

International Relations between India and Japan (After 2013)

by

Ahuja Arushi

51116002

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CERTIFICATION

I Arushi Ahuja certify that this research is my own work and has not been submitted in any form for another degree or diploma at any university or other institute of tertiary education.

This Research contains my own ideas and information derived from the published and unpolished work of different authors which have been acknowledged in the text and list of references.

Arushi Ahuja

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LIST OF ABBREVIATIONS AND SYMBOLS

SDF	Self Defense Forces
NPT	Nuclear Pact Treaty
CTBT	Comprehensive Test Ban Treaty
EAS	East Asia Summit
UNCLOS	United Nations Convention On Law of Sea
LNG	Liquefied Natural Gas
FMCT	Fissile Material Cut off Treaty
HCOC	Hague Code of Conduct against Ballistic Missile Proliferation
MTCR	Missile Technology Control Regime
DR	Disaster Relief
HA	Human Assistance

QDI	Quadrilateral Defense Initiative
LAC	Line of Actual Control
OBOR	One belt One Road Initiative
KOMID	Korea Mining Development Trading and Corporation
MAHSR	Mumbai Ahmadabad High Speed Railway
SEPI	Special Economic Partnership Initiative
DMIC	Delhi Mumbai Industrial Corridor project
PQI	Partnership for Quality Infrastructure
JIIM	Japan India Institute for Manufacturing
JIIM	Japan Institute for Manufacturing
JEC	Japanese Endowed Courses
CBIC	Chennai Bangalore Industrial Corridor
JITS	Japan Industrial Township
NEXI	Nippon Export and Investment Insurance
JBIC	Japan Bank of International Cooperation

JOIN	Japan Overseas Infrastructure Investment Cooperation for Transport and Urban Development
IREL	Indian Rare Earth Limited
PPP	Public Private Partnership
TTC	Toyota Tsusho Corporation
SCC	Smart City Cooperation

CHAPTER-1-Introduction

India and Japan relations have been fostering since the 6th century. However a much elevation in the two nation's relations has been observed since 2013. This research analyses the India and Japan relations from 2013 till current. In order to understand the Indo- Japanese relations in detail it is vital to understand the two nation's role in Asian region as well as the important policies that has put a profound impact on Indo-Japanese relations. Therefore this chapter is divided into two parts. The first part provides a brief introduction to India and Japan's role both in political security and economic terms in the Asian region. The second part explains the background history related to India and Japan relations in political security field and economic field.

Research Objective

The objective of this research is to critically analyze the factors leading to fostering of India and Japan Relations in the Political Security field and Economic Field after the year 2013. That is with respect to factors that are China Rise and Prime Minister Strategy. The time period after 2013 is both intrinsic and implicit. For instance after 2013 the long awaited agreements have been agreed upon. These are the Nuclear Pact treaty in the political security sector and the Memorandum concerning the Smart City in economic sector came into being. Hence it is rudimentary to take up the appropriate time period into consideration for critically examining the above stated factors. As the Indo-Japanese relations have changed very briskly during this period.

Study Importance

Since the year 2000 the relationship between India and Japan are strengthening in terms of political security and economic relations. Japan is the third largest economy in the world and

India is been viewed as the fastest growing economy in the world. The importance of India and Japan relations are not only limited to the Asia Pacific region but to the world as a whole. The importance of the relationship between the two nations can be better assessed firstly by the Special Strategic Global Partnership which not only involves the economic development but also the political security. This is due to the rising power of China which has also lead to the Diamond Relationship between USA, Japan ,Australia and India .Secondly the importance of India and Japan can also been seen in the light of Comprehensive Economic Agreement which involves transferring of nuclear weapons , information and deduction of tariffs. Hence this topic will allow me to research the factors affecting the closer bilateral interests of India and Japan in terms of political security and economic interests.

Organization of Thesis

In order to elucidate the Indo-Japanese relations, this research is divided into five parts. The first part consists of introduction to Indo-Japanese relations which provides a background to the study. The Second chapter includes the Literature review, Critical analysis and Analytical framework. The Third chapter briefly analysis the Economic bilateral relations in terms of China Rise and Prime minister strategy between Indo-Japan with respect to the factors influencing it from the year 2013 till current. The Fourth chapter includes Political Security bilateral relations and Economic bilateral relations in terms of China Rise and Prime Minister Strategy between Indo-Japan with respect to the factors influencing it from 2013 onwards. Lastly the fifth chapter draws conclusion to the thesis. That will recapitulate the facts and findings of the research.

Research Methodology

The Case Study Method is used for carrying down the research under the secondary source of data by referring to various Journal Articles, Books, Conference Papers and Newspaper Articles (Yomunori Rekishiken, Times of India, Economic Time) from the Internet and databases like the JETRO, WTO and APU library to collect useful data which is efficient to carry out meaningful and efficient analysis and findings.

Understanding the Role of Japan and India in Asian Region

Japan stands as the third largest economy in the world. Right from the end of World War 2 to 1970s it was been viewed as an advance nation in terms of economic development. Such a development can be viewed namely in two diverse areas firstly in the automobile and electronic sector, and secondly as an international creditor. In fact Japan was epitomized as the first “Asian miracle economy”. This was primarily because of its exports that surmounted its attention in the world market especially the goods dealing in the automobile and electronic sector. However factors like bad loans in the year 1989 backed up the economy. In turn it led to poor performance further contributing to a decline in Japan’s economic development. Moreover Japanese companies also got affected by weak performance, which left the Japanese market as a stubborn labor market with an immense limited business activity, low demand and a very limited risk taking.

However despite facing such problems in the corporate front in year 2009 Toyota became the world’s largest car company. Further in the year 2011 Japanese companies like Honda, Toyota, Toshiba, Panasonic and 68 such companies are been marked under the largest companies in the world under the Global top 500 in ranking. In addition to this under the automobile sector Japanese companies are continuing to gain success like Toyota. Japanese

companies like Uniqlo, Softbank are achieving a lot of success. To augment the Japanese companies are also gaining importance in the area of clean energy, robotics and medical services, spacecraft etc. However in contrary to this today Japan is facing problems such as the affect of economic weak performance, aging population where companies like Sony and Panasonic were one of the leading electronic companies. Currently these companies are struggling in competing with companies like Samsung (Korea) and Apple (America), which are dominating the world market under the electronic sector. Not only in the electronic sector, but also Japan's relation with the world has been changing very briskly. That is by becoming one of the biggest international creditors in the recent times. In terms of official development assistance (ODA) it ranks in as the fifth largest contributor (Kuramochi T. , 2012). Japan has also extended its contribution in terms of ODA (Official Development Assistance) to institutions like ASEAN, UN Summit of Climatic Change etc. Japan's ODA can also be viewed in the light of economic and in political security field.

In economic terms Japan role can be viewed as the oldest and the second largest contributor of FDI becoming a second largest trade partner of ASEAN¹. It was in 1973 when the Japan and ASEAN friendship began (Kawai, 2013). In the year 2003 being an ASEAN member (The Association of South East Nations) Japan has funded 100\$million to the ASEAN countries for the integrating in the regional sector, and a 3 trillion yen in the Official Development Assistance (ODA) to the member countries of ASEAN. Further Japan is currently focusing on infrastructure, security and on the transportation sector for countries like Vietnam, Thailand and Chaos by declaring 6.8\$billion for three years (Corben, 2016). In the year 2013, it has also given support in the infrastructural field to Asian Development Bank Japan. Together with this in the year 2008, in UN Summit of Climatic Change Japan

¹ ASEAN comprises of 617 million people and is the third largest in Asia in terms of Gross Domestic Product (GDP). The very aim of ASEAN is to create peace in the Asian region.

had undertaken through Cool Earth Partnership to contribute 10 Billion US dollars. This assistance was provided for the climatic development in clean energy for five years between the year 2008 to 2012 (Kuramochi T. , 2012).

Japan is not only increasing its role in economic terms, but also in political security also. Its role has been viewed paramount to settle the disputes in the Asia Pacific region to maintain the stability. Moreover Japan's contribution in political security can be viewed in the light of countries like Cambodia, Jakarta, and Korean Peninsula region. For example in the year 1998 when Japan send its ASDF(Air Self Defense Forces) to Jakarta and also in the year 2001 where Japan sent 700 troops to East Timor in order to serve the peacekeeping operations in United Nations. (N.Masashi, 2003). Today Japan is the second largest holder accounting for 12.5% of the total budget among the Member states of United Nations. In the year 2007 Japan introduced a program of Peace Building Commission with the aim to eliminate the nuclear weapons, strengthening the Human Resource Development thus aiming in bringing about peace and security in the Asia Pacific region (Kawai, 2013).

India has been known for its rising power and one of the fastest developing countries in the world. India is the seventh largest economy and has replaced Japan as the third largest in purchasing power parity (PPP). Moreover India is the ninth largest fastest developing country. Due to such a proliferation it is perceived that till 2030 India will become the third largest economy. According to IMF the Gross Domestic Product of India in the year 2015 is 7.336% which makes it the ninth fastest growing economy of the world by a 1.25% Gross value Added growth in the Agriculture, allied industry 7.4% Gross Value Added growth and 8.92% of the Gross Value Added growth in the Service sector. The highest growth of about 10.3% is

seen in the Financial, real estate and professional services. In the year 2014 India was the 14th fastest growing economy in the world with a Gross Domestic Product Of 7.244%.²

It is believed that in 2018 that while other developed countries are struggling under 2% to 3% of growth in the market. India is accounting for 7.5% growth. It is an effective and long term growth conducive for an emerging market³. The growth was 8.0% and slowed down in 2016 with 7.1% and in 2017 with 6.7% due to demonetization and with the adoption of GST (Goods and Service Tax). A considerable growth from 5% to 11% since 2008 has led to a decline of 10% poverty.⁴

Although India is the fastest growing economy but it is backed by poverty. The most literate state is Kerela with 93.91% and the most illiterate state in India is Bihar with 63.82%⁵. But in comparison to 2001 which had literacy rate of 64.8% the literacy rate has increased from 73%. There has been an increase in 10.9% of female literacy at 64.6% as compared to 2001. The male literacy is 80.9% a 5.6% increase as compared to 2001 thus the literacy rate has shown improvement and the gap between the literacy rate of males and females belonging to urban and rural areas have declined which marks as a positive growth for the economy.⁶India is

² Projected GDP Ranking (2015-2020) taken from <http://statisticstimes.com/economy/projected-world-gdp-ranking.php>

³ India to Become Fastest Growing Large Economy In 2018, Says Report: Retrieved from <https://www.ndtv.com/business/india-to-become-fastest-growing-large-economy-in-2018-says-report-heres-how-1802771>

⁴ India's Economy, Its Challenges, Opportunities and Impact: Retrieved from: <https://www.thebalance.com/india-s-economy-3306348>

⁵ Literacy rate in India Retrieved from <http://www.indiaonlinepages.com/population/literacy-rate-in-india.html>

⁶ Mail Online India taken from <http://www.dailymail.co.uk/indiahome/indianews/article-2317341/Indias-literacy-rate-rises-73-cent-population-growth-dips.html>

increasing its influence globally to meet the international challenges globally importantly with respect to the rise of China's power in the Asian region is a concern for the nation.

India's contribution in the world can be viewed in economic terms and political security. In the economic front, India is the 18th largest in terms of the export of products like gold, petroleum gas, cars, rice, crude oil petroleum, diamonds to its major destinations which include China, USA, United Arab Emirates, Saudi Arabia, United Kingdom etc. Currently in the year 2015 Indian exports have seen growth of 20.2% (Raghavan, 2015). India is the 50th most complex economy in terms of imports and exports as viewed by the Economic Complexity Index (ECI). India imports 65% of the oil needs and that makes it the world's 6th largest consumer of energy and 11th largest producer of energy. Such a growing need of energy is increasing its relations with United States to increase its suppliers of energy 4% annually (Curtis, 2007)

In the political security front India shares close relations with South Africa and France. India is also a part of the trilateral joint naval exercises that is shared between India, South Africa (Cape of Good Hope) and Brazil. India also shares a Defense Cooperation Agreement from 2006 with Mozambique for joint maritime patrolling, training and technology transfer and supply of military equipment etc. In addition to this India provides training to the Mauritius and Seychelles security forces. Also a regular population is provided in Exclusive Economic Zones and Mauritius waters with subject to anti piracy (Seth, 2015).

Background of Indo-Japanese Relations

The international relations between India and Japan evolved in the 6th century, wherein Buddhism served as the common culture shared between the two countries. After the World War II in the year 1949, an Indian elephant was donated by the Indian Prime Minister Jawaharlal Nehru to the Ueno Zoo in Tokyo who had still not recovered from the defeat in war. In the midst of this in the Post World War-II India's iron ore also helped Japan to recover from the devastation. In the year 1952 on 28th April a peace treaty was signed between India and Japan. This treaty held immense importance as it was one of the first peace treaties to be signed between both the countries. Ever since then the relationship between the two countries started to strengthen in economic terms.

The cooperation in terms of security between India and Japan is an extended version of SDF. In the year 1958 Japan started providing loans to India as the first financial aid provided by Japan to India. Since the year 1986 Japan has become India's largest contributor in terms of financial aid. In the year 1991 the SDF began to operate by further being a part in thirty peace keeping and a number of bilateral exercises. It is through the "Look East Policy" when the Indian Prime Minister Narasimha Rao began to loosen the restrictions, that started leading to a change in India and Japan relations. After the Cold War the Indo-Japanese relations began to improve. However as the Indo-Japanese relations began to reach its peak, the deadlock between Indo-Japanese relations was observed in 1998. When India conducted a nuclear test due to which Japan withdrew the ODA (Official Development Assistance). An effect of which was in the light of the opportunity lost to foster the bilateral relationship between India and Japan.

Later in the year 2000, when Japanese Prime Minister Yoshiro Mori visited India, they decided to strengthen the relationship between India and Japan through "Global Partnership".

Since April 2000 Japan's share is 7.46% in terms of Foreign Direct Investment (Singh D. P., 2010). In the year 2006, when the Indian Prime Minister Manmohan Singh visited Japan he further raised this Global Partnership. In the year 2011, the Comprehensive Economic Agreement was signed between the Japan and India which included the eradication of 94% of the tariffs for 10 years. This makes it easier to get into trade especially where Indian market serves as the most competitive market.⁷ In 2012 concerns regarding China's dominance began. In this regard when the Indian Prime Minister Manmonhan Singh visited Japan concerns were raised regarding the same. Both India and Japan has border issues with China with respect to Ladakh and Senkaku Islands respectively. Although China shared 330\$billion trade with Japan but since 2010 commodities like rare earth minerals have been restricted since then by China towards Japan⁸. In this context Manmohan Singh highlighted the term "natural partner" and Abe on the other hand emphasized on "Confluence of two Seas".

In the year 2014, when the Indian Prime Minister made an official visit to Japan and this Global Partnership was further upgraded and deepened to Special Strategic Global Partnership. Japan is the largest donor in terms of ODA to India. Such a contribution in the ODA which stands for the year 2014 at 219.3 billion yen is leading to improvement in infrastructure which involves a 2.3 billion grant to build a transportation system from Delhi to Mumbai (Sahoo, 2013). Japan has also contributed \$8 billion for building bullet train that will connect from Mumbai to Ahmadabad with 505km railway line. In 2015 when Modi administration came into being, the Indian Prime Minister Narendra Modi visited to Japan. The Indo –Japanese began to rise to new levels. The Japanese Prime Minister Shinzo Abe agreed to double the investment in private and public sector for about 3.5trillion yen for

⁷ India and Japan Relations taken from <http://www.mofa.go.jp/region/asia-paci/india/data.html>

⁸ Japan-India Security Cooperation: Retrieved from: <https://thediplomat.com/2013/07/japan-india-security-cooperation/>

infrastructural and energy purposes⁹. In the political security sector Abe and Modi also raised talks regarding signing of nuclear proliferation treaty.

In the year 2015 Abe made an official visit to India and further strengthen this special global partnership. It was both in terms of political security and economic stability, in the light of bringing about peace in the Asian region through Japan and India relations. Upon his visit, Abe renamed the Quad relationship into Diamond Relationship in the light of rise in China power in the Asian region which includes Australia, India, Japan and United States. The Rise of China power is a concern for India as a rise of mistrust between India and China related to Tibet and border issues over which a war was fought in the year 1962 which has led to weakening of relation between India and China (Singh D. P., 2010). China is also been viewed as a threat by Japan due to their maritime issue. The growth of China's economy is at a faster rate than the economy of United States thus the China factor remains as a concern for India, Japan and United Nations because a rise in its power means a rise in its purchasing power.

Further in 2016 much of the focus was on China Rise and in order to bring this on one common platform India and Japan named it as Indo-Pacific Strategy. Further the year 2017 marked as friendly exchanges between the two nations. It was a close association between the Embassy and Consulate General in the light of promoting the third International Yoga day held on 18th June 2017. This was an effect of the Memorandum of Understanding signed in 2015 between the Yoga organization and Quality Council of India. In relation to Shinkansen the bullet train deal was finalized by Japan with India of 316 mile involving companies like Hitachi Limited, East Japan Railway Corporation and Kawasaki Heavy Industries Limited.

⁹ Japan and India vow to boost defense ties during summit: Retrieved from: <https://in.reuters.com/article/japan-india-investment-modi/japan-and-india-vow-to-boost-defence-ties-during-summit-idINKBN0GW15520140901>

On 30th March 2018 when the Foreign Minister of India and Japan under the Indo-Pacific Dialogue further 100 billion yen loan has been extended for the Mumbai subway system and infrastructure, 49 billion yen loan for installing plants in Himachal Pradesh and bringing about technology for controlling traffic congestion in Chennai. To sum up till date Japan has extended a total of 384.1 billion yen loan towards India¹⁰. This has set a new record for India ever to be the only country to which the largest loan has been ever stretched by Japan.

Chapter-2-Literature Review

This Chapter examines the past literature in the light of factors that have influenced the Indo-Japanese relations. The past literature will also help in finding out the key areas under which the Indo-Japanese relations have flourished. Thereby it will help in constructing a fruitful research question and hypothesis under the case study method to carry out the research.

This chapter is divided into two sub parts. The first sub part includes the factors and critical analyses at economic front driving the Indo-Japanese relations. The second sub part includes the factors and critical analyses at political security front driving the Indo- Japanese relations.

¹⁰ Japan pledges ¥100 billion in loans for Mumbai subway

Retrieved from: <https://www.japantimes.co.jp/news/2018/03/30/national/politics-diplomacy/japan-pledges-%C2%A5100-billion-loans-mumbai-subway/#.Wr6up4hubIU>

(2.2) Factors driving the Bilateral Political Security interests between India and Japan

(Borah, 2012) View Indo- Japanese relations can be viewed in the light of ‘Maritime Cooperation’. Japan and India have border issues with China. In relation to this in the year 2011 the Prime Minister of India Narendra Modi visited Japan to jointly work on the production of industrial activities by exporting the rare earth minerals to Japan. In the year 2007 “Quadrilateral Initiative” was formed between India, Australia, United States and Japan to stabilize the power of China. Many of the firms from America have entered the Indian market of defense like C-130 aircraft, Harpoon missiles are some of the equipments for defense have been bought by India. The navies of India and Japan and United States navies are working closely as a result of which Washington held the first meeting of trilateral dialogue in the year 2011. However some of the problems that are not letting the two countries to work more closely are Export Arms Law of Japan preventing India and Japan to work more closely in the political security field.

However according to the author since India is the world’s largest importer of defense equipments hence Japan can benefit from it. Signing of the cooperation in Maritime area in the field of piracy, anti-terrorism will lead to a fast track mode of maritime ties shared between India and Japan. Much more cooperation like the US-2 aircraft called the Shimaywa US-2 has a short take off landing (STOL) from either land or water which has a range of 4,700km and can be put into use for areas like disaster management, rescue operations etc. Thus much more initiatives like these should be taken for stronger maritime ties between India and Japan.

