, apart from regular meetings on the side-lines of international and regional forums (refer to Figure 7.1).

A cursory look at the pattern of the relationship between India and Japan, from 1952 to 2006, gives the impression that until 2006 the bilateral relationship was largely ad-hoc. It was personality driven and lacked consistency. It is the institutionalisation of the India-Japan bilateral relationship, that has helped checked this tendency.³

Figure 7.1: India-Japan Summit Level Dialogues in the Cold War and post-Cold War Period



Source: Adapted by author from various media sources.

Ever since the institutionalisation of the prime minister level dialogue, New Delhi and Tokyo, have used the annual summit meetings to positive effect.⁴ These summit meetings have helped them take stock of their bilateral and multilateral cooperation, to identify roadblocks in the way of their development agenda, and to address pending issues.

The most remarkable impact of this institutionalisation is that the relationship enjoys bipartisan support in both the countries, and it is no longer personality driven, as was the case up until 2006. The change of the government has also not affected the ties. For example, when change of government in Japan was imminent in 2009, the speculation in New Delhi was that the Democratic Party of Japan (DPJ) would derail the relationship. The DPJ which was poised to wrest power, sought to forge close ties—with the regional countries in its manifesto, but India was not specifically mentioned.⁵ The DPJ manifesto stated that the DPJ led government would “develop relations of mutual trust with China, South Korea and other Asian countries.”⁶ The ambiguity in DPJ’s manifesto regarding the relationship with India generated concerns in New Delhi as to whether the DPJ would chalk out a new strategy for regional integration, without India?⁷

A change of course by the new Japanese regime, could have jeopardised the existing strategic relationship that had been built by successive LDP governments. But during the three years of the DPJ government, all the three prime ministers held summit level talks with their Indian counterparts. Notably, when Yukio Hatoyama, the first Prime Minister from the DPJ visited New Delhi, the India-Japan joint statement “reaffirmed that India and Japan will develop the Strategic and Global Partnership further for the deepening of their bilateral relations as well as for ensuring peace and prosperity of the region and the world.”⁸ The two other prime ministers who assumed office during the DPJ regime also took the relationship forward.

Japanese also had similar concern, when transition of leadership was underway in India in 2014. The strategic community in Japan speculated whether the new government in New Delhi would accord the same priority to the New Delhi-Tokyo bilateral relationship⁹,

as the United Progressive Alliance government had done, especially because Manmohan Singh had paid special attention to forging closer India-Japan relations. But the wariness proved unnecessary, when Modi visited Japan in August 2014. It is noteworthy that his Japanese counterpart expressed his ‘deep appreciation’¹⁰ for Modi making Japan his ‘first destination for a bilateral visit outside India’s immediate neighbourhood.’¹¹ Based on these patterns in the bilateral relationship, it can be said that the relationship between the two Asian democracies has been institutionalised and change of leadership is unlikely to derail the bilateral relationship. Thanks to the summit level annual talks and the ground covered by the two countries, there are many factors that bind Japan and India together and thus the relationship is unlikely to be impacted by regime change, either in New Delhi or in Tokyo.

Institutionalisation of India-Japan Talks: Impact on Strategic Thinking

As a result of consistent engagement following the institutionalisation of summit level talks, the India-Japan strategic and security cooperation has deepened. The most visible impact can be seen in Japan’s strategic thinking vis-à-vis India. Needless to say, earlier India did not even figure remotely in Japanese strategic thinking, but now it has—gained pre-eminence in their strategic planning. Japan in its strategic doctrines unveiled in 2014, identified India as among the countries that are “primary drivers” of change in global “balance of power.”¹² Japan’s security doctrines identify a number of areas in which Japan would like to strengthen cooperation with India, in the near future.¹³

As regards the security cooperation with India is concerned, the 2014 defence guidelines state that “Japan will strengthen its relationship with India in a broad range of fields, including maritime security, through joint training and exercises as well as joint implementation of international peace cooperation activities.”¹⁴ Japan’s statement, that it will strengthen its relationship with India in a “broad range of fields” is reflective of the fact that it does not want to limit its security cooperation to the maritime sphere

only. More importantly, Japan's National Security Strategy (NSS) document clubs India with the countries with whom Japan wants to strengthen its "cooperative relations." The NSS—stipulates that Japan will strengthen its "cooperative relations" with countries including India, with which it "shares universal values and strategic interests."¹⁵ It further notes that "India is becoming increasingly influential" in the international community. It acknowledges that India remains "important for Japan" because of its "geographic location" and it will strengthen cooperation with India to secure its maritime interests.¹⁶ Notably, the 2019 defence guidelines, expresses commitment to "promote joint training and exercises and defence equipment and technology cooperation"¹⁷ with India. These developments suggest that Japan no longer dismisses India as a 'poor and dysfunctional country' that is not suitable as a partner.

Even though India does not officially release strategic documents, the priority it accords to Japan is evident from the statements of Indian leaders. In the context of India-Japan relations, the then Indian Prime Minister Manmohan Singh, voiced his support for creating a stable regional order in Asia¹⁸ and his willingness to partner with Japan. Manmohan Singh said, "India's relations with Japan are important not only for our economic development, but also because we see Japan as a natural and indispensable partner in our quest for stability and peace in the vast region in Asia...."¹⁹ He further emphasized that "there are strong synergies between our economies, which need an open, rule-based international trading system to prosper."²⁰ Similarly, Prime Minister Modi on various occasions, has termed Japan as India's most trusted partner.²¹

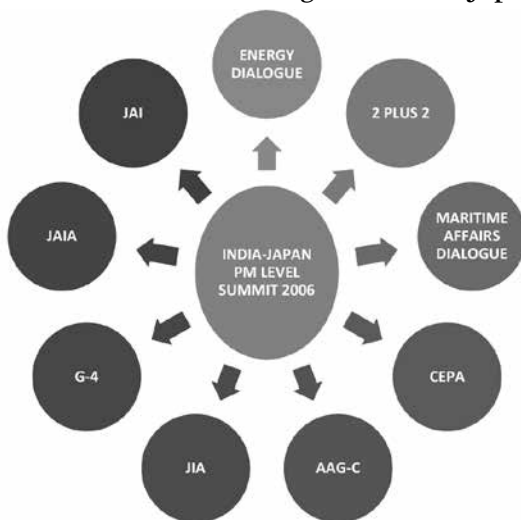
Given how India viewed Japan, especially during the Cold War period, it becomes amply clear how drastically their perceptions of each other have changed. Lalit Mansingh, a retired Indian diplomat reminiscing about the bilateral relationship during the Cold war period said that India had at that time dismissed Japan as a "camp follower of the US", and Japan viewed India as "a chaotic, dysfunctional, desperately poor country and not as a potential partner".²² Quite contrary to it, their present strategic thinking

reflects a profound change in their attitude towards each other. Rather than looking at each other through the old Cold War prism, they have added pragmatism to their strategic thinking and see each other as indispensable partners. And various ideas for the bilateral and global partnership have emerged from this strategic thinking. This has been discussed in the next section.

India-Japan Bilateral Forums and its Impact on “Partnership of Prosperity”

Following the institutionalisation of the relationship in 2006, the two countries have set up various bilateral forums to deepen their ties (see Figure 7.2). These bilateral forums include the: Maritime Affairs Dialogue; 2 plus 2 dialogue; energy dialogue; and dialogue to enhance the economic cooperation. While other bilateral mechanisms are ongoing, the dialogue in economic cooperation concluded in 2011, with the signing of a Comprehensive Economic Partnership Agreement. In this section I will briefly assess some of the outcomes the bilateral mechanisms have achieved.

Figure 7.2: Mechanisms Emanating from India-Japan Summit²³



Source: Representative diagram made by author.

Even though the naval cooperation between India and Japan has been going on since 2000, a year after the Indian coastguard rescued a Japanese merchant vessel abducted by pirates in the Indian Ocean, as well as the joint exercises by Indian and Japanese coastguards and their navies, the maritime cooperation between India and Japan reached new heights²⁴ when they decided on holding regular maritime dialogues, the first of which was held in January 2013. Five rounds of these meetings have taken place to date in which issues pertaining to maritime interests have been discussed. They have deepened their maritime cooperation in the field of maritime security, including non-traditional security threats; in shipping; marine science and technology; marine biodiversity; and cooperation at various multi-lateral forums.²⁵

It is worth noting that the India-Japan 2 plus 2 strategic dialogue, which was initially started—at the level of cabinet secretaries and their Japanese counterparts, has been upgraded to ministerial level. This dialogue till 2018 was steered by top bureaucrats of Indian and Japanese foreign as well as defence ministries but Japan was eager to upgrade this dialogue to the ministerial level, apparently to expedite the decision-making process. Notably, a similar strategic dialogue between Japan-Australia and Japan-US has been steered by the defence and foreign ministers.²⁶ It is believed that India purposely kept it low-profile so as not to give Beijing the impression it is a mechanism for containing China. However, India has now acceded to the demands of Tokyo, and the 2 plus 2 dialogue has been upgraded. It is likely to help the two countries to expedite the decision-making process especially in the realm of strategy and security. Moreover, 2019 Defense Guidelines talks of utilising 2 plus 2 frameworks for enhancing broad range of areas including maritime security.²⁷

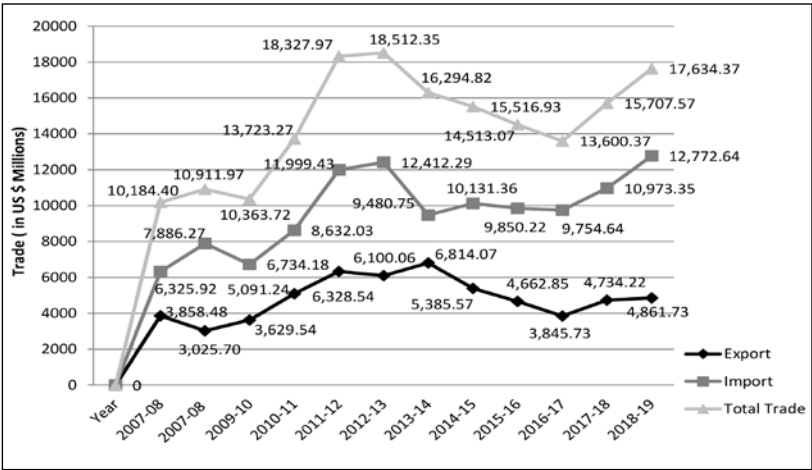
The profound impact of the institutionalisation of India-Japan summit talks can be seen in the economic sphere. In fact, in 2006, the year that India-Japan forged their strategic partnership, India announced that the economic ties should be the “bedrock”²⁸ of the relationship. Moreover, a joint statement signed by Japanese Prime Minister Koizumi and his Indian counterpart Manmohan

Singh, noted that “a strong prosperous and dynamic India is in the interest of Japan and vice versa”.²⁹ However, Prime Minister Singh acknowledged that economic ties between the two countries remain “well below the potential”.³⁰ Following the strategic talks, both the prime ministers in 2005, agreed to set up a joint study group to identify the areas for bilateral trade. The group in 2006 made a set of proposals. It concluded that “there is a huge untapped potential to further develop and diversify the economic engagement between India and Japan”.³¹ For a “comprehensive expansion of bilateral economic and commercial relations”, the group suggested negotiating a Comprehension Economic Partnership Agreement (CEPA) covering “trade in goods, trade in services, investment inflows” and ways to enhance trade. Prime Minister Singh termed CEPA a “historic agreement”³² when he announced the conclusion of negotiations during his October 2010 Japan visit. It was his personal wish³³ to forge a “complementary relationship” between India and Japan and he saw CEPA as an important mechanism to achieve this. In his view “India’s buoyant economy, young population and large market combine well with Japan’s technological prowess, manufacturing skills and financial sources to create a win-win situation for both the countries”.³⁴

A year after the implementation of the CEPA, there was exponential growth in bilateral trade which from US\$ 12 billion went up to US\$ 18 billion (Figure 7.3). But after steady growth for two consecutive years, bilateral trade started to decelerate, and the trend continued for five consecutive years. Thankfully it has started to accelerate again and has touched US\$ 17.63 billion. But it is yet to cross the pre 2011 level. The data indicate that the CEPA had limited impact in terms of spurring bilateral trade volume beyond a point.

Apart from the CEPA both countries took a series of measures to take their economic relations to a new height.³⁵ In 2011, India and Japan upgraded their currency swap arrangement from the earlier US\$ 3 billion to US\$ 15 billion and in 2018 they upgraded the agreement to take it up to US\$ 75 billion.³⁶ The swap agreement will help both countries in managing short term liquidity problems.

Figure 7.3. India-Japan Bilateral Trade pre- and post-CEPA

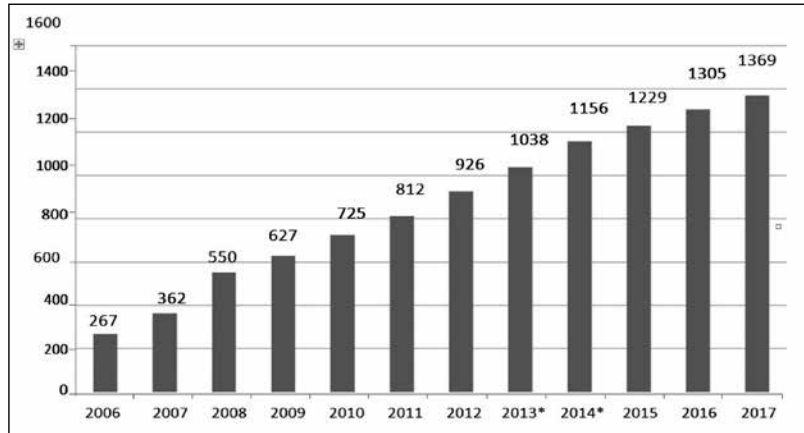


Source: Adapted by the author from EXIM data, Ministry of Commerce and Industry, Government of India.

Note: The dotted vertical line indicates the year of CEPA's implementation.

Japan has also established its industrial bases in India, and it is increasing ever since the signing of a bilateral strategic partnership, albeit slowly. The 2017 figure, released by Japanese embassy in India, shows that the number of these companies has touched 1369 (Figure 7.4).

Figure 7.4: Growing Japanese Industrial Footprint in India



Source: Embassy of Japan, New Delhi.

However, this is a positive trend, as in 2006, the year in which India-Japan signed strategic partnership, there were only 267 Japanese companies in India.

One of the key areas for India-Japan economic cooperation is infrastructure projects, especially the rail and road transportation projects. Most of these projects are supported by Japan's Official Development Assistance and financed through Japan is helping India by means of ODA loans and the Japan Bank for International Cooperation (JBIC). The Delhi-Mumbai Industrial Corridor (DMIC), built on the Tokyo-Osaka expressway model, can be counted among one of the projects that has become a symbol of India-Japan cooperation. Along the 1483 km dedicated freight corridor several industrial zones and new eco-friendly cities are being set up. This mega project starts from Delhi National Capital Region and connects Delhi with India's financial capital Mumbai crossing through six Indian states viz. Uttar Pradesh, Haryana, Rajasthan, Madhya Pradesh, Gujarat and Maharashtra. The initial cost of the project was estimated at US\$ 90 billion, a part of which would be covered by Japanese funds and loans. India has given a 26 per cent equity stake to Japan in the Delhi Mumbai Industrial Corridor Development Corporation Ltd. (DMICDC), a special purpose vehicle, set up to promote and facilitate the construction of the DMIC project.³⁷ Even though the project has been delayed, its impact is visible along the various stretches along the dedicated freight corridor. Japan has already established a "Japanese Zone" in Neemrana, Rajasthan where Japanese companies have started setting up their plants. If the DMIC materialises as envisioned, it has potential to transform India's landscape.

Metro—the mass transit system in Indian cities—being built in collaboration with Japan, is another example of cooperation for infrastructure building. After building the metro network in India's metropolitan cities, this project is being undertaken in various tier II cities. The metro has reduction in commute times and improved connectivity in these cities.³⁸ Taking the cue from the success story of the metro system as a means of mass

transportation, India is partnering Japan for launching a bullet train service between Mumbai and Ahmedabad, on a pilot project basis. This means that if the first bullet train project becomes a success, India would replicate this project, by linking other Indian cities with the similar Japanese Shinkansen technology. With this in mind, Prime Minister Modi was taken from Tokyo to Kobe by bullet train during his November 2016 Japan visit. Modi was also invited to visit Kawasaki Heavy Industry's Kobe based site.³⁹ Japan gave a similar treat to the then railway minister, Lalu Prasad in 2009.⁴⁰ Charmed by the bullet train technology, he had announced the possibility of introducing the technology in the next railway budget, despite the experts warning that the project would give a "negligible return on investment".⁴¹

The Kawasaki Heavy Industry has bagged the contract for the Shinkansen line between Mumbai and Ahmedabad. Modi's visit to Kawasaki Heavy Industry has rekindled Japan's hopes that the high-speed trains, using Japanese technology, will be introduced between other Indian cities as well. However, it is yet not clear as to who will bear the cost? Since the Indian Railways do not have sufficient funds to bear the cost, it will depend on Japan for both technology and funds. Japan has already provided a US\$ 15 billion loan to India for the Mumbai-Ahmedabad route which is expected to be completed by 2022. Whether Japan can afford to offer similar loans for other projects remains an open-ended question.

Another visible impact of India-Japan cooperation post 2006, can be seen in energy cooperation. India and Japan initiated the energy dialogue in 2007,⁴² which as of December 2018, has held nine rounds of dialogue. Japan acknowledged India's need to access renewable energy to maintain its economic growth and agreed to provide energy related technology to India. The 9th bilateral energy dialogue stated that India and Japan:

As the third and the seventh largest economies respectively, recognized that having access to reliable, clean and economical energy is critical for their economic growth and in achieving this,

... agreed on further strengthening of bilateral energy cooperation for energy development of both countries, while also contributing to worldwide energy security, energy access and climate change issues.⁴³

Following these dialogues, Japan has shared the technology for trapping carbon emissions in coal-based plants and encouraged its solar, hydel and wind power industries to tie up with their Indian counterparts. However, India was also keen to gain access to its nuclear technology. Even though, a joint statement signed by India and Japan in 2006 admitted that “nuclear energy can play an important role as a safe, sustainable and non-polluting source of energy ... through constructive approaches under appropriate IAEA safeguards”⁴⁴ they kept it vague about entering into a civil nuclear cooperation agreement. A breakthrough was made when Japanese foreign minister, Katsuya Okada, during his New Delhi visit in 2010 agreed to initiate negotiations on a nuclear agreement. Okada stated that “the decision to launch the negotiation for the nuclear cooperation agreement was probably one of the toughest decisions that I had to make as Foreign Minister.”⁴⁵ Japan took almost four years to move from the commitment, to the negotiation stage and another six years to sign the deal, after several rounds of negotiations. The India-Japan energy dialogue provided a platform for bridging differences, regarding the use of Japanese nuclear technology, for civilian purposes. Nonetheless, the actual transfer of technology is yet to take place. As Japanese companies are withdrawing from the agreed projects abroad,⁴⁶ the fate of India-Japan nuclear energy cooperation also hangs in balance. But an agreement between the two countries and the commitment of the Japanese government to not withdraw from the nuclear technology trade,⁴⁷ gives rise to hopes that the deal will not fall through.

India-Japan Strategic Partnership: Assessing its Global Impact

The India Japan relationship is termed as “Special Strategic and Global Partnership”. Therefore, this section will assess the India-Japan collaboration at the ‘global’ level.

At the global level one of Japan's topmost priorities, as reflected in the statements of Japanese leaders, is the creation or preservation of a rules-based order. When India and Japan signed their strategic partnership agreement in 2006, they agreed to hold dialogues with "other like-minded countries in the Asia-Pacific region on themes of mutual interest".⁴⁸ By using terms such as 'like-minded countries' and having dialogues on the themes of 'mutual interest', they remained ambivalent about the objectives of such dialogues. But the statements and speeches of the leaders of the two countries at different forums, make it apparent that by "like-minded" countries, they meant regional democracies; and that the objective of the dialogue on mutual interest was meant to forge a rules-based order in the region, and beyond. The call to create a rule based order, is based on their assumption that a rising China will seek to change the status quo of the existing global order.⁴⁹ Japan's search for a new architecture, based on the "rule of law" can be traced to 2006 when the then Japanese foreign minister Taro Aso, and the current deputy prime minister and finance minister in Abe's cabinet, enunciated the idea of an "Arc of Freedom and Prosperity". He argued that, in its diplomacy, Japan should lay emphasis on universal values such as democracy, freedom, human rights, the rule of law, and the market economy.⁵⁰ His value-oriented diplomacy also included friendly nations including the countries that share common views and interests.

These statements and ideas of Japanese leaders regarding the rules-based order were generally appreciated by other democracies as well. Around this time, representatives of US, Japan, Australia and India agreed to set up a quadrilateral consultative meeting. But these soon raised suspicions in the minds of Chinese strategic experts and led them to opine that the four countries were entering into a security arrangement aiming at encircling China. India tried to dispel these apprehensions saying that New Delhi has "no intention" of allowing itself to be "utilised by any power to contain any other power".⁵¹ But the quadrilateral arrangement could not take concrete shape because of Chinese concerns and other reasons, including change of government in Australia in 2007.

However, with the announcement of new Indo-Pacific strategy, the quadrilateral was revived in 2017 in Manila on the side-lines of the ASEAN summit. Two rounds of meeting took place in which the four countries, “confirmed their common commitment, based on shared values and principles, to promote a rules-based order in the Indo-Pacific”.⁵²

It must be noted here, that when Japan mooted the proposal for a rules-based order in the Asia-Pacific (the previous version of the Indo-Pacific), India wanted to limit it to the maritime domain. In fact, when Abe proposed a security framework (consisting of US, Japan, Australia and India) to safeguard “maritime commons”, New Delhi merely stated that India and Japan need an open, rule based international trading system to prosper and they have a, “shared interest in maritime security”. The statement made by Manmohan Singh during his Tokyo visit in May 2013 suggested that India was not eager to expand the existing bilateral maritime cooperation to a multilateral arrangement.⁵³

Even though India has embraced the Indo-Pacific strategy, and this was welcomed by Prime Minister Modi in his Shangri La Dialogue speech, it has maintained consistency in its foreign policy formulation vis-à-vis Indo-Pacific. This is clear from Modi’s speech at the Shangri La dialogue. Indian Prime Minister stated:

India does not see the Indo-Pacific Region as a strategy or as a club of limited members. Nor as a grouping that seeks to dominate. And by no means do we consider it as directed against any country. A geographical definition, as such, cannot be. India’s vision for the Indo-Pacific Region is, therefore, a positive one. And, it has many elements.⁵⁴

Prime Minister Modi used the term ‘Indo-Pacific’ as an inclusive concept in his speech. Takemori Horimoto—an India expert in Japan—in his analysis of India’s approach to a Free and Open Indo-Pacific (FOIP) has interpreted this to mean that India, is “yet to fully commit itself to the FOIP strategy and the Quad consultations”.⁵⁵

Horimoto has gone on to say that “Modi’s inclusiveness means the inclusion of China”.⁵⁶ India’s hesitation in fully endorsing a Japanese or American version of Indo-Pacific, suggests that New Delhi’s vision of the global order does not completely gel with that of Tokyo. While Japan is comfortable with the existing post-war global order established by the US and the West, India wants to make it more equitable and wants a greater say commensurate with its economic and diplomatic stature, especially when it comes to global governance and financial institutions. China also has a similar vision. It can be said that India will continue to cooperate with Japan and the US, wherever their interests converge. At the same time, it will continue to take a different position whenever, its interests diverge from that of Japan and the US.

Apart from the Quad and the Indo-Pacific, India is also interacting with Japan in the Japan, America and India trilateral forum, dubbed JAI (which means victory in Hindi) by Modi. Another trilateral forum consists of Japan-India-Australia (JIA). Despite the quadrilateral dialogue consisting of Japan, America, India and Australia (JAIA) two other trilateral mechanisms also continue to exist. But much cannot be interpreted from these mechanisms as they remain limited to consultative mechanisms.

Another issue on the bilateral agenda of both the governments is United Nations reform, especially the expansion of the permanent membership of the UN Security Council (UNSC). It may be mentioned that when Japan decided to forge a new relationship with India, it identified some issues for its global and strategic partnership, as is evident from its nomenclature since 2000. Partnering India for UN reform and the expansion of Security Council was part of this global agenda. Both Japan and India aspire to a permanent seat on the UNSC. But instead of lobbying for the high table alone, which could have led to some bickering between the two, both decided to join hands with Germany and Brazil, who are the other aspirants. They formed the Goup-4 to pursue their quest for UNSC seats. This gave a new push to India-Japan bilateral relationship. In 2004, they reaffirmed that they “will work together towards realising

a meaningful reform of the United Nations, including that of the Security Council, together with other Member States” and pledged to “support each other’s candidature”.⁵⁷

Building on their 2004 affirmation, the next year, the G-4 put forward a draft resolution seeking the expansion of the Security Council arguing that “the Security Council must be reformed to represent today’s global realities, not the world of 60 years ago”. It also demanded that the UNSC must be expanded, in both permanent and non-permanent categories, on the basis of “equitable representation, with the inclusion of both developed and developing countries”.⁵⁸ However, after the term of Kofi Annan as Secretary General of UN (who was one of the strong proponents of UN reform) ended, the issue has not been debated vigorously. Both Ban Ki-Moon and Antonio Guterres, have maintained silence over the issue of UNSC expansion. This means the UNSC expansion is likely to remain off the agenda, for the foreseeable future. Even though the chances of UNSC expansion remain slim, it must be commended that India and Japan, along with other G-4 nations have kept the issue alive and each year during the UN annual General Assembly session, they keep reiterating their demand for expansion.

Another item on the India-Japan relationship agenda with a global dimension is the Asia-Africa Growth Corridor (AAGC), which was unveiled in 2016. The project as stated by the RSIS—the leading Indian think tank which developed the agenda in partnership with the Japan based think tank IDE—envisages a “people centric sustainable growth strategy” that “will be raised on four pillars of Development and Cooperation Projects, Quality Infrastructure and Institutional Connectivity, Enhancing Capacities and Skills and People-to-People partnership.” The think tank notes that “this would be undertaken to improve growth and interconnectedness between and within Asia and Africa for realising a free and open Indo-Pacific region.”⁵⁹

According to Jagannath Panda, a Delhi based senior researcher on East Asia, this project aims to attain three general objectives:

First, advancing both India's and Japan's individual and mutual outreach towards the African continent, focused mainly on developing "quality infrastructure investment"; second, linking Africa with the Indian Ocean Region within an intercontinental context of Asia-Africa cooperation, whereby Japan and India are envisaged as playing leading roles, with African countries also becoming a part of the decision-making process; and third, to shape a liberal and value-based Indo-Pacific order as per their proposed Vision 2025.⁶⁰

The announcement of this mega project for linking the Asian and African continents, came close on the heels of China's Belt and Road Initiative (BRI) and is seen as a counter to the Chinese project.⁶¹ But given the fact that a section of Japanese politicians as well as industry bodies were keen to join the AIIB,⁶² the China led infrastructure bank driven by their entrepreneurial interest, uncertainty loomed over the mega project. Since Japan, during Prime Minister Shinzo Abe's visit to China, agreed to enter "business cooperation in third countries",⁶³ it is unclear how Japan will balance cooperation and competition with China especially when it comes to the BRI vs AAGC.

Japanese media is also pointing out that the One Belt One Road (synonymous to BRI) could be a key to a newly, improved Japan-China ties.⁶⁴ A Japanese daily has suggested that the government should support its private investors arguing that, "the government of Japan should remain behind the private sector and let companies make their own decisions".⁶⁵ It is also being argued that Japan can earn almost the same revenue by participating in the OBOR/BRI, that it wants to raise, by increasing its consumption tax from present eight to 10 per cent. An observer has argued that:

If Japan could get a 10 per cent share of the annual project budget, this creates new business activity equivalent to almost 2 per cent of Japan's annual GDP. Put into perspective, this is about the same as the tax revenue gain projected from next year's consumption hike;

but rather than a tax on the private sector, Japan's participation in 'Belt and Road' projects would create new business, new jobs and new profits.⁶⁶

The public mood in Japan is shifting in favour of the China led-BRI project and the enthusiasm in the government vis-à-vis the AAGC is on the wane. Given the lack of enthusiasm regarding the AAGC aid that fatigued Japan, it would not be surprising if the nation dumps the AAGC and partner with China on "business cooperation in third countries".

India-Japan Partnership: Assessing the Weak Links

Thanks to the institutionalisation of India-Japan relations, the bilateral relationship has become stronger, but there are some weak links, such as people to people ties. Statistics suggest that only roughly 34,000 Indians live in Japan on long term visas, far fewer than those from other smaller South Asian countries such as Nepal, Bangladesh and Pakistan. It must be noted here that the aim of "the eight-fold initiative" signed between India and Japan in 2005 was to strengthening people to people ties. One of the components of the initiative was the "strengthening of people to- people contacts to raise the visibility and profile of one country in the other" through cultural and academic initiatives.⁶⁷ However, it must be appreciated that Japan has made an effort to expose Indian youths to different aspects of Japan, by inviting them under its JENESYS programme. But India is yet to reciprocate the same. Both the governments need to make consistent efforts to increase the people to people contacts, deepening of the overall bilateral partnership. Moreover, despite the political commitment to strengthen the ties, the actual implementation has not taken place in the case of defence technology transfers, enhancement of economic ties and in people to people ties. Perhaps due to this reason, two separate studies conducted by Indian think tanks have given a low ranking to the India-Japan Strategic partnership. In A study by

Foundation of National Security Research, Japan has been given a low ranking. The study assessed India's strategic partnership with the US, the UK, France, Russia, Japan and Germany. In the comparative study, Japan was rated fifth and slightly above Germany, which stood last. The report notes that on a 10-point scale, "Japan's support to India can be graded at four in respect of how substantial it was, four on how sustained it was, and six on how much potential it has for future."⁶⁸

Similarly, another study conducted by the Institute of Defence Studies and Analyses also gave a lower ranking to India-Japan strategic partnership as compared to India's other strategic partnerships. The study analysed India's relationship with major powers that included the US, Japan, China, Russia and UK, on the basis of five parameters, "economics, politics, defence, technology and people-to-people and ranked them in order of importance".⁶⁹ According to this study, Japan was placed fourth just above UK, and surprisingly a place lower than China. Japan fared better amongst the five strategic partners of India in the economic sphere, while in the fields of defence cooperation, politics, technology and people to people cooperation, Japan was ranked lower than other partners.⁷⁰ The studies conducted by Indian think tanks are indicative of the fact that both India and Japan need to do lots of ground work to bring the partnership on par with the US or Russia, which were ranked higher to be truly considered as a "special" and strategic global partnership.

Conclusion

This short analysis of evolution of India-Japan relations, suggests that the bilateral relationship between the two Asian countries was minimal till the end of the Cold War, and saw various phases of estrangements and engagements. With the institutionalisation of a prime minister level annual dialogue in 2006, the phase of "estrangement" was over. Thus, the institutionalisation of summit level dialogues can be considered an important landmark in the history of India- Japan relations.⁷¹

Since the institutionalisation of annual dialogue, the summit level meetings between the two prime ministers have been held almost every year, and from 2006 onwards, bilateral relations have been on an upward trajectory. Both the countries have identified various areas for mutual cooperation. These include trade, economics, infrastructure, security and defence and energy security. During Indian Prime Minister Narendra Modi's Japan visit in September 2014, the existing relationship was elevated to a "special" strategic and global partnership, which indicated that India attaches utmost importance to its ties with Japan and, that in the coming decades, Tokyo will remain at the top of New Delhi's foreign policy priorities.⁷² Japan also accords a similar priority to its relationship with India. At the same time, the weak people to people ties and lack of implementation of various commitments, including technology transfers. As the relationship has deepened several stake holders have emerged and their inputs are being considered by both the governments. Academia, think tanks and various institutes, are also playing an important role in analysing various aspects of India-Japan cooperation and giving policy recommendations to further strengthen the cooperation through track-II dialogues and annual symposiums on India-Japan relations. There are so many variables that bind India and Japan together and hopefully the engagement between the two will go from strength to strength, in the future as well.

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PART - III

Financing Projects and Policies: The Economic Imperatives



The Asian Context: Chinese Economy and India-Japan Ties

Raviprasad Narayanan

Introduction: The Asian Economy and Asia's Economic Order

Asia's economy has been a dynamic constant since the end of the Second World War. The post-world war period has witnessed several Asian economic miracles with Japan and South Korea emerging as stellar economic powerhouses, after the devastation brought by the war. Japan's success in economic terms was replicated by South Korea, although Japan is still ahead. The success of the East Asian economic dynamos was replicated by Taiwan to a limited extent. The explosive economic growth in East Asia had its quiet observers. The central role of Deng Xiaoping of the People's Republic of China (PRC) in initiating the Four Modernisations in 1979 was a tribute to what economic dynamism means even to sworn adherents of an ideology, which is the polar opposite of what the economic dynamos of East Asia stood for. The history of the Four Modernisations predates 1979 and has its origins in the early 1960s.

