CHAPTER IV

Indo-Japanese Relations: Turning Point 1977-93
CHAPTER IV

INDO-JAPANESE RELATIONS: TURNING POINT 1977-93

As seen in the last chapter relations between India and Japan were normalized by the Peace Treaty signed between them in 1952. Bilateral trade was resumed but progress in bilateral cooperation was slow in comparison to India's relations with other countries. At the same time, Indo-Japanese relations could not have any political overtones and were confined to economic or commercial transactions.

But the year 1977, was a turning-point in post-1947 Indian history because of the revolutionary political developments which took place in the country.

In a single stroke the Indian electorate brought an end of the thirty years of Congress party rule, eleven years of government under the Prime Ministership of Indira Gandhi and twenty months of an emergency that had set India on a course of authoritarian government. Mrs. Gandhi in a surprise announcement in mid-January 1977
declared that national elections would be held in March. It was widely expected at the time, not only outside observers but apparently by Mrs. Indira Gandhi as well, that the elections would legitimate her declaration of an emergency, demonstrate that the country supported her moves to institutionalize many features of the emergency. All of this, we know, was nothing but her journey in 'fantasy. Like many authoritarian regimes, this one too was unaware of how unpopular many of its policies and programmes were, or indeed how little popular support there was left for the regime and for the emergency. The lack of effective feedback in itself might not have jeopardised the regime had it not made the extraordinary, indeed, unique decision to test its popularity by holding an election.

The election to Indian Parliament in March 1977 brought an electoral debacle to Congress Party for the first time in the post-independent Indian history and provided an opportunity to opposition parties which had already been united under the banner of Janta Party to form a government at the Centre under the Prime Ministership of Morarji Desai. Atal Behari Vajpayee, a former right-leaning Jana Sangh leader assumed the office as the new Minister of External Affairs.
With the coming of Janta Party in power, many hopes were expressed, in India as well as abroad that there may be a shift in Indian foreign policy. A shift in Indian foreign policy was expected under the Janta regime because the earlier Congress Government under the Prime Ministership of Mrs. Indira Gandhi showed a tilt in favour of Soviet Union in India's foreign policy, after the Indo-Soviet Treaty of Peace, Friendship and Cooperation was signed on 9th August 1971. That is why India was blamed by many countries of the world for being deviated from its traditional non-alignment policy. Many opposition leaders even in India (later pro-Janta) saw a departure from India's non-alignment. Hence, during the election campaign in February-March 1977, the Janta leaders repeatedly declared that there had been "some tilt" and some foreign interference in India's internal affairs during the emergency. In a "Meet the Press" programme (on 10th February 1977), Morarji Desai highlighted India's heavy dependence (as he saw it) on the U.S.S.R. by declaring: "Don't you see, we do whatever the Soviet Union does". 1 At the same time he

made it clear that if his party (Janata Party) comes to power in India. "Indo-Soviet Treaty might automatically go", implying as it were, that it was a treaty between Moscow and Mrs. Gandhi,"\(^2\) When Morarji Desai became Prime Minister he told the "American news Magazine Newsweek that there was a feeling that India was leaning towards the U.S.S.R. and added that, "Such leaning should not happen".\(^3\)

Atal Bihari Vajpayee who became Foreign Minister on 7th April, in his address at the meeting of the Coordinating Bureau of the non-aligned countries (in New Delhi), declared, "India's resolve to follow, as he put it, the path of "genuine non-alignment".\(^4\)

\(^2\) Ibid., p. 30.
\(^3\) Ibid., p. 30.
\(^4\) Ibid., p. 27.
which had already deteriorated due to India’s Peace Treaty with Soviet Union. Obviously, the change in the Indian leadership at the Centre was a pleasant development to the U.S.A. and to its allies as well.

Japan, an ally of America, also felt the change in the Indian leadership as pleasant and positive for its future relations with India. On the other hand Janta regime in India was also quite confident to receive desired support from U.S.A. and its allies. Therefore, the future of Indo-Japanese relations seemed to be brighter and better under the leadership of Morarji Desai than the earlier leadership of Mrs. Indira Gandhi.

No doubt, very sincere efforts were made by Janta regime to improve India’s relations with Japan. Atal Bihari Vajpayee, the then Foreign Minister of India, made it clear that we cannot be spared for our ignorance towards an important industrialized Asian country Japan in the past and there is an urgent need to repair our ties with Japan. In his speech delivered at the Seminar held at Jawaharlal Nehru University, New Delhi on May 13, 1978,
Vajpayee said that "another area that had received insufficient attention in the past and which is now an important focus of foreign policy activities is South-East Asia and Japan. We are endeavouring to strengthen the sinews of multi-sided cooperation with that great Asian country, Japan." In another address to the India-Japan Committee, delivered in New Delhi, on March 29, 1978 Vajpayee said, "soon after assuming office of Foreign Minister in the new Janta Government, I made statement in our Parliament in June last, that India needs to repair its earlier hesitation to recognize the vitality and importance of Japan through closer rapport with that dynamic country (and industrial giant). Almost at the same time news came from Tokyo that His Excellency Mr. Hatoyama, the previous Foreign Minister had decided to accept an invitation to visit India. In the full blooded efforts were made by Janta regime

India's relations with Japan. India could impress upon Japan that there is sincere desire on the part of India to have stronger and more cordial ties with Japan. Japan, on the other hand was emerging as an economic power at international level and wanted to enhance its economic role at global level and particularly in the Asian continent.

6. Ibid., p. 183.
Therefore, Japan reciprocated India's move which led to the visit of the then Japanese Foreign Minister Mr. I. Matoyama to India in July 1977. This visit of Mr. I. Hatoyama to India occupied a great significance because after a long gap of seven years any high dignitary of Japan paid a visit to India. This certainly gave a boost in the improvement of bilateral ties. In return, Atal Behari Vajpayee, the then India's Foreign Minister, paid a visit to Japan in August 1978. The mutual visits of Foreign Ministers of Japan and India brought the two countries quite closer and cheated conducive culture for their stronger bilateral ties in the future. Both the countries started showing great enthusiasm towards each other and it was expected that all the past notches which brought the Indo-Japanese relations in doldrum will be removed sooner.

But this meagre pleasant journey of India and Japan could not last long due to the emerging discontent and dissidence among various Janta party leaders against the leadership of Morarji Desai. This political instability in India gave a great setback to India's relations with the world community. Japan, which was too eager to respond positively, was also compelled to rethink about its
approach towards India. In a very short span of time Morarji Desai government had to go and Charan Singh who was Home Minister in the Ministry of Morarji Desai, became the Prime Minister of India with the support of Congress led by Mrs. Indira Gandhi. This internal political instability had its own impact on India's foreign policy. Japan, watched all the political developments very carefully which were taking place in India and nurtured its foreign policy according to the prevalent Indian scenario and situation.