(Joshi, 2013) claims that, Indo- Japanese relations can be understood by putting focus on the role of the international actors. These are USA and China that are influencing the Indo-Japan

relations in the field of economic and political security. According to him Japan looks towards USA for increasing its political security a result of China's rising power with respect to its increasing influence in South East Asian countries and dispute over Senkaku islands. For India China's increasing role in transport and infrastructure along the border issues marks China as a threat. For example the expansion of Beijing Lhasa Railway line has been planned by Tibet and China, it is conducting of regular maritime exercises and the closer relations of China and Pakistan are some of the reasons why India perceives China as threat.

China's agreement with Pakistan over the disputed portion of land in Kashmir is an indicator towards China's close relationship between India and Pakistan. When Japan identified the increase of role of India in US strategies it was then when India came into focus and with an effect to this in the year 2006 the Strategic Global Partnership was signed between India and Japan. In the year 2007 the first ever trilateral naval exercises were held between India, Japan and USA. Furthermore in the year 2008 when the Indian Prime Minister visited Japan this Strategic Global Partnership moved to the next level of cooperation in political security. This was named as Advancement of the Strategic and Global Partnership between India and Japan up till then Australia was the only country with which Japan had tied a similar kind of partnership which Abe named as "Diamond Relationship"

According to the author the China factor has also been seen in the economic relations between India and Japan. Firstly in the year 2005 in the Joint Study Group (JSG), it was decided to bring in close relationship between India and Japan. This was through Comprehensive Economic Partnership Agreement (CEPA) an agreement introduced in the year 2011. The Comprehensive Economic Partnership Agreement included 90% of the tariff cut down on imports of Japan and 97% tariff cut down on Indian imports for the period of 10 years. The tariffs were cut down on products like agricultural products, drugs and machinery.

The need for rare minerals and earth minerals was realized by Japan for production of high technological industries. Such a need was realized when in the year 2010 due to Senkaku island dispute China suspended these minerals trade from China.

Thus in 2012 Japan tied an agreement with India to import these minerals. Secondly since 2003 Japan is the largest donor in terms of ODA to India replacing China. The ODA from Japan has increased by 42% in 2010. Japan is also involved in projects like DMIC (Delhi Mumbai Industrial Corridor) under Special Economic Partnership Initiative by contributing a finance for about 92US\$billion which is expected to rise further to US\$45billion for 5years. Thirdly the China factor is also strengthening India and Japan relations in terms of the FDI (Foreign Direct Investment). The Japan Bank for International Cooperation (JBIC) has declared India the second most encouraging and attractive destination replacing China after 10 years.

However (Basu, 2014) argues that Japan's strategies towards India is firstly because Japan views India in political security front as a 'net security provider' for stabilizing China's rising power and secondly Japan perceived a decreasing role of USA in its political security Both Japan and India has border issues with China and view it as threat power . India has connections with Far Eastern Naval Command and the Eastern Naval Command. There by acting as a vital source for nuclear power. India's goal by 2020 is to achieve 20GW of the capacity in nuclear terms and to create 8 more nuclear reactors which cost for US\$86.1billion. Therefore India looks ahead to Japan to transfer the technology for such a purpose. Shinmaywa Industries, 15US-2 aircrafts are some of the examples of the initiatives taken by Japan and India in the political security sector. According to the author China and USA relationship has made the strategic relationship complicated as China is the vital creditor to USA. In 2013 when Abe visited USA the US authorities provided statement that "United

States is disappointed that Japan's leadership has taken an action that will exacerbate tensions with Japan's neighbors". Thus Japan views a decreasing role of USA which is leading to a shift of focus of Japan towards India.

In other words it can be critically analyzed that, scholars like (Borah, 2012) and Joshi highlights India and Japan relationship in terms of political security factors or international actors with reference to China and USA. There by leading to strengthening of Indo- Japan relationship. Where on one side (Borah, 2012)views India and Japan relations as a "Maritime Coordination" in terms of rise of China's power .On the other side (Joshi, 2013) views the Global Strategic partnership leading to next level of cooperation in political security in the light of Democratic Security Diamond Relationship and Comprehensive Economic Partnership Agreement(CEPA). But Indo-Japan relations cannot be driven alone by China factor the rise of China factor and the contribution of USA although cannot be ignored but stating this as the only factor is not sufficient. It not only marks the USA and China as factors but also it highlights them as superpowers the two nations relationship can be influenced by USA and China to some extent but cannot fully justify the strength of Indo-Japan relations. Indo-Japan relations are from 6th century when neither China nor USA had any involvement.

(2.1)Factors driving the Bilateral Economic interests between India and Japan

(Kondo, 2012) Perceives Indo-Japanese relations in economic terms under Comprehensive Economic Partnership Agreement 2011.This agreement is elucidated in the light of Trade and Investment terms by highlighting the factors identified by Japanese firms in Indian competitive market. In the year 2011 under the CEPA a trade of 10 billion took place with an increase in exports from Japan to India in products like automobile parts, machinery etc. He highlights on Mergers and Acquisitions and small and medium sized enterprises (SMEs) as the increasing investment by the Japanese Firms in Indian market. The Investments have been

taking place in the Investment sector an example in reference to Mergers and Acquisition is NTT DOCOMO which in 2008 invested a capital of amount 264.9 yen billion in Tata Teleservices and today holds top position in GSM internet users.

In relation to the Small and Medium sized enterprises (SMEs) the investment is divided in two sectors. One is the automobile sector comprising of companies like Honda, Suzuki and Toyota and the other is the agricultural sector which handles products such as wheat, rice and corn helping in selecting, processing, polishing and coloring of the grains. Although the existing firms are facing problems regarding investment in Indian market because of lack of proper infrastructure, lack of availability of labor and to the firms who wish to invest are facing problems regarding attainment of land. However the Japanese government is helping these firms by spreading its role in the private sector by setting up parks like Neemrana in Rajasthan an agreement with Japan External Trade Organization (JETRO) And METI. But the Sojitz Motherson Industrial Park forms as a unique case formed in 115 hectare land inviting many Japanese companies to invest in the beginning 5 billion yen by the year 2013. Thus India and Japan relationship in terms of investment are likely to increase in future strengthening the economic relations between the two nations.

However (Saxena, 2013) argues that Indo - Japanese trade relations and the impact of global partnership on the trade relations has led to strengthening of bilateral relationship between them. He has divided his study into two parts "Post and Pre Agreement Era". In the post agreement era the author has viewed the trade relations as "moderate degree" with correlation in between the imports and exports of India and Japan as 0.516 and in the post agreement era at 0.915 naming it as a "high degree correlation". However after the Global Partnership Agreement the imports of India from Japan have risen up sharply than the exports. The author marks the Look East Policy as the beginning of trade relations between India and Japan and

after that the economic relations began between the two nations which he called as “bedrock” of the relationship. Soon after that the relationship between the two nations although stained because of the nuclear test carried by India but in the year 2000 due to Strategic Global Partnership it lead to strengthening of economic ties. In his opinion both the nations are competing tough despite the increase in trade relations there is a fall in the market share. The very intensity of trade relations began to deteriorating much before the nuclear test was carried down. This is because both the nations gave preference to trade with the rest of the world rather than trading with each other. The author also views the shift of relationship between the two countries in terms of Comprehensive Economic Partnership Agreement and foresees that it will lead to strengthening of India and Japan relations. Further the common goals and will land up creating a situation which he names it as a “win to win” situation.

In addition to this (Jain, 2010) argues that Indo-Japan relations can be better defined as geostrategic relations. The author not only brings the Strategic Global Partnership into focus but also the “goodwill factor” that is driving the Indo-Japanese relations from economic to political security relations. He has defined India and Japan Relationship in First trough, Second peak, is the Second trough and Contemporary Peak. In the First Trough that is between the year 1960 and 1980 he has defined India and Japan relationship in terms of ‘mutual ignorance’ where both India and Japan saw no importance in mutually forming a bilateral relationship. During this period India did not felt the importance of Japan and Japan viewed India as a country having scarce resources and violent. India was also viewed as a country not sharing a healthy relationship with its neighboring countries. Between 1991-1996 authors refers to as the “First Peak” Prime Minister Narismha Rao of India under the Rajiv Gandhi conduct agreed upon forming economical and political relationship between India and Japan.

In the Second Trough, that is in the year 1998 the relationship between the two nations got severely affected when India performed its nuclear conduct which the author calls it as the “Second Peak” the authors views it as the ‘deepest rupture’ of India and Japan relationship. In the year 2000s with a rise in power of China the United States started forming closer relationship with India which forced Japan to view India as a balancing power. Thus in the year 2005 Prime Minister Shinzo Abe visited India for deepening the relationship and involving India in grouping like APEC (Asia Pacific Economic Cooperation), NSG (Nuclear Supplier Group), IJJS (India Japan Joint Study Group). That is by stretching its ODA from US\$4billion in the year 2002 to US\$13 billion in 2008. The author names this as the “Contemporary Peak” of India and Japan relations.

In the “Past Perfect Age” the author highlights the importance of India for Hatoyama’s silent visit to India to deepen the Strategic Global Partnership in political and economic terms to stabilize the power of China. Thus the author also perceives ‘goodwill’ being an additional factor for India and Japan relationship. The goodwill factor can be well understood from the survey conducted in the year 2009. In India 92% people view Japan as a reliable partner and 76% people in Japan viewed India and Japan relationship as ‘very friendly or friendly’ relationship. Thus Japan views India’s potential not only in economic or political but also as a geo strategic partner.

(Basu, 2014) on the other hand argues that it’s the India’s Look East Policy which consisted of common interests and shared values have lead to Indo- Japanese strategic relations. Further these relations have been deep rooted by the Strategic Global Partnership in 2014. Another reason is that Japan imports on crude oil rely on mostly Middle East countries like Saudi Arabia which is largest source and contributes 33% of the crude oil imports. According to the author some of the scholars argue that India is looking towards Japan more on the economic

front by keeping the rise of China as a secondary issue. That is because Japan is the largest donor in terms of ODA where 33.5US\$ billion is provided by Japan and increasing the FDI by increasing the number of firms by two times. In 2013 Japan provided an ODA for 3909.649 billion yen. All these investments are made in the area of transport sector, clean energy, infrastructure, smart cities etc. According to the author low trade bilateral relations, the success of Korean Companies more than Japanese companies in India. That is in relation to the market expansion are some of the issues that need to be addressed. In addition to this new fields must be viewed to strengthen the bilateral relationship of India and Japan.

In other words it can be critically analyzed that, according to the past literature review some scholars discuss about the factors affecting the economic interests between Indo- Japanese relations. Scholars like (Saxena, 2013) discuss about India and Japan relations by highlighting Strategic Global Partnership Agreement in the light of trade relations shifting from “moderate relations” in the pre agreement era to “high degree correlation” in the post era agreement in the light of Comprehensive Economic Partnership Agreement involving the Trade Relationship of India and Japan relation after 2000 and foresees that if India and Japan relations continues in the same pace then it will lead to further strengthening of relations between the two nations which he calls it as a “win to win situation”. (Kondo, 2012) views the Indo-Japanese relations with respect to investment done by the Japanese firms in India thereby focusing on the economic factors affecting the India and Japan relationship. However Indo-Japanese relations cannot be alone defined alone in terms of these aspects only. Indo-Japanese relations carries a long history so a lot many other factors need to brought under focus which has led down this very path of the stronger ties between these two nations.

Scholar like (Jain, 2010) has stressed more attention on economic factors and only touched upon a limited aspect of political security factor in terms of rise of China contributing to

strengthening of Indo-Japanese relations. (Jain, 2010) Views the economic and political security relations in the light of Strategic global partnership right from the Contemporary Peak in 2000s and views that it is the goodwill factor that is driving India and Japan relationship. He has termed India and Japan relationship as a “geo strategic partnership”. But it is important to also highlight the factors that have contributed to this global partnership and discuss in detail as goodwill alone cannot stand as the only factor for the strengthening of relations from the year 2000. Goodwill factor also exists between USA and Japan but the question arises why India and Japan are looking towards a strategic partnership? The author touches upon only the economic aspect but the two nation flow of relations cannot be viewed from economic aspect only. The economic aspect alone is not enough to build the goodwill factor.

On the other hand (Basu, 2014) views Indo-Japan economic and political security relations in the light of Look East policy that comprises of common and shared interests. However the Look East policy is India’s initiative towards South Eastern countries not Japan specifically. Therefore it can be marked as the beginning of Indo-Japan relations but not the factor that has been driving relations since many years. In the year 1998 Japan and India relations ruined so Look East Policy cannot be viewed as an angle diverting the relation between the two nations to the current strategic relations. One of the biggest economic factor that he highlights is ODA (Official Development Assistance). Japan is one of the biggest donors to India in terms of ODA. But I believe that these factors show a high dependency of India over Japan instead of showing as a bilateral relationship.

To encapsulate no single factor like the China’s dominance in political security interests or the trade and investment factor serving economic interests alone can drive the Indo-Japanese relations. Therefore it is vital and rudimentary that both factors relating to political security

and economic interests are taken into consideration. That will help to examine the Indo-Japanese relations in detail. The sanctity of the past research lies because of two reasons. Firstly the past literature will help to examine the factors in order to make a depth study. Secondly this study will also help to provide relation between these factors. For instance at International level, it is China rise and at Individual level, it is Prime Minister Strategy that is an affecting factor in both the political and economic interests between the two nations. Therefore this study will be carried from the year 2013 and will demonstrate the change of Indo-Japanese relations. This study will also provide the shortcoming of the past literatures, by determining the important policies and their amendments that are shaping the Indo-Japan relationship.

(2.3) Research Question

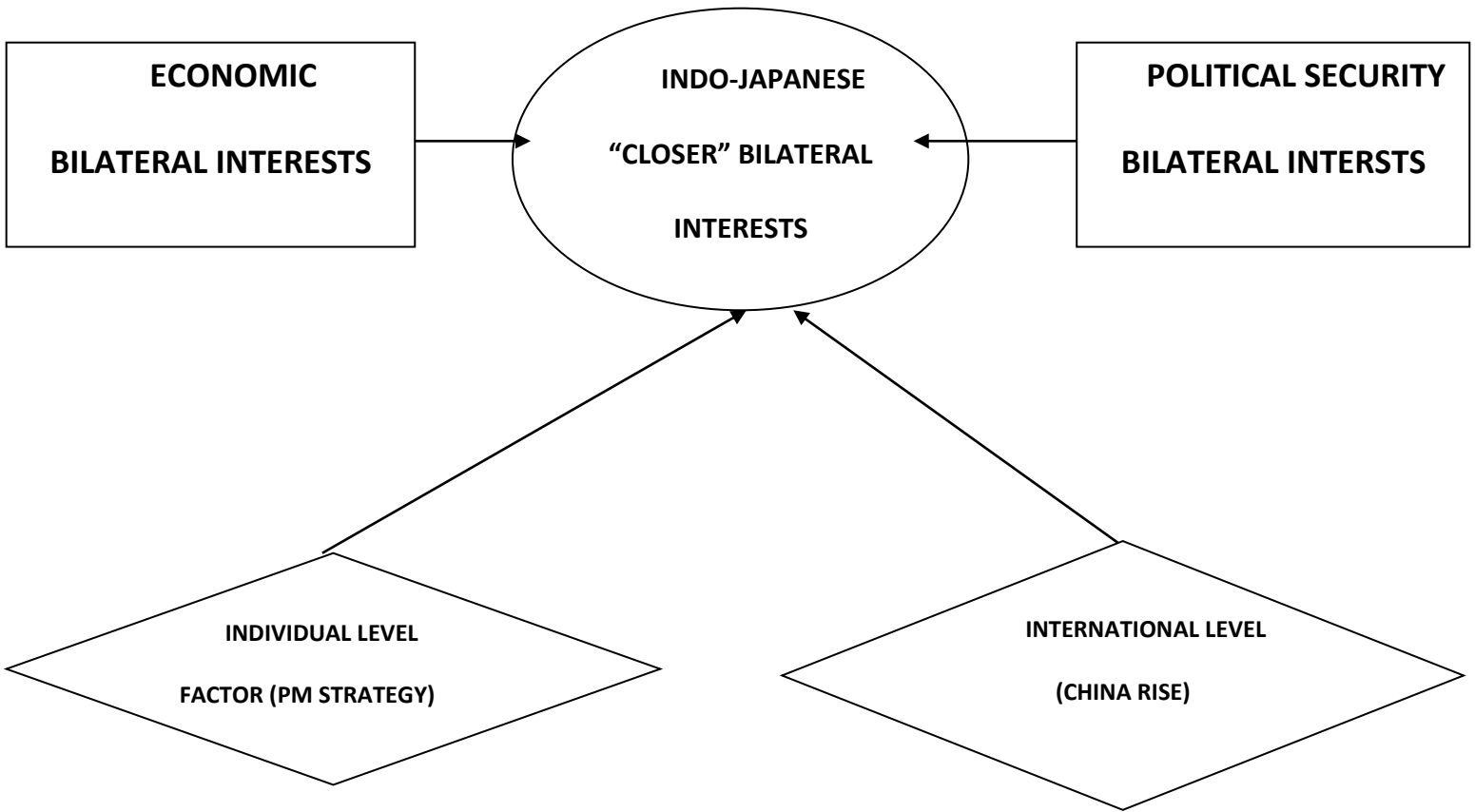
In order to address the Indo-Japanese bilateral interests, it is paramount to divide and study in two key dimensions. That is the political security interests and economic interests between both the nations. Thereafter it also vital to place them under the common factors influencing closer ties between the nations, so as to study the cause and effect on Indo-Japanese relationship. In this respect below is the research question addressed.

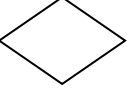
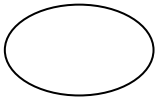
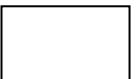
How are the Indo-Japanese policies influencing the proliferation of closer Indo-Japan bilateral interests in the light of political security and economic interest?

Hypothesis

- 1) Is the Rise of China responsible for bilateral interests between Indo-Japan in the economic and political security front
- 2) Is the Prime Minister's strategy responsible for bilateral interests between Indo-Japan in the economic and political security front

(Figure-1)Analytical Framework



-  - Independent variables
-  - Main object
-  - Dependent variables

(2.5) Analytical Framework Explanation

The above analytical framework broadly divides the bilateral interests of India and Japan in two diverse areas that are economic interests and political security interests. The common factors for analyzing the same are China Rise at International level and Prime Minister Strategy at Individual level. The time period taken into consideration is after 2013. Firstly it is the China rise as a result of which Indo-Japanese relations became more intense. In the economic front China's dominance in Asia Pacific region, together with greater dependence of India and Japan on China is posing threat. In order to counter balance the Chinese power India and Japan are moving towards each other. Policies like the rare earth minerals and shinkansen came into being in this respect. At political security front, Japan and India have border issues with China in terms of Senkaku islands and Ladakh respectively. The sovereignty claimed by China in these two areas has posed a threat for India and Japan. Not only India and Japan, but also in the year 2004 Washington signed a co-operation relating to defense system with New Delhi and also uplifted Japan to look towards India and Australia. (A.Sahu, 2016).

In this respect major policies like Nuclear Proliferation Treaty between Abe and Modi in the year 2016 which is soon after India agreed upon the conditions kept by Japan of not conducting the nuclear tests anymore. Under this agreement Japan has an active role in transferring technology to India allowing the Westinghouse and GE that is owned by Toshiba a Japanese company to set up the nuclear power plant in the southernmost part of India in Andhra Pradesh an agreement involving the Indian company Nuclear Power Cooperation of India Ltd (NPCIL). Thus boosting the strategic economic and political security relations between both the nations.

Secondly it's the individual level factors that are contributing towards Indo- Japan relations which involve Abe and Modi's leadership strategy. In the political security front it is the rise of Indo-Pacific Strategy in response to Abe's Proactive Contribution to Peace and Modi's Act East Policy (earlier know as Look East Policy) which is boosting the Indo-Japan relationship . Policies like Transfer of Defense Equipment and Technology came into being. Further in the economic front in case of Japan it is Abe's 3 arrow strategy (Partnership for Quality Infrastructure) where the third arrow points towards the growth. In case of India it is Modi's Make in India movement.

