CHAPTER III

Indo-Japanese Relations: Early Phase 1947-76
India and Japan, lying in the eastern and southern parts of Asia respectively, occupy geopolitically convenient positions from which it is easy to observe countries of Asia and beyond. Nevertheless, situated at the two ends of Asia they have a common interest in ensuring the peace and stability in the continent and thus promoting international peace and security. It must be remembered that India and Japan are both open societies committed to democracy. By working together more closely and more effectively, they will benefit immensely not only the Asia-Pacific region but the whole world.

India's relations with Japan can be traced back as early as the sixth century A.D. when Buddhism reached Japan through Korean peninsula. Buddhism could leave everlasting influence of Indian culture on the Japanese people and their way of life. "Although Japanese Buddhism was originally based on Chinese Buddhism, it was always known that Buddhism was originally an Indian religion. In 522 A.D.
Buddhism reached Japan an embassy from the King of Peckche (Southern Korea). During the reign of Prince Shotoku (574-671), Buddhism came to be patronised and ever since (then) it has been one of the major influences shaping the lives of the Japanese—art, linguistics, architecture, literature, spiritual and norms of individual conduct and social behaviour." ¹ This is the source of the close affinity the people of Japan could keep for India. But an important event occurred in the Japanese history which brought entire gamut of the Japanese relations with the world community virtually to an end when the Tokugawa Shogun Ieyasu, closed Japan to foreign intercourse in 1637, keeping in mind the fear of liquidation of Japanese culture and European aggression. Japan managed to pursue a self-imposed policy of isolation for more than 200 years until the 'hermit' nation was forced to open its doors to foreign trade by the American warships under the command of Commodore Perry in 1853-54, ultimately culminating in the most memorable event in the history of Japan i.e. "Meiji Restoration" (1868) which was destined to change the course of Japanese relations with the global community.

Therefore, India's direct contact with Japan was established only after the Meiji Restoration by which Japan was open to the external world.

Since India was a British colony she had to enter into the second world war in 1939-45 against Japan and even meagre economic relations between the two countries were suspended. Indian National Congress which was the most and major force in India, under the able leadership of Mahatma Gandhi, also extended its full support to Britain in fighting against Japan. In fact Japan was regarded by the Congress, at that time, as an expansionist, fascist and totalitarian state. No doubt, Japan could inject its deep influence on Indian National Movement by boosting Indian political morale and inspiration when it taught a lesson to the world community by defeating a European nation namely Russia in 1905 that Asians possess all required abilities and capabilities to give a befitting reply to any European country. Even the great hero of Indian national movement, Subhash Chandra Bose took the side of Japan and his Indian National Army fought against Britain. But the fundamental purpose of Japan in Indulging
in 11th World War was not at all the liberation of Asia from the shackles of European masters rather to expand her empire in the Asian continent. Japan's slogans like 'Asia for Asians' or a 'New order for Asia' were doubted by the Indian National Congress because of untold atrocities and ruthless policies initiated by Japan during the war. This barbaric and dictatorial attitude of Japan lead to a widespread hatred against it throughout Asia. Finally Japanese power was ruined by America when it dropped two Atom Bombs on August 6th, and 9th, 1945, wiping out the most industrialised Japanese cities Hiroshima and Nagasaki. The earstwhile powerful empire saw its abysmal cataclysm and had no way except to surrender unconditionally before the Allied powers on 14th of August, 1945. The emperor himself announced the news of Japan's surrender on the Radio on 15th August, 1945 and said, "Let one entire nation continue as one family from generation to generation mindful of the long road before it. Unite your total strength to be devoted to the construction of the future". Thus the second world war came to an end with the defeat of an economically and

politically powerful empire which brought Japan for the first time in her long history, under the foreign occupation.

While India was heading fast towards her independence, the independence of Japan was taken away by the Allied powers (virtually the U.S.A.) and Gen. McArthur of U.S.A. received his official designation as the Supreme Commander for the Allied powers. Indian National Congress was fighting tooth and nail for the dismantling of the British Colonial rule and establishment of the democratic rule in India, on the other hand allied powers' administration under the command of Gen. McArthur abolished the Japanese old centralised power structure and introduced so many democratic processes and reforms. This common point of democratization gave a meeting point to the two countries later. "The Japanese people renounce war as a sovereign right of the nation. Land, Sea and Air Forces will never be maintained. Japan could become the Switzerland of the Pacific was Gen. Mc. Arthur's prediction in 1946". When

3. Ibid., p.90.
India became an independent nation on 15th August, 1947, Japan was still under the Allied occupation. India adopted a very friendly attitude towards Japan. A glorious example of India's friendly treatment towards Japan came in 1949 when an Indian elephant was given to the Ueno Zoo in Tokyo as a goodwill gift by the then Indian Prime Minister Pandit Jawahar Lal Nehru (who named the elephant Indira after his daughter), because the Japanese people felt an emotional tug at the death of the animal in this Zoo due to devastating war. And at the Par-East Military Court held in 1948, Hon'ble Justice R. Paul from India was the only Judge among the eleven who insisted on the innocence of the Japanese about the war crimes. "Japanese opinion was affected by the refusal of the Indian Judge on the International Court of Inquiry to unilaterally condemn Japan for war crimes or to accept what he regarded was the philosophy of the victor". 4 At the same time, India demanded Japan's complete independence from America when the Japanese peace Treaty was signed in 1951 and virtually due to this reason she boycotted this treaty. "India did not join the St. Francisco Conference nor did she sign the Treaty for the

