

US-Japan-India Relations: Prospects and Challenges

Takaaki Asano, Tokyo Foundation

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Satu Limaye, East-West Center (Discussant)

Yuki Tatsumi, Stimson Center (Moderator)

Tatsumi: Thank you everyone for joining us this afternoon. My name is Yuki Tatsumi. I'm a senior associate here at the East Asia program at Stimson. I'm delighted to have these two speakers to have a conversation on US-Japan-India relations. As many of you know, India has been the intense focus of Japan's diplomatic efforts, especially under Prime Minister Abe, and with the inauguration of the Modi administration in India, there has been a lot of talk going on both in Washington and also in Tokyo about how to expand the engagement with India and how to develop the trilateral cooperative relationship on various issues that they share regional concerns with.

I'm especially delighted to have these two colleagues joining me this afternoon – starting from my immediate left is Mr. Asano. He is currently a research fellow at Tokyo Foundation. Unlike the stereotypical Japanese man who works for one company for one life, he has switched jobs several times. He actually does have a wide range of experience: he used to work for Japan Airlines, he also used to work for Keizai Doyukai, which is a business federation in Japan, and he currently works at Tokyo Foundation as a research fellow, and in that capacity he manages really interesting programs like Japan-Korea-India trilateral cooperation and more of political-economic issues. I challenged him today to push his boundary a little bit, to focus a little bit more intensely on Japan-India relations on the bilateral focus, and build on that in the US-Japan-India trilateral aspect, so he will start off with about fifteen minutes or so with his opening remarks, and his opening remarks will be followed by short comments by Dr. Satu Limaye, who – everybody in this room knows him pretty well by now, so probably, especially coming from his own event about US-India relations at his own East-West Center, I don't think he needs a whole lot of introduction, just to say that he has been a wonderful colleague to Stimson's Japan program and to me personally as well, he directs the East-West Center in Washington, DC for quite some time, so we're delighted to have both gentlemen. So let me pass the baton to Asano-san to kick off the discussion.

Asano: Okay, thank you, Yuki. Thank you and welcome and I'm very honored to be here. The Stimson Center has asked me to be a part of their research project on global Japan, Japanese diplomacy, and I'll be responsible for India-Japan relations. Today's topic is US-Japan-India trilateral, and the trilateral relations consist of three bilateral relations: US-India relations, US-Japan relations and Japan-India relations. I think it's fair to say that the Japan-India relations is sort of the weakest link among these three bilaterals. However, as Yuki just mentioned, now there's growing alignment between New Delhi and Tokyo, so what I would like to do today is talk about this weakest link that is growing very quickly

with the very strong political will behind it. So why the enthusiasm and what could be done to strengthen the bilateral as well as the trilateral US-Japan-India ties?

Before I go on, I'm sure many of you today have had a fair number of meetings with Japanese officials, decision-makers or experts, and I'm sure you've noticed that the Japanese people like to start their conversations by apologizing that he or she does not really qualify to speak in front of the distinguished guests or their English is not good enough. I know Yuki would never do that, but... So me, following this good ol' Japanese tradition, I would like to start by confessing that I have not been following Japan-India relations all my career. My research focus is Japanese foreign policy and trade policy. But recently, I've been following this bilateral relations, because I think this would be a test case for Japanese foreign policy, whether Mr. Abe, Prime Minister Abe, would succeed in actually transforming Japanese foreign policy to something more strategic and something more proactive. And also, by doing that, he's trying to bring Japan out of – sort of – isolationism. And so in security policy, Mr. Abe has been trying to expand Japan's strategic horizon by strengthening ties with India, Australia and ASEAN countries. The government is diversifying its foreign policy tools by drafting new principles on transferring the defense equipment and technologies, and also by reinterpreting the Constitution and allowing [Japan] to exercise the right of collective self-defense. And developments in Japan-India relations could illustrate how Japanese policy would adapt [to] the new strategic environment and help to utilize these new foreign policy tools. And also it's not just in security, [but] also in economic policy, Abe administration last year decided to join the Trans-Pacific Partnership free trade negotiation and this could also be seen as a step forward to bring Japan out of –sort of – passive defensive trade policy, and how Japan strengthens its economic ties with India will also illustrate how Japan could expand foreign economic relations beyond China and ASEAN countries using international forums like TPP or RCEP.

Japan and India historically, mutual perceptions of each other between the countries, have been generally positive, and despite the positive historical legacy, substantial political engagement – should I say – did not start until 1990s or 2000s, mostly because of the Cold War. And after the Cold War, when the United States started first perceiving India as a possible partner in Asia's geostrategic framework, that kind of helped bring Japan [to] change its foreign policy thinking and Japan started its own efforts to boost its bilateral relations with India. Of course, it did not develop smoothly. Pokhran-II, the 1998 India nuclear test – that of course led to the souring of the bilateral relations. You know how Japanese public reacts when it comes to nuclear weapons. And Japanese government and media strongly criticized the test and eventually Japanese government imposed economic sanctions against India. And the two governments all sought to revive the relations afterwards, and in 2000, both Japanese and Indian governments agreed to establish global partnership. And eventually the partnership was upgraded from global partnership to global strategic partnership, and they issued a joint statement on security cooperation, Japan started participating in the naval exercise – US-India naval exercise, Malabar – both in 2004, 2007, and this year – this is the third time, I believe. And for the probably – during the past ten years, there has been, almost annually, Japan-India summit, either in New Delhi or Tokyo. And last year when Prime Minister Manmohan Singh was in Tokyo, he said that the bilateral relations is based on shared values and shared interests, that India sees Japan as a natural and indispensable partner in its quest for stability and peace in the region. Now this year, Mr. Abe was invited as the chief guest of the

India's Republic Day and expected military parade in New Delhi. And now, with Mr. Narendra Modi in office, the cooperative relations is expected to grow more stronger.