Although a different political ideology has prevailed in the PRC since 1949, its phenomenal economic success since 1979, is definitely because of an ideology that espouses political socialism. The implementation of economic policies that have made the PRC's erstwhile economic socialism a shibboleth of the past is conveniently camouflaged by the rationale, that the PRC practices and has

nurtured ‘socialism, with Chinese characteristics’. For over five decades, Asian economies have had their economic ups and downs, but have bounced back to ensure that their respective economies do not get derailed by global economic crises. The 1997 global economic crisis began in Asia with a run on the Thai baht and many Asian economies bore the brunt of a reverse backlash in the form of a couple of years of reduced growth rates and political change as a consequence.

With 1997 now a footnote and the global economic meltdown of 2008 more recent, the financial crises affecting the world are instances of globalisation impacting everyone. Where do India and Japan differ? India and Japan are Asia’s most prominent examples of democracies currently going through the phase of deepening their bilateral engagement, at various levels. The Cold War phase imposed a largely graduated reticence on both the countries, owing to their respective tilts towards the superpowers of that time. With the Cold War, now an anachronism, the vicissitudes of globalisation make for a healthy bilateralism, over the multilateral. The two countries’ economies are linked to global trade with its periodic ups and downs, primarily owing to financial flows being enamoured by advanced economies as the templates for others to emulate Japan as an advanced economy. This has perhaps faced setbacks, with strong growth rates of the past yielding to conservative growth rates that need some appreciation in annual GDP terms. India is a market—a growing one—that has the potential to attract capital and technology from Japan. India on its part has its share of excellent success stories in new age technologies from which Japan could benefit. India no longer needs to be categorised as a Least Developed Country (LDC). Rather, the country is striving to become a middle-income economy, with a growing market of consumers, increasingly displaying traits that welcome quality over affordability.

This chapter strives to portray the growing relationship, as determined by the larger Asian dynamic, most prominently, the rise of China as the centripetal force in economic and strategic terms and the options facing the two countries for achieving a

mutually beneficial bilateral in the coming years. The prevailing undercurrent in this chapter is China. Arguments positioning the India-Japan bilateral ties as being motivated by guarded concerns that regard China as an interloper in economic and strategic terms, will be the strand knitting this draft chapter. The recent depth and intensity seen in the Tokyo—New Delhi bilateral has several determinants. First is the recognition of India by Japan as a democracy for over seven decades and represented by institutions standing testimony to the strength of the country's democratic credentials. Second, is the drift and dither of the bilateral relationship dictated by the Cold War, giving way to the recognition of a new world order being created by China, where democracies are finding it difficult to comprehend the rise of a nation subscribing to socialist values, yet expounding its economic success in market terms. Third is the common threat and opportunity that China presents for Japan and India. China's increasing belligerence is reshaping the Indo-Pacific and motivates Japan and India to come closer not just in economic terms.

This chapter seeks to unravel the complexities of the India—Japan bilateral. The first section questions whether trade in the India-Japan bilateral is a variable or determinant. The second section teases out the China-India equation from the perspective of bilateral trade along with the strong linkages exhibited by China's re-ordering of global supply chains, vis-à-vis the multilateral institutional structures created by Beijing. The third section discusses India's perspective on Beijing's One Belt One Road (OBOR) initiative. The obverse of Japan-India relations through the OBOR is part of this section. The fourth section relates to Washington, and its current dilemmas and 'dilemmas' for dealing with the changes in the Indo-Pacific. The conclusion is a preliminary assessment of the topic extrapolated upon.

India and Japan—Trade as a variable or determinant?

India and Japan signed a Comprehensive Economic Partnership Agreement (CEPA) comprising 15 chapters, 147 articles and 10

annexures in February 2011. The CEPA between the two countries, voluminous at 122 pages, captures the intent and resolve of the two countries to comprehensively engage in a relationship where the desirability of trade as a determinant is paramount.¹ The CEPA was arrived at after 14 rounds of talks since 2006.

Between 2012–13 their bilateral trade was a paltry US\$ 18.5 billion. In 2016–17 this had come down to US\$ 13.5 billion! What is perplexing is the almost nonchalant attitude towards creating and nurturing a bilateral engagement charted by economic needs. This attitude is now changing and finding purpose since the motivating determinant is China and its growing imprint that forces, or rather makes for the coalescing of ‘interests’, a natural driver of the India-Japan bilateral. The currency swap agreement for US\$ 75 billion between the central banks of the two countries in 2018, is a measure of the eagerness to deepen bilateral relations, with trade as a motivator. The swap agreement also acts as a cushion, if global trade goes through another rocky phase that occurs at least once in a decade, in the era of globalisation.

The post CEPA bilateral trade between the two countries is basic and requires a force multiplier in the form of the quicker adoption and adaptation of the rules enunciated by the CEPA. An argument made in this paper is that China’s economic incentives and initiatives in the region have persuaded Japan and India to take steps for enhancing trade and—an important derivative—security cooperation. The last-mentioned finds gravitas in the bilateral with the Japanese Self-Defense Forces and the India Army increasing and intensifying their calibration, owing to shared concerns! Security cooperation between the two outstanding countries of Asia is motivated by economic and strategic impulses, where China is perhaps, the determinant for various reasons. Global shifts, primarily in Washington, where a reactive presidency appears to have made China more central to everything in Indo-Pacific is an aspect—a central one—that needs cognizance. Japan and India are at that stage of exploring possibilities for closer cooperation, where economic linkages are

being further complemented by a defense and security linkage, with many shades of expression.

In economic relations, the bilateral got a reality check after China clamped down on its rare earth exports. Indian Rare Earths Limited (IREL) and Toyota Tsusho have entered into a joint venture as per which 6000 tons of rare earths chloride was exported by India to Japan in 2015. The reason for Japan's sourcing of rare earths from India stems from the tensions between China and Japan over the Senkaku/Diaoyu Islands, forcing electronic equipment makers to look elsewhere for rare earths after China quarantined its rare earths from being exported. With India possessing almost 7 per cent of the global reserves of rare earths, Japan (and its electronic industry) finds the country an alluring prospect, since India can emerge as a supplier to keep the electronics industry in Japan in fine fettle, and not at the mercy of the diktats of Beijing affecting the supply chains of rare earths, thereby influencing prices. The India-Japan CEPA marks the beginning of a much needed structure, separate from the shifting political/strategic aspects.

I conclude this section by arguing that the CEPA is a variable that needs to evolve into a determinant in the India-Japan bilateral that strengthens the bilateral and lends depth to a relationship at every level of interaction—government/non-government/civil society/defense/science and technology/environment and other allied fields.

The India-Japan bilateral is motivated quite possibly by the growing heft of China in every possible segment—the economy, security and its potential to create global alternatives to existing arrangements. The next section in this paper looks at China as a significant influence/determinant of the India-Japan bilateral ties.

Chinese Economy and India

A country's national self-image reflects not only its basic political values and ideals but also its responses to how others perceive it.²

These days no bilateral can escape the looming presence and influence of China!

The India-China bilateral trade is a growing issue that could emerge as an important consideration for Japan in deciding how to leverage the bilateral in economic terms, as also in terms of security. The China-India bilateral trade was US\$ 84.44 billion in 2017, a high point, despite the Doklam provocation by China. Although limited, the year 2017 saw Indian exports to China increasing by around 40 per cent to US\$ 16.34 billion, according to the data provided by General Administration of Customs in China. India's imports from China in 2017 totalled US\$ 68.10 billion, marking a huge trade deficit with China.

I wish to argue in broadly contrarian terms that the OBOR is, perhaps, a riposte by Beijing since September–October 2013 to the 'pivot' proposed and articulated by the United States in January 2012. The rationale for my (falsifiable) arguments are as follows:

Would OBOR have gained salience without the 'provocation' (for Beijing) of the 'pivot'? Would OBOR have gained traction in Asia without the hesitation displayed by the United States after announcing the 'pivot' in 2012, before entirely recovering from the financial crisis of 2008? Is the OBOR the vision of a new leadership that is markedly different from the previous one? Is the OBOR an attempt by Beijing to bring back the cult of 'personality' in the leadership, after two decades of technocratic governance? Do the OBOR and the Maritime Silk Road Initiative (MSRI) signal the beginnings of a new era of economic colonisation with the strings being pulled by Beijing, where a politico/military elite, represent an order where a single party—the Communist Party of China (CPC)—articulates an economic trajectory of progress while retaining control and where dissent is squelched?

At the outset, a perusal of material on OBOR reveals an overarching template that describes the OBOR as a design to secure a 'cordon sanitaire' for Beijing, thereby preventing it from being contained in a strategic cul-de-sac. From a Chinese perspective the OBOR is a "key element of a 'new round of opening to the world', a phrase used by Xi Jinping to describe his economic strategy".³ The salience of OBOR for Beijing can be gauged by the establishment of

The variables make OBOR fit into the category of ‘soft-balancing’ so beloved of strategic pundits! Soft-balancing is a “non-military form of balancing, which aims to frustrate and impose additional costs on the dominant state that, due to its preponderance of power, cannot be opposed in a traditional way”.⁶ This approach emerges when a ‘weaker’ state decides to counter the influence and stratagems of a stronger state and imposes costs—political and economic. The jury is however yet to decide as to whether the OBOR satisfies conditions of ‘soft-balancing’ or something else altogether. It is worth deliberating, and beyond the OBOR as explained earlier, that Japan’s second largest trade partner is China with bilateral trade in 2017 being US\$ 297.28 billion—far more than the preliminary trade between Japan and India. Could it be argued (hypothetically) that—China’s recent economic and strategic momentum, is motivating India and Japan to come closer as their political temperaments are markedly similar and also an anathema to the centralising tendency inherent in China.

The MSRI is to be seen as part of a historical continuum. Admiral Zheng He’s voyages to South East Asia, South Asia, West Asia and East Africa during Ming Emperor Yong Le, were an indicator of the centrality of the ‘Middle Kingdom’ that it also wanted other realms to acknowledge. The MRSI, comes at a time when China, while abiding by the United Nations Convention on the Law of the Seas (UNCLOS), attempts to hollow it out by relying on historical claims and interpretations, as a leitmotif especially in the South China Sea. China was a participant in the UNCLOS negotiations for more than a decade, from 1973 to 1982. The early success of the economic reforms and the post Deng Xiaoping political leadership of the country, led by President Jiang Zemin and Premier Zhu Rongji, ratified the UNCLOS in 1996 displaying to the world a ‘rule abiding’ and ‘norm adhering’ China. The MSRI is, in many ways, to be interpreted as a serious attempt by China to design an international arrangement, where the post-world war structures are an anomaly to be replaced by compacts—financial and security related—initiated by Beijing.

OBOR—The View from New Delhi

The sheer breadth and sweep of OBOR has left New Delhi wondering where it stands in the Chinese *weltanschauung*—as a partner, participant or an ignored entity! The map of OBOR in its entirety reveals the inclusion of only one Indian city—Kolkata. As the former capital of British India, Kolkata rapidly lost its pre-eminence with the emergence of New Delhi as the political capital in 1911. The inclusion of Kolkata in the maritime Silk Road has more to do with the salience of this city to China's plans for creating a resource-access corridor from South Asia into its south-western region, comprising the provinces of Yunnan and Sichuan. Kolkata could evolve into a lynchpin and transit hub satisfying the economic integration of Northeastern India with Southwestern China. This is not a new formulation as there exists the Kunming Initiative, a sub-regional initiative promoted by China since 1999.

For New Delhi, the rapidity of the implementation of the OBOR, has led to its identification with the current leadership. Visits by President Xi Jinping and Premier Li Keqiang to many countries for promoting the OBOR lend credence to the rationale, that an ostensibly economic thread binding the nations of the Eurasian heartland and a maritime expression to boot, will evolve into something more—should OBOR succeed. There are skeptics in New Delhi who would endorse the argument that the OBOR is designed to facilitate China's overcapacity in select sectors like steel and iron, as was mentioned in an article by He Yafei, Vice-Minister of the Overseas Chinese Affairs Office of the State Council.⁷

The OBOR is witnessing a high degree of coordination between various ministries in Beijing and massive infrastructure investments in countries as diverse as Sri Lanka and Greece that make the economic aspects of OBOR an attractive incentive.⁸ The economic underpinnings of OBOR are complemented by a financial architecture consisting of the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB) that rivals existing international arrangements like the World Bank and the International Monetary Fund that for Beijing represent an inflexible order designed to

marginalise China's growing influence. The OBOR has seemingly inspired a plethora of new institutions and a multiplicity of views—for and against—and it is a test for Beijing to create a new order with participation based on a 'win-win' logic more than a narrow 'interests only' approach.

The broad sweep of OBOR also has been launched at a time when the United States has been highlighting the Trans-Pacific Partnership (TPP) as a panacea for facilitating a trade arrangement that has kept China out.⁹ Walking out of the TPP has ended up giving China a leg up in the Indo-Pacific. It would appear that OBOR has embedded within it, contestations that rival and outdo what the United States did post-World War II. If that were to be the case, the innovative aspect of the OBOR would suffer, as it replicates what another country did six decades ago, and is only different in terms of the scale and the resources ploughed into it.

Figure 8.2: The One Belt One Road—Tightening Belt?



Source: Xinhua, Barclays Research

It is pertinent at this stage to establish the conundrums facing India, in relation to not just how to predicate a response to the OBOR and where India can play a salient role. It is precisely here, and for the foreseeable future, that India and Japan need to establish a strong relationship, where the political bilateral solidity is reflected and resonates through an engagement based on an economic ballast, complemented by a strategic bandwidth

accommodating the democratic temperament with practical considerations.

The Obverse of OBOR: Japan/India Relations

As a rising power in the Indo-Pacific with a voice that is increasingly being heard, India considers itself as an actor with heft in the Indo-Pacific, albeit one that has to dexterously play its cards at a level different from that of China, Japan, Korea and ASEAN in the region. Japan has its own concerns relating to the growing economic clout of China, with its increasing strategic connotations, with the Indo-Pacific as the theatre for the playing out of new permutations and combinations.

For India and Japan, the present phase presents opportunities bypassed earlier. Trade of course remains a determinant that will expand when both the countries come to appreciate their mutual commonalities and requirements. On security, the armed forces of the two countries are negotiating an agreement that will grant each other reciprocal access to military bases and facilities. The Acquisition and Cross-Servicing Agreement (ACSA) will be playing a seminal role in the bilateral, as the two countries are wary of the growing power of China. The recent Dharma Guardian Exercise in Mizoram between the Ground Self-Defense Force (GSDF) of Japan and the Indian army is only the first of many such joint endeavours, with Beijing as the audience. At a recent meeting between Indian Prime Minister Narendra Modi and Japanese Prime Minister Shinzo Abe, their mutual commitment to work together “towards a free and open Indo-Pacific” had several takeaways. First, the dialogue between the two stalwart democracies of Asia to deepen the bilateral. Second, the importance of the ‘economic connect’ to bring the two countries closer—the CEPA being a case in point. Third, the mutual apprehension of China as a ‘spoiler’ waiting to tweak the international system in accordance with its preferences. Fourth, the beginning of a possible rethink by Japan that it need not remain beholden to the United States, where the “irrational exuberance” of Donald Trump has sent confusing

signals all around, that are complemented by the US reneging on international agreements.

Relations with Washington

When India and Japan are mutually and incrementally strengthening their bilateral wherewithal can Washington be ignored? Or is the current ‘temperamental’ ineptitude of Washington—toasting Kim Jong Un one day, walking out of the UNFCCC another day—a reason for Tokyo to look towards New Delhi for some sort of continuity and not dramatic shifts?

Despite the current confusion, the rise of China has undoubtedly motivated influential sections in Washington to coalesce their concerns and translate the same into a policy document calling for a ‘rebalancing’ towards Asia. It is interesting to note that of the several strategies for corralling China in strategic terms, India registers strongly with the US as a hedge or check for growing Chinese power.

Almost two decades ago, Condoleezza Rice, in a Foreign Affairs article stated that, “the 2000 presidential campaign had observed rather bluntly that:

China resents the role of the United States in the Asia-Pacific region. This means that China is not a ‘status quo’ power but one that would like to alter Asia’s balance of power in its own favor. That alone makes it a strategic competitor, not the ‘strategic partner’ the Clinton administration once called it. Add to this China’s record of cooperation with Iran and Pakistan in the proliferation of ballistic-missile technology, and the security problem is obvious ... It (the US) should pay closer attention to India’s role in the regional balance ... India is an element in China’s calculation, and it should be in America’s, too. India is not a great power yet, but it has the potential to emerge as one.¹⁰

This undoubtedly was music to the ears of Indian strategic experts, floundering in a world without patrons following the eclipse of the Soviet Union. It signified the continuation of the rehabilitation

process India was undergoing in Washington, following the May 1998 nuclear tests and the subsequent opprobrium.

There is no shortage of support (and alternately detractors!) in the ‘Beltway’ across the political spectrum for India, as an actor to reckon with in the Asia-Pacific, and to quote former National Security Advisor Thomas Donilon, “U.S. and Indian interests powerfully converge in the Asia-Pacific, where India has much to give and much to gain.”¹¹ During a visit to the southern city of Chennai in India for the 2nd Strategic Dialogue, between the two countries, former Secretary of State, Hillary Clinton had made a strong pitch for India in the Asia-Pacific by stating, “India’s leadership will help to shape the future of the Asia Pacific in a positive manner. That’s why the United States supports India’s Look East policy, and we encourage India not just to look east, but to engage east and act east as well.”¹²

For India to be an intrinsic part the Indo-Pacific, requires the compliance and resolute support of the ASEAN as a seamless connectivity corridor in economic and strategic terms. Much has been spoken and elucidated about India’s ‘Look East Policy’ and if it has been a success this has more to do with India emerging as an economic power in the past two decades, than any strategic connotations. The relative success of the ‘Look East Policy’ with economic diplomacy as its fulcrum, is acknowledged as having been a game changer for India and its interactions with ASEAN and East Asia. However, a serious challenge that India has to overcome is a policy making process that belongs to another era! It was only in April 2014 and after two decades of the ‘Look East Policy’ that New Delhi finally appointed an ambassador to the ASEAN secretariat!¹³ It is precisely this tentativeness in deciding (and decision making) that backfires for New Delhi.

Conclusion

China’s re-ordering of the global architecture in economic and strategic terms is progressing at a speed and tempo that confounds observers and policy makers alike. For a nation subscribing to

“socialism with Chinese characteristics” the appropriation of “capitalist” ethics is unbelievable. This poses riddles for India and Japan in economic and strategic terms.

To enhance existing and growing relations, Japan and India, apart from a comprehensive economic engagement, need to enhance naval cooperation that will supplement close defence cooperation with regular joint exercises. Training and collaborating in anti-submarine warfare, the boarding, searching and seizing of suspect marine vessels, anti-piracy and anti-terror joint exercises are methodologies that should be adopted by both the countries. The growing power of China is being witnessed on the maritime front, and the two countries have to be in sync when it comes to jointly cooperating in protecting SLOCS, that are now facing the intervening variable called China, becoming a determinant. Episodes in the South China Sea especially the Taiwan Straits are an indicator of events in the near future, when Beijing will not countenance “interlopers” in what it terms as its historic maritime preserve. The Indian navy possesses the wherewithal and experience to deter sea-based assaults on India, inspired by countries known for sheltering non-state actors, using the methodology of religious indoctrination, masking economic failure and the rule by armed guardians of the state and not elected representatives.

India has the potential to re-orient the strategic and economic centre of gravity away from China. India’s posture of strategic autonomy and its status as the world’s largest democracy, gives it an advantage over China, considered to be an economic success, but with a streak of unpredictability (for the rest) embedded in its policy making. India is in a phase, where while its economy grows providing opportunities to its citizens, its decision making process in establishing firm relationships is anchored in the spirit of ‘non-alignment’ despite being hemmed in by a rising China in South Asia reducing the former’s centrality to the region, by advancing loans and offering the chimera of a new world order with economic gains for all. It could be argued that India’s indifference to China’s OBOR and MSRI are a legacy of non-

alignment with the cost benefit analysis weighted against India's participation in, as yet inchoate ideas that appear to be replacing existing arrangements.

Foreign and economic policy objectives of India and Japan are different since society and state consist of various interest groups and political action groups. Broadly, the former represents industry and finance interests and lobbies, while the latter represent the state bureaucratic machine(s) and political parties.¹⁴ The Japan-India bilateral is at times (and maybe...) largely motivated by strategic underpinnings. Every tense standoff between China and Japan makes way for a relaxation by bureaucrats in Kasumigaseki towards India. The day is not far off when the two countries will have to explore cooperation in nuclear technologies for civilian purposes. History tells us that a nation facing a crisis/crises has to work at many levels. Central to crisis/crises management is the need to moderate any risk of escalation. The global financial crisis of 2008 was an illustration of China having bucked the trend by hedging its bets. A crisis with a global impact also necessitates "states having to negotiate, compete and cooperate with each other".¹⁵

The India-Japan bilateral has conservative bureaucracies getting familiar with each other and advancing bilateral initiatives with a broadly similar *weltanschauung*. Security issues are important for both countries, but these should not be at the expense of economic logic. The bilateral strength today is in many ways owing to the personal connect between Prime Ministers Shinzo Abe and Narendra Modi. Prime Minister Abe's invitation to Prime Minister Narendra Modi to visit his home was a very noble gesture made only in exceptional circumstances by the prime minister of Japan. The two countries have to imbibe this aspect at every decision-making level in both countries and graft the same, when it comes to every aspect of the bilateral. As India's economic profile becomes stronger it is the Japan-India bilateral that will be the gainer with all variables of today, evolving into determinants of a mutually beneficial bilateral between two outstanding democracies.

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Prospects of the Free and Open Indo-Pacific Initiatives and India-Japan Partnership

Takashi Terada

Introduction

Prior to the first trilateral summit meeting held on the side-lines of the G-20 in Buenos Aires in November 2018, President Donald Trump commented that US relations with Japan and India were ‘stronger than ever,’ and claimed that the three countries “are doing a lot of trade together ... doing a lot of defence together, [and] a lot of military purchases.” The trilateral summit of Japan, America, and India, dubbed, ‘JAI’ (‘success’ or ‘victory’ in Hindi) by the Indian prime minister, Narendra Modi, was organised to promote agendas including ‘views on Indo-Pacific, maritime and connectivity issues’¹. The trilateral summit, held periodically, together with the meetings of ministers and senior officials, would function as a key mechanism for institutionalising the Free and Open Indo-Pacific (FOIP) initiative, initially proposed by Japanese Prime Minister Shinzo Abe, as a counter-concept to the China-led Belt and Road Initiative (BRI). This was partly to promote the liberal norms and values that have guided global and regional economic governance and practice for over 70 years. Two adjectives, ‘free’ and ‘open,’ are linked with the Indo-Pacific, symbolising these states’ intention to distinguish their approach to economic diplomacy, from that of China, which

exceeds it in terms of scale and quantity. Japan and the United States thus tend to stress, for instance, that procurement should be transparent and fair and that any infrastructure project should also be ‘economically viable’, be ‘financed by debt that can be repaid’, and not ‘harm the soundness of the debtor nation’s finances’.² The ‘JAI’ initiative represents the US’ keen interest in working together with India and Japan, to curb China’s growing global and regional influence by involving this emerging trilateralism in the US. ‘New Cold War’ strategy against China, which was announced by Vice President Mike Pence, in October 2018.

While discussing the strategic rivalry between China and the United States over global and regional economic governance, this chapter argues that the trilateral cooperation or the institutionalisation of the FOIP, is facing a major challenge from China’s active endeavours to improve its ties with major countries in the region, such as Japan and India, in a bid to cope with the US’ new Cold War strategy, as well as to dominate the regional rulemaking process for trade, investment, and infrastructure. The gloomy prospect has also been fostered by the Trump administration’s preoccupation with bilateralism which has downplayed the strengths and advantages of multilateralism, at the same time that it is seeking to strengthen its position with regard to China. Consequently, Japan, as well as India, have also been gradually shifting their economic interests towards China, as a way of maintaining a free trade movement. This chapter also examines the implications of the possible conclusion of the Regional Comprehensive Economic Partnership (RCEP) agreement, a Free Trade Agreement (FTA) involving 16 countries—the 10 members of the Association of South East Asian Nations (ASEAN), China, Japan, South Korea, India, Australia, and New Zealand. Since the RCEP means a de facto China-India-Japan FTA minus the United States, this chapter highlights the adverse impact of this mega-FTA on the US approach to the FOIP and ‘JAI’. The chapter then asserts that the expanding partnership between Japan and India, for infrastructure development and defence/security, could serve

as a positive factor for the institutionalisation of the FOIP and JAI, although India's reluctance to promote liberalisation at home would be of little help to the trade partnership, with Japan, as well as the FOIP's potential development as trade regionalism.

US-China rivalry over Economic Governance

The United States has traditionally embraced a policy of trade regionalism. The Obama administration, for example, prioritised negotiating the Trans-Pacific Partnership (TPP) and emphasised the importance of incorporating 21st-century standards such as: a competition policy, which deals with state-owned enterprises (SOEs); protection of intellectual property rights; and mechanisms for enforcing labour standards. Regardless of who is president, US foreign economic policy has traditionally been based on several consistent principles, including the commitment to open, transparent, free, and fair trade. Global free-trade practices flourished in the post-war period with the world economy under the leadership of a great power that promoted open commerce and enforced the rules of fair business competition. The United States' preponderant technological advantage and gigantic market size were essential for stabilising international and regional economic institutions thus forcing its allies and partners to support the liberal international order. The TPP was a typical example of this pattern of US behaviour.

The TPP, for example, sought to ensure a level playing field for SOEs, or the competitive neutrality of SOEs and private companies, despite the exceptions made for local SOEs and sovereign wealth funds. China's protectionist tendencies make it difficult for the country to play a leading role in trade regionalism, which primarily aims to promote economic liberalisation and deregulation. The dominance of state capital in key sectors, including petrochemicals, finance, and steel, constitute a major obstacle to China's participation in a high-standard regional integration framework. Under the Obama administration, the United States was also at the vanguard for promoting the enhanced protection of corporate rights within the TPP and the fast-track trade promotion authority

bill, that included two specific provisions for creating a competition policy and rigorous protection of intellectual property rights. Both provisions reflected the divergent US and Chinese approaches and deterred China from participating in the TPP.

Like previous administrations, the Trump administration's trade policy has emphasised the need for rules-based arrangements to help enhance the competitiveness of US exports and create American jobs. The fundamental difference lies in President Donald Trump's preference for bilateral rather than multilateral deals. The Trump administration appears to consider economic openness and globalisation as harmful for US jobs and is turning toward protectionism. This is underscored by Trump's decision, not only to withdraw from the TPP, but also to abandon negotiations for the Transatlantic Trade and Investment Partnership with the European Union. Both initiatives advanced key traditional American values such as open, transparent, free, and fair trade,³ but Trump has given priority to employment of local people who lost their jobs due to increased globalisation with the outsourced supply-chain production networks.

China and Development Regionalism in Asia

President Xi Jinping has articulated his vision for national rejuvenation (the China dream), which includes several key economic initiatives. The buzzword 'institutional voice' emerged in China's Fifth Plenum communiqué issued in November 2015, and was later incorporated into the guidelines for the 13th Five-Year Plan (2016–20). This term clarified China's intentions to impose its preferences on systems of international governance. In December 2015 the International Monetary Fund (IMF) added the renminbi to the basket of currencies that make up its special drawing rights, or its international reserve assets, for use in currency-related and other crises. China's position in the IMF was further strengthened by the US Congress's approval of the long-awaited IMF reform package, which, by reallocating quotas and increasing the voting rights of emerging economies. This has

made China the third-largest contributor to the IMF, only slightly behind the second-ranked Japan. These moves that bolster China's growing institutional voice, have been reinforced by the launch of the AIIB, with its US\$ 100 billion capital,⁴ that has made it a pivotal component of the Chinese version of the 'rebalance Asia' strategy, especially toward Central and South Asia. The rapidly growing demand for infrastructural development in Asia, including railways, roads, and energy infrastructure, cannot be fulfilled by existing multilateral banks, whose burden the AIIB promises to reduce. More importantly, the AIIB can serve as a critical institution where China can dominate the management and administration without US or Japanese involvement.

The United States and Japan view China's engagement in these economic institutions as a means to involve more like-minded states that can be mobilised to advance its political and strategic interests. China's growing influence on the region is demonstrated by the impact of the massive flows of its economic assistance to Laos and Cambodia, which in turn has been instrumental in dividing ASEAN members, on the issue of territorial disputes in the South China Sea. As a US official observed, 'Debt slavery is one of the most pernicious instruments the Chinese use to wield strategic advantage.'⁵ China's central government-run SOEs have undertaken 3,116 projects under the BRI, accounting for nearly 70 per cent in the total BRI infrastructure projects.⁶ In fact, in the Chinese military, the BRI has been viewed as an instrument for supporting China's military strategy through the provision of easy access to foreign ports, especially in the Indian Ocean. In many cases, the management of these ports has been delegated to Chinese SOEs by the local governments.⁷ Foreign governments have taken note of this strategy. As a US official commented, the BRI is 'a nice way of shaping the world in China's interest, building concentric circles of security going outward.'⁸ Thus through initiatives such as the RCEP and BRI, China is thus using its economic prowess and foreign economic policy to reshape the regional economic order, in line with its political and strategic interests.

The US-led trade regionalism in the Asia-Pacific has focused on economic liberalisation and deregulation, while the Chinese are focused on development. On the heels of the global financial crisis in 2008–09, China began to view the existing international financial architecture—based largely on the US dollar—as ‘a thing of the past.’⁹ China launched the AIIB to help fund development initiatives such as BRI.¹⁰ The AIIB’s loan rules do not involve any political conditionalities, such as the protection of human rights, rather, they focus on building infrastructure and delivering finances quickly. Along with the smaller New Development Bank, headquartered in Shanghai, and the New Silk Road Fund, the AIIB advances the Chinese government’s ambition to raise China’s standing in international financial markets and to challenge incumbent Western institutions such as the IMF and the World Bank, both headquartered in Washington, D.C.

However, the AIIB’s decision to promote joint projects with the World Bank and Asian Development Bank and to share best practices, has helped dispel concerns in some quarters, about the lack of transparency and Chinese domination of the AIIB’s governance structure. It is a positive sign for future cooperation, that Prime Minister Shinzo Abe has, albeit warily, expressed an interest in working with China on the BRI, possibly signalling a relaxation in Japan’s stance toward Chinese infrastructure initiatives in Asia.¹¹ Another factor responsible for Japan’s shifting position on the BRI (and pursuit of its own high-level infrastructure initiatives such as the Partnership for Quality Infrastructure in Asia) is the US retreat in East Asia. The United States’ declining leadership has been underscored by the Trump administration’s decision to withdraw from the TPP and the United States’ wavering commitment to the funding of multilateral development banks—for instance, by initially rejecting the capital increase sought by the World Bank, that it deemed, ‘necessary to expand its global anti-poverty mission’.¹² The cooperative stance of Chinese development initiatives, resulted in the AIIB, in July 2017, receiving top credit ratings from several agencies, thus facilitating funds procurement

and paving the way for future ambitious and independent projects.¹³ If China, and the financial institutions sponsored by it, continue to maintain their cooperative attitude towards Western institutions, this would contribute to the AIIB being viewed as an institution that is detached from the BRI strategy, which China uses as a geo-political tool as well.

India a Part of the China Camp?

The desire to protect economic rules based on freedom, openness, transparency, and fairness is a common motivation for Japan, the United States, and India to become more enthusiastic about the potential of the FOIP, but India has long been viewed as a strong member of the emerging economy camp. As Breslin argues, the China's economic model is yet to shape inter-subjective meanings, indicating that there is no agreed understanding on the actual components and implications of the China model.¹⁴ In this context, Indian governance has more similarities with the Washington Consensus than China's. The role of the state has been much less in the Indian economy, compared to China, and the market is the chief allocator of financial and other resources in India, which is much less so in China. An important point for many developing countries, is that China has so far outperformed India, and 'given the increased investment in its human capital which China's economic growth has made possible, it is likely to continue to outperform India in the foreseeable future.'¹⁵ Such views advance and reinforce the idea of a developmental model that is unique to the Chinese system of governance, but not the Indian.

One international governance institution in which China and India participate as like-minded states is the BRICs, whose first summit meeting was held in 2009 (South Africa joined in December 2010). As discussed by Ban and Blyth, the importance of the BRICS framework, evolved around the relationship between the emerging powers and the existing international order, characterised by the Washington Consensus.¹⁶ One of the chief purposes behind the BRICS formation was thus to represent the voices of emerging

economies and to increase their influence in global economic governance through expanding mutual currency swap arrangements, establishing their own development bank, and possibly appointing representatives from the emerging economies to top positions in international organisations, such as the World Bank, all of which are in keeping with China's interests.

