

RESOURCE PAPER 45



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

# **INDIA, JAPAN AND G20**

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## PREFACE

Dear Readers,

I am extremely happy to present a timely and important resource material - **India, Japan and G20**. There is pressing demand to address global issues and help resolve several strategic, economic, political and environmental issues among nations. The G20 Presidency by India and the G7 by Japan this year provides enormous opportunities in addressing many of the global issues faced today. It also provides for Japan and India a good platform for greater coordination and synergy to work together and emerge as Asia's Powerful Partners. It is in this context we thought to focus on this lively topic.

The IJCCI is happy to introduce yet another, well-read author and a scholar in International Studies, Ms. Maithili S. Sane, Assistant Professor at the PG Department of International Studies at the prestigious Women's Christian College in Chennai. She is also a doctoral candidate at the Department of Politics and Public Administration, University of Madras pursuing her research in judicial administration and digital governance. Having an academic background in law and public administration, Ms. Sane has published several research papers and articles in peer reviewed journals and books; and also the recipient of an award from the Vice President of India, Shri M. Venkaiah Naidu for her essay - 'One Nation, One Election'. Ms. Sane is a versatile personality, an avid trekker, a half marathon runner, and a national netball player. She has won several debate and elocution competitions and has represented at the United Nation's Competition on International Trade Law at Vienna, Austria.

While thanking the young author for her candid opinion and enriching thoughts on the subject, we believe the resource material will be interesting and informative.

Happy Reading !

4th September 2023

**Suguna Ramamoorthy**  
Secretary General IJCCI

# INDIA - JAPAN AND G20

## Introduction

The complementarities between the economies of India and Japan, and their potential synergies has been the subject matter of much discussion throughout the last decade. A new scope has been added to this bilateral relationship with India and Japan chairing the G20 and G7 respectively, this year. While the G20 is a forum for economic and financial co-operation, the G7 comprising of the major IMF advanced economies, is the de facto forum for political, economic, diplomatic, and military co-operation between the member states. What is of particular relevance is that all the G7 members are part of the G20 group as well. Additionally, barring Australia, the remaining three QUAD members also belong to both these groups.

For India and Japan, their respective presidencies have come on the backdrop of four independent yet interdependent factors which govern their bilateral and multilateral engagements. First, a changing world order with the Ukrainian crisis, post pandemic recovery issues and a growing urgency in climate change mitigation measures. Second, the declining of the American hegemony coupled with the rising importance of the global South in international diplomacy. Third, continuing traditional common concerns such as an increasingly assertive Chinese presence in Indo-Pacific, UN Security Council reforms and barriers to economic growth. Finally, the 4th Industrial Revolution and its impact on fundamentally altering the socio-economic landscape and levelling the geo-political field.

All these factors provide a blueprint of what the G20 and G7 countries could focus on while delineating their agendas in the immediate, medium, and long term. For instance, as highlighted by PM Kishida on his visit to India in March 2023, promoting the rule of law and opposing unilateral changes to status quo by force, should be something that should organically reflect on their priorities.

In this context, this resource paper attempts to contextualise the Indo-Japan relationship in the current geo-political and technological landscape. It begins with tracing the trajectory of the changing nature of Indo-Japan bilateral and regional engagement, especially with Japan making certain changes in its security architecture recently. The second part discusses the potential of using G20, G7 and the QUAD as platforms to not only to bridge the North-South divide but also to incorporate newer agendas. The third part examines the challenges to successfully translating their respective presidencies into tangible outcomes. This includes the inherent limitations of the G20 and G7 forums, the divergent approaches of India and Japan to common problems and the changing digital ecosystems. The concluding part discusses roadmaps for navigating through the aforementioned challenges and forge a translational bilateral to global relationship.