At last, political instability was over in 1980 when Mrs. Indira Gandhi came back in power with thumping majority in the Parliamentary elections held after the downfall of the Charan Singh government in 1980.

After all, governments come and governments go, but the state relations are governed by enduring conceptions of vital national interests. Though, renewed efforts were made by Janta regime to improve India's ties with Japan no significant development took place in their bilateral relations. It was not only because of meagre duration or political instability in that period but at the same time the national interests of both the countries did not demand radical shift or change in their foreign policies. Therefore, the pace of Indo-Japanese relations could not see any sort of positive change.
The undisputed leadership of Mrs. Indira Gandhi in the Congress party and the victory of Congress under her leadership in 1980, gave a clear signal to internal as well to external world that now India's political stability is not at all in doubt. This political stability in India was an encouraging development for Japan because by this time Japan had emerged an economic giant of the world and was eager to play a wider role in the international spheres. At the same time, Japan being an economic giant wanted to maintain peace in the Asian continent and India, since the super power of Asia could not be ignored by Japanese leadership.

In the beginning of 1980 the Japanese leadership gave a serious thought and showed a "sincere desire to improve her relations with India, due to the radical changes in the global trends of world politics. India, which remained cool for its own reasons and did not seek Japanese aid in large measure, also showed a sincere and positive response towards Japan which culminated in the visit of the then Prime Minister Mrs. Indira Gandhi to Tokyo on her way back to the U.S.A. and an official visit to the Japanese Foreign Minister Yoshio Sakurashi to India both in August 1982 which further added a lot to the progress of Indo-Japanese relations.
signed a fresh agreement for further Japanese aid of Rs. 127 crores to fund four projects, including the 1,000 MW Anpara 'B' Thermal Power Station (Plant) in Uttar Pradesh and also agreed to give Rs. 17,28,000 as a cultural giant. In the decade of 1980s relations between the global economic power (Japan) and the so called the supreme power of South Asia (India) improved dramatically. But the relations between the two countries' could improve because of the following factors:-

1- Japan's ambition to re-emerge as an international actor, Nakasone's the former Prime Minister repeated calls for the internationalization of Japan is an indication of this ambition. It has been seen that former Prime Ministers of Japan Mr. Takeshita, Mr. Toshiki Kaifu and Mr. Kichi Miyazawa had also repeatedly emphasised that Japan must revive and widen its trading ties with other nations rather than remain affected with western nations and the U.S.A. All have shown that Japan wished to adopt a high international profile in order to maintain peace in the world and to secure the prosperity of the international community. This desire is nothing but an extension of the same dream.
2. Japan's continuing fractions with U.S.A. and the European community on matters of trade, tariffs and investments pose a serious threat to Japan's economic growth. Under this strange situation Japan is bound to find out its new markets for its goods and investments. For this obvious purpose, the size and potential of India's market will certainly be an attractive area to Japan.

3. After acquiring certain level of progress in agriculture, industry and technology, India is in a position to take utmost benefits from Japanese economic and technological assistance.

In the light of above mentioned factors it may be seen that both the countries have realised the imperative of their economic inter-dependence both the
TABLE -V

TOTAL WORLD EXPORTS, TOTAL EXPORTS OF INDIA AND JAPAN
AND THEIR RELATIVE SHARE IN THE TOTAL TRADE OF THE WORLD

(US $ million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports of the world</th>
<th>India’s Exports</th>
<th>Japan’s Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value</td>
<td>% of the total world</td>
<td>Value</td>
</tr>
<tr>
<td>1975</td>
<td>7,98,200</td>
<td>4960</td>
<td>.62</td>
</tr>
<tr>
<td>1986</td>
<td>10,95,500</td>
<td>6441</td>
<td>.44</td>
</tr>
<tr>
<td>1985</td>
<td>10,03,800</td>
<td>10056</td>
<td>.96</td>
</tr>
<tr>
<td>1986</td>
<td>19,91,600</td>
<td>10317</td>
<td>.57</td>
</tr>
<tr>
<td>1987</td>
<td>23,64,400</td>
<td>12430</td>
<td>.53</td>
</tr>
</tbody>
</table>

Source: Same as Table -III.(8)
Kinds & Shares of Japanese Grant Aid (Excluding Debt Relief Aid) 1975-1986

Source: Japan & India (Embassy of Japan, N. Delhi), 1986.
countries have come to realize the significance of mutual inter-dependence.
Fortunately both have realized the urgency and made full efforts to provide added strength
to their relations, particularly in their economic sphere. "In 1983 Japan imported $1.130 million worth of goods
and exported $1,431 million in trade with India, major imports were iron ore (35.8% of all imports by value),
(22.6%), diamond (11.7%) and textiles products (3.9%). Major exports were general machinery (24.5%) of all
exports by value), iron and steel (23.0 %), electric machinery (14.1%), transportation machinery (12.7%), and
chemical products (6.9%). Japan was the fourth biggest exporter to India (after the Soviet Union, Saudi Arabia
and the U.S.A.) accounting for 7.5% of India's imports by value and the third largest market for Indian exports
(after the Soviet Union and the United States) accounting for 8.9%. Indian government which was giving priority
to the economic development and technological improvement did not miss the opportunity and showed much eagerness
to meet with the Japanese response positively. "The Indian

7. Japan-India Relations, Ministry of Foreign Affairs
of Japan, April 1984, p. 2.
### TABLE VI

#### Percentage Dependency of India and Japan on Exports and Imports

<table>
<thead>
<tr>
<th>Countries</th>
<th>%age Dependency on Exports</th>
<th>%age Dependency on Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>6.74</td>
<td>6.66</td>
</tr>
<tr>
<td>Japan</td>
<td>11.20</td>
<td>12.60</td>
</tr>
</tbody>
</table>

Sources: Compiled and compiled from different issues of JITS, The Europa Year book (1975 to 1988) and Japan; An International comparison 1960
Fig. 2

THE THIRD MEDIUM TERM TARGET
OF JAPAN'S DIV (1986-1992)

(1981-84 aggregate)
US $14.27 Billion

(1986-92 aggregate)
More than US $40.0 Billion

Source: Same as Fig. 1
Government approved 614 cases of financial and technical collaboration with Japanese corporations between 1959 and 1982. This was the fourth largest number of such collaborations, following 1,641 for United Kingdom, 1,415 for the United States and 1,274 for the Federal Republic of Germany, of the 614 cases with Japan, 103 were financial collaborations and the rest were technical ones. At present, about 90 Japanese companies are operating in India under (different) collaboration agreements. The products lines and Japanese companies involved include (The products involved include) medical supplies (Sankyo), dry batteries (Toshiba, Matsushita), transformers (Hitachi), gelatin (Nichimen), wall tiles (Danto), fisheries (Taiyo Fishery), glass (Asahi Glass), alcohol (Nissan Chemical Industries), video cassettes (Sony), hotel (Hokke club), and automobiles (Suzuki Motor). If we peep back into the past we would find that India was the first country to which Japan extended Yen credit, started from 1958. In fact, this consistent Yen credit support which India received from Japan did a great help (greatly helped) to India in its economic development. "Japan had provided