The BRICS leaders also announced the establishment of a BRICS Bank, now called the New Development Bank (NDB) for finance, by using their own currencies, not US dollars. The Delhi Declaration, issued at the 2012 BRICS summit, declared that the new development bank's aim was 'mobilising resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries, to supplement the existing efforts of multilateral and regional financial institutions for global growth and development.'¹⁷ An Indian government official elaborated on the reasons for the establishment of the BRICS bank from Indian viewpoint: the insufficient resources and functioning of the World Bank. The official said: "the World Bank's annual lending is about US\$ 15-US\$ 20 billion globally, and India's maximum share is around US\$ 3 billion, which could be used to partially cover a small size infrastructure project." This dissatisfaction on India's part was amplified after it was agreed to use an additional US\$ 500 billion of IMF's resources to cope with the European debt crisis and prevent the possible spread of the financial contagion, to the other regions while leaving sluggish the same agenda for the developing states in the World Bank.¹⁸ This view remained unchanged when India decided to participate in the AIIB. The BRICS countries have also indicated their discomfort with the current global governance system, and have continuously been calling for the reform of the World Bank and the IMF. The Delhi Declaration especially highlights the Western dominance in governance and proclaims: "We welcome candidatures from the developing world for the position of the President of the World Bank. We reiterate that the Heads of the IMF and the World Bank be selected through an open and merit-based process."¹⁹

While China and India have shared their dissatisfaction with the current global governance system and jointly created the BRICS framework, their agendas have hardly extended more explicitly in the security arena and ‘the differences between China and India could become more explicitly apparent.’²⁰ It was Modi, in 2014, who changed the tradition of an equidistant foreign policy by becoming closer to the US and Japan, while maintaining a distance with China. This stance was confirmed when the bilateral tensions between India and China surfaced in June 2017, when Chinese troops began extending an existing road in Doklam, a narrow plateau, situated in the China-Bhutan-India tri-junction disputed area in the Sikkim Himalayas. Importantly, the India-Japan Act East Forum was established in 2017 to advance road, electricity and other projects in the Northeast of India, close to the Doklam plateau, with a US\$ 345 million loan, to prevent China from encroaching on to India’s strategically significant territory.

China’s Strategic Courtship of Japan and India

There are, at least, two factors responsible for China’s strategic courting of Japan and India. First, China’s neighbourhood diplomacy was in trouble when Xi came into power in 2013. Its diplomatic challenges included its limited influence on North Korea’s long-range missile and nuclear development; South Korea’s deployment of a Terminal High-Altitude Area Defense (THAAD) missile system that can monitor all of mainland China; and the Taiwanese president advocating Taiwan’s independence; and criticism of its South China Sea disputes with Vietnam by non-claimants, including Australia and Singapore. Given the size of economy, regional influence, and status as key US strategic partners, China viewed the troubled relations with Japan and India, especially with regard to its heated islands and borders disputes respectively, the immediate and urgent agendas. In other words, China’s continuing adverse relations with Japan and India would make them more dependent on the United States, as seen in the case of the development of the FOIP, which China considered as a way of containment. Thus, President Xi has

been attempting to mend relations with China's two big neighbours through his own summit diplomacy.

Second, China's increased interest in improving relations with two large states has been encouraged by Trump's trade protectionism and harsh tariff retaliation against China, in the light of its 2017 trade surplus vis-à-vis the US, reaching an all-time high of US\$ 375 billion. As argued later, China has thus ramped up its efforts to conclude the RCEP and other pending free trade pacts, as a way of maintaining the free trade spirit and, more significantly, for challenging Trump's 'do-anything' approach towards redressing trade imbalances, by potentially co-opting more 'like-minded' states, especially Japan and India, driving a wedge in the FOIP members. Although Japan and India retain their cautious and critical views about China's global and regional economic initiatives, Trump's radical protectionist trade policy with the increased tariffs on key products such as automobiles, has led Japan to consider the possibilities of working with China, to build a regional economic order as a way of reducing the negative impact, on its trade and investment.

Accordingly, Japan's burgeoning interest in the BRI was welcomed by China, which is another reason for China's increasingly positive view of relations with Japan. In June 2017, for the first time, Abe officially expressed his conditional support for cooperating in the BRI. While noting that 'it is critical for infrastructure to be open to use by all, and to be developed through procurement that is transparent and fair,' he further stated that 'Japan is ready to extend cooperation' with regard to the 'One Belt, One Road' initiative. Coming two years after Abe's own infrastructure initiative—the Partnership for Quality Infrastructure in Asia (PQI)—proposed at a banquet held at the same Future of Asia Conference - this was quite a symbolic statement, because it marked a clear shift from Abe's conventional reluctance, and even confrontational stance, toward China's infrastructure initiative. Abe took the unusual step of meeting with China's top two leaders during a single overseas trip: Xi at the Asia-Pacific Economic Cooperation (APEC) Summit in Danang, Vietnam; and Li at the East Asia Summit in Manila,

Philippines in November 2017. This led to the first visit by a Chinese Premier to Japan since 2011, hinting at a possible improvement in the China-Japan troubled relations. This was to attend the Trilateral Summit, held for the first time since 2014, but Japan responded positively to China's overtures by treating Premier Li, who stayed in Japan for four days, as a state guest, with time allotted for a meeting with the Emperor and having Abe hosting Li's for a full-day trip to Hokkaido, despite the Diet being in session. Japan finally chose to soften the image and stance of the FOIP in October 2018, in preparation for Abe's first visit to Beijing for the bilateral summit, by appending 'vision' to the Indo-Pacific, in lieu of 'strategy', which Prime Minister Abe had initially used to promote the global shared values, when announcing it in 2016. The term 'strategy' was meant to contain China in the belief that China's expanding infrastructure development influence with maritime ambitions, should be curbed by a sort of containment strategy.

With regard to the relations with India, China took the above-mentioned border dispute as an opportunity, for mending relations by forging a personal rapport between the two leaders. Modi eventually accepted Xi's offer for a direct meeting in Wuhan, China in April 2018, to defuse tensions on the border. Despite of India's reservations with regard to the BRI, that includes the development of the China-Pakistan Economic Corridor as a flagship project, India remains one of the central members of the AIIB, which China launched to sustain the BRI. Compared to the BRI, India saw AIIB as a more neutral and balanced institution, because of the participation of a number of 'market economies' from Europe. Partly to ensure India's commitment as the second largest contributor after China, AIIB approved its first-ever loan for a project in India; a loan of US\$ 160 million was sanctioned for a power project in the Indian state of Andhra Pradesh, in May 2017. Eventually, Modi came to insist on the openness of the FOIP, while taking into account China's significance in Indian strategic policy. In a keynote speech at the Shangri-La Dialogue in June 2018, he said that 'India does not see the Indo-Pacific Region as a strategy or as a club of limited members', this statement could

indicate India's intention to maintain a distance from the FOIP, if the US decides to utilise it as an anti-China mechanism.

The first JAI meeting, held to discuss the implementation of the FOIP, also served to encourage China to take its courtship of India further. Curiously, soon after the above-mentioned JAI summit at the 2018 Buenos Aires G-20 meeting, another trilateral summit attended by Modi, Chinese President Xi Jinping and Russian President Vladimir Putin, was held. They announced their agreement to promote the three countries' cooperation, for dealing with the Trump administration's unilateral trade policy. India used its strategic position as a key balancer between the US and China, to exercise its own influence, in the regional order-building, as Modi was reported to have stated at this summit, that India, China and Russia should 'safeguard multilateralism as major world powers.'²¹ This stance, taken by Chinese, Indian and Russian leaders against the US, echoed the key motivation behind the BRICs Summit established in 2009.

Asia's Trade Regionalism with China's Preferences: RCEP

Confronted by the TPP, especially after Japan showed its interest in participating in September 2010, China accelerated the establishment of a FTA framework, wherein it could set its own standards for regional integration. Its regional trade deal of choice, the RCEP, reflects a much lower level of ambition for trade liberalisation than the TPP. ASEAN at its summit in November 2011, introduced the agreement, at the urging of both China and Japan, which attributed the lack of progress in East Asian integration to ASEAN's disinterest. Negotiations have gone from regression to the lowest common denominator in terms of standards for goods, services, investment, and intellectual property rights, as a result of the differences between developed and developing states. The actions of liberalisation-oriented countries are fettered by countries that do not desire liberalisation, which ends up holding back trade liberalisation and impeding regional integration. The RCEP attempts to accommodate the different needs of its 16 members by allowing them a degree of flexibility in the opening up of their economies. China's commitment

to the RCEP is strongly oriented toward developing countries and favours more exceptions in tariff elimination duties in market access liberalisation, with few requirements to deregulate domestic economic systems. The speed and level of liberalisation under the RCEP will thus be determined by the developing countries, such as China and India. This is a major reason that the United States' is not joining the agreement. According to Article 4 of the guiding principles and objectives for negotiations the RCEP will allow flexibility, in terms of provisions for 'special and different treatment' in view of the varying levels of development among member states. Whereas the TPP seeks to promote high labour and environment standards and addresses these issues with state-owned enterprises, the RCEP does not even have a working group to discuss these issues in the negotiations. The downgraded RCEP standards would further differ from the higher level of economic rules in the TPP, which is still regarded as the gold standard.

In RCEP negotiations, Japan seeks a high-standard trade deal, whereas China seems reluctant to upgrade the level of trade liberalisation and standards. These different approaches have often hampered the negotiations. For instance, at the ministerial meeting in Manila in November 2017, China sought the rapid conclusion of the negotiations, with a focus only on lowering tariffs for trade in goods, while allowing numerous exceptions for contested provisions such as intellectual property rights. On the other hand, Japan sought a comprehensive and high-quality deal that covered services and investment, rather than just lowering tariffs for traded goods. Japanese trade minister Hiroshige Seko cautioned during the meeting that 'discussions on rulemaking were insufficient compared with those on tariffs' and that 'the talks were not balanced.' This position was supported by Australia, but not by some ASEAN members who backed China's position and wished to complete the negotiations in 2017, to mark ASEAN's 50th anniversary.

In practical terms, however, concluding the RCEP means establishing a *de facto* China-Japan-India FTA, which will further

strengthen the economic ties between the three largest Asian markets through a combination of cheaper labour and high-tech know-how. Indeed, although Japan has maintained its cautious and critical stance toward China's global and regional economic initiatives, Trump's radical protectionism and the US' increased tariffs on automobiles, that are Japan's chief export product, have led Japan to reconsider the possibility of working with China, in order to build a regional economic order as a way of countering the negative impact of U.S. protectionism on its trade and investment. This strategic and economic calculation paved the way for Prime Minister Shinzo Abe's visit to Beijing in November 2018, to put the relationship on the right track thus announcing the possibility of a new era of cooperation, rather than competition in the relationship.

Is RCEP detrimental to the FOIP?

An important question that will be raised during negotiations for concluding the RCEP is, whether this regional integration disadvantages the United States and the FOIP, the answer to which seems to be a 'yes'. In 2014, intra-regional trade among RCEP members accounted for 42 per cent of trade, according to the OECD.²² If the agreement comes into effect, this will increase, the reduction in the number of complex structural barriers and the implementation of streamlined rules and procedures, related to customs and trade-related infrastructure. In fact, the RCEP would cover all of East Asia, where major manufacturing companies have established their supply-chain networks. Deepened intra-regional trade would enable China to accumulate more cost-competitive exporting power to the United States as the agreement would eliminate or greatly lower the tariffs imposed on manufactured components, such as auto parts, that are exported throughout the region, including China. According to the International Monetary Fund,²³ China has established itself as the largest trading partner for 14 of the 15 RCEP members, with Laos being the one exception. This enhanced economic reliance on China would make it the regional economic centre, and negatively affect the United States in two ways.

First, it would reduce Asian dependence on the US market. US products and businesses would be discriminated against in the East Asian market due to the higher tariffs imposed on exports from the United States, thus negatively affecting US economic growth. According to Kawasaki,²⁴ if the RCEP materialises, the simulated economic impacts on GDP growth would shrink the US economy by 0.16 per cent. Second, the RCEP includes key US allies, like Japan and Australia, as well as strategic partners such as India and Vietnam. This closer economic interdependence with China could give Beijing strategic leverage over these US allies.

The failure to officially launch the RCEP in 2018 has motivated China to consider the ultimate option of participating in the TPP. So far China has not publicly expressed any interest in joining the CPTPP, and it did not apply for membership in the original agreement. However, Beijing is quietly changing its attitude. Chinese officials are exploring the possibility of, and seeking advice on, joining this higher-standard trade pact, for fear of being economically isolated by the United States.²⁵ Although still a long way off, membership of the agreement would be a powerful weapon that China could use against the Trump administration's unilateral imposition of tariffs. In short, the United States' return to the TPP would bring the country back into the reckoning in the regional rule-setting process and would help prevent Japan and India from aligning their economic interests with China.

India-Japan Partnership for the FOIP and JAI

While China's economic diplomacy has disturbed the momentum for the establishment of the FOIP and JAI, Japan and India have potentially, and partially, accepted China's infrastructure strategy as a way of improving strained bilateral relations. Both nations, however, have adopted a balanced stance in the face of China's growing influence and America's decreasing interest in Asian infrastructure and multilateralism. In view of this they are beefing up their bilateral partnership, especially in infrastructure and security/defence.

A conspicuous feature of the developing India-Japan partnership is the strong personal bond between the two prime ministers, evidenced by the unusual frequency of their direct meetings—12 times between 2014 and 2018. A Japanese senior official attributed Japan's growing investments in India to these strong personal ties as an essential condition for the stable investment from Japan.²⁶ Another feature is that while both nations have worked to improve their ties with China, Japan and India have continued to be cautious about China's BRI. This is partly because Japan has used infrastructure as a major leverage to sustain its good relations with Asian developing states, not only for economic, but also for security and strategic reasons. India is special to Japan in this regard. Although Japan's stronger commitment to India's development in the Abe-Modi era is a key component in the growth of the bilateral ties with India, its official development assistance (ODA) to India started in 1958, making India the first recipient of Japan's yen loan, proving Japan's longer-term engagement in India. For instance, in September 2014, Abe and Modi agreed on the initiative, to support JPY 3.5 trillion in India by 2019, with the aim of doubling Japanese direct investment and the number of businesses operating in India.²⁷ Japan continued to pledge a total of ¥384.1 billion (US\$ 3.6 billion) in fiscal year 2017–18, the largest loan ever offered by Japan in a single year.²⁸

Prime Minister Abe's visit to Ahmedabad in September 2017, where he and Prime Minister Modi signed an agreement for India's first high-speed rail project from Mumbai to Ahmedabad, laid the foundation for the Japan-India partnership to flourish in terms of development regionalism in the Indo-Pacific. In fact, China had also offered US\$ 15 billion for this high-speed railway project, but the absence of open bidding clearly indicated India's confidence and preference for Japan. The contract reassured Japan, particularly after its bid for a well-planned high-speed railway project in Indonesia was defeated by a much inferior Chinese offer in 2015, which cast a cloud over Japan's relations with Indonesia. Symbolically, the loss of the high-speed railway project to China in Indonesia urged Japan to

offer an even more attractive terms and the Shinkansen technology for the high-speed rail project, during Abe's previous visit to India in December 2015. Japan will give a highly concessional loan of about US\$ 13.5 billion at an, as low a rate of interest as 0.1 per cent, to be repaid over 50 years, starting 15 years after the granting of the loan. This concession by Japan also served to silence the sceptics who questioned the need for such a high-cost project, for connecting two already well-connected cities, in a developing economy. This was important for Modi who has described the high-speed rail project as a 'symbol of new India' and has commended Japan as a 'true friend'.²⁹ India further welcomed Japan's role in promoting connectivity through quality infrastructure projects such as the Western Dedicated Freight Corridor and the Delhi-Mumbai Industrial Corridor, thus ensuring that Japan's contract for India's high-speed Mumbai to Ahmadabad rail project was a symbol to India's growing partnership with Japan.

Bilateral Security Partnership and QUAD

The India-Japan bilateral security cooperation flourished in December 2015, when Japan and India issued the 'Japan and India Vision 2025: Special Strategic and Global Partnership Working Together for Peace and Prosperity of the Indo-Pacific Region and the World' to serve as a guidepost for the 'new era in Japan-India relations'. This brand-new relationship includes various existing frameworks for bilateral security and defence dialogues, such as the: 2+2 Dialogue, Defence Policy Dialogue; Military-to-Military Talks and Coast Guard-to-Coast Guard cooperation; as well as the commencement of negotiations on the Acquisition and Cross-Serving Agreement (ACSA) to further deepen bilateral security and defence cooperation. Notably, the maritime security cooperation between the Indian Navy and the Japan Maritime Self-Defence developed by means of frequent bilateral naval exercises and the *Malabar* exercises (JMSDF in July 2017 and June 2018), symbolised their shared concerns regarding China's active advancement into their neighbouring waters.

Yet, whether their defence and security cooperation can lead to the FOIP development remains questionable. The Quadrilateral Security Dialogue (hereafter Quad), a security and defence cooperation mechanism consisting of the United States, Japan, India and Australia, four of the world's leading democracies, can be an initial approach towards this. The Quad was formed in May 2007, with senior officials from the US, Japan, India and Australia, meeting on the side-lines of the Asian Regional Forum Summit in the Philippines, followed by the *Malabar* military exercise in the Bay of Bengal that involved naval ships of all four nations, and Singapore, in September 2007. Yet, this quadrilateral framework collapsed in February 2008 when Australian foreign minister Stephen Smith, after a meeting with China's foreign minister Yang Jiechi, announced Australia's unilateral withdrawal.³⁰ According to Thakur, Smith's 'announcement in the presence of China's foreign minister, and the substance of the unilateral cancellation of the Quad, still colour India's assessment of Australia's credentials.'³¹ Since then, India has been reluctant to reinitiate the four-way partnership, until the unprecedented border standoff between Indian and Chinese military forces on the Doklam Plateau, in the summer of 2017.

While India's strategic relations with Japan and the United States have grown under the Modi administration, India remains reticent about the inclusion of Australia in the joint military exercises, the Royal Australian Navy was denied participation in the *Malabar* exercise in November 2018.³² This indicates India's realistic approach of separating the Quad from the FOIP, as India has not explicitly outlined its position on maritime security and has been particularly quiet about China's aggression in the South China Sea. This approach has been enunciated by Modi in his 'inclusive Indo-Pacific' keynote speech at the 2018 Shangri-La Dialogue that stressed the importance of promoting politically uncontroversial non-traditional security issues such as transnational terrorism.³³ This means India's approach to the Quad is not necessarily convergent with that of Japan, which views the Quad as a key vehicle through which the FOIP can be realised.

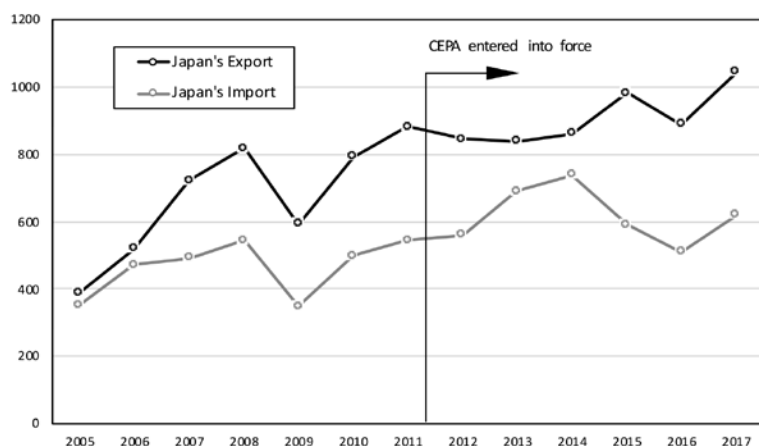
Trade: Missing Link?

Compared to these growing security and infrastructure ties between the two countries, however, the trade partnership has great potential. India established the ‘Japan Plus’ office in the Ministry of Commerce and Industry in October 2014 as a ‘one-stop’ for resolving problems faced by Japanese companies, thus helping to push up its business ranking from 100 to 77, according to the World Bank’s *Doing Business 2019* report.³⁴ Nevertheless, the total number of Japanese firms represented in India is 1,369 at best, which is in clear contrast to the 32,349 Japanese firms (as of October 2017) in China.³⁵ Even though Japan and India acknowledge their huge market size and industrial complementarity of the two giant economies in Asia, the Chinese market is too significant to bypass. For instance, China is the largest trading partner for both Japan and India, whereas India was the 25th export destination for Japan. Further, Japan was the 10th export destination for India; when the Comprehensive Economic Partnership Agreement (CEPA) was signed in 2010. Indeed, Japan’s trade with China is more than 20 times the size of its trade with India, making it excessively dependent on China. Sino-Indian bilateral trade has increased from a mere US\$ 1.8 billion in 2000 to US\$ 90 billion in 2018. The trade volume has been growing rapidly after China’s accession to the WTO in 2001.

The concluding of the Japan-India CEPA was a strategic move, given the overdependence of Japan on China for trade, given the unease in their relations following to the arrest of Chinese sailors by Japan in October 2010, to which China retaliated with a rare earth metals’ embargo. This gave Japanese exporters and investors the opportunity to explore the Indian market as a potential major export destination and a production hub, respectively. Besides, the CEPA was also expected to level the playing field for Japanese investors and traders vis-à-vis the South Koreans, who had already operationalised a comprehensive economic partnership with India in January 2010. In fact, Japan and South Korea are both competing hard with each other in the automobiles and electronics sector to capture the rising middle class in India.³⁶

Yet, after the two countries agreed to enforce the CEPA in June 2011, the overall trade flows continue to be modest, despite their economic potential (see Figure 9.1). As the CEPA comprehensively covers market access, movement of natural persons, investment, intellectual properties, government procurement, an improvement of the business environment and so forth, there was a high expectation for the further utilisation of CEPA. In fact, when it comes to the utilisation ratio (counted by the number of issued Country of Origin invoices), the Japan-India CEPA ranked third highest with 219,198, following Thailand (612,866) and Indonesia (353,087).³⁷ Moreover, among India's FTA partners, the Japanese share of Indian trade is the lowest—a mere 2 per cent, the same as Malaysia, whereas the share of South Korea and China (negotiating) is 2.8 per cent and 11.4 per cent, respectively.³⁸ According to the Japan-India Business Cooperation Committee, while the business sectors acknowledged the vital role played by the CEPA as an institutional infrastructure for expanding and strengthening economic relations between the two countries, there were some procedural difficulties, such as standardisation of rules of origin (ROOs), additional tariff procedures, and environmental and financial regulations. For

Figure 9.1: Trade Flows between Japan and India (billion, JP¥)



Source: Trade Statistics, Ministry of Foreign Affairs, Japan

instance, in India's case, the ROOs are even stricter than in ASEAN nations, as the exporters to the Indian market have to meet both the change in tariff classification approach and the qualifying value content approach, whereas ASEAN nations allow the choice of either. These complicated rules have made it difficult for Japanese firms to utilise the CEPA.

With these protectionist approaches, India's position in the RCEP negotiations differs from Japan, resulting in hampering the formation of the world largest FTA which would possibly create the trade diversion effect against the US products. For instance, on November 12, 2018, the economic ministers gathered in Singapore to come to a 'substantial conclusion' in RCEP negotiations, for the leaders' meeting. Most RCEP members were trying to include the words 'substantial conclusion' in the joint declaration of the summit, because these words would have a legal connotation that would pave the way for the pact to be easily passed, in their respective Parliaments. However, only seven of the 18 'chapters', or major negotiation topics, could be agreed upon during this meeting. Eventually, RCEP ministers decided to postpone the conclusion of the negotiations. Their decision was also motivated by India's request to wait until after its general election in mid-2019, given that the Modi administration, needs to retain its massive support from India's farming sector.³⁹ As a result, the ministers inserted the phrase 'substantial progress' not 'conclusion' into the joint statement and abandoned the initial goal of reaching a basic agreement in 2018. India's representatives are often viewed as 'notoriously tricky customers in trade negotiations, holding up deal after deal with practiced obstinacy',⁴⁰ and it actually took place in the final stage of the RCEP negotiations in November 2019. The India-Japan partnership does not extend into the regional integration arena, potentially damaging the prospects of the FOIP.

Conclusion

This chapter deals with Indian and Japanese behaviours, within the ambit of the growing China-US economic rule-making competition,

by examining the prospects of the FOIP. The chapter demonstrates that India and Japan have adopted a balanced stance in the China-US rivalry because China, their largest trading partner, has been more amicable while the United States, Japan's ally and a main strategic partner for India, lacked commitment towards economic and strategic multilateralism, (as symbolised by its withdrawal from the TPP). The US disengagement from regional multilateralism has created an economic power vacuum that allows China to expand its influence, through increased capital injections with a view to maximising its political clout. China has responded to this lack of leadership in the global and regional system, by accelerating its efforts to develop its own networks, including those focused on the traditional Western-dominated power structures. These efforts are centred on establishing the BRI and RCEP that are better suited to China's preferred approach of state-led growth. The Trump administration's egoistic pursuit of bilateral trading arrangements may accelerate this process, forcing Japan and India to lean more towards China in the absence of a viable alternative. This trend can be strengthened by the prospect that in a few years, the Indo-Pacific will have three mega FTAs (the CPTPP and RCEP as well as the EU-Japan Economic Partnership Agreement); each with different attributes, but all without the United States.

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Infrastructure Financing and Institutional Statecraft: Japan's Role in India's Modernisation

Titli Basu

The chapter situates the theme of infrastructure financing and institutional statecraft in the India-Japan context. It argues that Japan, as a key developmental partner, should increasingly align its influence in the Multilateral Development Banks (MDBs), especially leverage its leading position in the Asian Development Bank (ADB) with Tokyo's own infrastructure export strategy pursued within the framework of Expanded Partnership for Quality Infrastructure (EPQI), through the Japan International Cooperation Agency (JICA) and the Japan Bank for International Cooperation (JBIC), to achieve the twin objectives of mutually beneficial economic development and for expanding its geopolitical influence. The existing literature on India-Japan relations has primarily focused on evaluating the impact of Japanese Official Development Assistance (ODA) in India's mega infrastructure projects. While Japan's development assistance performs an instrumental role in facilitating the 'Make in India' initiative, Japan's position in the ADB can also be leveraged, in addition to bilateral ODA while financing infrastructure projects of strategic importance in India and coordinating economic and strategic interests in pursuit of Japan's Free and Open Indo-Pacific Vision.

The policy debate on how major powers employ multilateral institutions including MDBs for pursuing their economic

interests and strategic ambitions got reinvigorated with the institutionalisation of the Asian Infrastructure Investment Bank (AIIB). However, much before China's emergence as a major power in the international system, Japan had taken on a leadership role in MDBs, with the objective of cooperating with the US in management and operational issues. With the intention of establishing global prestige and pursuing economic interests, Japan initiated the establishment of the ADB in the 1960s and advocated for creating the Asian Monetary Fund in the 1990s. The influence of the Ohashi plan in the ADB Charter is evident. With ADB, Japan pursued three objectives: shape a sound international institution set up with generous Japanese financing and led by Japanese heads (mostly drawn from ministry of finance); establish its leadership position (with a Japanese President and Director of Administrative Department); and to promote economic and commercial interests (ADB's nexus with the International Finance Bureau of the Japanese finance ministry).¹ MDBs are often used as tools for advancing great power's interests by exercising considerable authority over their operations and lending and creating strategic advantages by financing critical infrastructure. The ADB can be more effectively utilised to strengthen Japan's leadership at a time when the international development financing architecture is evolving with the creation of new institutions.

Japan's Free and Open Indo-Pacific Vision, anchored on Shinzo Abe's concept of the Confluence of the two Seas, made space for India in Tokyo's grand strategy. India has emerged as a critical anchor in Japan's policy discourse on Free and Open Indo-Pacific (FOIP) and a mutuality of interests made Japan commit to helping India realise its economic potential. Mapping of India's economic potential and gauging the infrastructure financing needs, reveals that no one source of infrastructure financing will be sufficient. Bridging the financing deficit which is vital for making India a global manufacturing hub hosting robust production networks and integrating them with regional value chains poses a colossal challenge. Therefore, for effective delivery of connectivity and infrastructure projects, India

and Japan should map the economic potential of key projects and study how Japan can combine its authority in the ADB with its own ODA policy to finance key complementary projects in order to further the goals of building a resilient Indian economy, which in turn will be a win-win arrangement for consolidating the strategic ambitions of India-Japan relations.

As a founding member, Japan wields considerable influence in ADB governance. President Takehiko Nakao argued that one of the key priorities of ADB's new strategy in Asia is building 'quality infrastructure at scale'.² The *ADB Strategy 2030* also underscored that "ADB will play an important role in supporting the global agenda of infrastructure development as a source of global growth ... ADB will promote quality infrastructure investments that are green, sustainable, resilient, and inclusive."³ The 2008 merger of JICA and the concessional window of JBIC, shaped the new JICA and enabled regular consultation on regional and country related matters involving the World Bank/ADB and JICA. Drawing from the co-operative experience, Japan's 2015 Development Cooperation Charter underscored the potential of collaboration with international and regional organisations. The Charter argues that:

Japan, as a responsible member of the international community, will strive to increase its influence and presence in international organisations and, by extension, the international community so that it can play a leading role in creating international norms. Furthermore, Japan will hold regular consultations with individual international organisations for policy coordination to create synergies with bilateral cooperation.

Cabinet Decision on the Development Cooperation Charter,
Ministry of Foreign Affairs Japan, February 10, 2015⁴

For Japan, infrastructure export serves the twin objectives of creating new growth engines aimed at reinvigorating the Japanese

economy on one hand and consolidating strategic partnerships with like-minded Asian nations, to balance China's regional influence, on the other.⁵ Infrastructure financing has emerged as a key component of Japan's Economic Revitalisation Strategy and Development Cooperation Charter. As China pushed its mega infrastructure designs in the region under Belt and Road Initiative (BRI), facilitated by the institutionalisation of the AIIB, Japan has pitched for 'quality infrastructure' in 2015.⁶ The national policy for supporting infrastructure financing took shape by way of Partnership for Quality Infrastructure (PQI) which subsequently expanded in scope and became the EPQI. Japan's PQI was anchored on four pillars that includes (a) full mobilisation of its economic cooperation tools; (b) augmenting cooperation with the ADB including the expansion of its lending capacity by 50 per cent, extending the lending portfolio to private sector, and considering new cooperation mechanisms between JICA and ADB, to enable PPP in infrastructure investment by using JICA's Private Sector Investment Finance; (c) doubling of funds for projects that have comparatively high risk profiles through JBIC for PPP infrastructure projects and use Japan Overseas Infrastructure Investment Corporation for Transport and Urban Development (JOIN); and (d) promoting of quality infrastructure investment as an international standard.⁷ The approach is to complement bilateral support through JICA and JBIC with multilateral commitments through the ADB, as a strategy for building high-quality infrastructure.

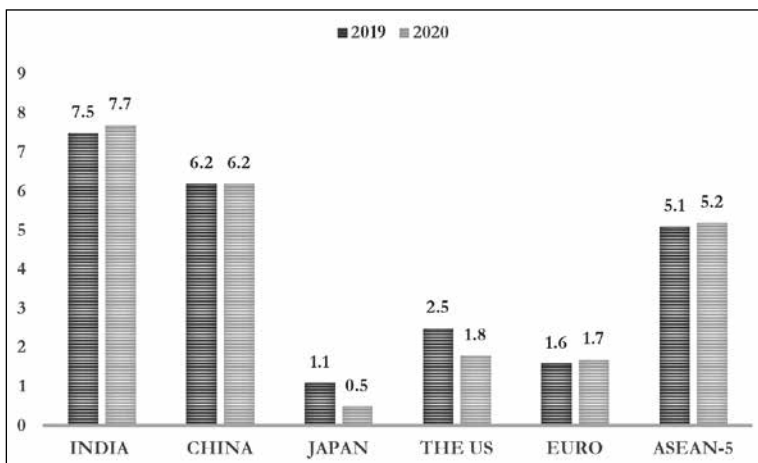
Regarding infrastructure financing in India-Japan context, Japan should leverage its influence in multilateral development banks, especially the ADB in addition to bilateral ODA and coordinate its economic and strategic interests more effectively. This article will first map the infrastructure financing deficit in the emerging Asian economies and trace the role of MDBs in bridging the infrastructure financing needs. The second section of the article will analyse the pre-eminence of infrastructure financing in Japanese national growth strategy and how Japan is shaping its policies on development cooperation and urging greater cooperation between various

instruments such as JICA and JBIC, to further Japan's economic and strategic interests. As the 2015 Development Cooperation Charter calls for better coordination with international organisations, Japan should further step up coordination with ADB to attain the twin goals of enabling mutually beneficial economic development and the expansion of its geopolitical influence. The third section of the article will evaluate the expanding footprint of Japan in Indian infrastructure and see how bilateral support through JICA and JBIC complements ADB commitments, while offering high-quality infrastructure.

Emerging Asian Economies and Infrastructure Financing

Emerging economies in Asia are surfacing as one of the key growth poles in the world economy. While the IMF's *World Economic Outlook* estimates global growth at 3.5 per cent in 2019 and 3.6 per cent in 2020, emerging and developing Asia is expected to grow at 6.3 per cent in 2019 and 6.4 per cent in 2020 (Figure 10.1).⁸ The World Bank's *Global Economic Prospects* indicate that as global

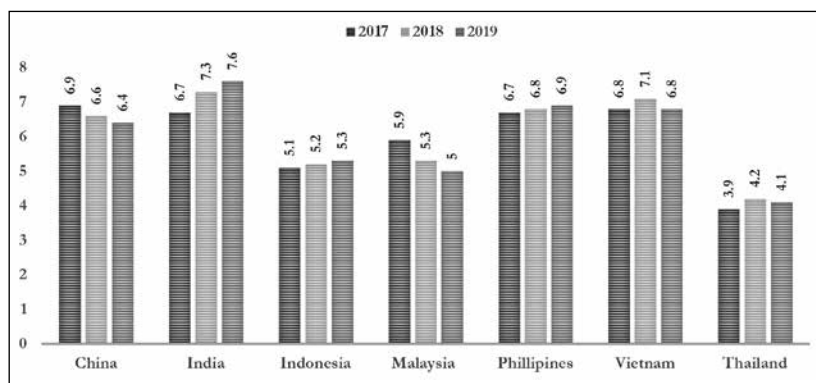
**Figure 10.1: IMF World Economic Outlook Update,
January 2019**



Source: International Monetary Fund

growth in 2019 will stand at 2.9 per cent, South Asia will grow at 7.1 per cent. India is to grow at 7.3 per cent, East Asia and Pacific will grow at 6 per cent in 2019 while China is expected to grow at 6.2 per cent.⁹ Meanwhile, the *Asian Development Outlook*, reflecting projections by the ADB, estimates that developing Asia will grow at 5.9 per cent in 2019 with South Asia emerging as the fastest developing sub-region, estimated to grow at 7.2 per cent in 2019, East Asia at 5.8 per cent and South East Asia to develop at 5.2 per cent in 2019 (Figure 10.2).