I don't know how many of you in this room remember this book, *The Coming War with Japan*, by George Friedman and Meredith Lebard, published in 1991. The book was translated right away in Tokyo and published in Tokyo and became number one bestseller. Good ol' times when everyone – well, I mean, Japan was the focus of the global attention. And actually, on the back cover, just yesterday I found that there on the back cover blurb, names like Christopher Hitchens, late journalist, and also Lee Iacocca, of Chrysler – this is interesting. But anyway, and of course, this is really – the book is really geopolitical line of thinking run amuck, and it seems that the authors have thoroughly looked into Japanese trade statistics, but did not really understand the Japanese decision-making process, Japanese political system, its history and culture. So thankfully, their major prediction that there would be another US-Japanese war did not materialize. But the authors of this book made actually another interesting prediction, and that is establishment of quasi-alliance between Japan and India. And through the partnership, the book goes, Japan will be guaranteed to the access to India's raw materials, India should favor Japanese products in world trade, Indian navy with the assistance provided by the Japanese Maritime Self-Defense Force will guarantee the flow of raw materials between Hormuz and Singapore.

And of course in reality, what is actually happening right now between Japan and India is not because the US is trying to establish an exclusive economic zone to push Japan out – that's the argument in this book – or not because Japan needs to secure its own sphere of influence like we tried to do back in 1930s and 40s. However for Abe administration, geopolitical calculus comes first when it comes to Japan-India relations. Rise of China, possible American retrenchment, and the need for updated security and economic governance structure in Asia – these consist the backdrops for Tokyo's enthusiasm in closer Japan-India ties. India is located at the center of the sea lanes of communication, and to secure maritime commons both Japan and the US is engaging India in maritime security exercises. So on this point, this book raised the relevant point. But if you look at it from Mr. Modi's perspective, the picture is totally different of course and the new Modi administration, more than anything, needs tangible success in economy. He ran his election campaign on promising to restore growth through the Indian economy, so the situation is much like the one Mr. Abe was in when he came to power in late 2012. Mr. Modi needs to stabilize the fragile Indian economy in order to secure a certain space of maneuver in foreign policy. And to do that, he is counting on Japanese investments and technology assistance, just like during his tenure as the chief minister of Gujarat. And Mr. Abe and Mr. Modi are both committed in making the relationship substantial, but there exists a discrepancy in policy priorities in Tokyo and Delhi, so what is important is while there is political momentum, the two governments should do their best to actually institutionalize the relations.

So one of the avenues – I just would like to touch on two points on what the countries could do to strengthen the bilateral and trilateral relations. One avenue to explore is to bring Japan and India closer together in cooperating in defense procurement. Japan has recently lifted a blanket ban on defense equipment exports, and adopted a new guideline on defense trade that is much more flexible and realistic. And Japan-India bilateral relations could benefit from this new policy. Under the new policy, there are already two specific cases that are going forward – not with India though. But first with the

United States, that is, Japanese National Security Council made a decision recently to allow Mitsubishi Heavy Industries to export Patriot missile system components to the United States and the PAC-2 system would be then sold to Qatar, which I think was signed here in Washington – the deal was signed here in Washington earlier this month. And also the second case would be Japanese joint research with the UK on air-to-air missiles for F-35. Probably the next case would be with Australia; they're eager to buy Japanese sub or sub technology of Soryu class. I hear the Japanese Maritime Self-Defense [Force] is not too eager to do that, but that remains to be seen. Anyways, these new development trends could also apply to Japan-India relations and will in the long run enable closer cooperation at the trilateral level as well.

And the second possible area that I would like to raise is civil nuclear cooperation. Another possible area for this cooperation is this nuclear – civil nuclear – cooperation. And for years Japan and India have been trying to reconcile their divergent position on nuclear nonproliferation treaty. Japan strongly supports the NPT regime – we see it as a way toward realizing the nuclear zero – while India sees this NPT regime as more of a discriminatory regime. So currently there's no civil nuclear agreement between Japan and India; the US already has one with India, of course. But if US nuclear power companies wanted to expand their business in India, they actually need Japanese companies by their side because, for instance, Westinghouse is owned by Toshiba and also GE has close partnership with Hitachi. So there has to be civil nuclear cooperation agreement for the Japanese companies to enter the India nuclear market with their US partners. Then the trilateral cooperation on nuclear energy and non-proliferation could materialize. In June, India decided to ratify the IAEA additional protocol, so hopefully this will lead to the signing of Japan-India civil nuclear cooperation agreements. And all of these policies may be small at the beginning, but by accumulating these thin layers in cooperation, the trilateral relations will be more institutionalized and will establish habits of cooperation, I believe. We also need to touch on economic issues but I think I'm talking too much; I should stop here first and we'll leave it to the discussion. Thank you.

Tatsumi: Thanks Asano-san. Satu?

Limaye: Yes, well, thank you very much indeed for this invitation. I'm delighted to be here. I want to congratulate Yuki and The Stimson Center for some terrific work that's coming on Japan. I've been privileged to participate in some earlier meetings on Korea, and this sort of more global Japanese diplomacy looking at India, looking at Europe, etc. is in my mind, that's exactly what the doctor ordered on US-Japan alliance thinking and broadening out how we think about the alliance in these times. Asano-san may have done many jobs, but you've done a masterful job of getting up to speed on the trilateral, so I really appreciate your comments. And it's always a difficult role for a discussant, right? This sort of calibrated balance between being critical and constructively critical, and adding something new to the party and being helpful, so let me step back, because I think there's really very little that Asano-san has[n't] brought to the table here. I think he's got it quite right, and I think a couple of points there is, again, reminds me of some themes.

