CHAPTER V

Indo-Japanese Relations During 1990's and Beyond: Perspectives and Prospects
The decade of the 1990's has been marked by changing patterns of global relations. Super power detente set in motion during the previous two decades came to fruition with the virtual ending of the Cold War, dissolution of old rivalries, and heralding a new era of international cooperation. A new international order is on the horizon. The new global order is expected to be one in which military options are to make room for economic and political accommodation and dialogue, a change under which cooperation, coordination and negotiations are to prevail over conflict and tensions. "The architecture of the international political and economic system is undergoing radical changes. The currency of power is becoming ever more mixed, economic factors are waxing and strategic factors waning. The end of the cold war has removed straitjacket and being the dispersal of
political power in both international and domestic terms.¹ No nation of the world can afford to be oblivious to these changes.

Japan's emergence as an economic colossus is a significant development in the changing international order. It is because of this economic miracle that Japan has alarmed European nations which are trying to browbeat Japan economically by evicting the wall of protectionism against Japanese exports. Even Japan's trade relations with its biggest partner, the U.S.A. have been in doldrums in recent years.

No doubt, after becoming an economic giant of the world, Japan, which was heavily dependent upon U.S.A. has tried to come out of her shackles and play an independent role in the International affairs. After the collapse of the U.S.S.R., the roots of the cold war got shattered and the much security dependence of Japan on the U.S.A. had widely reduced. That is why Japan's public opinion has

turned in favour of pursuing an independent policy and play a more meaningful role in global affairs. "If during the four decades of the cold war it was generally sufficient for Japan to cooperate with the American led efforts to contain the Soviets and to otherwise maintain a determinedly apolitical low profile the divisive world issues, by 1990 it was apparent that the familiar fixed compass points from which Japan's diplomacy had taken its bearings were largely gone. The end of the cold war meant that the U.S. Japan security relationship had lost much of its rationale.  

In fact, the end of the cold war and the dismantling of the U.S.S.R. like a house of cards has led to such alterations in the global situation by which economic factor has assumed greater significance than the security factor. Since Japan has already gone to its economic zenith, she is expected to play an increasingly independent and important role in the international affairs. For this purpose Japan can very well use its foreign aid as an instrument to spread its influence all over the world. But this exponential economic growth of Japan has brought relations with its old European

friends in bad shape as already discussed by me in the preceding chapters. Therefore, Japan has found the Third World as the most appropriate place for future deployment of its capital and technology under these circumstances. Japan is bound to give priority to Asian continent to which she herself belongs to. It is essentially required because the maintenance of peace in this region will contribute to its economic prosperity. At the same time, the growing strain in Japan-U.S. relations and the creation of regional economic gathering in Europe have compelled Japanese government to keep its regional role in Asia at the top of its foreign policy. "However, recent strains in U.S.-Japan relations combined with the emergence of regional economic groupings in Europe and North America, has stimulated a growing feeling in Japan to regard its regional role in Asia as its principal foreign policy focus."³ Even Japanese people have started criticising Japanese government to persuading this regional Asian role slowly. A leading Japanese economist Noaki Tanaka formerly chief of the economic forecasting section, the Research Institute of National Economy. "Tanaka

³. Ibid., p.546
laments the fact that "since the end of World War Two, Japan has not participated in any plan that would significantly alter the political map of Asia". Insisting that there is a "need for Japan's active participation in building an Asian political and diplomatic order", Tanaka asserts that "we are starting to move far beyond the simple theme of 'wither Japanese money? If economics provides the basis of Japan's stature in Asia, the very magnitude of its economic stature and interests require it to wield power in ways that transcend economic issues alone. "Japan's great economic potential for creating order leaves it no choice but to participate in building a political order" in the region concludes Tanaka".

India, which has already emerged as a superpower of South Asia, has become an important nation for the Japanese interests and activities in Asia. India's cooperation and coordination is inevitably required by Japan for its goal that is, maintenance of peace and stability in the Asian region. Therefore, it is desirable to discuss briefly Japanese interest and attitude towards

4. Ibid., p. 547.
South Asia in the rapidly changing global politics which will certainly have its "impact in shaping out Indo-Japanese relations, not only at present but also in future.

The above factors and the forces and the changing trends of the global politics due to the end of cold war, have had their deep impact on the political and economic perceptions and priorities of Japan. After becoming the economic Superpower of Asia Japanese economic interest and activities which were traditionally limited to East and South east Asia, have increasingly shifted towards South Asia. "Japan has now become the leading donor of development for this region."\(^5\) Being a world economic power, Japan is bound to engulf the entire Asia with her increased activities. "In terms of economic aid, however, South Asia appears to be a much more important region to Japan. The total value of Japanese ODA to the region increased to $1,109.47 million in 1988 from $477.17 million in 1979. In terms of its

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spare in overall Japanese ODA, with 17.3 percent of the total disbursement, South Asia is the second most important region for Japan after Southeast Asia. In 1987, 18.49 percent of the Japanese ODA flowed into South Asia whereas the corresponding ratio for the U.S. was 4.7 and that for all the DAC countries taken together was 9.57. Japanese ODA to the region in that year was $970.22 million as against the U.S. figure of $329 million. The value of Japanese ODA was also about equal to the combined flow from West Germany, U.K., France, Netherlands and Sweden, the other largest donors for the region.\(^6\)

Thus, South Asia has now become significantly an important region to the Japanese economic and political interests. In spite of the above situation that has attracted Japan, there are certain other factors which have enhanced Japanese interest in the region.

Since Japan imports large quantities of its oil from the countries of the Middle East, more than 70% of which coming by sea through the Indian ocean, the stability and peace of the South Asian region, which

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includes the Indian ocean of that sea route. Thus, Japan is keen (eager) to expand her activities in the region by providing substantial economic assistance to ensure peace and stability in the region. As the Japanese former Prime Minister Toshiki Kaifu in his visit to South Asian countries remarked, "Peace and stability in Asia is a matter of great concern to Japan".  