### **Changing contours of Indo-Japan Relationship:**

Fred W. Riggs, a prominent public administration scholar, explained how environmental conditions influence administrative systems in countries. Known as the 'Ecological approach' his model observes that economic, social, technological, political and communication factors - all impact administrative decision making. The Indo-Japan relationship is a testament to this approach since the bilateral tie between the two countries did not begin organically, but rather has been forged and shaped as per changing global environmental conditions. For instance, post World War II, both countries were shackled with their respective histories and initiated only small steps to establish diplomatic relations. Particularly, the US influence over Japanese foreign policy and the arguable Soviet tilt of India during the

Cold War impinged any strong political will to establish greater bilateral relations. However, the opening up of the Indian Economy in the 1990's and the focus on 'Look East' complemented the concomitant desire in Japan to improve bilateral relations with India since the end of Cold War had changed geo-political dynamics and alliances. At the same time India's 1998 Pokhran test was unfavourably and critically responded to by Japan which was at that time, committed to nuclear non-proliferation. However, since the 2000's, there has been a steady recognition on both sides of the importance of this bilateral relationship in Asia, especially on the backdrop of the rising assertiveness of China and shift in India's foreign policy from Non-Alignment to multiple alignment. The partnership has matured from 'Global Partnership' through 'Global and Strategic Partnership' to 'Special Strategic and Global Partnership'. These nomenclatures might seem rhetoric but they indicate not only an ideological shift, but also a priority shift stressing on the strategic importance of Indo-Japan bilateral relationship. In fact, India's 'Strategic Autonomy' foreign policy is more in favour of forging partnerships rather than alliances. And Japan has been a key strategic partner in this regard. This again, has been moulded by external environment including tensions in the territorial and maritime neighbourhoods of both India and Japan, Asia pivot of the USA, mutating Russia-China relationship and rise in common economic and security challenges. In short, while the ties between India and Japan did not begin organically since their external environment did not favour it, today, the very same external environment has made the two countries seem as 'natural partners' as India's Foreign Minister S. Jaishankar recently noted.

In yet another way, the Riggsian approach helps us appreciate the relative stability now in Indo-Japan relationship. Riggs classified societies (countries in this context) as 'fused', 'prismatic' and 'diffracted' based on their structural and functional differentiation. For example, primitive communities are fused societies where one institution - the leader or chieftain—would be the executive, legislature and the judiciary. India, is a

classic example of Rigg's prismatic society where there is heterogeneity (parallel co-existence of traditional and modern systems - The khap panchayat versus the Parliament), overlap (extent of influence of traditional systems on modern institutions) and formalism (how far actual laws or rules translate into practice). On the other hand, Japan is close to Rigg's diffracted system where there is high degree of specialisation i.e., each structure is rationally developed to carry out a specialised function. As such, this system is based on market economy, high efficiency, and effectiveness. This is why while both countries aim to increase business, the working style and culture is very different between them, further aggravated by extremely low exchange of people and information. How is it then, that these two dissimilar politico-socio-economic systems have managed to partner together, and in fact complement each other? The answer to this is twofold. First, underneath their obvious differences, both countries share a common substructure of shared values of constitutionalism, rule of law, representative democracy, tolerance, family systems to name a few. Second, the necessity was induced by changing environmental conditions, viewing the Indian and Pacific Ocean as a single strategic space and, rise in common threats. Today the co-operation spans trade, investments, security, nuclear energy, climate, infrastructure, technology, health, and disaster management. Recently, space co-operation has become a newly added dimension.

Amidst all this, there has been a steady but sure shift in Japanese security policy from a cold war induced pacifist policy to an increasingly assertive one amidst rising neighbourhood threats. In December 2022, Japan announces a \$320 billion plan – the highest ever since World War II - for revamping its military architecture. The new National Security Strategy (NSS), National Defence Strategy and the Defence Buildup Program envisage several projects to enhance Japanese defence capabilities. This was inevitable given the Ukraine invasion, Taiwan strait dispute and a volatile and unpredictable North Korea. However, as Professor Tokuchi

Hideshi argues in this article , the NSS is a fundamental change not in terms of the security policy of Japan which still stress on the US-Japan factor, but rather, a change in terms of the execution of this policy.

