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SOUTH ASIA-JAPAN RELATIONS: THE EMERGING REGIONAL PERSPECTIVE

Abstract

Following the demise of the Cold War, both South Asia and Japan started to demonstrate renewed interests in broadening and deepening their mutual relationship. Particularly, since the mid 1990s, Japan's interests in the multilateral process of South Asia have significantly increased that reflects her strong support for multilateral frameworks at regional and global levels. The process in South Asia-Japan relations developed gradually but steadily and culminated in Japan being accorded the status of an observer in SAARC in 2005. The paper argues that there is a considerable scope of viewing South Asia-Japan relations from a regional perspective. It further argues that the asymmetric features of South Asia-Japan relationship can be melted into the wider focus of regional linkages instead of bilateralism. Issues, determinants and parameters that are contributing to build this regional perspective are becoming visible gradually. As a practical policy guide to involvement in South Asia, Japan considers three criteria for South Asia-Japan cooperation. These are: regional problems, common challenges, and issues where Japan has skills and expertise. The instrumentalization of their regional linkages depends on the issues which have both bilateral and multilateral implications. Apart from ODA, trade and investment, a host of factors such as grassroots networks, labor migration, Japan's peace-building role and cultural

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borrowing is coming into the forefront of South Asia-Japan regional partnership.

1. Introduction

South Asia and Japan are linked through history, geography, culture, religion and politics. *Buddhism* in Japan during the Prince Shotoku era¹ or the visit of Rabindranath Tagore, Asia's first Nobel laureate, to Japan in 1916 or support of Indian nationalists for Japan's Pan-Asianism in the late 1920s give some glimpses of the historical linkages between South Asia and Japan. More importantly, they have a long history of diplomatic relations in the post-war period. Immediately after the end of American occupation in Japan, India and Pakistan established formal diplomatic relations with Japan in 1952. On February 10, 1972, less than two months after the country became independent, the government of Japan recognized Bangladesh and opened its diplomatic mission in Dhaka.

Despite a robust historical background and the establishment of diplomatic relations long ago, the relationship between South Asia and Japan remains under-explored or even neglected at state level. A very few scholars from South Asia and Japan have done rigorous and substantive works on different dimensions of this relationship.² To Japan, South Asia could not evoke much interest in terms of trade and investment opportunities. As many analysts identify South Asia-Japan relationship with a low-key profile, both remained distant neighbours for decades. The whole Cold War era witnessed the same pattern of relationship with formal visits of statesmen, government officials, businessmen and limited non-official interactions.

¹ During the Shotoku Era, Buddhism flourished. Temples were built and a sixteen-foot bronze image of the Buddha was built. According to *Nihongi (Annals)*, there were about 46 Buddhist temples, 816 priests, and 569 nuns by the year 623. Prince Shotoku encouraged industry and saw that the sick and orphans were cared for. He also promoted transportation and communication, and set rules to protect animals.

² Abul Kalam, *Japan and South Asia: Sub Systemic Linkages and Developing Relationships*. Dhaka: The University Press Ltd., 1996; Purnendra Jain, ed., *Japan-South Asian Relations: Distant Neighbors*. New Delhi: Sage, 1996; M.D Dharamdasani, *Japan's Role in South Asia*. New Delhi: Kanishka Publishers, 2003.

Scholars and observers of South Asia-Japan relations have predominantly based their views on traditional realist assumptions. To them, power, diplomacy, state-centrism, etc. are the determining factors behind this relationship. Some have also attempted to perceive it from neo-liberal view point, but the underlying focus has not been much different from the realist agenda. In fact, they transformed their inquiry into perennial equation of costs and benefits, and power and security. This is a typical Cold War determined framework of global relations that dominated the agenda of research during that time.

Following the demise of the Cold War, both South Asia and Japan started to demonstrate renewed interests in broadening and deepening their relationship. Kesavan and Varma, Dharamdasani, and Jain clearly point out this fact in their studies on Japan-South Asia relations.³ Kesavan and Varma argue that the reasons for low profile status of Japan-South Asia relations are mainly ideological inhibitions and the inward looking economic policies of South Asian countries.⁴ Dharamdasani also shares the view that absence of liberal economic policies was the primary factor behind this situation.⁵ Unsurprisingly, they joined the chorus of optimists that the relationship between South Asia and Japan has entered into a new era in the post-Cold War period.

Since the mid-1990s, Japan has been showing a broadening of her interests in South Asia's multilateral process. Consistent with Japan's strong support for multilateral frameworks at regional and global levels, an emerging regional focus can be observed in South Asia-Japan relations based on inter-regional cooperation framework that culminated in Japan being accorded the status of an observer in SAARC in 2005. Both South Asia and Japan have been embracing changed notions and realities in the context of changed global environment marked by globalization and new regionalism. It is

³ M.D. Dharamdasani, *Japan's Role in South Asia*, New Delhi: Kanishka Publishers, 2003; K.V. Kesavan and Lalima Varma, eds., *Japan-South Asia: Security and Economic Perspectives*. New Delhi: Lancers Books, 2000; Purnendra Jain, ed., *Japan-South Asian Relations: Distant Neighbors*, New Delhi: Sage, 1996.

⁴ Kesavan and Varma, *op.cit.*

⁵ Dharamdasani, *op.cit.*

important to do away with traditional donor-recipient relations in which the role of Japan in South Asia is basically seen as donor country. New perspectives need to be explored for explaining South Asia-Japan partnership.

As an empirical referent, perhaps the expanding relations between South Asia and Japan at regional level could help understanding new insights and trends. In view of its economic predicaments, South Asia's growing dependence on aid, investment, trade and technology cannot be a temporary phenomenon. Japan with its deeper economic engagement and vast historical experience could play a significant role in promoting a new regional partnership with South Asia. In this context, the paper makes an attempt to understand South Asia-Japan relations in a new perspective which is primarily based on multilateral process. The central argument is that the recent developments in South Asia-Japan relations contribute to the strengthening of regional partnership between the two asymmetric parts of Asia.