Secondly, the total population of this region numbers approximately one billion people, almost one fifth of all mankind (India, having the second largest in the world). Hence, promotion of close ties between Japan and the countries of South Asian region is expected to contribute significantly to the attainment of the aims of Japan's Asian diplomacy, particularly to its long term stabilization and strengthening of Japan's relation with the Asian countries. As Kaifu stated, "the development of this region which is inhabited by one billion people, or one fifth of all mankind, is in itself one of the major interests of the whole as  

7. Policy speech by Prime Minister Toshiki Kaifu, Japan and South Asia, at the Parliament House, New Delhi, April 30, 1990.
we move closer to the twenty first century."³

Thirdly, the South Asian region is having abundant natural resources, while Japan is a poor resource country, thereby, Japan and South Asian region are interdependent. If combined the abundant natural and human resources of the South Asia and Japan's very advanced technology may bring economic prosperity to the region and in turn, Japan's economic interest will also flourish.

After seeing the above mentioned view it may be concluded that Japan which is trying to become an active actor and leader in the Asian region, has started wooing South Asian countries. Thus, Japan is bound to improve its ties with India which is a regional superpower of South Asia, offering a large size of market and a big chunk of man power, that will certainly be an attractive areas for Japan. At the same time, this changing global and regional scenario has provided an opportunity to India to come closer to Japan. Closer ties

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³ Ibid., p.9.
with Japan is essentially needed because after acquiring a certain level of progress in agriculture, industry and technology, India is in a position to take utmost benefits out of Japanese economic and technological assistance. India and Japan both have realised the imperative of their economic interdependence and mutual cooperation and coordination for achieving the desired purpose that is peace, prosperity and stability in the Asian region. That is why the prevalent conditions have created a conducive atmosphere for the better ties and cooperation between India and Japan. "The stage is set for envisaging a new era of entente cordiale between New Delhi and Tokyo, Japan is pursuing itself for assuming a leader's role in the Asia-Pacific in the context of changing power configurations and India is the best bet for Japan. Tokyo's keen desire to bail India out of her present crisis, anxiety of Japanese business community to invest in Indian market, enhanced Japanese financial assistance to India without strings and political overtones, Japanese quest for Asian identity and similar outlook of both the countries on major global issues, are some of the basic ingredients that may bring New Delhi and Tokyo much
closer to each other in the near future." 9

Future of Indo-Japanese holds better prospects not only because of Japan's desire to become a regional leader in Asia but become a regional leader in Asia. In fact, now that Japanese think-tank has realised that India is no more tilting its balance in favour of Russia. Since the collapse of Soviet Union, a situation has arisen where America remains the only super power at the international level. Therefore, India was also compelled to redefine its foreign policy( and priorities) that have changed widely India's priorities and policies towards other nations. This emerging change in India's policies has also neutralized Japan's doubts about India's soit corner for the Russia. Thus, there's room good enough for Indo-Japanese relations.

However, the visit of the former Japanese Premier Toshiki Kaifu to New Delhi in 1990 provided a fresh impetus for emerging economic and political relation: and interactions between New Delhi and Tokyo. Coming six years after a visit by a former Prime Minister

of Japan, Mr. Yasuhiro Nakasone, this visit added new dimension to the existing friendly relations between the two nations. Kaifu's visit also stimulated increased cooperation in various fields of activities, including economic, technical, scientific and cultural between the two countries. Mr. Kaifu had two rounds of talks with Mr. Vishwanath Pratap Singh, the then Prime Minister of India. Both the leaders covered a vast range of subjects—international, regional as well as bilateral issues. Both India and Japan agreed to work together to see how they could avoid unilateral action and exclusive agreements in international trade and expressed appreciation of each other's constructive and positive contribution in this regard. Mr. Toshiki Kaifu appreciated India's concern for peace in the region but both of them differed on the issue of signing of nuclear non-proliferation Treaty (NPT). India tried to impress upon Japan that its nuclear programme is committed to the peaceful uses of nuclear energy. The Japanese premier observed that he had the fullest understanding for India's deep commitment to peace in the region and Asia.
Japan applauded this and would continue to applaud India's efforts to promote peace. The most significant development of this visit of Kaifu was that he made Japanese position amply clear on the Kashmir issue when he said that Indo-Pak confrontation should be terminated through negotiations in accordance with the letter and spirit of the Simla Agreement.

Addressing the Indian Parliament, Kaifu said, "The 1990s with which we have just entered under such circumstances marks the dawning of a new era. This area is one in which some misgivings are found among hopes. The image of international order that should guarantee our future has not taken a concrete form. We, therefore, must join forces to build a new order. This international order must in my view, satisfy the following conditions. First, lasting peace and security must be guaranteed. Secondly, freedom and democracy must be respected as fundamental values of the international community. Thirdly, the expansion of world prosperity must be ensured under an open and free market economic system. Fourthly, a sound global environment must be
preserved so as to ensure that happenings and welfare of mankind. Furthermore, an international order that satisfies all these conditions will become attainable only through dialogue and cooperation among nations."^{10}

By recognizing India's strength and potentiality Mr. Kaifu made this amply clear that Japan and India can play a significant role together in the Asian region. As he uttered, "I also believe that it is necessary at this juncture to relate to you how we intend to contribute positively to the relaxation of tension and peaceful resolution of conflicts in Asia, where both Japan, India, and other South Asian countries belong, through cooperation with peace-loving nations in the China."^{11}

Mr. Kaifu's announcement of a 100 billion yen concessional loan to India further boosted the bilateral relations between the two countries.

The expanding Japanese good-will was seen when in February 1991 a visit of Japanese team

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10. Policy Speech by Prime Minister Toshiki Kaifu,
11. Ibid.
under the leadership of the Japanese Vice Foreign Minister to New Delhi. In recent years the Japanese are really interested in seeing the increased role of India and also eager to invest in Indian market. "The emerging new trends in Indo-Japanese relations are being taken note of by key Japanese officials in Tokyo who not only value the new political opening to India as their window on the third world but they also suggest that in the pattern of continuing conflicts within the developing world, New Delhi would be called upon to play a crucial role. Apart from the healthy economic relations between the two countries, the Japanese see good scope for investment and better prospects of trade between the two countries.  