Figure 10.2: Asian Development Outlook 2018, ADB

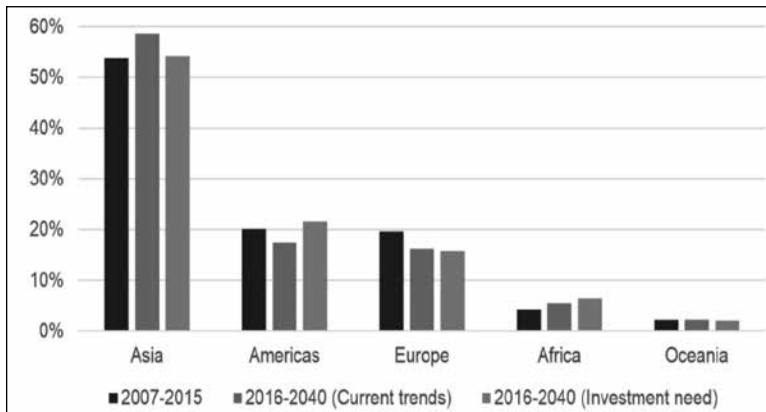


Source: Asian Development Bank

However, to sustain the growth momentum and achieve the projected economic targets, infrastructure development is an important variable in the nexus of economic growth, productive investment, employment generation and poverty alleviation. Infrastructure plays a crucial role in enabling regional value chains, production networks and facilitating better economic linkages through connectivity. Moreover, the *UN 2030 Agenda for Sustainable Development* articulates the need to ‘develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all’.¹⁰ The *Global Infrastructure Outlook* has suggested

that global infrastructure investment needs will be US\$ 94 trillion from 2016–2040 with Asia in the lead, as it will account for 54 per cent of infrastructure investment requirements till 2040, followed by the Americas at 22 per cent (Figure 10.3). The two largest infrastructure markets in Asia are China and India.¹¹

Figure 10.3: Regional Share of Global Infrastructure Investment, 2007–40



Source: Global Infrastructure Outlook, G20 Initiative

While national governments do prioritise infrastructure financing in their national budgets, the financing gap between the amount developing Asia is currently investing and how much it ought to invest is growing. In this regard, MDBs have emerged as an important source of infrastructure financing. MDBs have reportedly financed 2.5 per cent of infrastructure investments in developing Asia. A 2017 ADB report highlighted that developing Asia will require an investment of US\$ 26 trillion from 2016 to 2030, or US\$ 1.7 trillion annually, in order to sustain its development thrust, eliminate poverty and counter climate change. This projection is more than double the US\$ 750 billion annual investment assessed in 2009.¹²

Niti Aayog estimates that India will be a US\$ 7.2 trillion economy by 2030, while developing at a rate of 8 per cent. To sustain the economic thrust, there is an urgent need to develop

state of the art infrastructure in order to foster and support manufacturing hubs in India. The Ministry of Finance's *Economic Survey 2017-2018* indicates that India needs a US\$ 4.5 trillion investment in infrastructure till 2040, to sustain and advance its economic development. The *Survey* argues that while India can cater for US\$ 3.9 trillion out of this US\$ 4.5 trillion infrastructure investment requirement, the financing gap will likely amount to US\$ 526 billion by 2040.¹³ In this regard, support from MDBs and the bilateral ODA will be critical for bridging the financing deficit. India has already emerged as the leading borrower from MDBs including a cumulative US\$ 108.2 billion from the World Bank (International Bank for Reconstruction and Development (IBRD): US\$ 57 billion, and International Development Association (IDA): US\$ 50 billion);¹⁴ approximately US\$ 40 billion from ADB's sovereign lending with focus on transport and energy sectors;¹⁵ and US\$ 1.76 billion from the AIIB. In terms of bilateral aid, Japan has emerged as the largest bilateral donor to India.

Japan, Infrastructure Financing and Institutional Statecraft

Export of infrastructure systems by way of utilisation of Japanese technology and know-how has emerged as a key component of Japan's economic policy. The *Japan Revitalisation Strategy 2013* outlines a target of tripling infrastructure sales to ¥30 trillion by 2020, as one of the anchors of its national growth strategy. In this regard the *Infrastructure System Export Strategy* was formulated, founded on the pillars of promoting public and private sector cooperation to increase the competitiveness of Japanese companies and support the entry into new frontiers.¹⁶ Japan supported the strategic use of ODA loans and JICA's Private Sector Investment Finance, in addition to grant aid and technical cooperation. Furthermore, Japan reformed trade insurance through the Trade and Investment Insurance Act and promoted overseas transport and urban development projects through the Act on the Japan Overseas Infrastructure Investment Corporation for Transport and Urban Development.¹⁷ Meanwhile, policy proposals from Keidanren has stressed the importance of offering a combination of technology

and financing, reflecting private-sector requirements. For instance, to support sustainable urbanisation and transport infrastructure projects in emerging economies, the investment and financing function of the JOIN may be exploited along with other mechanisms such as investment and financing by the JBIC, JICA and the insurance service by the Nippon Export and Investment Insurance (NEXI).¹⁸

As Asia showcases a potential for economic growth, it is identified as a priority in Japan's infrastructure export strategy with focus on Indonesia, Vietnam, India and Myanmar. Japan makes effective use of bilateral ODA loans dispersed through JICA and supports infrastructure projects that are strategically significant through JBIC and helps geo-economically key nations, to establish frameworks for promoting infrastructure development. The JBIC backs expansion of Japanese companies to regions which are strategically important for Japan, by improving its risk-taking capabilities and partnerships with international organisations.¹⁹ But beyond JICA and JBIC, Japan needs to coordinate and make use of its leading position in MDBs, particularly in ADB, to further support infrastructure financing. This will enable the robust economic advancement of the emerging economies on the one hand, and further Japan's own economic, commercial and strategic interests on the other. For instance, JBIC has signed several memorandums of understanding (MOUs) with ADB, including on promoting quality infrastructure investment in Asia-Pacific through sharing of experience and know-how in the infrastructure and renewable energy sector,²⁰ and building a strategic partnership for contributing to 'Enhanced Sustainable Development for Asia', an initiative launched by Japan at the ADB's 40th Annual Meeting in Kyoto. The JBIC also formulated an Accelerated Co-financing Scheme with ADB (ACFA) in 2007 through which ODA loans amounting to US\$ 2 billion was provided over five years, with focus on socioeconomic infrastructure and capacity building.

ADB is instituted under Japanese initiative and Japan enjoys 15.6 per cent of the voting share, along with the US. There is a school of thought which argues that there is a correlation between ADB lending and Japanese foreign aid and trade.²¹ At the ADB,

Japan used its institutional advantage and financial dominance and the ministry of finance was intent on economic returns. Earlier there was tying of Japan's contribution to sectors and geographical areas it favoured to procurement of goods and services from Japanese firms. The ADB abetted Japan's economic interests as its loans went mostly to Indonesia, Thailand, Malaysia, South Korea and the Philippines, with whom Japan had important trade relations and accounted for 78.48 per cent of the over-all ADB loans between 1967 and 1972.²² However, there has been a shift in subsequent years and in recent times only 0.5 per cent of infrastructure contracts are awarded to Japanese companies from ADB since the cost of Japanese quality of projects are relatively high.²³

Till the 1980s, the Finance Ministry's MDB policy priority was to increase Japan's voting power commensurate with its economy, mainly within the G7, while the Foreign Ministry's main concern was to increase Japanese aid volumes. But, by the 1990s, as Japan emerged as the top ODA donor, it started utilising its knowledge and convening power of the MDBs in pursuit of its national interest. A more strategic usage of MDBs is also shaped by the staffing policy in addition to ADB presidency, for instance, sending future senior managers in the International Bureau to hold important appointments in the president's office.²⁴ While the policy discourses within MOFA and METI continued to shape the debate on Japanese ODA, development assistance increasingly emerged as an instrument to promote both economic and political interests.²⁵

The 2015 Development Cooperation Charter argues that a more strategic approach ought to be employed to get the most out of Japan's development cooperation. The Charter articulates that development cooperation is an important instrument of Japan's foreign policy, and while formulating policies and goals concerning development cooperation, it will prioritise in keeping with the strategic importance of the recipient country.²⁶ As regards infrastructure financing, Japan should use its sway in the ADB, besides the bilateral ODA, and harmonise its economic and strategic

interests. It is important to note that even though MDBs are an important source of infrastructure financing, they are also perceived as political tools for great power politics. Great powers including the US, China and Japan, have employed ‘institutional statecraft’ with the aim of expanding their geopolitical influence. The US systematically employed MDBs to contain the spread of communism during the Cold War, for instance, the US used IDA to grant loans regularly to the South Vietnam regime even as the IDA Article of Agreement categorically outlines that:

... the Association and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in this Agreement.²⁷

Another case in point is the World Bank’s close nexus with General Suharto in Indonesia that was aligned with US strategic priorities. The heart of US influence lies in the financial structures of the MDBs. Moreover, the strong influence of US Congress on the governance structure of the MDBs, is also well documented.

Today, with China’s demonstrated leadership in instituting the AIIB, renewed debate regarding institutional statecraft,²⁸ great power politics and role of MDBs have intensified since China is now pursuing alternative ideas aimed at reshaping global governance that echoes Chinese status as a rule-maker rather than a rule-taker. Even though the Obama administration launched a diplomatic campaign to constrain Chinese efforts based on Washington’s concerns regarding dilution of global governance standards, it failed to deter US allies, including South Korea, Britain and Australia from joining the AIIB.²⁹ The economic rationale of addressing the financing deficit in Asia, the limited capacity of existing mechanisms to fund Asia’s infrastructure needs at a time when calls for reform in the MDBs are struggling to make headway enabled China’s pitch for AIIB. This led

not only US traditional allies (except Japan) to join the AIIB but also countries like India as founding members even as it has articulated its reservations with regard to China's Belt and Road Initiative.

Following the institutionalisation of the AIIB, there is a school of thought in Japan arguing that there is a need for smarter policy thinking regarding Japan's prospects on AIIB membership since it will give Tokyo the space to influence the governance structure from within, and further help Japan's infrastructure business by retrieving information from within the AIIB.³⁰ Scholars have evaluated the prospects of Japan joining the AIIB, which would have reduced China share.³¹ Japan with like-minded partners within the AIIB such as India and European countries may together have had a greater share and coordinated their approach, thus moderating the Chinese clout within the Bank. Also, there are arguments regarding Japan's responsibility, as a key Asian power and economy, to become a member, to ensure that the AIIB delivers on regional economic development.³² The establishment of AIIB underscored the need to review the reformation of the international financial order designed by the US. The emerging economies have long articulated their several concerns, including the necessity to expand international financial institutions' loan capabilities and rationalise their operations. ADB President, Takehiko Nakao suggested that governance reforms ought to be deliberated more earnestly in the backdrop of AIIB and the BRICS bank, and that the failure of the present international organisations to embark on internal reforms will impact their influence.

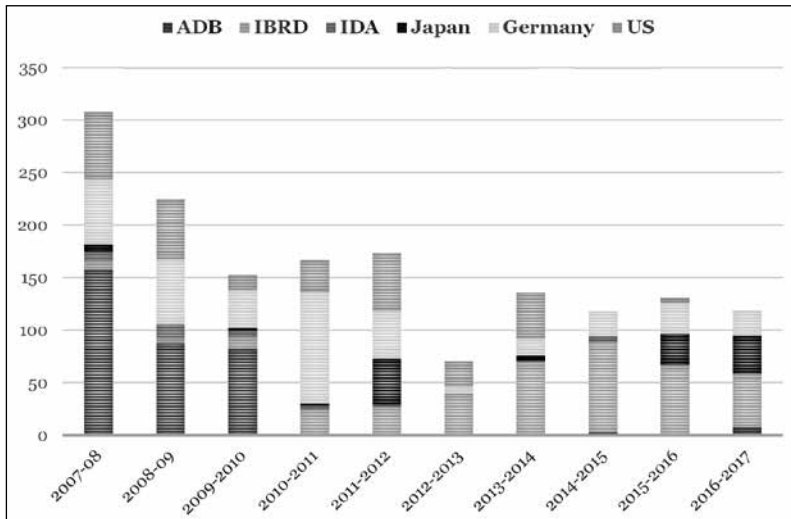
Subsequently, as the ADB debated and initiated reforms by streamlining the loan approval process and expanding the loan amount, it also changed its approach towards AIIB. This marks a departure from questioning its governance standards to developing collaboration, including for instance, co-financing infrastructure projects. For instance, ADB is co-financing with AIIB to support the Green Energy Corridor and Grid Strengthening Project in India. Greater cooperation among MDBs is welcome as it will cater to the

enormous infrastructure appetite of Asian economies and ultimately support the greater objective of enabling these emerging economies to sustain their economic growth and increase Asia's competitiveness in the world economy. India welcomes such collaborations between ADB and other financing mechanisms in pursuit of its economic development. As India aims to modernise by way of sourcing technology and capital, Japan has emerged as a key player in India's modernisation and as a privileged partner in India's Make in India initiative.

Infrastructure Financing in India: Expanding Influence of Japan through ADB and Bilateral ODA

As India's strategic thinking steered through the policy of Look East and Look East 2.0 which further evolved into Prime Minister Modi's Act East policy, Japan evolved from a valuable friend to an indispensable partner, and proved to be a 'key player in India's modernisation'.³³ Japan is increasingly playing an instrumental role in redefining Indian infrastructure. While Japan's contribution in India's high-speed rail, industrial corridors and urban mass rapid transport systems has increased over the years through ODA loans, the EPQI has taken a more comprehensive approach, since it is more responsive to high risk projects and reinforces JBIC's role in supporting private-public partnerships for infrastructure projects. This is a win-win arrangement as the 'Make in India' initiative, contingent on state-of-the-art infrastructure and refining the investment climate, intersects with Japan's EPQI. The convergence of strategic interests between Shinzo Abe's Free and Open Indo-Pacific Vision and Prime Minister Modi's Act East policy have led to a joint India-Japan Indo-Pacific Vision 2025. One of the top five priority areas for India-Japan Special Strategic and Global Partnership is, fostering regional connectivity by building quality infrastructure.³⁴ Supporting regional infrastructure and connectivity both inside India and in the sub-regions of Indo-Pacific including South East Asia, Bay of Bengal, Indian Ocean and collaborative projects in Africa, are of primary importance.

Figure 10.4: Foreign AID Received by India in the last 10 Years

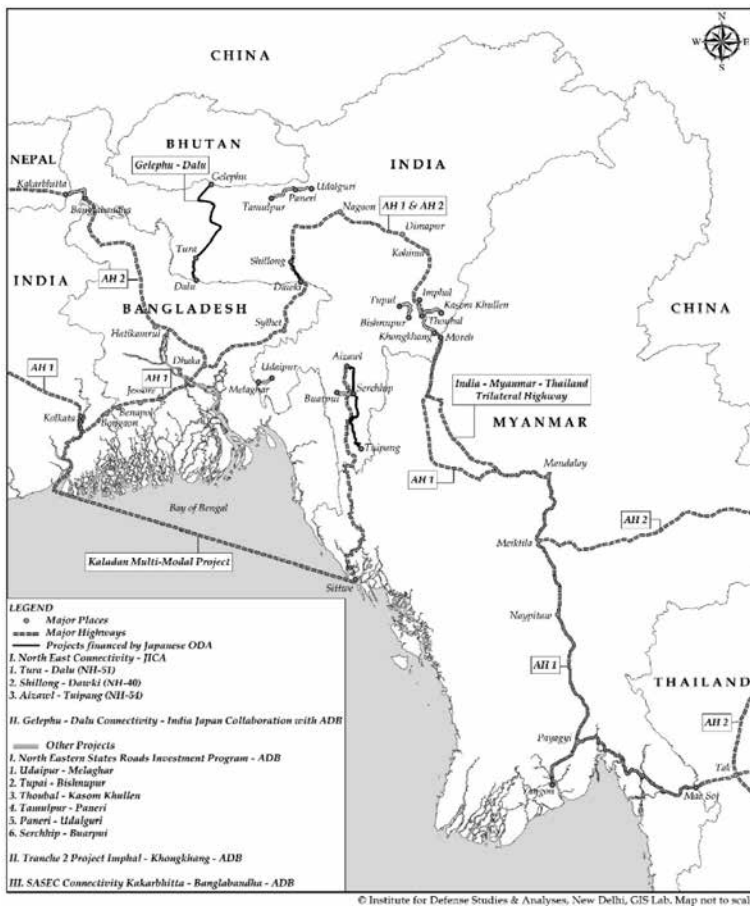


Source: Ministry of External Affairs, Government of India

Japan has emerged as a natural partner for the development of India's Northeast.³⁵ Northeast India constitutes the critical strategic space, between India and South East Asia and situated above the Bay of Bengal, where Japan's Free and Open Indo-Pacific Vision and India's Act East policy converge. With special focus on the Northeast, India-Japan Coordination Forum on Development of Northeast³⁶ was instituted in August 2017. As India and Japan deepen their discussion on Northeast connectivity, identify and plans new projects, creating synergy with complementary ADB projects will be important. This will advance the larger goal of building robust infrastructure within the states of Northeast India and then connecting them to the regional value chains and the emerging markets of South East Asia via the India-Myanmar-Thailand Trilateral Highway, Kaladan Multi-Modal Transit Transport, Asian Highway Network and the South Asia Subregional Economic Cooperation Road Connectivity Investment Programme (SASEC). This will define the success of India's Act East Policy. With the objective of advancing infrastructure and connectivity in South East Asia in keeping with the Master Plan on ASEAN Connectivity

2025 (MPAC 2025), the 2016 Vientiane Declaration on Promoting Infrastructure Development Cooperation in East Asia stresses the need to identify cooperation projects and implement them by accessing financial resources and technical assistance available through the ADB, AIIB, EPQI and India's Credit Line of US\$ 1 billion.³⁷

Figure 10.5: Infrastructure Financing in India's Strategic Northeast

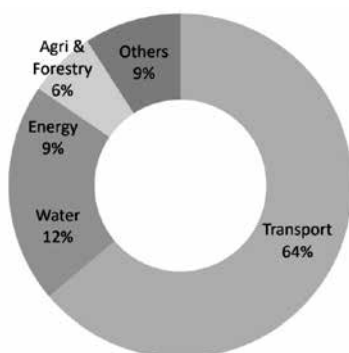


Source: Map prepared by GIS lab, IDSA

Japan has demonstrated its commitment to infrastructure financing by providing ODA loans for the Northeast Road Network Connectivity

Improvement Project Phase I in 2017 which involves the improvement of NH-54 (Aizawl to Tuipang stretch) in Mizoram that would advance Kaladan Multi Modal Transport Corridor connectivity, and also NH-51 (Tura to Dalu stretch) in Meghalaya that connects to the Bangladesh border. This ODA loan is given at 1.4 per cent and 0.01 per cent interest rate for project activities and consulting services respectively with a 30 years repayment period including a 10 year grace period.³⁸ In Phase 2, the NH-40 (Shillong to Dawki stretch) in Meghalaya will witness the widening of roads to two-lane highways of 35.8 km and to four-lane highways of 10.19 kilometres and constructing five new bypasses of 21.4 km in total. In addition, the ODA loan will also be used for laying bypasses on NH-54 in Mizoram. This ODA loan is given at 1.2 per cent and 0.01 per cent interest rate, for project activities and consulting services respectively with a 30 years repayment period including a 10 year grace period.³⁹ In the Northeast, India has benefitted from the alignment of ADB loans. In the second India-Japan Act East Forum, both sides agreed to pursue the Gelephu-Dalu Corridor in collaboration with the ADB. Moreover, Japan has expressed its readiness to proceed with Dhubri/Phulbari bridge project in Phase 3 of Northeast Road Network Connectivity Improvement Project.⁴⁰ Japan has also supported power connectivity by way of renovating and modernising the Umiam-Umtru Stage III Hydroelectric Power Station.

**Figure 10.6: JICA Soft Loans Major Sector
(FY2008/09-2017/18)**



Source: Japan International Cooperation Agency

ADB also advances India's regional connectivity agenda under SASEC which supports linking North Bengal and Northeast of India by improving road connectivity. Under SASEC, ADB is connecting Kathmandu (Nepal)-Kakarbhitta (Nepal)-Panitanki (India)-Phulbari (India)-Banglabandha (Bangladesh)-Mongla/Chittagong (Bangladesh), and Thimphu (Bhutan)-Phuentsholing (Bhutan)-Jaigaon (India)-Changrabandha (India)-Burimari (Bangladesh)-Mongla/Chittagong (Bangladesh). The SASEC corridors in Bangladesh and India are connected with some sections of the Asian Highway 1 and 2 to Myanmar. ADB is also financing improving a section of the Asian Highway 1 connecting Manipur to Myanmar and constructing Mechi River Bridge between India and Nepal along AH-2.⁴¹

Realising India's connectivity with South East Asian markets through the Northeast is accorded priority in India's Act East policy. The Trilateral Highway, which is aligned with the Asian Highways 1 and 2 being pursued by UNESCAP, if extended further to Vietnam through Cambodia and Lao PDR will help India upgrade its economic engagement with South East Asia. In this regard, Japan's horizontal connectivity initiatives in the region thorough the East West Economic Corridor and the Southern Economic Corridor can be useful for India. For the East West Transport Corridor, Japan mobilised resources from both the ADB and also through JICA and JBIC. While the ADB provided technical cooperation for this transport corridor, JBIC offered the financing for the infrastructure, accounting for about four-fifths of the transport infrastructure. ADB gave about 10 per cent of the funding for the infrastructure, primarily for the rehabilitation of Road 9 in Lao PDR between Muang Phin and Dene Savanh, close to the border with Vietnam, and the upgrading of Road 9 in Vietnam between the Lao PDR border and Dong Ha on Highway 1.⁴² This kind of smart and effective cooperation can be emulated in India as it builds mega industrial and transport corridors.

Besides Northeast, India's mega industrial corridors also witnessed substantial interest from Japan. India is developing five industrial corridors with the aim of providing impetus to

Table 101: Financing in Northeast through ADB and JICA

North Eastern States Roads Investment Program (ADB)	Udaipur-Melaghar (Tripura) Tupal-Bishnupur (Manipur) Thoubal-Kasom Khullen (Manipur) Tamulpur-Paneri (Assam) Paneri-Udalguri (Assam) Serchhip- Buarpui (Mizoram) Imphal- Khongkhang (Manipur) Kalitakuchi – Barpeta (Assam) Bilasipara– Fakiragram (Assam) Melli-Nayabazar (Sikkim) Nayabazar- Namchi (Sikkim)
SASEC Road Connectivity (ADB)	Kakarbhatta-Panitanki-Phulbari-Banglabandha
India-Japan Collaboration with ADB	Gelephu-Dalu Corridor
Northeast Connectivity (JICA)	Tura-Dalu Shillong-Dawki Aizawl-Tuipang

Source: Asian Development Bank and Japan International Cooperation Agency websites.

manufacturing as the key economic driver and connecting manufacturing hubs with regional markets through a robust network of roads, railways and ports. ADB has supported studies on transforming transport corridors into economic corridors, by linking present and planned transport corridors with the Delhi-Mumbai Industrial Corridor, the Bangaluru-Chennai Economic Corridor, the Amritsar-Kolkata Industrial Corridor and the corridors in the Greater Mekong Sub-region.⁴³ While the Japanese bilateral ODA enabled the Delhi-Mumbai Industrial Corridor and the Western Dedicated Freight Corridor, ADB is financing sections of the East Coast Economic Corridor, India's maiden coastal corridor. While the ADB is assisting India in the Visakhapatnam-Chennai Industrial Corridor section, JICA is building the Chennai-Bangaluru Corridor.

In this regard, the Chennai port operations have got technical assistance from JICA to reduce transit time and for efficient cargo transaction. The East Coast Economic Corridor will further push the Mekong-India Economic Corridor (MIEC), which has been identified by the ADB, passing through Ba Ria-Vung Tau and Ho Chi Minh in Vietnam, the MocBai-Bavet border, Phnom Penh in Cambodia, the Poipet-Aranyaprathet border, Bangkok, Kanchanaburi, Dawei and connecting to Chennai.

Way Forward

As India and Japan deepen their discussion on advancing infrastructure development and identify and plan new projects within India and in the region, it will be useful to create synergy with complementary ADB projects. India is JICA's largest development partner in the world and 64 per cent of the ODA loans in the last decade have been diverted to the transportation sector.⁴⁴ Meanwhile, ADB in India has also prioritised the transportation and energy sectors. ADB transportation projects lay emphasis on promoting connectivity along important corridors and state and district-level networks. The Country Operations Business Plan (COBP) 2018–20 indicates that around 84 per cent of the proposed programme will support inclusive access to infrastructure and services.⁴⁵ As the transportation sector is accorded importance by both JICA and ADB in India, creating synergy will help realise the objective of constructing infrastructure within India and then connecting them to the regional value chains, industrial networks and emerging markets of South and South East Asia. India and Japan as two major Asian powers and economies have engaged in forward thinking while designing their 'action-oriented partnership'. As India has emerged as an important pillar in Japan's Free and Open Indo-Pacific Vision, it is in Japanese interest to support an economically strong India which will serve as the artery of growth and prosperity in the Indo-Pacific. Japan is in a good position not only to employ its infrastructure financing policy through ODA and EPQI, but also align it with its influence within the MDBs to help India realise its growth potential.

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Infrastructure Investment: EPQI, BRI and the Emerging Asian Contest

Amrita Jash

Introduction

In the current times, Asia exists in a state of ‘infrastructure imbalance’. Wherein, on the one hand, it is the world’s fastest-growing region, it is on the other hand facing the challenge posed by the “infrastructure gap” between demand and supply of transport, energy and communications networks—that are essential for sustaining the growth of the region. Highlighting these aspects, the Asian Development Bank’s (ADB) 2017 Report on “Meeting Asia’s Infrastructure Needs” categorically pointed that: Developing Asia will need to invest “\$22.6 trillion, or \$1.5 trillion per year” from 2016 to 2030, with climate-adjusted estimate as US\$ 26 trillion from 2016 to 2030, or US\$ 1.7 trillion per year.¹ Of which, the sector-wise break up over 2016–30 will be: US\$ 14.7 trillion for power; US\$ 8.4 trillion for transport; US\$ 2.3 trillion for telecommunications; and \$880 billion for water and sanitation.²

Currently, the region annually invests an estimated US\$ 881 billion in infrastructure (for 25 economies with adequate data, comprising 96 per cent of the region’s population), wherein, the infrastructure gap amounts to 2.4 per cent of the projected GDP for period, 2016 to 2020, including climate mitigation and

adaptation costs.³ The situation in Asia is similar to the rest of the world's infrastructure investment needs. As noted that the world currently invests US\$ 2.5 trillion a year on infrastructure, but this needs to be raised to US\$ 3.3 trillion a year between now and 2030, to support economic growth and development.⁴ The Asia specific⁵ estimated infrastructure investment from 2016 to 2030, region wise as per baseline estimates stands at: Central Asia 6.8 per cent; East Asia 4.5 per cent; South Asia 7.6 per cent;⁶ South East Asia 5 per cent; the Pacific 8.2 per cent and; Asia and the Pacific 5.1 per cent.⁷ While the sector wise infrastructure investment needs in Asia, as per the ADB report is: power 51.8 per cent; transport 34.6 per cent; telecommunications 10.1 per cent and; water and sanitation 3.5 per cent.⁸ Given these statistics, it is important to note that there is an existing asymmetry between the demand and supply chain in infrastructure. As noted, the total investment gap, based on the annual average projected GDP from 2016 to 2020 is 1.7 per cent, while the climate-adjusted estimates stand at 2.4 per cent of GDP.⁹ These estimates, suggest that the growing infrastructure gap poses a great challenge to Asia, the world's fastest growing region. They also highlight the critical role of infrastructure investment for supporting sustainable economic development in the region. Given this correlation, Jin Liqin, president of China's Asian Infrastructure Investment Bank (AIIB) posits that, "there is empirical evidence of a link between economic growth and infrastructure investment".¹⁰

Strong economic growth, a growing population and evolving demographic trends such as urbanisation are a few of the themes that define Asia, but they also directly contribute to another theme, such as, "the need for greater investment in infrastructure across most countries in the region".¹¹ Furthermore, what also contributes to the 'gap' is that the challenge to the infrastructure investment is not only a "quantity issue but also a quality issue".¹² The low quality transportation, energy, and information and communication technology (ICT) infrastructure which is mainly concentrated in emerging markets of the region, significantly contributes to increasing

costs, lowered productivity and disruptions in the economy and businesses.¹³

In this context, the new global and regional economic environment in the backdrop of the global financial crisis has resulted in the need for infrastructure to be “climate proofed”, which is further exacerbated by the shift towards “green sources”.¹⁴ This has led to the emergence of new initiatives and actors in Asia’s infrastructure development landscape—the most notable of these being the China-led Belt and Road Initiative (BRI), which was launched in 2013 to support regional infrastructure. This initiative has been backed by the creation of the Asian Infrastructure Investment Bank (AIIB) in 2015, which specifically aims to fund infrastructure projects in the Asian region. In 2016, AIIB began operations with a capital of US\$ 100 billion and extended US\$ 1.7 billion in loans in its first year of operations.

Furthermore, to bridge the infrastructure investment gap, Japan in 2015, launched its “Partnership for Quality Infrastructure” initiative (PQI) with a US\$ 110 billion fund, which was upgraded to the Expanded Partnership for Quality Infrastructure (EPQI) in 2016. This funding was further increased to US\$ 200 billion, for building infrastructure in Asia. In addition, the Japan-driven ADB also raised its lending to 17 per cent in 2016—marking an all-time high—to counter the China-led AIIB.¹⁵ More recently in 2017, Japan and India flagged off a joint initiative under the Asia-Africa Growth Corridor (AAGC). Thus there are three major players—China, Japan and India—in the field of infrastructure investment in Asia.

In this context, the present chapter argues that given the widening infrastructure gap in Asia, there is a new turf war playing out between Japan and China over EPQI and BRI, and between India and China over the AAGC. Asia is thus witnessing a new geopolitical contest in infrastructure investment. The chapter has three broad themes: First, it undertakes a comparative assessment of the planning and perspective of infrastructure investment by China and Japan in Asia, by examining the parallel dynamics of China’s AIIB and Japan’s ADB; second, the operational aspects are studied

by drawing parallels between China-led BRI and Japan's EPQI and lastly, the emerging geopolitical contest in Asia is analysed by studying the dynamics of the overlapping interests vis-à-vis, infrastructure investment between Japan, China and India. The chapter will also examine the parallel dynamics at play between China, Japan and India under BRI and AAGC.

China, Japan and Asia's Infrastructure Build Up: Two Sides of the Same Coin

New initiatives such as China's BRI and Japan's EPQI reflect the changing dynamics of the infrastructure development landscape, in Asia in three respects. First, they clearly highlight the growing Asian infrastructure demand and the consequent infrastructure gap; second, the new initiatives taken by both new and old actors to fill the gap; and third, the resultant competition for bridging the infrastructure gap,¹⁶ as in the case of China and Japan.

Parallel Dynamics of AIIB and ADB: Planning and Perspective

It is interesting to note that both the ADB in 1966 and the AIIB in 2015 were the responses of Asia's leading economic powers in line with the belief that:¹⁷ first, their own developmental success can be a blueprint for others in Asia; and second, that the existing intergovernmental development banks operating in Asia were dominated by other powers, and did not give Asia's leading powers enough say, and were not focusing enough on the key essentials for development.¹⁸ Similarly, given their common focus on Asia and the global nature of finance, the membership of the ADB and the AIIB is divided into two groups-regional and non-regional. The ADB, has 67 members, of which 48 are regional and 19 are classified as non-regional, while seven of the 10 positions on its board of directors are reserved for regional members.¹⁹ In the AIIB, 44 of the 87 members, are regional and 24 are classified as non-regional members; and nine out the 12 positions on its board are reserved for regional members.²⁰

China and Japan are both focusing on foreign investment because they have excess industrial capacity and foreign exchange because of an extended period of rapid economic growth. However, their approaches are different. For instance, Japan chose to achieve these goals within the extant US-led international system of governance, which automatically gave it credibility thus, reducing the scope for any obstacles being placed in the way of its initiatives. But on the other hand it did expose Japan to US pressure, and consequently, Tokyo had to sign the Plaza Accord in 1985 which led to a sharp appreciation of the Japanese yen, which eventually contributed to Japan's asset bubble and pushed the country into a "lost decade".²¹ However, China, pursued its goals outside the existing international governance system by creating its own institutional framework, such as the AIIB. But this independent and non-western vision has made the world suspicious of Beijing's intentions and this is evident in the obstructions faced by BRI.