4. V.P. Dutt, India's Foreign Policy (Delhi, Vikas Pub., 1987) p. 499.
following reasons. The Government of India did not agree with the belief of the U.S. Government that their (American) view of the proposed Treaty was shared by the people of Japan. India wanted that Japan, after she became a sovereign nation, should independently make whatever arrangement she considered necessary for her self defence. India concluded a separate Peace Treaty with Japan on 9th June 1952 and immediately exchanged Ambassadors. Under the treaty India magnanimously abandoned her privilege to demand compensation from Japan and approved the return of Japan's assets in India confiscated and kept with the custodian during war. "In September 1949 an Indian representative stated in Washington that our government was in favour of halting reparation as the burden told heavily on the living standards of Japanese people." In those days India's Premier Pandit Jawahar Lal Nehru was attempting to bring together the third world powers with Nasser of Egypt, Sukarno of Indonesia, Chau En Lai of China and Tito of Yugoslavia under the Non-Aligned Banner. Nehru's Non-aligned attitude was a point

of silent admiration among the Japanese people. India's friendly attitude towards Japan held a lot to Japan in her re-entry into the international community of United Nations. Mr. Kawasaki, the then Charge-d'Affairs in Delhi, remarked that, "The Japanese people attach very great importance to their relations with the people of India and indicated that the Japanese Embassy in New Delhi would be one of their largest embassies next only to Washington and London".\(^7\) Despite India's liberal and helping attitude towards Japan and Pt. Nehru's much popularity in Japan, the two countries could not develop sound political moorings. It is because of Japan's adoption of different kind of Path at the international level or its more concentration on economic aspect rather than political one. Though Japan regained its sovereignty but it signed a Defence Treaty with the U.S.A. by which it emerged as an alligned nation and came directly under the American shadow. But India had to choose non-alligned path due to the compelling circumstances at macro and micro structure levels. India wanted to gain moral and material support from each and every nation of the world community. Therefore, it may be said

\(^7\) Chatterji, *op. cit.*, p.98
here that both India and Japan were compelled by their peculiar circumstances to adopt divergent routes and ideologies in their process of progress and advancement. This difference of their perspectives led them at logger heads so many times ultimately culminating in the deterioration of their bilateral ties at every stage. In India’s external involvements whether ever Goa (1961) or the conflict with China (1962) or the wars with Pakistan or the Peace Treaty with Soviet Union (1971), Japan did not show even an iota of sympathy towards India. Rather it castigated India on several occasions. The peaceful Nuclear explosion of 1974 (India) was vehemently criticised by Japan and its Parliament (the Diet) passed the unanimous resolution against India. It was certainly stunning and shocking to the Indian Government. India, also on her part, could not show liberal political attitude towards Japan because of Americans absolute hegemony over Japan. Political attitudes towards Japan in the post-normalisation period were marked by a certain degree of rigidity. "Those attitudes
were derived from a perception which placed emphasis on Japan's alliance with the United States. It was assumed that because of its American connection Japan was not fully autonomous in its foreign relations and that therefore political proofs directed towards it were unlikely to yield tangible results."  

The above mentioned divergent pasts of Japan and India, on various issues at international level both could have a low political tone in their bilateral ties, but India and Japan could enjoy much economic tone in their relations constantly and consistently. The hiatus between India and Japan could be minimised only by their trade relations right from the old time. In order to have a clear picture of Indo-Japanese trade relations in the post-world war II period it is desirable to have a brief look on the historic trade relations between the two countries.

The role of global trade in the process of economic development had been accepted all through

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the ages. In India too, it occupied a prime place in its economy. India's so called the golden bird when it was at the peak of glory, had its due share in global business. "There are ample historical evidences right from the Vedic era (1200 B.C.) about the importance of trade in the economy".\(^9\) The holy book Bible also contained the reference about India's foreign trade. Dr. Lassen, the well known German orientalist, states, "The Egyptians dyed cloth with Indigo and wrapped their 'Mummies' in India's muslin".\(^{10}\) Thus other writers like Fe-Hien (410 A.D.) and Hien-Tsang gave details of India's foreign trade.

India's foreign trade composition in ancient era was of a favourable nature. It was based on the principle of comparative advantage and national surpluses. The comparative advantage implies import of such goods which are not produced at comparative cost advantage, while shuttling artisans which are locally available at a favourable cost.

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National surpluses would mean the excess available after meeting the aggregate demand of the country for different products which would be exported. The compositional variety extends a extent and opulence of this trade was well appreciated by India's trade partners. The ancient Indian literature provides evidences of a growing and expanding sea born commerce and India had trade relations with China, Japan, Java, Sumatra, Burma, Cylon, Arabia, Persia, Babylon, Egypt and Greece etc.