For instance the Indo Japan relations gained momentum through Comprehensive Economic Partnership Agreement between India and Japan in January 2010 which led to its acceptance in East Asia Summit. (T.Horimoto). The two leaders Abe and Modi share warm relations with each other especially these relations have been pushing forward more when Narendra Modi became the Prime minister of India and received a warm welcome from Abe. Thereafter Modi was invited an informal dinner followed by visiting the cultural temple in Kyoto in the year 2015. It shows their continuous interest in carrying forward in the Indo Japan relations. Modi's continuous interest in Make in India project and Abe's goal to make Japan a normal country with regard to military followed by their shared interest to bring about peace in the Asia Pacific region are fostering their leadership. In this sense their leadership strategy today is serving in up liftmen of the Indo-Japanese relationship.

CHAPTER-3-Indo Japan Relations Shared on Political Security

Grounds

This chapter explains the Indo-Japanese relations in political security field. The political security field is analysed mainly in two fields that is China's Rise and Prime Minister Strategy. In order to understand that which factor in terms of China's Rise or Prime Minister's Strategy respectively is driving the Indo-Japanese relations, it is vital to understand the two factors in detail in light of important policies.

Therefore this chapter is divided into four parts. The first part will elucidate the development of Indo-Japanese relations in political and security relations after 2013 in general. The second part will elucidate the factors responsible and the profound implications on Indo-Japanese relations in terms of China rise. The third part will explain the factors responsible and the profound implications on Indo-Japanese relations in terms of Prime Minister's Strategy. The fourth part recapitulates this chapter on the basis of the above analysis and findings.

(3.1)Introduction

Japan and India relations have been growing dramatically right from the 21st century with both the countries actively participating in Central Asia, East Asia , South Asia And South East Asia in September 2001 (Badrulalam, 2013) in cooperating and joining hands for anti terrorism and bring about stability in the Asia Pacific region. One such highlight can be viewed when India provided the facilities of docking and refueling to Japan's ships and fighter jets and similarly when Japan send its Self Defense Forces (SDF) to the Indian ocean. Yet another shift can be viewed in the year 2006 in the form of Global Strategic Partnership (Chellaney B. , 2013). For Japan India marks as an important role player in South East Asia

and centre to its political security and economic strategies whereas India views Japan as the first non western society to emerge as a world power. The importance of India and Japan relations can be viewed with respect to two regions East Asia and Pacific Ocean.

A drastic shift in the area of political security can be viewed in the year ranging from 2013 to 2016. It can be observed in terms of rise of China and Prime Minister Strategy, which became important aspects for Japan and India to cooperate more intensely than before. It also led to the formation of several policies under the political security agenda that Japan and India Vision 2025 Special Strategic. Yet another agenda is Global Partnership Working for Peace and Prosperity under the Indo-Pacific region. There are numerous policies that have been formed under this agenda which are namely the Security Measures for Classified Military Information (2016), Transfer of Defense Equipment and Technology (2016), Trilateral Dialogue (2007), Nuclear Pact Treaty (2016). In 2014 India's Act East Policy and Japan's Proactive Active Contribution to Peace was concluded under the flag of "Free and Open Indo Pacific Strategy". This was further elevated the relationship between the two nations in terms of political security.

The first dimension is in relation to China Rise. In this aspect the two policies under Modi and Abe administration are the Trilateral Dialogue (later reshaped into Quadrilateral Dialogue) and Transfer of Defense Equipment and Technology. Since Japan and India both face issues in the Indian Ocean in reference to the growing dominance of China hence it becomes paramount to view this dimension in detail. Under the Trilateral Dialogue that is the Japan USA and India hold strategic triple alliance to counter balance the China's growing assertiveness in the region. Both India and Japan face border issues regarding China and the Indian Ocean. Thus under the Indo Pacific Strategy this alliance holds special importance which was later reshaped in Quad dialogue involving Australia. Yet another policy that came

into being in response to China's massive increase in military strength is the Nuclear Proliferation Treaty (NPT) along with the Comprehensive Test Ban Treaty (CTBT) in the year 2016. The Nuclear Proliferation Treaty came into force in 2016 aiming to produce nuclear reactors. It is by transfer of technology by Japan through Japanese companies namely Toshiba and exporting to India. However since Toshiba became bankrupt so from 2017 it will be financed by US Exim Bank agreeing to supply technology for six nuclear reactors which will commence from 2018

The second dimension is in relation to Prime Minister Strategy and in this aspect the two policies under Modi and Abe administration are the Security Measures for Classified Military Information and Transfer of Defense Equipment and Technology. These policies have been formed under the relative strategy of Abe's Proactive Contribution to Peace for Japan and Modi's Act East Policy for India. The Transfer of Defense Equipment and Technology aiming to solidify the political security relations between India and Japan came into commencement in 2015 for the term of 5 years involving the joint cost shared by both the nations in the production and development of defense equipment and technology. Currently the key role of this agreement involves the key role of Japan in exporting of US-2 amphibious aircraft to India that is produced by the Shinmaywa Industries of Japan. Yet another policy is the Security Measures for Protection of Classified Military Information under the Maritime Defense Dialogue came into force in the year 2015 to keep the military information secured among the government agencies of both the nations. The classification of such information should be as under Top secret, Secret, Confidential, and Restricted that is subjected under the national laws and rules and regulations.

(3.2)Development of Indo-Japan Relations

(3.2.1)Development of Indo-Japan relations in the political field

It was in 2013, that the Indian Foreign Minister Salman Khurshid showed interest and suggested that India and Japan should further deepen its ties by signing the Non Proliferation Treaty (NPT). Further in the month of May the Prime Minister of India Manmohan Singh was invited by Abe at an unofficial dinner to discuss about the security relationship. Since Japan has issue of Senkaku Island towards China and that of India with respect to Indian Ocean from China (Charles, 2011). Hence the China Rise served as a common umbrella to carry forward the discussion. Not only the defense budget was set but Japan agreed upon extending 71 billion loan for the Mumbai, but also export regarding the development of US-2 aircraft was also discussed.¹¹ Later under the Trilateral Dialogue that is shared between India, Japan and USA concerns were raised. These were the issues faced by countries like China and Pakistan in relation to the nuclear strength and disputes in the Indo-Pacific region. It was realized under this dialogue that all the three nations shared the same interests and that efforts must be made to bring out peace and resolve the disputes.

In late August 2014, another turn was seen in Indo-Japan relationship, when Indian Prime Minister Narendra Modi visited Japan. He prioritized the growth of Indian economy which dropped by 4%. On the visit of Indian Prime Minister Abe named this Indo- Japan strategic relationship as special strategic relations¹². The summit meeting focused on increasing the bilateral relationship on economic terms and political security also. Talks were raised to

¹¹ Signing of Japanese ODA Loan Agreement with India —India's First Fully Underground Metro Construction Project in Mumbai, India's Largest City—Retrieved from https://www.jica.go.jp/english/news/press/2013/20130918_01.html

¹² Japan, India must work toward building even greater strategic ties -Retrieved from database.yomiuri.co.jp/rekishikan

increase the Maritime Self Defense Force exercises in regard with the Indian Ocean which is a sea lane that connects the Middle East to Japan to carry out crude oil. Therefore Maritime Cooperation lies important for both the nations. Further a need for US cooperation was felt so that China complies with the international law, and maintains peace in the Pacific region. In relation to the trilateral dialogue that is shared between India, Japan and US, the meeting was postponed to 2015 due the Japanese delegation meeting.

In 2015 upon Abe's visit to India, talks were also raised regarding Shinkansen project finalization and to make Non Proliferation Treaty official soon. This was finally made in the year 2016 upon Prime Minister Narendra Modi visit to Japan. It was also discussed that there must be regular dialogue between Australia, India , Japan and USA realizing its importance in terms of security in the sea lane communication of South China Sea (Parmar, 2016). In addition to this discussion were made in strengthening the 2 Defense Framework Agreements involving the Transfer of Defense Equipment and Technology and Security Measures for Classified Information. It was to focus especially on the Joint Working Group items related to technology and defense equipment cooperation. Further discussions were made to involve the East Asia Summit (EAS) and ASEAN together with ASEAN regional forum. This was for tightening the maritime security to bring about transparency, security and economic relations in the Indo Pacific region. The two nations also laid down stress on United Nations Convention on Law of Sea (UNCLOS). So as to recommend other countries by considerably focusing on settling South China Sea issue in a peaceful manner. As under the principles that are universally acceptable under international law involving UNCLOS.

In relation to this a trilateral dialogue was elevated that is shared between India, Japan and US. This was the first director general level, and the first foreign ministers meeting been held. Talks were raised to collaborate much more deeply, so as to bring about freedom of

navigation, and the importance of abiding to the international law, with respect to South China Sea and the Indo-Pacific region. In 2016 the trilateral dialogue meeting was held, which was the ninth trilateral meeting. However this meeting gained momentum in 2017, when tensions related to North Korea began to escalate. Talks were raised to establish the staff level talks between all the three level services including army, navy and air force. In 2017 when Abe met Modi in India, talks were raised to involve Japanese companies like Hitachi. It indulged more projects such as the Transfer of Defense Equipment and Technology agreement.

(3.2.2)Development of Indo-Japan relations in the security field

On 31st May 2013, an agreement was signed between the two nations regarding nuclear non proliferation. This agreement was in response to the year 2012, when the United States recommended that Japan must join hands with India. India targets to make 20 nuclear reactors. Japan and India also worked to figure out the countries, from which the lowering of LNG (Liquefied Natural Gas) can be imported at reduced costs. Talks were also raised to increase the trade and regular joint naval exercises for the Maritime time Self Defense force. This came into force when in May, when United States approved to supply the Liquefied Natural Gas (LNG) to Japan. It involved supply of 1.4 billion cubic feet (39.6 billion liters) per day for 20 years. Moreover discussions were held regarding the nuclear power plant production, as India plans to construct 10 of the nuclear reactors by 2020.

In May 2013, the Prime Minister of India Manmohan Singh was invited by Abe at an unofficial dinner to discuss about the security relationship. Since Japan has issue of Senkaku Island towards and India with respect to Indian Ocean with respect to China. Hence in relation to this a defense budget was set around 8.3 trillion yen involving United States, India and Japan. However it was still lower than that of the defense budget set by China that

stood at 12.3trillion yen (Charles, 2011). On February 2015, arrangements were made in India to get down into serious negotiations with Japan for US-2 deal and Transfer of Defense Equipment and Technology. It is the export permit for national interest for maintaining peace and order in the Pacific region. In addition to this another policy came into force that is the Security Measures for Classified Information under this agreement. It was decided to keep the information secret under the following categories that are Secret, Top Secret, Confidential and Restricted. To augment the information will be transmitted between the nations under the rules and laws enforced in the agreement.

Later in the year 2015, Malabar exercises were held in Bay of Bengal in which naval forces of India, Japan, Singapore and Australia participated. In the summit meeting, The US, India and Japan also emphasized to make the participation of these naval exercises to be permanent last year. A result of which was viewed in the year 2016, when Prime Minister Narendra Modi visited Japan and the Non Proliferation Treaty (NPT) was signed. It was after India agreed upon three basic conditions. The first condition was, to accept and follow the International Atomic Energy Agency. The second condition comprised of, non transmission of nuclear technology to the third country. The third condition consisted of, suspension of the cooperation if any of the three conditions are violated. Finally in November 2016, when Modi visited to Japan, he made the NPT became official. Under the memorandum of understanding India will be buying 12 rescue water planes from Japan worth 1.6 billion US dollars (Parmar, 2016). Furthermore the NPT strongly opposed the nuclear terrorism. The two nations under FMCT (Fissile Material Cut off Treaty) strongly committed complete elimination of nuclear weapons.

Japan also stretched forward India's involvement in Hague Code of Conduct against Ballistic Missile Proliferation (HCOG), Missile Technology Control Regime (MTCR). These are the

regimes related to export control, and further involving India into Wassenaar Agreement, Nuclear Suppliers group and Australian Group. There by strengthening Indo-Japan relations in security field. In addition to this talks were raised, regarding strengthening the Maritime Defense dialogue framework involving Coast Guard to Coast Guard talks from Military to Military, and policy related to defense. Further involving the DR (Disaster Relief) and HA (Human Assistance) involving the training of people regarding disaster management. There by welcoming to hold the trilateral dialogue between India, Japan and Australia involving security and safety for the Asia Pacific region.

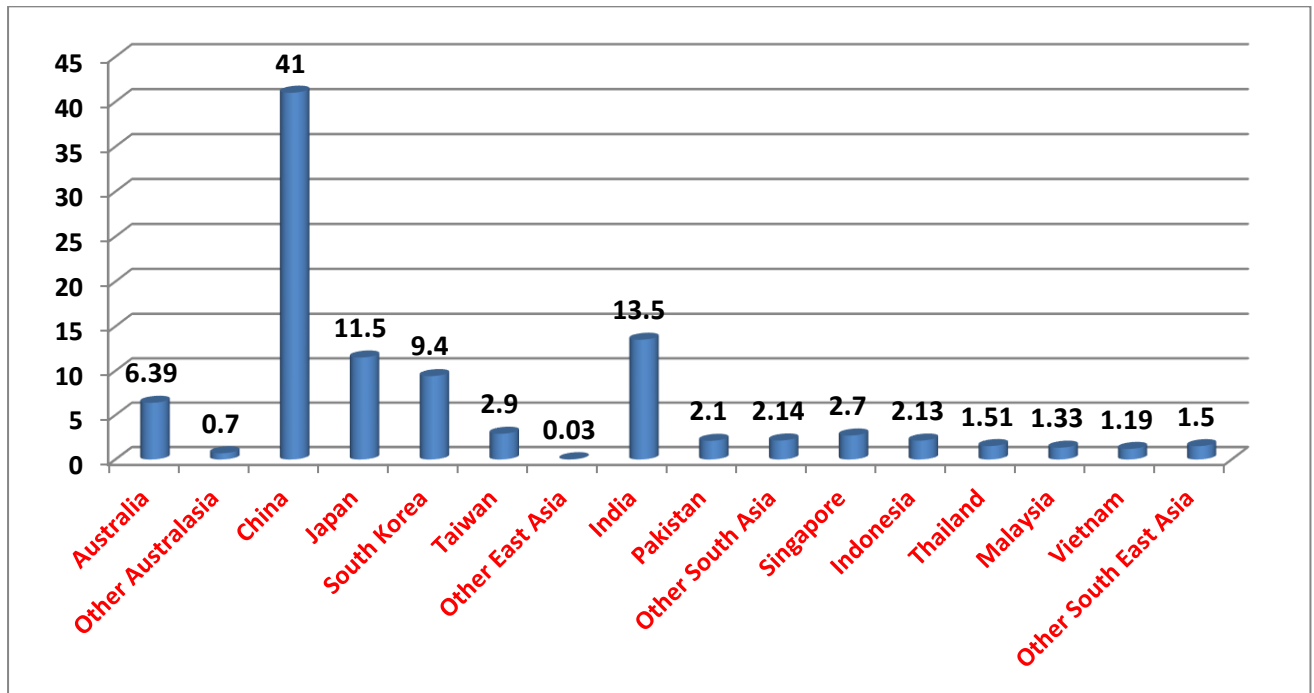
In the field of space the Memorandum of Understanding (MOU) was signed between JAXA and ISRO, by putting forward the atmospheric science and marine earth. It was by involving the Memorandum of Cooperation too an agreement between JAMSTEC and Ministry of Earth Science. The investment cooperation under IT sector between JETRO and Joint Committee on Science and Technology was further promoted. In July 2017, when Abe met Modi in India it was decided that the Westinghouse that became bankrupt will be financed by the US Exim Bank. It will be supplying technology for six nuclear reactors in Andhra Pradesh (Chaudhary, 2017). Japan also agreed upon assisting India with the nuclear waste management, and undertook the right to manufacture nuclear power plants under the initiative of “Make in India”. The Trilateral Dialogue reshaped back into the Quadrilateral Defense Initiative (QDI), by involving Australia. Thus the issues related to China rise in the Indian Ocean, and China’s closer alliance with North Korean was discussed.

(3.3) Analyzing the Implications of China Rise on Indo-Japanese Relations

This part discusses about the formation of two policies namely the Trilateral Dialogue. This dialogue is shared between India, Japan and United States (later reshaped into Quadrilateral Defense Initiative (QDI) including Australia). This part also discusses about the Nuclear Pact Treaty (NPT). An effect of China rise in context to closer Indo-Japan bilateral relations from 2013 till current.

India and Japan political security relationship can be viewed under maritime security, energy security and armed forces of India and Japan as elements involved in political security. Japan views India as a “reliable partner” as it is playing an active role as a security provider in the SLOC region. Also Japan is aware of India’s military potential, although India is not part of East but central to Southern region. On India’s side it is China’s repeated incidents related to Ladakh region that is posing threat. In contrary to this Japan is facing incidents related to Senkaku Islands. Hence on the grounds of disputed areas with China, India and Japan both consider them alike. Yet on the common platform is the China’s high military budget. The military budget of China has been upgraded and revised 40 times in last 26 years and 4 times in 10 years. In 2015, the defense budget stood at US\$145.8billion. This indicates an increase of 10%. Further as the (Table-1) suggests the military spending of China was 41% in the year 2016 as compared to other Asian countries. (Basu, 2016)

(Figure -2) Comparison of Asian Countries Military Spending in 2016(in Percentage (%))



Source:-India in Japan's Geo Strategic Outlook Retrieved from: https://idsa.in/system/files/jds/jds_10_3_2016_india-in-japan-geo-strategic-outlook.pdf

On Japan's side in the light of China Rise it is the ADIZ incident that took place in 2014. when China and Russia were performing joint exercises. The Japanese and Chinese airplanes face off at 30-50meters (Richards, 2014) towards each other in order to gather information. It was marked as an unusual incident where Japanese and Chinese airplanes came very close for collision. Abe provided instructions to take firm steps in this aspect. Later it was also introspected that the Chinese airplanes also carried missiles. China threatened by exclaiming that by respecting the rule of law of sea it is concluding the China and Russia drills. Also that in the past the US forces performed a similar kind of incident during the Chinese and Russian drills.

It is since 2007 that the trilateral dialogue is shared between India, Japan and USA. However the three nations have been using a key term as “Indo Pacific” so as to not directly highlight China Rise. This approach is innocuous to maintain the dialogue especially after the 2007 incident¹³. Although Japan and India both shares border issues with China. But the rise of China was sharply been focused in 2014 under the Modi administration in India and Abe administration in Japan. Hence a more assertive China was observed in relation to ADIZ incidents. As mentioned above this incident paved a way to the Trilateral Dialogue which is shared by United States, Japan and India in effect of China’s assertiveness in the Indo-Pacific region.

Soon after the ADIZ incident, in May 2014 Abe highlighted the sanctity of Indo-Japanese relations at Shangri-La-Dialogue. The Indo-Japanese relations were viewed in the light of bringing about peace. India and Japan was co-related in terms of the Indo-Pacific region which he termed as “co influence of seas” pointing towards China’s assertiveness and the need to form the trilateral dialogue (Rossow, 2014). The trilateral dialogue’s contribution in serving the objective is intrinsic in this sense. Abe stated that

I am absolutely certain that when I welcome Prime Minister Modi to Tokyo, we will successfully confirm that Japan-India cooperation, as well as trilateral cooperation including our two countries, will make the "confluence of the two seas," that is the Pacific and Indian Oceans, peaceful and more prosperous. Under the agenda of Peace and prosperity in Asia, forevermore Japan for the rule of law Asia for the rule of law and the rule of law for all of us¹⁴.