Where does India come in, under this new security architecture released by Japan? The NSS stresses the importance of a Free and Open Indo Pacific and also the role of QUAD in ensuring it. The contours of a Free and Open Indo Pacific (FOIP), can be gleaned from PM Kishida's talk to the Indian Council of World Affairs. Although PM Abe's original idea of a FOIP was based on economic prosperity, peace and security, the PM Kishida's speech highlighted building of multi-layered connectivity, transforming co-operation from maritime to aerial and digital domain, developing core principles of peace and prosperity, and developing an Indo-Pacific way to address economic and security challenges. (It might be pertinent to note that within the QUAD, India and Japan are the only two member States to have direct territorial disputes with China). In this context, the 2+2 Ministerial dialogue, Indo Pacific Oceans Initiative and joint military exercises should do more within and outside the QUAD paradigm. Interestingly, all the concerns highlighted above are of importance not just for India and Japan, but for the particular concern of Asian countries as well, and thereby crucial for global order. It is in this context therefore, that that the G20 and G7 presidencies assume importance.

### **The G20 and G7:**

The G20 represents around 85% of the global GDP, over 75% of the global trade, and about two-thirds of the world population while the G7 accounts for 40 percent of global GDP, one-tenth of the world's population and accounts for over 50 percent of global net wealth. When India took over the G20 presidency, PM Modi emphasised on co-operation and consultation not only with the G20 member countries but also with the Global South. This reflects in the guest country invitee list – Bangladesh, Egypt, Mauritius, Netherlands, Nigeria, Oman, Singapore, Spain and UAE.



Infact, just a few days ago at the B20 summit, PM Modi has proposed that the African Union be also made a member of the G20.

To understand how G20 can be used effectively to address common concerns, it is imperative to understand that India has used her membership in international organizations thus far. Be it BRICS, SCO, QUAD or the G4, India has used a ‘networking response’ to counter her strategic and political challenges. As such, issue-based alignment and not value-based association underpin India’s partnerships thus far – including the most important ones with US, Russia, France and Japan. Referred to as ‘nested partnerships’, bilateral (Indo-Japan), trilateral (India-Japan-US) and quadrilateral (QUAD) partnerships based on networking and not on alliances, have defined India’s pursuit of security/defence, economic development, and political stature.

This is where the G20 comes in. It can be used as an effective networking forum to address and draw consensus on several concerns which are no longer India or Japan specific, but rather Asia specific and by extension, important for a global order based on respect for sovereignty, rule of law, judicial adjudication of disputes, peace, security, and mutual prosperity. The G20 can also aim for tangible benefits for developing countries including, but not limited to addressing food security, funding for critical physical and digital infrastructure, increasing representation of the global south in international diplomacy, education, climate change, healthcare access and disaster management. The G7 with its high net worth can be instrumental in financing some of these very important areas. Infact, the G7 has already committed to increase infrastructure funding to developing countries. Japan has recently announced a US \$75 billion infrastructure and security assistance for the Indo-Pacific.

Why is the impetus on global south relevant for India? As Tamari Kazutoshi argues, this stems from a three-pronged rationale. First, the necessity of

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<sup>1</sup> Accessed at: <https://www.csis.org/analysis/japans-new-national-security-strategy-and-contribution-networked-regional-security>.

hedging and associating with the global south as a victim of a greater power divide. With that, India is better able to justify its stand towards Russia after the Ukrainian invasion. Second, it provides a better reference framework for Indian international diplomacy, now that the Cold war is over and Non-Alignment has lost its relevance. This is why, India's increasing engagements with Africa, Brazil, West Asia provides a platform to challenge the Western (Global North) dominated world order. Third, it helps to boost India's image as a champion of third world solidarity and a key player in international diplomacy, thereby also boosting PM Modi's image domestically. The eye being on the 2024 General Elections in India.

Finally, moving beyond the geo-strategic leverage, there are urgent issues which the G20 needs to work towards where both India and Japan can contribute substantially. These include climate change mitigation measures, accommodating the challenges of the rise of Artificially intelligent technologies, and pushing on the SDG's. These issues are becoming more and more urgent and have the capability of negating any economic growth or advantage that members of G20 or G7 profess to have. In other words, these concerns have a great levelling effect and the rise of a new global leadership might depend more on how we navigate these challenges rather than just focussing on traditional rivalries. This is where, both India and Japan can look beyond the China, US or Russia factor and strengthen bilateral and multilateral co-operation on these very important issues.