On the basis of historical records, one can say that India's trade relations with Japan date back to Buddhist era. "The Indian textile was first introduced into Japan alongwith Budhism around the 7th century." 11

An overview of Indo-Japan trade in the middle ages gives the impression that it passed through various ebbs, withdrawing itself from the rest of the world for various economic and non-economic reasons. Among the non-economic reasons was the antipathy towards Christian world. However, under pressure from America, Japan again opened its doors to international trading by the middle of the 19th century. In 1867, the policy

### Table VIII

**Percentage Share of Japan in India’s Total Imports and Exports from 1901 to 1940.**

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1901</td>
<td>1.0</td>
<td>2.0</td>
</tr>
<tr>
<td>1905</td>
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<td>6.6</td>
</tr>
<tr>
<td>1920</td>
<td>9.2</td>
<td>14.8</td>
</tr>
<tr>
<td>1925</td>
<td>6.9</td>
<td>14.3</td>
</tr>
<tr>
<td>1930</td>
<td>9.8</td>
<td>10.4</td>
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<td>1935</td>
<td>15.7</td>
<td>8.9</td>
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<tr>
<td>1940</td>
<td>11.6</td>
<td>7.8</td>
</tr>
</tbody>
</table>

of 'God King' was manifested and the Meiji era (enlightened government) began and during this period modernization trend was witnessed including the reemergence of trade as an instrument of economic rehabilitation. The Indo-Japanese trade relations were also reestablished.

In the 19th century the Indo-Japan trade was by and large confined to import of raw cotton from Japan and export of finished cotton yarn from India. By the turn of the century Japan made industrial miracle because of its dynamic and farsighted economic policies, which influenced the trade composition between the two nations. For example, instead of importing yarn from India, Japan started importing raw cotton for its industry. Its textile industry was provided a great push and India became one of the important importers of Japan's silk and cotton textiles.

During the year 1904 the percentage share of raw cotton in India's total exports to Japan was 21.2 percent while in the same period the percentage share of import of cotton manufactured in India's
total imports from Japan reached from a meagre share of 3 percent to 27.9 percent of the total by the year 1919. The import of silk too increased from 37.2 percent to 55 percent of India's total imports from Japan. The composition Indo-Japanese trade also went under a radical change and new items namely jute, rice, iron and oilcakes etc. had emerged on export horizon. While the import of new items from Japan included manufactured silk and cotton manufactured rubber, paper glass and glass etc. and hence gradually the terms of trade inclined in favour of Japan, being its exports of value added nature.

Apart from rapid industrialization in Japan, the British policy to discourage Indian industries was another major cause for such unfavourable compositional shift. To feed the growing needs of the country more and more finished goods were imported and hence India was in a disadvantageous position in regard to the world which was especially considered as the workshop of the world.

There was a continuous growth in India's trade with Japan in terms of value. The percentage of imports
from 1 percent during 1901 to 9.2 percent in 1920 while exports rose from 2 percent to 14.8 percent during the same period. But on the resumption of normal trade relations after the end of the first world war, with continental and other developed countries, the steep rise in Indo-Japan trade halted.  

From the year 1920 onwards i.e. upto world war second, Indo-Japan trade moved with ebb and tides. In relative terms in 1920 the imports slided down to 9.2 percent as against 19.2 percent during the previous year, and remained low for about the couple of decades. Japanese imports were restricted by the shrinkage of purchasing power and by the increase of import duties in India. India's range of exports to Japan in the twenties was narrowed (down) further through the disappearance of some export items like opium etc.  

In thirties, the abnormal increase in imports of cheap Japanese goods shaked the Indian industries. As per Indo-Japanese Trade Convention of 1904, no protective imposition could be levied since Japan was treated


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as most favoured nation. But formal notice of the
denunciation of the agreement was given to Japan in
April 1933 and Japan made retaliatory boycott of
purchases of Indian raw cotton. To resolve this
unfortunate stalemate a new agreement was signed in
London on 12th July 1934 between India and Japan.
In this agreement both the countries extended to each
other most favoured-nation treatment and agreed to
have actual consultation when tariff charges were
contemplated by either country. The agreement provided
for a system of linked quota.

In 1937 a newer agreement was concluded with
Japan which replaced the Indo-Japanese Trade Agreement
of 1934. While the principles of the first agreement
were maintained, only basic quotas and ceilings of
different items were changed. With the inception of
Indo-Japanese trade agreement of 1937, the share of
imports from Japan declined. So far as exports were
concerned, there was even steeper decline. With the
exception of 1928 and 1934 exports of Indian goods
to Japan shranked and reached to the lowest level
(to all time low) of 7.8 percent of India's total
exports during the year 1940. Steep decline in India's
exports and relatively lesser decline in imports,
led India to have adverse trade balance with Japan.
Before the second world war, our total trade with Japan amounted to about \( \ldots \) 30-40 crores (quintennial average) and was next in importance only to the Indo-British trade. India being a British colony had to suspend its trade relations with Japan in 1941, as a result of its entering into the war.

During the war period total trade on the average was about 1.4 crores only.\(^{14}\)

With a view to review the trade connections there was no exchange of trade delegations between India and Japan in 1947. However, independent India revived its trade relations with Japan in early 50s. In the year 1950 the trade value was as low as Rs. 20 crores with a few items only, which gradually increased in the subsequent years.