Not only Japan but on India’s side China’s assertiveness became a sense of worry in September 2014. The Chinese troops (230 troops) and the India troops (130troops) locked

¹³ In 2007 Australia backed out from the quadrilateral relationship that was shared between India, Japan, United States and Australia because of China’s growing aggressive response to the relationship shared between the nations viewing as “containing China”.

¹⁴ Abe’s keynote at Shangri-La Dialogue; Retrieved from: http://www.mofa.go.jp/fp/nsp/page4e_000086.html

down in Ladakh in the Line of Actual Control (LAC). This was the time when Premier Xi of China visited Prime Minister Narendra Modi of India for Indo-China cooperation in strengthening the partnership between the two nations. This was a 16 long day face off by both the militaries and on 17th day both the nation's troops backed off after the major general's meeting from both the ends. Modi condemned this incident and remarked as "expansionism" (Pandit, 2014). The year 2014 concluded in an attempt to balance the proliferation of Chinese power.

Yet another incident took place in the same aspect in the year 2015, when Chinese rejected India's right over this territory especially in the Chumar region. It is the disputed sector shared by India and China. This incident was marked as a very serious situation, and even pointing the two nation's armies as army rivals. In reference to this Modi too highlighted the importance of this trilateral dialogue when he visited Obama in October. In context of issues related to the region Modi highlighted the importance of the Trilateral Dialogue under the agenda of progress for all through sharing of efforts between both the nations. Ever since then all the three nations began to view China as a vital power thus balancing this power became a vital point to be discussed. In 2014 a schedule meeting was set to be held in reference to this incident, but due to Japanese delegation scheduling issue this trilateral meeting was scheduled for next year. Thus the year 2014 concluded in the light of balancing the proliferation of Chinese power. Earlier Abe unified the Indo-Japanese concerns in terms of co-influence of two seas. However this time Abe classified it under three principles of the rule of law at sea.

In reference to the upcoming meet this dialogue further gained momentum when the Foreign Minister of Japan Kishida visited India in 2015 he remarked that

Both India and Japan are maritime countries whose interests depend on the safety of sea lanes. Prime Minister Shinzo Abe has proposed the “three principles of the rule of law at sea.” These are; making and clarifying claims based on international law, not using force or coercion in trying to drive claims, and seeking to settle disputes by peaceful means. Needless to say, thorough application of these principles provides the foundation for peace and stability in this region.”¹⁵

Earlier in 2014, Abe unified the Indo-Japanese concern regarding China in terms of “confluence of the two seas”. In addition to this in 2015, Kishida raised the concern under the rudimentary follow up and the importance of the three underlining principles of rule of law at sea. Moreover Japan’s newspaper Sankei Shin bun marked Kishida statements in view of perceiving Arunachal Pradesh as India’s Territory. China warned Japan asking Tokyo to act in a sensitive manner towards the China and India boundary that captivates a huge concern. This incident further strained the relation between China and Japan.

Yet another incident arose in June 2015 on Japan’s side in relation to Spratly Islands especially with respect to Fiery Cross Reefs. It was demonstrated that China had completed 3000m runway and 2 radar towers on the disputed islands ensuring that it will allow free navigation¹⁶. To this Abe warned China to obey the rule of law of sea but China aggressively reacted and exclaimed that “Japan is not a state directly involved in the South China Sea issue and thus should exercise caution in its own words and deeds” (Johnston, 2016) Japan warned China when Tyoshida Suga addressed in his keynote that ““With the completion of the reclamation, we must not accept the land reclamation as a done deal. We demand (China) not take unilateral actions that bring irreversible and physical changes”¹⁷ in response to this

¹⁵ Kishida Keynote: Retrieved from: http://www.mofa.go.jp/s_sa/sw/in/page3e_000291.html

¹⁶ China nears completion of controversial airstrip in South China Sea : Retrieved from: <https://www.theguardian.com/world/2015/jul/02/china-controversial-airstrip-south-china-sea-spratly-islands>

¹⁷ Japan; New Chinese Islands don’t settle disputes : Retrieved from: <http://www.defensenews.com/story/defense/international/asia-pacific/2015/06/17/japan-new-chinese-islands-dont-settle-sea-disputes/28898635/>

Beijing counterattacked by its remarks that it does not have to prove its sovereignty over the Nansha Islands and so it remains undisputed. This friction between Japan and China further sparked up when Obama met Xi in September 2015, and he raised concerns that construction in the disputed areas bars the nations to resolve the disputes peacefully but Xi remarks further pointed towards complete non cooperation and further degrading the relations. Furthermore China also claimed the islands as its territory. Not only has it indicated an aggressive China towards driving policies within its limits, but also a complete disagreement over cooperation on this issue. Xi exclaimed that

Relevant construction activity that China is undertaking in the Nansha Islands does not target or impact any country and there is no intention to militarize, Islands in the South China Sea since ancient times are Chinese territory,” Xi said. “We have the right to uphold our own territorial sovereignty and lawful legitimate maritime rights and interests.”¹⁸

On India’s side in 2015, an incident related to Ladakh region took place with China as discussed in the previous section. In relation to this when Modi met Obama in September in the same year the strengthening of the trilateral dialogue was also a top agenda. To this the Chinese media reaction by Hua Chunying the Foreign Minister spokesperson of People Republic of China he remarked that” We believe relevant disputes should be resolved by parties directly concerned through peaceful talks and consultation “.¹⁹ This incident left a sharper and a more assertive China in the Indo Pacific region.

¹⁸ Obama announces understanding Xi but remains wary: Retrieved from:<http://www.japantimes.co.jp/news/2015/09/26/asia-pacific/politics-diplomacy-asia-pacific/obama-announces-understanding-xi-cybertheft-remains-wary/#.WThauI9OLIV>

¹⁹ India-Us-Statement-On-South-China-Sea-Dispute: Retrieved from:<http://www.hindustantimes.com/india/china-reacts-sharply-to-india-us-statement-on-south-china-sea-dispute/story-WOL8UOd3PsG1PMV0qxXaJO.html>

Therefore under the trilateral meet in 2015 the first foreign ministerial was held under the agenda of ‘Close Cooperation in the Indo-Pacific region’ (Gopalan,2015) Not only the up gradation of this dialogue was in ministerial level, but also Japan became a permanent member for the first time in trilateral dialogue. This trilateral dialogue can be viewed in terms of China rise. In reference to China, Modi marks this incident in relation to ‘Convergence of Security interests under India, Japan and USA under the Chinese naval assertiveness in the Indian Ocean, the East China Sea and the South China Sea’. The trilateral dialogue is a result of the in the Indian Ocean region. It also investigates the early indication for the formation of the trilateral dialogue by Vice President Joe Biden in his speech at Washington. It stated that he is looking forward to the trilateral level meet at the ministerial level in order to tackle the growing assertiveness in the Asia Pacific region. Hence the year 2015 ended up strengthening up of the trilateral dialogue up to the ministerial level for which one of the leading factor foreseen as China Rise by giving prioritized attention to the Indo- Pacific region. Thus all these incidents contributed in soaring of relations with China. As a result of which the need of trilateral dialogue was felt to strengthen the defense system, and bring about an up gradation in the already existing framework shared between India, Japan and United States.

Further in 2016, when Abe and Modi met they decided to expand this trilateral dialogue by involving exercises related to disaster relief, and training of personals in this field. Obama deeply stressed the importance of this trilateral dialogue under the agenda of “free sea for everyone” (Harris, 2016). This trilateral dialogue can also be viewed in the light of freedom of navigation in South China Sea. In reference to China’s growing aggressiveness that is dominating factor in the Indo-Pacific region. Furthermore in 2017, when Arun Jaitley the defense minister of India met Tomomi Inada his counterpart, he welcomed a “planned trilateral naval exercise” in the light of the trilateral dialogue in July 2017 (Basu, 2017). This would involve the nuclear submarines, participation of aircrafts, frontline warships and US

and India P-81 and P-8A hunter planes submarines. There by serving as the first trilateral engagement under Trump administration to bring about stability in the Indo-Pacific region.

Furthermore in 2017 on India's side it was the One Belt One Road Initiative (OBOR) of China, which became a growing concern which is gaining a lot of importance in terms of the infrastructural projects. Modi avoided the meeting and instead he met Trump to elevate the trilateral dialogue by increasing the connectivity among the region. Yet another interesting turn was observed in November 2017 when the long awaited Quad dialogue came back after the year 2007. The Quadrilateral dialogue primarily in relation to maintain a connectivity in reference set up a rule based order in the light of regarding terrorism, maritime cooperation, freedom of navigation, nuclear proliferation. The rule based order was this time not only in terms of China but also for North Korea. In reference to the North Korea's release of ballistic missile that gained momentum for this dialogue. This missile passed over the Northern part of Hokkaido a consecutive launch within a span of two weeks. The result of North Korea and China increase in threat could be seen in September 2017 under the trilateral dialogue and talks were raised to create standard norms to maintain the regional order that are universally acceptable. Finally the year 2017, ended up the trilateral dialogue reshaping into Quadrilateral dialogue including US, India, Japan and Australia.

In February 2018 the quadrilateral meeting raised the OBOR (One Belt One Road initiative) issue. The current OBOR has been agreed upon by 64 countries further attracting 8trillion projects by 2050²⁰. This would increase China's economic pressure in terms of the

²⁰ China's \$8 trillion construction programme 'riskiest environmental project in history': Retrieved from:- https://www.independent.co.uk/environment/china-belt-and-road-initiative-silk-route-cost-environment-damage-a8354256.html?utm_campaign=Echobox&utm_medium=Social&utm_source=Facebook#link_time=1526560487

investment attracted. Hence the attempt of this quad dialogue or Raisina dialogue was to discuss about suppressing this economic pressure. The China's power under this dialogue was termed as a "disruptive power"²¹. Talks were also to stabilize China's power in the Asia-Pacific region in terms of military power.

Yet another policy that gained momentum under China's Rise was the Nuclear Pact Treaty the year 2016. On India's side in the year 2016, it was China's close alliance with Pakistan. India already has border issues with Pakistan with respect to Kashmir. The OBOR will pass through the Pok (Pakistan Occupied Kashmir region), which can pose a threat to India's security. Also China is constructing this route to boost free trade in OBOR regions. In such a scenario China –Pakistan alliance is an alarming state for India, as it will increase the strength of Pakistan and China against India. In 2015 the report suggested that Pakistan and China are closely working to construct One Belt One Road initiative starting from the Gwadar Port of Pakistan which costs around US\$ 46 billion (Hussain, 2016). China had been seen more aggressive with its nuclear alliance with Pakistan in October 2015 not only nuclear sector but China joined hands with Pakistan to build a 43 billion infrastructural project related to Karakoram Highway and Gwadar Port both were viewed as the security threat to India (Blank, 2015). On the Independence Day under the annual speech of Modi he deeply condemned these actions of China and Pakistan in the light of controlling areas of Kashmir known as CPEC the China Pakistan Economic Door at Gwadar. He highlighted pointing towards China "You may be investing a lot in Pakistan, and think that CPEC is a done deal, but without India's approval you might find it difficult to follow through. " (Marlow, 2016).

²¹ China a disruptive power: Quadrilateral nations navy chiefs, Retrieved from: <https://economictimes.indiatimes.com/news/defence/china-a-disruptive-power-quadrilateral-nations-navy-chiefs/articleshow/62565183.cms>

The China-Pakistan alliance also posed as a nuclear threat for both India and Japan. In the sense that the China and Pakistan alliance are closely working with the production of nuclear weapons by North Korea. It was through the supplying of Chinese materials like uranium, plutonium, Monel and Inconel that is supplied by the Chinese company Beijing Suntech Tech Company Ltd to Pakistan and further Pakistan is supplying to North Korean company Korea Mining Development Trading and Corporation (KOMID). When the United Nations State Council went into detail of this matter it was discovered that several times the Korean diplomats have visited Pakistan in this aspect. The China and Pakistan relations further grabbed the attention of India and Japan when the Senior Congree Members warned the Obama administration that China is supplying bulk of missiles to Pakistan which is further getting supplied to North Korea and Ukraine. This marked as a alarming signal for all the three nations Japan, India and USA.

On Japan's side in 2016 the rise of China was observed in the light of North Korea conducted nuclear tests over the nuclear bombs that were made in Pakistan. .In context of China involvement in this issue the experts highlighted that with regard to Pyongyang's energy the minerals were diluted when exported making it next to impossible to monitor to track (Wuthnow, 2016). However China has made firm opposition to this nuclear test but the supply of Pyongyang's energy to North Korea was noted as worsening the issue by the UN panel of experts. Japan marked this incident as an important and dangerous threat. It was investigated that the leaders of the Eastern China and Korea fired three of the ballistic missiles into the Sea of Japan and then the nuclear tests followed. The Senior Japanese officials viewed the supply of Pyongyang's supply by China to North Korea is helping in making as a progress over the nuclear tests. It was analyzed that by 2021 at latest more likely

the North Korea and Pakistan will have a ‘stockpile’ of the functionally nuclear weapons out for the delivery (Nalapat, 2016). Soon after this incident was recorded Abe under the DIET summit condemned the actions of North Korea. He clearly stated that

North Korea has yet again pushed forward with nuclear tests. This is a clear challenge to the international community and is totally unacceptable. It also continues to launch ballistic missiles, and we strongly condemn this. We shall respond resolutely in close collaboration with the international community to make North Korea understand that such provocative acts only further isolate it and bring it no benefit whatsoever. We shall continue to strongly demand that it takes specific action aimed at resolving the comprehensive resolution of its nuclear program, its ballistic missile program, and the abductions issue which continues to be a top priority²²

In other words if on one hand it’s the CPEC that is marking as an issue for soaring India and China relations, then on the other the nuclear tests conducted by North Korea by using Pyongyang’s export by China is degrading the relations of China and Japan. Hence China’s rise is marking as a threat to both India and Japan.

In respond to the above situations in the year 2016 November when Modi visited to Japan stress was laid to finalize the NPT. The agreement involved the nullification clause that highlighted towards the termination clause for India. For such a purpose CTBT (Comprehensive Test Ban Treaty) was added a separate memorandum prepared understanding Japan’s intention for the addition of this clause. The law expert in this context highlighted this nullification of the clause for restricting to usage for peaceful purposes only. This Pact was named under the context of limiting to peaceful purposes only. Under this Pact Japan acting as a major player will involve Westinghouse and GE(General Electricals Ltd.) to set up the atomic plants keeping in note that India has advance contract with the Westinghouse owned by Toshiba six nuclear reactors till 2032 (Mishra D. S., 2016, p. 6). By

²² Keynote by Abe at DIET: Retrieved from: http://japan.kantei.go.jp/97_abe/statement/201609/1219316_11015.html

making strong reference to Pakistan and China they inked this pact under complete non tolerance. However this pact is also viewed in relation to condemning the actions of North Korea and to lay stress on ending it of its nuclear program. The Chinese media reaction in relation to NPT signed between India and Japan which stated that

Japan wants to use the disputes between China and India to court India to help contain China. Japan seeks to urge India to meddle in the South China Sea issue, even at the cost of changing its long-held position of reducing nuclear usage to offer special benefits of civil nuclear cooperation to India.²³

Further in July 2017, the NPT came into force, where Japan will be financing and exporting the nuclear power plants to India. Japan will also collaborate in the field of nuclear waste management under the agenda of Make in India of Modi. Japanese company Toshiba will supply six nuclear reactors in Andhra Pradesh. Hitachi a Japanese company is also part of this agreement. It is holding its stocks in General Electric. The US company Westinghouse that was scheduled to assist with construction and responsible for supply of technology declared itself as bankrupt. Upon Modi's visit to US it was confirmed that the US Exim Bank is now going to overcome this issue and the supply for the same is scheduled for 2018.²⁴

Thus to sum up the Nuclear Pact treaty was offered by incidents involving China's close alliance with Pakistan and North Korea. There by posing a threat to both India and Japan. It is because of China's support that their strength is increasing. Hence India's close collaboration with Japan was rudimentary in this sense. Even though India is not part of NSG, Japan

²³ India will not become a pawn for Japan: Retrieved from: <http://www.globaltimes.cn/content/1017455.shtml>

²⁴ All approvals in place, Japan nuclear deal comes into force, Retrieved from: <https://economictimes.indiatimes.com/news/economy/policy/all-approvals-in-place-japan-nuclear-deal-comes-into-force/articleshow/59690053.cms>

opened up its doors to conclude the treaty. Such cooperation among the two nations epitomizes a new rise in Indo-Japan relations in response to China Rise.

(3.4)Analyzing the Implications of Prime Minister’s Relative Strategy on Indo-Japanese Relations

Under the Prime Minister Strategy the two policies that can be viewed in terms of Abe ‘s Proactive Contribution to Peace and Modi’s Act East Policy are namely Security Measures for Classified Military Information and Transfer Of Defense Equipment and Technology commenced from 11th November 2016. The two new agreements to the Defense Dialogue served as the most unique meeting between Abe and Modi for uplifting the strategies ties between the two nations.

The Security Measures for Classified Military Information served as a new dimension to the Defense Dialogue between the Indo-Japan ties. In case of Japan it was Abe’s Proactive Contribution to Peace. On Japan’s side in 2013, Abe exclaimed at the United Nations General Assembly, that the key motive of Japan is to attain national identity and to maintain open and stable national order in the Asian region. He highlighted Japan’s role in the light of Proactive Contribution to Peace based on what he called the “international cooperation”. Japan shares soared relations with North Korea in relation to the nuclear tests it carries, and with China posing as a maritime threat. Back In 2014 at the 6th International Tokyo Conference he highlighted the significance of Indo-Japan relations by holding the importance of this strategy in a dynamic and unpredictable changes in the international community under the aligning and reemerging of Asia. Japan views India as a partner in SLOC region. India’s military potential is what captivates Japan to ‘share responsibility’ in the SLOC region. The SLOC region holds specific relevance to Japan, as 94% of the supply of energy and oil imports are derived by Japan from this region. In relation to this Japan is dependent on US navy to

safeguard the Middle East region. India's military potential and its presence further augments in safeguarding the chokepoints connecting the Indian Ocean and Middle East. Hence the Article 9 was revised under the "Act of Protection of Specially Designated Secrets". Abe's new defense framework was highlighted in the light of India and Japan closer ties in reference to the "the two leaders sharing an excellent rapport" (Basu, 2016, p. 52). Apart from this, the Indian leadership is perceived as a natural partner to Japan for a collective defense with the Japan Self defense forces. In relation with the new defense policies set by Abe which highlights the right to fight overseas for the first time in order to strengthen the 'US pivot to Asia' (Mishra R. , 2015).

In case of India it was Modi's Act East Policy it diverted from Look East²⁵ which was the first panel comprised of relations with India's neighbors like China and Act East that comprised of second panel which includes South Korea, Japan etc. The emergence of this Act East Policy was primarily in view of counterbalancing the regional order in Asia especially related to SLOC region. In context to this the South and South West Indian Ocean (SSWIO) holds a special relevance. The SSWIO region under the SLOC is paramount also because of the trading and strategic role. The oil consumption required by India is 91.6% by 2020. However there are numerous maritime challenges like maritime terrorism, people trafficking, arms trafficking, and piracy are posed in this region. In order to dwell down these in 2008 a special architecture was built namely the Indian Ocean Naval Symposium (IONS). This was set up to ensure free navigation in the SLOC region. Under this architecture India had a key role to participate as a source of "balance of power" through its large maritime capacity (Ghosh, 2011). However this set up was soon diffused as the geostrategic competition began to rise in the light of China's Maritime Silk Route. China's intent is to expand its military

²⁵ Look East Policy was initiated in 1991 aiming of solidifying economic and security relations in South East Asia with countries like Japan, Australia and Vietnam.

potential pose as a threat to ASEAN countries. In order to give it a peaceful angle China is moving westwards by bringing in closer alliance with countries like Pakistan, Sri Lanka, Myanmar and Bangladesh. This alliance is in the light of rise of “String Pearl Policy”. In response to this India is enhancing relations with countries like South Korea, Japan, Vietnam, Singapore, Indonesia and Myanmar. However India needs to strengthen its security relations with SSWIO countries, so as to retain its dominant position in SLOC region.

