



**INDO-JAPAN CHAMBER OF COMMERCE & INDUSTRY**

**An Epigrammatic Note on  
Japan-India relations -  
yesterday, today and tomorrow**

by  
**Suguna Ramamoorthy**



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## **PREFACE**

Dear Reader,

For modern readers and followers of Industry and specially of India and Japan, there is always a question "Why is Indo-Japan Friendship at a high now and is it only the Modi touch?"

A bit of history would help !

The Indo-Japan Chamber of Commerce and Industry therefore thought it best to research and bring out the history of the relationship and for readers to understand the context of this great partnership.

Ms. Suguna Ramamoorthy with her first hand experience has brought out the essence of the reasons and the potential. I'm sure this will serve you as a 'ready reckoner' and help in your journey.

09.11.2017

**N. Kumar**  
President



## **An Epigrammatic Note on Japan-India relations - yesterday, today and tomorrow**

### **Introduction**

India-Japan relations in modern times can be well understood in two phases - after World War II and after the year 2000. A brief understanding of the Constitution of Japan is very much important to understand and appreciate the dynamic shift in our bilateral relations.

### **The Constitution of the Land of the Rising Sun**

The Japanese system is based on Japan's Constitution drafted after the end of World War II, enacted on May 3, 1947. It firmly established a Democracy in the form of a Constitutional Monarchy, like the U.K., with the long-standing imperial family

as the honorary figurehead of the country. The governmental power is distributed between the National Diet (the Legislative body), the Cabinet (the Executive body), and the Judiciary (the Judicial body).

### **The Emperor is above all**

The Emperor of Japan is "the symbol of the State and of the unity of the people" and exercises a purely ceremonial role without the possession of sovereignty and carries out ceremonial duties, such as appointing the Prime Minister and the Chief Justice of the Supreme Court into office, and presenting distinguished awards from the government of Japan. Internationally, imperial family members serve as Ambassadors of Japan, hosting high profile diplomats and guests from abroad, and visiting foreign nations on diplomatic missions. The Emperor is never referred to by his given name, he is referred to as "His Majesty the Emperor" *Tenn Heika*. The current reigning Emperor, His Majesty Akihito, born on 23<sup>rd</sup> December 1933 is the 125<sup>th</sup> Emperor of Japan, succeeded to the throne after the demise of his father Emperor His Majesty Hirohito. The '*Heisei Era*' started on 8 January 1989 and has for long, embraced a message of prolonged peace for Japan and the world. Thirty two times a year, Emperor Akihito puts on the robes of a 'Shinto' priest and pays his respects to the sun Goddess *Amaterasu Omikami* at the shrine. The Imperial Majesties Emperor Akihito and Empress Michiko visited India in December 2013 after their visit to India in 1960 as crown prince and princess. It was a proud moment for everyone in India.

### **Judiciary**

The Supreme Court (Saik Saibansho) is the highest and the final court, located adjacent to the National Diet Building. The "Grand Bench" (*Daih tei*) of the Supreme Court has associate justices,

who are appointed by the Cabinet with the Emperor's attestation. The Chief Justice is nominated by the Cabinet and appointed to office by the Emperor. The Grand Bench is subdivided into three "Petty Benches" (*Sh h tei*) of five justices each, who hear incoming appeals and recommend them for an audience before the Grand Bench. An appeal to the Supreme Court is called *J koku*, and requires either an error in the interpretation of the Constitution, or an error in the interpretation of case law from the Supreme Court or High Court. There is also a Family Court (*Katei-saiban-sho*) tied to each District Court, as well as in over 200 branch offices throughout Japan.

### **The Executive Branch: The Prime Minister and the Cabinet**

The Prime Minister of Japan is the face of Japan's government, driving domestic policy and guiding foreign diplomacy. To be a Prime Minister of Japan, one must be a Japanese national, and also a standing member of the current National Diet. The National Diet '*Kokkai*' is composed of a lower house called the House of Representatives (*Sh gi in*), and an upper house called the House of Councillors (*Sangi in*). The members of both the houses are directly elected under parallel voting systems. The political party that holds control in the DIET is likely to appoint the party leader to be the Prime Minister. The Prime Minister of Japan is called "*Naikaku-s ri-daijin, or Shush* ”.