### **The Faultlines:**

It cannot be denied that at its very core, the G20 was essentially a response to economic crises and is thus a forum for international economic and financial co-operation. While its ambit may have expanded to include many related issues, its primary aim remains unchanged. A general and persistent challenge for the G20 is the inherent differences in national interests,

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<sup>2</sup> Basrur, R., Narayanan Kutty, S. Modi's India and Japan: Nested Strategic Partnerships. *Int Polit* 59, 67–89 (2022). <https://doi.org/10.1057/s41311-021-00288-2>

<sup>3</sup> <https://www.nippon.com/en/in-depth/d00911/>

economies, policy making environment, currency fluctuations and impacts of macro-economic conditions amongst the member countries. This is why, as history has shown, it is very difficult align national economic policies to reflect a consensus based global economic order within the G20.

One of its many agendas in the recent years has included reform of international economic institutions such as the WTO, World Bank, IMF. It is here that India struggles when it comes to pushing its reform agenda. For example, India has been mooting for the quota re-allocation under IMF which in turn affects the Special Drawing Rights. However, it needs an 85 percent majority in the IMF to do so. Currently, the G7 and other members of the EU hold the overall majority and have so far been opposed to change the hierarchical structure therein. Similarly, India's push for TRIPS waiver during the pandemic met with strong opposition from EU and UK despite US support. India and Japan also differ on removal of trade and non trade barriers at the WTO, and the box subsidy system. The G20 has been unable to revive the Doha Development Round for Multilateral trade negotiations at the WTO. The protectionism push for industrial policies within the EU and US might lead to inflation across the global supply chains which countries like India remain strongly opposed against. These are factors which in turn impact creating effective links between the G20 and G7.

Recently, the G20 has taken up to discussing matters of environment as well, since economic development and environment are intrinsically linked. More, so after Sustainable Development became the new roadmap post 2015. However, here the forum finds itself combatting several paradoxes when it comes to climate change mitigation efforts. In accordance with the Paris Climate Agreement, US, Canada, Japan and EU – those responsible for highest emissions have agreed to limit the temperature rise below 1.5 degrees Celsius and phase out coal dependency by 2025. However, these countries also place onus on developing countries such as India (India's overall emissions have surpassed the EU combined) to do their bit. India, on the other hand continues to harbour its low 'per capita'

emission rhetoric and in the Common But Differentiated Responsibility and firmly places the onus on industrialised nations to do continue taking responsibility for historical emissions. It cannot be denied that priorities and thereby commitments, for developed and developing will differ; however, as the post Paris discussions have shown, barring a few, neither group has been able to give a blue print for its Nationally Determined Contributions.

The elephant in the room is of course, India's response to the Ukrainian issue and her pro-Russia stand. Japan and India, have both adopted diabolically opposite stands in dealing with their response to Russia. India has not aligned with the West in isolating Russia; on the other hand the import of Russia crude oil has actually increased. While one can argue that national interest (economic, energy, defence) and traditionally allied relation supersedes any sudden change of bilateral relations, this argument has not found many takers. The Ukraine issue has shadowed much of this year's G20 discussions and talks broke down in February 2023, where there were clear lines drawn between G7 member countries and, Russia and China regarding the inclusion of two paragraphs related to the Ukrainian situation. Despite India trying to align the talks to developmental issues, member countries are disagreeing to do so. If there is no joint communique issued, India may have to issue a sole statement – something unheard of during the G20's history.

For Japan, this ambivalence from India has also been noted in India's response to the South China Sea dispute and the Taiwan Strait issue. This has not been well received by Japan especially as it is posited to take a more defence centric stand through the NSS.