Hence an up gradation of the Indo-Japanese relations under the Indo-Pacific strategy was felt in order to secure the positions in the SLOC region. That involves the convergent global interests and maritime contribution with Japan “in order to further enhance the defense system under the Free and Open Indo Pacific strategy” (Rajendram, 2014, p. 7). North Korean actions were called as “proactive act” and China’s act reference to “free navigation”. The two nations stepped forward to build a new and stronger architecture through their respective political strategies (Kyodo, 2017). The India’s Act East policy and Japan’s free and open door strategy resulted in further up gradation in the Maritime Defense dialogue. In the light of Indo Pacific region as the “epicenter of global prosperity” under the agenda of Japan that is “Proactive Contribution to Peace” as explained in the previous section. (Mishra V. , 2016).

The result of the relationship shared between Abe and Modi led to advancement of the Maritime Dialogue framework in 2015. Earlier it involved meeting at secretary level this time it gained importance by upgrading to the ministerial level .Under military to military talks and an introduction of the Coast Guard to Coast guard cooperation where the Indian Coast Guard ship Samrat and Dornier helicopters participated. In addition to this the Security Measures for Classified Information that was inked in to diversify the Defense dialogue it was decided to keep the information secret under the following categories that are Secret,

Top Secret, Confidential and Restricted. The information will be transmitted between the nations under the rules and laws enforced under this agreement. This agreement further induced transparency of information and by involving people to people exchange by securing the information at the same time. Talks were further raised to upgrade it further by involving Air Force to Air Force Talks scheduled for 2016 under the Military to Military talks. (Manjari, 2013) This led to transformation in India and Japan relation a result of “path breaking” visit on India’s side leading to a drastic shift of India and Japan of where it is today (Einhorn, 2014). The Indian navy participated in the Fleet review of JMSDF (Japan Air Self Defense Forces).

In addition to this it was decided that Indian Coast Guard and Japan Coast Guard exercise will be held in 2016. As well as the exchanges between Japan Self Defense Forces and India Army exchanges will take place in the area of peacekeeping operations, Disaster relief and humanitarian assistance in the light of both leadership and staff²⁶. This framework also involves issues like cyber security, space and maritime security.²⁷ Further in 2016 under the Free and Open Indo-Pacific strategy the two nations highlighted the importance of deepening the bilateral ties under the Maritime Dialogue by involving all three services a result of Air Force staff talks held earlier in this year. The two nations highlighted the intention to

²⁶ Narendra Modi India’s Shinzo Abe: Retrieved from: <http://thediplomat.com/2014/05/narendra-modi-indias-shinzo-abe/>

²⁷ Modi steps up to lead with Abe on side: Bangkok post-19/05/2014:Retrieved from: <http://www.bangkokpost.com/print/410495/>

intensify the dialogue in the fields like humanitarian assistance and exchange and training up of personals²⁸.

Yet another policy was formed in relation to Modi's Act East Policy and Abe's Proactive Contribution to Peace that is the Transfer of Defense, Equipment and Technology in December 2015. On Japan's side Modi came into focus after winning the election by very high amount of votes in almost all the states. In reference to the electoral position of Abe has weakened as the approval ratings to his cabinet came down from 70% to 35% (Kesavan, 2017) . This marked as an alarming and yet a setback for his cabinet. This was the time when a need to bring about changing its policy became a prime focus. Also India has stood against and condemned the North Korea nuclear programs. In addition to this a need of expanding of exports was felt by many of the Japanese companies like Mitsubishi which forced Abe to bring a change in his nuclear policy which were earlier only restricted to meet the domestic self defense needs (Titli, 2015) . Thus a 50 year old arms export was removed in view of realizing the potential of each other in terms of not only "maturing their partnership", but also leading to a stronger partnership. However the companies that were blacklisted in 1998 by Japan for carrying down nuclear tests were removed and paved a way to this strategic partnership (H.Pant, 2016).

On India's side the increase in Russian- Pakistan alliance is posing a threat. India shares soared relations with Pakistan. It is between from 2011 that the Russian-Pakistan alliance

²⁸ Modi-Abe Meeting "Opens A New Phase For Asia And The World" :Asia News:9/02/2014:Retrieved from: <http://www.asianews.it/news-en/Modi-Abe-meeting-opens-a-new-phase-for-Asia-and-the-world-32040.html>

started gaining momentum involving high officials meetings. In contrast to this in 2012 the Russian deal regarding the export of aircraft called the Admiral Gorshkov led to a huge set back. Russia's inability to deliver the aircraft in 2012 led India to pay 2.34US\$ billion against the set original price of 947US\$ million deal. However in 2014 Russia and Pakistan signed a military cooperation agreement (Purushothaman, 2015). Further in 2015, Russia cracked a deal with Pakistan for Mi-35 Hind helicopters and Klimov RDP93 engines for the JF-17. This aircraft has the ability to attack on both land and water during both night and daytime. Hence the Russia-Pakistan alliance is posing threat for India as the continuous supply of defense equipments by Russia to Pakistan will increase the military strength of Pakistan (Kumar, 2016).

The Modi government has been paving ways since then to attain military strength in the SLOC region. It is to secure the illegal activities taking place in the region and safeguarding resources present in the coastlines. The illegal activities have been seen in the light of piracy and fishing activities in the Exclusive Economic Zones (EEZs) between Indian and Pakistan's fishermen. Modi's focus on Japan came up when Japan was the only country to support in Doklam crisis. Since then the Indian government tried to acquire the US-2 amphibian aircraft. This US-2 amphibian aircraft is known for its prowess for carrying down the search and rescue operations. The Japanese makers call it the Shinmaywa. Since Modi administration came into being it has kept his eye on this agreement in order to increase its military capacity in response to the Dokhlam crisis. The US-2 amphibian plane is from Japan to strengthen its military capacity. It is also to improve its abilities in the Indo-Pacific region under the Make in India initiative. In order to increase the military strength when Modi went to Japan he began to raise talks regarding the transfer of defense equipments. In reference to this Modi perceived Abe's laying down export ban policy favorable for India. He remarked that "I see

in the recent changes in Japan's defense export policies and regulations a possibility to engage in a new era of cooperation in high-end defense technology and equipment,"²⁹

Hence Modi's Act east policy and Abe's Proactive Contribution To Peace under his new nuclear policy made this deal possible which the two leaders view in terms of an "deeper military ties between the nations in maritime sphere". In this context Abe in 2015 highlighted that a strong India is in the interest of Japan and a strong Japan was in the interest of India". He further added that it is as a significant step towards the security cooperation. Modi and Abe both highlighted this in terms of "deep strategic ties" between the two nations under the banner of "Special Strategic and Global Partnership Working Together for Peace and Prosperity of the Indo-Pacific Region and the World"³⁰. A need on cooperation in the US-2 amphibian aircraft was felt. It would be India's first deal involving 12 US2 amphibian aircrafts and restrictions removed on the foreign arm sales. (Deepal, 2016)

In an effect to this in December 2015 when India and Japan signed the Transfer of Defense Equipment and Technology, that was signed upon deepening the India and Japan 2025 by highlighting the bilateral strategic importance. Yet in context to this in July 2016 not only this dialogue was uplifted to Ministerial level but also involving the high level exchanges between the self defenses forces of both India and Japan to view the specific areas of cooperation³¹. Thereafter in September 2016 discussions were made to reduce the price of the US-2 amphibian planes quoted for 133US\$ billion deal. Further a month later Japan agreed

²⁹ India Japan sign Agreements to facilitate cultural exchanges between Varanasi and Kyoto: Retrieved From: <http://www.deccanchronicle.com/140830/nation-current-affairs/article/narendra-modi-leaves-japan-boost-defence-energy-ties>

³⁰ India and Japan sign key defense agreements: Retrieved from: <http://economictimes.indiatimes.com/news/defence/india-and-japan-sign-key-defence-agreements/articleshow/50151888.cms>

³¹ Press Release: Joint Statement after the meeting Between Raksha Mantri and Japanese Defense Minister in New Delhi: Retrieved from: <http://pib.nic.in/newsite/PrintRelease.aspx?relid=147097>

upon lowering the price by offering a 10% discount from \$133US billion to \$113US billion. The Indian Navy officer highlighted this deal “a signal on the depth of the Indo-Japan relationship as well as the geo dynamic Indo-Pacific region” (Vivek, 2016). The Japanese Navy Officer highlighted to this context earlier that “it is not for economic gains but our friendly relations with India and can look at reducing the price to the extent possible”. Further pointing that it this agreement will have a favorable impact on our relations with India”.³²

Thus to sum up it is Modi’s Act Easy policy and Abe’s Proactive contribution to Peace has made these negotiations possible. The policies has not only paved a way in the political security relations, but also strengthened a mutual trust between the leaders which was lost back in 1998 when India conducted its nuclear tests.

(3.5)CONCLUSION

Thus to sum it up it can be concluded that the Indo-Japan relations can be viewed in two dimensions one is China Rise and the other is Prime Minister Strategy. Under the China Rise it is China’s dominant position that is posing threat to both India and Japan in the South China Sea. Therefore the China rise becomes a common platform and a benchmark for India and Japan relations to foster in the political security field. Under the China Rise the two major policies that came into being are the Trilateral Dialogue that is shared between India, Japan, USA. It is reshaped back into the Quadrilateral Dialogue including Australia which is also referred to as Asia’s long awaited Dialogue after 2007. Yet another policy that came into being is the Nuclear Pact treaty where Abe’s administration has removed the nuclear ban over India. Taking an advantage of this India too has stretched its initiative in this concern.

³² Japan willing to give India a discount: Retrieved from: <http://www.indiatimes.com/news/india/japan-willing-to-give-india-a-discount-on-12-us-2-amphibious-aircraft-to-seal-the-deal-261576.html>

This has been viewed under China-Pakistan and North Korean alliance. Hence China rise is centric in formulating of these policies.

Besides this the Prime Minister Strategy plays another vital role in shaping the policies under the Modi's Act East Policy and Abe's Proactive Contribution to Peace. Under the prime minister's strategy the two policies that came into being is the Transfer of Defense Equipment and Technology and Security Measures for Classified Military Information. In order to increase the military and bring out balance in the Asia Pacific region under the Indo-Pacific Strategy these policies are formulated. Hence it can be concluded that the Prime Minister Strategy whether it is Abe's Proactive Contribution to Peace or Modi's Act East Policy is driven by China's Rise and to increase the military strength to secure position in SLOC region.

CHAPTER-4-Indo Japanese Relations Shared on Economic Grounds

This chapter explains the Indo-Japanese relations in economic field. The economic field is analysed mainly in two fields that is China's Rise and Prime Minister Strategy. In order to understand that which factor in terms of China's Rise or Prime Minister's Strategy respectively is driving the Indo-Japanese relations, it is vital to understand the two factors in detail in light of important policies.

This chapter is divided into four parts. The first part will elucidate the development of Indo-Japan relations in economic field after 2013 in general. The second part will elucidate the factors and the implications on Indo-Japan in terms of China rise. The third part elucidates the factors and the implications on Indo-Japan relations in terms of Prime Minister's Strategy.

The fourth part will recapitulate the facts and findings in relation to Indo-Japan relations in economic field.

(4.1)Introduction

It was from 2013 when the Indo-Japan relations gained momentum in the light of China Rise and Prime Minister's Strategy. China's increasing role in the economic sector was a quarter comprising 15.8\$billion also Japan became an important investor comprising 21\$billion. However after 2013 the economic relations have seen a slow down as compared to the international relations shared between India and Japan in political security grounds. Thus in Economic terms the policies that have transformed the Indo-Japan relations can be explained as under.

Task Force on Indian Power Sector has originated since 2007 and now India and Japan in 2016 has been focusing much on saving and using of renewable energy marking as economic for the economic growth of the two nations. The Cooperation in Special Economic Zones involving the shinkansen and smart city where Japan has played its key role in investing in the transport sector since 2015. The Memorandum of Understanding for supplying of rare earth minerals aims at serving Japan with rare earth minerals. These are used as eco friendly minerals and are used in the areas of automobile and aerospace came into being in the year 2013. The Amendment of Double Tax Convention aiming at tax exemptions for both Indian and Japanese Banks. These are taxes like consumption, wealth taxes on the exports to make the trade smoother between the two nations. This reform has been since 1989 but the amendment has taken place in 2015. The Memorandum of Cooperation was signed between the Ministry of Skill Development, Entrepreneurship of India and Government of Japan on Manufacturing Skills Transfer Promotion Program. This has been originated from 2015 under the Modi administration. A program involving welfare of the labor along with using of

advanced technology a synergy between these two ends. Lastly it is the arrangement between India Post and Japan Post on Administrative Instruction, in the light of Cool EMS. This service involving free lunch box service of Japanese food to the Japanese employees working in India established in 2017.

Hence to overcome the assertive China's policies like Mumbai Ahmadabad High Speed Railway (MAHSR) project and rare earth minerals were looked upon. Under the China rise the two main policies that have originated are in the light of rare earth minerals and the Mumbai-Ahmadabad High Speed Railway (MAHSR) project under the cooperation of Social Economic Zones. For India, one of the largest investor is Japan. The Modi administration aims at boosting its economy. In addition to this China's rise has added a momentum to bring out in the formation of policies. For Japan, it is competing with China to mark a top position in investment under the transport sector especially in shinkansen project. In the light of rare earth minerals India is playing a key role for Japan to import its rare earths that can contribute in making green technology. On Japan's side, China has banned its most of the export to Japan hence India comes into the limelight in this case. Out of the 12 important rare earths India holds 6 of them. On India's side it will help to boost its domestic production and increase its global supply and reduce its dependency over China. Thus the two policies is important in solidifying that has risen in terms of China Rise

Yet another dimension is the Prime Minister's strategy. It has played a key role in boosting the economic relations between the two nations. On India side it is Modi's Make in India initiative, whereas on Japan's side it is Abe's three arrow strategy. In reference to these, the two vital policies were concluded namely the Smart City Initiative and Amendment of Double Tax. On India's side it is Modi's Make in India movement that swept across the nation in 2014. Since then Modi is trying to attract investments to take Indian economy

growth to the next level by losing the tax policies under the Amendment of Double Tax. Yet another policy is the Memorandum of Understanding to build smart cities a replica of Kyoto city of Japan play a special importance under the Social Economic Zones initiative.

On Japan's side Abe's 3 arrow strategy is yet again adding momentum in fostering the international relations between the two Asian giants. The third arrow points at long term growth. Thereby major policy like the Amendment of Tax has taken place under which various kinds of taxes have been exempted on various banks of Japan and India. This will allow many Japanese companies to invest in India. Like in case of Bank of Japan and Japan Bank of International Cooperation taxes like the consumption tax and gift tax have been exempted in case of India it is taxes like the wealth tax, excise duty, service tax have been exempted from the Indian Banks like the Reserve Bank of India, New India Assurance Company Ltd. Also the Smart City Initiative will further pool down investments to attract investments in other cities also apart from Varanasi, as Modi targets to bring in infrastructure to 100 cities by 2050.

(4.2)Development of Indo-Japanese Relations

Development of Indo-Japan relations in the Economic field

Under the Investment in the year 2013, talks were raised for deepening relations under the Japan –India Special Economic Partnership (SEPI) under the Delhi Mumbai Industrial Corridor project (DMIC). It was regarding High Speed Railway (HSR), which is a 500km trip for about 7 to 8 hours. The cost prediction for the bullet train was made for 900 billion yen to 1 trillion yen and would connect from Mumbai to Ahmadabad. It was decided that Indian Prime Minister Manmohan Singh would visit to Japan for the confirmation later in May³³In

³³ Japan, India reach rare earth deal Retrieved from <https://database.yomiuri.co.jp/rekishikan>

the economic terms front Japanese Prime Minister Shinzo Abe agreed upon providing 3.5 trillion yen to the private and public sector. It involved a total of 50 billion yen credit extension from Japan to India for infrastructure including the railway system.³⁴

In the year 2014 upon Indian Prime Minister Narendra Modi visit to Japan discussions were also held regarding Japanese firms investment in India. In such a relation Modi promised to relax the tax system regarding the same. Further Japan agreed upon providing Official Development Assistance (ODA) of 11.390 billion yen to Uttarakhand Forest Resource Management Project. In concern with the floods that occurred in Uttarakhand in the previous year. Furthermore ODA was provided for the Project of Improvement of the Institute of Child Health and Hospital for Child Health and Hospital for Children in Chennai. The ODA comprises of 30 billion yen for Micro, Small and Medium Enterprises energy saving project, and 148.887 billion yen to new and Renewable Energy Development Project.³⁵ Back in the year 2015 upon Abe visit to India led the Shinkansen agreement to come into force. India already has existing projects with China, France and other countries a total of seven existing railway projects.

The Shinkansen Project was scheduled to begin from the year 2017, after plotting the optimum cost for this project in a report prepared this year. This agreement also included Japan extension of 100 billion yen to improve the subway system in India primarily in Ahmadabad and Chennai. Japan agreed upon exporting material, technology and equipment

³⁴ Japan, India must work toward building even greater strategic ties -Retrieved from database.yomiuri.co.jp/rekishikan

³⁵ Japan-India Joint Statement: Intensifying the Strategic and Global Partnership Retrieved from <http://www.mofa.go.jp/files/000025064.pdf>

for nuclear power plant to which India had given positive attitude.³⁶ In the year 2016, when Modi visited Japan and laid stress on upgrading the Expanded Partnership for Quality Infrastructure (PQI) and India's Act east policy. This was for bringing about regional integration and connectivity in the light of mutual interest and cooperation. It was also decided that representatives will be sitting from both the nations involving the transfer of technology under Make in India for high speed railways.

In the light of high speed railways the two nations decided to set up High Speed Railways (HSR) Institute and Development for promoting Human Resource under this sector and an opening ceremony regarding the same. The human resource will not only be involved regarding commerce, but also regarding the manufacturing. There by promoting Skill India under the Japan India Institute for Manufacturing (JIIM), Japan Institute for Manufacturing (JIIM) and Japanese Endowed Courses (JEC) in the engineering colleges. This will be designed by Japanese companies under the cooperation of public and private sector of India. It will begin in states of India like Rajasthan, Gujarat, Karnataka in the year 2017. A 3.5trillion loan will be extended under Japan Investment Promotion on Partnership in the light of DMIC (Delhi Mumbai Industrial Corridor) and Chennai Bangalore Industrial Corridor (CBIC) under the ODA sector.

Regarding the infrastructure the two nations also promoted Eastern Peripheral Highway, Mumbai Trans Harbor Link project, Chennai-Ahmadabad Metro. Further talks were also raised for the recycling of the ships located in the Bhanagar District of Gujarat and Alang located in India. Talks were raised for the development of smart cities like Varanasi epitomizing Japanese contribution. This was also discussed along with the projects related to the construction of roads connecting to Northern Eastern Part of India. In such a relation the

³⁶ Modi and Abe will discuss various trade deals and pacts designed to develop closer strategic relations Retrieved from <http://time.com/4567566/narendra-modi-shinzo-abe-japan-visit/>

two nations promoted JITS (Japan Industrial Township) for continuous development and strengthening of relations under this sector. Lastly Abe by keeping in view the importance of Make in India agreed upon providing an ODA of 1.5 trillion yen. It would be the contribution by Japan's Nippon Export, Investment Insurance (NEXI) and Japan Bank of International Cooperation (JBIC). An agreement was signed between Japan Overseas Infrastructure Investment Cooperation for Transport, Urban Development (JOIN), India's National Investment and Infrastructure Fund for providing financial assistance under the investment sector.³⁷ Further in the year 2017, collaborations were made by both the nations under both the transport sector and investment sector. That is by setting up Intelligence Transport System in cities like Delhi, Mumbai, Kolkata, Chennai and Bangalore. Along with this talks were raised to set up road networks, metro project in Mumbai and unmanned ground vehicles and robotics.

