

# Deeper India-Japan ties challenging

Any new security moves to help the US contain China's growing influence in the region deserve China's special attention

**Editor's Note:** *Indian Prime Minister Narendra Modi concluded his two-day visit to Japan on Oct 29 after enjoying the hospitality of Japanese Prime Minister Shinzo Abe. During the visit, the two countries pledged to enhance cooperation on economic and security issues in order to build an open and free Asia-Pacific region. What does Modi's visit to Japan mean for the region? Three experts share their views on the issue with China Daily's LIU JIANNAN. Excerpts follow:*

## Seemingly in harmony but actually at variance



**Fu Xiaoqiang**, a research fellow at the China Institutes of Contemporary International Relations

Can Japan and India comprehensively strengthen practical economic cooperation, particularly along the Asia-Africa Growth Corridor? This is the most important question Modi's visit to Japan has raised, especially because India's massive market and rapid growth are huge attractions for Japanese investors. But any new security moves to help the United States to contain China's growing influence in the Asia-Pacific region deserve China's special attention.

India has signed two of the three

military agreements with the US that are required to forge a de-facto military alliance. And the signing of the third pact — the Basic Exchange and Cooperation Agreement — would make the two countries military allies.

Another important question is: Will Japan and India propose new infrastructure initiatives to contend with the Belt and Road Initiative?

At the strategic level, India's "Look East" policy and Japan's "Indo-Pacific" strategy converge as much as diverge in concern and vision. For India, exchanges and cooperation with the Association of Southeast Asian Nations member states are the first priority, while collaborating with Japan and the Republic of Korea also constitutes a major part of its Look East policy. So there is plenty of room for cooperation.

But arguably India is unwilling to become an integral part of the US alliance system. Instead, India seems keen to strike a balance between the US and China as its relationship with China gets back on track.

## A peaceful Asia-Pacific region will benefit all



**Sun Shihai**, director of the China Center for South Asian Studies, Sichuan University

Modi's visit to Japan puts the

focus on India-Japan economic cooperation.

India's relatively inward looking policies and investment-unfriendly climate prevented Japan from investing in the South Asian country in the past. But things have changed in recent years. With the fastest growth rate among the world's major economies and notable improvement in the business environment, India has become attractive to Japan. Over the years, the two sides have jointly proposed several development initiatives — the Asia-Africa Growth Corridor for instance, which aims to improve connectivity in Asia and Africa.

Like always, economic cooperation was a key part of Modi's visit to Japan. But the two sides also discussed cooperation on security, which deserves attention as they have common security concerns in the Asia-Pacific region. In fact, New Delhi and Tokyo had established mechanisms for security dialogues in the past, too, and have held joint military exercises so as to develop and deepen collaboration on security.

But despite gradually becoming an investment-friendly country, India still has many problems which hinder deeper economic cooperation with other countries. For example, the Japan-financed high-speed railway in India has run into difficulties, which may delay the project's completion date.

As to the broader quadrilateral

alliance or "Quad" (involving the US, Japan, India and Australia), there are a number of disagreements among the four countries. First, the other three countries may not approve of the "Indo-Pacific strategy" of the US, which reeks of Cold War and zero-sum mentality. In fact, Modi clarified during the Shangri-La Dialogue in June that the "Indo-Pacific region" is a geographical concept, rather than a geopolitical one. He has also objected to clique forming with a certain country.

And Japan's Asia-Pacific strategy differs from that of the US. Therefore, it will be quite difficult for the US to establish an alliance that targets China, by using its "Indo-Pacific strategy".

## Huddling together in search of comfort



**Zhou Yongsheng**, a professor at and deputy director of the Japanese Studies Center, China Foreign Affairs University

By hosting Modi in his villa, Abe has sought to build a personal rapport with the Indian prime minister.

Modi's visit to Japan indicates that cooperation between these two countries could deepen. If Japan is trying to woo India keeping in mind that China is its primary com-

petitor, New Delhi aims to check Beijing's growing influence in the Asia-Pacific through its cooperation with Japan. Tokyo and New Delhi are huddling together for comfort, with Abe and Modi affirming cooperation on the economic and security fronts to build a free and open Asia-Pacific. But proud that India is, it wouldn't want to play just a supporting role in the strategy of another country, Japan included.

Tokyo and New Delhi are expected to deepen cooperation on high-speed railway and nuclear energy because Japan is keen to export its nuclear overcapacity as the development of its domestic nuclear energy industry ceased in the wake of the earthquake and tsunami on March 11, 2011. Moreover, India prefers Japan to China when it comes to cooperation on high-speed railway because it is worried about China's growing influence in the region and beyond.

That Modi visited FANUC Corporation, one of the world's largest robot makers, shows his ambition to combine India's expertise in software with Japan's advanced hardware technology.

Yet India's not-so-friendly business climate poses the biggest challenge to closer economic ties. For instance, it is difficult for Japanese investors to make huge investments in India as the latter is still struggling with tedious decision-making processes and restrictive policies.

# Trade frictions offer an opportunity

China changes the pressure of US tariffs into a driving force for major reforms, opening-up measures

By PENG BO

The United States has launched a trade attack against China this year, and China has resolutely fought back. Some observers have said that one of the intentions behind the US move is to crack down on foreign direct investment into China, in order to impede China's industrial upgrading.

Yet, statistics show that China's introduction of foreign investment has not declined but instead increased since the breakout of frictions between China and the US.

According to the Ministry of Commerce's statistics, China had 35,239 newly established foreign-invested enterprises nationwide from January to July this year,

an increase of 99.1 percent year-on-year. During the same period, China's actual use of foreign capital was \$76.07 billion, which saw a 5.5 percent increase year-on-year.

In particular, the US' investment in China increased 29.1 percent in the first half of 2018, which was higher than the average level.

According to the American Chamber of Commerce in China's Business Climate Survey Report 2018, about 60 percent of the enterprises interviewed regard China as one of their three major investment destinations, and about one-third of the enterprises interviewed planned to expand their investment in China by 10 percent or more.

Likewise, the European Union Chamber of Commerce in China's Business Confidence Survey 2018

found that more than half of its members plan to expand their operation in China.

Why has foreign investment in China grown rapidly despite the trade tussle between China and the US? There are several reasons.

The first is that China's reform and opening-up has accelerated recently. China has changed the pressure of the US tariffs into the driving force for pushing forward reform and opening-up.

Second, China's domestic market is expanding. According to the Ministry of Commerce, China's total retail sales of consumer goods was 18 trillion yuan (\$2.6 trillion), a year-on-year rise of 9.4 percent.

It is expected that the middle-income group will account for 70 percent of China's overall popula-

tion by 2030. Moreover, China's emerging middle-income group is more accepting of new products.

China's growing consumption power is prompting more multinational enterprises to invest in China.

The Chinese Economy and Japanese Enterprises Whitepaper 2018 compiled by the Japanese Chamber of Commerce in China also mentioned that Japanese enterprises' investment in services and retail industries is increasing. The stable development and vitality of China's domestic market will increase China's attractiveness to cross-border capital.

Third, China's whole industry chain has strengthened. The major appeal of China for foreign investment is China's industrial system with complete industries, strong

production capacity, sound infrastructure construction and industry support system.

Fourth is the deepening of global cooperation. The US has launched its trade attack against not only China but almost the entire world.

Fifth, the US has seriously undermined its own enterprises' interests by launching trade assaults against other countries. Seventy percent of China's export products are produced by foreign enterprises in China, and the US imposing heavy tariffs on China's export products will definitely lead to a profit decline of these foreign enterprises including the US enterprises.

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