Pandit Jawaharlal Nehru, the then Prime Minister of India, provided utmost priority to industrialisation in order to satiate Indian needs of capital goods. Japan which had already shown its industrial might in pre-war period attracted a lot to Nehru. Though Japan was brought to the ashes by the Allied powers under the command of America in

\(^{14}\) R.L. Varshney, *India’s Foreign Trade, during and after World War II* (Allahabad, Kitab Mahal Pub., )p. 34.
1945 by destroying Japan's most industrially advanced cities namely Nagasaki and Hiroshima through atom bomb's explosions. But the fact is that the Japanese industrial potential and genius remained intact, rather cities were sabotaged not minds. No doubt, after San Francisco Treaty of 1951, America played a very vital role in the constructive development and progress of Japan in order to cultivate it as a counter-weight against red expansionism in Asia. There was an essential compulsion on the part of America to take all strong and sustained steps to curb Russian hegemonial wings in Asia. Therefore, it was global scenario which compelled America to revolutionise Japanese economy. But we must remember that in the reemergence of Japan as an economic giant of the world, the only support of U.S.A. was not enough rather their own industrial potential and genius which was already developed by the Japanese after the Meiji restoration. This industrial potential of the Japanese people injected ever-lasting impression upon the psyche of Pt. Jawahar Lal Nehru who was the architect of Indian foreign policy. Thus India made all sincere efforts to improve its relations with Japan.

In October 1956 India's Vice President, Dr. S. Radha Krishnan paid a visit to Japan which brought the two countries at a closer level. This closeness further brought
the fruitful visits of Japan's Prime Minister M. Kishi in May 1957 and of India's Prime Minister Pandit Jawaharlal Nehru in October 1957 to Delhi and Tokyo respectively. These visits of the highest dignitaries of the two countries added a new chapter in the history of Indo-Japanese relations. In their visits the two leaders made all serious efforts to understand each other's point of view and signed important and comprehensive agreements. Due to this Japan extended a Yen credit worth $50 million to India in 1958, repayable in 10 years at prevalent world bank interest rates. A few weeks later a government sponsored mission reached an agreement with the Indian government for Japanese participation in a scheme to develop iron mines in the Rourkela District of Orissa near India's East Coast. Of an estimated $33 million required for the project, Japan would lend India about $8 million in rolling stock, mining machinery, and harbour facilities; the Indian government was supposed to ask the remainder from the United States. Once production was underway, Japan would have an assured supply of at least 2 million tons of Iron ore annually for 10 years.\(^{15}\)

In fact Nehru's prestige in Japan was high and he received a warm welcome in Japan when he paid his visit in October 1957. Nehru felt that the Japanese people were in some respects, in advance of their government—on issues like peace, disarmament and the abolition of Nuclear weapons, i.e. he found in them a neutralist bias more in tune with the Indian policy of non-alignment than the official Japanese could volunteer. In any case it was after Nehru's visit that Japan extended its first yen credit to India which continued with more magnitude and volume.

The agreements signed in February 1958, by Japan and India became the infrastructural base for their bilateral relations. They were almost entirely concentrated on the economic relations and exchanges which opened a new door for their independent relations. By this goodwill and sincere efforts India and Japan could further make stronger their bilateral trade ties. The external invasions and internal disturbances faced by India, brought an economic disaster which created terrible troubles for Indian trade but anyway she could continue the pace of the growth of trade. On the other hand Japan was perpetually making stronger her economic position taking 6.6 percents share of India's total imports in the year 1968 while exports from India to Japan touched the weight of (all time high) 11.5 percent during the same period.
**TABLE III(a)**

Percentage of Japan in India's Total Imports and Exports

<table>
<thead>
<tr>
<th>Year</th>
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<th>Exports</th>
</tr>
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<tbody>
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<td>1959-60</td>
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</tr>
<tr>
<td>1960-61</td>
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<td>5.7</td>
<td>6.2</td>
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<td>1962-63</td>
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<td>4.7</td>
</tr>
<tr>
<td>1963-64</td>
<td>5.5</td>
<td>7.1</td>
</tr>
<tr>
<td>1964-65</td>
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<td>6.2</td>
<td>6.9</td>
</tr>
<tr>
<td>1966-67</td>
<td>5.6</td>
<td>6.5</td>
</tr>
<tr>
<td>1967-68</td>
<td>5.1</td>
<td>11.0</td>
</tr>
<tr>
<td>1968-69</td>
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<td>4.3</td>
<td>12.2</td>
</tr>
<tr>
<td>1970-71</td>
<td>4.6</td>
<td>13.9</td>
</tr>
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<td>1972-73</td>
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</tr>
<tr>
<td>1973-74</td>
<td>10.0</td>
<td>14.1</td>
</tr>
</tbody>
</table>

Source: Compiled and computed from various issues from 1960 to 1975 of *Direction of Trade Statistics*, IMF year Book.
Table III clearly shows that during 1960s the growth of exports and imports were continuous. But in absolute terms the growth of imports was much steeper and India started having adverse trade balance which was in favour in the early plan periods. After 1966, exports expanded at a faster rate and the balance of trade was again in favour of India for about a decade. During the oil crisis of 1973, Japan was inclined to diversify and expand the trade quantum with India. At the same time India saw certain political alternations that resulted in the imposition of national emergency and they had their deep impact on India's trade relations. The Japanese traders were afraid of taking risks in such instable situations of India and therefore the growing pace of bilateral trade between the two countries was substantially slowed down.