Under the trade the two policies that gained momentum was the Memorandum concerning the Rare Earth Elements (RREs) in 2013. Under this agreement Japan's Toyota Tsusho Corp and Indian Atomic Energy Ltd agreed upon 10% supply of RREs by India to Japan's demand by satisfying 4100 tones of the minerals. However due to clearances and cost of production the RREs were not supplied from India to Japan (KA-HO-YU, 2012). With an effect to this in 2014 efforts were further made under Abe's administration, in order to deepen the bilateral ties in the light of rare earth minerals. However there were problems in fixing up the pricing of rare oxides minerals. Also in return India was asking Japan to invest in the corporate sector and transfer the technology. Finally in 2014 the agreement was concluded in 2014 where in Indian Rare Earth Limited (IREL), which is the only firm in India authorized to extract rare earths, had set up a 10,000 tons per annum in Odisha to produce (Sasi, 2015). In addition to this the Indian Rare Earth Limited (IREL) entered into a Memorandum of Understanding

³⁷ Japan India joint statement, Retrieved from <http://www.mofa.go.jp/files/000202950.pdf>

with the Bhabha Atomic Research Centre, and the Defense Metallurgical Research Laboratory. This was for the development of technology to produce rare earth metals and magnets.

In 2015, another agreement that gain momentum was the Amendment of Double Taxation. This was done to boost the economic ties which slowed down after 2013. Under this it holds four of the clauses. The first clause involved the exchange of bank information on tax matters. The second clause involved the receiving of Information by Japan authorities from India and vice versa. The third clause involved the collection of revenue claims with respect to the types of tax listed below. The fourth clause involved the exemption of tax with respect to the debt claims in reference to the financial authorities only for the listed banks.³⁸. That is applicable from 1st January 2017. The Japan and Indian banks have been exempted from different taxes respectively. In case of Japan banks like Bank of Japan has been exempted from Consumption Tax, Nippon Export exempted from Gift Tax, Japan Bank of International Cooperation exempted from Inheritance Tax. In case of Indian Banks the General Insurance Corporation of India is exempted from Excise Duty Tax, the Reserve Bank of India (RBI) is exempted from Wealth Tax.

(4.3)Analyzing the Implications of of China Rise on Indo-Japanese Relations

The Indo- Japan Relations in terms of China Rise after the year 2013 are primarily a result of the two prime policies that are High Speed Railway (HSR) system and Rare Earth Elements (RREs). The two nations are forming strong alliances after the soaring of relation of India and Japan with China.

³⁸ Taking the lead in Asia: Modi, Abe's vision for India, Japan ties : Retrieved from: <http://www.hindustantimes.com/analysis/abe-s-visit-japan-pm-wants-three-point-geopolitical-deal-with-india/story-2g7sSd4d5oqqRSFpbA88gJ.html>

It is from 2013 when the Memorandum of High Speed Railways (HSR) was signed between India and Japan. However the signing of the agreement took long time, as the planning and analyzing took a long time to ensure that the project does not face a financial burden. Finally in December 12, 2015 India and Japan signed the agreement related to the High Speed Railway (HSR) cooperation. It was viewed to be as the driving force towards transforming India. This was a 15 billion deal connecting Mumbai and Ahmadabad with a 505km railway line under the Mumbai Ahmadabad High Speed Railway (MAHSR) project. It was realized in building of the India's infrastructure as a part of Make in India initiative under the Modi administration.

On India's side it is China's rise in influence is to find the alternative ways to counterbalance its rise in power. This is primarily due to two reasons. Firstly India is facing political security issues with respect to One Belt One Road Initiative (OBOR) and Doklam crisis. Secondly it is because of drastic shift in increase of investment of China. As observed in Table1 China which held 28th rank with 0.19% investment inflow in 2014 towards India shifted to 17th rank with 0.48% investment flow towards India. Such a large marginal shift of Chinese investment flow shook the nation. In response to this Modi eased the foreign investment restrictions to build deeper strategic relations with Japan to bring about transformation in Indian economy. Modi remarked that "This enterprise will launch a revolution in Indian railway and speed up India's journey in future". He further added that "Tokyo would extend a \$12billion package of financing and assistance for the train"³⁹ Yet another reason is that India and China relations have dropped down due to incidents like Doklam crisis, boarder issues related to Ladakh region and the China Pakistan axis. All these events have pushed India to seek new opportunities by keeping Japan under the focus. It has also contributed in looking and acting

³⁹ India has been ready for bullet trains and it has been ready for many years. Retrieved from: <http://www.firstpost.com/india/india-is-ready-for-bullet-trains-and-it-has-been-ready-for-many-years-2549720.html>

towards the east under Modi's Act East Policy also paving a way for Make in India initiative. That is by attracting investment projects, as better infrastructure is required for attracting foreign investment for boosting the economy.

(Table-1)China's Foreign Direct Investment (FDI) in India

Period	Rank	FDI Inflow(in Rs crore)	FDI inflows(In \$million)	Inflows (%)
April 2000-2016	17	9,933.87	1,611.66	0.50
April 2000-2015	17	7996.09	1,322.81	0.48
April 2000-2014	28	2508.64	453.82	0.19
April 2000-2013	30	1641.9	313.02	0.15
April 2000-2012	31	1224.89	240.87	0.13
April 2000-2011	35	493.44	102.56	0.06
April 2000-2010	36	254.37	53.05	0.04

Source: Government of India, Department of Industrial Policy and Promotion: Retrieved from: <http://dipp.nic.in/publications/fdi-statistics/archives>

On Japan’s side, Abe is focusing to regain its dominant position in attracting HSR projects which will boost its economy. Yet another reason is China’s increasing influence through HSR projects in the Asian region. China has already constructed a total of 22000km high speed railways. The fastest train is also constructed by China by the name of Shanghai Maglev that runs at a speed of 430km. China also provides cheaper supply of technology for HSR projects, that are captivating many middle income Asian countries (Aiyar, 2017). China has attracted many projects from 2010 till current as seen in Table2. In 2015, when Japan lost the contract with Jakarta to China it was an alarming situation for Abe administration. It was a deal project estimated to 78 billion rupiah (\$5.5billion).The Japanese government quoted this situation as complicated. Firstly Japan revised its loan policies it reduced the time from 2 years to 1.5 years. Secondly a clause of currency conversion was added to make the loans attractive for the upper middle income countries. But despite making several changes Japan lost the Indonesian deal as the budget appeared higher to the Indonesian government as compared to the budget offered by China. After losing the Indonesian deal, Abe eased the loans so that it paves a way to boost its economy. More over in 2015 by involving the Partnership for Quality Infrastructure (PQI) the amendment to the previous policy was made by increasing the time period of repayment loans to 5 years. (Yoshimatsu, 2017, p. 4).Previously the Public Private Partnership (PPP) was amended in 2014. It involved the increase in the flexibility for granting these loans only in terms of Official Development Assistance (ODA) for helping in Japanese companies to get business.

(Table-2) Comparison of HSR Deals Won By China and Japan In Asia (from 2010 till 2017)

COUNTRY	WON BY	PROJECT STATUS
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Thailand	China	Project Preparation started
Laos	China	Construction started
Indonesia	China	Project Preparation started
Myanmar-Bangladesh	China	Project Preparation started
Vietnam	Japan	CANCELLED (Re-consideration from 2016)
Singapore- Malaysia	n/a(China and Japan face off)	
India(Mumbai Ahmadabad)	Japan	Project Preparation started

Source: Chinese High Speed Rail Retrieved from:
<https://reconnectingasia.csis.org/analysis/entries/chinese-high-speed-rail-southeast-asia/>

To summarize each side is trying to stabilize the power of China, which is eventually leading to a railway war. It is to conquer more of the influence in the region rather than the sales and profits. Where China aims at increasing its influence in South East Asia and reduce the vulnerability of the imports under One Belt One Road (OBOR) Initiative. China has already discussed HSR projects with 65 countries that comprises of 30% of the global economy. In other words the projects under planning are worth 900\$billion (Cendrowski, 2016). Whereas Japan aims at increasing its influence through railway sector after getting backed up in the Indonesian deal, something in which it is dealing with for more than 50 years thereby serving as a natural destination for attracting investment. This deal is viewed as a step to beat china. Also this deal allows Japan to be a long term infrastructural partner with India which will help to conquer its position in the transport sector. On India's side it will reduce its dependence on China for infrastructural development. This deal was inked as the second most

successful deal of Japan in the foreign market between Japan's International Cooperation Agency (JICA) and India's rail ministry. After this deal was finalized Modi remarked that

Japan has been making contributions to the development of India through quality infrastructure that has outstanding economic efficiency, is in harmony with the environment, and is long lasting. One excellent example of this is the Delhi Metro, which is serving as an essential public transportation system for the people of Delhi.⁴⁰

A result to this was observed in December 2015 when Abe and Modi concluded a Memorandum of Understanding (MOU) between the Indian Ministry of Railways, Japan's Ministry Of Land, Infrastructure Transport and Tourism (MLIT). It covered safety, sustainability and maintenance involving a 500km Mumbai-Ahmadabad Corridor agreement. It involved an estimated cost of 980 billion rupees (414.68 billion) and will commence and operate on 2017 and 2023 respectively. India will be buying this railway system at a loan credit of \$12 billion at an interest rate of 0.1% (Bureau, 2017). Abe remarked that Modi's making up policies are safe and reliable similar to that of the bullet train. He further proposed that if India adopts the Shinkansen system for all the other routes then the bilateral relations in the railway sector can be elevated. This can be possible by involving joint venture between Indian and Japanese companies. Further this will reduce the manufacturing costs, provide employment and ensure transfer of technology. That is through flow of low and technology for installing a reduced cost shinkansen system. With respect to this the former ambassador of Japan Hirsohi Hirabayashi stated that "India is not Indonesia or Thailand. It is a great nation, totally autonomous," and "It does not need to submit to Chinese pressure". (Aiyar, This Week In Asia, 2017)

Abe ensured that Japan's contribution has been highest in terms of the modernization of India. In addition to the railway assistance between Mumbai and Ahmadabad, there were two

⁴⁰ Times of India-2015/10/11

other memorandums inked. Firstly the Memorandum of Cooperation (MOC) between Indian Ministry of Railways and Japan's Ministry Of Land, Infrastructure Transport and Tourism (MLIT). That involves technological cooperation involving railway safety, transferring of the information. Secondly is the MOU (Memorandum of Understanding) on technological cooperation between Research Design and Standard Organization (RDSO) of India and Railway Technical Research Institute (RTRI) of Japan. That involves usage of environment friendly projects and maintenance of advance technologies. In the year 2017 this agreement was further elevated to a new level, Abe further stretched 100 billion loan ODA focusing on the modernization of railways and saving of energy. Along with shinkansen further collaboration under the transport sector was viewed. That was in the areas of up-gradation of Environmental Management for Ship Recycling in Gujarat in Alang and Sosiya, Kolkata East West Metro Project Phase (III) and North East Road Network Connectivity Improvement Project Phase (II). In addition to this talks were raised to open the Intelligence Transport System in Delhi, Chennai Mumbai, and Bangalore. In addition to this collaboration in networks like Ahmadabad Metro, Mumbai Trans Harbor Link Project and Eastern Peripheral Highway in Delhi was also discussed.

Yet another policy that came into being in the light of China rise was the Memorandum relating to trade of rare earth minerals between India and Japan in 2013. The rare earths are used in the production of green technology. The total RREs available globally is 100million tones. Two countries holding the maximum RREs are China that holds 23% to 55% and the United States holding 11 to 12% of the global supply chain of RREs (Zhang, 2014, p. 6). The other countries holding RREs are India, Australia, Malaysia, Brazil and Malawi. The rare earth elements are very high technology gizmos used for making smart phones, missiles, electric cars and wind turbines. Both India and Japan holds issues with China. On Japan's side, it has been paving ways from late 2010 for meeting its consumption demands which

China restricted by dropping the exports from 80% to nearly 40%. Japan is the second largest consumer for rare earths in the world. (Chotani, 2017, p. 3). It is due to the collision of the safeguard vessels in 2010 on the disputed East China Sea. The incident affected the relations between China and Japan as both claims their sovereignty in terms of Senkaku Islands. Since then the political security relations soared between the two nations in response the Chinese government declined its exports by 77% of the rare earth minerals.

An effect of which can be seen in Japan's import from China falling from 2.03% to 1.43%. Not only this Japan which was the 2nd largest importer in 2011, its rank subsequently declined by making it the 5th largest importer by 2014 as seen in Table-3. It is because Japan has been seeking ways to attract the rare earth minerals as it plays a vital importance to the manufacturing companies. China imposed restrictions on its trade of rare earth minerals in 2010 as seen in Figure-3. The EU union, USA and Japan set a complaint against China. In return the WTO too marked China's actions as a breaching of the WTO obligations. China which holds most of the world rare earth minerals when scrolled up the prices Washington began to view this as a step to promote China's domestic market against the US market.

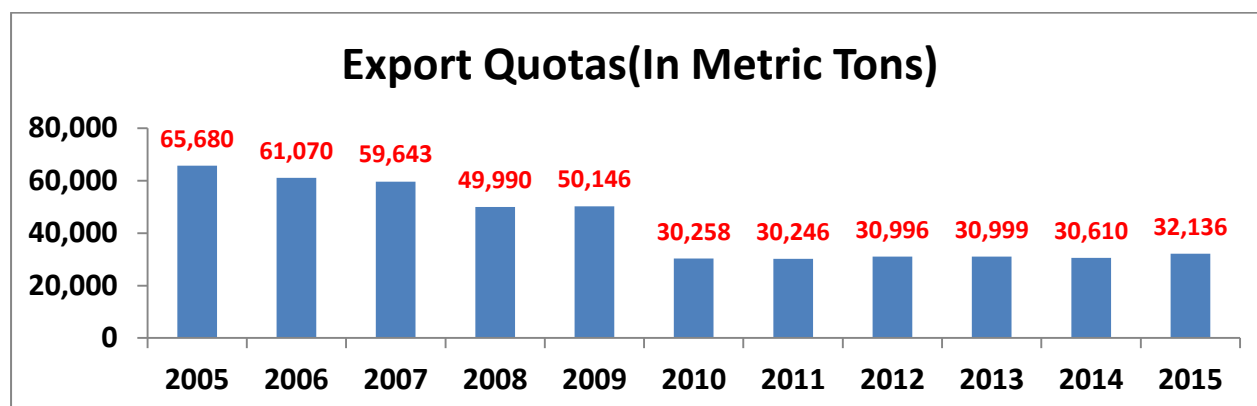
(Table-3) China's Export of Rare Earth Elements (REEs) to Japan (from 2010 till 2016)

Year	Rank in the World	Partner Share Export in the World (%)	Export US(\$)	Export (%)
2010	4	10.35%	2,214,153.88	1.83%
2011	2	11.10%	3,016,910.44	2.03%
2012	3	8.61%	2,160,0957.06	1.43%
2013	4	8.17%	2,126,650.79	1.42%

2014	5	7.41%	2,167,650.79	1.45%
2015	5	6.79%	1,806,523.10	1.33%
2016	5	7.37%	1,743,878.91	1.35%

Source: World Integrated Trade Solution; Retrieved from: <https://wits.worldbank.org/CountryProfile/en/Country/CHN/Year/2005/TradeFlow/Export/Partner/by-country/Product/OresMtls/Show/Partner%20Name;XPRT-TRD-VL;XPRT-PRDCT-SHR;/Sort/XPRT-TRD-VL/Chart/top10>

(Figure-3) China’s Export Quotas for Rare Earth Oxides (REOs) from 2010 to 2015(In Metric Tons)



Source: Chinese rare earth element export quotas, Retrieved from: <https://www.statista.com/statistics/215216/chinese-rare-earth-element-export-quotas/>

This is because the export prices were 68% higher than the domestic prices as observed in Table-4. For instance in case of lanthanum oxide the domestic price was 18.3\$ per kg and the export price for the same stood at 66.5\$ per kg, thereby the price difference being 263.4%. In

case of samarium oxide the domestic price was 14.5\$per kg and the export price for the same stood at 95.3\$ per kg, thereby the price difference being 557.2%. However China defended itself that in order to reduce the environmental problems it imposed such restrictions. As the Japan and China relations dwelled, Japan has been being going for diplomatic initiative towards meeting up its rare earth minerals demands outside China. It has opened up Rare Earth Research and Technology Transfer in Hanoi, Vietnam. Now it is looking towards India which has authority for deep sea mining in the central Indian Ocean by the International Sea bed authority. The deputy director of minerals Akira remarked that ““It is critically important for Japan to secure sources of rare earths outside of China,“. It was viewed that 15% of the needs of Japan towards rare earth minerals can be fulfilled with an agreement with India in relation to Japan’s demand which was expected to increase to 18000 tons till 2018 (Mancheri, 2011).

**(Table-4) Comparison of China’s Domestic and Export Prices of Rare Earth Elements
In the Year 2012**

Rare Earth Oxide	Chinese Domestic Price (\$per kg)	Chinese Export Price(\$per kg)	Percentage Difference
Lanthanum Oxide	18.3	66.5	263.4%
Carium Oxide	20.7	59.3	186.5%
Neodymium Oxide	122.8	244.2	98.9%
Praseodidium Oxide	107	209.6	95.9%
Samarium Oxide	14.5	95.3	557.2%

Dysprosium Oxide	1085.4	2032.1	87.2%
Europium Oxide	2228.4	3800	70.5%
Terbium Oxide	1765.1	2973.9	68.5%

Source: The Future of Strategic Natural Resources, Retrieved from:
<http://web.mit.edu/12.000/www/m2016/finalwebsite/problems/limitedaccess.html>

On India's side it is Modi's Act East Policy in terms of the Make in India Initiative so as to create its own wealth of rare earth minerals. China's increase in export quotas and its RREs dominance has pushed the Modi government to pave ways to extract and collect its own RREs. It is from Kerala from where minerals like monazite and ilmenite can be extracted in manufacturing of materials like magnets. According to the Council of Energy Environment and Water India is dependent on only 7 out of the 12 critical minerals required in the area of aerospace and automobile. India has already been granted the authority to extract rare earth minerals from the central Indian Ocean 1, 50, 000 sq km through deep sea mining which is 380 million metric ton.⁴¹ But the Samudra Ratnakar will not be sufficient India requires high end exploration vessels to extract more rare earth minerals. However China has been dominating the market as it too has access and using robotics and high end technology for seabed commercial mining. India is therefore looking towards Japan for getting the high end technology and reduces its dependence on China a joint collaboration between the two nations which will not only reduce dependency but also meet the Japanese demands.

Therefore both countries are continuously focusing on reducing dependency on China in order to cut down the tax outlay at the time of importing the important minerals. India on one

⁴¹ How deep sea mining can enrich India's energy future. Retrieved from:<https://www.dailyo.in/politics/modi-government-india-japan-ties-indian-ocean-region-dae-deep-sea-mining/story/1/7351.html>

hand is joining hands with Japan to set up its own nuclear plant by which it will be able to contribute an export of 5% of the rare earth minerals supply such that it can accomplish its manufacturing targets by 2030. Whereas Japan high export ban on rare earth minerals will also be relaxed if India supplies the necessary rare earth minerals. In relation to this an agreement between Japan and India tied up in 2013 where India will be satisfying 10% of the Japan's demand by supplying 4100 tones. It is an agreement between the Indian Atomic Energy Ltd and Japan's Toyota Tsusho Corp. However due to clearances and cost of production the supply was not been able to be made by India to Japan (KA-HO-YU, 2012). In 2014 efforts were further made under Abe's administration to deepen the bilateral ties in the light of rare earth minerals. However there were problems in fixing up the pricing of rare oxides minerals in return India was asking Japan to invest in the corporate sector and transfer the technology.