Japan has already emerged as the largest source of foreign exchange for India. "On an average $2 billion - yen flow into India either directly or indirectly from Japan. India gets about $800 million a year as concessional loans from Tokyo. Besides, the Japanese commercial banks and the export import bank of Japan grant another $800 million to a billion dollars a year to India as loans. In the middle of June this

12. Third Concept, op. cit., p.15.
year, India and Japan signed three new loan agreements totalling $410 million for three specific Indian development projects. The loans in the form of official Development Assistance (ODA) came from Japan's Overseas Economic Cooperation Fund (OECD), which is administered by the Japanese Foreign Ministry. The projects to be financed by the loan are Anpara power transmission, receiving 19,318 billion yen, Karnataka State Comprehensive land use management project getting 16,050 billion yen and the rest 20,256 billion yen going to small scale industries development programme. Since the Karnataka Project needs only rupee funds for its development and the Japanese loan could thereby be utilized for meeting foreign exchange requirements. The small scale industries project loan is also coming in quick disbursements ready cash in response to India's request for relief in the wake of Gulf crisis. This is the second $150 million, Japan had earlier pledged on Gulf account, the first $150 million was in the commodity credit. The third $150 million was provided by the Asian Development Bank at Japanese instance. All those three loans are repayable within a period of 30 years and carry 2.5 percent interest.13

13. Ibid., pp. 15-17.
But a great enthusiasm could be seen between India and Japan to give a new impetus to their bilateral relations when Congress government came back to power under the leadership of Narsimha Rao, after a short duration rule of National Front government under the leadership of V.P. Singh. But during this parliamentary election, a very young and dynamic asset and former Prime Minister of India, Mr. Rajiv Gandhi as a President of Congress was killed (assassinated) by LTTE militants in Tamilnadu when he was campaigning for his party. His sudden death created lots of difficulties for the nation, particularly national instability which was expected to be restored by Rajiv Gandhi. His untimely and unexpected assassination at the hands of the terrorists created confusion and crisis of leadership in the Congress party. But this crisis was soon overcome when Narsimha Rao was elected the leader by the Congress Party. But internally and externally as well, it was expected that India will have to pass through a state of instability. Therefore, doubts of foreign countries about India's stability got dispelled when Narsimha Rao government took some new initiatives with full and firm determination.
The most daring of the initiatives which attracted Japan a lot and really did create a wide scope for Indo-Japanese trade relations, was the introduction of liberalised economic policy of Narsimha Rao government. The drastic reforms in India-economy basically initiated by the Finance Minister Mr. Man Mohan Singh a leading Indian economist, who is regarded now as the architect of liberalised economy. Mr. Man Mohan Singh announced a series of far reaching and radical changes in the New industrial policy (NIP) on July 24, 1991. Under this policy an attempt had been made to consolidate the strength built up during the Seven Five Year Plans and to correct the distortions or weaknesses that have crept up into the industrial structure over the four decades. The new policy aims at maintaining a sustained growth in productivity and gainful employment and attaining international competitiveness. The Narsimha Rao government has decided to take a series of initiatives in respect of the policies relating to the areas of Industrial licensing, foreign investment and technology, and public sector policy.
The government will hence forth provide automatic approval for foreign technology agreements related to high priority industries within specified parameters. This has been done with a view to inject the desired level of technological dynamism in Indian industry. It has been decided to provide approval for direct foreign investment upto 51 percent foreign equity in high priority industries.

The new government undertook a review of the Export-import (EXIM) policy 1990-93 and introduced major reforms aimed at vigorous elimination and reduction of import licensing, export promotion and optimal import saving. A major feature of the Export-Import policy reform is the enlargement and the liberalisation of the replenishment licence system (REP) which will be called the EXIM SCRIP. All exports based handicrafts, books and journals will now have a uniform REP rate of 30 percent of the value of exports. This represents a significant increase over the earlier existing rates ranging from 5 to 20 percent except for certain items which have large rate. Special rates for
gems and jewellery, certain metal based handicrafts and books and journals will continue. The new scheme provides maximum incentive to export in places where the import intensity is low. With substantial liberalisation of the trade regime and the exchange rate adjustment that occurred in July 1991.

Japan has welcomed the liberalization of economic policies initiated by Narsimha Rao government and looks forward to even a better investment climate in India. In fact introduction of the New Industrial policy has injected good impression upon the Japanese leadership and instilled in them a sense of confidence and trust which has shown keen interest in expanding its economic activities with India. "The Government of Japan announced at the Aid India Consortium meeting in Paris on 20th September, 1991, the 31st (FY 1991) Annual ODA Loan Programme for India, comprising concessional loans to be extended by the Government of Japan totalling 106.594 million yen (approximately equivalent to Rs. 2000 crores at the current exchange rate). This amount represents an
increase of 1.7% over the previous year's loan Programme in terms of Japanese yen and an increase of more than 50% in terms of Indian rupee. With the loan amount pledge in Paris, Japan maintains the position of the largest bilateral donor of development assistance to India. This reflects the Japanese government's policy to continue to reader positive support to the economic and social development efforts of India. The loan amount pledged by Japan at the Consortium meeting includes the total of US $300 million (40.5 billion yen) made available under the two governments on emergency loans concluded earlier this year. The first emergency loan of $150 million was extended for the import of diesel oil in May 1991 under co-financing with the Asian Development Bank. The second loan of the equal amount was agreed to in June 1991 to strengthen the financial resources for lending operations of the Small Industries Development Bank of India (SIDAI). These two loans were extended in response to the urgent request made by the Government of India to provide an immediate relief to India's balance of payments difficulties."^{14}

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Friendly relations between India and Japan have registered new strides in recent years and both the countries celebrated fourtieth anniversary of establishment of diplomatic relations in the month of January, 1992. India's, the then Foreign Minister, Mr. Madhav Singh Solanki paid a six day official visit to Japan from 19 to 24 January 1992. Madhav Singh Solanki had a meeting with the then Japanese Prime Minister Mr. Kiichi Miyazawa who assured Solanki that Japan was ready to expand economic assistance to India. We would like to do as much as we can, Mr. Miyazawa was quoted as saying in response to request from Mr. Solanki for Japan's expanded economic cooperation. Both Mr. Miyazawa and Solanki agreed that there was an absolute need for Japan and India to intensify their dialogue, aimed at building a solid relationship of cooperation.