In fact, the international sway of pandit Jawaharlal Nehru's diplomacy began to suffer setbacks and his idealistic policy came under a severe attack after Sino-Indian border dispute in 1962. The sudden attack of China on India, without any sensible reason (without any provocation) gave a severe jolt to the idealist foreign
Policy adopted by Nehru. Even Nehru's own party men vehemently criticised him for being completely aloof from the realist look that ignored the defence aspect absolutely and concentrated only on the economic sphere at a time when the cold war was at its peak. Nehru could not bear the brunt caused by the stunning invasion of China and passed away on 27th May 1964. In fact Nehru's critics were unable to understand that after all in any situation and circumstances man has to act and interest with man and as a person, Nehru could not harbour doubts about China's integrity which had already signed a historical peace treaty known as Panch-sheel. No doubt, China violated all the norms of international behaviour and above all China deceived Nehru, a good human being. But Japan could not show any sign of friendly attitude or sympathy to India at this crucial juncture. India was beset with so many intricacies and complexities during sixties but Japan could not come forward to give any helping assurance (hand) from its side to India. "The sixties were a decade in which India was faced with a series of politico-military problems such as the liberation of Goa (1961), border skirmishes with China (1961), the war of Pakistan (1965), On none of these
occasions did Japan show any overt interest either by way of lending support to India or by way of opposing it. On the Goa issue, in particular, Japan's failure to denounce Portuguese colonialism left a sense of disappointment among the Indian intelligentsia.".  

After the short lived cabinet of Lal Bahadur Shastri, Mrs. Indira Gandhi, the then Prime Minister of India made full blooded efforts to restore and refurbish the prestige of India. Mrs. Indira Gandhi looked upon Japan with keen interest as a country with the remarkable post-war development. She made very sincere efforts to improve Indo-Japanese bilateral ties. Mrs. Indira Gandhi paid a visit to Japan in 1969 to cultivate renewed spirit and enthusiasm in Japanese attitude which became quite slow and sluggish towards India. "By 1968, Japanese pessimism had deepened. In spite of some hopeful signs in agriculture, India's economic decline and stagnation over the previous five years had caused a warning of what hope there had been among Japanese there that the country would achieve solvency and make its way into the modern

industrial world. Interest in India declined as interest in South-east Asia increased. New credits flowed into Indonesia after 1965, and more Japanese money found its way to Malaysia, Thailand and elsewhere. By contrast, many pointed to India's unhealthy dependence on foreign aid, which the Japanese found offensive to their deepest regarding self-respect and self-reliance. They thought that the Indian government had not made a really urgent efforts to end such dependence. India could get a project loan for the construction of the Vishakapatnam Outer Harbour specially after Mrs. Gandhi's visit in 1969. Soon after an unprecedented problem came before Indian Government when floods of Bangladeshi refugees infiltrated on Indian soil due to untold hardships and atrocities inflicted on them by West Pakistan's army. India condemned this repressive policy of West-Pakistan to hold down the democratic voice of East Pakistani people. Indira Gandhi, the then Prime Minister of India, brought the entire scenario to the notice of almost all the Western countries specially U.S.A. India had to bear huge expenses in sustaining the burden of

17. Lawrence, *op. cit.* pp. 228-29.
refugees. Unfortunately there was no positive response from the side of U.S.A. Thus India headed towards Soviet Union which reciprocated and both the countries signed a peace and Friendship Treaty for twenty years in 1971. The year 1971 was also marked by the third Indo-Pak war and the birth of Bangladesh. During the war and after, Soviet Union proved to be a timely trusted friend of India. Since then India’s relations with Soviet Union remained very cordial and pleasant.

This closeness of India and the Soviet Union certainly did widen the gap between India and Japan. It is important to mention here that Indian closeness should not be considered as India’s departure from non-aligned policy. At the same time India was fully independent in its affairs having no interference from Soviet Union in its internal affairs. But on the other hand Japan remained under the American umbrella and undoubtedly its independence was influenced by the U.S.A. Therefore, it is emerging at international scenario in the beginning of 1970s brought again the two countries politically at loggerheads. India was stunned and shocked over the Japanese attitude which came against against India in 1974 when India made a Peaceful Nuclear explosion on its soil. It was certainly a remarkable
achievement on the part of India due to its tremendous utility in the peaceful developmental work. India made it completely clear to the world that this achievement of India will be fully converted only in peaceful and constructive work (purpose) rather destructive ones. Even though Japan came out against India forcefully and not only criticised India vehemently but the Japanese Diet passed a unanimous resolution against India. But this decision of the Japanese government was regarded by India as immature, not based on their own observations and interactions but rather borrowed from other nations—first from China and then from the West. Therefore, India was bound to harbour doubts about Japan's independence from the Western world because of its dance to their tune in most of the international issues.