The paper is structured into five sections. Section one briefly identifies the motives behind Japan's renewed interests in South Asia while section two dwells on the asymmetric factors between South Asia and Japan. Section three highlights the importance of regional approach in Japanese foreign policy and the determinants of Japan's regional approach in South Asia. Section four investigates Japan's relations with regional/sub-regional organizations in South Asia. It also briefly outlines the agenda of partnership between South Asia and Japan. Finally, section five shows how the partnership between South Asia and Japan can be instrumentalized and what are the major instruments in this regard.

2. Why is Japan Interested in South Asia?

We may begin our inquiry into the issues as mentioned above with the question: why Japan is interested in South Asia? One way of dealing with this question is through highlighting politico-strategic interests, though this may be contrary to popular perceptions. With declining 'economism' in its foreign policy guided by an urge for a new self-image and status, Japan may find it worthwhile to involve in the politico-strategic developments in South Asia. There is no doubt

about the fact that in the post-Cold War era the geo-strategic importance of South Asia has significantly been increased. Besides, unlike some East and Southeast Asian countries, South Asia has no historical animosity towards Japan. South Asia is also significant to wider Asian integration given its geostrategic location.

Several factors may be furnished to explain Japan's security interests in South Asia. First, Japan considers South Asia strategically important as it controls the sea-lanes which are vital for Japan's energy security and trade flows. As Jain points out, the region's geostrategic potentials are now pulling Japan as a world power further into the international power politics of this complex and contested region that many nations access via the Indian Ocean.⁶ Japan is either the largest or the second largest trade partner of many of littoral and hinterland countries of the Indian Ocean. Japan imports oil and raw materials especially from Middle East, South Asia and Southeast Asia. Oil exports of United Arab Emirates (UAE) and Saudi Arabia to Japan, and Malaysian and Sri Lankan trade with Japan are dependent on sea routes of the Indian Ocean. In fact, the Indian Ocean retains some crucial significance for Japan – this Ocean separates Japan from the Middle East. Japan has already become an observer of Indian Ocean Rim Regional Cooperation (IOR-ARC).

Second, in recent years, Japan has been taking proactive role in regional and global peace-building and peace-keeping initiatives. Based on "comprehensive security" policy formulation, Japan maintained vigorous political and security role in Southeast Asia through its active participation in the ARF process, sending Japanese troops in its first Peacekeeping Operation (PKO) to Cambodia in 1992, positive role in the South China Sea conflict and holding several multilateral conferences for resolving the Cambodian political turmoil. This is certainly a new direction in Japanese foreign policy.

Third, realists argue that the 'China factor' has enhanced the importance of South Asia in Japan's foreign policy projections.⁷ Gradually, China is emerging as one of the key concerns for Japan.

⁶ Purnendra Jain, "Japan's Interest in Indian Ocean", *Journal of Indian Ocean Studies*, Vol. 11, No. 1, April 2003, p. 8-9.

⁷ Personal interview with the Ministry of Foreign Affairs (MOFA), Japan official also reveals this concern.

A report on '*Basic Strategies for Japan's Foreign Policy in the 21st Century*' by the Task Force on Foreign Relations states:

(T)he relationship with China is the most important theme in Japan's foreign policy at the outset of the 21st century. For both countries, the relationship is one that interweaves 'cooperation and coexistence' with 'competition and friction...China's military buildup can pose a serious threat to Japan and other countries of the region. Japan should make strenuous demand for transparency from the Chinese side as regards China's burgeoning military budget.⁸

China is also strategically linked to South Asia. Although South Asian countries have peaceful and friendly relations with China, India is still haunted by the Sino-Indian border war of 1962. The growing military power of India is often justified as a response to the Chinese military strength. On the other hand, the growing assertion of Japan being an 'ordinary power'⁹ in the world may cause confrontation with China. Under this situation, Japan's political role in South Asia can be of immense strategic value in the future.

Fourth, Japan is also concerned about global nuclear proliferation, since non-proliferation is a strong principle of Japan's foreign policy as well as ODA guidelines. Japan strongly believes that nuclearization endangers peace and stability at regional and global levels. Hence, the nuclear tests conducted by India and Pakistan in 1998 draw Japan's attention. Besides, the overall security vulnerabilities of this region influence Japan as a peace-loving nation in the world.

Fifth, the diplomatic support from South Asian countries can be of vital importance for Japan in international forums. For example, Japan actively sought the support of smaller powers of South Asia in her quest for a permanent seat in the United Nations Security Council.

Another way is to look at the economic and cultural rationale behind Japan's engagement in South Asia. Although it appears to be

⁸ Available online, http://www.kantei.go.jp/foreign/policy/2002/1128tf_e.html, accessed on 12 June 2006.

⁹ Takashi Inoguchi uses the term to define Japanese power in the contemporary period.

a one-way traffic as South Asia-Japan relationship is practically identified with ODA, it has been changing over the past years. Given continued rapid and sustained growth of GDP in South Asia and the booming of Indian economy, Japan may find economic incentives to pour FDI and expand trade relations. A study by Goldman Sachs shows that India's economy could be larger than Japan's by 2032, and China's larger than the US by 2041. India's economy could be larger than all but the US and China in 30 years. India has the potential to show the fastest growth over the next 30 and 50 years and close to 5 percent as late as 2050 if development proceeds successfully.¹⁰

The economic prospects of South Asia are beyond any doubt. Japan is also closely watching these economic changes in South Asia. Despite perennial interstate and intrastate conflicts, and the high prevalence of corruption, the average GDP of South Asia is growing at the rate of 6 per cent and above for the last ten years. As indicated earlier, South Asian countries have opened their economies and the region is currently undergoing a number of bilateral, sub-regional and regional free trade agreements (FTAs) facilitating market integration at regional level. Major countries of the region such as India and Pakistan have developed close cooperation with other major economic powers and regional organizations like ASEAN, EU and MERCOSUR. Thus, the Cold War image of South Asia has largely been changed particularly in economic arena.