Mr. Miyazawa was in favour of India and Japan working together to structurally renovate the United Nations and make it more representative. Mr. Solanki succeeded in obtaining a Japanese understanding of India's position on the nuclear non-proliferation
a number of radical measures which have been accepted by the nation primarily because they are being driven by a broad consensus among political parties and opinion makers. In fact this visit of Indian External Affairs Minister to Japan has proved instrumental in cementing the bonds of friendships between India and Japan. "The emerging new friends in Indo-Japanese relations are being taken note of by political and business circles in New Delhi as well as in Tokyo. The Japanese circle in Tokyo not only value the new political opening to India as their window on the Third world but they also suggest that in the pattern of continuing conflicts within the developing world, New Delhi would be called upon to play a pivotal role."  

It shows that Indo-Japanese relations have assumed much significance and have shown much progress in their bilateral ties. "In recent times, Japan has emerged as the largest source of economic assistance for India. On an average $2 billion a year  

15. Ibid., p.29.
treaty. He also made it clear at a press conference that the NPT issue would in no way affect Japanese aid to India.

Both of them agreed that in the rapidly changing world, the two nations should maintain intensified high level interactions and dialogue. Mr. Solanki made it clear that there was no question of the NPT affecting aid as they were not related. Mr. Solanki had talks with his Japanese counterpart. Mr. Michio Watanabe covered wide range of issues particularly the change in global situation and bilateral relations.

During his stay in Tokyo, Madhav Singh Solanki also had the opportunity of holding talks with the Japan's Minister for International Trade and Industry, Kozo Watanabe. The Japanese Minister promised qualitatively improved and increased aid to India. Foreign Minister, Solanki during his meeting in Tokyo with the Japan based non-resident Indians (NRIs) urged them to invest in India. While explaining his government's new economic policies to the members of Indian community, Madhav Singh Solanki underlined the fact that political consensus drives the Indian reforms. We have undertaken
flow into India directly or indirectly from Japan. New Delhi gets about $800 million a year as concessional loans from Tokyo. Besides the Japanese commercial banks and the import export bank of Japan grant another $800 million to a billion dollars a year to India as loans.16

Thus Japan has been extending economic assistance totalling 67.1 billion yen, equivalent to Rs. 1,344 crores, through respective exchange of notes finalized in New Delhi on December 1991. The notes were signed and exchanged by His Excellency Shunji Kobayashi, Japanese Ambassador to India and Mr. M.S. Ahluwalia, Secretary, Economic Affairs, Ministry of Finance, Government of India. The loan assistance amounting to 66.1 billion yen is being extended in realization of the pledge made by Japan at the Aid India Consortium meeting held in Paris in September 1991. The Japanese Official Development Assistance Loans for India in fiscal year 1991 total 106.6 billion yen (Rs. 2,132 crores). They include the two emergency

16. Ibid., p. 29.
loans each amounting to 20.3 billion yen or $150 million, extended in the middle of June 1991 in response to an urgent request made by the Indian government to provide immediate relief to India's balance of payments difficulties. Japan's ODA loan in 1991 represented an increase of more than 1.7 percent over the previous years in terms of the Japanese yen and an increase of more than 50 percent in terms of the Indian Rupees. Japan continues to be the largest bilateral donor of development assistance to India.

This reflects in Japanese government's policy to continue to render positive support to the economic and social development efforts to India. The grant extended under the exchange of Notes includes debt relief grant of 339.426 billion yen, a grant assistance amounting to 719 million yen for the provision of equipment for the government College of Engineering, Pune and a cultural grant of 45 million yen for the supply of audio-visual equipment for producing teaching materials of the Japanese language.
to be installed at the Jawharlal Lal Nehru University (JNU), New Delhi. The ODA loan package covers five projects, of which two are for the improvement of basic infrastructure. The Gandhar Gas Combined Cycle Project is designed to mitigate the serious shortage of electric power. The second project for which Japanese assistance has been made available is National Highway No. 2 Improvement Project (Mathura-Agra Section) which will facilitate industrial growth in the region by ensuring smoother and heavier traffic flow on this highway. The ODA loan policy of Japan has started attaching significance to the preservation and improvement of environment. This has found reflection in the selection of two projects in this sector for assistance in India during 1991. The Aravali Hills Afforestation Project has been planned to check the desertification and help conserving flora and fauna of the affected region. The Urban City Water Supply Project is on the other hand designed to improve water supply systems in the cities of Sholapur and New Bombay. The Ajanta Elora Conservation on the Ajanta-Elora caves which are India's cultural heritage of international repute. The project includes archeological conservation
works for the caves, environment protection in the area as well as development of infrastructure facilities for tourists. This project has been taken up for assistance as a follow up of the statement made by the former Prime Minister of Japan, Toshiki Kaifu, in his policy speech at the special joint session of the Indian Parliament in New Delhi in May 1991 where he had underlined Japan's desire to contribute to the preservation of cultural heritage in South Asia.

Besides the other projects for which Japanese financial assistance would be made available include Andhra Pradesh Transmission Project, Karnataka State Comprehensive Land Use Management project and Small Scale Industries Development programme.¹⁷

This growing trend in Indo-Japanese relations is not only constant but also is consistent one. Therefore, India is receiving economic assistance from Japan consistently, which is badly needed for the developmental

efforts of India. Besides this economic assistance, India is in need of foreign investment and is also capable of entering in this field as well. In this respect many efforts have already been made by the Indian Ambassador in Tokyo and other embassy officials by holding so many meetings with the important Japanese officials, major national economic organisations like the Japan Chamber of Commerce and industry and other Japanese business big guns to provide them first hand information about the new industrial policy which is integrated with much economic reforms to create conducive atmosphere for foreign investors. It is generally expected and even claimed in India that the fabric of Indian economy will be strengthened and industrial activities will be widened. Due to this radical opening in Indian economy Japanese businessmen will certainly find India an attractive place to invest in.

