The Trajectories of India-Japan Relations: A Growing Convergence of Interests

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Dr Asima Sahu
Associate Professor
Dept. of Political Science
Ravenshaw University,
Cuttack
Odisha, India
Introduction

The rapidly changing strategic scenarios in Asia have led to Japan's increasing ties with India over the last few years. Major global and regional geo-political shifts are taking place in the contemporary world. These include the rise of China, the US policy of rebalancing and pivot to Asia, and the response of regional countries, evolution of a new security architecture in Asia, maritime security challenges in Indian and Pacific Ocean, nuclear tests by North Korea, tensions on account of territorial disputes in South China and East China Sea, evolution of ASEAN into an ASEAN community. The two Asian democracies are making concerted attempts to intensify their relationship at various levels- economic, strategic and political.

Though the two countries never exhibited much keenness in each other's priorities, a confluence of various factors such as structural, domestic and individual leadership have given a new push to the bilateral relationship in recent years.

At the structural level, the rise of China in the Asia-Pacific and beyond has led India and Japan to rethink their attitudes towards each other. This has led to a fundamental alteration in the strategic calculus of India and Japan. India's burgeoning economy has made it an attractive trading and business partner for Japan. India has also displayed a positive attitude towards Japan's pre-eminent role in shaping the evolving Asia-Pacific security architecture. At the individual level, the political leaders of both the countries are viewing each other differently with a lot of warmth and conviviality. All these factors have contributed to a different trajectory of India-Japan relations.

Historical Overview

The diplomatic relations between the two countries began with the signing of Japan's Peace Treaty with India in 1952 after the end of the second world war. India facilitated Japan's entry into the mainstream of international and regional politics by its invitation to Japan to the first Asian Games in New Delhi in 1951 and encouraging Tokyo's participation in the Afro-Asian Conference in Bandung(Indonesia) in 1955. When Japan was rebuilding its economy post-World War II devastation, India chipped in with the supply of important minerals especially iron ore. The bilateral
visits by Japanese PM Nobuuke Kishi and Indian PM Jawaharlal Nehru also added impetus to the relationship. India became the first recipient of the yen loan aid extended by the Japanese government and Japan, by 1986, emerged as India's largest aid donor\(^1\). However, the cold war politics hampered the momentum in India–Japan bilateral ties. While India embraced non-alignment as the cornerstone of its foreign policy which it thought would best protect its national interest by equi-distancing from the two Superpowers and their Blocs, Japan aligned itself with the US and its foreign policy priorities. Japan, being a close ally of the US was thus dragged overtly into the whirlpool of East-West Bloc rivalry\(^2\). With India's estrangement from the US and tilting more towards the erstwhile USSR, India’s ties with the US and its allies, including Japan, suffered setbacks.

The relations between the two countries got further strained when during the 1962 Sino-Indian border war, Japan preferred to take a neutral stance. It also decided to stay neutral during India’s conflicts with Pakistan. In the initial decades of Independence, India did not experience much economic growth when it followed the socialistic model of economic development. Japan, on the other hand, surged ahead economically. There were, thus few economic complementarities between the two Asian nations. India remained peripheral to Japanese economic priorities while the latter had deep economic engagements with East and South-east Asian nations. As one of the most important powerful and viable economies in the 1970s and 1980s, Japan intensified its economic ties with China and other South-East Asian nations. There were also perception problems vis-a-vis each other. The Japanese thought India as a chaotic, dysfunctional and an utterly poor nation, while India viewed Japan as a camp-follower of the US\(^3\). Japan did not think India fit enough to be a potential partner. Japan persisted in its view of India as a local power, always hyphenated with Pakistan. Though Japan contributed to the economic revival of the East and South-East Asian nations culminating in the emergence of new institutions such as the ASEAN, India continued to be seen as an outsider to the ambit of such institutions and somehow excluded from the very definition of Asia.

Though India experienced a paradigmatic shift in 1991 following its policy of globalisation and liberalisation, the India-Japan relationship did not witness any high. Since Japan’s economy was sliding down, it forced the nation to be inward-
looking. India was also busy in looking up to Western countries, especially the US to bail out of the economic crisis it had sunk into.