So here's what I'm going to do. I'm going to talk about what I think is five or six opportunities in the US-Japan-India relationship, sort of things that are – that we ought to think about structurally, not

specifically – we can get into specifics about which corporate entities will build the first nuclear reactor and how the US and Japan comes in... I mean those are very fine details, depend on liability laws and all kinds of things that are not likely to happen quickly. And as for sales of the equipment, we can talk about it, but I just think it's still some time away. The second thing I want to do is just touch on some constraints or limits that I think we should be mindful of. And then I really want to get back down to US-Japan relations because I think that's what this is all about. And it's not a bias that I think India is not important or anything, or putting India at a lower level than the trilateral, [but] simply to say, I think where the opportunities for the US-Japan alliance and the limits for the US-Japan alliance will be the sort of governing framework for thinking.

So, what are the opportunities: some observations. This first is that really quite frankly, in terms of relations – historical relations – US-India and Japan-India relations are quite new! I mean materially and empirically and policy-wise – there are really, not even post-'45 constructs, these are 1990, 2000 constructs. So we're talking about, you know, give or take, two decades. This is new stuff. So let's not be over-anxious to sort this out in a day, because things are very fluid in the world, very fluid in Asia. Point one.

Point two: unlike many other relationships that the US and Japan have had in the post-1945 context, particularly as they apply to Asia, whether it's China, or Korea, or Southeast Asia, or Russia, or what have you, India has not been part of the US-Japan dialogue. Right? One can systematically do an analysis or an assessment of the role of China in the post-1945 US-Japan relationship. Right? You can say that from roughly 1948, '49 – if you look at the documents, maybe '50, early '50 – till about '52, '53, '54, there's a kind of food fight about China and Southeast Asia within our system – we mean the US system – and that we're really trying to keep Japan from reestablishing economic links with China. And we move Japan to Southeast Asia. We try to shift them to sort of Southeast Asia, to rebound economically post-Korean War. Right? In the 1970s, Japan institutes a relationship with Southeast Asia, in part because they're worried about the United States, and the Guam Doctrine, and the East Suez from the Brits, etc. Right? So you can trace how another country or region plays out in the US-Japan alliance. India doesn't have that role. It doesn't operate that way. So that's point two.

Point three is that there are really two entry points in what we're talking about today. One is the trilateral. And we've had – Asano-san corrected me recently that there've been five meetings of this trilateral thing that's been put together since December 2011, at the official level – you know, State Department, gaimusho people talking and Indian foreign ministry people talking. That's terrific. It's good – it's a welcome thing that three democracies, three big economies talk, compare notes, share perspectives. It's all good. But that's not going to take us very far quickly. The second approach is really to think about where India fits and wants to play in a much more mature and developed relationship, which is the alliance. As you said, Japan-India part is the weakest of the three, but more to the point, I would say, is where does India fit into the alliance and where does the alliance think about it.

Fourth, for both the US and Japan, India offers a test case of sorts. Now if any of my Indian friends are listening or hearing or are in the room, this is not meant at all as an insult, as if either US or Japan are playing off of India. But it's a test case in this sense: for Japan, India's going to be a test case for trying

out new policies, post-reinterpretation of the Constitution. Arms sales, flexing its diplomatic muscles, being a little bit more active, going beyond the natural comfort zone of Northeast Asia or East Asia – India allows Japan to spread its wings and try some things – an ODA, strategic ODA – where they might not have otherwise. What's the test case for the United States? The test case for the United States is we're entering a period, I believe – my assessment's not anything official, obviously, or anything like that – my assessment's that we're entering a period when the kind of post-'45 clarity about what is an alliance and what is a partner is beginning to get more fuzzy. We're going to have to deal with more ambiguity about what constitutes. So this could be considered an emerging partner. And let's face it: India's not a kind of ally in the sense that we're used to. Right? So you have an alliance relationship, and you have a SOFA, and a treaty, and there's obligations, and we're going to try out Article 5 or 6 or 3... Not in my lifetime. So for us, in the United States, we're going to have to work with a country that's by no stretch of the imagination an enemy, certainly not an ally in the traditional, legal, clinical sense of the word, but something that we're going to have to play with in a global, regional and bilateral level in a manner that's something we're going to have to get used to. We're going to agree on this, take a hit on that, do a deal on that. So for us it's a test case.

Fifth: for India, relations with the US strike me as an opportunity because it's key to integrating and globalizing India, and particularly globalizing India and integrating India with East Asia where ironically, given India's civilizational impulses which are essentially everything that started in India went East. Right? Buddhism, Hinduism, Islam – old, ancient cultures, early ideas of non-alignment, early ideas of political organization, non-aligned movement, etc. India's been essentially cut off from East Asia until the last five, six – let's call it ten, twelve years to be generous – in the Look East policy. So you have a sense where India now can work with Japan and India to integrate, globalize and widen the aperture that it's looking at its global interests in this large swab of the Indo-Pacific, or Eurasia, or Indian Ocean, or whatever you want to call it. The sixth thing is – I see my Navy friends, so I added this to my little thing as I was sitting down here – it's quite interesting, it's quite interesting, if you dig it – both the outlandish theories of US-India-Japan naval stuff – if you read, for instance, *The Coming War with Japan*, or if you read Tom Clancy novels, which is best to do with some – with your feet planted firmly on the ground – is that navy is what's going to get us into cooperation and/or into trouble. Right? Because in the US-India navy context, it's without, you know, obviously saying too much is... clearly in the US navy and the Indian navy, there is most interest among the services, and most probably likely cooperation between our military services. And the same is probably true for Japan. Okay? In Japan for a different set of variables than for the American case, but very much true in the Japanese case. And particularly if you look for example at New Delhi and Tokyo cooperation on Coast Guards, etc. So there's a kind of maritime, naval element to India-Japan cooperation. That's quite natural.