Clearly, the South Asian countries can be benefited enormously from their relations with Japan both bilaterally and regionally. Japan is a US\$4 trillion economy. It has enormous resources and technological advantages. The engine of growth in the developing countries of Asia is the private sector, not the government sector. In this regard, advanced technology and investment can be brought to this region by Japan much more than China or any other country. The

¹⁰ Nagesh Kumar, *RIS Discussion Paper*, 2005, available online, http://www.newasiaforum.org/dp100_pap.pdf accessed on 18 July 2006; Goldman Sachs Economic Research, World Economics Paper No. 134. Available online, http://www2.goldmansachs.com/hkchina/insight/research/pdf/BRICs_3_12-1-05.pdf accessed 18 July 2006.

Japanese private sector could be a major driver of economic growth in developing Asia, bringing know-how, technology and investment to Asia's budding private sector. Combined with Japanese official aid to strengthen the provision of public goods and services, Japan has a significant role to play in developing Asia's drive to improve living standards and reduce poverty.¹¹

Culturally, South Asia and Japan share a common Asian identity and destiny. Unless Japan becomes a model to Asian countries for which Japan is investing a lot, its global acceptability cannot be established in true sense. Compared to other regions in Asia, Japan has a lot to do for South Asia. Perhaps, understanding this reality Japan has initiated several programs for enhancing its cultural relations with South Asia. Too much focus on the economy is portraying a partially distorted image of Japan not only in South Asia, but also in the developing world in general. The rich heritage of Japanese culture, its equally rich literature that so far produced two nobel laureates, the vibrant world of Japanese art and music – all are somehow overshadowed by the domination of economic and business interests in bilateral ties.¹² There are indications that significant section of business and political establishment in Japan is positive about a strong partnership between South Asia and Japan.

3. A Hostage to Aid and Asymmetry?

A traditional outlook equipped with the canons of realism/neo-realism and liberalism/neo-liberalism demonstrates a deep sense of asymmetry between Japan and South Asia. It largely focuses on their opposite economic status and cultural background. Many observers and analysts consistently highlight this factor while conducting their studies on Japan and South Asia. The question of asymmetry between Japan and South Asia overwhelmingly lies with the issues of economic development, security perception and cultural background. The overriding importance on economic factors and

¹¹ Interview appeared in IHT/Asahi: May 7, 2005.

¹² Monzurul Huq, "Japan and the Developing World: The Unequal Equals", 2003, available online, http://www.glocom.org/opinions/essays/200302_huq_japan/index.html accessed on 25 June 2005.

asymmetric issues only gives a reductionist view of South Asia-Japan relationship. It is observed that whether it is Japan or any South Asian country the overwhelming thrust is given on ODA. The spectacular economic recovery of Japan in the 1960s made her a donor country in the world. Japan introduced overseas development assistance (ODA) for the developing countries in 1954.

The economic aspect of Japan-South Asia relationship was kick-started in the same year when India became the first recipient of Japanese ODA in South Asia. Consequently Japan emerged as a major donor country for all South Asian states. The economies of South Asia gradually and steadily became dependent on the Japanese ODA along with other Organization for Economic Co-Operation and Development (OECD) donors. Aid continues to be a primary determinant for mutual relationship between Japan and South Asia. The traditional way of facing global problems such as poverty, disease, refugees, or environmental damage, has been for developed countries to offer their money, human resources, and technology. In response to these challenges, Japan has consistently cooperated with other countries. Through its global networks, development assistance has become one of the most powerful mechanisms of its foreign policy. Japan has chosen to define itself on the international scene through an aggressive development policy. Japan has made active contributions in the area of Official Development Assistance. With more than US\$15 billion of ODA in 1999, for the ninth straight year, Japan maintained its position as top donor country in the world. Over the past 50 years, Japan adapted its ODA policies of procurement, environment, human resources management, security vs. multilateral aid, and loans vs. grants to span globally, in order to promote its desired role in international and increasingly transnational community.

Table 1: Japan and South Asia: Some Basic Differences

Country/ Region	HDI	GDP (billion US\$)	GDP Per Capita (US \$)	Life Expecta ncy	Educati on Index	Military Expendit ure (% of GDP)	Povert y Line	Conventional Arms Transfers (US\$ m)	
								Imports	Exports
Japan	0.943	4,300.9	33,713	82	0.94	1.0	Nil	195	0
Bangladesh	0.520	51.9	376	62.8	0.45	1.2	49.8	26	0
India	0.602	600.6	564	63.3	0.61	2.1	28.6	2,375	22
Nepal	0.526	5.9	237	61.6	0.53	1.6	42	32	0
Pakistan	0.527	82.3	555	63	0.44	4.4	32.6	344	10
Sri Lanka	0.751	18.2	948	74	0.83	2.7	25	6	0
South Asia	0.585**	753.0**	536*	64.9*	0.57.2*	2.4*	35.8*	2,783**	32**

Source: *Human Development Report 2005*.

* Average is calculated on five major South Asian countries.