Apart from these political divergent attitudes between India and Japan at international level, there was no harmony between the two economies during the post-war period. India, after its independence took plenty of new steps to restructure its economy under
the able leadership of the then Prime Minister Pandit Jawahar Lal Nehru, the architect of modern India, but the steps did lack something and were not in conformity with the Japanese economic initiatives. "The economic policies of India and Japan had little degree of harmonisation between them even though the economies were complementary to each other. Japan has started to pave the way for more industrial collaborations, since early 1960s, with the developing countries, mainly were 'technical collaboration' and 'joint ventures'. The two mechanisms were typical of Japanese overseas investments whose fields of operation were rather of labour-intensive and technology based investments. Most of the joint ventures and technical collaborations have so far been executed in labour intensive industries. The average size of the investment was of small scale. This pattern is in sharp contrast to similar ventures by other industrialised western countries. Some of the developing countries which are India's competitors in the Japanese market, have harmonized with Japan's policies so that it can be possible for
those countries so as to enable those countries to proceed and move towards the areas where Japan reaches the re-import stage. Indian policies, on the other hand, were not harmonious with the Japanese policies and as a consequence "no substitution of the Indian industry in place of the Japanese industry has taken place." Therefore India's economic ties with Japan could not show any impressive sign of improvement. In fact, upto early past of the 1970s the value of bilateral trade between India and Japan could not increase as per expectations. As a matter of fact, Japan could not show its economic strength even upto late 1960s. With the emerging oil crisis and growing need to have better terms and gains of foreign trade, Japan started diversification of its trade.

During 1974 to 1979 the total value of trade between India and Japan increased by 27.7 percent while the world trade growth rate was 50.3 percent during the similar (same) period. Thus Indo-Japanese

trade growth was almost half, Japan outpaced the trade growth rate of the world as well as India. The growth rate of bilateral trade between India and Japan lagged behind the growth rate of the world, Japan and India.

The reasons for such an erratic trend were unstable political conditions in India. Mrs. Indira Gandhi, the then Prime Minister of India, declared national emergency due to internal disturbances in 1975. This unprecedented political development on the mature democratic soil of India, certainly created unstable political conditions which led to tremendous discontent among the people against Mrs. Gandhi. This sudden development in Indian policy cultivated even fear among the foreigners. Japan was no exception as while making extensive efforts to build up her trade surpluses she did not increase her bilateral trade with India as an element of high risk was involved on account of the uncertain economic conditions prevailing in India.

The Indo-Japan trade lost its share in the total trade of India as well as Japan. The relative share
of bilateral trade in India's total trade lowered down from 9.13 percent to 8.52 percent, while in Japan's total trade the share came down to 00.69 percent from 00.85 percent during the plan. Hence the overall trade performance between India and Japan remained far from satisfaction.

The India's import performance during the plan was just the confirmation of the cautious nature of Japanese exporters in their trading with India. They took no risk to export to India in an era of national emergency resulting in a fall of as much as 33 percent in imports from Japan, while India's total exports from the world fell only by 17 percent in the year 1975-76.

During the plan India's total imports increased by 26.2 percent while imports from Japan increased by 17.4 percent. In the later years of the plan imports from the world as well as from Japan stabilized and showed a steady growth. There was a fall in relative share of imports from Japan in India's total imports and Japan's total export, which came down from 8.29 to 7.7 percent and from .92 to .61 percent respectively.
TABLE -III (b)

TOTAL WORLD TRADE TOTAL TRADE OF INDIA AND JAPAN AND THEIR RELATIVE SHARES IN TOTAL TRADE OF THE WORLD

<table>
<thead>
<tr>
<th>Year</th>
<th>Total World Trade Value</th>
<th>India’s Total Trade</th>
<th>% of total world trade</th>
<th>Japan’s Total Trade Value</th>
<th>% of total world trade</th>
</tr>
</thead>
<tbody>
<tr>
<td>1975</td>
<td>18,49,100</td>
<td>10122</td>
<td>.56</td>
<td>1,32,211</td>
<td>7.15</td>
</tr>
<tr>
<td>1980</td>
<td>38,43,100</td>
<td>23159</td>
<td>.60</td>
<td>2,71,737</td>
<td>7.07</td>
</tr>
<tr>
<td>1985</td>
<td>36,90,400</td>
<td>27980</td>
<td>.76</td>
<td>3,07,662</td>
<td>8.33</td>
</tr>
<tr>
<td>1986</td>
<td>40,71,200</td>
<td>29512</td>
<td>.72</td>
<td>3,38,310</td>
<td>8.31</td>
</tr>
<tr>
<td>1987</td>
<td>47,69,600</td>
<td>33113</td>
<td>.69</td>
<td>3,82,258</td>
<td>7.98</td>
</tr>
</tbody>
</table>

The relative share of India's imports from Japan in Japan's total exports fell not only because of fall in imports from Japan but also because the growth rate of India's imports from Japan was much less than the growth rate of Japan's total exports. Luring the plan India's export performance, too, was not satisfactory. Though it recorded positive growth but in relative terms when compared to India's total exports the performance can not be considered as satisfactory.

