

Chapter 13

Japan–India Trade Relations: History, Catalysts, and Challenges

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ABSTRACT

Japanese-Indian relations is supported by historic, political, and cultural affiliation, which usually led towards positive economic relations. Although the Japanese-Indian relationship is a few centuries old, surprisingly, the statistics of trade hardly exhibit any mentionable growth, except the recent upward trend in exports to Japan. In fact, India almost failed to capture the near home market even with the growth (1% market share). Therefore, the chapter is developed based on a qualitative study with the objectives of exploring the history, catalysts, and impediments of Japanese-Indian trade relations and recommends the future course of action. The study recommends completion of India's megaprojects, Japan's policy reform, taxation and supportive reform, arrangement of social life of the foreigners, zero corruption, forgery, and harassment, efficiency, effectiveness, linguistic skill and cultural understanding of human resources, and creating opportunities and building organizational capacities between the two.

INTRODUCTION

Japan has long been neo mercantilist (Smith, 2010) seeking foreign markets' openness while protecting its own, (Lawrence, 1987) through various tariff and non-tariff barriers and standards (Ball, 2010). Japan, symmetric to Ricardo's theory comparative advantages, (Ricardo, 1988), produces high value tech products and imports the low value agricultural products. Krugman & Obstfeld (2010) explained Prisoners' dilemma of Game Theory (Neumann, & Morgenstern, 2007) regarding protectionism and showed that the best outcomes are possible only when both the countries were free. Japan always looks for global business opportunity by pursuing its own principles, utilizing Official Development Assistance (ODA) (Jain, 2017), Infrastructural Development, political and Historical Affiliations, Partnerships and Cultural exchanges as tools for economic and political objectives across the world, taking advantages in cost, taxation, market penetration and distribution. Japan usually looks for Least Developed and developing countries as partners and uses financial affluence and technical competence as tools for supremacy.

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India is one of the largest economies of the world that Japan has a complementary demographic profile for Japan, Mullen & Arora (2017), cultural and economic bonding and shared sense of togetherness and strong diplomatic relations (Raghuramapatruni & Latha, 2020). The prehistoric relationship since 6 AD has evolved through many upheavals and influenced by many factors like: political values, interests, strategic convergence, geopolitical considerations, Pajon & Mezard (2018). Economic co-operation dominates the mutual relationship, Raghuramapatruni & Latha, (2020) which could reach such stage only after bilateral trade became one of the priorities of India's Look East Policy fifty years after forming the bilateral relations, Reddy, (2014). Although, Shinzo Abe underscored in his book, *Utsukushii kuni e (Towards a Beautiful Country: My Vision for Japan)* (Abe, 2006), that he would not be surprised to observe that if "in another decade, Japan-US and Japan-China ties are overtaken by Japan-India relations" but the trade relationship is dominated by declining/low trade intensity (Raj & Ambrose, 2014) Raghuramapatruni & Latha,(2020)and higher trade potential, Naoki Ono, (2014). Various JETRO publications exhibit Japanese trade and investment preferences for India, although "developing countries provide same resources" Qian et. al., (2008). Kaura suggested to boost the bilateral economic relationship to further strengthen India- Japan ties and India's engagement and the balancing of and vibrancy with all the actors Japan, China and USA (Kaura, 2016) while Singh(2016), attributed the continuous engagement for transforming the bilateral relationship. Joseph & Bera, (2011) identified substantial increase in Japanese FDI which, could cater the FDI requirements of India, Raghuramapatruni, (2012),but need to be diverted into more broad-based market, Atrey, (2014) since Japan invested mostly into the automobile and the electronics sector while Japanese aid facilitated infrastructure development of health, water and sanitation, Choudhury (2017). Enhanced connectivity and understanding could help macro level benefits of the CEPA in terms of trade, investment, and technology flows (Chanda & Tokas, 2020) thereby which could offer several opportunities like: increased cross-border and global market engagements and market entry mechanisms such as strategic alliances, subsidiaries, joint ventures etc. (Ramachandran & Gokila, 2012). Horimoto (Horimoto,2016) believed that, Enhanced and effective Japan-India bilateral relationship is essential against Asian power shift which, will achieve most of their strategic objectives except the guarantee of military assistance in war, Mukherjee, (2018) exemplified by state level reluctance to forming any permanent group like, Democratic security diamond (DSD) (Lee & Lee, 2016). Many researchers found that the relation in Asia Pacific rather than strategic is based on purely economic needs which particularly trade relations have for long been ignored in Japan India bilateral relationship, noticeably through bilateral Trade Balance, Technology Transfer, India's Market Creation and Slow economic revival with the support of Japan. Therefore, it is essential to explore the history, catalysts and constraints of Japan India Trade relation and look for the future scopes and opportunities for cherishing the relationship.

This chapter is structured as follows: After the introduction background literature discusses the history of Japan India Trade relations followed by the chapter objective and the key questions answered throughout the chapter. After that the methods are presented followed by presentation of the main focus of the chapter. The main focus includes an over view of Japan India Trade, Catalysts, Challenges, followed by discussion, future research direction and conclusion.

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