Indo-Japan relations

Why in news?

\n\n

India and Japan held 13th India-Japan annual summit recently.

\n\n

What are the important outcomes?

\n\n

\n
- The two countries decided to enhance cooperation in defence and other strategic areas.
\n
- They have signed five pacts covering defence exchanges, cooperation in clean energy, roads and highways, healthcare and women while vowing to take their relationship to newer level.
\n
- Both sides reviewed the progress of several initiatives such as enhancing connectivity and ecological management in India’s north-eastern region through the India-Japan Act East Forum.
\n
- They also reviewed the progress made on the Mumbai-Ahmedabad high-speed railway project.
\n
- They stressed the need to work together for a rules-based and inclusive world order.
\n
- Japan was also told that India was awaiting the investments with a 'red carpet' and not 'red tape' as rules and procedures have been eased by his government.
\n
- Japan promised 3.5 trillion Yen (USD 35 billion or 2,10,000 crore) to India through public and private funding over the five years for various works, including building of smart cities and clean-up of the Ganga river.
\n
- A pact was signed under which Varanasi would be developed on the pattern of Kyoto 'smart city' with the help of Japan.

\n
- Japan also announced that as an example of Indo-Japan Cooperation, Tokyo will help India in providing financial, technical and operational support to introduce Bullet trains.
\n
- Japan lifted ban on six Indian entities including Hindustan Aeronautics Limited (HAL) which had been imposed in the aftermath of 1998 nuclear tests.
\n
- They also decided to speed up negotiations on civil nuclear deal that could not be concluded now.
\n
- India reiterated that Japan was the cornerstone of India's Look East policy, while Japan expressed its determination towards advancing the "new era in India-Japan relations".
\n
- While the two countries signed several agreements, the two issues worthy of highlighting pertain to economic and security matters.
\n

\n\n

What is the outcome in the economic sphere?

\n\n

\n
- The first big development was the signing of a $75 billion currency-swap agreement, one of the largest swap arrangements in the world.
\n
- A **currency-swap agreement** allows India to avail itself of $75 billion from Japan in exchange for rupees in case the need arises.
\n
- This arrangement makes eminent sense since the rupee has lost around 13% of its value against the dollar this year.
\n
- Also, the Indian rupee has been the worst-performing Asian currency.
\n
- Rising interest rates in the United States, higher crude oil prices, and a widening current account deficit, which is nearing the crucial level of 3% of GDP, have put the rupee under tremendous pressure.
\n
- The Reserve Bank of India has been intervening in the markets to ensure that the rupee's fall is not any more precipitous.
\n
- But that has meant that India has used its foreign exchange reserves.

\n
- The on-tap availability of $75 billion thus not only calms the frayed nerves in the markets but also makes it decidedly cheaper for Indian businesses to borrow funds.
\n
- To be sure, this is not the first time India has had such an agreement with Japan.
\n
- In 2008 and 2013, Indian signed up for similar swaps valued at $3 billion and $50 billion, respectively.
\n
- The bilateral trade between the two countries has been far below expectations despite the two countries having a comprehensive economic partnership agreement(**CEPA**).
\n
- The swap arrangement means the bilateral trade will likely get a boost, especially as it reduces its dependence on the dollar.
\n

\n\n

What are the outcomes in the security sphere?

\n\n

\n
- Both countries reaffirmed their desire to further deepen bilateral security and defence cooperation and institute Foreign and Defence Ministerial Dialogue (2+2).
\n
- At present, India has this arrangement only with the US.
\n
- This enhances the strategic dimension of the relationship between India and Japan.
\n
- Building on the existing maritime security cooperation, the Indian Army is now conducting its first joint exercise with Japan’s Self-Defence Forces.
\n
- Cooperative research in the area of the unmanned ground vehicle (UGV) and robotics was also announced.
\n
- There was encouragement for technological collaboration between the respective agencies of the two countries in the Joint Lunar Polar Exploration Mission.
\n
- While China was not mentioned explicitly anywhere in the joint statement,

there is no guessing what the prime motivator for both India and Japan was.
\n
- Thus the call for a “free and open Indo-Pacific” makes it clear that this partnership is aimed at countering the biggest regional power.
\n

\n\n

What are the concerns?

\n\n

\n
- The limitations of the relationship are glaring, wherein Bilateral annual trade now stands at a pitiable $15 billion.
\n
- However, Japan’s trade with China despite troubled political relations is now close to $300 billion.
\n
- Though Japan heavily invested to develop the Mumbai-Delhi industrial and rail corridors, Progress has been painfully slow.
\n
- The Dedicated Freight Corridor between the two cities is now barely half done, even after 13 years since it was announced.
\n
- Also, the negotiations on the purchase of an amphibious aircraft have dragged on for nearly a decade.
\n
- This points to a deepening systemic crisis in the hands of a politically strong and bureaucratically centralised government.
\n
- Hence, if India can’t change the way it works internally, it can’t do much with even the most eager external partners like Japan.
\n

\n\n

\n\n

Source: Business Standard

\n

SHANKAR IAS PARLIAMENT
Information is Empowering