Okay! So those are the kind of opportunities, so now I'm gonna buzzstop and tell you about some things that kind of make me think, well, how should we worry or think about this. Say, it would be nonsensical for it to do so. It sits at the cusp – at the heart of the Eurasian landmass, astride the key maritime routes from the Persian Gulf to the Indian Ocean. India is in some sense, rather, despite the choices it made during the Cold War, rather a successful outcome at the end of the Cold War. It's got multiple players, multiple people jockeying to provide military equipment, a number of multilateral institutions that it can

join, that straddle Europe, Eurasia, Middle East, East Asia, etc. So, India wants autonomy. Now, this isn't – we have to – Yuki's gonna kill me and push me off the stage – the point is – there's a spectrum, right? India wants a certain autonomy, Japan wants a certain amount of autonomy too, but Japan wants autonomy within an alliance. That's a very different construct: of an autonomy and an alliance, versus an autonomy within an alliance. That's caution one.

Caution two is: there is a very difficult road to hoe on economic convergence between these three countries: particularly between Japan and India. If you look at the empirical data set on Japan-India economic relations, they're quite abysmal. It doesn't mean it can't change. But a huge amount of attention, policy frameworks and commitments are gonna have to change for that to change. We can go into that [later].

Third thing: all three of these countries are gonna hedge against China. If you ask me right now to make a net assessment of where things are, I would say that Japan is probably a little bit more upfront than New Delhi and Washington in terms of wanting to be more muscular towards China, today, the 28th of July – are we the 28th of July? This may change tomorrow. The US position is still very much open... of deterrence and hedging. I think it's still very much an open game: we see trends, we have cautions, we have worries, but I don't think it's a done deal. I think India is even further back than the US for a whole host of reasons that we can discuss.

Fourth, I really worry about the economic trajectories of all these players. I think the US economy is far stronger than our adversaries' or people who are concerned think it is. But like other countries, we have to take care of our economy; we have to nurture and bring our economic recovery fully. That's even more so for the case of Tokyo and New Delhi, whose economic patterns notwithstanding some initial successes in Abenomics, it all hinges on the ability to have this kind of social and economic status. The fifth and final caution is I am still very – I don't know the answer; I don't know where India, Japan and the US can cooperate on multilateral institutions in the Asia-Pacific. Yes, we're members of the same things, and we have roughly convergent views on things, but quite frankly, you know, it's quite clear that the American project is a globalizing project, not a regionalizing project. American ultimate order and norms issues are global; they're not regional. And so jockeying that with the regional institution's still a work in progress, and I think that Japan and India will have more comfort at the regional institutions than we will, because we've got a global project, right? International norms, international rules that apply across regions, etc.

And the final thing is – I can't read my own writing... the US and Japan will be focused on... oh yeah! – the final constraint is that you know, for all of our convergences, when you look and you think about some policymaker in Delhi or Tokyo, or Washington, for that matter, when it comes to the Asia-Pacific or Eurasia or Indo-Pacific, we all have things much closer to home to deal with than we have in the trilateral. So for the Indians, what's the closest thing they have to deal with: a border dispute with China, Pakistan and American withdrawal from Afghanistan. I don't care whether it's going to come this year or next year or five years or three years – that thing isn't going to end prettily, and the Indians are going to be completely – you know, they're not going to... they can do many things, they can walk and chew gum like any other country, but that's going to be a big thing on their plate looming over their Western

border. And they still have China on their border. Japan is going to be very heavily engaged in East China Sea, and its relations with Northeast Asia, with Russia, South Korea, China – this is quite obvious. We've got – I would say, I think it's fair to say – many things going on simultaneously right now, so it's going to be hard to calibrate how much attention can be given to this element. That's it, I'll stop there.

Tatsumi: Great. Thank you both. I think I would like to get into the comments, questions, right away, so if you could – there are a couple of microphones in the room, so if you can raise your hand and wait until microphone gets to you, that would be great.

Question: Thank you, reporter from the Voice of America. My question is for Mr. Asano. You mentioned that under Modi's leadership, Japan and India relationship will grow stronger, but the reality is, Modi postponed his visit to Japan and instead he already met with Chinese leaders. So I think the Chinese media already say that in the first round of – under India's new leader, China already won the first round. That's my first question.

And the second question is – you mentioned the book *The Coming War with Japan* and there are people predicting the coming war with Japan, only that the other actor is China not the United States. So my question is – and this year [is] also the 120th anniversary of the Japanese and Chinese war, so my question is do you predict a war with Japan – China's war with Japan is coming or not? Thanks.

Asano: Okay, second one: no. No! Okay that's done. Yes, Mr. Modi was initially, he was supposed to visit Tokyo in early July, but because of putting out – a need to discuss in the Parliament of his first budget, there's a conflict of schedules. So he postponed it to August or it could be early September, that would be his visit. And I know that Japanese MOFA has been strongly working toward Mr. Modi and BJP to come to Tokyo as the first, you know, overseas visit. But I don't see this as a competition, as you said. I know Japanese and, probably to a certain extent, Koreans are very much – they do [care] who goes first or who's named first; they care so much on this. But I don't see this as a competition, and I don't think China won or Japan lost on this thing. But he's – and one of the media reports that came out a few days ago or two in Indian media – is one of the reasons why Mr. Modi postponed the visit, according to this report, is that there are several projects that Japan wanted to declare at the summit in Tokyo, but Mr. Modi found out that the Indian side's preparation was not going at all, so he said that he can't just go and visit Tokyo just for a photo op, there needs to be something concrete, needs to be put out if he were to visit Tokyo. He said he asked his bureaucrats to work on it for another month or two, and according to the news report that's what it is.

And economic interdependence, will it prevent military conflict: that has been the talk in Tokyo. And especially when Mr. Abe was in – was it in Davos when he mentioned that the situation in East Asia is much like the situation in 1914 – there's a lot of debate in Tokyo too whether this economic interdependence theory is actually working, and one of the interesting ideas that I heard is it's working, and that's why – and because – and right after – when Japanese government nationalized Senkaku islands – or, technically it's not nationalization; it's transfer of ownership according to the government, but – when that happened, there was a strong protest in Beijing and Japanese investment and Japanese car sales, tourists visiting Beijing dropped significantly. But after a year, it kind of went back to what it

was before. So one of the arguments that is being talked in Tokyo is that because economic relations between Japan and China is substantial and solid, politicians could afford to play with fire. That's very interesting way to see this.