As shown in the table III(b) except in the year 1975-76 the growth of India's exports to Japan was much lower than the growth rate of exports to the world. However, growth rate of total imports of Japan was also low enough hence the share of imports from India was maintained in Japan's total imports. But the growth rate of exports of India to the world was higher and India's exports to Japan lost their share in the total exports of India.

The oil crisis of 1973 seems to be the main cause of lower imports made by the Japanese economy,
TABLE

PERCENTAGE OF JAPAN IN INDIA'S TOTAL IMPORTS AND EXPORTS

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>1959-60</td>
<td>5.3</td>
<td>7.2</td>
</tr>
<tr>
<td>1960-61</td>
<td>5.2</td>
<td>7.9</td>
</tr>
<tr>
<td>1961-62</td>
<td>5.7</td>
<td>7.7</td>
</tr>
<tr>
<td>1962-63</td>
<td>5.1</td>
<td>4.7</td>
</tr>
<tr>
<td>1963-64</td>
<td>5.5</td>
<td>7.1</td>
</tr>
<tr>
<td>1964-65</td>
<td>5.6</td>
<td>7.6</td>
</tr>
<tr>
<td>1965-66</td>
<td>6.2</td>
<td>6.9</td>
</tr>
<tr>
<td>1966-67</td>
<td>5.6</td>
<td>8.5</td>
</tr>
<tr>
<td>1967-68</td>
<td>5.1</td>
<td>11.0</td>
</tr>
<tr>
<td>1968-69</td>
<td>6.6</td>
<td>11.5</td>
</tr>
<tr>
<td>1969-70</td>
<td>4.3</td>
<td>12.2</td>
</tr>
<tr>
<td>1970-71</td>
<td>4.6</td>
<td>13.6</td>
</tr>
<tr>
<td>1971-72</td>
<td>9.4</td>
<td>11.6</td>
</tr>
<tr>
<td>1972-73</td>
<td>9.2</td>
<td>11.1</td>
</tr>
<tr>
<td>1973-74</td>
<td>10.0</td>
<td>14.1</td>
</tr>
</tbody>
</table>

Source: Compiled and computed from various issues from 1960 to 1975 of direction of trade statistics: IMF Year Book.

* Note: From the year 1969-70 onwards data are compiled and computed from the Direction of trade. IMF & IBRD Year Book, 1975.
which has shown its vulnerability and was compelled to readjust its policies. Japan became highly cautious and started making extensive efforts to diversify its trade as much as possible, with special emphasis on the diversification of its sources of imports.

The table shows that with the exception of the first year of the plan i.e. 1974-75 India recorded favourable trade balance with Japan which during the year 1975-76 jumped by 35.3 percent over the previous year. During this period Indo-Japanese trade balance followed the same trend as in India's trade balance with the world. But the unfortunate part of the fact is that the trade surplus was the result of decrease in imports from Japan in place of increasing the exports to Japan.

In fact, the intensity of bilateral trade amongst the two nations depends mainly on the composition of trade as well as the stage of economic development of the two countries. The exports of developed countries
usually consist of manufactured and value added products while high concentration of non-manufactures in the exports of a developing country is considered to have arisen from the fact that in most cases it specialises in producing and exporting non-manufacturers to advanced countries, which is not beneficial for developing country. With added manufactured goods in exports, a country generally improves its terms of trade. Hence it is desirable to analyse the compositional shifts in Indo-Japan trade so as to see whether the India's terms of trade are improving.

Indian economy is expanding fast with high absorption capacity of imported technology and highly sophisticated machines. India, determined to achieve accelerated economic growth and higher exports, is inevitably bound to import high quality intermediate and capital products. Consequently, consumer goods relatively lost their share and were replaced by heavy industrial products. However, trade optimists think that export is practically an effective measure to counter the balance of
payments deficit in the short run caused by larger import bills. India is producing and supplying non-manufactured goods. As a result India's terms of trade in relation to certain countries, are constantly unfavourable.

India imports a large number of items from Japan, but only six major items are analysed. These items are:

1. Foodstuffs and raw material
2. Light industrial products,
3. Chemicals,
4. Iron and Steel,
5. General machinery and
6. Transport equipments

Luring the period from 1974 to 1977 India's imports of foodstuffs and raw materials could barely increase by 0.2 points, major import items were those of manufactured sector. However, there was a major compositional shift in imports from some of the heavy industrial products that is, chemicals and Iron and steel to light industrial
products. Chemicals and Iron and steel which together snatched a share of more than 60 percent came down to less than 40 percent of the total imports of India from Japan. While light industrial products increased their share in the total imports by five times.

The rise in oil prices in 1973 was reflected in the cost of Japan. The annual percentage change in wholesale prices average at 3.2 percent between 1965 and 1972 and increased up to 31.3 percent in 1974. This state of affairs forced Japan to readjust her economy and reallocation of the energy using industries such as iron and steel abroad in order to reduce the import requirements of fuels, particularly crude oil, of the economy. Further Japan also recognised the growing environmental threat because of chemical industries at Japan and hence reduced its production and exports of these items, and consequently these items of imports lost their share in India's total imports from Japan.

India's growing thrust to boost her exports and liberalise import policies for the import of
capital goods caused an increase in imports of general machinery from Japan by 6.4 percent. Somehow India's import of transport equipments had stagnated during the period with a meagre decline in its share in India's total imports.