8. Ibid., p. 3.
<table>
<thead>
<tr>
<th>Year</th>
<th>India's Total</th>
<th>Japan's Total</th>
<th>Trade</th>
<th>India's Growth</th>
<th>Japan's Growth</th>
<th>Total Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974-75</td>
<td>13.1</td>
<td>16.4</td>
<td>94</td>
<td>1,231</td>
<td>1447</td>
<td>2629</td>
</tr>
<tr>
<td>1975-76</td>
<td>13.9</td>
<td>17.6</td>
<td>37</td>
<td>1,788</td>
<td>1269</td>
<td>3057</td>
</tr>
<tr>
<td>1976-77</td>
<td>14.5</td>
<td>18.6</td>
<td>409</td>
<td>1,929</td>
<td>1,769</td>
<td>3,698</td>
</tr>
<tr>
<td>1977-78</td>
<td>15.8</td>
<td>19.3</td>
<td>49</td>
<td>1,769</td>
<td>1,709</td>
<td>3,478</td>
</tr>
</tbody>
</table>

The total table on the world, India and Japan, the bilateral trade between India and Japan and the growth rates.

TABLE VII
Fig. 3

India's total trade with foreign countries (1964-65)

Export: 113.959 million rupees

Import: 165.918 million rupees

Source: Same as Fig. 1
a cumulative total of Rs. 574.700 million in yen credit to India at the end of March 1983. This was the second largest amount after the 971.600 million provided to Indonesia over the same period and accounted for 11.2% of Japan's cumulative total yen credits, (Thailand ranked third with 3332 million and the Republic of Korea fifth with 3,174 million). These yen credits have financed the construction of fertilizer plants, alloy steel plants, shipyards, an oil-drilling ship, power stations and a telecommunications network, worth special mention are the seven fertilizer factories at Gorakhpur, Tuticorin and elsewhere, and Bombay High's oil drilling ship named Sagar Samrat". 9

Nakasone's arrival in India could provide an opportunity to both the nations to understand their divergent and different political outlook in last three decades on various international issues. "The Nakasone visit proved useful by way of providing an insight and

9. Ibid., p. 4
understanding to both sides of the political scenario as viewed from Tokyo and New Delhi, As Nakasone is understood to have explained to Indira Gandhi in the course of a review of the international situation, Japan's perception is that it needs U.S. defence umbrella and has found it to its advantage he might have added that Japan could concentrate on rapid economic recovery after the war largely by adopting posture of a nation wedded to peace, a posture which has gradually been given up during the last decade under growing American pressure. On the other hand, the Japanese side showed great interest in appreciating the full meaning of India's perceptions of non-alignment as well as its relationship with the Soviet Union, when Nakasone asked Indira Gandhi to throw more light on India's relations with U.S.S.R., she explained in detail how the Soviet Union has been a consistent supporter of India's diplomatic and economic fields, India finds no threat from the USSR, Indian Prime Minister was also able to underscore for the understanding of her Japanese counterpart that it has
been India's advantage to keep close relations with Moscow. It was thus that Nakasone concluded at the end of this exercise that he now understood how India had benefited from its relations with U.S.S.R. and also India's importance as a major power in the region.10

In fact, for the first time the two heads of the governments could realise the significance of their interdependence despite the fact that India and Japan had different kind of perceptions and policies on political lines in the global set up. This realisation of their interdependence compelled both the sides to keep their political differences aside and kept on maintaining considerable cooperation in the economic sphere. It was, undoubtedly, an important achievement of Nakasone's visit which provided renewed spirit in the bilateral relations.

significant point that emerged from the high level exchange on the occasion of Nakasone's visit was that India and Japan need not hamper closer ties between them in the economic sphere, dictated by the needs of their respective economies. It is in this setting that the Nakasone visit marks the onset of a phase in which both the countries find it useful to elevate the level and volume of their economic relationship. No doubt, it is pragmatism and enlightened national interests that are the basis for the new pattern of Indo-Japanese ties. And though primacy goes to the economic sphere, some of the benefits of the elevated Indo-Japanese relationship spill over to the political arena.\textsuperscript{11}

It is a fact that high concentration of non-manufacturers in the export structure of developing economy is not desirable. Instability in export earnings from non-manufacturers is likely due to high price fluctuations in the short run, while the rate of return from exporting them would decline in the long run due to innovations of synthetic materials

\textsuperscript{11} Ibid., p. 5.
### Table III

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports to India's Share of the World</th>
<th>Imports from Japan</th>
<th>Imports from India</th>
<th>Imports from Japanese Total</th>
<th>Share of India's Imports from Japan</th>
<th>Growth in India's Imports from Japan</th>
<th>Growth in India's Imports from the World</th>
<th>Share of India's Imports of Exports from Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970-71</td>
<td>7.71</td>
<td>25.61</td>
<td>98.8758</td>
<td>50.23</td>
<td>605</td>
<td>+1.40</td>
<td>1782</td>
<td>-12</td>
</tr>
<tr>
<td>1971-72</td>
<td>7.23</td>
<td>69</td>
<td>81.0044</td>
<td>32.82</td>
<td>130</td>
<td>+1.40</td>
<td>1664</td>
<td>-12</td>
</tr>
<tr>
<td>1972-73</td>
<td>6.07</td>
<td>31.17</td>
<td>72.28</td>
<td>32.82</td>
<td>130</td>
<td>+1.40</td>
<td>1582</td>
<td>-12</td>
</tr>
<tr>
<td>1973-74</td>
<td>8.29</td>
<td>51.14</td>
<td>55.728</td>
<td>32.82</td>
<td>130</td>
<td>+1.40</td>
<td>1770</td>
<td>-12</td>
</tr>
<tr>
<td>1974-75</td>
<td>7.21</td>
<td>51.14</td>
<td>55.728</td>
<td>32.82</td>
<td>130</td>
<td>+1.40</td>
<td>1770</td>
<td>-12</td>
</tr>
</tbody>
</table>

**Source:** Table VII.
Major Items in India's Trade with Japan (1982)

**Export**
- Iron ore (39.0)
- Shrimp (24.9)
- Diamonds (13.2)
- Textile products
- Other products
- General machinery
- Electrical machinery
- Refractories
- Iron/Steel

**Imports**
- Iron/Steel (29.1)
- Chemicals (9.3)
- Textile products (8.3)
- Other products
- Electrical machinery (6.8)
- General machinery
- Refractories
- Chemical products
- Other products

Note: Figures in parentheses indicate share in % of total percentage.