Tatsumi: Satu, do you have anything to add?

Limaye: No, the questions were posed to Mr. Asano.

Fillion: Thank you, sir. My name's Dan Fillion, I'm with the Joint Staff. Two questions, actually, and first of all, thank you very much for both of your comments; very insightful and we appreciate – my colleague is taking copious notes over here. I had a question first for Mr. Asano about your comment about, I guess, security cooperation, defense exports – now that Japan has relaxed some of its, I guess, policies on exporting – you mentioned PAC-2 is a possible option. I'm just wondering how we think – cooperation with India, at least US-Japan cooperation with India on missile defense might be viewed by Pakistan a little bit, obviously, you know, we're worried about, Japan is obviously cooperating a little on missile defense with China, maybe vis-à-vis China or vis-à-vis North Korea, but to walk into something about India, to talk about missile defense, I was just wondering what you think Pakistan might view that as.

And then, another question on – you mentioned, sir, that the US-Japan-India relationship is very new, and we have a lot of other trilateral relationships that are out there – I'm just curious about, maybe, if there's something that this trilateral relationship could learn from some of the other trilateral relationships that we have, such as the one with Australia or ROK. You know, we have more formalized structures, I think, with the ROK, for example, and especially with the Australia, where we have the different secretary, almost, that manages that relationship... thank you.

Asano: Yes, the point on Pakistan, and there's enthusiasm, at least at the political level, expanding the security or economic relations with India. But I think what is lacking is – this was pointed out to me recently by Satu and experts on India – that what Japan lacks – they're very enthusiastic that this bilateral relations could expand – but what seems to be lacking is more broad vision on how Japan should face South Asia as a region. Japan wants to sell *Shin-Maiwa* US-2 amphibious aircrafts, Japan wants to sell nuclear reactors to India, we could cooperate more on maritime security, to hedge against China, and many are very much enthusiastic. And Japan concluded bilateral FTA, free trade agreement, with India back in 2011, and by updating those agreements, Japanese – Japan-India economic ties could expand, and more investment is expected, social security agreement has been signed, and... Anyways, but it's just Japan and India, and I think there's a lack of perspective on how that would reflect from, say, Pakistan's perspective, or how Japan should engage other South Asian countries. And actually Prime Minister Abe is visiting Bangladesh and Sri Lanka later this year, and hopefully something of a regional vision – Japanese version – vis-à-vis South Asia could come out of it through those visits.

Limaye: Well thank you, thanks for the question. Good to see you again. On the Pakistan question, you know, that's a very interesting question about if India were to proceed. As I understand it, the Indians would like to do missile defense themselves, this indigenization, so I don't – I've not studied this or thought about this in great depth, but my immediate response would be in Pakistan's case, given the

tools to hand for Pakistan in its dispute with India, and given the tools for India in its dispute with Pakistan, it would be hard to see missile defense having any great impact any time soon, because after all, to some extent, since both countries have gone nuclear – weaponized – from my vantage point, they’ve essentially played an insurgency game, either in Afghanistan or in, on the border, or in Kashmir. And that can be the fire under the stove, as it were, the stove – the fire under the stove can be turned up or down on that, depending on the tactics of their relationship is my guess. So whether missile defense would fundamentally, if you will, to use the term in strategic theory, be disruptive – not sure: so kind of my thought on that specific question.

On the question of trilateral lessons, it’s interesting. I have given some thought to this. Now, it’s tricky, because in the other trilaterals that are meaningful and substantive, two of the partners are allies of the United States, and this is not the case with US-India-Japan. The second issue is that it is quite true, quite true, that Japan and Korea are not allies. And it’s quite true, obviously, that legally, neither Canberra nor Tokyo allies. But it’s fair to say that their weapons acquisition profile, their exercise profile, their habits of cooperation profile, are far more similar than the Indian system and the Japanese system. And there are some lessons one wouldn’t want to take from others. We can always learn from others but there are things we should learn not from others. So I think that – I think, my own sense is that US, Japan and India would have very much its own set of dynamics, but absent this ability to bridge the chasm between Indian insistence on autonomy and Japanese insistence on strategic autonomy within an alliance structure – and, by the way, within the US, we have to learn to have some more space within the alliance – this is my view; I’m not an official, so no one cares what I say, but I mean – I think we’re adjusting to an alliance where we’re going to be doing things with a larger – borders are going to go out more in the alliance. It’s just the nature of the beast. We’re not fighting the Cold War anymore, so that’s what I think about borrowing from trilaterals.

Tatsumi: Any other, any questions? There’s one question, actually, I would like to put to both of you and that is China. Obviously China is one country that all of the three, US, Japan and China all have very complicated relationship, and I would say India, more so, because they do share borders with China and they have their own complicated relationships and memories on those border areas, but at the same time, we’re now looking at these three countries – do their interests happen to converge, on their perception of China, or what’s the desirable behavior that they want to see from China, especially on the maritime front, happens to converge. I think we’re in that period. But then they all have different economic interests, different political relationships – that perception is almost destined to diverge again. So when, should that happen, how – because so many trilaterals like US-Japan alliance has with third country, China is like a cohesive bond of how to address the rise of China question, so seems to be one of the policy drivers, anyways, so when three countries – their perception of China dramatically starts to diverge, how would you then say that might play into the US-Japan-India relationship. Maybe I’ll start from you, Satu, because English is your native language, and I want to give him a little bit of time, time for him to think.