It means pure hell: "Since the announcement of new industrial policy, the Japanese private investors as well as the Japanese government have started evincing keen interest in India thereby signalling the brighter prospects of Japanese investment in this country. Akira Nishigaki, during his visit to New Delhi held
fruitful discussions with the Union Finance Minister, Man Mohan Singh. The discussion centered round India's new economic policy initiatives, projected performance of the Indian economy and the effectiveness of the recent measures taken by the government for economic reforms. The visiting Japanese dignitary expressed deep appreciation for the economic reforms of India and expressed confidence that these measures would enable India not only to resolve the present difficult balance of payment situation but also lay the foundation of strong economy.\[18\]

As per the figures of the Ministry of Commerce, Government of India, India's exports during (April-December 1990-91) were Rs. 2,113.5 crores and India's imports from Japan amounted to Rs. 2,379.2 crores as against Rs. 1,903.6 crores and Rs. 1,989.9 crores exports and imports respectively during the same period of 1989-90. Infact, this is a strong growth in India's exports to Japan in recent time and were set to be more than doubled from Rs. 1,190.1 crores in 1985-86. Despite a wide scope for Indian goods in Japanese markets India is still unable to suck up full fruits in the field of exports to Japan, though she had

\[18\] Ibid., pp. 30-31.
been making efforts persistently and consistently for last so many years to widen the gamut of its exports to Japan. "The most revealing aspect of India's trade with Japan which is of concern, has been India's inability to diversify significantly its export basket, despite serious efforts being made during the last decade. This does not mean that no new export items have been enlisted into India's major exports to Japan but that overall impact on the export structure has so far been marginal. The most recent item which has penetrated into Japanese sophisticated market has been dyes and dye intermediates. Other non-traditional items which have also gained considerably are leather goods, garments, textile fabrics, engineering goods including autoparts and machine tools, fresh fruits and vegetables, chemicals, household furnishing floorings, software and sports goods, however, there are certain traditional items and as also iron-ore and marine goods which have recorded considerable decline in 1990-91. Another fact has been that India's export basket to Japan is dominated by traditional goods. It is amusing to note that only three goods (items) iron-ore, marine goods and...
and diamonds constituting nearly 75 percent of the India's total exports. It is also important to reveal that about a dozen goods (items) account for more than 90 percent of India's total exports to Japan. They include readymade garments, leather, granite, fruit and vegetables, cotton and cotton fabrics. The export of these items to Japan has been the outcome of India's efforts to diversify the items to enter into Japanese market. Products which have provided good possibilities for increasing exports to Japan in 1990-91 include light engineering goods, gold jewellery, carpets and bicycles components and computer software. These trends show that there has been gradual and steady diversification of exports to Japanese market. However, these efforts are modest and India has to go a long way in diversifying exports to Japan as there has been an enormous potential of penetration of Indian goods into Japanese market.  

No doubt, there is an urgent need on the part of Indian big shots (tycoons) in the sphere of exports to take initiative to improve the quality of their products so they can be offered to Japanese market, so that they can come up to Japanese standards and international standards. Therefore,  

efforts must be made to bring Indian manufactured goods in global market with highest quality to make a place for Indian goods in the changing conditions of international market. Japanese market is offering a much wider scope to absorb Indian manufactured goods, a fact that has already been realized even by the Japanese officials. The Japanese ambassador to India, S. Kobayashi, has rightly suggested that "the potential Indian exporters should explore every possible measure to offer highest quality products as there has been enormous scope of Indian goods to enter into Japanese market". Hence India must strengthen its foreign exchange earning capability for its economic growth and this could be possible only when India would improve further the international competitiveness of its manufacturing industry as Japan has great potential to absorb Indian goods in a big way in the years to come. Confirming the worst fears India's trade gap for the year 1990-91 has crossed the Rs.10,000 crore mark to finish at Rs.10,500 crores, showing an alarming rise of nearly 36 percent on the figures of the last year i.e. 1989-90 amounting to Rs.7,731 crores. Under such situation India has to come out with all out efforts to increase exports to the nations where there is an enormous scope of absorbing
Indian goods such as Japan, Germany and E.E.C. countries. If concerted efforts are made (right away) India could substantially increase her exports to Japan in a big way and come out of the clutches of the alarming trade gap. India will commit a fundamental mistake in its export strategy if it does not take note of the rapidly changing global market conditions especially in Japan, Germany and the EEC. If India seriously does want to promote its exports expansion, the Japanese market must not be underestimated. Keeping in mind the existing trends in India's foreign trade, India-Japan Standing Committee (IJSC), has formulated an action oriented strategy for increasing exports to Japan at the rate of 17 to 18 percent.20

Indo-Japanese trade has shown the sign of growth substantially over the decades and Japan has emerged as an important trading partner of India, having third place. After seeing the pattern of Indo-Japanese trade, it can be said that it is containing three important characteristics. Firstly, India has moved from
having a surplus with Japan which was the characteristic
till 1980, to a country which has continuous deficit
with Japan since then. It occurred due to a more literali-
zed approach and attitude for imports into India. Seco-
dly, the commodity concentration in Indian exports is
dominant. Nearly 75 percent of India's exports consists
of iron ore, shrimps and minerals. The Japanese market
had emerged an important market having wide scope for all
such products. Japan shares more than 60 percent India's
total exports of iron ore, and nearly more than 70 per-
cent of total shrimp exports. Thirdly, mostly India
receives low values for exports either because of low
unit value items being exported, or because of the posi-
tion and prestige of India as a supplier, lacking in
qualitative products. It may be due to certain fundamental
difficulties faced by Indian exporters in getting desired
conditions for their products.