Finally in 2014 the agreement was concluded in 2014 where in IREL, which is the only firm in India authorized to extract rare earths. It had set up a 10,000tpa (tons per annum) monazite processing plant at its unit in OSCOM (Orissa Sand Complex), Orissa to produce about 26tpa of nuclear grade ammonium di- uranate. IREL has retrofitted its facilities at Aluva, Kerala to process about 5,000tpa of mixed rare earth chloride and to produce separated high pure rare earths (Sasi, 2015). Further, IREL has entered into a MOU (Memorandum of Understanding) with the Bhabha Atomic Research Centre and the Defense Metallurgical Research Laboratory. It is for developing technology to produce rare earth metals and magnets. Moreover Japan's Toyota Tsusho Corporation is located in Andhra Pradesh in Vishakhapatnam.

It is for the production of rare earth minerals after the agreement between the Indian Rare Earth Limited (IREL) and Japan's Toyota Tsusho Corporation (TTC). It will be using neodymium, cerium, lanthanum and praseodymium for the production of electric and hybrid

cars aiming at meeting up 15% of RREs demand for Japan. That is by the production of 2000 to 2300 tons a year export by India to Japan from 2016⁴². The rare earth collaboration between the two countries can play a vital role as India has been granted the access even in the Brahmagiri (the Puri district), that is 2500 hectares and where India and Japan collaboration can also play a crucial role in the future. To sum up the above the economic relations in terms of China rise has been escalating either as a competitive factor or due to an effect of soaring of political security relation. India's relations towards China have certain gaps which are eventually forcing Modi to look towards Japan through his Make in India initiative to boost the trade and infrastructure and to lift the India and Japan relations to a new level. Also China's increasing dominance and dependency in RREs is a fear for not only India but Japan. Collaboration between India and Japan is vital as India has access to extract rare earths from Indian Ocean and Japan has high end technology to provide due to which India is backed up.

(4.4)Analyzing the Implications of on Indo-Japan Relations in terms of Prime Minister

Relative Strategy

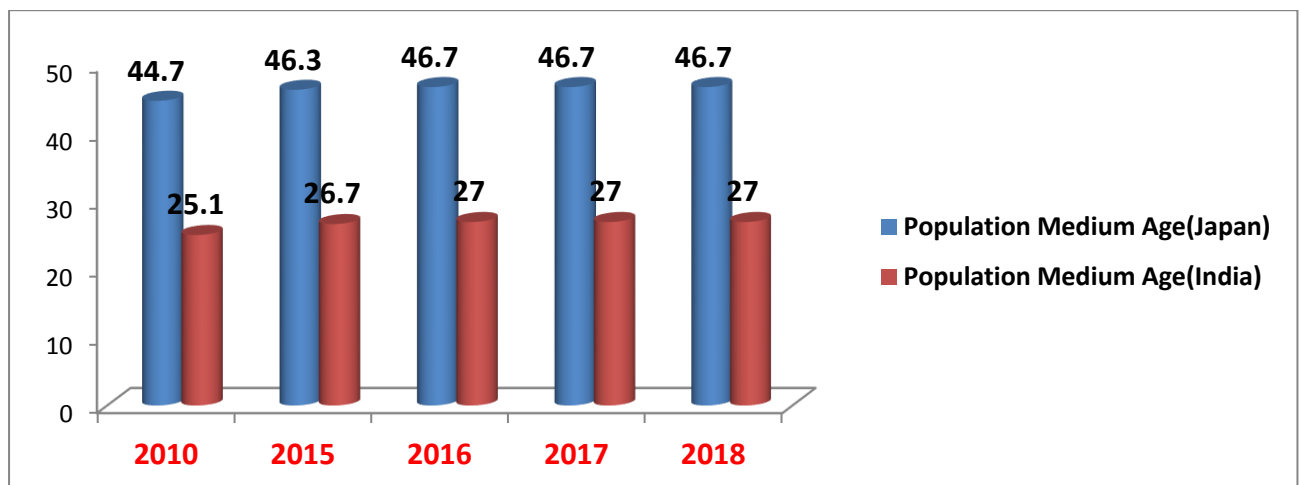
There has been a huge transformation in the policies under the Prime Minister's strategy in relation to India and Japan relations in economic field. This part puts two policies under the lens of Prime Minister's strategy, which are the Smart City Initiative (SSI) in 2014 and Amendment of Double Taxation Convention in 2015.

In 2015 Abe and Modi began focusing on increasing relations in the area of investment sector. The Double taxation agreement that was signed long back in 1989 was amended in

⁴² Nikkei Reuters- 28-8-2014 Rare earth diplomacy: India and Japan makes strategic partnership to explore stakes in deep-sea mining: Retrieved from: <http://www.dailymail.co.uk/indiahome/indianews/article-3316143/Rare-earth-diplomacy-India-Japan-makes-strategic-partnership-explore-stakes-deep-sea-mining.html#ixzz51VJQqa3f>

2003 and then further amended in 2015. On Japan's side it is Abe's three arrow strategy, which aims at pooling funds by stretching and supporting the private sectors through investment. The very aim of the Abe administration is avoid any deflationary gap or negative inflation. Therefore, in order to avoid this situation Japan needs to increase its investment, earn profits and then employ more people. In short it needs to increase both its production and consumption. Yet another flaw is Japan's ageing population, which is increasing its dependence to employ people from other countries. As seen in Figure-4, Japan's medium age population stands between 44.7 and 46.7 from 2010 to 2018 respectively. In contrary to this the medium age population of India stands between 25.1 and 27 from 2010 to 2018 respectively. This indicates that the average age of the population is lesser in case of India, when compared with Japan, thereby India comprises of youth population.

(Figure-4) Population Medium Age Comparison of India and Japan

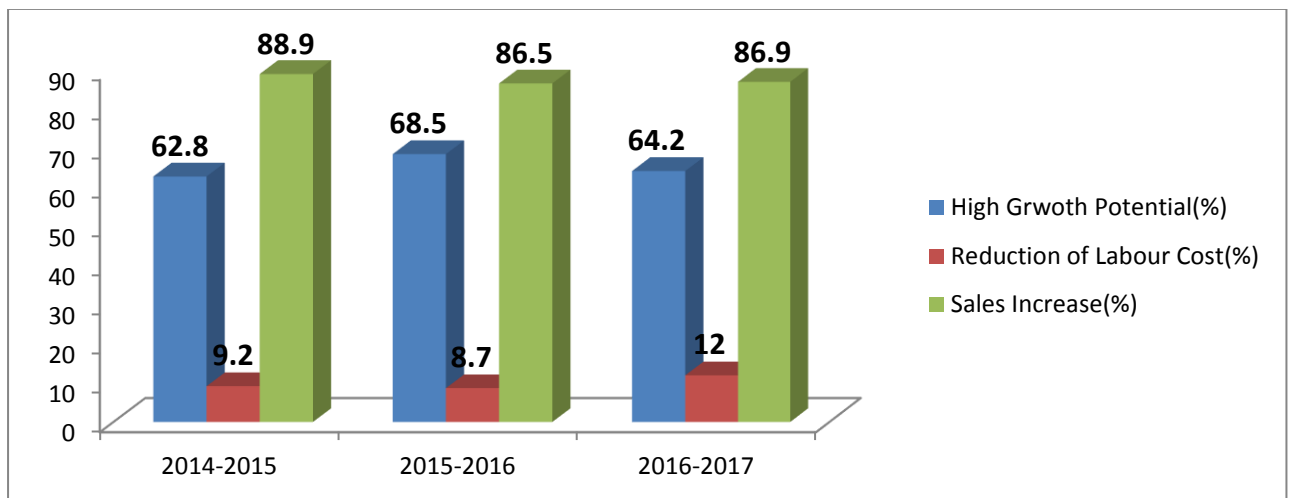


Source: Age Distribution in India and Japan :Retrieved from: <https://www.statista.com>

In such aspect Abe viewed India as the greatest potential. By lifting up the 50 years export ban and by increasing the time period of repayment loans under the Partnership for Quality

Infrastructure (PQI), Abe administration has paved ways to gain from India’s competitive and potential market. India comprises of 1.2 billion people, a competitive workforce and a large middle class economy. It serves as a captivating manufacturing base for Japanese firms. The number of Japanese firms has grown 5times in the span of 10years, currently standing out 1229 companies in India⁴³. India consecutively in 3years has served as the highest growth potential market in Asian region between 62.8% and 64.2% as surveyed by JETRO. Under this survey as seen in Figure-5- the two reasons highlighted in this respect are mainly the sales increase that stands between 86.5% and 88.9%, also the reduced or cheap labor cost that stands between 86.5% and 88.9%. India marks among top five countries in the Asian region in these two aspects among countries like China, Myanmar, Taiwan, Indonesia and Cambodia.

(Figure-5) Factors affecting Japanese Company’s FDI interests in India



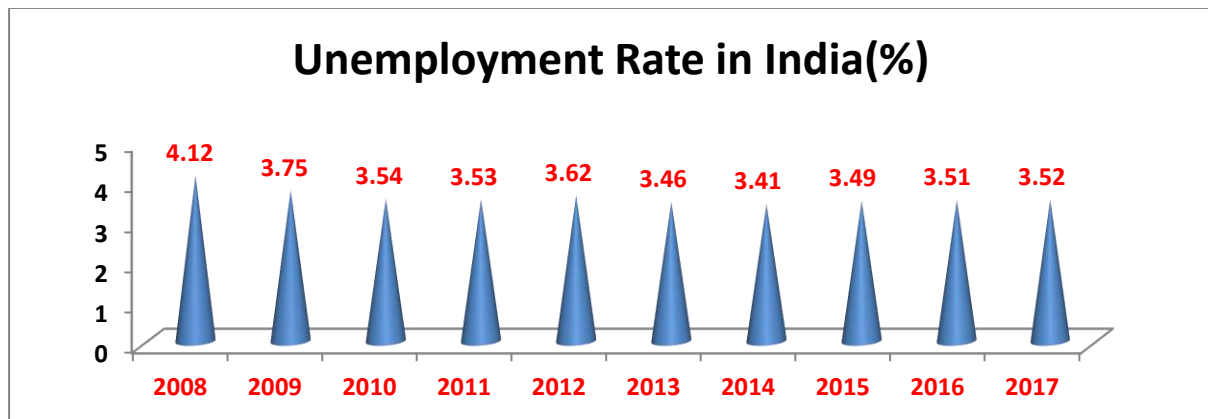
Source: Survey on Business Conditions of Japanese by JETRO-Affiliated Companies, Retrieved from:
<https://www.jetro.go.jp/en/reports/survey/>

On India’s side it is Modi’s Make in India Movement, under which the agreement gained momentum. In contrary to Japan, Indian economy is backed by unemployment, poor

⁴³ India is very talented but needs technology Retrieved from:
<https://www.businesstoday.in/magazine/features/bilateral-ties-between-india-and-japan-have-seen-consistent-improvement/story/236348.html>

infrastructure and lack of technology. As seen in Figure-6 the unemployment rate stands at 3.46% in 2013, which is very slowly dwelling down at lower rate. Under the current scenario it is difficult for the Indian economy to lift up to 25% till 2022 creation of jobs, something that the Modi administration aims to accomplish. In addition to this the Modi government has aimed to increase the Gross Domestic Product (GDP) to 25% in the coming years by moving the Indian economy from service sector to the manufacturing sector. This aim can be accomplished when enough foreign investment in the private sectors can be attracted.

(Figure-6)India’s Unemployment Rate from 2008 To 2017 (In Percentage (%))



Source: Unemployment Rate in India: Retrieved from: <https://tradingeconomics.com/india/unemployment-rate>

Upon the India and Japan meet, Abe declared a sum of \$11 billion to be invested in the public and private sector of India under the Japan Plus initiative. Modi marked this as “ache din” which means “good days” (Memani, 2014, p. 7). The Modi government from 2014 has been

paving ways in attracting foreign investment in the form of projects like High Speed Railways (HSR), Smart City Initiative. The Indian government is trying to remove hurdles in attracting more FDI by removing challenges leading to taxation through this policy. Modi remarked that “The spirit of ‘welcome’ should aim to cut red tape, remove infrastructure challenges and avoid project delays in India.”⁴⁴. The Foreign Direct Investment has grown 6times in 10years.

Thus in 2015 to boost the ties in this aspect which slowed down after 2013 the Amendment of Double Taxation came into being. This Convention has four of the clauses. The first clause involved the exchange of bank information on tax matters. The second clause involves the receiving of Information by Japan authorities from India and vice versa. The third clause comprises of the collection of revenue claims with respect to the types of tax listed below. The fourth clause is that the exemption of tax with respect to the debt claims in reference to the financial authorities (listed banks) below. According to the Nangia and Co Managing Partner Rakesh Nangia this agreement has led to avoidance of collection of tax between both the nations. Also two of the Japanese banks namely the Japan Bank of International Cooperation and Nippon Export and Investment Insurance is already setting to fund India with 83000crore.⁴⁵

Also under this agreement a special clause related to transparency of information has also been added that the Indian and Japanese banks are authorized to share when required by the respective government. India’s top Tax consultancy firm’s manager from Nangia and Co

⁴⁴ It’s time to say Irrashaimase to Japan, Retrieved from: <http://www.thehindu.com/business/It%E2%80%99s-time-to-say-%E2%80%98Irrashaimase%E2%80%99-to-Japan/article17041353.ece>

⁴⁵ Taking the lead in Asia: Modi, Abe’s vision for India, Japan ties : Retrieved from: <http://www.hindustantimes.com/analysis/abe-s-visit-japan-pm-wants-three-point-geopolitical-deal-with-india/story-2g7sSd4d5oqqRSFpbA88gJ.html>

remarked that “This will act as a deterrent and help in reducing tax avoidance and evasion and will also enable assistance in collection of taxes between India and Japan. The ambit of taxes has been widened to include indirect taxes such as wealth tax, excise duty, service tax, sales tax and VAT”⁴⁶ This has been replaced and amended under Article 24.

(Table -5) Case Of Japan(Any Tax Beginning Or After 1st January 2017)

S.No	Kinds Of Tax Exempted	Banks Listed
1	Consumption Tax	Bank Of Japan
2	Inheritance Tax	Japan Bank of International Cooperation
3	Gift Tax	Nippon Export and Investment Insurance

Source-Tax Policy International Press Release, Retrieved
from:http://www.mof.go.jp/tax_policy/summary/international/press_release/20151211in_b.pdf

S. No	Kind Of Tax Exempted	Listed Banks
1	Wealth Tax	Reserve Bank Of India
2	Excise Duty	General Insurance Corporation Of India

⁴⁶ India Japan Amendment Tax Treaty comes into force: Retrieved from:<http://indianexpress.com/article/india/india-news-india/india-japan-amended-tax-treaty-comes-into-force-3732640/>

3	Service Tax	New India Assurance Company Ltd
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(Table- 6)Case Of India (Any Tax Beginning Or After 1st April 2017)

Source:-Tax Policy International Press Release: Retrieved from:http://www.mof.go.jp/tax_policy/summary/international/press_release/20151211in_b.pdf

However a need for free and open investment climate was felt in 2016 to reach full potential. Modi and Abe have pledged to lift up the investment from \$21billion in 2013 to \$35billion in coming 5years.However in order to grow investment the business leaders of both the nations have urged the Indian government to work over the complexities in relation to the tax system of India. In addition to these issues like passing of land acquisition bill, standard tax and certification systems, further relaxing of restrictions on foreign investment and financing. In relation to this the Modi government adopted the Goods and Service Tax system (GST) in 2016. This kind of tax system has led to transparency, standardized taxes, and curbed the land acquisition problems. In relation to this Modi remarked that

“Japan can benefit tremendously with the size and scale of our potentials and skilled hands that India offers. To allow entry of capital and technology, we have worked hard on opening our economy. Today, India has one of the most liberal FDI regimes in the world. More than 90% of the FDI approvals have been put on automatic route,”⁴⁷

Further in 2016, for standardizing the certifications and norms an Administrative Procurement act came into force. This was to set up common rules and procedures for national taxes. Under this act the Withhold Tax of 10% (involving royalty, dividends, and technical fees)

⁴⁷ Modi woos Japanese investors with lots of promise and resolve: Retrieved from: <https://economictimes.indiatimes.com/news/economy/infrastructure/pm-narendra-modi-invites-more-japanese-investment-4-townships-to-come-up/articleshow/60516546.cms>

was eliminated as per the Japanese domestic laws. In addition to this a subcommittee was set up for the first time to improve the business environment under India-Japan Comprehensive Economic Partnership Agreement. The committee will ensure the economic partnerships and infrastructural development. In this regard in 2017 Abe highlighted that the “Ja” of Japan and the “I” of India together makes “Jai”, where in JAI in Hindi means victory⁴⁸. To recapitulate if Indian economy has skilled workforce, potential market then it is backed up by unemployment, lack of technology, financial assistance. In contrary to this Japan is technologically advanced, but is backed by ageing population and requires young professionals. It also needs potential market to invest and gain profits. The two countries complement each other in this sense.

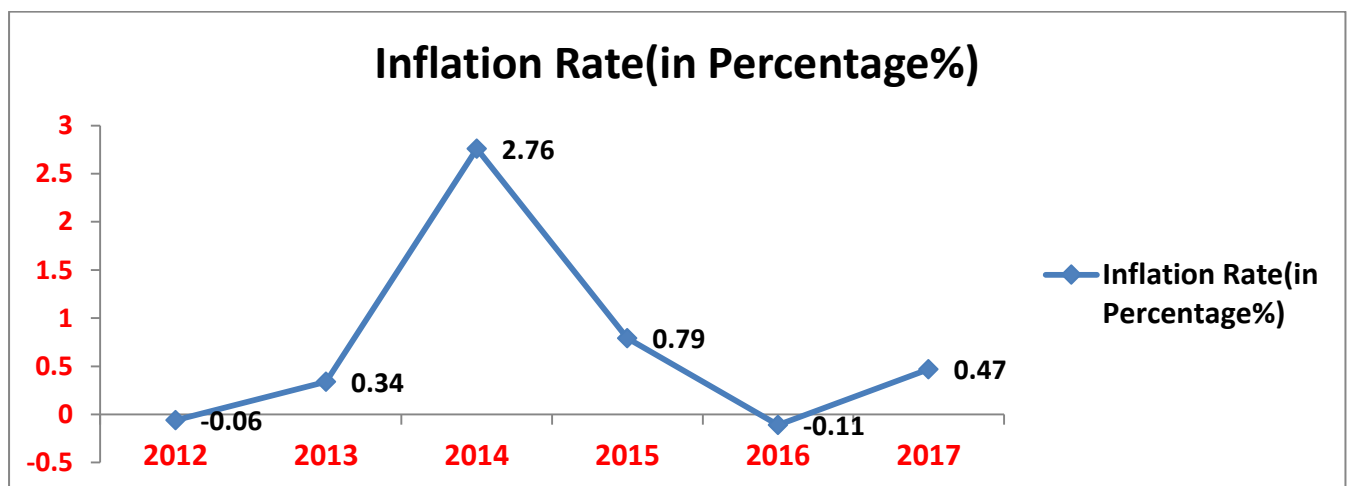
Yet another policy under Modi and Abe strategy is the Memorandum of Understanding involving building of smart cities. On India’s side it is Modi’s Make in India Initiative that formulated this action plan, that is to develop Varanasi into Smart City through Japan’s foreign aid. In 2014 when Modi’s administration was elected he pledged for making 100 smart cities in India. Under this approach those cities that cover all the parameters will be built as smart cities believing that it is the government’s responsibility to create a standard of living for migrants from rural areas with the target of accommodating urban population of 814million by 2050 (Sandyala, 2015). He remarked that “Cities must get a chance for their growth”⁴⁹ to lay a future growth for the nation. The spokesperson from MEA said that the Prime Ministers are keen on “rejuvenating Indian cities as urban centers”. This pact was seen in the light of equality and mutual respect by agreeing upon strengthening the cooperation between the two nations.