The testing of nuclear devices in Pokhran in 1998 by India marked a new low in the bilateral relationship between the two countries. Japan viewed the tests as ‘extremely regrettable’ and a challenge to the efforts of the international community to create a world free of nuclear weapons. Japan unequivocally condemned the tests by India as well as Pakistan in various multinational fora, including the G-8 Summit held in Birmingham in May 1998, at the Conference on Disarmament in Geneva in June 1998, and at the UN Security Council in June 1998. Japan was instrumental in getting the resolution passed by the UN Security Council which, among others, called upon India and Pakistan to halt and roll back their nuclear weapons programmes and join the NPT. It also adopted sanction measures against India as a punitive arrangement. The Japanese Diet found the tests as a threat to the very existence of humanity. Japan’s punitive measures against India included freezing of grant aid for new projects, suspension of yen loans, withdrawal of Tokyo as a venue for India Development Forum, a careful scrutiny of loans to India by international financial institutions, and putting in place stringent regulations on technology transfers. Japan suspended economic assistance for three years and suspended all political exchange between the two nations.

The strong reaction against India’s nuclear tests was almost natural keeping in view the horrific devastation which Japan had to undergo in the wake of US bombing during World War II. Owing to the Hiroshima and Nagasaki experience, there exists greater disdain for nuclear weapons among the Japanese people than among the peoples of other countries. Any Government in power in Japan is obliged to respond to the public sentiment on the nuclear issue. Having opted for the US nuclear umbrella, Japan had a security interest in maintaining the existing nuclear order. It perceived the nuclear tests by India and Pakistan as a threat to this order. Japan also regarded the nuclear tests as a setback to its non-proliferation objective. It apprehended that the tests would trigger wider proliferation of nuclear weapons, including by North Korea, which would directly threaten Japanese security.

But in many quarters in India, the Japanese reaction was regarded as insensitive, as it failed to appreciate the genuine threat perception that India faced from its two
neighbours, China and Pakistan. Moreover, Japan itself was taking shelter under the
security guarantee of the US nuclear umbrella. The initiatives taken by Japan both
unilaterally and jointly with other major powers created a lot of consternation in India
and greatly strained Indo-Japanese relations. The relations were held hostage to the
nuclear issue for about three years, from 1998 to 2000.

But as the Western world gradually came to terms with a Nuclear India, Japan also
re-oriented its foreign policy towards India. Since the beginning of this century, both
countries have become increasingly aware of their common security interests in the
widest sense of the term, in Asia and globally, and of the increasing convergence of
their perspectives on disarmament and security issues.

The relationship thawed with the visit of the Japanese Prime Minister Yoshiro Mori to
India in 2000. Thus, the bilateral ties acquired a new trajectory aiming at forging a
‘global partnership’ between the two states. Mori asserted that the two states have a
global responsibility in ‘defending and spreading the values of democracy and
freedom that India and Japan share.’ Japan, for the first time, used the term “global
partnership” in reference to a nation other than the U.S. Prime Minister Yoshiro Mori
played a pioneering role in deepening Japan’s engagement with India. Mori, had
opined that he envisioned India’s rise as a global power in the 21st century, and that
was a major turning point in the strengthening of India-Japan relations.

As Harsh V Pant underlines, the confluence of structural, domestic and individual
leadership factors contributed to the new-found dynamism in India-Japan relations.

**Structural Factors**

**Shift in the Balance of Power in the Asia-Pacific**

In recent years, the centre of gravity of global politics is witnessing a shift from the
Atlantic to the Pacific with the rise of China and India, Japan’s assertion of its military
profile, and a major shift in the US global force posture in favour of the Asia Pacific,
which is manifest in its policy US Pivot and Rebalancing towards Asia. Chinese
foreign policy is now oriented towards augmenting its economic and military prowess
to achieve regional hegemony in Asia. Though the US still continues its pre-
eminence in the Asia-Pacific, the rise of China is reshaping the strategic environment in the region. For a long time, China, Japan and India have been thought of as the States with potential for great power status with innate capabilities to impact international economic, political and military systems, but it is only in the last few years that these predictions are turning out to be true. Japan dominated Asia first as an imperial power for more than a century. It was the first economy to be at par with Western level of economic development. Currently, China is on the rise. And China’s resurgence is altering the power balance across the Asia-Pacific region, and owing to the absence of effective regional institutions, the region is now at least as volatile as during the Cold War.