** Total of five countries.

*** All figures are in US Dollar

Table-1 shows that there are some fundamental areas of differences between Japan and South Asia both at bilateral and regional levels. It is demonstrated that there is a huge gap between Japan and the South Asian countries at individual level. Even the whole region cannot match with Japan in economic terms. While Japan alone has a gross domestic product (GDP) of US\$4300.9 billion, the whole South Asia region has only US\$753 billion (17.5% of Japan's GDP). By per capita GDP, it is a big contrast. Japan's per capita GDP is US\$33,713 while the average South Asian per capita GDP is only US\$536 (1.59% of Japan). Sri Lanka, the most developed country in South Asia has only US\$948 as per capita GDP. Apart from these selected indicators, Japan and South Asia are contrasted in other ways. For example, while Japan is the second largest donor country in the world, all the South Asian countries are recipients of overseas development assistance. Japan is a creditor nation; South Asia is a debt-ridden region. Japan is the second largest economic power in the world and a leading member of the OECD whereas South Asia belongs to the developing world with Bangladesh, Bhutan and Nepal as the least developed countries. It shows the asymmetric features of South Asia-Japan relationship, which draws enormous interests from the realists. The fact of the matter is that such view does not help understanding this relationship in comprehensive perspective.

4. The Regional Perspective

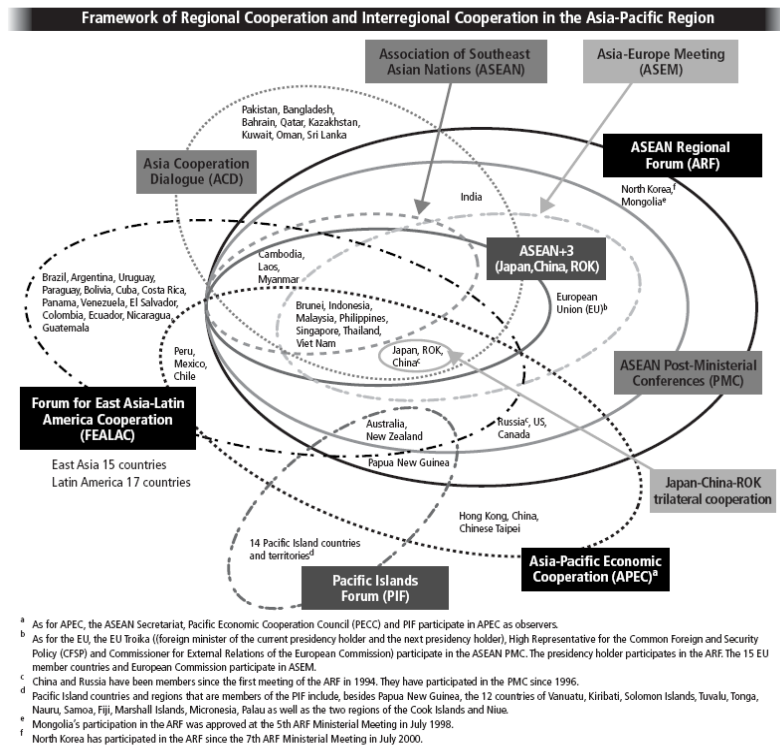
The newly found Japanese interest in pursuing FTAs bilaterally and regionally represents one of the most significant departures in Japanese trade diplomacy of the past half-century. As Ravenhill argues, Japan had previously been the most significant standard bearer for a multilateral, non-discriminatory trading regime, its criticism of discriminatory agreements going as far back as the Treaty of Rome and hostility to the creation of the European Common Market.¹³ Perhaps, it was because of the Cold War dynamics that Japan was mainly engaged with ASEAN to demonstrate its commitment to regional cooperation. In case of ASEAN, Japan had consistently supported and systematically assisted the growth and consolidation of this regional organization, which has, by now, become a linchpin of regional integration in this region.¹⁴

Immediately after the demise of the Cold War, Japan had not only employed efforts at initiating regional cooperation in the Asia-Pacific region, but also took a leadership role. For example, Japan played a pioneering role in the establishment of Asia Pacific Economic Cooperation (APEC) in 1989.¹⁵ Japan strengthened its relationship with ASEAN with a new framework of ASEAN+ 3. Being aware of the limitations of global institutions such as the UN or the WTO and influenced by the emergence of the numerous trading blocs and agreements, Japan has felt the need for a strengthened intraregional and interregional cooperation networks. In January 2002, a milestone was seen in Japan's regional trade relations – the signing of its first bilateral free trade agreement with Singapore. As figure 1 demonstrates Japan has become part of several such initiatives which include ASEAN+ 3, APEC, ARF, Japan-China-ROK trilateral cooperation, Asia Europe Meeting (ASEM) and Asia Cooperation Dialogue (ACD).

¹³ John Ravenhill, "Is Japan a 'Normal' Power? Japanese Leadership and Asian Regional Organizations", *Seminar Transcript*, The Daiwa Anglo-Japanese Foundation, London, 2002.

¹⁴ Suetō Sudo, *The International Relations of Japan and Southeast Asia: Forging a New Regionalism*, London and New York: Routledge, 2002.

¹⁵ Ravenhill, 2002, *op.cit.*

Figure 1: Regional and Interregional Networks of Japan

Source: *Japanese Diplomatic Blue Book 2004*, Chapter 2, p. 74

While envisaging Japan's role in South Asia for building multilateral cooperative framework, analysts often refer to Japan's interest in regional integration.¹⁶ What are the determinants of Japan's regional approach in South Asia? Several factors may be considered. First, Japan's special interest in SAARC is a unique case. To Japan, SAARC has always been a priority area for productive engagements in various fields compared to other big powers. Japan also takes strong interests in sub-regional initiatives in South Asia

¹⁶ ABM Ziaur Rahman *et al.*, "BIMSTEC-Japan Cooperation in Energy Sector: Bangladesh Perspective." Paper presented at the International Seminar on *BIMSTEC-Japan Comprehensive Economic Cooperation: Vision and Tasks Ahead*, organized by BIISS, Dhaka, 8-9 July 2006.

such as BIMSTEC. According to Shimizu, development of SAARC is beneficial for South Asia and Japan¹⁷. Second, human security concerns drive Japan for more involvement in South Asia. Third, spirit of global partnership for achieving the UN MDGs¹⁸ may also influence Japan to get involved as the region faces massive poverty, widespread illiteracy, lack of basic healthcare services etc. Fourth, new peace-building role of Japan prompts the country to involve in such cases existing in South Asia – for example, the Tamil conflict and the Afghan crisis. Finally, as a practical policy guide to involvement in South Asia, Japan considers three criteria for South Asia-Japan cooperation – regional problems, common challenges and issues where Japan has skills and expertise.¹⁹ These factors clearly indicate a regional dimension of Japan's engagement in South Asia.