### **Japan-India relations - post-Independence period**

The first milestone in Japan-India relations in modern times was set at the historic 'Tokyo Trials' that took place between 1946 & 1948, with the revolutionary judgement of the Indian Justice Rabindranad Pal who thundered his opinion in favour of the Japanese. Grateful Japan always remembers with pride the worth of the Indian Judge. Several books have been published on this

by Japanese authors symbolising the affection and regard of Japan for India; also NHK (Japan's public broadcaster) released a one-hour documentary based on Justice Pal's life. The famous *Yasukuni Shrine* in Tokyo has housed the monuments of Subhas Chandra Bose and Justice Pal. The Emperor of Japan conferred Japan's greatest civilian award on Justice Pal in 1966 and the frequent mention by Japanese diplomats and statesmen stand testimony for Japan-India friendship and solidarity.

In 1949, the Indian Prime Minister gifted two elephants to the Tokyo zoo to cheer the spirits of the defeated Japanese empire. India's iron ore helped Japan's recovery from World War II devastation. Japan and India signed a Peace Treaty establishing official diplomatic relations in 1952, in which India waived all reparation claims against Japan. This treaty was one of the first treaties signed by Japan after World War II. Diplomatic, trade, economic, and technical relations between India and Japan were well established. The first visit of the Japanese Prime Minister Nobusuke Kishi to India in 1957 opened the avenues for Japanese Yen loan to India in 1958. However, the next few decades the relations between Japan and India became constrained. Japan's foreign policy then was centered on Japan-US alliance, while India pursued a non-alignment policy and then its alliance with the Soviet Union, left Japan-India relations estranged. Also India's pursuit of an insular economic system in contrary to Japan's open market economy thwarted the development of India-Japan economic ties.

Prime Minister Indira Gandhi visited Japan in 1969 & 1982, followed by the visit of Japanese Prime Minister Nakasone to India in 1984 (after more than two decades). It is also said that Prime Minister Nakasone's visit was the starting point for Japan-India special and close relations. In 1986, India was considered

for a big yen loan from Japan and slowly the relationship started growing again, the next few years.

### **Japan - a saviour in crisis**

The event that led India to develop a more positive image of Japan occurred in 1991, when Japan provided an emergency foreign exchange loan to India. In April 1991, partly because of the Gulf crisis, India's foreign exchange reserves dropped down and while the US and the Europe were busy dealing with the Gulf crisis, it was Mr. Yoshio Sakurachi, the Lower House Speaker (1990-1993 & Chairman Japan-India Association, Tokyo) who responded to MOFA (Ministry of Foreign Affairs) calling for assistance to India, and the timely financial assistance from Japan helped India overcome the crisis and this goodwill gesture is still acknowledged and highly appreciated by the Indians.

### **India's Economic Liberalisation and Japan-India relations**

In 1991, when the Indian Government announced the Economic Liberalisation Policy, Prime Minister Narasimha Rao visited Japan in 1992 with a high economic agenda on Japanese investment, trade and technology participation with India, coinciding with the 40<sup>th</sup> Anniversary of Japan-India Diplomatic Relations, paving way for a closer Japan-India bilateral dialogue. In 1997, the foreign direct investments to India (FDI) reached \$531.5 million, with the establishment of Toyota, Honda, Sony, Mitsubishi, Matsushita, Fujitsu, YKK in India. The Ministry of Industry, Trade and Investments (MITI) started taking a direct interest in fostering ties; the *Keidanren* (Japan Business Federation) had begun to get directly involved; the largest financial newspaper *Nihon Keizai Shimbun* was actively promoting economic reforms; Japanese banks, insurance and securities companies were waking up to the Indian market, and

Japanese airlines JAL (Japan Air Lines) and ANA (All Nippon Airways) established direct flights to India.

In 1998, when Atal Bihari Vajpayee was the Prime Minister, with India's Pokran II blast, the relations became strained and Japan imposed suspensions of all political exchanges and cut off economic assistance to India.