Dealing with Chinese resurgence

The increasing heft of China has led US to reinvigorate its existing alliance with Japan and also cosying up to new partners such as India. US not only signed a pact to enhance co-operation on a ballistic missile defence system in 2004, but it also encouraged Japan to forge close strategic and political linkages with neighbouring States such as India and Australia. India is also not lagging behind in formulating its strategy in dealing with a rising China. Both the countries are two major powers in Asia with global ambitions and some significant conflicting interests. It is obvious that elements of stresses and strains will be there in their bilateral relationship. The contemporary geo-political reality of Asia will make it difficult for Hindi-Chini to be bhai bhai (brothers) in the near future. There will be intense competition between China and India as both want to be major global power. India is reformulating its foreign policy in recent years to find new allies and partners. In this changed scenario, India is redefining its relationship with both US and Japan. The Indo-US Civilian Nuclear Deal has substantively transformed the contours of the relationship between these two democracies. India has not only been co-opted into the global nuclear order, but the US has also made a significant declaration of committing itself to the growth of India as great power.

India’s increasing proximity to the US also ensures that Japan takes India with more seriousness. Both are mindful of the Chinese strategy to contain the rise of its two most likely competitors in the region. The growing bonhomie between India and Japan is to ensure that China becomes less menacing and ultimately more co-
operative and accommodating. Thus, the rise of China is a key factor in the evolution of Indo-Japanese ties. China’s opposition to the restructuring of the UN Security Council to include India and Japan as permanent members also reflected its desire to perpetuate its pre-eminence as permanent member of the Security Council and as a nuclear weapon state. India’s ‘Look East’ and now ‘Act East’ policy which envisions active engagement with ASEAN and East Asia remains largely anchored upon Japanese support. India’s participation in the East Asia Summit was facilitated by Japan, and the East Asia Community proposed by Japan to counter China’s proposal of an East Asian Free Trade also includes India. While China opposed the inclusion of India, Australia and New Zealand in ASEAN, Japan has strongly supported the entry of these three nations. The huge structural changes in the geopolitical balance of power in the Asia-Pacific are pushing India and Japan into a close relationship.

**Domestic Factors**

Domestic factors also account for the augmentation of bilateral ties between Japan and India. In recent years, Japan’s economy is facing a downturn and China has surged ahead as the second-largest economy in the world. To meet the recession, Japanese leaders have been reforming and restructuring their economy. The key sectors of the economy such as telecommunication, banking and securities are getting opened. Japan, in spite of its economic decline, however, still remains a country with high technology and investible capital.

India has emerged as a lucrative market, for twin reasons: a) an increasing spending capacity of the consumer and b) availability of cheap labour. Since Japan wants to downsize its dependence on China, it is keen on diversifying its trading partner in Asia. India’s reputation for software development, internet business and knowledge-intensive industries is compelling Tokyo to appreciate India as the world’s rising knowledge superpower. Japan is keen on hugely investing in India as the former views the latter as a reliable destination. Though Japan for long has considered India as a huge and burgeoning market for export of capital and technology, it has only recently given a serious thought as far as foreign direct investment is considered. Japan is gradually exploring the potential of Indian market.
Changing Demographic Scenario

India’s demographic dividend and Japan’s aging population are creating great opportunities for the two Asian nations to strengthen their partnership. Japan has the world’s largest population of elderly people and the lowest proportion of children. India will have a strong workforce because of the presence of large number of young adults. Opinions are being floated that if the Japanese govt. expands immigration to attract more skilled foreign workers, especially professionals who would contribute substantively to its growth. Lot of benefits may accrue to Japan if its Govt. opts for immigration reforms.

Changes in the Political Orientations of Leaders

The Japanese political leadership in recent years have been desirous of recrafting their security role. In recent years, Japan is playing a more active role as an international security actor. From providing logistical support for coalition forces operating in Afghanistan, Japan had provided refuelling facility to US, UK and other nations’ warships since November, 2001. Japan’s decisions to dispatch its forces to the India Ocean and Iraq are manifestations of Japan’s active security policy. Since there is no conflict of interests between India and Japan, they can significantly enhance the defence and security co-operation. There has not been any serious difference of opinion between major political parties within India as far as cementing of ties between the countries is concerned.