⁴⁸ Japan’s Investments in India Unveil Growing Economic Partnership: Retrieved from: <https://www.india-briefing.com/news/japan-india-infrastructure-investments-unveil-growing-economic-partnership-15237.html/>

⁴⁹Cities should get chance to plan their growth says Modi: Retrieved from: <http://www.thehindu.com/news/national/prime-minister-narendra-modi-launches-smart-cities-mission/article7353823.ece>

On Japan's side it is Abe's three arrow strategy that is aiming at investment in India which paves a way for economic revival. As he declared in 2013 that his aim is to end the deflation through what is called the "Abenomics" by clearly mentioning that his target is to achieve high per capita income. As seen in Figure-7 the inflation has been negative in the year 2012 which stood at -0.06%, that created a negative inflation or deflationary gap in the economy leading to increase in price of goods and services.

Figure-7-Japan's Inflation Rate (from 2012 to 2017)



Source: Inflation Rate in Japan
rate-in-japan/

Retrieved from: <https://www.statista.com/statistics/270095/inflation-rate-in-japan/>

Since then the Abe administration has taken steps, which can be viewed in the light of Public Private Partnership (PPP) for granting loans in the private sector in 2013. Further the policy was amended in 2014 by increasing the flexibility for granting these loans in terms of Official Development Assistance (ODA). There by helping the Japanese companies to get business. Yet another elevation was seen in 2015 the Partnership for Quality Infrastructure which involved the increase in time period of repayment loans to 5 years. (Yoshimatsu, 2017, p. 4) .He also mentioned that “That the aim of the growth strategy is nothing other than to create more jobs for enthusiastic people and raise take home pay for those who are working hard” (Kaneko, 2013). Also this will pave a way for better political security relations between India and Japan in the aim of making Japan a normal country. Abe viewed this agreement in the light of “new chapter” in taking the bilateral ties to a new level. Both the leaders quoted this meet as very successful and further decided to look over cities like Andhra Pradesh and Karnataka in the next meet under the smart city initiative.

In relevance to this Modi highlighted that, Japan serves as the only nation in reference to the contributed in Indian Infrastructure. At an average Japan will be providing 7\$ billion per year to a sum of 35\$billion.Other than this the two leaders also discussed to bring up Industrial Townships, and allow companies to invest under the structure of Special Economic Zones(SEZ) followed by National Investment and Manufacturing Zones(NIMZ). The two leaders tried to explore every possible way to boost the investments in public and private sector. In reference to this Abe agreed to stretch 50 billion yen to the Indian Infrastructure Finance Company Ltd. Along with the building of Varanasi into a smart city it was also decided to clean the river Ganga by rejuvenating it under the “Swatch Bharat Abhyan Initiative”. Through this Modi decided to keep Japan on a Fast Track Channel, and remarked that “Prime Minister understands my vision and agreed to help” and that “That there is nothing lacking in our will. There is new enthusiasm and will.” (Kaul, 2014)

Since Kyoto and Varanasi both are significant in terms of cultural heritage. Hence the importance maintains that Varanasi is as clean as Kyoto the driving factor for Modi to take such an initiative. Also that the Modi government manifesto under the Bhartiya Janta party is “to build a Modern India, the best foundation is our own culture; the best tool our own hands, and the best material our own aspirations” (Vohra, 2014). The Smart City Cooperation between India and Japan can be seen in this context. Along with this Modi’s aim to increase the GDP will also get fulfilled. The Smart City will helping in increasing 10% to 13% which will boost the economy and will help to shift from a service sector economy to a manufacturing economy. Under the Smart City Cooperation Modi remarked that “No nation has contributed so much to India's modernization and progress like Japan - cars, metros and industrial parks, for example. And, no partner is likely to play as big a role in India's transformation as Japan”.⁵⁰

For both India and Japan the importance of FDI is important. This is because if on one hand India possesses rich natural resources and large youth population, then it is backed by high end technology. Similarly Japan on one hand has advanced technology and is the third largest ODA contributor to India, and then on the other hand it is backed by the ageing population and deflation. Collaboration between the two nations can be favorable in this context. Yet another context in which the two nations share a synergy is the common culture Buddhism. It is a common cultural exchange under the common platform that is Sister City Partnership. Where in Varanasi in India will be a sister city to Kyoto in Japan. A synergy between Abe’s 3 arrow strategy under Partnership of Quality Infrastructure and Modi’s Make in India Initiative can be closely connected in this context. Supporting on to Modi’s Make in Initiative Kishida remarked in 2016 that

⁵⁰ Insurance-against-usas-weakness-modi-and-abe-allying-against-china
Retrieved from: <https://easaily.com/en/news/2016/12/05/insurance-against-usas-weakness-modi-and-abe-allying-against-china>

In the economic and investment realm, Japanese investment to India in the fiscal year 2015 was around \$2.6 billion whereas that in the previous year was \$2.0 billion. I am pleased to see the increase of the figures. When Prime Minister Modi visited Japan in 2014, Prime Minister Abe made a commitment to invest 3.5 trillion yen in India in five years and to double the investment in the same period. It includes not only private investments but also ODA assistance to meet India's needs including infrastructure projects.⁵¹

Thus in August 2014 when Modi visited Kyoto the MOU was signed to develop Varanasi into Smart City Cooperation (SCC). It was signed under the Partner City Affiliation involving city modernization, heritage conservation. That in turn is driving towards a smart heritage city program taking inspiration from Kyoto, which is the heritage city for Buddhist culture. Both Kyoto and Varanasi have a lot in common involving weaved and manufactured toys and dotted shrines. Thus keeping the aim of turning Varanasi into a city induced with modernity and heritage this agreement was concluded. Yet another elevation was seen in 2017 when Modi and Abe involved cities like Andhra Pradesh, Tamil Nadu and Rajasthan and Gujarat in setting up industrial parks. Thereby aiming to boost the economic growth to 80% as compared to the financial year 2015-2016 from 2.6\$ billion to 4.7\$billion (Chaudhary, 2017). The construction of these parks will start taking place from Gujarat at Sanand where the Japanese industrial parks will be made. The second industrial park will be constructed in Mandal attracting an investment of worth Rs 25000crore undertaken by the Japan External Trade Organization.

(4.5) CONCLUSSION

Thus to sum up the Indo-Japan relations can be viewed in the 21st century mainly in two dimensions, which are China Rise and the Prime Minister Strategy. In terms of China Rise

⁵¹ Challenges and Prospects of Japan's Diplomacy: Retrieved from: in.emb-japan.go.jp/itpr_en/00_000057.html

the two policies that have been formed are rare earth minerals and Shinkansen. As far as the Shinkansen is concerned it is playing a key importance in taking Indo-Japan relations to new heights. Under such scenario Japan to take over the other routes too in India and can dominate the Indian Market in the next possible years. Also this will help it to get back its top position globally which China is trying to take over. On India's side high dependence on Chinese investments can be reduced. In terms of rare earths India is trying to compete with China by domestically increasing its output of essential rare earth minerals. If India tries to continue in this aspect like an important cite has been discovered in Kerala then it can increase its global supply to 5%. Through such collaboration both India and Japan will also reduce its dependency on China that can be diverted in the areas of automobile and aerospace.

Yet another dimension to India and Japan relations can be viewed in terms of Prime Minister Strategy. On India's side it is Modi's Make in India initiative, that is playing a key role to boost the economy by attracting the investment and Japan is taking here the advantage to establish its three arrow strategy that targets the long term growth. Also initiatives like the Amendment of Double Taxation are playing a vital role to ease investments by relaxing the taxes which are different in case of Japanese and Indian banks. These policies are playing a key role in the sense that it is opening new areas in taking the realities to new heights which observed a slowdown from the year 2012 under Modinomics and Abenomics

CHAPTER-5-CONCLUSSION

(5.1)Introduction

It is from the year 2013, when India and Japan relations has been rising. However a much elevation has been observed from 2014 under the Abe and Modi alliance. This research has

focused on India and Japan Relations in terms of Political Security bilateral interests and Economic bilateral interests. Under the political security the Indo-Japanese relations have observed a much elevation than the economic relations which slowed down in 2013. But both the strategic leaders Modi and Abe have also been focusing in the economic front too. In order to address the research question as to how are the Indo-Japanese policies influencing the proliferation of closer Indo-Japan bilateral interests in the light of political security and economic interest, it is important to draw one's attention to two of the hypothesis attached to it.

The first hypothesis is in the light of China Rise. The China rise has been posing a great threat in terms of South China Sea to both India and Japan. Several issues like the Sparty Islands issue, and Doklam crisis in Ladakh with respect to Japan and India has pooled up enough incidents to bring the Asia's two powers to come together and form an alliance. The second hypothesis is in reference to the Prime Minister Strategy that can be identified in terms of Abe's Proactive Contribution to Peace and Modi's Act East policy in political security front. Together with Abe's 3 arrow strategy and Modi's Make in India Initiative in terms of economic front. Under this research a third dimension to the study has been found and that is the synergy between China Rise and Prime Minister Strategy in formation of the policies. This Chapter is divided into three parts the first part explains the findings related to China Rise, the second part explains the findings related to Prime Minister Strategy and the last part will lay down the future analysis.

(5.2) Findings Related to China Rise and Prime Minister Strategy in both Political Security and Economic Grounds

(Table -7) Findings related to Indo- Japanese relations in terms of China Rise (2013 till current)

Policy	DIRECT VARIABLE INVOLVED
Trilateral Dialogue	China's growing dominance of China rise in East China Sea. The dialogue is formed under the ' collective defense mechanism ' that is the Indo-Pacific strategy with respect to Modi's Act East Policy and Abe's Proactive Contribution to Peace .
Nuclear Pact Treaty(NPT)	China's closer alliance with Pakistan and North Korea this pact has gained momentum.
Shinkansen-(Mumbai Ahmadabad High Speed Railways(MAHSR))	India's high dependence on China's investment and China's growing dominance in transport sector with respect to HSR leading to rail war

	between China and Japan.
Rare Earth Elements(RREs)	In order to stabilize the unfair equilibrium risen due to China's high export quotas since 2011 restrictions on rare earth minerals.

Source: Author

Thus it can be concluded that the Indo-Japan relations in the political security field can be viewed in two dimensions one is China Rise and the other is Prime Minister Strategy. Under the China Rise it is China's military expansion in South China Sea is posing threat to both India and Japan in the political security field. Under the China Rise the two major policies that came into being is the Trilateral Dialogue that is shared between India, Japan, USA which is reshaped back into the Quadrilateral Dialogue including Australia. This is also referred to as Asia's long awaited Dialogue after 2007. Yet another policy emerged is the Nuclear Pact treaty where Abe's administration has removed the nuclear export ban over India after 50 years. Such a initiative is helping both India and Japan to secure their military potential and stabilise the emerging and growing dominance of China. In short the Asia's new architecture has begun to emerge in the light of India and Japan.

In the economic front the two policies that have been formed is in the light of Shinkansen (High Speed Railways) and rare earth minerals. As far is Shinkansen is concerned it is playing a key importance which is primarily a result of railway war between China and Japan,

especially after Japan lost the Indonesian deal. Japan is trying to regain its position in transport sector. Abe has made revisions in easing loans under the Partnership for Quality Infrastructure. After which a closer alliance is observed between India and Japan. Japan can take over the other routes too in India and can take advantage to secure its position in Indian Market. On India's side a closer alliance with Japan in this sector can attract investments and generate employment. Moreover it can reduce its dependence on China's increasing FDI. In terms of rare earths India is trying to compete with China by domestically increasing its output of essential rare earth minerals. Also a closer alliance with Japan can improve the trade relations with Japan which can benefit in agreements related to transfer of technology. On Japan's side it will help to curb with China high export quotas and can fulfill its demand for its domestic market by diverting and getting into agreements with countries like India, Australia and Indonesia. Hence the China Rise remains a dominant factor as compared to the India and Japan's domestic needs that can be fulfilled through these agreements.

(Table -8) Findings related to Indo- Japan relations in terms of Prime Minister Strategy (2013 till current)

Policy	Direct Variable Involved
Security Measures for Classified Military Information	India and Japan alliance to secure the position in SLOC region under Abe's Proactive Contribution to Peace and Modi's Act East Policy .
Transfer Of Defense Equipment And Technology	Abe's Proactive Contribution to Peace and Modi's Act East Policy under " deep strategic ties ". An effect of Russia-Pakistan alliance and lift of export ban treaty with respect to India and Japan respectively.

Amendment Of Double Taxation	Japan's free and open investment strategy under Abe's 3 arrow strategy and India's no red tape policy under Modi's Make in India Initiative.
Smart City Cooperation(SCC)	India and Japan closer alliance under sister city partnership an effect of Abe's Partnership for Quality Infrastructure and Modi's Make in India Initiative.

Source: Author

Yet another dimension to India and Japan relations can be viewed in terms of Prime Minister Strategy. In terms of political security it is Modi's Act East Policy and Abe's Proactive Contribution to Peace under deeper strategic ties has gained momentum. The two policies that came into being is the Transfer of Defense Equipment and Technology and Security Measures for Classified Military Information. China and North Korea are serving as a threat to Japan and Russia and Pakistan alliance posing a threat to India. Abe's move to remove the nuclear ban and Modi's eagerness to fuel in military strength is driving the two nation's deep strategic interests. Yet another reason is the China factor that serves as a common factor for India and Japan in securing position in SLOC region. Hence the dominating factor in India and Japan alliance is the urge to increase the military strength in comparison to China forming as the only threat.

In the economic front on India's side, it is Modi's Make in India initiative under sister city partnership that is playing a key role to boost the economy. That is by attracting the

investment by ensuring no red tape policy towards Japan. On Japan's side it is Abe's three arrow strategy that targets the long term growth that has led to Smart City Initiative. in case of India. These policies also support India's Make in India initiative under the Skill India and Digital India initiative under the Modi administration. Furthermore initiatives like the Amendment of Double Taxation are playing a vital role to ease the investment initiatives taken by Japan. For instance Japan's import of High Speed railways and Industrial townships require smooth and transparent taxation system to operate. The primary reason to fix these policies on India's side is to serve domestic needs like employment opportunities, financial assistance to build in infrastructure. On Japan's side it is the inflation rate, ageing population to boost the economy thereby reducing the deflationary gap. Yet another reason is the need to counter balance the growing dominance of China in the Asia Pacific region with respect to OBOR. However the domestic needs outweighs as a major reason under the formation of these policies.

Hence neither the China rise nor the Prime Minister strategy alone stands in contributing towards the Indo-Japanese relations in both political security and economic front. Neither the political security interests nor the economic interests with respect to China Rise and Prime Minister Strategy are driven alone. A synergy between China rise and Prime Minister Strategy is seen in all the policies formation. As both domestic and international needs are satisfied in each policy formation, that is in the light of Prime Minister Strategy and China Rise.

(5.3)Future Analysis

Due to limited time constraint this study has not been able to take some policies that can be viewed in the light of China Rise at International level and Prime Minister Strategy at Individual level. At the international front the China Rise can be viewed in forming policies

in the political security and economic front. In the political security front, is leading to a Quadrilateral Initiative fostering India and Japan, USA and Australia. The Quadrilateral Initiative is gaining momentum which lost way back in 2007. This initiative can play key role in counterbalancing the China Rise in terms of China's One Belt One Road initiative (OBOR) strategy.

In terms of economic front is the Asia-Africa growth corridor commenced from 2016 in response to China's One Belt One Road (OBOR) initiative, under the Japan India Vision 2025 to maintain stability in the Indo Pacific region. It is to create a "free and open Indo-Pacific region" by connecting the African continent with Asia. It is also to connect the South East Asian and South Asian countries. Japan will provide its quality infrastructure whereas India will provide its expertise. It involves infrastructural development involving building of institutions, transports etc. For instance it comprises of connecting ports for instance talks are raised to connect the Mombasa port to Zanzibar port, the Jamnagar (Gujarat) port to Dji Bouti in the Gulf of Eden and Kolkata port to Sittwe port in Myanmar. In reference to this a vision document was released in the year 2016 which involved three panel meeting (Nair, 2017). The three panel meeting involved Economic Research Institute for ASEAN and East Asia (ERIA) from Jakarta, Institute of Developing Economics-Japan External Trade Organization (IDE-JETRO), and the Research Information System for Developing countries (RIS) from India. Further in 2017, discussions were made under the India Africa Forum Summit (IAFS) and Tokyo International Conference on African Development (TICAD). Talks were raised on sovereignty and the use of quality infrastructure among the countries.

Yet another policy is the North East road policy where Japan is providing \$610 million for North-East Road Network Connectivity Improvement Project. Under this the 351 km road will be constructed between Aizawl and Tuipang in Mizoram, with the ODA from Japan.

This policy is in response to Chinese interference in the Indian Territory with reference to Modi's Act East Policy. In reference to this in 2017, India-Japan Act East forum was set up. It involves development of road connectivity, sewage, water supply and many other infrastructural projects. Talks were also raised to involve people to people exchange between the North Eastern Region (NER) and Japan.⁵²

At the Individual level in the political security front, under the India-Japan Energy Forum is the manufacturing of unmanned ground vehicles through transfer of technology from Japan to India. Along with this collaboration between Unmanned ground vehicles and Robotics by the collaboration between BHEL and Hawasaki. In this reference the importance of renewable energy was also realized and India and Japan joined hands in the field of hybrid and electric vehicles under the India's National Mobility Plan 2020. Suzuki a Japanese company has already started to export in this area from 2016.

Under the area of robotics talks are being raised in collaborating in unmanned ground vehicles and robotics by enhancing the interaction with firms like BHEL and Hawasaki. It is by making use of renewable energy, focusing on energy storage and make efficient use by collaborating in hybrid and electrical vehicles. That is under the New Energy Industrial Tech Development Organization and International Social Alliance under the partnership of India-Japan Energy Forum. That is realized under the twin visions Faster Adoption of Manufacturing and Hybrid and Electric Vehicles (FAME) and India's National Electric Mobility Mission Plan 2020(NEMMP). In the year 2017, the first lithium ion battery by a joint venture of three companies of Japan, that are namely Suzuki, Toshiba and Denso. Further investment is made through Japan's Faster Adoption of Manufacturing of Hybrid and

⁵² Action Agenda for India-Japan Investment: Retrieved from:- <http://www.meti.go.jp/press/2015/05/20150501006/20150501006-3.pdf>

Electrical Vehicles (FAME) and India's National Electric Mobility Mission Plan 2020(NEMMP). It aims to manufacture eco-friendly vehicles through technology transfers.

In the economic front under Modi's Make in India and Abe's Partnership for Quality Infrastructure talks are been finalized from 2011 related to the Chennai Bangalore Industrial Corridor (CBIC) under the Japan Industrial Townships (JITS). That will attract at least 22 million jobs under the infrastructure in the next 20 years. Yet another initiative is the Mumbai Ahmadabad Railways are playing a major role. This can pave way for infrastructural projects as Modi targets to build 100 smart cities just like the Varanasi Smart City. Further talks are raised to set up road networks, metro project in Mumbai. In 2015 under the Japan Industrial Townships (JITS) in the light of Delhi Mumbai Industrial Corridor (DMIC) and Chennai Bangalore Industrial Corridor (CBIC), four projects are realized. The four projects are namely the Integrated Industrial Township Greater Noida Ltd (approx 747.5acres approx), Shendra-Bidhkis Industrial Park in Maharashtra (Phase1-for 8.39sqkm approx), Dholera Special Investment region in Gujarat (for 22.5sqkm) and Ujjain in Madhya Pradesh (1100acres approx).

Further in 2017 the Memorandum of Cooperation was signed between the two nations named as Japan and India Special Program for Make in India. That was with respect to the manufacturing sector in Mandal-Bechraj-Khoraj in Gujarat. Talks were also raised to set up Business Support Centre of JETRO in Ahmadabad to provide investment in Gujarat.⁵³

⁵³ India-Japan Joint Statement during visit of Prime Minister of Japan to India, Retrieved from: http://www.mea.gov.in/bilateral-documents.htm?dtl/28946/IndiaJapan_Joint_Statement_during_visit_of_Prime_Minister_of_Japan_to_India_September_14_2017

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and Japan's silver bullet for a rising China: <http://www.scmp.com/week->

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