Limaye: Well, sometimes it’s not my... when it’s a hard question, it’s not. I want more time too. No, look, that’s what I said, on China, in the cautions – I quite understand, appreciate, am not in any way opposed to thinking about the China factor in these trilaterals and relationships. It’s quite natural to do so. It’s

not just how they diverge. I mean, I think we take it for granted that there's going to be a view of China, but my own assessment is that China has not done something so irrevocable yet – yet – that makes it impossible for all of these countries to pull back from the trend we're seeing. Frankly, since this is on the record, certain behavior by China, which I personally consider to be – assess to be assertive and aggressive, is calculable at a rate under which it will pass a threshold of response, which will mean, you know, unambiguously, we have now made a policy choice to confront China. I don't think we're there yet. In fact I alluded to the fact that to my own assessment, right now our Japanese friends are somewhat closer to that point than the United States is. And I would caution that one of the differences has always been, if you look at the post-1945 period, there's always been a certain difference of opinion between the US and Japan on China.

Now, one can attribute that structural difference to all factors, and I've systematically tried to think through: geography – Japan is closer, size – Japan is smaller, history – Japan has more history, and certainly more complicated history. Fourth, the United States approaches China with a set of assumptions. Right now if you ask me what the single biggest probably difference between US and Japan on China is, it's that ... my interactions with Japanese friends convince me that Japan is somewhat of the view that China is weaker than what the United States thinks it is. So there's a slight gap in assessment of the strength of China. Most Americans would say that China's very strong; most Japanese analysts would currently say China is very weak, very troubled. So there's a constant calibration of this, so my own sense is this is going to be an ongoing process, but no threshold has been passed on a choice about confrontation.

And the Indians are not going to confront China. The Indians are the only country here in this trilateral that have fought a war with China and lost, in the post-1945 period, and they did it without an ally, they did it without a backing, and there are still climbing out of that cyclical relationship in terms of domestic politics and articulating that relationship. So they start from a very different point of view on what they're gonna do vis-à-vis China. And so I think we should bear that in mind. Not to mention the economic integration piece and trade piece.

Asano: When Japan, India and US lose China as this cohesive bond, which, as you mentioned, then probably Japan, India and the United States would gladly resolve this China hedging partnership. And just like when the Cold War ended, the US-japan alliance did not go away, the United States and Japan upgraded the alliance relations to cope with new things, regional, global, non-traditional security issues. I think that would happen for the trilateral as well. There is going to be always new issues that needs to be tackled, and I think that's right.

Williams: Skip Williams at Rand. I was just wondering, in your opening remarks as well, you talked about strengths and weaknesses – is not really the right word – but both countries have these different attributes and desires, or you know, certainly you mentioned demographically and geositions. You know partnerships are best when you match up strengths and weaknesses and some things like that, and traditionally we think in terms of the past in valuing those things, but looking forward, where do you think Japan and India particularly really fit well in terms of matching up strengths, weaknesses, or some other things like that.

Asano: Economy is definitely where the two supplement each other. And Mr. Modi is promising that he would strengthen manufacturing sector of his economy, India's economy, and definitely Japanese companies could play a part in that. And at the same time Japan is seeking to expand its global supply chain network beyond ASEAN, beyond China, and India, which is expected to have the largest population, and despite the recent years' sluggish economic growth, it still is a growing, emerging economy with huge potential. So then Japanese companies are looking, not necessarily all Japanese business sector leaders agree that India is the next thing, because they still have – mentally, there's a great distance between Tokyo and New Delhi from their perspective as business leaders' perspective – but still, I think in the future, I think economy definitely is the area where India and Japan and the United States can come and work together. Usually economy should be the main and natural driving force to push the relations in a more comprehensive manner, but now it's – and because, at least at the bilateral level, between Japan and India, this natural economic factor is lacking, and therefore there's need for governments [to] step in and sort of create an artificial momentum.

Limaye: I share Asano-san's view that economics is it. If one is a little more precise about it, I guess, you know, the often trodded out example is that India has a labor force, Japan has technology. [Inaudible question from audience] Yeah there's some technology, software, etc., but I share sort of the cautions that I think I hear in Asano-san's voice, which is [that] Japanese businesses, as far as I can tell, and I lived in Japan for three and a half years and had many opportunities to talk to Japanese business – it's still a far stretch to go into India. There're a lot of opportunities to go into Southeast Asia. If you look at METI's plans for – sort of, these East-West corridors that lead to southern production in Indian southern states on the auto sector – it's possible, but it's contingent upon a whole bunch of things happening: Douwei, Burma... And you know, if you deconstruct Japan's portfolio or share in terms of value chain production in Southeast Asia, it's Thailand that's key. It's not India. And so yeah, theoretically it's possible. India's a big market; it can be a market to the Gulf, but it's not a natural or quick one. I actually have an inverted view. Everyone wants to say that the Japan-India area is economics. I think it will not be economics. I think it will be politics and security, and to a certain extent, diplomacy, where, it's actually an easier match. I'm not sure it's a better match.

From an American perspective, we'd have to think about that match. Right? Cause if you go into the history, you can find areas where Japan and India's agreements – NPT, the negotiations on the NPT – were certainly not coordinated, but were not dissimilar at times. So it's not to say Japan and India will in some way be outliers with each other against, but Japan and India are hedging against the US too. It's a very different world. Right? You're looking at a world in which the fluid nature of power, commitments... it's quite natural that Tokyo and New Delhi would seek to find a way. After all, Japan was enormously helpful to India during 1991, during the financial crisis. There were very few countries that could help India after the Soviet Union had collapsed and India was nearly bankrupt and was about to default on its external loans, and Japan was one of those countries. So there are ebbs and tides in the political relationship that to my assessment have more space than Japanese companies using India as a production base– which will go on too, but I just don't think it will be the same level.