The differences are further apparent in how Japan and China perceive Asia within the framework of ADB and AIIB. First, Japan sees a much smaller role for itself than China. Besides, Japan's share in the ADB is less than half that of China's likely share in the AIIB.²² Second, the Japan-led ADB is headquartered in Manila, a full 3,000 km away from Tokyo, while the China-led AIIB is headquartered in Beijing.²³ And third, Japan under ADB integrates Asia with the US-led global order, while the China-led AIIB seeks to diminish the role and position of US in Asia and most importantly, seeks to challenge the prevailing US-led global order.²⁴

However, what holds true is that China and Japan, being the two leading multilateral lenders are not competitors but rather complementary partners in a region, whose funding needs are too great for any one source to fulfil, as noted by the executives of both AIIB and ADB at the 2018 Future of Asia Conference.²⁵ Stephen Groff, the vice president of ADB posited that, "there is a huge need for infrastructure finance, so there is no means of competition".²⁶ Similarly, the AIIB vice president Joachim von Amsberg said that AIIB's focus on meeting the funding needs for infrastructure

projects in Asia is “very critical for stimulating economic and social development”.²⁷ Moreover, China and Japan are the only two players in the region who have the ability to fill the demand-supply gap. This is further exemplified by the strategic priorities of AIIB and ADB on infrastructure. For AIIB, the priority is:²⁸ Sustainable infrastructure, cross-country connectivity and private capital mobilisation. Similarly for the ADB, it is: Regional cooperation and integration, infrastructure development, private sector development and operations and providing financial resources and partnerships for infrastructure investment.²⁹ These complementarities therefore, suggest that the aims of both China and Japan led initiatives are the same, that is, to increase ‘Asia’s infrastructure build-up’. However, the difference lies in the ways and means of meeting ‘Asia’s infrastructure needs’ as witnessed in initiatives such as BRI and EPQI.

Parallel Dynamics of BRI and EPQI: Operational Perspective

In 2013, Chinese President Xi Jinping put forward China’s national strategy of the “One Belt One Road” (OBOR) (*yidaiyilu*) initiative, later renamed as the “Belt and Road Initiative”—a two pronged strategy based on building the ‘Silk Road Economic Belt’ and the ‘21st Century Maritime Silk Road’. This robust initiative aims to connect Asia, Africa, and Europe by land and sea routes, with China as the hub. The “action plan” of China’s BRI, as the Chinese government notes, entails facilitating “connectivity”, wherein:

... countries along the Belt and Road should improve the connectivity of their infrastructure construction plans and technical standard systems, jointly push forward the construction of international trunk passageways, and form an infrastructure network connecting all sub-regions in Asia, and between Asia, Europe and Africa step by step.³⁰

What provided traction to China's BRI strategy was the "Memorandum of Understanding on Establishing AIIB" signed in Beijing by 21 Asian countries on October 24, 2014. This was further followed by the setting up of a US\$ 40 billion Silk Road Fund in December 2014 with investment from the State Administration of Foreign Exchange, China Investment Corporation, Export-Import Bank of China and China Development Bank.³¹ The objective of the fund is to "promote common development and prosperity of China and other countries and regions involved in the Belt and Road Initiative", primarily dedicated to "supporting infrastructure, resources and energy development, industrial capacity cooperation and financial cooperation".³²

At the core of the BRI are six corridors namely the: China-Pakistan Economic Corridor (CPEC); Bangladesh-China-India-Myanmar (BCIM); China-Mongolia-Russia Corridor; a New Eurasia "Land Bridge"; Corridors from China to Central Asia and Western Asia; and China-Indochina Peninsular Corridor. This grand plan is expected to cost more than trillion dollars, although there are differing estimates as to how much money has been spent to date.³³ According to one analysis, China has invested more than US\$ 210 billion, the majority of this being in Asia. To date, Chinese companies have secured more than US\$ 340 billion in construction contracts along the Belt and Road, wherein, US\$ 214.1 billion is the cost of investment and US\$ 347.9 billion have been spent on construction, as of 2017.³⁴

There is also a clear distinction between China's investments inside and outside the BRI, based on investments by state owned enterprises (SOEs) and the private firms. The SOEs have invested over US\$ 250 billion as compared to private firms' investment of over US\$ 150 billion. This suggests that there is a wide gap between Chinese investments under the BRI and others, wherein the projects outside BRI are far higher. Given this asymmetry, it is important to note that under the BRI scheme, it is mostly construction projects which are often mislabelled as that of infrastructure investment. For example, in Pakistan, it is mainly for construction of roads, dams

and coal plants; in Bangladesh it is for railways; in Malaysia it is shipping, while in Indonesia and Egypt the focus is on rail and coal power. The country-specific investment by China under as of 2017, is: Pakistan-US\$ 25 billion; Bangladesh-US\$ 19.1 billion; Malaysia-US\$ 14.7 billion; Indonesia-US\$ 14.4 billion; Egypt-US\$ 13.3 billion; Russian Federation-US\$ 11.5 billion; Iran-US\$ 9.2 billion; Saudi Arabia-US\$ 8.6 billion; Laos-US\$ 7.8 billion and; Philippines-US\$ 6.9 billion.³⁵ In addition, in terms of sector wise distribution, out of China's US\$ 137.8 billion total investment, construction is estimated to be US\$ 207.6 billion, as of 2017.³⁶

According to China's Ministry of Transportation, BRI has achieved major breakthroughs in transportation and connectivity, and has made substantial progress in railways, highways, waterways, civil aviation, and postal services. Some examples of this are as follows:³⁷

First, in terms of planning and docking, the relevant countries have formulated the Greater Mekong Sub-regional Traffic Strategy 2030, the Central Asia Regional Economic Cooperation Railway Development Strategy (2030), the China-ASEAN Transport Cooperation Strategic Plan, and the China-Pakistan Economic Corridor Transportation Infrastructure Special Plan. In addition, cooperation agreements have been signed with 16 countries and two intergovernmental international organisations on docking and transportation.³⁸

Second, the Inner Mongolia Railway, the Yaji Railway and other overseas railways have been built, and the construction of cross-border railways such as Zhonglao and Zhongtai was started. The China-Nepal Railway has been initiated, and the "Central European Train" has started 9000 columns.³⁹

Third, construction of two major highways, namely, the China-Brazil Economic Corridor and the Sino-Russian Heihe Highway Bridge will commence soon. Six transport facilitation agreements have been signed with countries such as Uzbekistan and Turkey; a total of 18 relevant agreements have been arrived at; 356 international road passenger and cargo transportation lines have been opened

and the levels of facilitation of cross-border road transportation are being continuously improved.⁴⁰

Fourth, maritime agreements have been signed with three countries, with a total of 38 bilateral and regional maritime agreements covering 47 countries along the route. Chinese companies have participated in the construction and operation of a total of 42 ports in 34 countries under BRI, such as the Piraeus Port in Greece, the Hambantota Port in Sri Lanka and the Gwadar Port in Pakistan.⁴¹

Fifth, in civil aviation, China has signed air transport agreements with eight countries and regions and added 403 international routes. As of now, bilateral inter-governmental air transport agreements have been signed with 62 countries along the route, with direct flights to 43 countries, with approximately 4,500 direct flights per week.⁴²

Finally, in terms of services, the inter-ministerial contact mechanism of the China-Europe class trains (fast) was established to speed up the normal operation of the export of China-European trains (Chongqing). In addition, China signed cooperation agreements with 21 countries along the BRI route.⁴³ However, China's BRI is also accompanied by concerns relating to a 'debt trap', as noted in countries such as Maldives, Djibouti, Mongolia, Sri Lanka, Montenegro, Laos, Pakistan, Kyrgyz Republic, Tajikistan, and others.⁴⁴

Over time there are growing concerns relating to the BRI, which have resulted in a pushback by countries against Chinese projects. Sri Lanka is one example of the likelihood of a Chinese debt-trap. Wherein, Colombo's inability to repay Chinese loans has forced it to cede control of the Hambantota port and the surrounding territories to Beijing through a 99-year lease. Drawing lessons from Sri Lanka, several countries have rebuffed China's offers to build infrastructure. To cite few examples, the East Coast Rail Link in Malaysia and the deep-water Kyaukpyu port in southern Myanmar are currently being reviewed by the recipient governments.⁴⁵ Pakistan also has recently cancelled the Diamer-Bhasha Dam, a major CPEC project

under BRI. In addition, Nepal has also called off plans for the US\$ 2.5 billion Budhi Gandaki hydropower plant.⁴⁶ These call-offs by the developing countries in Asia rightly reflect the not so ‘win-win’ situation, promoted by China under its BRI framework. These voids then enable other actors to come into play for bridging Asia’s infrastructure gap and for balancing the heavy dependence on China by providing other alternatives. One such alternative is provided by Japan under its Expanded Partnership for Quality Infrastructure policy.

Japan’s Expanded Partnership for Quality Infrastructure

Japan is not a new player in infrastructure investment in Asia; however, its proactive role got an impetus only after the launch of China-led AIIB in 2015. Japanese Prime Minister Shinzo Abe at the 21st International Conference on the Future of Asia, held in Tokyo on May 21, 2015, put forward the idea of building “high-quality and innovative infrastructure throughout Asia, taking a long term view”.⁴⁷ To this end, Abe launched the “Partnership for Quality Infrastructure” initiative to promote “quality infrastructure investment” in collaboration with the “ADB to provide Asia with innovative infrastructure financing at a scale of 110 billion dollars-¥13 trillion equivalent-in total over five years”.⁴⁸ Here, the watchword is ‘quality’-Japan’s key strength, that seeks ensure the “best” quality infrastructure compared to other countries.⁴⁹

However, ‘quantity’ is equally relevant for Japan. In seeking both ‘quality and quantity’, Japan rather than just relying on ODA by JICA, has plans to raise and utilise private funding that includes Public-Private Partnerships (PPP) through the Japan Bank for International Cooperation (JBIC) and Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development (JOIN).

In addition, in December 2016, Japan’s private companies announced the “Japan Infrastructure Initiative”,⁵⁰ to increase public-private partnership in project development, by setting up a special fund that aims to provide a total of around ¥100 billion

(US\$ 878 million) in investments and loans, to support private-sector infrastructure exports—of projects including power plants and railways in Asia, Europe and the United States.⁵¹ Furthermore, in May 2016, Shinzo Abe at G7 Ise-Shima Summit launched the “Expanded Partnership for Quality Infrastructure”. This initiative mainly seeks to encourage Japan’s exports of high-quality infrastructure and enter into win-win relationships that contribute both to domestic economic growth and to economic the development of partner countries.⁵² In view of this, Japan has scaled up its investment in global infrastructure from US\$ 110 billion to US\$ 200 billion—higher than the founding capital of AIIB. In addition, in 2016 ADB increased its lending by 17 per cent from that of US\$ 26.9 billion to US\$ 31.5 billion—that marked an all-time high.

The objectives of the EPQI are three-fold:⁵³ First, increasing the supply of financial resources for infrastructure projects across the world. Under this, Japan seeks to: expand the targeted area from Asia to the whole world (Russia, Africa); and extend its scope across a wide range of infrastructure that includes natural resources, energy and others. Second, take measures for promotion of quality infrastructure investment, by accelerating Japanese ODA Loans; encourage investment and financing by private firms such as JICA, NEXI, JOIN, JICT, JBIC and others. And finally, strengthen the institutional capacity and financial foothold of relevant organisations, including JICA, JBIC, NEXI and JOGMEC and others.⁵⁴

The various successful projects under Japan’s “Quality Infrastructure Investment” include: the Delhi Metro in India; the Ulan Bator Railway Fly-over in Mongolia; and the Vietnam-Japan Friendship Bridge in Vietnam. Most importantly, JBIC has been a key player in expanding private firms’ outreach under PQI/EPQI, as witnessed in major projects since 2016.⁵⁵

Unlike China’s BRI, the Japan-led EPQI has yet not faced any challenges such as a ‘debt trap’, etc. This automatically gives the EPQI a significant edge over the BRI. Furthermore, Japan as an old and trusted player in the region adds significant credibility to EPQI.

The Emerging Geopolitical Contest in Asia

In view of the above, three significant parallels can be drawn between China and Japan's role in infrastructure building in Asia. These are: first, both are oriented towards building international infrastructure; second, both seek to collaborate with other countries and international organisations to address the global demand for infrastructure development; and lastly, both operate through institutions and financial structures, such as Japan's EPQI under the ADB and China's BRI under the AIIB. Most importantly, these similarities are shaping the emerging contest in Asia which is marked by the competition between China and Japan in infrastructure building and the parallel dynamics of Japan's nod for the BRI in combination with the Japan-India AAGC.

Competitive Edge between China and Japan

Given this infrastructure push, it can be said that infrastructure is the "newest turf" for the competition between China and Japan as reflected in two arenas: China's BRI versus Japan's EPQI and the China-led AIIB versus the Japan-led ADB. This competitive factor has significantly changed the dynamics of Asia. To say so, is not to limit the conflict to sovereignty and maritime rights, because China and Japan's regional competition is witnessed in Asia's infrastructure build-up. According to Jeff Kingston the "'Rail Wars' between China and Japan are a battle for influence in the region that is way more important than just sales and profits".⁵⁶

Thus, significant parallels can be drawn between China's BRI and Japan's EPQI, which can be understood in terms of the projects that appear to be competing with each other.⁵⁷ These are:⁵⁸ First, the upgrading of sub-regional cooperation in the Greater Mekong Sub-region (GMS). Wherein, China launched the Lancang-Mekong Cooperation (LMC) Framework under its BRI policy,⁵⁹ while Japan at its end, initiated the New Tokyo Strategy 2015 for Mekong-Japan Cooperation (MJC 2015).⁶⁰ Second, China and Japan are involved in strong competition over bidding for rail projects in Asia. China secured the deal build to build Indonesia's first high-speed

train: the Jakarta-Bandung high-speed rail line—a US\$ 5.5 billion project that is to be mainly funded by a loan from China.⁶¹ For its part, Japan has signed a memorandum with Thailand for joint investment in a 635 km high-speed rail link between Bangkok and the northern Thai city of Chiang Mai, and a 574 km railway from Ban Phunam Ron, on the border in Kanchanaburi, to Chachoengsao and Aranyaprathet district of Sa Kaeo.⁶² However, this project has been currently suspended.

Another important high-speed railway bid that brought China and Japan face-to-face was the Mumbai-Ahmedabad high-speed rail link in India, wherein Japan clinched a US\$ 15 billion bid against China. For its part, the China Railway Group Limited signed a US\$ 3.14 billion agreement with Bangladesh Railway for the Padma Bridge rail link project. The most noteworthy competition will however be for the high-speed railway project between Singapore and Kuala Lumpur, which has currently been postponed. Another upcoming battle between China and Japan will be for the contract to construct the 1,500 km high-speed rail line between Thailand and Malaysia. In November 2018, given Japan's withdrawal from the contest, China's Railway Construction joined a consortium led by Charoen Pokphand Group to bid for the construction of Thailand's US\$ 7 billion high-speed railway project that will link three major airports.⁶³

In addition to the rail projects, the competition between China and Japan is also seen in other areas.⁶⁴ To cite a few examples: in Bangladesh, Japan has submitted a proposal to finance and build a deep sea port on Matarbari island, in response to the Chinese plan to build another on nearby Sonadia island.⁶⁵ Similarly, in Sri Lanka, Japan is pursuing a plan to build a port and industrial zone at Trincomalee, in response to China's US\$ 1.4 billion project in Hambantota.⁶⁶ Thereby, this competition between China and Japan for infrastructure contracts is directly linked to their common motivation, in order to showcase their power projection in the region and further bolster their slowing economies.

Japan-India at AAGC versus Japan-China at BRI

The most interesting aspect of the rivalry is Japan's manoeuvrings with regard to two significant players: India and China, which can be witnessed in the Japan-India nexus in the AAGC and the Japan-China nexus in the BRI.

Given their convergence of interests for countering China's ambitions, the most significant knee-jerk response of Tokyo and New Delhi against Beijing was their joint proposal to build the "Asia-Africa Growth Corridor"—labelled as the "other" New Silk Road,⁶⁷ by pledging US\$ 200 billion towards it.⁶⁸ The idea was first mooted in the India-Japan Joint Declaration issued by Prime Minister Narendra Modi and Japanese Prime Minister Shinzo Abe in November 2016—which emphasised on "Free and Open Indo-Pacific Strategy".⁶⁹ The AAGC was flagged in May 2017 by Indian Prime Minister Narendra Modi at the annual general meeting of the African Development Bank (AFDB), which led to the release of a Vision Document entitled "Asia Africa Growth Corridor: Partnership for Sustainable and Innovative Development".⁷⁰ The AAGC vision coincided with China's grand "Belt and Road Forum".

Under AAGC, India and Japan propose to build a sea corridor via the Indian Ocean that integrates the economies of South, South East, and East Asia with Oceania and Africa. Here, the key objective is to create "free and open Indo-Pacific region" by reviving the ancient sea-routes and creating new sea corridors that will link the African continent with India and countries in South Asia and South East Asia putting into effect India's Act East Policy and Japan's EPQI. According to the document, the AAGC would have four main components: development and cooperation projects; quality infrastructure and institutional connectivity; capacity and skill enhancement; and people-to-people partnerships.⁷¹ Here, parallels can be drawn with China's BRI that has similar interconnectivity goals in Eurasia—thus, reaffirming India and Japan's counter-balancing strategy.

Japan's agreement to cooperate with China in the BRI marked a turning point after an extended period of reservations. In June 2017,

at the 23rd International Conference on “The Future of Asia”, Shinzo Abe in his speech declared that the BRI holds “the potential to connect East and West as well as the diverse regions found in between”.⁷² However, Abe’s decision to join BRI came with certain clauses that emphasised,⁷³ ‘harmony with a free and fair trans-Pacific economic zone; that the infrastructure built will be open to use by all, developed through procurement that is transparent and fair,’ and that the projects will be economically viable and financed by debt that can be repaid, and not harm the soundness of the debtor nation’s finances.⁷⁴

Though still at its formative stages, what is important is that Japan’s willingness to join China in the BRI has provided an impetus to Asia’s much needed infrastructure. In this regard, one significant step taken by the two countries is an agreement to set up a “private-public body” to promote joint operations in third countries as part of China’s BRI.⁷⁵ In this respect, a high-speed rail project in Thailand is their first joint infrastructure project abroad. What it implies is that by joining BRI, Japan seeks to expand its own multinationals in other countries. This helps to advance Tokyo’s own broader economic ambitions in Asia, because even though Japan is ambivalent about the BRI it “doesn’t want to be left out and miss some of the opportunities or advantages” that BRI offers.⁷⁶ To cite an example of how Japan and China could work together: Japanese logistics firm Nippon Express joined hands with the Kazakhstan state railway company to move cargo through the vast, resource-rich Central Asian country.⁷⁷ This could then facilitate Japanese business in the oil-rich country, which is a critical central station along the New Silk Road.

Conclusion

Thus overall, it can be clearly stated that Asia’s infrastructure needs versus its investment agencies are changing the dynamics of power play in Asian region. The competition and engagement in Asia among the main actors namely China, Japan and India have redefined infrastructure as the new arena for turf wars as well as a platform for cooperation, wherein the aspirations are same but

the approach is different. This is apparent in the parallel dynamics between China-led AIIB and BRI and that of Japan-led ADB and EPQI. These systemic dynamics have provided a new impetus to the emerging Asian context in two respects. First, China and Japan are constantly chasing their mutual interests by means of competition, cooperation as well as strive for common development. However, as the two biggest players in Asia, collaboration between the two countries is a boon for Asia's infrastructure needs.

Second, India though a nascent player, is emerging as a key player after China and Japan. In this regard, the Japan-India led AAGC has provided platform for the two countries to act in collaboration not just in Asia but become a strong pillar of infrastructure investment in Africa. This has widened the scope of engagement between Japan and India in the recent years that is similar to China-Japan's collaboration in third countries under BRI. Japan and India can also take such initiatives for filling the infrastructure gaps in countries such as Nepal, Bhutan, Maldives, Myanmar and others which have called for a push-back against China's BRI. It also provides an opportunity for India to fulfil the infrastructure needs of its North eastern region as well as its extended South Asian and South East Asian neighbourhood. Such a proactive engagement will automatically provide an impetus to India's role in Asia, as well as its neighbourhood, in particular. That is, the infrastructure investment by China, Japan, and India, being the three major countries in Asia, therefore, provide Asia with an opportunity to develop its infrastructure and become an economic powerhouse.

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PART - IV

Infrastructure and Maritime
Congruence in Indo-Pacific

India-Japan Strategic Partnership: Imperatives for Ensuring ‘Good Order at Sea’ in the Indo-Pacific

Abhay Kumar Singh

Introduction

The peace and prosperity of the Indo-Pacific region were the special focus of the Defence Minister Level dialogue between India and Japan held in August 2018.¹ The convergence of the geopolitical vision between Delhi and Tokyo has been a major factor in the evolution of the cognitive map of an integrated Indo-Pacific region, transcending the perceived cartographical boundary between the Indian Ocean and the Pacific Ocean. A critical milestone in shaping the extant idea of the Indo-Pacific in policy circles was the allegorical reference to the ‘Confluence of Two Sea’ in Prime Minister Abe’s speech to Indian Parliament in 2007, to highlight growing economic and strategic convergence between the Pacific and Indian Ocean rim.

It needs to be noted that the extent idea of Indo-Pacific is, in essence, a rediscovery of strategic homogeneity in Maritime Asia, which had historically existed through the interlocking of several social and economic interactions, through land and maritime links. The imperatives of growing trade interdependence and the resultant need for ensuring ‘Good Order at Sea’ to ensure un-interruptible maritime trade flows were the key factors for its re-emergence in the globalised post-Cold War world. As a maritime nation, India and

Japan have a significant convergence of vision for ensuring ‘Good Order at Sea’ in the Indo-Pacific realm. The Tokyo declaration for the “India-Japan Special Strategic and Global Partnership” signed in September 2014, signified the convergence of views on global interests, critical maritime inter-connection and the growing international responsibilities of two countries.²

The chapter, in three parts, explores the evolution and convergence of the cognitive mental map of the integrated Indo-Pacific region between New Delhi and Tokyo. The first part explores the convergence of Indo-Pacific mental maps in the policy circles of India and Japan and the progressive strengthening of bilateral relations. The second part surveys the regional geopolitical environment and highlights the existing and emerging challenges, for ensuring ‘Good Order at Sea’ in the Indo-Pacific. The third part reviews the strategic approach and policy frameworks of India and Japan for ensuring ‘Good Order at Sea’. The chapter argues that in addition to strengthening their bilateral security cooperation, institutionalising the Indo-Pacific regional framework, should be a priority area for their policy coordination.

India-Japan Relation: Convergence of Indo-Pacific Mental Map

The idea of Indo-Pacific, in essence, is not new. There existed a ‘strategic homogeneity’³ across the maritime littorals of Asia, through interlocking networks of social and economic interactions through land and maritime routes.⁴ Two millennia ago, there existed an integrated maritime trading system supported by predictable monsoon winds that linked the Indian Ocean and the Western Pacific by a sea route to East Asia through the Malacca Strait, on one hand, and to the Persian Gulf and the Red Sea and further to the Roman ports in the Mediterranean, on the other. The colonisation of Asia by a variety of major powers brought newly defined territories into ‘extra-regional’ alliances and dependencies, contributing to the fragmentation of the traditional social and economic networks.⁵

In the aftermath of World War II, and the imperial collapse, the region was “carved up by the boundaries of nation-states, its shared past divided into the separate compartments of national histories.”⁶ The advent of the Cold War strengthened the perception of cartographical separation between the Indian Ocean and Western Pacific with Pacific theatre being a key arena of geopolitical contestation. During the Cold War period, the Western Pacific and Indian Ocean littorals pursued divergent trajectory both strategically and economically. Economically, the robust economic growth of East Asia sharply contrasted with the sub-par economic performance of the Indian Ocean economies. Perception of cartographical separation between its Pacific and Indian Ocean realm had progressively turned into geopolitical reality. The end of the Cold War and the imperatives of globalisation resulted in a significant reconfiguration of the regional geopolitical mental map, which led to the re-emergence of the extant idea of Indo-Pacific. The narrative of the re-emergence of India-Japan strategic partnership has significant resonance with the broader narrative of the evolution of the idea of the Indo-Pacific.

Within the broader construct of the maritime trade network and cultural connectivity within the Indo-Pacific, the exchanges between Japan and India are said to have begun in the sixth century when Buddhism was introduced into Japan. These initial exchanges may have been indirect through sub-regional entrepôts. However, a trade connection between India and Japan had developed by the 16th century.⁷ A common vision of Pan-Asianism brought India and Japan even closer during the early 20th century. In the aftermath of World War II, India eschewed participation in the San Francisco peace treaty and signed a separate treaty of peace and friendship with Japan signifying the normalcy of statehood.⁸ Notwithstanding the prevailing regional perceptions of that time, Japan was invited to the Bandung Conference (1952) in order to build a pan Asiatic community which could be construed in the contemporary paradigm, as a proto Indo-Pacific regional architecture.⁹ However, Cold War dynamics which strengthened the perceived boundary between the

Indian Ocean and the Western Pacific also kept India and Japan, rather aloof from each other.

Geopolitical structural factors, viz. the end of the Cold War; economic imperatives of globalisation; China's growing assertiveness; perception of a power vacuum in the region; India's 'look east' policy—which led to evolution of geopolitical mental maps and the re-emergence of the Idea of Indo-Pacific, were also coincidental factors that brought India and Japan closer, in economic and strategic engagement.

In the aftermath of Cold War, while globalisation contributed to the enhancement of maritime trade, the growing scourge of piracy around critical choke points of the Gulf of Aden and Malacca Straits emerged as major impediments to it. For Japan, as a resource-deficient island state and major economy, the security of her extended sea lanes became a major concern. Similarly, India's growing economic engagement with the Western Pacific had extended her strategic maritime horizon. As a maritime nation, both India and Japan have significant convergence of interests for maintaining 'Good Order at Sea' in the Indo-Pacific maritime milieu. It will be pertinent to recall that the rescue of the hijacked *Alondra Rainbow* in 1999, in a joint Indian Navy and Indian Coast Guard operation highlighted the importance of cooperation in matters pertaining to safety and security of international maritime traffic. The 'Global Partnership of 21st Century' between India and Japan was concluded in August 2000, paving the way for active bilateral security cooperation through the Japan-India Comprehensive Security Dialogue in 2001.¹⁰ The convergence on the issues relating to maritime security and the need for a collaborative approach for combating piracy, led to operational exchanges and joint exercises between Indian and Japanese Coast Guard on a regular basis, from 2003.¹¹ India and Japan also supported regional consultation for an institutional approach for information sharing on piracy from 2003, which resulted in the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against ships in Asia (ReCAAP) and the Information Sharing Centre (ISC) at Singapore in 2006.

The progressive harmonisation of views on regional and global security issues led to the joint declaration on “Strategic Orientation of Japan-India Global Partnership” in 2005, which highlighted “high degree of commonality of political, economic and strategic interests” between both countries. The joint declaration acknowledged the continuing relevance of the annual interaction between the Coast Guards of the two countries and “instructed the Maritime Self Defence Force of Japan and the Indian Navy to enhance their cooperation, including the exchange of views, friendship visits, and other similar activities.”¹²

A new beginning in the defence and security aspects of the India Japan relationship was made with the “Strategic and Global partnership” in December 2006, which is considered to be a major bilateral strategic commitment between two countries.¹³ The strong focus on bilateral cooperation on ‘good order at sea’ was clearly evident as the two sides agreed to work closely:

In order to enhance cooperation in capacity building, technical assistance and information sharing between their respective agencies and undertake anti-piracy measures. They share the view that India and Japan must cooperate closely to ensure the safety and security of international maritime traffic that is vital for their economic well-being as well as that of the region.¹⁴

The seminal relevance in Prime Minister Abe’s ‘confluence of seas’ speech to the Indian Parliament in August 2007, for reviving the Indo-Pacific regional construct has been highlighted earlier. In addition, the joint statement on the “Roadmap for New Dimensions to the Strategic and Global Partnership between Japan and India,” laid out a detailed working plan for sustaining strategic partnership in the long term. More importantly “maintaining the safety and security of sea lanes in the Asia Pacific and the Indian Ocean regions, and fighting against transnational crimes, terrorism, piracy, and proliferation of Weapons of Mass Destruction” were identified as common interests.

On the ground, for the first time Indian navy, JMSDF and the US Navy conducted their first multilateral exercise, *Malabar 07/01* in the Pacific in April 2007. This was followed by the JMSDF, Australia and Singapore naval participation in *Malabar 07/02* in the Bay of Bengal. China objected to these multilateral naval exercises and subsequent *Malabar series* exercises reverted to the bilateral format of naval exercise between Indian Navy and US Navy. Similarly, the Quadrilateral Strategic Dialogue (QUAD) held on the sidelines of the East Asia Summit in 2007, was not followed up due to Chinese objections.

Notwithstanding this temporary setback, the India-Japan defence and security cooperation continued to expand even after the change of leadership in Japan in 2009. The joint statement on an “Action Plan to Advance Security Cooperation based on the Joint Declaration on Security Cooperation between Japan and India” included a senior official 2+2 dialogue (between the two countries’ ministries of foreign affairs and defence); annual bilateral exercises between navies with the acronym *JIMEX* (Japan India Maritime Exercise). Military to Military cooperation further expanded to cooperation between the army and the air force of the two countries.

The progressive convergence in the strategic visions of two countries with regard to the regional maritime strategic environment was evident in the Tokyo Declaration on the ‘India–Japan Special Strategic and Global Partnership’ concluded after the change of leadership in India, between Prime Minister Modi and Prime Minister Abe. The two prime ministers reaffirmed the importance of defence relations between India and Japan, in their strategic partnership and decided to upgrade and strengthen them. The declaration recognised that India and Japan “are joined together by convergent global interests, critical maritime inter-connection, and growing international responsibilities. They share an abiding commitment to peace and stability, international rule of law and open global trade regime.”

The joint statement on, ‘India and Japan Vision 2025’ during President Abe’s visit to New Delhi in December 2015, indicated a clear congruence between two countries, as both:

... resolved to transform the India-Japan Special Strategic and Global Partnership into deep, broad-based and action-oriented partnership. The two Prime Ministers reiterated their unwavering commitment to realise a peaceful, open, equitable, stable and rule-based order in the Indo-Pacific region and beyond. They underlined their determination to expand cooperation with other partners, to enhance connectivity in the Indo-Pacific region.¹⁵

They also resolved to strengthen regional security architecture. The JMSDF had become a part of US-India *Malabar* series exercise in 2015.¹⁶ The vision statement emphasized Japan's continued participation in the *Malabar* exercise.

A shared vision of India and Japan towards ensuring peace, stability, and prosperity in the Indo-Pacific was highlighted during the Prime Minister Modi visit to Tokyo in October 2018 for India-Japan Annual Summit. Joint Vision Statement affirmed that ASEAN unity and centrality are at the heart of the Indo-Pacific concept, which is inclusive and open to all. It was emphasized that

... The two leaders' vision for the Indo-Pacific is based on a rules-based order that respects sovereignty and territorial integrity of nations, ensures freedom of navigation and overflight as well as unimpeded lawful commerce, and seeks peaceful resolution of disputes with full respect for legal and diplomatic processes in accordance with the universally recognised principles of international law, including those reflected in the UNCLOS, without resorting to threat or use of force.¹⁷

During the Summit, both leaders reviewed the progress in implementation of the shared vision.¹⁸ Both leaders reiterated commitment towards working together to promote peace, stability and prosperity, through economic growth and development in the Indo-Pacific, including Africa, by enhancing connectivity through quality infrastructure and capacity building of our partners. Both countries expressed desire to further deepen bilateral security and

defence cooperation. It was highlighted that maritime security cooperation between India and Japan, through enhanced exchanges in expanding maritime domain awareness (MDA) and mutual logistics support in the Indo-Pacific Region, contributes to regional peace and stability. Progress in Defence Equipment and Technology Cooperation was also reviewed during the summit.

‘Good Order at Sea’ in the Indo-Pacific—Challenges and Opportunities

The Indo-Pacific region has emerged as the world’s most dynamic geopolitical zone and is the center of gravity of the world’s economic and strategic interests. The region has close to a half of the world’s population, and some of the fastest growing economies in the world along with the resource-rich the Middle East and Africa. The region also has a high concentration of politically unstable, governance-deficit and conflict-prone national polities, and a high degree of pre-existing international tensions, rivalries, and conflicts.

In this current era of globalisation and trade interdependence, the safety and security of sea lanes of communication are more vital than ever before for the stability, economic growth, and the development of the world. However, it is more important for the Indo-Pacific region, given the distinctive maritime orientation of its trade connectivity. The relative lack of land-based transport infrastructure, both within and between countries, as well as its geography, means that shipping plays an extremely important role in the region. According to a study, shipping density in the Indo-Pacific region has grown by nearly 300 per cent in the last 20 years.¹⁹ The maritime geography of the region creates an arterial form of shipping which concentrates around critical choke points that increases the susceptibility to disruption. The Strait of Hormuz and the Malacca Straits account for nearly 80 per cent of the global energy flows. Any disruption at these choke point can mean a virtual cataclysmic heart attack for the global economy since oil and gas are indeed the oxygen of the global economy. Other critical choke points include the Cape of Good Hope; Bab el Mandeb; Sunda and

Lombok Strait; Makassar Strait. Further to the East, the South China Sea is critical for trade flow for China, South Korea, and Japan. The uninterrupted maritime trade flow is vital for global maritime trade in general and regional economic growth in particular. In addition to the trade, sea-based resources both living (fish) and non-living (petroleum and sea-based minerals) also have significant economic potential for littorals. In addition, the maritime industry and the envisaged ancillary maritime economic activities under the rubric of the blue economy, have given the sea a strategic orientation.