Source: Same as Fig.1
and use of better technology to avoid waste and hence use lesser inputs, India on the other hand, has a high concentration of non-manufacturers with all out efforts to expand its exports, which seems rather contrary because of lesser prospects to increase the exports of non-manufactures very significantly.

During the first two years 1980 and 1981 the share of foodstuffs and raw materials in export remained almost constant but in the subsequent years as evident in the table, their share went down due to high fluctuations and keen competition, for example, "In January-July period in 1983, it was observed that some suppliers were selling, even below cost price in order to stimulate demand under substantial inventories and liquidity problems.\(^{12}\) Share of raw cotton and iron ore declined considerably with 21.8 percent share in India's total exports to Japan while it was 24.9 percent in 1982. There was further increasing share of industrial products in India's total exports to Japan, which strengthened its position by 6.1 points. Amongst the industrial products, leather products and

---

textile products lost their share relatively while the non-metallic mineral-products increased their share to 13.6 percent of the total exports to Japan. The export of iron and steel was at its lowest ebb in the first year of the plan with 0.2 percent share of the total export and could marginally increase during 1980 to 1984. This was mainly because of the fact that India could not nationalize the cost of production and lagged far behind its competitors.

In the period of 1984 to 1987, Table confirms India's firm and steady compositional shift from foodstuffs and raw materials to the export of industrial and value added products. The price fluctuations supply constraints and keen competition seems the reason for the stagnation of shrimp exports to Japan. Raw cotton started to pick up its share in India's total exports to Japan. According to study "Raw Cotton may have greater demand in future". This is due to the fact that Japanese firms have developed a very high quality fabric from Indian cotton and hence prospects are brighter for high exports of raw cotton. "The Japanese are considering lifting a large

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports to World</th>
<th>Imports to Japan</th>
<th>Share of World</th>
<th>Share of Japan</th>
<th>% Growth</th>
<th>Imports to India</th>
<th>% Growth</th>
<th>Imports to the World</th>
<th>% Growth</th>
<th>Imports to India</th>
<th>% Growth</th>
<th>Imports to Japan</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1971-72</td>
<td>75,846</td>
<td>71,320</td>
<td>9</td>
<td>67</td>
<td>115</td>
<td>75,846</td>
<td>71</td>
<td>75,846</td>
<td>9</td>
<td>75,846</td>
<td>71</td>
<td>71,320</td>
<td>115</td>
</tr>
<tr>
<td>1972-73</td>
<td>72,846</td>
<td>64,891</td>
<td>10</td>
<td>67</td>
<td>116</td>
<td>72,846</td>
<td>64</td>
<td>72,846</td>
<td>10</td>
<td>72,846</td>
<td>64</td>
<td>64,891</td>
<td>116</td>
</tr>
<tr>
<td>1973-74</td>
<td>70,846</td>
<td>57,846</td>
<td>11</td>
<td>67</td>
<td>117</td>
<td>70,846</td>
<td>57</td>
<td>70,846</td>
<td>11</td>
<td>70,846</td>
<td>57</td>
<td>57,846</td>
<td>117</td>
</tr>
<tr>
<td>1974-75</td>
<td>68,846</td>
<td>51,846</td>
<td>12</td>
<td>67</td>
<td>118</td>
<td>68,846</td>
<td>51</td>
<td>68,846</td>
<td>12</td>
<td>68,846</td>
<td>51</td>
<td>51,846</td>
<td>118</td>
</tr>
</tbody>
</table>

TABLE IX

Incl us Exports to the world and Japan, Japan's total imports and their relative shares.
Japan's ODA to India (exhibiting technical cooperation)

Source: Same as Fig. 1
quantity of raw cotton from India with emphasis on best quality and hence India should not miss the opportunity. "

The export of iron ore was further reduced and its share in India's total exports came down to as low as 27.9 percent only. In fact India's iron ore export strategy did not take into account the declining magnitude of Japanese import requirements, its cost of production, shipping costs became less competitive compared with international standards. "Another reason for such decline was India's increasing exports to East European countries like Romania and Yugoslavia of whose shares in 1974-75 were almost negligible."  

The above table reveals that the share of industrial products in the total exports increased considerably and reached to as much as 31.4 percent. Such favourable compositional shift for India was probably a long desired outcome of extensive efforts made by the country. Though the increase in leather products and textile products

---


strengthened their share considerably. It is heartening to note that India has taken out the share of Israel and the U.S.A. in these items. It being a labour intensive industry by nature, there are high prospects to increase its supply to Japanese market provided India maintains its quality of products.

On the other hand Japan increased the pace of trade liberalisation in its response to the call of restructure and reform of the global economy towards freer trade. For improved access to Japanese market an action programme was announced by the government of Japan on July 30, 1985. This bold programme was guided by the principle "Freedom in principle, restrictions only as exceptions". This programme included reduction of tariffs on over 1800 items, simplification of import procedures, acceptance of foreign granted test data and greater harmonization of global standards etc. "On 4th August 1988, government of Japan confirmed the full implementation of the three year action programme".

Alongwith this, the GSP scheme that was introduced in 1971, has been made operational upto 1991.


TABLE: -X

THE TOTAL TRADE OF THE WORLD, INDIA AND JAPAN, THE BILATERAL TRADE BETWEEN INDIA & JAPAN AND THEIR GROWTH RATES

<table>
<thead>
<tr>
<th>Year</th>
<th>World Trade</th>
<th>India's Total Trade</th>
<th>Japan Total Trade</th>
<th>Bilateral Trade Between India and Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ Million</td>
<td>$ Million</td>
<td>$ Million</td>
<td>$ Million</td>
</tr>
<tr>
<td></td>
<td>% growth</td>
<td>% growth</td>
<td>% growth</td>
<td>% growth</td>
</tr>
<tr>
<td>1980-81</td>
<td>38,43,100</td>
<td>-</td>
<td>23,159</td>
<td>-</td>
</tr>
<tr>
<td>1981-82</td>
<td>37,77,000</td>
<td>-1.72</td>
<td>21,377</td>
<td>-7.69</td>
</tr>
<tr>
<td>1982-83</td>
<td>35,12,400</td>
<td>-7.00</td>
<td>25,657</td>
<td>+20.02</td>
</tr>
<tr>
<td>1983-84</td>
<td>34,22,400</td>
<td>-2.56</td>
<td>23,74</td>
<td>Heg.</td>
</tr>
<tr>
<td>1984-85</td>
<td>36,30,800</td>
<td>+6.32</td>
<td>28,375</td>
<td>18.08</td>
</tr>
</tbody>
</table>

Source: Compiled and computed from various issues from 1980 to 1986 of Direction of Trade Statistics, IMF Year Book.
Fig. 6

- Japanese export to India
- Indian export to Japan

(Unit: million US dollars)

Source: Same as Fig. 1
In the scheme developing countries will be getting special treatment for various agricultural and industrial products. Zero duty treatment and eliminating exclusive list of items of imports is another improvement in the GSP Scheme. So far as quota is concerned, Japan has promised to enhance it further.