Therefore, the growing trend in Indo-
Japanese relations and much enthusiasm to improve
their bilateral ties is visible, particularly after
the revolutionary reforms introduced by the Narsimha Rao government in the Indian economy. But to maintain the pace of economic growth India has to improve its foreign exchange earnings capacities. India can reach this target only by widening its exports trade. If it can be materialized, India will have to increase and enhance its export of manufactured items. India is bound to improve the international competitiveness of its manufacturing industry. It may be allowed only through an introduction of greater competition both domestic and international by improving the quality of their products. This greater competition can be ensured by relating the effective control of government applied to industrial activities in India ever since its independence. But the radical changes in the entire fabric of Indian economy have certainly provided better conditions and conducive to the Indian exporters and they are expected to come up to the expectations of Indian government by enhancing Indian exports to Japan and overall progress in Indo-Japanese relations.
India had shown immense enthusiasm and consistent goodwill towards Japan constantly as evident from the official visit of the Indian Prime Minister, Mr. Narsimha Rao to Japan in June 1992 which opened a new chapter of the two countries' relations towards the 21st century. Narsimha Rao had wide ranging talks with his Japanese counterpart, the then Prime Minister Mr. Kiichi Miyazawa on various international and bilateral issues. Both the leaders agreed to explore a new international consensus on the nuclear non proliferation issue. The two countries also decided to incorporate arrangements which were both comprehensive and non-usus. Mr. Rao expressed India's reservations over the non-proliferation treaty and said it were no different from Japan's which while signing the treaty in 1975 had wanted its rectification on the grounds that it was descriminatory as it gave a special status to nuclear powers. Sharing the Japanese premier's concern over the proliferation of nuclear weapons, Mr. Rao said that the risk was not from one or two countries which had not signed the non proliferation treaty. There was the frightening possibility of ready-made nuclear weapons and technology being used. In addition,
some countries which had signed the non-proliferation treaty were having clandestine nuclear programmes which clearly indicated the glaring inadequacies of regional approach to the nuclear issue. "Addressing a news conference at the Japan National Press Club here, Mr. Rao categorically ruled out the possibility of India signing the NPT. This is the time for reviewing the NPT and not for signing it. He pointed out that the NPT was due for review in another three years and sought a commonality of views with Japan and other interested countries on the issue of nuclear non-proliferation. He recalled in this context that at the time of signing the NPT, Japan itself had observed that the treaty was discriminatory. Responding to a question from a Japanese journalist, he emphasised that India was not only concerned about the issue of nuclear non-proliferation but was insistent that there should be no nuclear weapons on the face of earth."

Mr. Narsimha Rao tried to impress upon the Japanese leadership that "the only rightful solution of nuclear problem, pending review

of the NPT, was outlined in the plan proposed by Mr. Rajiv Gandhi at the United Nations Summit on nuclear disarmament in 1988. The plan, he recounted, envisaged dismantling of weapons by the nuclear weapon states, undertaking by nuclear weapon states that they will not cross the threshold and ban on testing of nuclear weapons and manufacture of fissionable materials.

Mr. Narasimha Rao recalled the Congress government's economic policies after 1980. He said that Mrs. Indira Gandhi took the first step in the direction of economic reforms in 1980s which was further carried on by Mr. Rajiv Gandhi. But he admitted that his government has introduced radical reforms in the Indian economic policies. He justified his government's initiatives and declared that these reforms were essentially and inevitably needed to strengthen Indian economy. Therefore, there is no question of retreating or withdrawing of the government from these reforms. Mr. Rao told the Japanese businessmen that the most vital point of appreciation regarding these economic reforms is not in overcoming ideological hitches but cultivation of political

22. Ibid.
consensus behind these reforms. Therefore, Indian government is quite confident about its initiatives because it had been successful in evolving this consensus. Thus, the doubts about the stability and irreversibility of the economic reforms of Narsimha Rao government, by and large, could be removed by this five day official visit of Mr. Rao. brought the two countries quite closer and gave a new upward turn to their economic and commercial ties. Many big business houses and agencies of Japan assured Mr. Rao to enhance their economic and trade activities in India. They showed their utmost liking and appreciation of the radical reforms moves initiated by the Indian government, "Japan's all powerful Ministry of International Trade and Industry (MITI), which provides administrative guidance to the Japanese business, has offered to provide financial and information support for promoting trade and investment in India. Besides, MITI has allocated 56 billion yen for underwriting insur­gence cover for project exports to India. These decisions were communicated to the Prime Minister, Mr. P.V. Narsimha Rao, when Mr. K. Watanabe, Minister-in-charge of MITI called on him on
Wednesday. Mr. Watanabe, who was accompanied by the
Japanese Finance Minister, Mr. Tsutumu Mata, also
assured the Prime Minister that a Japanese decision
on providing aid for the Sarovar Project would be
taken shortly. Japan's first instalment of aid on
this count was 2.35 billion yen. The forthcoming
instalment is expected to be in the region of 17
billion yen. Both the ministers told the Prime Minister
that they were impressed by India's determination to
implement economic reforms. They said that even though
the prevailing level of Japanese investment in India
was low, MITI would now act as a catalyst for more
investment. Mr. Watanabe and Mr. Hata referred to India
and Japan as Asian countries and said that this commodity
of identity would act as a spur to upgrading economic
ties. It was apprehended that Japan may make a
linkage between the NPT and Japan's aid to India as
it was aired by few (some) people in both the countries.
It was completely cleared when Japanese Premier
Mr. Kiichi Miyazawa made a statement about it. "The
Japanese Premier made no linkage between the NPT issue
and Japan's aid to India. In fact he indicated that

the total Japanese aid to India to be pledged at the Aio India Consortium meeting beginning in Paris tomorrow would be raised by six percent to yen 112 billion as against yen 106 billion for 1991-92. This would include a fast disbursing assistance of $250 million for the hydrocarbon sector with a matching amount from the Asian Development Bank which India has already negotiated. Mr. Miyazawa conveyed to Mr. Rao Japan's appreciation of the measures of deregulation and said that a number of Japanese companies had evinced interest in India."

The Prime Minister Mr. Rao underscored another aspect of the Indian society to woo the yen. He pointed to the burgeoning middle class in India. Whose number touched the 200 million mark and referred by implication to their purchasing power. He pointed out that advertisements of Japanese products like National television sets, Casio watches and Sharp VCRs were already appearing in the newspapers- even though these products were not available for sale in India. Narsima Rao told the Japanese businessmen about

his economic policies are widely supported by India's middle class. Therefore, there is a wide scope and better prospect for Japanese investors in India. The Prime Minister's visit, apart from turning the attention of the Japanese investors towards India, had the added significance of occurring in a year when both the countries are celebrating the 40th anniversary of signing a bilateral Treaty of Peace and Amity. The Indo-Japanese Treaty is an important psychological input in bilateral ties since it was the first treaty which war-devastated Japan signed on equal terms with another nation after regaining its sovereignty. On the other hand, the opening up of the Indian economy at a time when the traditional Japanese markets in Europe and North America are proceeding in reverse direction towards protectionism has cultivated considerable interest in Japan's business circles. Over the last few years, the number of Japanese government and economic missions visiting India have enhanced considerably. Major investments like Fujitsu India, Asahi Glass and Suzuki Motors have already materialised.