Asano: But that's exactly what Mr. Modi is expecting from Japan (**Limaye:** Right!), and I agree that it would be easier to start with security or foreign policy cooperation, but what Mr. Modi is expecting is

Japanese investment and technical assistance, and Japanese companies are – some of the Japanese companies have had great relationship with Mr. Modi when he was the chief minister of Gujarat, and he has helped a lot, and Japanese companies expanded their direct investment in the state of Gujarat. And so some are very hopeful under this Modi government, that business environment in India could improve. But of course at the same time, they understand that a lot of economic policy authority is with state government in India. And Mr. Modi is now – he's not the chief minister, he's the Prime Minister of India, and whether he could be forceful to change the way India runs its economy is still – remains to be seen. And some of my Indian friends told me, but still, some of the governors were forced to resign, who were appointed under the previous Congress government – but those were governors, not chief ministers; it's different. So a lot of expectation in business sector, Japanese business sector too, but we still have to wait and see how Mr. Modi does.

Ravishankar: My name is Sid Ravishankar; I'm speaking as a private individual but am from the Embassy of Papua New Guinea. You mentioned that there are trade links, there are sea lanes that intersect at Southeast Asia, that economy is relevant in Southeast Asia, and a lot of countries in Southeast Asia share security concerns as Japan, the United States and India, and I was wondering how countries in Southeast Asia like Vietnam, the Philippines, Indonesia, Malaysia – how they would work within the Japan-India strategic dialogue – or if they would. Thank you.

Limaye: Maybe I'll start, and then Asano-san may have some comments. Well, first of all, India was not really part of the Southeast Asia area, if you will, politically, diplomatically, militarily. It now is; it is active in many ways. Diplomatically, it does joint exercises with countries, it has far thicker diplomatic and political links than it did a decade ago; it's part of all these organizations: ADMM Plus – the ASEAN Defense Ministers Meeting Plus – it's part of East Asian Summit, etc. So there's now a basis for Indian interaction. Japan, of course, has always been there, both as Japan, but also as part of the alliance, as a public good in the region. Again, you know, at a very superficial level, it's easy to say that Japan and India share concerns about Chinese assertiveness and aggressiveness on these maritime disputes – quite true. But it's a very far step from that to going into what they do. Japan has no *locus standi* in the disputes on the South China Sea. They have a great, great interest in law-abiding, freedom of navigation, rule of national law, UNCLOS, etc.

So one thing is simply to say that both Japan and India are involved because they are littoral states and they are states in the international system, which have interest in what happens and how disputes are adjudicated. They also have tangible tools – as I said, the Asian Coast Guard, heads of Coast Guards, is essentially Japan and India mechanism for dialogue and discussion. Japan is providing patrol boats to several Southeast Asian states – Philippines and Vietnam in particular. I think the number's eight and six or eight and ten – I don't remember the numbers off the top of my head. So these things are going on.

But I would caution: it's a somewhat nebulous world when you begin to dig really deep down into what the agreements are and what the perspectives are. For example, on what's allowed in terms of military operations, the US – the United States – we have a view on what's allowed in terms of military operations in exclusive economic zones. That view is not shared by Japan, India or China. And in fact I would go further and say, Japan, India and China's positions are somewhat closer to each other than

they are to the US view. So it's not – we share some general principles and rules, we have some tools to cooperate with Southeast Asia, but when you dig down into what is possible and who can do what, obviously Japan is directly implicated in East China Sea on Senkakus, because of its view of the territory. And the US is implicated under Article V because of the alliance, and we've made that publicly clear. But India doesn't have a – sort of – position on disposition of Senkakus or Diaoyu Islands. I mean it doesn't have a view of who should get them. So that's – I think at a very superficial level, there's certainly convergence, but I think when you dig down deep, what they can do about it and how deep that runs is something to work out.

Asano: I agree, and Japan, yes, is providing Coast Guard vessels to Philippines and now Vietnam. And in the past I think they've provided vessels to Indonesia as well. So through those technical assistance, capacity-building efforts, Japan is trying to reestablish a cooperation network, not in a hard security area, in the beginning, [but] through kind of soft area – HA/DR is definitely one of the areas and the Coast Guard – you know, the maritime security is another area that Japan is trying to use to strengthen its partnership with Southeast Asian countries. During this dispute in South China Sea, some of the American researchers came to Tokyo and dropped by Tokyo Foundation and asked us questions, asking that, why can't Japanese government come more [up]front and support Filipino or Vietnamese position in South China Sea if you have a dispute in the East China Sea. And my answer was, because it's gonna be a cheap talk. Japan will not be able to back it up by providing military forces. And of course recently, Japanese government decided to relax the interpretation of our Constitution and allow for exercising the right of collective self-defense. Theoretically, if a country is allowed to exercise that right, Japan should be able to provide military assistance to other Asian neighbors as well, but Mr. Abe clearly said during his press conference that won't be the case, which means that – although a lot of negative narratives put out mostly by China on this recent reinterpretation – what it actually does is basically allow Japan to cooperate more closely with the Americans in regional contingencies. So that's – what I'm trying to say is Japan's relations with Southeast Asia, in terms of security, it's very difficult for Japan to go out and strike out our own in terms of providing security assistance to our Asian neighbors, but Japan would rather go on a more softer side of security and with the cooperation of a country like the United States, our treaty ally, and also like Australia.

Tatsumi: Any other questions?

Question: Thank you. Mr. Limaye, you just mentioned that compared to the US, Japan's perspective about China is rather weak now, so that is what your Japanese friends told you. So could you elaborate on that? What did they tell you?