In the light of the above mentioned facts and figures, it can be said that even in trade relations between the two countries India could not gain the corresponding place. "The growing significance of Japanese exports to Indian economy can well be judged by the increasing share of Japanese exports to India from 5.4 percent in 1960-61 to about 11 percent in 1976-77. India's exports to Japan, despite an average growth of 20 percent per year are only about 1.2 percent of Japan's imports. Evidently India does not enjoy corresponding status in Japanese trade scheme. While it will be ambitious to seek a corresponding share in view of the large turnover of Japanese trade, it can not be denied that, in the long run, India needs a more positive response from the Japanese market than hitherto. It is no concidence that in 1977-78 the
TABLE IV (a)

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Total World Imports (US $ million)</th>
<th>India's Total Imports</th>
<th>Japan's Total Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Value (%)</td>
<td>Value (% of the world trade)</td>
<td>Value (%)</td>
</tr>
<tr>
<td>1976</td>
<td>819400</td>
<td>5966</td>
<td>54,447</td>
</tr>
<tr>
<td>1980</td>
<td>1936800</td>
<td>14,598</td>
<td>1,41,284</td>
</tr>
<tr>
<td>1985</td>
<td>1692400</td>
<td>17,555</td>
<td>1,30,516</td>
</tr>
<tr>
<td>1986</td>
<td>2079600</td>
<td>18,830</td>
<td>1,27,660</td>
</tr>
<tr>
<td>1987</td>
<td>2128900</td>
<td>20,683</td>
<td>1,50,926</td>
</tr>
</tbody>
</table>

Source: Same as Table III (a)
trade turnover has been in favour of Japan. According to Japanese statistics their exports to India went up by more than 37 percent whereas Indian exports increased by only 3.9 percent.\textsuperscript{19}

With a look at the table IV(a) one may simply conclude that the export composition of India to Japan was that of a country playing a traditional role in the foreign trade. The table indicates a very high concentration on manufactures in India export structure, while shrimps, raw cotton and iron ore alone constitutes more than 60 percent of India's total exports to Japan.

The Japanese import market of Shrimps since the 1970s has been characterised with steady increase in demand which was around 178 thousand tons in 1977 while the domestic catches were around 54 thousand tons in the same year. Hence there were good export prospects of the and India particularly materialised it.

The nominal catches of shrimps between 1972 and 1981 recorded a slower growth than that in the world as a whole, which led to a decline in its share in the world catches from 13.1 percent to 10.4 percent. Hence India with higher efforts to increase its supply, could have exported even more quantity of shrimps.

Japan's structural shift in stabilizing production units of iron and steel in other countries in order to reduce the import bills of fuel led to the stagnation of export of iron ore to Japan. Alongwith this, raw cotton also lost its share in India's total exports to Japan during the 1974-1977 period. During this period, total industrial products improved their share in India's total exports to Japan. Though the export of the leather products was stagnant and that of textile recorded a decline but the export of iron and steel increased. It is heartening to note that non-metallic products consisting of precious and semi-precious stones, glass and glassware and worked stone which were absent from the export horizon of India, emerged as a vital export item and gained popularity in Japanese market.
In India, on the other hand there was tremendous pressure of the people, on the then Prime Minister Mrs. Indira Gandhi to hold elections and seek a fresh mandate. As it had already been mentioned above that India was running under the guise of national emergency since 1975. Out of tumultuous pressure from all the corners of the country Mrs. Indira Gandhi had to announce elections and all the opposition forces got united under the banner of Janta Party. In 1977 Janta Party came into power and Morarji Desai became the Prime Minister of India. It was a big change in the Indian politics because ever since independence for the first time a non-Congress Party had captured power and it was expected that there will be a change in the Indian foreign policy. It is not desirable to discuss the changes which took place in Indian attitude towards Japan or the world community because here we have to deal with Indo-Japanese relations till 1977. After going into the above facts
and circumstances we can safely assume that Indo-Japanese relations from 1945 to 1977 remained economic oriented rather than political one. Although relations between the two countries were normalised by the Peace Treaty in 1952 and bilateral trade started, the pace of progress in their relations remained slow in comparison to India's relations with other countries. This probably was due to the emergence of Japan as an ally of America in the post-war years which was a matter of great concern to a non-aligned country like India. India was bound to assume that Japan's role in the international relations can't be as independent and autonomous one because of the American political hegemony over her. Therefore, the Indian leadership realised that her political manoeuvres directed towards Japan were likely to be a failure in producing desirable results.

Thus India's relations with Japan could not have any political moorings because of their altogether separate and divergent paths in the
international politics. From 1945 to 1977 lot of global developments took place and both the countries found themselves at loggerheads. Thus Till 1977 from 1945 there was no clear evidence which could be cited as an example of their sincere desire to have politically mature toes. In this period Indo-Japanese relations remained mainly of economic or commercial nature and even progress in this was very slow and sluggish in comparison to other countries. But after 1977, due to tremendous changes in global politics and the emergence of 'detente' between the two super powers- the Soviet Union and the U.S.A., gave a new dimension to Indo-Japanese relations which is being discussed in the next chapter.