Over the years Japan has emerged as India's biggest aid giving partner and has been making consistent, constant and significant gestures from time to time.
When India got itself under strain due to balance of payments situation in 1991, Japan came to India's rescue by fast disbursing loans through the Asian Development Bank and the World Bank. India too has in recent years taken several initiatives to strengthen this relationship. A three-day official mourning was declared in India on the occasion of Emperor Showa's death. India's then President Mr. R. Venkataraman, attended Emperor Showa's funeral and his successor's enthronement ceremony both. Two prominent Japanese citizens, Mr. Sakurauchi and Mr. Goro Koyama, have been honoured with Padma Bhushan awards. India has been cooperative of Japanese positions at the global fora. Also, when Japan sent its minesweepers to the Gulf in the wake of the war there, India readily acceded to Tokyo's request to provide facilities at Indian ports. Around a year back government land was provided at concessional rate to the Japanese embassy in New Delhi for constructing a school for the children of the embassy staff. This cordiality and goodwill of India have not remained unnoticed by the Government and the people of Japan. Even though
India and Japan have been cooperating with each other at international fora and both of them are also widening and increasing their economic and commercial activities at a faster pace, more than ever before, India and Japan are still finding themselves at loggerheads on the Nuclear non-Proliferation Treaty. Mr. Narsimha Rao, certainly did narrow down this difference of perception during his visit to Japan by suggesting that both the countries start a dialogue to evolve a common stand on the issue of nuclear proliferation. This proposal of the Prime Minister was taken by Japanese leadership positively. Therefore, there was no attempt of Japanese leadership to link the NPT issue with its overseas development assistance programme. It shows that once again Japanese leadership had come to terms with India's stated position-only because of Japan's strong and renewed desire to improve its relations with India.

As we observed in the preceding chapter, internal factors and forces play a very vital role in shaping out a nation's destiny and they attract international attention accordingly. Particularly,
when a country is making all out efforts to attract foreign investment, technology and economic assistance, it has to cultivate the image the prestige to the aspirations and expectations of international community. Above all, the country has to show to the world community its political stability which gives a sense of security to the foreign investors. Therefore, consistent peace and stability of a nation are the utmost important internal factors which create conducive culture for better external and internal economic prospects of a country.

No doubt, Narsimha Rao government emerged successful in providing political stability to India which was doubted externally and internally due to the untimely and unexpected assassination of Rajiv Gandhi. The death of Rajiv Gandhi created a leadership vaccum in the Congress Party and it was apprehended that no leader of Congress could continue in the office as a strong leader like their predecessors and therefore, political instability was on the cards. But Narsimha Rao managed to remove all such misgivings by overcoming the leadership crisis in his party and
by managing to obtain the effective support of even the opposition parties for his policies of radical reforms in the Indian economy. The magnitude of changes in the Indian economy introduced by Narsimha Rao government was the largest in the post-independent India. These radical reforms showed a sign of progress in the Indian economic structure which was widely appreciated at all levels i.e. in India and abroad.

When India was leading towards steady economic growth because of its unprecedented move of liberalization policy which started attracting foreign capital to Indian market and even Indian economic activities go widened and picked up tremendous momentum. India, all of a sudden, was entangled with an unexpected internal imbroglio that shattered all hopes and dreams shown by government policies of radical reforms. This cancerous crisis was the Babri Masjid -Ram Janama Bhoomi dispute, which took an ugly turn on 6th December 1992, when the disputed structure of Babri Masjid was demolished by the people of right wing organisations like Bajrang Dal, Vishwa Hindu Parishad and B.J.P.
This dangerous development tarnished India's secular image at International level. An unprecedented communal frenzy of great magnitude flared up in no time and the whole country was in flames of communal hatred which, for a moment, brought to a grinding halt, the wheels of progress, peace and tranquility of the nation. Narasimha Rao Government tried its best to deal with situation with a firm hand to restore law and order and instill confidence in minorities and at all levels, and managed to contain the widespread communal violence and sense-less killings which resulted in colossal losses beyond repair.

This disputed issue most certainly did push India's secular and democratic polity in a tight corner. India had to instill a sense of confidence among the minorities as well as the majority community that their lives and properties in India were safe and the same will be taken care of very effectively to avoid the recurrence of such flare ups. At the same time the world community too had to be convinced that India is as peaceful and democratic as it was that India still believed in communal harmony, universal brotherhood and valued democracy.
as before without the slightest deviation in its policies and the values for which the nation always stood for. In fact the turmoil was further aggravated and abetted by some external forces which were bent upon making India weak. This was amply evident when Bombay was shaken by series of bomb-blasts in March this year which left over 300 persons dead and thousands injured with property worth millions of dollars destroyed. But above all what was really shaken was the closely knit secular fabric of amity, love and brotherhood which took the greatest jolt.

Therefore these painful developments disturbed the pace of peace and progress established by the Narsimha Rao Government through various bold measures.