Apart from the Russian issue, Japan and India have also differed on their nuclear non-proliferation strategy. While Japan, under PM Kishida (whose hometown was Hiroshima and where PM Modi visited in May 2023), firmly moots for non-proliferation in world diplomacy, history has shown that India has refused to toe the line. Despite a unilateral assurance on an

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<sup>4</sup>Although the United States had pulled out of the Paris Climate agreement under former President Trump, it has now re-joined the accord under President Biden.

embargo on further nuclear testing, India has not signed the Non-Proliferation Treaty and neither the Comprehensive Test Ban Treaty. Of course, post the Indo-US Civil nuclear deal, and the concessions made by India to permit IAEA inspection has boosted confidence amongst nuclear States regarding India's commitment to be a responsible nuclear power; however, for Japan this remains a crucial issue on which it differs with India. Having said that, it is also pragmatic to assume that Japan may itself revise its disarmament and nuclear policy give the recent aggressive stands by China in the East China Sea and also North Korea who continues to remain volatile.

Indo-Japan bilateral relations themselves are yet to maximise their potential despite converging interests. The reasons as pointed above lie in the different Riggian societies in both which means their policy making, national priorities and development frameworks often slow down the implementation of bilateral decisions. It also means that both countries appeal to different institutions for pursuing their diplomatic interests. This is witnessed in Japan's tilt towards G7 consultations rather than the G20. This can also be seen in the divergent approaches to handle Big Tech between both countries. While India pursues a State controlled digital interface (public sector institutions such as India Stack and UPI) where technology companies have to comply with state regulations, Japan has a more open framework, where government control is minimal and the companies are expected to maximise Japanese competitiveness in an open market environment.

Finally, does PM Kishida really share the push for global south as PM Modi does? While the G7 has now looked to expand discussions with and about the global south, the very basis of this term does not really resonate with Japanese domestic and foreign policy. This is because the term essentially includes territories with shared historical (read-colonial) experiences which have impacted their politico-economic structures resulting in eventual domination

by the developed West. Naturally, given Japan's own tryst with colonisation and expansion in the run-up to the World War II, it does not quite share the same aspirations or issues that these countries face. In many ways it is closer to the global north. Secondly, while Japan has made substantial financial aids to developing countries, including India, it may not fully be able to take up the commitments in backing a global south agenda given its own limited domestic resources, a rising public debt and an ageing population.

### **The Way Ahead?**

The G20, despite its economic clout, represents only few countries and 173 UN Member States are not members effectively making it a very skewed forum. This is not to say that the G20 has to be indiscriminately expanded, but rather, it should find ways to address and voice concerns of those under-represented members. This why PM Modi's push to make the African Union also part of the G20 is a much needed reform (Currently, only South Africa is represented).

The post Covid world has also opened up several opportunities for collaborations between these two groups. The world is increasingly looking to diversify global supply chains from a China lead approach. This is an extremely important area for India and Japan to collaborate upon. One has technology and funds, while the other is developing a strong manufacturing base in several key areas. The Covishield vaccine is a case in point. It was manufactured in India (the largest producer in the world for generic pharma) with import of technology from the UK. Similar models could be replicated in areas such as renewable technology, where Japan has made huge strides in technology, and where India could produce the energy systems at scale and expand Asian supply chains beyond China. Another area of focus now is on digital ecosystems. India's public digital infrastructure lead model stands out because it addresses citizens concerns regarding privacy and security and also incorporates entrepreneurial interest. Digital inclusion and digital equitability are areas which both countries, with their respective strengths can come together.

Japan's G7 agenda has several areas which reflect the concerns of the global south. Energy and food security, climate change impacts, health and human development are issues which transcend the north – south divide. It is here, that India and Japan should take the lead within their respective presidencies. For example, India could lean on Japan for developing innovative ideas to address food security, reduce debt burdens for developing countries and also to help in climate finance – another elephant in the room when it comes to climate change mitigation efforts. While the G7 has already pledged the \$600 billion infrastructure fund for developing countries, it is yet to be mobilised. India and Japan could together, look at ways for effective deployment of this fund particularly for projects which could be an alternative for emerging economies to get into a debt trap.

In short, there are many pressing, and mutually beneficial matters for India and Japan to work towards through the G20 and G7, not just as Presidents but as members representing varied interests in these forums, rather than letting efforts be de-railed by issues on which disagreements persist. This will require diplomatic concessions to be made on both sides over the issues which they differ on - agree to disagree - but keep the developmental agenda in mind. Otherwise, the ring of VasudhaivaKutumbakam(The world is one family) will remain another hollow rhetoric.





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