### **The 2000 miracle**

Prime Minister Yoshiro Mori visited India for the first time in the year 2000 and held discussions with Prime Minister Vajpayee and had a Summit meeting. Prime Minister Mori expressed his keen interest to build a multifaceted cooperative relationship with India in a wide range of fields and named this relationship the "Global Partnership between Japan and India in the 21<sup>st</sup> Century." Prime Minister Mori reaffirmed Japan's commitment to working with India toward the reduction and elimination of nuclear weapons and to cooperate with India to ensure that the Comprehensive Nuclear-Test-Ban Treaty (CTBT) will go into force as soon as possible and Prime Minister Vajpayee affirmed that India had conducted nuclear tests for defensive purposes. Truly, Prime Minister Mori opened the IT gates to India and Indo-Japanese IT promotion and cooperation initiatives took shape - a seed sown then for a revolution in Indo-Japanese IT cooperation, thanks to Prime Minister Mori, and the trend has been really growing manifold since then.

In October 2001, the yen loans suspended in response to India's nuclear testing, were resumed and progressively increased. In December 2001, Prime Minister Vajpayee visited Japan and had successful discussions with Prime Minister Junichiro Koizumi, followed by Koizumi's visit to India in April 2005 on an invitation from Prime Minister Manmohan Singh, shared the commitment

to a high degree of political, economic and strategic interests through an eight-fold agenda to include : annual Prime Ministerial level meetings ; increase in the quantum of trade volume between the two countries ; establishment of Japan-India Joint Study Group (JSG), focusing on measures required for a comprehensive expansion of trade in goods, trade in services, investment flows and other areas of economic relations between Japan and India ; encourage higher levels of investment by Japanese companies in India ; strengthen technical cooperation to improve the competitiveness of Indian manufacturing industries ; a Joint Task Force on ICT ; grant of Japanese Yen loan to India in FY 2004 to the tune of 134.5 billion to accelerate economic development, particularly in priority sectors like infrastructure, including transportation and power and environment ; annual Japan-India Coast Guard talks, joint exercises against piracy, Maritime Self Defence Force of Japan and the Indian Navy to enhance their cooperation etc.

In September 2006, for the first time, *Shinzo Abe* (President, Liberal Democratic party & the current Prime Minister) who took over as Prime Minister for a year, paid a lot of attention in strengthening Japan-India relations. At a reverberating speech in the Indian Parliament, Abe made a historic shift which received a thunderous applause “The Pacific and the Indian Oceans are now bringing about a dynamic coupling as seas of freedom and of prosperity. A 'Broader Asia' that broke away geographical boundaries is now beginning to take on a distinct form. Our two countries have the ability and the responsibility to ensure that it broadens yet further and to nurture and enrich these seas to become seas of clearest transparency. This is the message I wish to deliver directly today to the one billion people of India. That is why I stand before you now in the Central Hall of the highest chamber, to speak with you, the people's representatives of

India”, and the impact of this historic speech in August 2007 is a matter of great importance and significance today. Also, Prime Minister Manmohan Singh and Prime Minister Shinzo Abe launched the historic Economic Partnership Agreement/ Comprehensive Economic Partnership Agreement (EPA/CEPA) and also an MOU on Delhi-Mumbai Industrial Corridor was signed between the Minister of Commerce and Industry of India and the Minister of Economy, Trade and Industry of Japan in New Delhi, then. *Abe Shinzo* was elected Prime Minister for the second term in 2012, third term in 2014 and successfully for the fourth term in 2017.

India and Japan launched joint naval exercises in the Indian Ocean in 2011. Joint exercises between the Coast Guards of India and Japan were also held in Chennai in January 2012, and in Tokyo Bay in November 2012. Yet another milestone in the history of Japan-India relations in recent times worth mentioning is “Despite the history of the atomic bombing, the government of Japan accepted the US-India Nuclear Agreement, which affords exceptional treatment for India, without even making an effort to minimize the blow to the NPT system.”

### **The ‘Abe-Modi’ era**

Although Japan-India bilateral relations has been on an up-swing, the two Prime Ministers have given in the last few years, an unprecedented momentum to it. The rapidly growing closeness has caught the attention of all nations. Japan has been made a permanent participant in the Malabar Naval Exercises which also involves the US; the India-Japan-US Trilateral has been upgraded to ministerial level ; a new trilateral at the foreign secretary level has been initiated with Australia as the third country etc. All this has added a lot of value to the bilateral relations. Prime Minister Narendra Modi's visits to Japan and Prime Minister Abe's visits to

India in the last few years, have great bearings on Japan-India bilateral agenda.