5. Japan's Role in Deepening South Asia's Regionalism

5.1 SAARC-Japan Cooperation

The history of SAARC-Japan cooperation dates back even before the formal launching of the SAARC in 1985. As Sengupta points out, Japanese perception of South Asian cooperation has remained positive since 1984. In the same year, foreign minister Shintaro Abe welcomed the establishment of South Asian Regional Cooperation (SARC) which was changed to SAARC in the following year (1988). Prime Minister Nakasone sent a warm message of congratulation to President H. M. Ershad of Bangladesh for hosting the First SAARC Summit in Dhaka and expressed his earnest hope that SAARC would generate momentum for regional cooperation. Three days later, the foreign office of Japan issued a formal statement welcoming SAARC and hoping that SAARC would

¹⁷ Based on personal interview with Shinsuke Shimizu, Director, Southwest Asia Division, MOFA, Tokyo, Japan on 31 August 2006.

¹⁸ The Millennium Declaration by the UN in 2000 commits the international community and member states of the UN to the achievement of eight major goals, mostly by 2015. These goals include poverty reduction, universal primary education, child mortality, maternal health, combating HIV/AIDS, environmental sustainability etc.

¹⁹ Shimizu, 2006, *op. cit.*

promote cooperation among its seven members and contribute to peace and development in the region.²⁰ In April 1986, Yasuki Ono, head of the Southwest Division in the Japanese ministry of foreign affairs, observed that Japan had a very positive perception of SAARC. Japan considered the creation of SAARC as the most constructive development of the time in Asia. Ono further added that if opportunities were available, Japan would like to do for the SAARC what it had been doing for ASEAN in the realm of technical training.²¹ This is the beginning of SAARC-Japan cooperation which clearly demonstrates a strong and genuine interest of Japan in regional cooperation process in South Asia. Since then, Japan has been closely observing the developments of SAARC. Prime Minister Koizumi sent a message of congratulations on the occasion of the 13th Dhaka Summit held in 2005.

A significant initiative in this direction came through the launching of Japan-South Asia Dialogue in 1991. In 1991, Japan's Ministry of Foreign Affairs organized the first Japan-South Asia Dialogue. The primary purpose of the forum was to deepen Japanese knowledge of South Asia and develop linkages with the South Asian leaders.²² The meeting took place nineteen months after the visit of Prime Minister Toshiki Kaifu to the region, the first visit to India and Pakistan in six years by an incumbent Japanese prime minister, the first to Bangladesh since its independence, and first to Sri Lanka in thirty years. The subsequent meetings took place in June 1992, February 1993 and February 1995. This cemented Japan's relations with SAARC by becoming its dialogue partner in 1993. Japan is the only country outside SAARC to have created a special fund in support of SAARC known as Japan-SAARC Special Fund in 1993. The SAARC-Japan Special Fund has been established, under which the Government of Japan has agreed to finance activities/programs relating to SAARC region. Letters were exchanged between the

²⁰ Bhabani Sengupta, *South Asian Perspectives: Seven Nations in Conflict and Cooperation*. Delhi: B.R. Publishing Corporation, 1988.

²¹ *Ibid.*

²² Navnita Chadha Behera, Paul M. Evans and Gowher Rizvi, *Beyond Boundaries: A Report on the State of Non-Official Dialogues on Peace, Security and Cooperation in South Asia*. Toronto: University of Toronto, 1997.

Secretary-General and the Japanese Ambassador in Kathmandu on 27 September, 1993, confirming the acceptance of the Memorandum on the Guidelines for the Fund.

The Fund established entirely with contribution from the Government of Japan consists of two components. The allocation under Component-I is to be used to finance selected programs/activities identified and managed by the member states. Component-II would be for the programs/activities identified and managed by the Government of Japan. In fact, Japan had shown interest in contributing 20 per cent of Japanese ODA to a common SAARC Fund.²³ The current ADB President, Haruhiko Kuroda who is happened to be a Japanese national, also shows tremendous personal interest about regional cooperation in South Asia. In a meeting of SASEC, Kuroda noted that growing regional cooperation in South Asia can directly contribute to the physical integration of Asia because of its central position as a land bridge between neighboring regions.²⁴

While visiting South Asia in 2000, the former Japanese Prime Minister Yoshiro Mori stated that SAARC could "provide a framework for stable development in the South Asia region." Subsequently, Japan was seeking observer status since 1999. Finally, Japan was accorded an observer status of SAARC during the 13th SAARC Summit held in Dhaka in 2005. Japan signed a MoU long before its acceptance as an observer state. This has further cemented South Asia-Japan relations on multilateral front. Japan considers the expansion of SAARC very significant as it opened up new ways for cooperation at inter-regional level. The idea of global partnership that Japan actively pursues in building her relations with many developing countries at bilateral and regional levels can also be an important component of the framework of South Asia-Japan relations. In fact, global partnership is considered as one of the major Millennium Development Goals as embodied in the Millennium Declaration adopted unanimously by the members of the United Nations in September 2000. In 2002, Japan's contribution of ODA to

²³ Kishore C Dash, "The Political Economy of Regional Cooperation in South Asia". *Pacific Affairs*, Vol. 69, Number 2, 1996.

²⁴ *Himalayan Times*, Nepal, 27 July 2005

multilateral institutions was 27.9% of the total Japanese ODA which is the second largest in the world after the USA.²⁵ Japan is strongly committed to pursue this goal as it coincides with its search of bigger role in the global arena.