While in India, in the 1970s, the efforts to streamline the existing export incentives, introduce new instruments for export promotion and import substitution and various committees were set up from time to time to achieve the fore-said purpose. One report of the committee on Trade Policies (Abid Hussain Committee) in 1984 points out that: "as the technology have increased, the productivity differentials have entered and they continued to rise." So to remove obsolescence of technology and machineries and to increase the productivity to make full use of inputs by reducing wastes, the government of India adopted deliberate and positive measures for the evolution of the import policy.

In order to ensure availability of capital goods, machinery and equipments, spares and components

and key inputs, the Open General Licence Scheme (OGL) is enlarged. The OGL encompass(es) 99 capital goods, 209 items of life saving equipments and 108 medicines and drugs and many other items with a total of 745 items. The imposed Replenishment Scheme has also been enlarged but is based on actual user principle. To derive the comparative cost advantage, imports at cheaper rates and selective items which are domestically not available and are used in production process are allowed for import.

In order to enhance exports the government encourages the establishment of 100 percent export oriented units and units in the Free Trade and are allowed duty free import of capital equipments, intermediaries and key inputs. So Indian policy makers made all out efforts to import items in such a traditionalised way that in the short run they enhance the competitive strength of the country so as to boost exports and mitigate the expanding trade deficit while on the long run, it has been observed that economic distortions from such imports are not beyond control and they ultimately help to achieve an economic growth.
India's bid to expand its exports included cash compensation support, duty drawbacks and import replenishment schemes as mentioned earlier. The cash compensation support and duty drawback was to compensate fully for indirect taxes paid by exporter on the inputs for export production. Further in the area of export promotion measures, the two other significant steps are availability of export credit at concessional ratio of interest and supply of raw materials at international prices under the International Price Reimbursement Scheme (IPRS).

In fact, the visit of the then Japanese Prime Minister, Mr. Yasuhiro Nakasone in May 1984 gave a revolutionary upward and positive mobility to the Indo-Japanese relations. This visit suddenly awakened Indians for a qualitatively different kind of relationship between the two countries. Since the early 1980s Japan started playing a more powerful role in international affairs as a major industrialised and financially powerful country.

By the entry of well known international grants like Toyota and Suzuki in India's industrial
<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage share in the World Total Trade of</th>
<th>Percentage Share of Bilateral Trade in</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>India's Total Trade</td>
<td>Japan's Total Trade</td>
</tr>
<tr>
<td>1980-81</td>
<td>.50</td>
<td>6.03</td>
</tr>
<tr>
<td>1981-82</td>
<td>.38</td>
<td>5.66</td>
</tr>
<tr>
<td>1982-83</td>
<td>.68</td>
<td>7.30</td>
</tr>
<tr>
<td>1983-84</td>
<td>.76</td>
<td>7.52</td>
</tr>
<tr>
<td>1984-85</td>
<td>.63</td>
<td>7.78</td>
</tr>
</tbody>
</table>

Source: Compiled and computed from table X.
Fig. 7

Countrywise ODA Loan
(Accumulated amount up to December 1986) Billion XDM

<table>
<thead>
<tr>
<th>Country</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indonesia</td>
<td>1.19</td>
</tr>
<tr>
<td>India</td>
<td>539</td>
</tr>
<tr>
<td>Thailand</td>
<td>521</td>
</tr>
<tr>
<td>Philippines</td>
<td>417</td>
</tr>
<tr>
<td>South Korea</td>
<td>412</td>
</tr>
<tr>
<td>China</td>
<td>372</td>
</tr>
<tr>
<td>Pakistan</td>
<td>313</td>
</tr>
</tbody>
</table>

Source: Same as Fig. 1
scene, Indo-Japanese cooperation is showing positive trends over the years. "The number of Indo-Japanese collaborations: from 27 in 1981 to 51 in 1983. In the first six months of the current years, 40 agreements have been signed. In the automobile and ancillary sector alone, there have been more than 23 collaborations during the last 18 months, with the growing economic relationship, the number has suddenly jumped to 70 to 80 a year, So far the total number of Indo-Japanese collaborations stand at around 700. A major breakthrough was achieved in the automobile sector where the Maruti-Suzuki venture has a large equity participation by the Japanese side. It can be truely regarded as a model Indo-Japanese joint venture". 19 Improving trends in Indo-Japanese relations have led to many Japanese industrially strong firms to invest on Indian soil, "well known Japanese firms in the automobile sector who have shown willingness to collaborate include the DCM-Toyota collaboration for the manufacture of light commercial vehicles and passenger cars, both diesel and petrol-driven. Nissan

Motor Company has signed an agreement with the Premier Automobilies for the production of Sunny engines (Sunny is the most popular Japanese cars in the domestic and American market). Mitsubishi Motors is collaborating with Ayesha Tractors for the production of light commercial vehicles. Honda, Izuzu, Yamaha and Kawasaki are all in India for mopeds and scooters. Furthermore, the secondary and tertiary ancillary and auto-ancillary sector, connected with the auto and auto-related sectors, is now beginning to move to India and will be an important element of collaboration over the next few years.  

The emerging positive attitude of Japan towards India, particularly after the visit of Nakasone, the then Prime Minister of Japan (in May 1984), who is also known as an architect of liberal policy towards India, provided stronger grounds for Indo-Japanese relations. India on its own part showed immense sincerity and goodwill towards Japan as evident by the visit of the then Indian Prime Minister Rajiv Gandhi to Tokyo in November-December 1985 which

20. Ibid., pp. 113-114.
<table>
<thead>
<tr>
<th>Year</th>
<th>India's Imports from the World</th>
<th>India's Imports from Japan</th>
<th>Japan's Total Exports</th>
<th>% Share of India's Imports from Japan in Japanese Total Exports</th>
<th>% Share of India's Imports from Japan in India's Total Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960-61</td>
<td>14864</td>
<td>-</td>
<td>915</td>
<td>-</td>
<td>1,38,441</td>
</tr>
<tr>
<td>1961-62</td>
<td>14550</td>
<td>-2.1</td>
<td>833</td>
<td>-3.8</td>
<td>1,37,828</td>
</tr>
<tr>
<td>1962-63</td>
<td>15704</td>
<td>9.3</td>
<td>1376</td>
<td>5.6</td>
<td>1,38,443</td>
</tr>
<tr>
<td>1963-64</td>
<td>15900</td>
<td>Neg.</td>
<td>1577</td>
<td>15</td>
<td>1,46,982</td>
</tr>
<tr>
<td>1964-65</td>
<td>17687</td>
<td>11.2</td>
<td>1205</td>
<td>-19</td>
<td>1,69,748</td>
</tr>
</tbody>
</table>

Source: Same as Table - X
India's export to Japan

Source: Same as fig.1
further strengthened Indo-Japanese relations.