Japanese government observed all these internal developments of India as unfortunate and Japanese big business houses were compelled to adopt a very cautious policy towards India. Before these developments, those Japanese who were considering India as a good land for their investments prospects, got feared and started showing reluctance to come forward in the investments
areas. But Indian government has been successful in providing peace and stability to the nation and thereby could neutralise venom injected by the ugly developments upon the world community. Particularly, with Japan, India could re-establish the same rapport as it had earlier. Japanese are, now, very much impressed by the effective steps of the Indian government to check internal problems. They are further moved by the continuous pace of reforms in the Indian economy. The liberalisation policy initiated by Narasimha Rao Government is still continued with more fervor and fillip; and government's indomitable desire to go ahead for more economic reforms in years to come, are few of the very appealing and attracting official strategies to the global community, particularly to Japan and its people. "India is well on its way to an economic take off, according to a report by two university professors. Under his Prime Ministership, India embarked on a radical transformation of the economy and the momentum for change in the country is unstoppable, say Columbia University Professor Jagdish Bhagwati and Yale's T.N. Srinivasan. "If he (Bhagwati) is right the future is bright, the seven to eight percent growth rate of the Asian miracle economics is possible". (in India),
Undoubtedly, India is emerging among the developing nations and making full blooded efforts to discharge its major role as an important country. Presently, India is chairing G-15 countries. As chairman of G-15, Narsimha Rao tried to impress upon G-7 to extend their economic assistance to developing nations through Japan which is also a member of G-7. As "P.M. P.V. Narasimha Rao has said lessening of tension, correction of imbalances and removal of obstacles to global growth can be possible only if "Countries, regardless of their levels of prosperity and development, agree to work together". In a message to next month's G-7 summit in Tokyo, the P.M. said momentous changes had taken place in the world in the last three years and "We have entered an era where confrontation has given way to a search for cooperation and partnership". Mr. Rao is the current Chairman of the G-15 which represents nonaligned and developing countries. His message on behalf of the developing countries.

The world was handed over to Japanese P.M. Kiich Miyazawa on June 29 by Finance Minister Manmohan Singh, Mr. Miyazawa assured Dr. Singh that he would pass on the message to the G-7 summit. The message said the developing world sought "a mutuality of interest between the G-7 and G-15 to coordinate global efforts guided by humanitarian imperative of eradicating poverty, hunger and disease particularly afflict the poorest". The Finance Minister in his talk in Tokyo with Japanese leaders said G-15 was ready to work with the G-7 and there was no better alternative to cooperation between the developing and industrialized nations. In his meetings on June 29 with Mr. Miyazawa and Finance Minister Y. Hayashi, he said both the developing and developed countries must share responsibility.  

Infact, the economic ties between the two countries are strengthening day by day. It is evidenced by the economic assistance extended to India by Japan".

The 68 bn Yen pledge is for 3 power projects, 420 Mw Bakreswar coal-based thermal power plant in West Bengal, 400 Mw gas based thermal power station in Faridabad and 1000 Mw Anpara thermal power project in Uttar Pradesh, according to an official release in New Delhi on July 9. The assistance to power sector is part of Japan's pledge of Rs. 32 bn (119.64 bn Yen) at Aid India consortium meeting in Paris in First week of July.27

Japan on the other hand is also seeing sea changes inside of its own. For the first time in the 38 years of democratic History of Japan, the ruling Liberal Democratic Party is defeated by the 7 opposition parties alliance in the recently Parliamentary elections held July 1993. Certainly it is a big change in the political set up of Japan and it was expected that it may give a new shape for Japanese foreign policy. Though some political reforms are taking place withing the country but it is difficult to the new Japanese leadership to pursue even a little bit change in its foreign policy towards external world. Therefore, Asia will remain

27. Ibid.
the priority region even there is an internal political change in the Japanese leadership. Japan will continue to make its all laborious efforts to achieve its longfelt ambition i.e., maintenance of peace and stability in the Asian continent, when leader of seven political parties agreed to form a coalition government and elected Morihiro Hosokawa as the new Prime Minister of Japan in the end of July 1993, Mr. Hosokawa openly apologised for Japanese past dictatorial acts against asian people during the second world war. "Mr. Hosokawa also became the first Japanese Prime Minister since World War II frankly and formally to express remorse for the aggression and conquest which the army-dominated Japanese Government carried out against China and the South-East Asia countries for almost 15 years until 1945. Speaking of "the great mistake we had made", he said "I believe it is important at this juncture that we state clearly before all the world our remorse at our past history and our renewed determination to do better. I would like to take this opportunity to express our profound remorse and apologies for the fact that past Japanese actions, including aggression and colonial
rule, caused unbearable suffering and sorrow for so many people and to state that we will demonstrate our new determination by contributing more than even before to world peace. 28

The New Government of Japan under the leadership of Morihiro Hosokawa is bound to pursue his predecessors policy particularly in dealing with external world. Japan will continue to play a larger role in the world affairs and specially peace and stability of Asia will assume top priority in the Japanese foreign policy, Japanese new leadership is also bound to find new market for Japanese products in the prevalent world scenario in which its relations with America and Western powers are in doldrums.

Thus, India can not be ignored by the Japanese new leadership because the land of rising sun may get on the soil of India, what is basically badly needed to Japan. It was clearly indicated by the Hosokawa government's decision to extend economic assistance

to preserve and restore Buddhist Monument in Central India. "Japan will offer 500,000 dollars to a United Nations project to excavate, preserve and restore Buddhist Monuments in central India, the foreign Ministry said on Sept 16, the Ministry said the fund would be used for the 3 year project by U.N. Educational Scientific and Cultural Organisation (UNESCO) at the Sanchi Satdhara Complex in Madhya Pradesh". Japan is expected to announce a considerably larger amount of her annual overseas Development Aid (ODA) to India in the year to come. The new government of Hosokawa has also appreciated the liberalisation of economic policies initiated by Narsimha Govt. At the same time, India has become an important nation, not only in South Asia but also in the Asian continent due to its considerable multi-faceted developments. It has been realised by Japan as well as other countries of Asia.

Dr. Thanan Khoman, Chairman, Institute of Foreign Affairs and Asian Institute of Technology, Bangkok

Observed India's position in the region as "he feels India is a potential actor in the Asia-Pacific and wonders why it has not so far played its role, he advocates creation of a new Asian order in order to coalesce all Asian nations to work for the common goal of peace, stability and progress. "India as a nation of 900 million people with great potential in economic, political philosophical, cultural and Science and technological field, can play a very successful role in Asia-Pacific region".  

No doubt, both Japan and India are inclined towards each other because of prevailing trends in international economic and political relations. Therefore, the future appears to hold a bright prospect for an exponential growth of Indo-Japanese relations particularly in the economic field and eventually for some sort of political understanding on major political issues facing the Asia-Pacific region.