Individual –Level factors

Individual leadership has also been instrumental in crafting a new architecture of India-Japan relations in recent years. Several Indian and Japanese leaders in the last few years have played key role in this regard.

Alongwith a paradigmatic shift in the Indian economy under Prime Minister P V Narasimha Rao, the Indian foreign policy also adopted a ‘Look East’ Policy whereby strong linkages were sought to be developed with the ASEAN and its northern neighbours. The ‘Look East’ Policy not only aimed at enhanced trade volume for the region, but a strategic shift in India’s vision of the world as India sought greater engagement with the hitherto neglected Asia-Pacific nations. With Rao’s visit to
Japan in 1992, a strong foundation was laid for future Indo-Japanese ties. Successive Prime Ministers contributed to further cementing the relationship.

The same warmth was also exhibited by the Japanese leaders and from the year 2000 onwards, the two states have agreed upon holding annual talks at the prime ministerial level. Mori, Koizum, Shinzo Abe, made special efforts to build and consolidate strong India-Japan ties.

**Economic Ties between India and Japan**

The beginning of the 21st century witnessed a dramatic transformation in bilateral ties. Guided by the strategic vision of Japanese PM Yoshiro Mori, the leadership of the two countries, cutting across party lines, recognized the merit of substantive bilateral engagement. Recognition of the mutual advantage in enhancing and widening the ambit of the bilateral relationship has driven India-Japan ties in the past decade and a half. During Prime Minister Mori’s path-breaking visit to India in 2000, the Japan-India Global Partnership in the 21st century was launched providing the much-needed impetus for the trajectory of relations to soar to new heights.

India and Japan are highly complementary economies, but their mutual complementarities have not been adequately exploited for a significant period of time. While Japan possesses abundant capital and is highly advanced in technology and product development, India has an enormous market and abundant human resources. While Japan has an outstanding record in the field of manufacturing abilities, India enjoys advantages in IT services and bioinformatics.

While India became the largest recipient of Japanese ODA since 2003-04, bilateral trade in goods and Japan’s FDI into India almost stagnated during the first decade of this century. Major Indian exports to Japan are dominated by products of mineral oils, gems and jewels, marine products (mainly shrimps) and iron ore. Though Japan’s cumulative FDI into India is so far larger than that of Korea, but as far as electronics appliances are concerned, Japanese companies have been overtaken by Korean companies in the Indian market.

The long-anticipated India-Japan CEPA (Comprehensive Economic Partnership Agreement) was finally signed in February 2011 and came into effect in August 2011. More and more Japanese companies have entered into a wider range of
manufacturing sector. Not only automobile assemblers and auto suppliers, but also other companies in different fields, including steel makers, pharmaceutical companies, and construction machinery producers have started favourably looking at India.

Japanese ODA, for long the backbone of the bilateral relationship, continues to provide long-term loans for India’s infrastructural development\textsuperscript{11}. Japanese assistance helped to conceptualise and execute the prestigious Delhi Metro Project, The Western Dedicated Freight Corridor (DFC), the Delhi-Mumbai Industrial Corridor with eight new industrial townships, the Chennai-Bengaluru Industrial Corridor (CBIC) are all mega projects which have transformation potential.

Prime Minister Modi’s visit in 2014 rekindled hopes of forging strong bilateral ties. Abe’s assurance of 33.5 billion public and private investment and financing including ODA, doubling Japanese FDI and the number of companies in India over the next five years were the highlights of this visit. Though the size of the Japanese ODA in the infrastructure of India is increasing sizably, the economic component of India-Japan bilateral relations has not been commensurate with the diplomatic enthusiasm. The bilateral trade seems small compared to Japan-China trade (US$311.995 billion in 2013).\textsuperscript{12} India-Japan bilateral trade further declined to $16.31 billion in 2013, which is 11.89\% lower compared to the $18.43 billion in 2012.\textsuperscript{13} India’s trade deficit in favour of Japan is a matter of concern. While the India-Japan bilateral trade represents approximately one per cent of Japan’s total foreign trade, it amounts to 2.2-2.5 per cent of India’s total trade. Japanese companies’ investment amounted to $15.359 billion in India between April 2000 and December 2013, representing seven percent of the total FDI inflow into India.\textsuperscript{14}
Japanese Foreign Direct Investment Flows to India