Highlighting the geopolitical importance of the maritime domain in the Indo-Pacific, Geoffrey Till has argued that the “region remains intensely maritime strategically, politically, economically and culturally and so whatever goes on at sea both reflects and helps determine the broader international context ashore.”²⁰ The imperatives of the extensive maritime interests of the littorals and the vital importance of shipping lanes of the Indo-Pacific mandates a focussed approach towards ensuring ‘Good Order at Sea’ in the regional maritime domain.

As a concept:

A good order at sea ensures the safety and security of shipping and permits countries to pursue their maritime interests and develop their marine resources in accordance with agreed principles of international law. A lack of good order at sea is evident if there is illegal activity at sea or inadequate arrangements for the safety and security of shipping.²¹

Good order at sea is an important, yet deceptively complicated concept.²² Considering the transboundary and regional dimensions of the nations’ maritime and collective interest in the preservation of uninterrupted trade, the maintenance of ‘Good Order at Sea’ has been an area of cognitive convergence, fostering maritime cooperation. However, this congenial consensus can change with the revisionist approach taken by an emerging sea power and also with the discovery of a new resource at sea. The polemics emerging

from narrow self-interest often result in geopolitical contestation and manifest themselves in the rising numbers of territorial disputes, which adversely impact the regional maritime strategic environment and lead to a lack of orderliness at sea. In addition, good order at sea can also be put at risk because of increased, maritime transnational crime, maritime environmental destruction, maritime terrorism and piracy.

A new set of challenges to the maritime order has emerged in the Indo-Pacific due to expansion of trade and drive for marine resources. These include simmering geopolitical tensions and strategic rivalry, which threaten maritime security because of the likelihood of conventional conflicts among states. China's insatiable irredentism and flagrant disregard for international law have increased strategic tensions in the South China Sea and the East China Sea, putting at risk critical regional sea lanes, with potentially catastrophic implications for the regional and global economy. The prevailing insurgency in Yemen and Somalia; the ideological transnational terrorist organisations; state failure; civil war; drug trafficking; and piracy and armed robbery at sea, define the non-traditional spectrum of maritime threat. The region is also vulnerable to natural disasters such as the Asian Tsunami of 2004. Climate change and the rising sea levels, pollution, and depletion of living resources have the potential for creating instability in several areas in the Indo-Pacific Region.

Sam Bateman has argued that some of these maritime security issues are indeed a 'wicked problem'. Wicked problems are highly complex issues in terms of policy formulation and are highly resistant to solutions since they involve many causal factors and there are high levels of disagreement about the nature of a problem and the best way to handle them. The effective solution lies in a change in the behaviour and mindset of stakeholders. The maritime security environment of the Indo-Pacific, as per Bateman's arguments includes both tame and wicked problems. Tame security problems also have inherent complexity but are amenable to consensual solutions, through an analytical framework. Non-traditional threats; viz. piracy, terrorism, maritime crime, and humanitarian disaster

relief, could also be described as tame security problems. Major problems include the different interpretations of the Law of the Sea, maintaining good order in regional seas, conflicting maritime claims and managing the risks originating from the interaction of maritime forces at sea.²³ Similarly, divergent interests of littorals, based on the strength and capability of their fishing industry have transformed the issue of IUU (Illegal, Unregulated and Unreported) fishing into another wicked problem.

The most fundamental wicked problem is the lack of regional consensus on the definition of maritime security, which remains dependent on geographical context and the national interest of individual countries. Even among the non-traditional threats, highlighted above, some countries have reservations, while others are uncomfortable with environmental concerns and IUU fishing. Traditional maritime threats, involving defensive measures against military threats and the protection of national interests and sovereignty, are considered national issues. Regional forums have their own limitations in sharing threat perceptions, resorting to preventive diplomacy and implementations of confidence-building measures. In addition, there are significant sub-regional variations regarding the nature of maritime security threats and the criticality of risks they pose to ‘Good Order at Sea’ in the wider Indo-Pacific in general, and the specific sub-region in particular.

It is pertinent to highlight that the key pillars of ‘Good Order at Sea’ are ‘Rule-Based order’ and the quintessential principle, of the freedom of the seas. An even more serious problem for the Indo-Pacific maritime milieu is the waning confidence in the ‘rule-based order’ which is arguably seen most clearly in the current dispute over the interpretation of the rules and principles enshrined in UNCLOS. Even though the legitimacy of rules themselves is not being questioned, the rule-based order is being undermined by the selective and motivated interpretation of rules and norms, along with calling in to question the authority of the widely accepted consensual application and interpretation of rules and norms. These include: freedom of navigation and over-flight; the “lawful”

means of resolving conflicting territorial claims, as well as rights under the United Nations Convention on the Law of the Sea (UNCLOS) regarding the exploration and use of marine resources; the deployment and use of military and paramilitary forces into contested areas; and the management of unplanned encounters between navies and other vessels at sea, including coastguards and fishing boats, in the areas of dispute.²⁴ China's recalcitrant behaviour in the South China Sea and the East China Sea has been a major causative factor for this waning confidence in the 'rule-based order'. While it has refrained from launching large-scale aggression or an all-out military operation, China has used a wide spectrum of the assertive tools of 'grey zone strategy' to progressively shift the status quo in its favour.

In the broader Indo-Pacific region, which stretches from the Persian Gulf to the Pacific, 'Good Order at Sea' is under strain as a consequence of several different, and interlinked factors originating from the wicked and tame challenges of the maritime security environment. While all nations seek a stable rule-based order at sea, the twin factors of nationalism and resources hinder progress towards a collective, collaborative and comprehensive approach to preserve and protect 'Good Order at Sea'. However, a sliver of a silver lining in the larger dark and grim stormy cloud hovering over turbulent regional maritime milieu is the increased awareness and growing concern, within the region and beyond, about the strategic challenges in the maritime domain. Maritime security cooperation has become the cornerstone of the institutional framework of bilateral and multilateral cooperation in the region. Progressively, there is growing cooperation and coordination of efforts in the region for addressing the relatively softer non-traditional security challenges, viz. piracy, humanitarian assistance, disaster relief, search and rescue (SAR) and the threat of maritime terrorism—both at a bilateral level among states and also through the sub-regional and regional institutional frameworks. Similarly, efforts for preventive diplomacy and confidence-building measures for mitigating risks are also intensifying.

It would be unrealistic to expect any concrete and tangible solutions to the plethora of the vexing and wicked problems of regional maritime security challenges, at least in the short term. However, if the situation in regional maritime hot-spots starts getting worse rather than better with ongoing efforts, more innovative systemic thinking would be necessary, both in the policy circles as well as in the strategic community.

India-Japan Strategic Partnership—Navigating Uncertain Future

The strategic dimension of the India and Japan relationship from its tentative beginning at the end of Cold War has grown with the progressive convergence of vision, to the next step of congruence in their strategic approach towards regional and global security challenges. Uncertainty about the rise of China and the resultant power shift in the Indo-Pacific have been a major factor for this strategic convergence since both have unresolved boundary disputes with China and harbour concerns regarding the negative impact of China's growing power and assertive behaviour on 'Good Order at Sea'. However, there is much more substance to the relationship than just the maintenance of the balance of power within the narrow realm of the theoretical construct of a 'strategic triangle'.²⁵

Challenges in the regional maritime strategic environment and common perception about 'Good Order at Sea' have played a pivotal part in shaping the contours of the strategic partnership. Four issues of critical convergence need to be flagged. First, both countries share a mutual understanding of regional and global issues. The common vision for a peaceful, open, equitable, stable and rule-based order in the Indo-Pacific region reflects the core convergence of strategic vision. Second, the safety and security of the sea-lane in the Indian Ocean are inexorably linked with the national security of the two nations. Third, maritime security cooperation plays a pivotal role in bilateral relations.

Along with convergence of vision, India and Japan have progressed towards a common strategic approach. There exist a multitude of channels at politico-strategic and operational-policy

levels, for scoping a suitable collaborative strategy for translating vision into action on the ground. Maritime security cooperation between India and Japan has been strengthened through cooperation on maritime domain awareness (MDA) and mutual logistics support. The Implementing Arrangement for Deeper Cooperation and logistics sharing agreements have been concluded.²⁶ The JMSDF and the Indian Navy have been enhancing operational interactions. In addition, both countries are collaboratively engaging with countries of the Indo-Pacific in order to preserve good order at sea.

There is certainly a consensus among strategic analysts and area specialists that India-Japan strategic partnership has significantly matured in the post-Cold War era. An evolutionary progression from the convergence of vision to a confluence of strategic approach is clearly evident in their declared commitments towards coordinated policy implementation on the ground. Given the bipartisan consensus in both countries regarding the strategic rationale and policy contours of their bilateral relation, there is certainly a degree of confidence and optimism about the positive trajectory of bilateral relations in the future. However, commentators, both in India and Japan, have been highlighting potential areas of concern and the scepticism about the future potential of India-Japan Strategic Partnership.

Some analysts mention the attitudinal difference between both countries, which includes: Deeply entrenched bureaucratic bottlenecks; the residual Cold War strategic culture; the continued sensitivity to China's response; Japan's perceptions about nuclear weapons; India's preference for strategic autonomy; and differing perception of norms of freedom of navigation and overflight in Exclusive Economic Zones.²⁷ Notwithstanding the approach of the current administration in Japan, Indian analysts remain conscious of potential Japanese backsliding, given the internal divisions in Japan and the depth of the Sino-Japanese relationship.²⁸ Similarly, there is some wariness in Japan about India's reluctance to be part of the normative security framework and that India has not yet fully committed itself to the FOIP strategy and the Quad consultations.²⁹

While the India-Japan relationship has the inherent geostrategic imperative of constraining China, deeper complexities within each country limit their ability to support each other. There exist lingering sensitivities in both countries about China's adverse reaction to Japan-India security cooperation.³⁰ India and Japan have also refrained from explicitly taking sides in each other's bilateral territorial disputes with China.³¹ In addition, It has also been argued that the key challenge for both nations is to tide over the mutual indifference towards each other's immediate security environment. Instability in the Korean Peninsula does not hold as much significance for India, as terrorism sponsored by Pakistan, and vice-versa.³²

Shared concerns about the inherent geostrategic design of Belt and Road Initiative (BRI) have resulted in enhanced cooperation between two countries, regarding regional connectivity infrastructure projects which includes Asia Africa Growth Corridor. Both countries have also been supporting each other's connectivity projects. Yet, both India and Japan look at the BRI differently. While India chose to remain outside BRI, citing sovereignty concerns over China Pakistan Economic Corridor; Japan has agreed to cooperate with China (albeit, with "conditions" attached) in the BRI.³³

While defence technology cooperation was expected to emerge as a key pillar of bilateral defence relations,³⁴ the lack of tangible deliverable in defence cooperation, despite a decade long security dialogue has created some discontentment.³⁵ The procurement of US 2 amphibious aircraft has not progressed even after eight years of negotiations, due to pricing and technology-transfer concerns.³⁶ The Japanese defence industry remains wary of participation in the extremely competitive and price sensitive Indian defence procurement process hampered by the added complexity of the cumbersome and complicated bureaucratic procedures and offsets guidelines.³⁷

In international relations, the interpersonal bonhomie and sense of comradeship between the leaders of two nations, is certainly a key factor in fostering bilateral cooperation. While the strategic dimension of India-Japan bilateral relations has strengthened organically, due to structural dynamics of geopolitics and economics, the friendship

between Prime Minister Abe and Prime Minister Modi has injected an unprecedented dynamism into the bilateral relationship between two countries. Although the two prime ministers have laid the solid foundation of strategic partnership, can the relationship between Indian Prime Minister Narendra Modi and Japanese Prime Minister Shinzo Abe go beyond their personal equations? That is the question that will determine whether their shared vision of a long-term strategic relationship between the two countries, will outlasts them.³⁸

The chapter recommends three key focus areas for furthering their common strategic interest of ensuring good order at sea in the Indo-Pacific.

- First relates to security cooperation between the two countries. While there is inherent risks in emphasizing or overemphasizing defence trade and joint production due to policy and procedural complexity, keeping this issue in the background will not be helpful. Preservation of good order at sea requires the constant presence of naval power. Given the multitude of strategic challenges, this will entail cooperative effort and burden sharing among key sponsors. India-Japan cooperation in capacity building is essential, both bilaterally, for augmenting Indian capabilities and in partnership to develop resistance and resilience in weaker states. While both countries acknowledge the importance of military technology cooperation in strengthening the strategic partnership, there is a need to move forward on this in an expeditious manner.
- The second focus area should be regional connectivity infrastructure which is a key factor. According to the Asian Development Bank report, the region will need an estimated US\$ 1.7 trillion in annual infrastructure investment. India alone will require an investment of US\$ 5.15 trillion in infrastructure till 2030.³⁹ Given their larger geostrategic concerns about the Chinese BRI, India, and Japan need to work towards a transparent and viable alternative, in partnership with other global partnerships. The India-Japan joint endeavour, the Asia Africa Growth Corridor (AAGC) has elicited significant interest

from an infrastructure deficient African region. However, a blueprint of this ambitious programme still remains a work in progress.

- The key traditional maritime security challenge in the Indo-Pacific region is the assertive behaviour of China. Geographical proximity with China and the bilateral territorial disputes add to the strategic dilemmas of both countries. How to motivate China to conform to the rules and norms of good order at sea, remains a more than million dollar question? Because the right answer will be a pointer towards a future of hope and the wrong answer would lead to collective despair.

Conclusion

The chapter has argued that contributory geopolitical factors for the emergence of Indo-Pacific regional construct have been coincidental in shaping the bilateral relationship between India and Japan from a phase of benign acknowledgment to a robust strategic partnership as it exists today. A convergence in their geopolitical maps about strategic homogeneity in maritime Asia has been a key factor in shaping the Indo-Pacific regional construct. As maritime nations with growing maritime interests, India and Japan are major stakeholders in this collective regional endeavour for ensuring good order at sea apart from also being the pillar of its stability and strength. Security cooperation between a proactive Japan and a rising India will be a decisive factor in realising their collective vision of ‘a peaceful, open, equitable, stable and rule-based order in the Indo-Pacific region and beyond’. In addition to the factors of economic complementarity, geopolitical challenges which undermine wider regional strategic stability in general and adversely impact good order at sea, in particular, have significantly contributed to the convergence of strategic vision and progressive confluence of strategy. Notwithstanding the constraints and challenges highlighted in the paper, the bilateral relationship between India and Japan is expected to continue on a positive trajectory. Both countries have transcended even more serious difficulties and divergences in the

past. Therefore, there exist reasons to remain optimistic about the ability of both nation to resolve, or reconcile these structural difficulties through the robust channel of communication, both within government policy circles and within the strategic community in Delhi and Tokyo.

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Chabahar: The Fault-line in India-Japan Infrastructure Cooperation*

Kenta Aoki

Introduction

As Kaplan rightly pointed out, the Indo-Pacific¹ may constitute a map which is as iconic to the 21st century, as Europe was to the last one.² China's attempts at changing the status quo by coercion³ in the East China and South China Seas is posing a threat to international security and stability. By bolstering its naval power and building complementary sea lanes, China seeks to gain more influence in the Indo-Pacific. This interpretation can be evidenced by China's actions towards developing key infrastructure in the coastal areas of Asia under the Belt and Road Initiative (BRI). Moreover, China holds lease rights in the Gwadar port in Pakistan and is promoting the construction of the China-Pakistan Economic Corridor (CPEC), which connects the Xinjiang Uyghur Autonomous Region of China with Pakistan. Besides, it is reported that China plans to operate a naval base in the Jiwani port in Pakistan,⁴ which is located close to the border with Iran. Furthermore, China has established a Chinese People's Liberation Army Support Base in Djibouti in 2017, which will ensure its presence in the Horn of Africa, and consequently guarantee its influence in the entire Africa and Middle East.

On the other hand, Afghanistan, India, and Iran signed a deal in May 2016, for the development of Chabahar port in Iran. In October and November 2017, tons of wheat were shipped from

Gujarat (India) to Afghanistan through Chabahar (Iran). Also, it is worth mentioning that Iranian President Hassan Rouhani participated in the inauguration ceremony of the first phase of the development of the Chabahar port in December 2017, which attracted attention across the world. In fact, the construction of the Shaheed Beheshti port of the Chabahar port, one out of its two piers—is almost complete. Five temporary gantry cranes of the ten existing berths have already been installed and are operational for loading and unloading cargos.⁵ Currently, Afghanistan, India, and Iran are jointly working towards comprehensive development, which encompasses, not only the development of the transport sector, but also the nurturing of heavy industries, such as petrochemical and steel, as well as commercial enterprises.⁶

This chapter argues that Chabahar is strategically important for both India and Japan, and thus it should be considered as the fault-line in India-Japan infrastructure cooperation. The reasons for this thesis will be explained from perspectives of India and Japan respectively, after carefully evaluating the current status of the development of Chabahar port (the first section). In the second section, India's perspective will be analysed. From India's viewpoint, assisting in the development of Chabahar can counter the rise of China in the Indo-Pacific. Second, Chabahar will play a crucial role in the Connect Central Asia Policy (CCAP). When India looks towards Central Asia, the importance of Iran and Afghanistan will naturally rise because Pakistan, located as it is between India and Central Asia, does not allow India transit rights. Third, the Afghanistan factor should be noted because, in recent years, India has made a lot of effort for the reconstruction of Afghanistan to ensure stability and development in the region. In the third section, the reasons for Chabahar's importance for Japan, will come under scrutiny. First, Chabahar can contain China's growing influence in the Indo-Pacific. Second, bypassing Pakistan, the development of Chabahar port will contribute towards stabilising Afghanistan, where Japan has been one of the leading donors and has spent billions of dollars for reconstruction and peace building. Last, but not least, the

dissemination of basic values such as democracy, market economy, freedom of speech, the rule-based order, and basic human rights, in the Indo-Pacific, is considered to be Japan's primary responsibility so as to maintain international and regional order.

After discussing the different perspectives of India and Japan, the fourth section will discuss the challenges and possible scenarios in the future, by closely looking at the multiple complex factors surrounding the port, such as, the relations between regional countries and the impact of international politics. Through these lenses, the chapter will clarify the different strategies of Afghanistan, India, and Iran. The differences between the motives of Iran and India could result in China manoeuvring itself into Chabahar. This view can be further confirmed by the US withdrawal from the Joint Comprehensive Plan of Action (JCPOA) in May 2018, which paved the way for China to step in. Indeed, Chabahar was exempted from the economic sanctions imposed by the United States,⁷ but a fragile US-Iran relationship will still remain a big risk. Chabahar is of geopolitical and strategic importance for the Indo-Pacific as it is situated between the Middle East, South Asia and Central Asia. These factors make Chabahar the fault-line in India-Japan infrastructure cooperation. Taking the US policy towards Iran into account, India and Japan should continue their engagement in the development of Chabahar port.

I. Chabahar as a Strategically Important Port

To understand the significance of Chabahar port, it is necessary to give an overview of Chabahar port, including its historical context and current status. This section will explain the origin, operational capacity and connectivity of the Chabahar port.

Historical Context

The Chabahar port is a deep seaport, located in the Sistan Baluchistan Province, in the south-eastern part of Iran. It faces the Gulf of Oman and is a strategically important port connecting the Middle East and South Asia. Most inhabitants of the Sistan Baluchistan Province

are Baluchis, whose mother tongue is not Persian but Baluchi. The province has been under-developed, compared to Tehran and other major cities in Iran. In the 18th and 19th century, the Chabahar port was a sub-territory of the Omani Empire, the like the Gwadar and Bandar-e Abbas ports. In 1872, Chabahar was incorporated into Iran and became one of the major ports on the Mokran shore. In 1973, the master plan for the development of Chabahar port was proposed, and the development gradually took off. Nevertheless, the revolution in 1979 and the Iran-Iraq war between 1980 and 1988, delayed the project. During the war, the port played an important role in the export and import of goods, because of its location outside the Strait of Hormuz,⁸ but its development was halted. In 1993, a Free Trade Zone was established in the remote Chabahar city thanks to the enactment of the Law on the Administration of Free Trade-Industrial Zones of the Islamic Republic of Iran, following which appeals were made for domestic and foreign investment.

After the September 11, the United States started its air strikes on Taliban, which was controlling most of Afghan soil at that time, and which ultimately led to regime change. In this context, the reconstruction of Afghanistan became a top agenda for the international community including Japan and India. Consequently, the Chabahar and Gwadar ports came to attract more attention than before, because both ports have the potential to provide an alternative sea route for domestic products, such as dry fruits, minerals and natural resources of land-locked Afghanistan. In 2003, India agreed to collaborate in the development of Chabahar port, and then development gathered pace. On May 23, 2016, Afghanistan, India, and Iran signed the tripartite agreement for the development of Chabahar port as was mentioned in the beginning. India announced financial assistance for the Chabahar port and its surrounding and relevant facilities, that amounted to a total of US\$ 500 million. Furthermore, in February 2018, the operational rights of Shaheed Beheshti port were awarded to India Ports Global Limited.⁹

The Current Situation

The development of the Chabahar port is not limited to transport, but extends to land reclamation, installation of gantry cranes, construction of rail, roads, airports and so on. One of its prominent characteristics is that Chabahar port is being developed in a comprehensive manner with multiple elements. In fact, the Chabahar Free Trade Zone (CFZ) is divided into 9 zones, based on the type of item. These products and services include heavy industries, such as a petrochemical complex, a steel plant, trade, tourism, storage and marine industry, etc.¹⁰

Construction of transport infrastructure is going on in different areas. First, although a military airport at Konarak town, which is located to the west of Chabahar Bay, is currently being utilised for commercial jets, it is planned to construct another airport solely for the commercial and tourism purposes.¹¹ Second, the land route is also well established. Roads inside the city are asphalted, and the roads from Chabahar to Iranshahr, Zahedan, Zabul and other neighbouring cities are also asphalted. Besides, an asphalted road from Zaranj, a town on the border with Afghanistan, to Delaram, a town inside Afghanistan is connected with the ring road that was also completed in January 2009 with Indian help. Third, a railway from Chabahar to Zahedan is under construction, and the work is 27 per cent complete.¹² It is expected to be inaugurated by the end of 2019.¹³

Next, it is worth mentioning that the CFZ also has a petrochemical complex and a steel plant. The Negin Mokran Petrochemical Company (NMPC), which operates a petrochemical complex in Chabahar, is currently preparing to install an electricity generator and water conversion machine for the ocean water, required for operating factories.¹⁴ Also, a steel factory is under construction and is expected to be completed by the middle of 2020.¹⁵ Currently, the first phase of the five phases has been completed,¹⁶ and the proposed end port capacity is 8.5 million metric tons (MT).¹⁷

II. India's Perspective on Chabahar

Containing China and Pakistan in the Indo-Pacific

The relationship between India and China is not simple, as India aspires to be a major power not only in the region but also on a global scale since the election of Prime Minister Narendra Modi in 2014. According to Horimoto, in contemporary international relations, India seeks to “play a leading role in the world”.¹⁸ He illustrates the foreign policy of the Indian government, through a strategic matrix (see Table 13.1),¹⁹ which is comprised of three layers: (1) global level (international); (2) regional level (the Indo-Pacific region); and (3) local level (South Asia).

Table 13.1: India's Foreign Policy Matrix (Mandala)

Local	Present objectives (*) with its measure (-) and Future Objectives (☞)
Global	<p>*Multi-Polarization of international system /Rich country with Strong army (Revisionist orientation vis-à-vis Status Quoism of US-The West-Japan)</p> <ul style="list-style-type: none"> - Cooperation with China & Russia (BRICS, SCO) - UNSC seat - Military build-up & Maintaining nuclear weapons - Fortifying diplomatic infrastructure through strategic partnerships <p>☞Major Power for International Order building capability</p>
Regional (Indo-Pacific)	<p>[Asia & Western Pacific]</p> <p>*Relative dominance in Asia & Realization of Sea Power</p> <ul style="list-style-type: none"> - Cooperation with Japan and US in Asia-Pacific vis-à-vis China - Boosting political and economic Act East, Cooperation with ASEAN

	<p>[West: Middle East, East Africa & Indian Ocean]</p> <p>*For establishing predominance in the West</p> <ul style="list-style-type: none">- Counter to China-Pakistan axis including the Belt and Road Initiative- Promotion of cooperation in the Indian Ocean <p>Observation of the Middle East (Saudi Arabia, Indian Overseas with its home remittance, Secure energy resources)</p> <p>☞Major Power in Indo-Pacific region: Dominant power</p>
Local (South Asia)	<p>*Establishing hegemony. Preferably by itself (Status Quoism)</p> <ul style="list-style-type: none">- Coping with the China-Pakistan axis- Economic integration of South Asia <p>☞Maintenance of hegemony</p>

Source: Horimoto, no. 19, p. 476.

Based on this strategic matrix, he points out that, although India is tied to collaborating with China at the global level, India has an ambivalent relation with China and its interests’ conflict with China’s interests at the regional and local level. According to the strategic matrix, India’s motive for developing Chabahar is to “[c]ounter to China-Pakistan axis including the Belt and Road Initiative” and the promotion of cooperation in the Indian Ocean. Thus, the development of Chabahar port can be categorised as an activity to counter China.²⁰

In particular, the Gwadar port that China and Pakistan are jointly developing, is considered to be competing with the Chabahar port, which is a gateway²¹ to the CPEC. The Gwadar port is approximately 160 km to the east, and it is on the Mokran coast in the same way as Chabahar. It used to be an isolated enclave of Oman, but Pakistan purchased it in 1958. In 2002, it was agreed that a Chinese company would construct the port, and the first phase was completed in 2006. For a short period, the Singaporean port authority was given the operation and development rights, but the rights were transferred to a Chinese company in 2013. In short, the Gwadar port has been consistently supported, financed and developed by China.²²

China's national strategy for tackling its Malacca dilemma is to strengthen its naval power and build complementary sea lanes.²³ For this reason, China has been investing in the strategically important Gwadar port, because it is key to the success of the CPEC. China's presence can also be seen in other parts of Asia, such as the Colombo port, the Hambantota port (Sri Lanka), the Chittagong port (Bangladesh), and the Kyaukpyu port (Myanmar). Taking all these developments into account, it would be accurate to state that China is attempting to expand its sphere of influence in the Indo-Pacific.

Connectivity with the Central Asia

India's "Connect Central Asia Policy (CCAP)" makes her support the development of Chabahar port. Although this policy can also be interpreted as part of a containment strategy with regard to China and Pakistan, the CCAP aims to deepen India's relations and connectivity with the Central Asian Republics (CARs) in politics, security, economy, culture and so on. It was originally advocated by Shri E. Ahamed, the then Indian foreign minister, but it has been taken forward by Modi's regime too. From the standpoint of India, Central Asia is crucial for ensuring energy security and access to a vast market. Central Asia is rich in natural resources, such as gas, oil, and minerals, which India wants to import from the CARs. Also, the population of all five CARs is approximately 70 million, which is a fairly big market for India.

Actually, India has been supporting the International North South Transport Corridor (INSTC) initiative and attempting to establish a trade route with Central Asia and the Caucasus region through sea, land, and air. When India eyes Central Asia, Iran and Afghanistan naturally become important because India can only reach there via Iran, given the presence of Pakistan in the middle. The Iran-India Joint Statement in February 2018 lays emphasis on closer and stronger bilateral relations between the two countries. The Chabahar port is expected to play a central and core role in this.²⁴

Afghanistan Factor

Notably, Afghanistan is thought to be one of the main reasons why India supports Chabahar. Afghanistan is a land-locked country surrounded by six countries, and access to the ocean has always been a matter of survival for it. For a long time, Afghanistan heavily relied on Pakistan for transit and trade, but this trend has changed and now it imports more products from Iran than Pakistan.²⁵ Due to a problematic Afghanistan-Pakistan relationship, Afghanistan's economic reliance on Pakistan is viewed with concern inside the country. In short, the opening of a Chabahar route will greatly benefit Afghanistan (see sub-section III for more details).

For India, stabilising a war-torn Afghanistan is a national interest because of security, counter-narcotics and other factors. At the same time, as a major power in world politics, it is one of the top agendas for India. Since 2002, India has provided more than US\$ 3 billion in civil assistance for the reconstruction of Afghanistan. After the withdrawal of foreign combat troops at the end of 2014, India has rapidly increased its presence in Afghanistan. For example, India contributed to big infrastructure projects, including the parliament building (completed in December 2015) and the Salma Dam in Herat Province. It also provided military equipment such as four Mi-25 attack helicopters. It is worth mentioning that its presence in Afghanistan also contributes towards curbing the influence of Pakistan and gives it better access to Central Asia.

III. Japan's Perspective with regard to Chabahar

Containing China's Attempts at Changing the status quo by Coercion

China's aggressive behaviours are creating great security concerns in Japan; therefore, it is imperative for Japan to take a preventative action. The most immediate threat is China's rising sea and air power, which is expanding its operational areas, including the area around Senkaku Islands. Based on its own claims, China attempts

to create a *fait accompli* by conducting its naval ships navigation in waters close to Japan. In the South China Sea, China has installed military facilities such as artillery batteries and promotes the militarisation of islands. For example, China has reclaimed seven features in the Spratly Islands and is transforming these features into military installations.²⁶ Besides, this China is expanding its influence in the Paracel Islands and now controls the Scarborough Shoal too.²⁷ China's growing influence should be interpreted not only on the basis of these expansions in the military sphere, but also in conjunction with infrastructure development and socio-economic sphere. China has a presence in the Gwadar port, Jiwani port (Pakistan), Djibouti, Colombo port, Hambantota port (Sri Lanka), Chittagong port (Bangladesh), and Kyaukpyu port (Myanmar). Furthermore, China is investing in the Duqm port, Oman. In May 2016, China entered into an agreement with the government of Oman to construct an industrial area at a cost of US\$ 107 million. Also, in December 2016, the Asia Infrastructure Investment Bank (AIIB), which China helped establish in 2013 and which commenced operations in 2015, approved a loan of US\$ 264 million for Oman's maritime infrastructure at Duqm port.²⁸ The motives of China are not known, but considering all of these facts, it is not unfair to assume that China has a hidden agenda in the Middle East and Africa.

In response to these moves, Japan has taken several measures. It has donated patrol ships to various South East Asian countries as part of Official Development Assistance (ODA). In January 2017, Japanese Prime Minister Shinzo Abe announced the donation of six patrol vessels to Vietnam, stating this would "flesh out cooperation between Japanese and Vietnamese maritime law enforcement entities".²⁹ Also, Japan signed a loan agreement for the "Maritime Safety Capability Improvement Project for the Philippine Coast Guard", for providing ten patrol vessels for maritime security in the region.³⁰ These ODA projects are primarily aimed at strengthening bilateral relations between Japan and the recipient country, but clearly its agenda could be to maintain rule-based order and to counter China's aggressive behaviour in the South China Sea.

That said, it should be noted that Japan's reaction to the western part of the Indo-Pacific is not so clear. It is true that certain measures have been taken in the East China and South China Seas. Besides, this Japan announced its "Free and Open Indo-Pacific Strategy (FOIPS)" at TICAD in August 2016,³¹ based on Abe's speech at the Parliament of India in August 2007.³² Under the FOIPS, Japan is committed to enhancing connectivity between Asia and Africa to promote stability and prosperity in the region, and identifies the regional key areas as Asia and Oceania, the Middle East and Europe, Africa, Latin America and the Caribbean.³³ The Japan-India Joint Statement on November 11, 2016, clearly states that both countries welcome the cooperation between the two countries for promoting development of infrastructure and connectivity for Chabahar. However, little assistance has been announced from the government of Japan since then. Japan seems reluctant to commit itself to Chabahar. There has been only one grant in assistance from the Japanese government for Chabahar for provision of customs equipment worth JP¥ 800,000,000 (equivalent to approximately US\$ 7 million),³⁴ but nothing else has been implemented so far. It would be fair to judge that Japan's level of commitment is comparatively lower than that of India. This situation could lead to the further expansion of the sphere of China's influence in the future.

State-building in Afghanistan

The Chabahar port will ease Afghanistan's economic reliance on Pakistan, so the development of Chabahar port will be of interest for the region and international community including Japan. Chabahar port is important for Afghanistan for two reasons. First, Afghanistan needs to be self-reliant in order to cease relying on aid from foreign donors. That is the macro-economic policy of the current government too. It is clear that Afghan President Mohammad Ashraf Ghani is focussed on self-reliance. In 2014, there were two big transitions in Afghanistan: security transition and the transfer of power after the election. Ghani is a technocrat with long work experience with World Bank as an economist, and thus he has an interest and expertise in

the economic development of his own nation.³⁵ In his inauguration speech, he stated his vision to transform the Afghan economy from aid dependence to an economy oriented towards exports and benefitting from the geographical advantage of Afghanistan.³⁶ This policy was officially announced as “Realising Self-Reliance: Commitments to Reforms and Renewed Partnership” and endorsed at the London Conference in December 2014.³⁷ Afghanistan accords high priority to regional cooperation and expects Chabahar to play a role as a transit point. Second, Chabahar is important because it will reduce the dependence of Afghanistan on Pakistan. Afghanistan and Pakistan have had a long history as neighbours, and share many similarities of ethnicity, religion, language, and culture. However, both countries have issues too, such as the conflict over the Durand Line. Since 2001, the security situation has worsened in Afghanistan, and the Afghan government has publicly accused Pakistan of providing safe havens to anti-governmental groups such as Taliban. Besides, both countries have occasional border skirmishes too.³⁸ In this context, the expansion of trade through Chabahar port will naturally decrease its dependence on Pakistan, which has a strong influence on the Taliban, which ultimately serves Afghanistan’s national interests.