It is not only a matter of Japan's interest in the region, but also the strong enthusiasm of South Asian countries to engage Japan in the region. People's reactions towards the decision of SAARC to grant observer status to Japan are very warm. A Pakistani newspaper evaluates Japan's involvement with SAARC by expressing optimism that it will be ushering in an era of economic prosperity in the region. It will help in countering India's hegemonic attitude. Current economic lopsidedness between South Asia and Japan may be reduced.²⁶ Pakistan Prime Minister Aziz mentioned that the entry of Japan and China will have a positive impact on the working of the grouping. India particularly favored the case of Japan when all other states were supporting the case of China.²⁷ Japan being an OECD member and an economy with strong technological expertise, could assist SAARC countries with the financial and technical expertise to meet the challenges of globalization.

5.2 BIMSTEC and IOR-ARC-Japan Cooperation

Another way of strengthening South Asia-Japan relationship is through developing collaboration and partnership between Japan and BIMSTEC. Japan shows special interest in BIMSTEC as it includes ASEAN members and serves as a bridge between SAARC and ASEAN. To Japan, BIMSTEC has both economic and strategic significance. The Sasakawa Foundation has sponsored a three-year project to initiate a Dialogue process on fostering cooperation between Japan and BIMSTEC countries. Several rounds of conferences/workshops identify some sectors for cooperation between Japan and BIMSTEC which include i) investment, ii) energy, iii) tourism, iv) trade, v) technology, and vi) transport etc.²⁸

²⁵ *Japan Statistical Yearbook 2005*

²⁶ *Dawn*, 8 August 2003

²⁷ *The Daily Times*, 14 November 2005

²⁸ The first international workshop was held in December 2005 at Kolkata, India while the first international conference entitled *BIMSTEC-Japan*

Some analysts see a good prospect for BIMSTEC-Japan Economic Partnership Agreement (EPA) in near future.²⁹ Studies show a reasonable amount of trade complementarities among the BIMSTEC countries in terms of root cause analysis (RCA) and factor intensity of export.³⁰

As a developed country, inclusion of Japan is expected to increase trade complementarities. Japan has already signed an EPA with Thailand, a member of BIMSTEC and ASEAN. Japan has strong economic relations with Myanmar. Besides, India is strengthening its economic ties with Japan. Gradually, Japan can find BIMSTEC as another route to Japan's relations with South Asian countries. Japan also shows its interest in sub-regional cooperation in South Asia. An IDE-JETRO sponsored study on *Sub-regional Relations in the Eastern South Asia: with Special Focus on Bangladesh and Bhutan* in 2004 demonstrates such interest of Japan.

Another inter-regional route to building Japan's regional connections with South Asian countries is through the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC). Japan is an observer of IOR-ARC. The charter of IOR-ARC was signed in 1997 on the basis of the principles of sovereign equality, territorial integrity, non-interference, peaceful coexistence, respect for bilateral and multilateral cooperation, exclusion of divisive issues from IOR-ARC deliberations and adoption of the method of consensus in decision-making process. It has been designed to set directions for the economic and trade policy in IOR and reaffirm policy of "open regionalism" and inclusivity of membership, due to proliferation of regional economic and political groupings. The charter of IOR-ARC aims to promote trade liberalization and flow of goods, services and human resource, and infrastructural development. IOR-ARC faces conceptual problems of cooperation and finds it difficult to handle the debate arising from complex nature of membership.

Comprehensive Economic Cooperation: Bangladesh Perspective was held in Dhaka in July 2006.

²⁹ Masahiko Ebashi, *Deepening BIMSTEC-Japan Economic Relations: Tasks Ahead*, Kolkata: Centre for Studies in International Relations and Development, 2006; Rahman, 2006, *op. cit.*

³⁰ ABM Ziaur Rahman, et al, *op.cit.*

Disagreements among members to include new member is a serious problem for this organization. The basic nature of this organization is inter-governmental cooperation. IOR-ARC has its Coordinating Secretariat based in Mauritius headed by an Executive Director assisted by a Director. The IOR-ARC is now at an important crossroads in its efforts to strengthen regional integration and development.

5.3 Guiding Issues for Building Regional Linkage

An international conference entitled *Japan-SAARC Cooperation* held in Dhaka in July 2006 recommends the following areas for South Asia-Japan multilateral cooperative framework.

1. To engage/provide/facilitate in mitigating disasters both in terms of disaster preparedness and disaster management and environmental protection in SAARC region through technical assistance, capacity building programs and the development of projects where Japanese have expertise and can contribute in substantial way to human security.
2. To increase greater connectivity in the region through expansion of infrastructure facilities for goods and services, and fostering communications across border among the representative from business, academia, civil society groups and media.
3. To strengthen capacity building in the institutions of SAARC countries for offering courses, training facilities, organization of workshops, conferences and building networks of support in media, academia, and civil society for advocacy and awareness of Japan-SAARC Cooperation.

Taking some clues from these recommendations, three areas are considered for Japan's regional linkage with South Asia. First, disaster management is a critical area of collaboration between South

Asia and Japan.³¹ South Asia experienced two biggest natural disasters in the world over the past year – the Asian Tsunami and the Kashmir Earthquake. The two calamities killed over 100,000 people in South Asia and setting up a system for the region to help deal with natural disasters was on top of SAARC's agenda during the 13th Summit of the organization held in Dhaka in 2005.

Second, Japan is deeply committed to poverty alleviation as one of the major Millennium Development Goals (MDGs) declared by the UN in 2000. Japan is also directing much of its huge ODA for this purpose. Despite being a vast region of 1.4 billion people, or almost one quarter of the world's population, South Asia accounts for only two per cent of the world's GDP. The stark fact is that out of almost 700 million people living in poverty throughout Asia, some 430 million live in South Asia, which is 40 per cent of the world's total poor. As Kuroda points out, clearly, we cannot achieve the MDGs in Asia without achieving them in South Asia first.³² Hence, poverty alleviation constitutes a major area for South Asia-Japan cooperation. While poverty alleviation is a single most specific concern of Japan, the overall thrust of Japan's engagement is human security. Japan's ODA focuses on a broad range of issues related to socio-economic empowerment – poverty alleviation, sanitation, education, water, health care and waste management.