Mr. Rajiv Gandhi who received warm welcome in Japan tried to impress upon Japanese leadership that India which entertained traditional ties with Japan is quite keener and eager to have further stronger relations with Japan. Prime Minister, Rajiv Gandhi also addressed the joint session of the Diet and revealed India's earnest desire to have cordial and closer ties with Japan for which full blooded efforts should be made by both the countries, so their glorious historical relations can be rediscovered and revived. Dr. Kato, a Japanese intellectual who was speaking on the cultural dimension of Indo-Japanese relations said, "He hoped that the process of 'rediscovery' to which the Indian Prime Minister had referred in Tokyo in 1985, would be helped by the cultural festivals, India and Japan had decided to organise in each other's countries."

This cordiality and sincerity which was shown by India could make a way for its better ties with Japan. "The Kudremukh Iron Company signed a

<table>
<thead>
<tr>
<th>Year</th>
<th>World Trade</th>
<th>India's Total Trade</th>
<th>Japan Total Trade</th>
<th>Bilateral Trade Between India and Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$ Million</td>
<td>% growth</td>
<td>$ Million</td>
<td>% growth</td>
</tr>
<tr>
<td>1985-86</td>
<td>36,98,100</td>
<td>1.41</td>
<td>27,980</td>
<td>-1.22</td>
</tr>
<tr>
<td>1986-87</td>
<td>40,71,200</td>
<td>10.33</td>
<td>29,512</td>
<td>+5.47</td>
</tr>
<tr>
<td>1987-88</td>
<td>47,09,600</td>
<td>17.65</td>
<td>33,113</td>
<td>+1.22</td>
</tr>
</tbody>
</table>

Sources: Compiled and computed from various issues from 1985 to 1986 of Direction of Trade Statistics, IMF Year Book.
Growth of Government ODA Budget

Source: Same as Fig. 1
a contract in Tokyo on 19 March with the Japanese Steel Mills for continued supply of iron ore concentrate for the third year running in 1987-88. The company claimed that the new contract for the fiscal year 1987 was a major achievement. It said the Japanese market for iron ore was the most competitive in the world. The export to iron ore to Japan was expected to be reduced 10 million tonnes in the fiscal year 1987, but this contract maintained the same volume for the company as in 1986."22

Prince Naruhito of Japan, grandson of Emperor Hirohito paid a six day official visit to India on 19th March 1987. During his stay in India, he met the President and the Vice-President of India and took keen interest in knowing Indian art and culture. The then external Affairs Minister of India, Mr. N.D. Tiwari also paid a visit to Japan in May 1987. This visit of the Foreign Minister of India was a proof of India's utmost sincerity towards Japan, Mr. N.D. Tiwari tried to impress upon his Japanese counterpart that India is a peace loving nation and willing to have very cordial relations with all its neighbours and rest of the world community.

22. Satish Kumar, Year Book on India's Foreign Policy, 1987, p. 51.
<table>
<thead>
<tr>
<th>Year</th>
<th>India's Exports to Japan (in Million $)</th>
<th>Japan's Imports (in Million $)</th>
<th>Growth Rate</th>
<th>India's Share of Japan's Imports</th>
<th>India's Share of the World Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979</td>
<td>11.39</td>
<td>12.45</td>
<td>9.73</td>
<td>1.40</td>
<td>0.69</td>
</tr>
<tr>
<td>1981</td>
<td>11.47</td>
<td>12.77</td>
<td>9.77</td>
<td>1.40</td>
<td>0.69</td>
</tr>
<tr>
<td>1983</td>
<td>10.83</td>
<td>12.97</td>
<td>9.83</td>
<td>1.40</td>
<td>0.69</td>
</tr>
</tbody>
</table>

Table XXIV

Note: The table shows the growth rate in exports from India to Japan and the countries where the growth rate has been highest are indicated.
Fig. 10

Technical Collaboration Approved by the Government of India (1954-84)
Number of Collaborations in Brackets

Source: Same as Fig.1
"The External Affairs Minister Mr. N. D. Tiwari met the Japanese Foreign Minister Mr. Tadashi Kuranasi on 20th May in Tokyo, for an extensive review of international developments and bilateral relations with Pakistan and China. But as added that the side too must make constructive responses. He also explained India's role in trying to find a solution to the ethnic problem in Sri Lanka. The two leaders also discussed the sixth month long "Festival of India" in Japan beginning in April 1988. Later Mr. Tiwari announced that Japan would substantially increase its aid to India in 1987 and lower the interest rates for loans." 23

In return, the then Japanese Foreign Minister Mr. Tadashi Kuranari, paid a one day visit to India on 9th August and said, "Japan wishes to be a good partner of India not only in the economic field but in other wide ranging areas as well. He expressed the hope that his visit could contribute to promoting relations in political and economic fields between the two countries. On 10th August after his talks with Mr. Natwar Singh, Minister of State for External Affairs, Mr. Kuranari announced his country's decision to increase the concessional

23. Ibid., p. 51.
## TABLE XV

**MAJOR ITEMS OF IMPORTS FROM JAPAN DURING THE FIFTH FIVE YEAR PLAN**

(in percentage)

<table>
<thead>
<tr>
<th>Commodities</th>
<th>1974</th>
<th>1975</th>
<th>1976</th>
<th>1977</th>
<th>Variation during the fifth plan(a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foodstuffs &amp; Raw materials</td>
<td>0.7</td>
<td>0.4</td>
<td>0.9</td>
<td>0.9</td>
<td>+ 0.2</td>
</tr>
<tr>
<td>Light industrial products</td>
<td>3.9</td>
<td>6.2</td>
<td>7.9</td>
<td>19.5</td>
<td>+15.6</td>
</tr>
<tr>
<td>Chemicals</td>
<td>20.1</td>
<td>35.2</td>
<td>17.5</td>
<td>14.3</td>
<td>- 5.8</td>
</tr>
<tr>
<td>Iron &amp; Steel</td>
<td>42.2</td>
<td>37.8</td>
<td>30.0</td>
<td>23.8</td>
<td>-18.4</td>
</tr>
<tr>
<td>General Machinery</td>
<td>6.7</td>
<td>7.9</td>
<td>21.9</td>
<td>13.1</td>
<td>+ 6.4</td>
</tr>
<tr>
<td>Transport Equipment</td>
<td>16.2</td>
<td>14.1</td>
<td>8.2</td>
<td>15.1</td>
<td>- 1.1</td>
</tr>
</tbody>
</table>

Source: Compiled and computed from the various issues from 1975 to 1978 of White Paper on International Trade, JETRO, Japan.