<table>
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<th>Year</th>
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<tr>
<td>2008-09</td>
<td>266</td>
</tr>
<tr>
<td>2009-10</td>
<td>971</td>
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<td>2010-11</td>
<td>1256</td>
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<td>2013-14</td>
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Source: Reserve Bank of India

Narendra Modi’s Historic Visit to Japan in 2014

Prime Minister Modi’s visit to Japan in 2014 has been described as a watershed, cementing Asia’s new democratic axis and co-opting Tokyo as an important partner in India’s development and a collaborator on mutual security. India and Japan agreed to co-operate on defense technology, maritime security and military preparedness, including on how to deter aggression and ensure a favourable balance of power in Asia. In keeping with Modi’s commitment to reviving slumbering economic growth, Delhi govt. was to significantly strengthen the country’s manufacturing base, upgrade its rickety infrastructure, create a network of new ‘smart’ cities, and introduce bullet trains. Japanese technology and investment could help make Modi’s plans a reality. For that reason Modi laid emphasis on his ‘no red tape, only red carpet’ message in Japan, saying he was striving to make India more hospitable for corporate activity. ‘Some people say there is thick red tape in India, but I would like you to believe there is a red carpet in India’ , he told Japanese businessmen.  

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Japanese Prime Minister Shinzo Abe’s $35 billion pledge in private and public investment and financing over the next five years was indeed huge. This funding was to be used to improve Indian manufacturing and skills, create ‘smart cities’ and electronics industrial parks, build high-speed rail lines and urban subways, clean up the Ganges, produce clean energy, and accelerate rural development.

PM Modi realises that India must strategically collaborate with Tokyo to prevent the rise of a Sino-centric Asia, or else India’s world-power aspirations will not be possible to realise. Asia’s balance of power will be determined predominantly in two key regions: East Asia and the Indian Ocean. According to the ‘Tokyo’s Declaration for India-Japan Special Strategic and Global Partnership’ unveiled during Modi’s visit, these two leading maritime democracies in Asia had agreed to ‘upgrade and strengthen’ their defence relations and work together on advancing security in Asia and the wider Indo-Pacific region, marked by the confluence of the Indian and Pacific Ocean. As energy-deficit countries heavily dependent on oil and gas imports, India and Japan are naturally concerned by China’s efforts to assert control over energy supplies and transport routes as well as by its claim to more than 80 percent of the South China Sea, one of the world’s busiest and most-strategic waterways.

China’s strategy involving the use of military intimidation or force to make incremental encroachments across land and sea borders has emerged as a key destabilising element in Asia. Obliquely referring to China, the Tokyo Declaration stated India and Japan ‘affirmed their shared commitment to maritime security, freedom of navigation and overflight, civil aviation safety, unimpeded lawful commerce, and peaceful settlement of disputes in accordance with international law.’

The emerging Indo-Japanese axis is pivoted on a mutual recognition that such an alliance can potentially shape Asian geopolitics in much the same way as China’s rise or America’s ‘pivot’ to Asia. Abe’s dispensation is now pursuing a strategy of ‘pro-active contribution to peace’ by looking beyond its security ties with the US and building strategic partnerships with militarily capable democracies in the Indo-Pacific region. Abe’s optimism was reflected in his statement that Japan-India relations hold ‘the greatest potential of any bilateral relationship anywhere in the world’. Modi echoed similar sentiments when he urged Abe that the two countries should ‘strive to achieve in the next five years their relationship’s unrealised potential of the last five
decades. He further affirmed that there are ‘no limits’ to co-operation between the two nations and that their actions will help shape the 21st century for Asia. As Brahma Chellaney comments, “This partnership will strengthen maritime security in the Indo-Pacific region- the world’s leading trade and energy seaway- and shape a healthy and stable Asian power equilibrium, with India serving as the southern anchor and Japan the eastern anchor of this power balance”\(^{16}\).