Limaye: Maybe I – again, Yuki said, technically she's quite correct, English is my second language so I was not clear, very technically. What I said is, countries' views of another country are constantly calibrating. Right? It's never – it's not – you don't have an absolute consistency. What I'm saying is if you ask me on July 28, 2014, what is the net assessment of the US' and Japanese views of conditions in China. It would be that an American would likely privilege or emphasize that China is getting stronger and stronger, that President Xi is consolidating his power and becoming stronger – the news this morning in the public is an indication of people might say he's stronger. There are some Japanese whose

views I tend to think very highly of and who are careful watchers, who I think would see China's current conditions as perhaps not a sign of strength – that China has a lot of internal challenges in consolidation both at the governmental level and at the societal level. So it's a question of how different countries see it, and really what's interesting of course is the net assessment, but also what's interesting and what the assumptions are that lead to those different perceptions... For an American perspective, it's always seemed to me that we – America is a big, complicated country with a lot of moving parts at any given time. So our bandwidth for dissonance or tumult is a lot greater than Japan's, which is perhaps more used to a kind of orderly set of dynamics, societally and domestically. So we have this thing going on in California, and maybe something going on in Florida, but you know, it doesn't – you know, we look at it and we go, yeah well that's manageable. You know? So we might look at China and go eh, big country, it's got a lot of issues going on, while Japan is sitting right next door and might look at that and go, oh, that's kind of worrying, you know? So many social... So it depends on your assumptions. I don't – please, don't misunderstand – I don't say Japan thinks China is weak, I said the assessments of the strengths of the system are – can always be moving. They're not static; they're dynamic views, and the assumptions on which those views are developed are often different.

Asano: Are we overreacting to China, from your perspective?

Limaye: Boy you're going to put me on the spot about China [laughter].

Tatsumi: You can do that later to Asano-san too if you want.

Limaye: Yeah let's not get into that, on the record [laughter].

Tatsumi: Yeah I guess because of the hard stop, last question goes to Kume-san.

Kume: Thank you very much. My name is Takashi Kume, from JETRO New York. Dr. Satu mentioned that how the three countries could work together in multilateral institutions – what draws my attention to this is the establishment of the BRICS Bank, as well as the prospect of the Asian Infrastructure Investment Bank – and interestingly, it was reported that the US and Japan and India were three countries that were excluded from the first initiative of the Chinese – you know – intention to establish an Asian Infrastructure Investment Bank. But after Prime Minister Modi met Xi Jinping, they seemed to have some progress. But on the other hand, BRICS Bank was originally the – India and China was originally supposed to cooperate with each other, and also the US might have different stake on that, because that's kind of the counterargument against Bretton-Woods scheme. So what would you have view on the trajectory on this kind of new liberal institution against – maybe Japan and US could play the same view, but also India could play an interesting role in this situation.

Limaye: Short answer is I don't know what the trajectory will be but I can tell you this: I think we are going through an era when we are gonna see more of these rival order-building and institution-building in the international system. There's lots of reasons for this; one reason is the international system is distributing, democratizing power. Right? There's a relative distribution of power which is very different from – sort of US, superpower status. So there's – more countries are playing; more countries are rising to play the role. Essentially, by 1964 – as you well know, working at JETRO and being Japanese – by 1964,

Japan had joined the international order laid down in '45/'50, because it had become an OECD member, and it has persisted. But now you have players rising like India, like Brazil, like China, Russia under a different system which was not isolated from that post-'45 order. Now is part of that international order but may have a different perspective on which international institutions...

So I think, number one, my trajectory is, you're gonna see more competitive institutions and competitive orders. Right? That's quite natural, honestly. Two, you're gonna probably see people trying to be members of lots of clubs at the same time. This isn't either/or; this isn't, you're part of the communist world, the Soviet-led world, or the US world. Eh, maybe I'll join with these guys on climate change, and then I'll cut a deal with these guys on ADB. That can work. So we have a very different international environment, and what – I think India and China and all these other countries are gonna do. I think they're gonna try to maximize their advantages by using institutions and orders that serve them in particular purposes. And again, nothing is static. If India is going to have more interest in protecting intellectual property as they produce more intellectual property. India's going to have less interest in a bank where it has no shares. I mean, it is quite interesting that international energy agency doesn't have Chinese or Indian membership. Well that's kinda odd, since they are large consumers, and producers, of energy.

So we have to think simultaneously if we want to maintain international norms and standards; how to adjust existing institutions, how to adapt new institutions, and how to make institutions that would seek to undercut international standards or international norms less attractive to others. So this is going to be a very much more complicated game than we're used to. And I think Japan and the US have – I would like to think – a very important stake in this issue. And sometimes we're going to agree with India, and I suspect that sometimes we're gonna disagree with India. And this seems quite natural.

By the way, let me just point out, if we're speaking usefully frankly, Japan and the US have differences about what institutions to establish as well, right? Mr. Hatoyama's East Asian Community was difficult for us to comprehend, right? For an American analyst such as myself, we didn't quite know what it meant. There were different views about Asian Monetary Fund. So, you know, these are not either/or; we're gonna have a complicated process, and this is why you have a good relationship. You talk about these things and you say, well this doesn't make sense, and sometimes you need to be a little bit tougher than at other times, but that's the world we're living in – and in fact, increasingly living in.

Asano: You just said the point that I wanted to make. I mean, East Asian Economic Community, or Asian Monetary Fund – those economic initiatives – I mean, those didn't materialize – but what we now have is the Chiang Mai initiative, and now – so these multilayered international – well, regional, multilateral cooperations – I think they could coexist. And of course, from China's perspective, everything is politics to them. So they may be doing this out of – you know, very strong political intent. But that doesn't mean that that would – that the global society could profit from these different institutions existing at the same time. And just Satu mentioned that everyone would probably join those clubs – different clubs – it's just that, that could lead to the next level of global governance. For instance, Doha Round is not going anywhere – what is happening?

We have a lot of regional, multilateral, plurilateral trade ingredients. But at least in Tokyo, no one has seen this as the end of WTO regime. Many believe that these “main” FTAs as we call in Tokyo are TPP, TTIP, and there’s EU-Japan FTA now being negotiated. These – the outcomes of these negotiations could eventually – could lead to updated WTO regime. I don’t know in what kind of form – plurilateral negotiations – I don’t know. So, again, it’s not – I don’t know – it should be either/or.

Tatsumi: Great, thank you both. I have promised Satu that I’ll have him back in his office at 3:00, so let me conclude here by thanking again the both of them for joining us today, and thank you all for joining this afternoon. Thanks very much.