Fig. 11

Utilization of Bilateral External Assistance 1982-83

Source: Same as fig. 1
loan to India by over 40 percent. Official Development Assistance (ODA), as the Japanese concessional loans are called, will now amount to 68.477 million yen (equivalent to Rs. 593 crores) for the fiscal year 1987-88. The ODA for 1986 amounted to 48.430 million yen. By stepping up its official Development Assistance to 68.5 billion a year, Japan had become India's biggest donor under ODA. The Japanese government also decided to reduce the interest rate by 0.5 percent to 2.75 percent on the ODA from 1987."

Mr. Rajiv Gandhi, the then Prime Minister of India, again made a stop-over in Tokyo on October, 12, 1987 and could utilise the opportunity to impress upon his Japanese counterpart Mr. Nakasone that India is making its earnest efforts to attract foreign investors by introducing economic reforms. Rajiv Gandhi also explained the difficulties faced by Indian government due to unprecedented drought conditions in the country. Mr. Nakasone, Japanese Prime Minister announced "a special credit of Rs. 270 crores for India's drought relief programme and for

24. Ibid., p. 51.
supporting the balance of payments, after his talks with Prime Minister Rajiv Gandhi in Tokyo on 12th October. The fresh Japanese credit was in addition to the Official Development Assistance of $474 million sanctioned in August 1987. Rajiv Gandhi asked Japan for support in the area of technology transfer. He mentioned that India's industrial growth rate had been 8.7 percent in 1987 despite various difficulties. 25

But Indo-Japanese relations saw a dramatic and revolutionary growth only after the official visit of the then Indian Prime Minister Rajiv Gandhi to Tokyo in April 1988 which opened a new chapter of the two countries ties towards the twenty first (21st) century. Mr. Rajiv Gandhi inaugurated a much published cultural festival of India in Tokyo which was organised to warm up Indo-Japanese Friendship. This type of Indian festival of India in Tokyo which was organised to warm up Indo-Japanese friendship. This type of Indian festival was held for the first time in any Asian country. Mr. Goro Koyame, Chairman of the Japanese Festival Committee and Mrs. Pupul Jayakar, the Chairman of the Indian Festival Committee said about this festival we come to Japan as pilgrims. India is a land of pilgrimage and when pilgrims step

25. Ibid., p.52.
on the soil they hope to reach, they embark on a process of giving and receiving.

This is what the world needs and this is what culture, a stream unlike any other, for it knows no frontiers, achieves. It indeed transforms all that it touches Mr. Jayakar called Japan "the land of alchemists" to which India was bringing its 'treasures' in the hope that they will help ignite new flames for not only the creative renaissance of the two countries but the whole world.\textsuperscript{26}

This "festival got off to a colourful start in Tokyo on April 14. The two Prime Ministers lit a lamp signifying the opening of the festival. During the next six months the people of Japan will have glimpses of India's art and culture as artists visit 32 cities and towns of Japan. The packed State Theatre hall broke into a deafening appause as Mr. Takeshita and Mr. Rajiv Gandhi walked to the giant stage accompanied by the senior members of the Indian delegation and Japan's youngest elder statesman Mr. Nakasone.\textsuperscript{27}

\textsuperscript{26} \textit{The Hindustan Times}, New Delhi, Friday April 15, 1988, p.13.

\textsuperscript{27} \textit{Asian Recorder}, July 1-7, 1988, p. 20089.
interest in continued friendship with Japan and deep impression on the Indian mind. Mr. Gandhi said, "the festival was a return gesture from the people of India for the 'Japan Month' which was staged in India. He recalled the age old spiritual links between the two countries. He said Japan had emerged as a big economic power in the world and added, your passion for work and pursuit of excellence has become a legend. He dedicated the festival to the growth of Indo-Japanese relations". Appreciating Indian friendship, the then Prime Minister of Japan Takeshita said, "Indo-Japanese relations have been quite good in recent years and close ties of cooperation have been established at all levels. He expressed his readiness to work hard in hand with Mr. Gandhi to further cement friendly relations between the two countries and pursue common goals of peace and cooperation in the international community of nations".

28. Ibid., p. 20089.
29. Ibid., p. 20089.
Rajiv Gandhi and his Japanese counterpart Noboru Takeshita welcomed the signing of the Afghan Peace accord and hoped that peace and normalcy would return to the strife-torn nation. The two leaders agreed that some of the problems in the way of promoting larger Japanese investment in India would be sought to be removed. Mr. Gandhi pointed out clearly that Pakistan was aiding Punjab terrorists and showed no interest to all initiatives for better relations with India and Pakistan's nuclear programme was not for peaceful purposes but a weapon oriented one. Mr. Gandhi rejected Takeshita's suggestion that both India and Pakistan sign the NPT because it would be wrong to do so. India has already given proof of its will not to embark on any military programme. Despite Japanese objection to the Indian position on the Nuclear Non-proliferation Treaty (NPT), the Japanese government agreed to speed up the pace of Japanese economic assistance and investment in India.

No doubt, Japan has welcomed the liberalization of economic policies initiated by Rajiv
<table>
<thead>
<tr>
<th>Commodity</th>
<th>1980</th>
<th>1981</th>
<th>1982</th>
<th>1983</th>
<th>1984</th>
<th>Variation during the sixth plan (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Foodstuffs &amp; Raw materials</td>
<td>1.7</td>
<td>2.2</td>
<td>1.4</td>
<td>1.9</td>
<td>2.1</td>
<td>+ 0.4</td>
</tr>
<tr>
<td>Light industrial products</td>
<td>13.7</td>
<td>16.6</td>
<td>12.2</td>
<td>10.6</td>
<td>9.9</td>
<td>- 3.8</td>
</tr>
<tr>
<td>Chemicals</td>
<td>9.9</td>
<td>8.5</td>
<td>6.7</td>
<td>6.9</td>
<td>7.8</td>
<td>- 2.2</td>
</tr>
<tr>
<td>Iron &amp; Steel</td>
<td>35.1</td>
<td>30.2</td>
<td>29.7</td>
<td>23.1</td>
<td>20.5</td>
<td>-14.6</td>
</tr>
<tr>
<td>General Machinery</td>
<td>17.1</td>
<td>18.3</td>
<td>19.1</td>
<td>12.7</td>
<td>24.3</td>
<td>7.2</td>
</tr>
<tr>
<td>Transport Equipment</td>
<td>8.7</td>
<td>7.4</td>
<td>8.9</td>
<td>8.7</td>
<td>13.3</td>
<td>4.6</td>
</tr>
</tbody>
</table>

Source: Same as Table XVI.
Gandhi and looks forward to even a better investment climate in India. The Japanese government has set up a fast channel in New Delhi to clear Japanese proposals for investments and joint enterprises. Thus constant and steady growth of goodwill in the bilateral relations has pointed to the prospects of their future interaction at all levels. Japan has emerged as India's biggest trading partner after the U.S. and the U.S.S.R. In 1960 Indo-Japanese trade accounted for nearly 6 percent of India's total trade. By 1986 the Japanese share has risen to 14 percent. During 1988 Japanese financial investments in India and the total volume of the Indo-Japanese trade turnover have shown strong upward trend and therefore there are indications that they may assume even higher proportions in the coming years.