**Abe’s Visit to India in December, 2015**

During Abe’s visit to India in December, 2015 the two Asian democracies agreed to resolve to transform the Japan-India Special Strategic and Global Partnership into a deep, broad-based and action-oriented partnership, which reflects a broad convergence of their long-term political, economic and strategic goals. They announced “Japan and India Vision 2025: Special Strategic and Global Partnership Working Together for Peace and Prosperity of the Indo-Pacific Region and the World” a joint statement that would serve as a guide post for the “new era in Japan-India relations”. The joint statement clears many cobwebs out of the bilateral equation, especially on contentious issues such as co-operation in the development of nuclear energy and defence capability\(^ {17}\).

The Joint Statement sets out a detailed framework for a privileged bilateral partnership that seeks to address a range of Japanese concerns about the security, viability and profitability of Japanese investments in India. This detailing has now been made possible because both Japan and India have come to understand the strategic importance for themselves of their bilateral partnership. The Joint Statement repeatedly refers to the Indo-Pacific as the shared region of strategic engagement for both powers.

During Abe’s visit, India and Japan agreed on peaceful uses of nuclear energy ending years of painstaking negotiations, delayed both by the Fukushima nuclear tragedy in Japan and India’s delay in legislating a nuclear liability law. India also agreed to “tied aid”, enabling Japanese funds to finance Japanese investment, especially in infrastructure and high-speed railway projects. India also expressed willingness to promote Japanese industrial townships aimed at making India a more hospitable destination for Japanese business. The two countries entered into a major defense deal which provided for the joint production of Japan’s US-2, an amphibious
plane that Japan’s Self-Defense Forces use for search and rescue operations as well as maritime surveillance.

Apart from defense and energy-related issues, Japan also has become an infrastructure partner for India. Urban development is a key area of Japanese development co-operation with India, with Tokyo aiming to help New Delhi design and plan new townships and industrial estates in the Delhi-Mumbai Industrial corridor, as well as new smart cities and townships in the states of Maharashtra and Andhra Pradesh. Japan has also agreed to export its high-speed rail technology to India, a country whose rail infrastructure requires significant new investment. Tokyo aims to assist New Delhi design and plan new townships and industrial estates.

All this signals a new level of partnership between Asia’s two great democracies, imparting new self-confidence to both nations at a particularly critical moment in Asia’s emerging power structure.

**Future Directions**

The ‘civilisational neighbours’ India and Japan have in recent years rediscovered each other. The phenomenal rise of China and Japan’s increasing strategic isolation in its own neighborhood have propelled Japan to forge close alliance with India on the foundations of common interests, liberal-democratic and free market values. India views its strategic and economic partnership with Japan as key to its vision of a dynamic, multi-polar Asia.

Though the future of bilateral ties look promising, there are a few issues which could slow down the momentum. Even if both the countries share their anxieties over the ever-increasing pre-eminence of China, both are hesitant in rubbing China the wrong way. When a declaration was signed on security co-operation in 2008 in the wake of Manmohan’s visit to Japan, both the countries took care to reassure China that their alliance was not to be at the expense of any third country, least of all China. Thus, China will continue to hover around over the future trajectories of India-Japan relations.

Despite the positive intentions by the two countries, the integration between the two economies has remained very weak. As long as the bilateral trade ties do not pick up substantially, Japanese investment will remain less. The different demands of the
two countries in the services sector also slows down the process. While Japan’s priorities are the maritime, insurance, civil aviation, and banking, for India these include information technology, bio-technology and medical. The labyrinthine bureaucracy of India acts as a deterrent for Japanese investors. Infrastructure inadequacy, a complicated legal and taxation system, and insufficient regulations for inter-state transactions dampen the enthusiasm of the Japanese investors. Thus, the enormous opportunities provided by the financial and technological empowerment of India’s expanding and highly skilled workforce along with India’s vast market fail to be tapped into. There is too much reliance on China by the Japanese businesses and no proper realization of India’s rapid liberalization process and changing policy frameworks.

**Conclusion**

To conclude, Japan and India are two of the oldest democracies in Asia and among its three biggest economies. In numerous ways, they make natural partners since they have no serious disagreements such as territorial disputes and share concerns about the rise of China. Both India and Japan have great opportunities to bolster their bilateral relationship through a variety of political, economic and security initiatives. Both should grab these opportunities. China’s increasing footprints in South Asia is creating consternation among certain quarters in India. Japan enjoys a positive image in India as well as in South Asia. Bereft of any historical baggage Japan should abjure its inhibitions and deeply engage with India and other countries of the region.
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