Third, Japan is particularly concerned about global and regional peace. Since the end of the Cold War, Japan has been vigorously supporting peace building initiatives in different regions of the world. Japan's ODA has targeted this objective for financial, technical, and logistic supports. South Asia is the most conflict ridden area in the world. Japan can contribute a lot to the enhancement of regional peace in South Asia. In fact, Japan has already involved in the peace process in Sri Lanka and post-conflict reconstruction process in Afghanistan. Thus, peace building and post-conflict reconstruction initiatives constitute a major area for Japan's multilateral engagement. Finally, regional resource utilization projects such as

³¹ Shinsuke Shimizu, Director, Southwest Asia Division, MOFA reiterates the importance of disaster management for Japan's multilateral cooperation in South Asia as revealed in personal interview taken on 31 August 2006.

³² *Himalayan Times*, 27 July 2005

energy projects, water management projects, etc. can be supported by Japan for mutual benefits.

6. Instrumentalization of Partnership

How do South Asia and Japan instrumentalize their partnership? The instrumentalization of South Asia-Japan partnership could be done through three possible channels. The most visible and traditional instrument of Japan's involvement in South Asia is bilateral mechanism. At inter-state level, the expansion of aid, trade and investment gets utmost priority. Second, South Asia and Japan can strengthen their cooperation through regional and sub-regional institutions. Japan could directly engage with the projects and programs of SAARC, BIMSTEC and other sub-regional bodies. By strengthening regional integration processes Japan could contribute to the development and security of the region. In this context, the available mechanisms within the regional institutions particularly in SAARC are very important. Since the conclusion of 11th Kathmandu Summit, SAARC has initiated few well meaning institutions. For example, the SAARC Regional Center for Disaster Management, Regional Energy Center, the SAARC Development Fund (SDF), and most notably, SAFTA. Finally, South Asia and Japan may have a plenty of opportunities to collaborate on specific issues of mutual concern. In fact, Japan has been doing this dispersedly for some years. The issues that draw active attention of Japan are poverty alleviation, human security, human development, peace-building, governance, capacity building, knowledge transfer and civil society empowerment.

ODA is a major component of South Asia-Japan relations at the bilateral level (Appendix-1). It can also be equally useful at the regional level in South Asia.³³ The Japanese ODA is

³³ Ikura Sato, "Suggestions on the Infrastructure and Trade/Investment Promotion in the SAARC Region". Paper presented at International Conference on *Japan-SAARC Cooperation* organized by Japan Study Center, Dhaka University, 31 July 2006; Shuji Uchikawa, "The Possibility of SAARC and the Role of Japanese ODA", Paper presented at the International Conference on *Japan-SAARC Cooperation* organized by Japan Study Center, Dhaka University, 31 July 2006; Masahiko Ebashi,

comprehensively and multi-dimensionally linked with economic, social, cultural and security issues in the recipient regions or country. ODA is broadly divided into bilateral aid, in which assistance is given directly to the developing countries, and multilateral aid, which is provided through international organizations. Bilateral aid consists of concessional loans (ODA loans, etc.) and grants (grants and technical cooperation). Japan can use ODA for strengthening its regional linkages in South Asia through reallocating and readjusting ODA loans and grants.

The objectives of ODA are critically linked with infrastructure development, poverty alleviation, technology/knowledge transfer and environmental protection. The combined impact of these sectors can be seen on bilateral investment and trade. As Uchikawa points out, improvement of infrastructure facilities may promote intra-regional trade and invitation of FDI from the long term viewpoint³⁴. While administering ODA loans to developing countries, the Japan Bank for International Cooperation (JBIC) spells out three missions: i) promotion of Japanese exports, imports and economic activities; ii) support for economic and social development as well as economic stability in developing countries and regions; and iii) contribution to the stability of the international environment surrounding Japan.³⁵

As an observer of SAARC, Japan is likely to get involved with more regional projects where ODA can be a major source for funding. SAARC has already initiated a regional mechanism called the SAARC Development Fund (SDF) for undertaking regional projects for poverty alleviation, human development and humanitarian emergencies in South Asia. Japanese ODA is

Deepening BIMSTEC-Japan Economic Relations: Tasks Ahead. Kolkata: Centre for Studies in International Relations and Development, 2006; Hiroichi Yamaguchi, "Japan's ODA and South Asia", in Kesavan, K.V. and Lalima Varma, ed., *Japan-South Asia: Security and Economic Perspectives*, New Delhi: Lancer Books.

³⁴ Shuji Uchikawa, "The Possibility of SAARC and the Role of Japanese ODA". Paper presented at International Conference on *Japan-SAARC Cooperation* organized by Japan Study Center, Dhaka University, 31 July 2006.