"The Indo-Japanese trade has risen from $3486 million in 1987 to $3886 million in 1988 registering an increase of 11.4 percent compared to a rise of 2.7 in 1987 over the year. India export rose by 17.9 percent in 1988, from $1530 million in 1976 to $1804 million in 1988. Imports
from Japan increased marginally during this period from $1957 million in 1987 to $2082 million in 1988. The government of Japan had granted annual Overseas Development Aid (ODA) Yen 70.8 billion (about Rs.700 crores) in 1988 to India which is more than double the amount of 34.7 billion yen granted in 1983.

In fact, India and Japan both are involved in seeing the grounds where they can meet and remove the hotches which come in their way (come in the way of their closer relations). Both the governments have adopted constructive approach towards each other and holding various kinds of seminars and academic activities to promote Indo-Japanese goodwill. A seminar was organised by the Japan Cultural and Information Centre, New Delhi on 4th November, 1988 in which Dr. R.C. Pandeya, Professor, Department of Philosophy, University of Delhi said, "India has captured the minds of the Japanese people and Japanese people have lot of admiration, affection and love to Indian people.

He said the Japan Month which was held in India last year and the Festival of India held in Japan this year, have enabled both the countries to forge ahead in establishing yet another milestone in the Indo-Japanese cultural relations. There is a growing trend quite visible in the Indo-Japanese relations. "Japan's programme in India has expanded rapidly to very large commitment levels. In 1988 alone, OECF committed an amount of $700 million and 1989 the commitment will approach $1 billion. Japan defines the basis of long term economic cooperation with India as assistance in the development of infrastructure primarily through the utilization of ODA loans which have replaced EXIM Bank financing. Traditional areas for these loans have been electricity and power development, fertilizer and telecommunications. The governments of both the countries are building their ties at a faster pace at all levels particularly in the economic field. "The Government of Japan has decided to extend an ODA loan of upto 91,164 million yen for FY 1989 to the Government of India, with a

32. Foreign Press Centre, Japan (ECL), Nov. 5, 1989.
view to cooperating with the economic development of that country. Notes to this effect were exchanged on November 5 (Sun.) in New Delhi between Mr. Eijiro Noda, Japanese Ambassador to India and Mr. G.K. Arora, Finance Secretary of India. 33 "The Government of Japan has decided to extend a grant-in-aid of up to 600 million yen to the Government of India for increased food production. With this aid, the Government of India intends to purchase fertilizer for improving productivity in its granery region under its 7th 5-year plan (1985-1989), which makes one of its priorities increased agricultural production. Notes to this effect were exchanged between the two governments on November 21 (Tue.) in New Delhi." 34 Following the same pace Japanese Government has announced another grant-in-aid of "467,093,000 yen in accordance with the resolution adopted in March 1978 at the 9th Ministerial Conference of the Trade and Development Board of the United Nations Conference on Trade and Development (UNCTAD). Notes to this effect were exchanged on Dec. 13 (Wed.) in New Delhi between Mr. Eijiro Noda,

34. Ibid., Nov. 22, 1989.
Japanese Ambassador to India and Mr. Gopi Krishna Arora, Finance Secretary of India. The present grant-in-aid represents the differential in interest on the ODA loans, out of those contracted between the Governments of India and Japan upto March 31, 1988, based on their ODA loans out of those contracted between the Governments of India and Japan upto March 31, 1988, based on their ODA loan agreement, whose repayment fell due in the first half of FY 1989, and the interest based on the subsequently softened loan terms. This constitutes one of Japan's debt relief measure. The money donated by the present grant assistance will be used to purchase goods, etc. necessary for the economic development of India and its people's welfare. In another sign of goodwill Japanese Government decided to extend a cultural grant-in-aid upto `44 million yen to the Government of India to enable the Sangeet Natak Akademi to procure audio-visual equipment, with this aid, the Akademi which was established in 1953 a

national art institution, intends to record traditional arts by replacing its old audio-visual equipment with new. Notes to this effect were exchanged between the two governments on April 25(Wed.) in New Delhi. 36

The visit of the then Japanese Prime Minister Toshiki Kaifu in April 1990, who was the first Japanese Prime Minister to visit India in the last six years since Yasuhiro Nakasone was here in 1984, added a lot to the progress of Indo-Japanese relations. By supporting India's stand on Kashmir to settle the vexed problem in the spirit of the Simla Agreement, Japan has shown her sincere desire for the friendship towards India. Kaiful said, "I should like to deepen further the exchange of news with the leaders of South Asia, specially India, on global issues without limiting ourselves to agenda items of bilateral or Asian issues." Kaifu's announcement of a 100 billion yen concessional loan to India during the 1990 financial year


37. Policy Speech by Prime Minister Toshiku Kaifu at the Parliament House, New Delhi, April 30, 1990, p. 11.
has further boosted the bilateral relations between the two countries. Cultural cooperation and academic exchanges were the other important proposal which certainly made bilateral ties stronger. Kaifu declared that he intended to initiate the "Japan-South Asia Youth Friendship Programme, on which five hundred young people of South Asia, who will shoulder the task of nation-building in the future, will be invited to Japan over the next five years. The programme is intended to promote mutual understanding further so that youth will deepen their understanding of Japan's economy and society".\(^{38}\)

After seeing the above mentioned facts and figures about India's relations with Japan from 1977 to 1990, we can say that both India and Japan could not initiate any hopeful venture in the beginning under the compulsions of either external or internal factors. Their divergent stands and attitudes on global issues and on political lines kept both the

\(^{38}\) Ibid., p.20.
countries India and Japan at an arms length. Even on the economic sphere progress in the bilateral relations remained sluggish due to Japan's alliance with the U.S.A. and India's favourable tilt towards U.S.S.R. But due to unprecedented global changes and the essential interdependence of both the countries compelled Japan and India to rethink and restart a building process of bilateral ties. Therefore, this highly sluggish pace in the Indo-Japanese relations was disturbed by the historic visit of the then Japanese Prime Minister Nakasone in May 1984 who gave a revolutionary upward turn to Indo-Japanese relations. He is, therefore, highly regarded as an architect of Japanese liberal attitude and policy towards India.

Since then so many visits of high dignitaries of both the countries took place and the bilateral relations and the cooperations between the two nations have increased manyfold.

No doubt, the later part of 1980s has injected a impressive progress in the
history of Indo-Japanese relations. Various ventures made by Japanese and Indian governments at the end of 1980s proved to be worthwhile for creating a conducive and better atmosphere for the growth of their bilateral relations. Therefore, by the end of 1990, India and Japan have shown a dramatic progress in their ties at all levels. Thus the end/1990 saw an amazing and pleasant progress in the relationship between the two nations and could be expected for better prospects.