Prime Minister Modi's innovative initiatives such as "Make in India," "Digital India," "Skill India," "Smart City," "Swachh Bharat" and "Start-Up India" were assured full support by Prime Minister Abe by sharing Japan's advanced skills and technologies, through active mobilisation of Japanese public and private sector investments, including through ODA. The two leaders have initiated establishment of the first four Japan-India Institutes for Manufacturing (JIMs) in the States of Gujarat, Karnataka, Rajasthan and Tamil Nadu in 2017, under the Manufacturing Skill Transfer Promotion Program to start with and many more such models will follow soon to help introduce Japanese manufacturing practices and accelerate training of future shop-floor professionals and engineers. Japan has already committed to train 30,000 Indian professionals under the programme, Also, the Japanese Endowed Courses (JEC) in the Engineering Colleges will be designated by the Japanese companies in India to give shape to the 'Modi dynamics'.

A Joint Task Force comprising Japanese and Indians has been set up to monitor the initiatives of Japan-India economic cooperation under the leadership of Prime Minister Modi. One-India-One-Tax, GST initiative and implementation; establishment of Japanese industrial townships in India etc. have all helped contribute a conducive environment for Japanese businessmen. The visit of Prime Minister Modi to Japan in 2016 concluded the historic agreement between Japan and India for peaceful use of nuclear energy, setting a new chapter in clean energy and climate management.

In addition to all this, the number of Japanese foreign direct investment (FDI) is growing. Japan is now the third largest investor in India.

### **Top three investing countries in India: (Rupees: crores)**

Ranks	Country	2015-16 FY	2016-17 FY	2017-18 (April - June 2017)	Cumulative (April 2000 - June 2017)
1	Mauritius	54,706	105,587	21,226	607,177
2	Singapore	89,510	58,376	19,403	334,445
3	Japan	17,275	31,588	2,899	145,159

### **Japan-India Trade (Yen: billion)**

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Trade from India to Japan	352	472	491	544	348	499	543	559	690	739	589	509
Trade from Japan to India	388	518	723	819	591	792	882	845	839	861	981	889

### **Direct investment from Japan (Yen: billion)**

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
	29.8	59.7	178	543	344	241	181	223	210	282	352	465

The Overseas Development Assistance (ODA) to India have greatly increased in recent years. The Delhi Metro Project is one of the best projects realised through the Japanese cooperation. Other than the Mumbai-Ahmedabad High Speed Rail Project, many other high-profile projects like the Delhi-Mumbai Industrial Corridor (DMIC) and Mumbai Trans-Harbour Link Project are under different stages of execution.

## ODA from Japan: (Yen: billion)

Year	Disbursement
2005-06	68.68
2006-07	55.47
2007-08	94.65
2008-09	122.56
2009-10	128.95
2010-11	123.84
2011-12	139.22
2012-13	113.964
2013-14	144.254
2014-15	74.36
2015-16	390
2016-17	371.345

The ‘Abenomics’ and the ‘Modinomics’ augurs well for Japan-India cooperation not only in economic development but also in cultural, scientific, strategic and human resource developments. However, there are a couple sore points too that cannot be ignored. The annual trade figures in the last two years do not reflect the economic ties between the third and the fourth largest (on purchasing power parity terms) economies in the world. The sale of US-2 amphibious aircraft to India has not progressed much as desired. However, these points cannot take away from the tremendous distance that has been covered elsewhere.

## **Japan-India *Jidai* (era)**

The two leaders have not only struck symbiotic relations for the benefit of the two countries, but set a global vision to explore development of industrial corridors and industrial network for the growth of Asia and Africa, for the benefit of various stakeholders in the Indo-Pacific region including Africa. They desire to further promote cooperation and collaboration in Africa in line with the priority measures identified through the India-Japan dialogue on Africa and the processes of the India-Africa Forum Summit (IAFS) and Tokyo International Conference on African Development (TICAD). India and Japan are the only two major forces of stability in the Indo-Pacific region and it is absolutely appropriate to explore cooperation on infrastructure and human development projects beyond India and Japan.

Long Live Japan-India cooperation





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