As Japan has been one of the leading donors for the reconstruction of Afghanistan, ensuring Japan’s presence in Chabahar will surely be of benefit for Japan. The reconstruction of Afghanistan helps stability and security on a global scale and is one of top agendas for the international community. Japan has provided a total of US\$ 5.791 billion in assistance to Afghanistan since 2001,³⁹ which makes Japan one of top donors. Japan hosted the Tokyo Conference on Afghanistan in 2002 and 2012, both of which marked a milestone for development assistance by the international community to Afghanistan. In particular, one of three pillars of Japan’s assistance are on “assistance for Afghanistan’s sustainable and self-reliant development”,⁴⁰ and the Chabahar port development directly contributes to the self-reliance of Afghanistan, because of its nature.

Sharing Universal Values

It is worth mentioning that Japan is calling for “developing an environment for international peace, stability and prosperity, and sharing universal values”,⁴¹ thus, engaging as many countries as possible, serves Japan’s goal. In particular, Iran has one of the longest coast lines facing the Indian Ocean in the Middle East and has a huge potential in the Indo-Pacific region. It is necessary to disseminate Japan’s ideas about democracy, market economy, basic human rights and a rule-based order in the Middle East. This sounds too idealistic, but that Japan lays stress on sharing universal values was sensed on several occasions by the author.⁴² Containing China and the Afghanistan factor might be the top agendas, but this aspect will also not be ignored as Japan attempts to remain a major power in the international order.

IV. Challenges and possible Scenarios

As we have seen so far, there are multiple factors that make Chabahar strategically important for India and Japan. Nonetheless, the strategic thinkers of Iran are slightly different. The difference in the perceptions of India and Iran might pose challenges, as it is likely to bring China into Chabahar port development. This section will discuss the implications of the differing perceptions of India and Iran in terms of the internal factors as well as US-Iran relations.

Different views from Iran

The fact that Rouhani inaugurated the first phase of the Chabahar port in December 2017 shows that Chabahar port development is one of top priorities for the Iranian leadership. First, Chabahar can play a role as the hub in the region. Bhatnagar and John insist that the Chabahar port serves as the hub for major trade connecting Central Asia, South Asia and the Persian Gulf, which is in line with Iran’s vision to be a major power in the region.⁴³ It is likely that Iran has the vision to build connectivity with other countries including India and Central Asia by constructing the INSTC.⁴⁴ Based on this assumption, it is highly likely that Iran plans to expand its influence in the regional economy and play a pivotal role, by utilising the strategic location of

Chabahar port. An underlying cause for this is Iran's heavy reliance on the Bandar-e Abbas port in the Strait of Hormuz. The Shaheed Rajaei port of the Bandar-e Abbas port now handles 56.5 per cent of the cargo of Iran and specifically 86.29 per cent of the container traffic, which needs to be mitigated.⁴⁵ For this reason, it is imperative for Iran to share the burden of Bandar-e Abbas port with the Chabahar port which is not in the Strait of Hormuz.

Secondly, as the Sistan Baluchistan Province is a relatively underdeveloped area, Iran might need it to be developed so that the area will have prosperity, and stability, which will enhance the national integration of Iran as a whole. Amirahmadian states that Iran has a plan to make Chabahar port a success story for city development in the whole of Iran.⁴⁶ In fact, not only infrastructure development but all-round development is ongoing in Chabahar. This demonstrates that Iran envisions creating job opportunities and developing the region at the provincial level. Besides, based on the current tension in the Middle East, this vision implies that Iran has a risk mitigation strategy to develop the region outside of the Strait of Hormuz and prepare for an emergency, keeping in mind Saudi Arabia's confrontation with Iran and the Trump Administration's approach towards Israel.

A fragile US-Iran relationship and its Implication on China

The differences in threat assessment and ways of strategic thinking may well create a division among partners and lead to another scenario: China steps in Chabahar. This view can be further supported by the latest downturn in US-Iran relations. The *National Security Strategy of the United States of America* published in December 2017 clubs together North Korea and Iran, stating that the true threat in the Middle East is Iran.⁴⁷ Besides, in April 2018, Trump appointed John R. Bolton as the National Security Advisor who has a strong anti-Iran mindset, and also appointed Michael Richard Pompeo as the secretary of state, which meant that the major departments in the Trump Administration had anti-Iran officials at the helm. Certainly, the Chabahar port was exempted from the sanctions imposed by the United States,⁴⁸ it is unlikely that Iran will continue depending on

western countries. Rather, Iran is highly likely to reduce its reliance on those who will distance themselves from it and strengthen relations with other foreign partners.

Taking both domestic and international factors into consideration, it is possible that Iran is pushing the development of Chabahar port with assistance from multiple countries in addition to India. In this scenario, the most possible partner for Iran would be China. Actually, the Iranian Foreign Minister Mohammad Javad Zarif stated in March 2018 that, “[w]e offered to participate in the China-Pakistan Economic Corridor (CPEC). We have also offered Pakistan and China to participate in Chahbahar”.⁴⁹ The statement illustrates Iran’s keenness to increase the number of donors and hedge risks. It was once reported that China was ready to offer € 60 million for Chabahar,⁵⁰ and this report also shows that China is not averse to this idea. For Iran, China accounts for 21 per cent of all its exports⁵¹. The friendly relationship of Iran with China is invaluable in the current tough times.

Conclusion

The above analysis of the operational capacity of Chabahar port, the perspectives of India and Japan and the possible involvement of China, reveals that Chabahar can be considered as the fault line in India-Japan infrastructure cooperation. The strategic importance of Chabahar is likely to pose serious challenges for the decision-makers of major powers in the Indo-Pacific, such as the United States, Japan, India, China, Australia and so on. As was seen in the previous section, China, for example, might get involved in the development of Chabahar port, which will require India to take difficult decisions. If the sphere of China’s influence expands to the western part of Indo-Pacific, nobody can guess if its attempts to change the status quo by coercion will be confined not only in the Asia-Pacific region but will also extend to the international level. Currently, the IPGC holds the operational rights of Shaheed Beheshti port for 18 months, but in the long term, decision-makers of Afghanistan, India, and Iran as well as Japan should revisit how to remain engaged with Chabahar.

It is important to understand that Chabahar will play a crucial role in shaping the regional order in the age of the Indo-Pacific. It is usually assumed that Chabahar is a competitor to Gwadar, but it must be said that this understanding is superficial. If Iran's strategic thinking was taken into consideration, both ports could coexist in the future. Both ports have a lot of commonalities and similarities in terms of history, ethnicity, language and culture. This perspective allows for another way of thinking on Chabahar and Gwadar.

Today, the international order is gradually changing, and various powers are seeking to shape a new regional order. One of the main battlefields is the Indo-Pacific. In that sphere, Chabahar will be a matter of discussion. Japan seems reluctant to get involved with Chabahar, due to its relations with the United States, but China's growing influence in the region must be taken into account. Also, it should be noted that supporting Chabahar will contribute to peace and development in land-locked Afghanistan. Interestingly, one of the main reasons why the US exempted Chabahar from the economic sanctions was because of a diplomatic decision that humanitarian assistance to Afghanistan should be continued. Needless to say, it is compatible with the Trump administration's Strategy on South Asia and Afghanistan of August 2017,⁵² which commits putting heavy pressure on Pakistan and maintaining and expanding friendly relations with India. Here, we should take the regional context, i.e. Af-Pak issue, into consideration. Indeed, issues surrounding Chabahar are complicated and the strategic thinking of powers are intertwined, but it is necessary to keep a careful eye on the developments surrounding Chabahar port.

Notes

- * This work was supported in part by a grant from Suntory Foundation, Grant for Interdisciplinary Collaborative Research in Humanities and Social Sciences (FY2017 and 2018).
- 1. The concept of "Indo-Pacific" has gained a momentum since 2011 in the area of security and foreign policy. It usually points to the maritime area from the West Pacific Ocean to the Indian Ocean, but there is no agreed

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 5. Based on the author's observation at Chabahar on February 14, 2018.
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 9. 'List of MoUs/Agreements signed during the visit of President of Iran to India', Press Information Bureau (PIB), Government of India, February 17, 2018 at <http://pib.nic.in/newsite/PrintRelease.aspx?relid=176620>, accessed on January 13, 2019.
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13. Based on an interview with Mohammad Miri, Director of Trade Department of CFZ, at Chabahar, on February 15, 2018.
14. Based on an interview with Jahanbakhsh Jafari, Site Manager of NMPC, at Chabahar, on February 14, 2018.
15. Based on an interview with a staff member of Mokran Steel, at Chabahar, on February 14, 2018.
16. PMO, note 8, p. 22.
17. Chabahar Free Zone, note 10, p. 4.
18. Takenori Horimoto, 'The Japan-India Relation in the era of "Indo-Pacific": Exceeding the framework of Japan, U.S., Australia, and India', *International Affairs*, No. 669, March 2018, p. 38.
19. Takenori Horimoto, 'Explaining India's Foreign Policy: From Dream to Realization of Major Power', *International Relations of the Asia-Pacific*, 17(3), 2017, pp. 463–496.
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China's Maritime Policy in the Bay of Bengal: How does it Affect India's and Japan's Maritime Interests?

Takuya Shimodaira

Introduction

A Chinese six-character proverb says, “If you want to be rich, build a road first” (要想富 先修路). The Chinese President Xi Jinping's Belt and Road Initiative (BRI), which combined the Silk Road Economic Belt with the 21st Century Maritime Silk Road (MSR) has impacted the entire Indian Ocean region. Xi Jinping, at the 19th Communist Party of China (CPC) National Congress on October 18, 2017, stated that China have “become a global leader in terms of composite national strength and international influence by 2050.” The Chinese State Oceanic Administration (SOA) defines the 21st century as “the century of oceans: the status of oceans in national development dominates more than in any other period of human history.” The MSR is developing China's blue economy, maritime security, and international influence under Xi Jinping's strong leadership. The MSR is vital for China's ever-growing wealth.

The Indian Ocean has been a focal area of interest for China to expand its presence. The People's Liberation Army Navy (PLAN) has been incrementally raising the complexity of its deployments, expanding its anti-piracy operations by sending both conventional and nuclear submarines to learn more about the operating environment

in the Indian Ocean. Kyaukpyu in Myanmar, Hambantota in Sri Lanka, Gwadar in Pakistan, and Chabahar in Iran are poised to witness a substantial expansion of China's maritime footprint, for galvanising the Chinese blue economy and maritime security as well as supporting its naval operation.¹

On October 16, 2016, Xi Jinping attended the BRICS-BIMSTEC, (Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation), Outreach Summit, where he highlighted the need to boost the synergy between the BRI infrastructure construction and related BIMSTEC plans. The BRICS and BIMSTEC countries can benefit greatly from this high economic complementarity, and the vast security cooperation potential. On November 12, 2017, at their informal meeting during the 12th East Asia Summit, the Quad countries, Australia, India, Japan, and the United States, also backed strengthening trust and security cooperation in the Indo-Pacific region.

Is this Chinese maritime engagement friendly or does it threaten peace and stability in the Indo-Pacific region? Is it going to be a cooperative or a competitive Bay of Bengal?

This paper analyses the key security trends in the Indo-Pacific region, focusing specifically on the security implications for the Bay of Bengal under the MSR. Moreover, it provides an overview of Chinese interests in the Indian Ocean region and investigates the impact of the increasing Chinese naval engagement and nuclear-armed submarine deployment. Lastly, it outlines the opportunities for Quad's new engagement and India-Japan's security role, for building up trust in the Indo-Pacific region.

Security Implications for the Bay of Bengal

The Indian Ocean is the world's third largest ocean and covers some 20 per cent of the global surface. It is of critical economic and security interest, to regional and extra-regional stakeholders. The Indian Ocean is of immense economic and strategic importance for China. With increasing regional integration, growing demand for maritime technologies, and the emergence of a blue economy, the

Indian Ocean offers several economic opportunities. It is necessary to secure the critical Indian Ocean sea lanes of communication (SLOC) that carry a significant percentage of Chinese and Japanese trade and energy products.

The BRI is mainly focused on Eurasia, while the MSR, the maritime/coastal component of the BRI, focuses on creating a network of ports, through construction, expansion or operation, on the one hand, and the development of portside industrial parks and special economic zones (SEZs) on the other. The BRI is continually expanding its geographic scope and a considerable allocation of Chinese political, financial, economic, diplomatic and human capital is expected to be devoted to the initiative. The BRI has both strategic and economic drivers.² It has improved global connectivity, expanded production and trade chains, and closer overall cooperation. The Bay of Bengal in the Indian Ocean is significant for the following three geopolitical reasons.

First, it houses critical SLOC for the key trade to and from East Asia, South Asia, the Middle East, Africa, and Europe. The safety of the Indian Ocean's SLOCs is of vital importance to the growth of the emerging economies in South and East Asia, as well as the world economy at large.³ It is the main artery for China, going from China's coast to the Middle East, Africa and Europe, through the South China Sea and the Indian Ocean.

Second, it is an emerging market in the Indian Ocean region with a population of some two billion people, most of whom are part of a vast network of 32 littoral states and the growing markets of the highly populous South Asian states such as India and Bangladesh.

Third, it is rich in natural resources including rare earth minerals, above and below the seabed and offshore fossil fuels. Some 40 per cent of the world's offshore oil was drilled in the Indian Ocean basin in 2016. The 2017 annual *Ocean Development Report* reported that China's marine GDP represented 9.5 per cent of its total GDP, in 2016.⁴

While the four seas, the Bohai Sea, the Yellow Sea, the East China Sea and the South China Sea, surround China, it shares land borders

with the Korean Peninsula, Japan, the Philippines and Vietnam. This is in stark contrast to the U.S. and Japanese maritime spaces that are largely open on the Pacific side. As a part of MSR, the situation in the South China Sea and the Bay of Bengal remain complicated in comparison to the Pacific Ocean.

China's BRI White Paper of June 2017, on Vision for Maritime Cooperation under the Belt and Road Initiative, addressed green development by providing concrete policy guidance, setting up monitoring systems and proposing cooperation on environmental improvement.⁵ It defined mutual maritime security as protection against traditional and non-traditional security threats to good order at sea.

On the other hand, some scepticism still persists. In early 2018, ahead of their visits to China, both French President Emmanuel Macron and British Prime Minister Theresa May, declined to sign a memorandum of understanding on MSR with the Chinese government.⁶

The Chinese President, Xi Jinping's speech at The Belt and Road Forum for International Cooperation (BRFIC) on May 14–15, 2017 in Beijing, gave new impetus to the initiative. However, European presence at the event was very low-key. Only one head of state, the Czech president, and the five heads of government of Greece, Hungary, Italy, Poland, and Spain attended. European representatives refused to sign a Chinese-introduced resolution on connectivity and trade, because it did not address social norms and transparency standards. As a result, the proposal was not adopted.⁷

China will significantly expand its diplomatic and economic footprint in the Indian Ocean. The BRI focus is on the connectivity. The MSR's strategic evolution has more recently been characterised by a greater focus on cooperation on green development and common maritime security. The MSR serves as a key assurance for developing the blue economy and bolstering maritime security. China will lead and promote maritime cooperation and governance along its routes and re-shape the future maritime order in the Indian Ocean.

Chinese Interests in the Indian Ocean Region

The Chinese leadership has increasingly turned its attention to promoting its maritime interests. At the 18th CPC National Congress on November 2012, the then Chinese President, Hu Jintao, declared China's ambition to become a strong maritime power.⁸ This ambition was repeated in China's Defence White Paper in 2013 and again in 2015.

China's 2015 Defence White Paper promulgated the new concept of "open seas/far seas protection" for the first time and called for a modern navy, with a combined, multifunctional, and efficient marine combat force structure, which will allow strategic deterrence and counter attack, maritime manoeuvres, joint operations at sea, comprehensive defence and comprehensive support.⁹

China is in the process of expanding its naval power projection capabilities beyond its immediate shores. This indicates that China's interests extend beyond the South China Sea and explains its growing presence in the Indian Ocean. China's growing ballistic and cruise missile build-up, aircraft carrier development, its acquisition of surface and sub-surface combatants, and construction of overseas logistical support bases, all point towards its intentions to build a blue-water navy which can be deployed in faraway seas.

According to the SOA's Ocean Development Report:

... with the expansion of China's national interest and the stable progress of the construction of the Belt and Road Initiative, problems related to the security of offshore energy resources, strategic sea lanes of communication, overseas nationals and legal entities are increasingly evident. [...] Escort missions, civilian evacuation operations, humanitarian assistance and other types of overseas mission are an important mode of protecting national interests and exert international responsibilities. [...] A modern system of naval power and a participation in international maritime cooperation have an important meaning to provide strategic support to the protection of our overseas interests.¹⁰

Ensuring maritime security in the Indian Ocean by accelerating developments is one of China's fundamental interests. Chinese interests in the Indian Ocean are motivated by its geopolitical, economic and security interests. These primarily safeguard its SLOCs, which flow from East Asia and South Asia through the Indian Ocean to the Middle East, Africa and Europe, as well as its maritime-terrestrial supply chains. China has made it a priority to take maritime security in the Indian Ocean into its own hands.

There is little doubt that the overarching objective of the BRI is to use economics to bind China's neighbouring countries with Beijing. China's attempt to gain political leverage over its neighbours is part of Beijing's strategic calculation. The BRI could re-shape the nature of the Indian Ocean region into a more interconnected global commons that could provide a host of new economic and security opportunities. There will certainly be spin-offs in terms of development, connectivity and cooperation. The MSR is destined to serve a range of China's core interests. These include: the development of its more than US\$ 1.2 trillion blue economy; improving food and energy security; diversifying and securing SLOCs; upholding territorial sovereignty; and enhancing its international discourse power.

There are also concerns among some states about the potential security implications of the MSR. Among these concerns is that Chinese control of some strategic seaports, could provide logistical facilities for its expanding blue water navy. The MSR should, in this context be seen as an essential strategic tool for Xi Jinping's goal of making China a "strong maritime country". According to the SOA's think-tank, the China Institute for Marine Affairs, a strong maritime country implies a developed blue economy, strong innovation capacity in maritime science and technology, success in protecting the maritime environment, and a powerful navy.¹¹ The PLA may be regarded as having ambitions to develop a limited power projection capability involving a small force, that can exert influence in Asia and as far as Africa, but not worldwide.¹²

In this context, the construction of China's first overseas military facility in Djibouti is significant. It is possible that Djibouti marks

the beginning of a trend and may be followed by other naval bases or ‘military facilities’ China plans to acquire in the Indian Ocean.¹³ It demonstrates the rise of China as a maritime power in the Indian Ocean as well as its use of naval power to protect its overseas interests. The Djibouti base marks a clear departure from the traditional Chinese line of not deploying PLAN abroad.

Increasing Naval Engagement

The PLAN has shifted to a blue water navy to project power even in distant waters. This shift is crucial for China because its investments through the BRI, require a stronger PLAN, to protect its overseas interests, citizens and assets. The Academy of Military Science’s 2013 *Science of Military Strategy* makes clear that the protection of the sea lanes of communication is important for the navy, and that responding to the strenuous strategic pressure on China’s maritime trade and fishing activities, is becoming a “regular strategic mission” for the navy.¹⁴

A permanent military presence in the Indian Ocean is required to project maritime power. Such a presence would include docking and operational rights at ports, leasing of ports, and the establishment of foreign bases. China has leases on ports in Kyaukpyu in Myanmar, Hambantota in Sri Lanka, Feydhoo Finolhu in the Maldives, Gwadar in Pakistan and Obock in Djibouti. These ports are capable of vastly improving PLAN mobility and refuelling and allow it to project military power and deploy forces all the way from the Chinese coast to the Middle East, Africa, and Europe through the Indian Ocean.

However, except for the Djibouti, all these ports are billed as being solely for commercial uses. Gwadar could be converted into a dual-use port facility by China.¹⁵ China’s efforts to project power in the Indian Ocean are nascent. China needs to have reliable access to the facilities to sustain its military forces. China creates the infrastructures with dual-use purpose in mind. Some characteristics of the increasing Chinese naval engagement in the Indian Ocean are as follows.

First, the deep-water ports could be dual use, which can potentially be used for naval and not just commercial purposes, thus

expanding China's military footprint in the region. The lack of clarity regarding the status of ports make policy making for the region, difficult. Second, as the example of Hambantota shows, China has often used high interest infrastructure loans as barter chips for strategic concessions, demanding operating and ownership rights in ports and terminals in return. Third, as Chinese naval presence and economic interests in the region expand, there are chances that its aggressive behaviour in the Pacific and South China Sea, could spill over into the Indian Ocean region. China relies on a network of host-nation security forces and civilian contractors to protect its key assets and citizens abroad.¹⁶ Djibouti represents a new approach in the Chinese overseas presence, since 2016.

The PLAN's current out-of-area deployments are like those of the Soviet Navy in the wake of the 1962 Cuban crisis. The Soviet Navy used foreign ports, namely in Syria, Egypt, Algeria, Cuba, Guinea Conakry, Somalia, Benin, São Tomé and Príncipe, and Vietnam. Those naval facilities helped the Soviet Union increase its overseas deployments. China could follow the same path to protect its overseas interests. According to the Chinese ministry of defence, the bases will allow China to carry out international obligations through three types of missions: escort as part of an anti-piracy mission; a transit point for peacekeeping; and humanitarian assistance.¹⁷

Chinese anti-piracy operations in the Gulf of Aden constituted a major step forward for the PLAN's new role of protecting trade routes and cooperation with other navies. A Global Chinese presence and the emphasis on Military Operation Other Than War (MOOTW) creates possibilities for cooperation. MOOTW can be understood by the international community as a contribution to international security.

The Academy of Military Science makes it clear that MOOTW are important for testing equipment and boosting the navy's capabilities and that international security cooperation by the navy, provides opportunities to reinforce the country's "power of discourse and influence in international maritime security affairs".¹⁸ Some scholars

see opportunities for cooperation in the PLA's operations abroad.¹⁹ China could be a partner in civilian evacuations, as escorts, and perhaps for maritime warfare Operations.

The Impact of Nuclear-armed Submarine Deployment

James Holmes and Toshi Yoshihara identify three potential actions that could trigger off Sino-Indian hostilities: Forward deployment of Chinese nuclear submarines in the Indian Ocean; the development of a network of Chinese naval facilities across the Indian Ocean; or a Chinese effort to keep India out of the South China Sea.²⁰ The risks and uncertainties of strategic change in the Indian Ocean region are not limited to the shift in conventional military power. A new and dangerous competition is emerging as China, and India in particular, start deploying nuclear weapons at sea.

China has reportedly achieved the ability to undertake nuclear deterrence patrols. China is showing an increased seriousness about enhancing its ability to conduct prolonged submarine operations. Recent long-range patrols by Chinese nuclear submarines, notably in the Indian Ocean since 2013, are signs that the PLAN is testing the operational procedures and endurance of its crew on long-range submerged voyages, such as those conducted by SSBNs.²¹ China is likely to increase its surveillance efforts in the Indian Ocean, so as to collect data about Indian submarine operational patterns and acoustic signatures.

India too has launched its first nuclear ballistic missile submarine, INS Arihant. India aspires to a naval presence in the entire Indian Ocean region by maintaining a blue water navy that is able to defend its interests in the region, and to become a net security provider in the region. This is stated in its 2015 maritime security strategy, which is an updated version of a 2007 publication, *Freedom to Use the Seas*.²² Under this, India is actively expanding its maritime agreements and institutions at both the bilateral and the multilateral levels and collaborating with other key stakeholders in the region to secure its maritime interests. India said, its first domestically built nuclear-powered submarine had recently completed a “deterrence patrol”,

giving it the capability to fire nuclear weapons from land, air and sea in the event of any “misadventure” by enemies.²³ The deployment of nuclear weapons at sea by China and India will cause other powers in the region, including the United States and Japan, to adapt accordingly or bolster their conventional maritime capabilities. This will herald a new era in Indo-Pacific region with echoes of the Cold War, when the United States and Soviet submarines played high-stakes games. The fleets of SSBNs offered the assurance of a second strike in the event of nuclear attack. The sea-based deterrence is unlikely to contribute significantly to strategic stability in the Indian Ocean region. Pakistan and North Korea are also building diesel electric submarines that can carry nuclear weapons. The interplay between the introduction of these weapons and existing regional tensions, in the Bay of Bengal will be significant. The induction of nuclear-armed submarine into the Indian Ocean, will likely result in increased instability and fuel the conventional and nuclear arms races.²⁴

The Indo-Pacific region is becoming the centre of gravity for a global nuclear competition between the six nuclear powers: The United States; China; Russia; India; Pakistan; and North Korea. All are modernising their nuclear forces, and in the years and decades to come, all may have nuclear-armed vessels operating in conditions of tension and mistrust, in the increasingly contested and congested waters.²⁵ Over the next decade, a number of sea-based nuclear weapon platforms in the Indo-Pacific region will be in active deployment.

The introduction of SSBN capabilities will generate demand for improved attack submarine fleets and anti-submarine warfare surface fleets in India, China, and the other countries in the Indo-Pacific region. As the quality and quantity of submarines in the Indo-Pacific region increases, so will the danger of accidental or inadvertent escalation.

Quad 2.0 New Engagement

According to the December 2017 US National Security Strategy, China and Russia were challenging “American power, influence,

and interests” and “attempting to erode American security and prosperity”.²⁶ According to Rory Medcalf, an early advocate of the Indo-Pacific concept, the Maritime Silk Road is an “Indo-Pacific with Chinese characteristics”, as it unites these two regions into a single geopolitical space and seeks to define their strategic dynamic.²⁷ The revival of the informal security dialogue between Australia, India, Japan, and the United States, the Quadrilateral Security Dialogue, or the Quad in November 2017,²⁸ can be seen as a platform for dealing with China’s behaviour in the Indo-Pacific region. The next step should be the creation of a Quad 2.0 with Quad enabler and Quad plus members under China’s rising assertiveness and uncertainties. Working together with Quad 2.0 could enhance the regional balance of power.

First, Quad will enhance the India and Japan cooperation for security and economy under the “Japan-India Special Strategic and Global Partnership”. From the security perspective, India and Japan could enhance their maritime exercises for ensuring freedom of navigation and respect for international norms. The two navies have been coordinating for anti-piracy operations in the Gulf of Aden. Japan is also a permanent participant in the *Malabar* series of naval exercises since 2015, which originally started in 1992, between the Indian and the US Navies in 1992. The India, Japan, and the US trilateral maritime exercise *Malabar 2018* was conducted off the coast of Guam from June 7 through June 16, 2018. This was the first year that the *Malabar* was conducted in the Guam operational area. The two-phase exercise took place ashore in Guam and underway in the Philippine Sea.²⁹

The maritime interactions between the Indian and Japanese militaries have grown tremendously in recent years. India and Japan held the third edition of the Japan-India Maritime Exercise (*JIMEX*) in Visakhapatnam from October 7 to 15, 2018 for the first time in five years.³⁰ The *JIMEX* series is designed to ensure better interoperability, better understanding, and to share best practices. *JIMEX-18* is indicative of a worsening maritime scenario in the Indo-Pacific region and the greater confluence of interest between India and Japan, especially in the defence and security arena.

The revival of the Indo-Japan maritime exercises underlines the growing concern of both countries with regard to the threats to the freedom of navigation and for ensuring respect for international rules in the Indo-Pacific region. Both are intent on partnering with other countries to dealing with challenges that China's rise poses.

From the economic perspective, India and Japan could push for connectivity through arrangements like the BIMSTEC. BIMSTEC is a group of seven nations along the Bay that has essentially been dormant since its inception in 1997. Connectivity projects under BIMSTEC will include building road, rail, and port links connecting India, Bangladesh, Myanmar, and Thailand. Indian investment in the project have remained small, for instance it invested US\$ 224 million in Myanmar in 2015–16, a small amount compared to China's US\$ 3.3 billion investments. Despite being a much smaller and modest initiative, there is enthusiasm regarding BIMSTEC connectivity for two main reasons. First, these are some of the fastest growing economies in the region, with little to no regional integration. Any step towards integration will yield great commercial and economic dividends. BIMSTEC brings together 21 per cent of the world's population and a combined GDP of over US\$ 2.5 trillion. Second, it gives an opportunity to countries like India and Japan to drive regional integration, while smaller countries are provided with an alternative to Chinese investments.

India and Japan are planning to jointly carry out connectivity projects in third countries in the Indian Ocean region. India is also developing the Trincomalee Port in Sri Lanka along with Japan. The India-Japan "vision document" for developing an Asia-Africa Growth Corridor (AAGC) is a response to China's ever-increasing presence in the Indian Ocean region.³¹ India and Japan are well placed to be the key enablers of Quad 2.0 coalition building.

Second, Quad plus member will be the EU, as its Quad naval engagement in the Indian Ocean region has increased. Western allies and partners are increasingly using the term 'Indo-Pacific'. The 2016 EU Global Strategy states that the EU is seeking to be a credible political and security player in the region.³² The EU needs

to start paying closer attention to maritime security and connectivity developments in the Indian Ocean region. As the EU security interests do not always coincide with those of the United States, and the EU may benefit from the opening up of the Indian Ocean region maritime space and the merging with the Eurasian terrestrial security space. This may prove valuable to the EU in that, it may improve the connectivity and stimulate development in Central Asia and South Asia.

From 2018 until 2020, the EU will be the co-chair of the ARF's Inter-sessional Meeting on Maritime Security with Australia and Vietnam. This will allow the EU to play the role of a maritime security coordinator. The EU and ASEAN have been facing common security challenges, due to the increased investment in maritime connectivity in the region.

Third, another Quad plus member will be China. Japanese Prime Minister Shinzo Abe inked a great Agreement with Chinese President Xi Jinping at the 40th anniversary celebrations of the Treaty of Peace and Friendship held from October 25 to 27, 2018.³³ Both leaders agreed to visit each other at an appropriate time and exchange port visits, which will elevate the relationship between Japan and China, to a whole new level. Quad and China have a chance to become part of a Quad-Sino cooperation. Beijing's willingness to challenge aspects of the status quo is notably with regard to its maritime claims. It is true that the security mistrust among the Quad members is largely due to China's growing naval presence in the Indian Ocean.

However, China's policies on facilitating the growth of its blue economy and its construction of a powerful navy are transforming the global maritime environment. China is a potential partner for MOOTW naval operations, such as, civilian evacuations and humanitarian escorts, with counter measures against mines to follow. The Quad and China should view their presence and defence cooperation as a contribution towards preserving peace and stability in the Indian Ocean region.

Trust through Cooperation

China's State Council Information Office issued a white paper on "China's Policies on Asia-Pacific Security Cooperation" on January 11, 2017. China is committed to promoting peace and stability in this region. China is ready to pursue security through dialogue and cooperation in the spirit of working together for mutually beneficial results, and to safeguard peace and stability in tandem with other countries in the region.³⁴ China has made significant progress in its strategic approach to reinforcing and strengthening its rising regional and growing international role, as with the Quad. China's National Development and Reform Commission (NDRC) and the SOA issued the "Vision for Maritime Cooperation under the Belt and Road Initiative" on June 20, 2017. As per this vision China's cooperation priorities are as follows:

Based on priorities to build a mutually-beneficial Blue Partnership, efforts will be made to innovate our approaches for cooperation, set up new cooperative platforms, jointly develop action plans, and implement demonstrative and inspiring cooperative projects. Together, we will embark on a path of green development, ocean-based prosperity, maritime security, innovative growth and collaborative governance.³⁵

It emphasises that enhancing maritime cooperation also enables various countries such as the Quad to jointly tackle challenges and crises, thus promoting regional peace and stability.

The strategic order of the Indian Ocean region is changing and uncertain and has been driven by the rise of China as a great power, the perceptions of the US' relative decline, and the ways in which other Indo-Pacific nations are responding to both these developments. It is clear that the Quad-Sino cooperation will be at the centre of the Indo-Pacific's security future. Areas of cooperation could include security dialogues, intelligence exchanges, military capacity building, technology sharing, agenda setting for regional forums and coordinated diplomatic initiatives to influence both

Quad and Chinese strategic calculations. This would build up regional resilience against the vagaries of Quad-Sino relations. Mutual cooperation and assistance among the Quad-Sino players should expand.

In November 2016, Indian Prime Minister Modi paid an official visit to Japan and had a remarkable summit meeting with Japanese Prime Minister Shinzo Abe. Prime Minister Abe stated that this summit was a magnificent meeting that will inaugurate a “new era in Japan-India relations”. He further hoped the two countries would lead the quest for prosperity and stability in the Indo-Pacific region by coordinating the Japanese “Free and Open Indo-Pacific Strategy”—now termed the ‘Free and Open Indo-Pacific Vision’—and the Indian “Act East” policy.³⁶ India and Japan share complementary strategic visions. Both seek to manage and minimise the potential negative impact of the rise of China and maybe, greater cooperation with China. The emerging strategic relationship between India and Japan is significant for the current and future peace and stability of the Indo-Pacific region. This cooperation will create trust among the Quad-Sino.

