

General Studies-2; Bilateral, regional and global groupings and agreements involving India and/or affecting India's interests

India - Japan Relations

1) Introduction

- India-Japan relationship is a cornerstone of India's Act East Policy.
- 21st century will be Asia's century and Indo-Japan ties will play a key role in shaping it.

2) Highlights of PM Modi's visit to Japan

- 13th India-Japan annual summit was held in Japan Recently.
- At least 32 pacts, ranging from defence to economic, health to agriculture, and many on infrastructure development, were signed.
- Both the leaders visited factory of FANUC Corporation, one of the largest makers of industrial robots in the world.
- The visit to the FANUC facility was important in the context of India's move towards Industry 4.0.
- **Conclusion of a bilateral currency swap agreement worth USD 75 billion.**
 - a. This is expected to help stabilise fluctuations in the value of the rupee vis-a-vis the dollar.
 - b. Bring down the cost of capital for Indian companies while accessing foreign capital markets.
- **The two sides decided to start negotiations on the crucial Acquisition and Cross-Servicing Agreement (ACSA).**
 - a. This will enhance the strategic depth of bilateral security and defence cooperation.
 - b. Once concluded, it will give the two defence forces access to each other's military bases for logistical support.
- The two sides decided to deepen their "maritime domain awareness"; they signed a pact between Indian Navy and Japanese maritime self-defence force.
- They also decided to strengthen cooperation in third countries.
- The two leaders underlined the urgent necessity to reform the WTO for free, fair, and open trade.
- The two countries called for reforms of the United Nations and supported each other's candidature for permanent membership in UNSC.

3) Bilateral Relations

- The Japan-India Association was set up in 1903, and is one of the oldest international friendship bodies in Japan.
- Japan had pledged Rs 33,800 crore in government and private sector investments.
- Japan has been one of the biggest sources of investment flows into India, accounting for \$28.16 billion in FDI between April 2000 and June 2018.
- The two countries signed a Comprehensive Economic Partnership Agreement (CEPA) in 2011 to facilitate growth in bilateral trade.
- This was described as the most comprehensive of all such agreements concluded by India.
- As of October 2016, there were 1,305 Japanese companies registered in India, an increase of 76 companies (6% growth) as compared to 1,229 in October 2015.
- Japan has ratified the framework agreement for the International Solar Alliance.
- **Cooperation Agreements**
 - a. Asia-Africa Growth Corridor - economic cooperation agreement between the governments of India, Japan and multiple African countries.

- b. Quadrilateral Security Dialogue - an informal strategic dialogue between India, United States, Japan and Australia.
- c. Exercise Malabar - trilateral naval exercise involving the United States, Japan and India.

4) 2+2 Dialogue

- Till now India and Japan had a 2+2 dialogue at the secretary-level.
- Now they decided to have a 2+2 dialogue mechanism between Defence and Foreign ministers.
- This is aimed at giving political muscle to the existing diplomatic, security and defence cooperation.
- Both sides believe that the new era of India Japan relations will be strengthened by the 2+2 dialogue.
- So far, India only had a 2+2 dialogue between Defence and Foreign Ministers with the US.

5) Big-ticket Investments

- Japan has been extending bilateral loan and grant assistance to India since 1958, and is its largest bilateral donor.
- Japanese ODA supports India's development in sectors such as power, transportation, environmental projects and projects related to basic human needs.
- \$90 billion has gone into the Delhi-Mumbai Industrial Corridor.
- Japan is also backing the Mumbai-Ahmedabad High Speed Rail (bullet train) service.
- Discussions have also taken place on the Dedicated Freight Corridor, a project of close to Rs 50,000 crore of which Japanese assistance has been of about Rs 38,000 crore.

6) New Areas of Engagement

- A 'Cool EMS Service' was started, under which Japanese food items are transported in cool boxes from Japan to India through postal channels.
- Both sides are striving to push a digital partnership.
- Areas of potential collaboration include AI, IoT, and big data.
- India is likely to pitch for integration between the Ayushman Bharat project and the Japanese Asia Health and Wellbeing Initiative.

7) Concerns / Challenges

- Trade engagements have been below potential.
- On the list of countries that India exports to, Japan is at 18th position in the list of top 25 countries. On the list of countries importing into India, Japan ranks 12th.
- India's exports to Japan in FY18 were lower than in FY15 in value terms.
- India struggling to penetrate the Japanese market as a result of language barriers, high quality and service standards.
- Negotiations to purchase amphibious US-2 planes have dragged on for years.

8) China and Japan Coming Along

- Japan and China driven closer by trade tensions between the US and most of the rest of the world.
- Washington is making it harder for other countries to export to the US market.
- Tokyo and Beijing have long been at odds over past military confrontations and present territorial disputes.
- On a crucial visit to Beijing, Japan has now hailed a historic turning point.
- Mr Abe's visit to China is the first visit by a Japanese head of government in seven years.
- The two sides are seeking to boost economic ties.

- The two sides signed a deal to maintain annual dialogue and to cooperate on innovation.
- This is seen as starting of a new era of relations between Japan and China.
- This may affect the containment of China, and how Japan views India-China relations in future.
- This may have wider impact in the Indo-Pacific region.

9) Way Forward

- Experts say that a strong India is in Japan's best interest and for that, Japan must provide even more support.
- India must leverage Japan's strengths in areas such as medical equipment and hospitals.
- India and Japan must endeavour to work together for a rules-based and inclusive world order.
- Enhancing communication and connectivity for unimpeded trade and flow of people, technology and ideas for shared prosperity.
- Further cooperate for peace, stability and prosperity of Indo-Pacific.