Conclusion

China is incrementally increasing its engagement in the Indo-Pacific region. Building port infrastructure is key to the next wave of globalisation. What matters is how these existing projects will change China’s political relations with the related countries and deepen the importance of China as a global maritime player.

The MSR is not an empty slogan and merely a low-cost way to changing perceptions regarding China, or a cover for global naval power projection. The blue economy matters for China’s and regional development. The MSR reflects China’s and regional ambitions for the blue economy. The continuous growth in the blue economy will be supported by the build-up of the naval power and will accompany the ongoing adjustment of its security posture from the regional to a global scale. The MSR has the potential to expand China’s maritime strategic space far beyond its enclosed adjacent waters and co-shape the changing global maritime order.

The last alternative—the Northern Route through the Arctic Ocean, that China dubs the “Ice Silk Road”—is only just starting to take shape.³⁷ The BRI has the potential to give rise to new stresses and strains by adding to geopolitical rivalries and the risks of military miscalculation. The first Silk Road NGO Cooperation Network Forum, which kicked off in Beijing on November 21, 2017,³⁸ provides another window of opportunity to co-shape the regional order of the BRI in these early years.

Chinese maritime engagement has two faces—the friendly and the coercive. However, it is possible to co-shape Bay of Bengal by working together. India and Japan must act more proactively to ensure that both remain not only relevant to the Indo-Pacific region but also contribute to realising a win-win situation. No two nations have as much potential together as India and Japan. Japan could lead the Quad 2.0 in responding to the trend of an increasingly proactive China by embarking on proactive engagement in the maritime domain under the “Free and Open India and Pacific Vision” banner.

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India and Japan in Bay of Bengal: Strategic Convergence to Maritime Security

Madhuchanda Ghosh

Introduction

As global politics enters a new era in the 21st century, in which disputes over resources, will dominate international relations and the global economy, there is a renewed focus on maritime security, freedom of navigation and energy security, triggered by the rapid rise in global energy demand. In this changing global geopolitical scenario, the Indian Ocean is re-emerging as a region of key strategic importance. The Indian Ocean, which has long been considered as a backwater in global geopolitics, is on its way to becoming the nexus of world power and conflict in the coming years as argued by Robert D. Kaplan. Kaplan in his book, *The Monsoon*, argues, “It is here that the fight for democracy, energy independence and religious freedom will be lost or won.”¹ The Bay of Bengal, which constitutes the largest maritime space in the Indian Ocean region, is re-emerging as the key theatre for strategic and economic competition.

For centuries the Bay of Bengal has served as a crucial highway in the maritime domain of Asia. The ‘bay’ was known as the ‘Chola Lake’, during the rule of Chola king Rajendra I (1014–44 AD), which sent naval expeditions as far as the South East Asia.² Strategically located in the middle of the Indo-Pacific region, the

Bay of Bengal is surrounded by such littorals as India, Bangladesh, Indonesia, Malaysia, Maldives, Myanmar, Sri Lanka, Thailand, the two landlocked states of Bhutan and Nepal, as well as large supra-structural bodies such as the: Indian Ocean Rim Association (IORA); the Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP); and the Indian Ocean Naval Symposium (IONS). There are also regional structures such as the: Association of South East Asian States (ASEAN); Bay of Bengal Initiative for Multisectoral Technical and Economic Cooperation (BIMSTEC); and the South Asian Association for Regional Cooperation (SAARC).

The largest bay in the world, this basin is richly endowed with natural resources including some of the world's largest fish stocks. The bay's untapped reserves of natural gas and other seabed minerals have also added to its growing strategic significance. One-fourth of the world's population lives in the seven countries around the bay and half a billion people live directly along its coastal rim.³ The highly populated Bay of Bengal region has the potential to emerge as a new engine of growth as the region has witnessed impressive economic growth, marked by an average growth rate of around 5.5 per cent. The combined GDP of the seven countries: India, Bangladesh, Sri Lanka, Myanmar, Thailand, Nepal and Bhutan, located immediately on and around the bay, is approximately US\$ 2.7 trillion. In spite of the global economic slowdown during 2012–16, these economies were able to sustain average annual growth rates between 3.4 and 7.5 per cent.⁴ The Bay of Bengal's geographical scope is generally defined as a “triangular basin”, stretching west to east between Sri Lanka, Bangladesh, and Malaysia.⁵

As the strategic waterway linking the Indian and the Pacific oceans, the Bay of Bengal is the main route for the energy trade with the East Asia. One-fourth of the global commerce travels through this region every year. Many of the world's largest economies that are focusing on the growing Asian markets are increasingly using the bay's shipping routes for trade with the energy-rich Persian Gulf and the resource-rich Africa. This chapter examines how

India's Act East Policy and Japan's Free and Open Indo-Pacific Strategy, are converging in this key geo-strategic sub-region. It argues that the structural changes in the Bay of Bengal geo-strategic environment as well as the likely traditional and non-traditional threats and challenges, to regional maritime security are compelling India and Japan to come closer and deepen their strategic cooperation, in this sub region. The chapter is divided into four sections:

The first section provides an overview of the changing maritime landscape in the Bay of Bengal. The second section examines the factors contributing to the convergence of the strategic interests of both countries in the region. The third section examines the expanding strategic cooperation between India and Japan for bolstering the maritime security of the Bay of Bengal region, in the backdrop of the changing complex geo-strategic landscape of the Indo Pacific region. The fourth section offers concluding remarks.

The Changing Maritime Landscape in the Bay of Bengal

As the centre of gravity of the global economy shifts from Europe to Asia, the growing integration of the bay's littorals with the global economy and the economic dynamism of the region, have imparted new emphasis to the issue of energy security and the securing of the strategic energy supply routes in the Indian Ocean region. The Bay of Bengal, the eastern part of the Indian Ocean's geographical centrality to the maritime highway of global trade and energy flows, has factored in the projection of both soft and hard power by regional and the extra-regional actors. These range from the formation of new strategic partnerships, in maritime trade, Humanitarian and Disaster Relief (HADR) exercises and to the active demonstration of combat power. As major maritime powers in the Indo-Pacific region, India and Japan are increasingly focusing on the changing complex maritime landscape of the Bay of Bengal. The most imperative strategic feature of the Bay of Bengal, for both India and Japan, is that it is a key area for the Sea Lanes of Communication (SLOC). The bay sits astride one of the most important SLOCs, the Strait of

Malacca, which is the world's second-largest oil trade chokepoint after the Strait of Hormuz.⁶

Thousands of container ships, oil tankers and bulk carriers cross the Bay of Bengal around the tip of Sri Lanka and India, en route to, and from China, Japan and other East and South East Asian countries, via the Strait of Malacca. The tanker traffic through the Malacca Strait, leading into the South China Sea, is three times greater than the Suez Canal traffic and well over five times that of the Panama Canal.⁷ Given the strategic importance of the Strait of Malacca, the US Energy Information Administration (EIA) has termed it the primary maritime “choke point” in Asia. According to the EIA, in 2016 about 16 million barrels of crude oil passed through the Strait of Malacca every day, which is set to climb, as oil consumption in the growing Asian economies is rising rapidly.⁸ China alone will account for one-third of that increase and much of the additional supply will be imported from the Gulf and Africa. The Strait of Malacca is the vital lifeline for the international trade of both India and Japan. This maritime choke point⁹ constitutes Japan's main trade route from Europe and the Middle East. India and Japan's strategic interests in the Malacca Straits are based on three factors: economic; safety of navigation; and maritime security. There are two main reasons why this SLOC is often the preferred choice for Japanese and the Indian trading companies. The Strait of Malacca makes for the shortest sea route between the Persian Gulf and the key Asian markets. Rerouting the ships around the Indonesian archipelago, such as through the Lombok Strait between the Indonesian islands of Bali and Lombok, or through the Sunda Strait between Java and Sumatra, would translate into major financial costs and delays for India and Japan. It would add to the shipping costs of India and Japan and potentially affect energy prices in the two states.¹⁰ Using the Malacca Strait saves travel time and reduces costs.¹¹

Converging strategic interests in the Bay of Bengal: Key Drivers

India and Japan's strategic interests converge on the issue of enhancing the maritime security and the safety of navigation in the

Bay of Bengal. The issue of maritime security figures prominently in the security dialogue between Tokyo and New Delhi, given that the economies of both countries are heavily dependent on sea-based transport and the supply of oil from the Persian Gulf. Securing energy supply routes in the Bay of Bengal is, therefore, a core strategic interest for both. A key component of India's Act East Policy (AEP) has been to expand maritime security cooperation in the Indian Ocean region. India's renewed focus on maritime security and regional stability in the Indian Ocean maritime domain, was particularly reflected in the statement of the Indian Foreign Minister Sushma Swaraj, at the 2018 Indian Ocean conference in Vietnam:

Our vision for the region is one of cooperation and collective action. ... We cannot tap the bounty of the Indian Ocean without ensuring maritime peace and stability. Economic prosperity and maritime security go hand-in-hand.¹²

India's strong focus on the maritime domain in the Indian Ocean region and the Bay of Bengal was indicated by the Indian prime minister's visits to Mauritius, Seychelles and Sri Lanka, in March 2015, when Prime Minister Modi stated, "we seek a future for Indian Ocean that lives up to the name of SAGAR—Security and Growth for All in the Region." He outlined a set of goals that included seeking "a climate of trust and transparency; respect for international maritime rules and norms by all countries; sensitivity to each other's interests; peaceful resolution of maritime security issues; and increase in maritime cooperation." SAGAR signifies the economic and maritime security outreach of India's Act East Policy.

Japan's interest in engaging with India for maritime security cooperation in the Indian Ocean region, stems from two factors. First, India, occupies a very strategic geographical location, in the economically strategic waterways of the Indian Ocean region. Second, India sits astride the two 'choke points' for global oil supplies—the Strait of Malacca to its east; and the Strait of

Hormuz to its west. Over 80 per cent of Japan's oil cargo from the Persian Gulf is transported through the Malacca Strait. India's strategic location in the Indian Ocean region is one of the factors that propelled Japan to engage with India in the area of maritime security. In this context, it needs to be noted that the Indian navy has assumed critical significance in the domain of anti-piracy operations in the Indian Ocean region. Many Japanese ships have been targeted by pirates. In a swift and planned operation on November 16, 1999, the Indian coast guard and navy rescued the Japanese vessel *MV Alondra Rainbow*, which had been hijacked in the South China Sea by pirates. It is important to consider the ramifications of the Indian navy's rescue of the Japanese ship. The incident indicated to the world, including Japan, that the Indian navy is a stabilising force in a rapidly deteriorating regional security environment.

Japan has assumed great importance in India's maritime strategy as New Delhi seeks massive foreign direct investment for the upgradation of its maritime and inland infrastructure. The cutting-edge technology developed by Japan in HA-DR and search and rescue operations has also been factored into India's intent to deepen its maritime cooperation with Japan. In the light of the growing power disequilibrium in the Indo-Pacific, India perceives Japan to be a like-minded partner, who would not want to see the maritime domain dominated by any single state. Underscoring the critical importance of the Indian Ocean to India's strategic interests, Prime Minister Modi referred to the Indian Ocean as "a strategic bridge" that connects India with its immediate and extended maritime neighbourhood.¹³ India's revised maritime strategy accords increasing focus to maintaining freedom of navigation and strengthening the international legal regime at sea, particularly the United Nations Convention on the Law of the Sea (UNCLOS), because, "there has been no reduction in the potential threat from traditional sources that necessitate beefing up appropriate military preparedness for all contingencies."¹⁴ Both India and Japan are careful to ensure that their efforts for maritime security in the Bay of Bengal, do not alarm the neighbours and the countries close to the SLOCs. To that end,

the two states are entering into security and economic partnerships with potentially strategic partners in the Bay of Bengal.

India and Japan's security interests in the Bay of Bengal: Commonality and Challenges

During his fifth visit to Japan in October 2018, Modi, referred to Japan as the “cornerstone of India's Act East Policy”.¹⁵ The Act East policy, which is the foundational element of India's “free, open and inclusive” vision for the Indo-Pacific region converges with Japan's Free and Open Indo-Pacific Strategy, based on their shared values of upholding rule of law, the importance of international law, in particular the UNCLOS, freedom of navigation and overflight, peaceful resolution of disputes without use, or threat of use of force and unimpeded lawful commerce in international waters. The 2018 Tokyo Summit's, “India-Japan Vision Statement” reiterated the determination of the leadership of the two states to work together towards a free and open Indo-Pacific. What is important to note is that the two states consider ASEAN unity and centrality as the core element of the Indo-Pacific concept.

One of the key security challenges in the Indo-Pacific region is sea piracy. For combating piracy and armed robbery at sea, India and Japan are deepening their maritime security cooperation under the multilateral security framework, the ReCAAP (Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia). Joint anti-piracy, search and rescue exercises have been conducted by the coast guards of India and Japan, since 2000. The two coast guards exchanged a Memorandum on Cooperation during Commandant Ishikawa's visit to India in November, 2006.¹⁶ Apart from sea piracy, the regional maritime security environment is adversely affected by other diverse traditional and non-traditional security threats and challenges ranging from the: Militarisation of the Indian Ocean; growing power struggle; increasing competition over energy resources; ethnic conflicts; proliferation of weapons of mass destruction (WMDs) to maritime terrorism; trafficking of people, narcotics and arms; climate change; coastal erosion; environmental

degradation; ecological imbalance; and natural disasters. While the September 2018 earthquake and tsunami in Indonesia wreaked havoc in the littoral state, the 2004 Asian tsunami devastated a large segment of the Bay of Bengal's coastline. As pointed out by Sunil Amrith, "Today, rising waters leave the Bay of Bengal's shores especially vulnerable to climate change, at the same time that its location makes it central to struggles over Asia's future."¹⁷ India participated as an observer in the Japan-US joint bilateral HA-DR exercise in November 2017 to share the lessons learned from experiences of natural disasters. Japan's technological resources and expertise could be combined with India's human resource and Information and Technology (IT), which can be another point of convergence for cooperation between both countries in the area of HA-DR. New Delhi launched the Indian Ocean Naval Symposium in 2008, in which Japan is an observer. The IONS bring together the chiefs of the navies every two years to discuss naval cooperation.¹⁸ The IONS lay a special focus on anti-piracy and HA-DR in the Bay of Bengal. For instance, the 3rd meeting of the IONS held at Visakhapatnam in September 2018, focused on working towards making coordinated efforts for an effective joint HA-DR operation in the region.¹⁹

Maritime terrorism in the Indian Ocean region is another shared security concern for India and Japan. Piracy and maritime terrorism were underscored by the Indian prime minister, as the two key challenges, to maritime security in the Indian Ocean.²⁰ There are a number of terrorist organisations active in the region, which is a matter of grave concern, as all of them have demonstrated some degree of maritime capabilities. The enormity of the threat posed by this pose became clear in the 1990s, as there was a sudden surge in the number of sea attacks. The attack on the American warship, *USS Cole* at Aden in the year 2000, stands out as an example of maritime terrorism. The growing nexus between narcotics, arms and terrorist organisations and the resultant cocktail of narco-terrorism could likely be a catalyst for further maritime terrorism in the region, which could target the inland and coastal states.

Referring to the audacious 26/11 Mumbai terror attack, Prime Minister Modi underscored the threat from sea-borne terror, of which India has been a direct victim, as a key challenge which could endanger regional and global peace and stability.²¹ Following the Mumbai terror attacks, the Information Management and Analysis Centre (IMAC), was set up as part of the Coastal Surveillance Network (CSN), to analyse maritime information, including satellite imagery to ensure the flawless surveillance of the entire coastline. Presently, the IMAC has the ability to track movements of vessels between the Persian Gulf and the Strait of Malacca and trigger an alarm in case of suspicious activity. The Indian government is focusing on automatic identification system (AIS) based registration of boats to ensure coastal security. To further deepen their cooperation in counterterrorism the Indian and Japanese armies held their first ever joint exercise in November 2018, at the jungle warfare school in Mizoram's, Vairengte. The purpose of the two-week-long exercise, named *Dharma Guardian*, was to increase interoperability between the two forces and enhance coordination for dealing with various security challenges,²² Japan's naval role in tackling issues of piracy and maritime terrorism is limited because of constitutional constraints. Japan, therefore, perceives India as a strategic asset for naval cooperation in the Indian Ocean, including the strategic sub region of the Bay of Bengal.

Proliferation constitutes another important area of strategic concern for India and Japan, as is evident from the various joint statements and joint declarations issued by the two states. India's impeccable track record as a non-proliferator seems to have encouraged Japan to cooperate with India in the area of non-proliferation. In this regard, perhaps the most important consensus to emerge, in the high-level deliberations between India and Japan, is that the two states have decided to work as partners against the proliferation of weapons of mass destruction (WMDs). The interception of Iranian ships in the Arabian Sea by a French vessel, as they were transporting North Korean weapons to the Somalian militants, in November 2017, amply demonstrated the grave

threat which sea-borne clandestine proliferation poses to regional and global security.²³ Tokyo and New Delhi have confirmed their cooperation for implementing vigilant export control.²⁴

China's Expanding Military Influence in the Bay of Bengal: Security Implications for India and Japan

The rapidly growing military influence of China in the Bay of Bengal has security implications for Japan and India. Both the states have reason to be concerned about China's growing emphasis on projecting its naval power capabilities in the Bay of Bengal. Beijing's naval ambitions in the East China Sea region and in the Indian Ocean region have caused anxiety in Japan and India. With the surge in tensions over maritime disputes, the East and South China Sea regions are emerging as global flashpoints, as China locks horns with its neighbours, including Vietnam, the Philippines, Brunei, Malaysia and Taiwan, over the control of the three sets of islands and rocks in the South China Sea—the Spratly Islands, the Scarborough Shoal and the Parcel—and with Japan over competing claims to the Senkaku/Diaoyu islands in the East China Sea. As India deepens its economic and strategic engagement with Japan and the ASEAN states, the ensuing tensions in the East and South China Seas also impinge on India's economic and strategic interests in the region.

As India and Japan deepen maritime security cooperation in the Indo-Pacific, China's growing naval influence in the Indian Ocean region is being monitored closely by the two states. Beijing's focus on acquiring naval facilities along the crucial choke points in the Indian Ocean to enhance its strategic presence in the region, creates security worries for New Delhi and Tokyo. In the domain of maritime security and regional stability in the Indian Ocean, including the Bay of Bengal sub region, China poses challenges for India and Japan. Beijing also poses a security challenge to New Delhi and Tokyo in respect of regional connectivity, in its endeavour to revive the ancient Maritime Silk Route (MSR). The Chinese National Development and Reforms Commission envisages that one route of the Maritime Silk

Road will stretch from China's coast to Europe through the South China Sea and the Indian Ocean; and the other will go from China's coast through the South China Sea to the South Pacific.²⁵ India and Japan's security worries stem from the apprehension that under its ambitious MSR connectivity project, Beijing's acquisition and construction of ports, could serve dual purpose. The commercial ports could be used as military facilities for the Chinese navy to help mitigate China's geographical disadvantages in the region and expand PLAN's footprint in the region.

Beijing's, establishment of a military base in Djibouti in 2017, seems to be the first step, in what is likely to become a network of Chinese bases, across the Indian Ocean. The military base in Djibouti provides China with a rudimentary power-projection that is bolstered by its access to ports in Pakistan, Sri Lanka, Bangladesh and Myanmar. Chinese submarines have even docked at Sri Lankan and Pakistani ports. India and Japan, thus, have to come to terms with Beijing's new military diplomacy in the Bay of Bengal, which is increasingly focusing on establishing special political relationships and arrangements with the Bay of Bengal littorals, in order to gain favourable naval access. The MSR is being interpreted as the reincarnation of the "String of Pearls" strategy.^{26, 27} The MSR initiative, indicates China's strategic designs to emerge as the region's unchallenged political, economic and military power, which will challenge India and Japan's strategic goal of maintaining regional stability and balance of power.

It needs to be noted that there are growing concerns among countries with regard to China's infrastructure investments in building ports, roads, bridges and power stations under the MSR project. Opaque terms and predatory loan practices, without social or environmental assessments, have entangled some littoral states in Chinese strategic objectives.²⁸ Critics view the Belt and Road Initiative (BRI) as a vehicle for China to write new rules that reflect Chinese interests.²⁹ Describing China's development assistance as "predatory economics," the US secretary of state, Rex Tillerson, accused Beijing of undermining the sovereignty of its neighbours in

Asia and stated that China's projects burden host countries with large debts and conditions that force a swap of debt for equity and strategic control of assets. Sri Lanka agreed to cede control of the new US\$ 1.5 billion Hambantota port on its southern coast to China, in a bid to ease the debt burden it had accumulated with Beijing.³⁰ Compared to China, Japan's overseas aid agency, the Japan International Cooperation Agency or JICA, has been promoting infrastructure projects in the Bay of Bengal for more than a decade for enhancing connectivity, providing more economically feasible and transparent alternatives to Chinese sponsored projects. It is part of Japan's integrated strategy in the Bay of Bengal that increasingly includes a Japanese security presence.

Well before the Chinese President Xi announced the BRI in 2013, Prime Minister Abe had unveiled a new vision for regional connectivity, through his idea of "Confluence of the Two Seas," which he further expanded by emphasizing on a "Free and Open Indo-Pacific". Abe's vision calls for connecting "two continents"—Asia and Africa—and "two oceans"—the Indian and Pacific—through connectivity corridors. It needs to be noted that Beijing's naval strategy of building artificial islands in the South China Sea and militarising them has caused security concerns in India. China may launch island reclamation projects in the Bay of Bengal which, like its Pacific "twin," the South China Sea, is a key transit zone between the Indian and the Pacific oceans.³¹

The US Factor

China's grand ambitions in the Indian Ocean region seem designed to counter-balance US strategic designs in the region, as Washington continues to encourage its partners and allies, including India and Japan, to deepen their strategic cooperation in the light of Beijing's rapidly escalating military assertiveness. As Washington's Indo-Pacific strategy increasingly focuses on salvaging its waning influence in the region, it perceives India and Japan as the two critical players, who would support Washington's long-term ambition of maintaining its primacy in the region. A key factor that has increased the strategic

importance of the Indian Ocean vis-à-vis the US Asia Policy is, that it has replaced the Atlantic Ocean as the central artery of global commerce. Security challenges in the Indian Ocean, including the Bay of Bengal sub region could, therefore, have serious implications for many countries, including the US, India and Japan, and the global economy as a whole. India and Japan perceive their strategic engagement with the US, as critical for ensuring maritime security and safety, freedom of navigation along with maintaining the regional power equilibrium. India and Japan are, therefore, keen on deepening the US-India-Japan trilateral strategic engagement with a particular focus on maritime security cooperation, regional connectivity, HA-DR and maritime capacity building.

The warming of the Indo-US ties, especially since the late 1990s, has helped India gain significance in Japan's Asia policy. As a key feature of Japan's security policy, is its longstanding alliance with the US, India's expanding strategic engagement with the US has changed Japan's perception of India. The Trump administration's strong focus on bolstering US relations with India was made clear when President Trump, during his first prime-time televised address to the nation as commander-in-chief, declared that India to be a key security and economic partner of the US and emphasized that a "critical" part of its South Asia policy was to further develop its strategic partnership with India.³² His predecessor, President Obama, described the US-India relationship as one of the defining partnerships of the 21st century.³³ In June 2016, the US designated India a "Major Defence Partner" and enhance defence trade and technology sharing with India, to a level commensurate with that of its closest allies and partners.³⁴ The US has been encouraging India and Japan to come closer, as it endeavours to maintain the strategic balance in Asia. In the 'Common Strategic Objectives' in the 'Joint Statement of the US-Japan Security Consultative Committee 2011', both the states welcomed 'India as a strong and enduring Asia-Pacific partner.'³⁵

The 2014 Tokyo Declaration gave a new fillip to the US-India-Japan trilateral security engagement when India and Japan agreed, not only to upgrade the 'two plus two' security talks and

increase working-level talks on defence equipment and technology cooperation, but also to hold regular maritime exercises, attaching great importance to the ‘continued participation’ of Japan in the *Malabar* exercises. It needs to be noted that Japan has participated in all the exercises held since 2007, 2009 and 2014, an invited observer. In this regard, Japan’s inclusion as a permanent participant, in the October 2015 *Malabar* exercise marks a major turning point in the naval cooperation between the three states.

India and Japan’s Increasing Maritime Security Efforts in the Bay of Bengal

Japan’s strategic focus on the Bay of Bengal has been growing significantly over the past decade and a half, particularly in the aftermath of the rescue of the Japanese oil cargo *MV Alondra Rainbow* by Indian coast guards. For instance, Japan’s coast guard has maintained a regular presence in the bay since the early 2000s. Japan’s *Sahyog-Kaijin* exercises with the Indian coast guard, initiated 15 years ago, now include Sri Lanka and Maldives as observers. The 2018 *Sahyog-Kaijin* coast guard-to-coast guard exercises, conducted in the Bay of Bengal to “gauge interoperability,” focused on anti-piracy and search and rescue operations.³⁶ In 2017, Japan’s largest warship, *Izumo*, joined in the *Malabar* exercises in the Bay of Bengal alongside India’s *INS Vikramaditya*.³⁷ In 2013, Japan and India began holding joint naval exercises in the Bay of Bengal, called the Japan-India Maritime Exercise (JIMEX) which was the second in series, the first edition was held in the Pacific in 2012. The revival of the JIMEX in October 2018, after a lapse of five years, indicates the growing concerns of the two states with regard to threats to the freedom of navigation and respect for a ‘rule-based order’. JIMEX-18 reflects the closer strategic vision shared by Prime Minister Shinzo Abe and Prime Minister Modi.³⁸

The existing bilateral mechanisms including: the Japan-India Strategic Dialogue (Track II);³⁹ the Annual Defence Ministerial Dialogue; India-Japan Act East Forum; India-Japan 2+2 Dialogue; as well as the new Acquisition and Cross-Servicing Agreement (ACSA),

which when concluded, will enhance the strategic depth of the bilateral security and defence cooperation in the Bay of Bengal region. Apart from such bilateral mechanisms, multilateral regional forums as the BIMSTEC, the IORA, the ReCAAP and the IONS provide platforms that enable India and Japan to deepen their strategic cooperation in the Bay of Bengal. India and Japan's proactive approach towards enhancing connectivity in the Bay of Bengal region will enhance the maritime security of the sub region. The two states have focused on maritime capacity building and infrastructure upgradation in the littoral states that occupy critical locations in the Bay of Bengal. For instance, Japan is investing in port construction in the coastal area of the Bay of Bengal, including the Trincomalee port in Sri Lanka. In April 2017, Japan granted US\$ 9 million in aid to Sri Lanka, for the improved management of the Trincomalee port.⁴⁰ Since 2008, Japanese navy and coast guard ships have visited Sri Lanka around 70 times. When Prime Minister Modi visited Sri Lanka in May 2017, the two states agreed to jointly manage at least 73 of the 99 oil storage tanks in Trincomalee.⁴¹ This agreement is important because oil storage management determines how a port is used. In Myanmar, Japan is funding a new container port near Yangon (US\$ 200 million) and a proposed new port and special economic zone at Dawei (US\$ 800 million). In Bangladesh, Japan is funding a port and power station at Matarbari (US\$ 3.7 billion).⁴²

Japan is also investing in upgrading infrastructure in the Andaman and Nicobar Islands, India's strategic outposts, situated in the western approaches to the Malacca Strait. The Andaman archipelago has the potential to play a critical role in enhancing the maritime security of the Bay of Bengal, particularly in furthering maritime domain awareness (MDA). The Indian Navy's 2015 maritime strategy underscores the importance of MDA. According to the navy, the MDA "involves being cognizant of the position and intentions of all actors, whether own, hostile or neutral and in all dimensions—on, over and under the seas." The strategic advantage which the Andamans provide to India is the ability to exercise surveillance and monitor the world's most strategic and trafficked

Malacca Strait. For monitoring the movements of sub-surface vessels along the Malacca Straits, MDA through the Andamans is critical. India has also set up a joint mechanism with Sri Lanka and the Maldives for shared maritime domain awareness.

In 2001, India set up the Andaman and Nicobar Command, which is the integrated headquarters of the army, navy and air force. Japan is deepening its cooperation with India for modernising and upgrading infrastructure in the Andamans which could play a critical role in HA-DR and Search and rescue operations. For instance, when contact was lost with a Malaysian aeroplane in the Indian Ocean in 2014, India dispatched warships from the islands to search for the plane. Japan, India and the US are reportedly planning to install a submarine detecting sensor system along the coastline of the Bay of Bengal.⁴³ Japan is developing basic infrastructure such as reliable power and communications and laying an optic fibre cable across the Bay of Bengal. This will support India's planned build-up of naval and air assets in the islands and possibly an undersea surveillance system to monitor submarines. The ANI is increasingly seen as the focal point for Indian engagement with the regional navies in South East Asia.⁴⁴

As India and Japan deepen strategic cooperation in the Bay of Bengal, there is considerable potential for both the states to expand their maritime security partnership with the countries in the South East Asian region, which is clearly the point of convergence for both New Delhi and Tokyo, given that the two states are strategically engaged with some of the countries in the South East Asian region, with a focus on maritime security cooperation. For instance, both India and Japan have robust maritime security ties with Singapore. India has a joint maritime training and exercise arrangement with Singapore, i.e. the Singapore-India Maritime Bilateral Exercise (SIMBEX) which dates back to the early 1990s. Japan and Singapore are working closely within the regional initiative, the ReCAAP. While India, Japan and Singapore have been strong advocates for maritime cooperation, the three states also share the common values of upholding the international rule of law governing the global

commons. Singapore has the potential to emerge as a critical maritime partner for India and Japan in the Bay of Bengal, particularly on the issue of SLOC security. As a small island-city state, Singapore is heavily dependent on SLOC security for its national survival and prosperity. Singapore has leveraged its expertise and resources to aid in regional maritime security capacity-building. One noteworthy example in this regard is the Information Fusion Centre at the Changi Naval Base. Forging a trilateral maritime security partnership with Singapore could, therefore, contribute towards bolstering maritime security and stability in the Bay of Bengal.

The Way Ahead

A number of trends will determine the future pattern of India–Japan relations and the scope of their maritime security cooperation. First, while Japan’s South Asia policy continues to be firmly anchored to its alliance with the US, its moves to bolster its “strategic” relationship with India and deepen its maritime engagement with India in the Indo Pacific clearly indicates that Tokyo has started to strike a wider and more active diplomatic course in the 21st century. Second, to maintain the strategic balance in the Bay of Bengal, the US would encourage India and Japan to further step up and expand their bilateral strategic engagement in the region. Third, India and Japan have high stakes in the regional stability of the Bay of Bengal. In the coming years, the two states could deepen and expand the scope of their strategic cooperation ensuring energy security and regional stability. Fourth, both the states value the freedom of the high seas, particularly the unimpeded flow of trade and energy resources for their economic prosperity. Given the deteriorating maritime security environment in the region, India and Japan are likely to intensify their ongoing maritime security cooperation. Fifth, the states have an interest in maintaining the power equilibrium in the Indian Ocean region.

As Beijing continues to increase its strategic presence in the Bay of Bengal, India and Japan will have to explore ways to adjust to the increased PLA’s presence in the bay, while continuing to

safeguard their common strategic interests and shaping a regional framework for maritime security. The evolving security architecture in the maritime domain of the Bay of Bengal is likely to be shaped largely by the Sino-Indian dynamic. For ensuring a peaceful and stable maritime domain in the Bay of Bengal, the Modi government will need to address India's security dilemma with China. Pursuing a policy of cooperation with China where possible, and competing where it must, might help mitigate the security dilemma between the two rising Asian powers. India and Japan need to acknowledge that for attaining common strategic goals in the region, the two states need to identify new areas of regional collaboration among the littoral states through the existing regional frameworks of cooperation, instead of just countering China's presence.

As the Bay of Bengal's strategic significance as a key pivot in the Indo-Pacific region continues to grow in the global maritime landscape, India and Japan's proactive approach for enhancing the safety and security of the bay, through existing bilateral, trilateral and multilateral frameworks of cooperation, is likely to have a decisive impact in shaping the emerging security architecture of the Indo-Pacific. In spite of the various avenues of maritime security cooperation between the two states, a peaceful, sustainable and stable maritime domain in the Bay of Bengal seems to be a distant dream given the rapidly escalating militarisation of the Indian Ocean. In such a maritime security scenario, transforming the region into a Zone of Peace would be a crucial step towards realising the common vision of India and Japan for a free, open, peaceful, and stable and rule based maritime order. It may be worthwhile to look at the idea of an IOZOP with fresh eyes and tailor it to the current regional and geopolitical realities.

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This book aims to examine the scope and potential of India-Japan cooperation factoring infrastructure connectivity and corridors in Indo-Pacific. The volume examines the bilateral, trilateral and multilateral contours of the growing partnership in the backdrop of a rising China that is rapidly changing the geo-political order of the region. The volume examines the scope of India-Japan relations beyond 2025 and evaluates how their common pledge to have a “partnership for prosperity” is not free from challenges. China’s Belt and Road Initiative, the United States’ bilateral-oriented approach towards Asia, and the struggle to successfully conclude the Regional Comprehensive

Economic Partnership without overlooking India’s interest, are testing the character of India-Japan relations which the volume covers at length.



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