³⁵ Japan Bank for International Cooperation. *A Brochure*. Tokyo: JBIC Head Office, Undated.

channeled through two mechanisms – bilateral and multilateral. Japan can use both the channels for supporting SAARC and other regional integration initiatives. A major contribution of Japan's ODA is poverty alleviation. In the recent times, Japan introduced a program called Minimum Interest Rate Initiative (MIRAI) which indicates a New Yen Loans' concessional scheme with a 0.01% interest rate and 40 years repayment period applicable to low income LDCs.³⁶ As a part of this program, JBIC signed ODA Loan Agreement with Bangladesh on 26 June 2006 in Dhaka for the first time after the introduction of MIRAI. Under this agreement Japan provided ¥24,906 million loan assistance to Bangladesh which will carry an interest rate of 0.01% per annum with a repayment period of 40 years including a grace period of 10 years.³⁷

Some of the Japanese ODA loan projects in South Asia may focus on regional dimension although they might be located in a specific country. For example, Japan is actively considering the proposal from Bangladesh to build a deep sea port in the Bay of Bengal near Chittagong which would help the entire region for boosting regional trade. In this context, the idea of regional transport integration becomes critically important. There has already been a road network named as Asian Highway conceived by UN ESCAP is in the process of implementation. Japanese assistance to some of the big infrastructural projects has contributed to regional connectivity. For example, Jamuna Bridge, which is the largest one in South Asia, was built over the river Jamuna that divides the land of Bangladesh into East and West. It has also contributed significantly to the expansion of physical connection among Bangladesh, India, Nepal and Bhutan. Japan has also experience in helping ASEAN through ODA. During the 1970s, Japanese ODA was given mainly to ASEAN in order to improve infrastructure facilities which ultimately helped to improve investment environment in the region.

Promotion of Japan's direct investment in the South Asian countries is an important way for realizing closer economic relations

³⁶ Information is based on the press release published on 26 June 2006 by the Embassy of Japan in Dhaka, Bangladesh.

³⁷ Different Press Releases published by the Embassy of Japan, 2006, Dhaka.

between South Asia and Japan. Japan's FDI inflows will promote industrialization and sophistication of industries of host countries, which would be the quickest way to expand manufactured exports and employment in South Asia. Analysts emphasize on FDI from Japan for the development of South Asia.³⁸ Given the low level of Japan's FDI, both, South Asia and Japan need to find out plausible ways for its expansion (Appendix-1). In order to attract FDI from Japan, it is important for the SAARC countries to remove the bottlenecks. It is urgently needed to improve investment environment. Among other things, it depends on two major factors – regional peace and stability and highly improved infrastructure.

There is also a need for changing Japanese mindset about South Asian business environment. Southeast Asia or China or South Korea has not come to the present stage in one day. Japanese investors also faced problems there at the initial stage. Now situation has greatly changed. Hence, it is a matter of time also. In the recent times, more companies are becoming interested about South Asia for business opportunities. Apart from FDI, there is a need for expansion of trade relations between South Asia and Japan. With growing bilateral economic relations Japan may eye an EPA with SAARC and BIMSTEC in near future. The EPA or FTA mechanism is useful to contribute to economic development of a region. South Asia's reliance on Japan and Newly Industrialised Countries (NIEs) for private flows is increasing in view of the fact that aid is in decline. Japan is also the largest donor to South Asia. Japan could meet South Asian demand for FDI. Japan's success stories are always an example for other regions.³⁹ Bhargava highlights the problem of squeezing international financial flow and diminished ODA. From South Asian perspective, Japan is an increasingly important trade partner and donor country. South Asian countries can persuade Japan to take greater responsibilities for this region. Japan established South Asia Center in Tokyo to promote trade, investment and

³⁸ Sato, *op.cit*; Ebashi, *op.cit*.

³⁹ K.K Bhargava, "South Asia: The Way Ahead", in K. K. Bhargava, I. N. Mukherjee, Bimal Prasad and Charan D. Wadha, eds., *South Asia: Towards Dynamism and Cooperation*, Delhi: Popular Prakashan, 1994, p.143

tourism.⁴⁰ Bhargava suggests some rudimentary issues to build collaboration between South Asia and Japan.

Japan's South Asia policy is gradually focusing on the issues of politico-strategic cooperation. Japan's willingness to play a more prominent role in South Asia in the sphere of peace and security is manifested in the interest shown in its quick response to strategic development in South Asia. Japan criticized the nuclear tests by India and Pakistan and subsequently slapped sanctions on ODA to these two countries. While Japanese Prime Minister Mori was visiting Pakistan in 2000 as the second world leader in the aftermath of nuclear tests, it was reported that Mori raised the issue of nuclear proliferation, and pressed Pakistan to sign Comprehensive Test Ban Treaty (CTBT). In his visit to Pakistan in April 2005, Koizumi expressed concern about nuclear proliferation particularly about the black market network of Pakistan's disgraced nuclear scientist Abdul Qadeer Khan. Through this visit Japan resumed low interest yen loans to Pakistan. Meanwhile, Pakistan indicated that it would support Japanese efforts at acquiring a permanent seat in the UN Security Council.⁴¹

Another important aspect of Japan's security relationship in South Asia is its military cooperation with India. Since 2000, Japan and India have been engaged in joint exercises and dispatching patrol vessels to deal with pirate attacks on ships.⁴² In 2005, they conducted their sixth piracy drill which reflects an emerging strategic dimension of Japan-India bilateral cooperation. In fact, the exchange of naval visits by India and Japan began in 1995 after an Indian Naval ship visited Japan. It was reciprocated by a Japanese Naval ship *Kashim* in 1996. Besides, the Japanese entry into a new peace and security discourse in South Asia is demonstrated by Japan's peace-building role in intrastate conflicts in the region. Japan maintains close observation on the developments in Kashmir. More importantly, Japan is involved in the post-war peace-building initiatives and reconstruction process in Afghanistan. Quite surprisingly, Japan is also involved in the peace process in Sri Lanka,

⁴⁰ *Ibid.*

⁴¹ *Japan Times*, 1 May 2005.

⁴² *The Japan Times*, 19 November, 2005.

the most complex and violent ethnic conflict in the region. Finally, there is a convergence between Japan, on the one hand, and the Non-nuclear Weapons States (NNWS) in South Asia, namely, Bangladesh, Nepal, Sri Lanka, Bhutan and Maldives, on the other, regarding their common concerns about nuclear proliferation in the region. Both Japan and NNWS share the perils of military buildup and arms race in South Asia.

6.1 Grassroots Networks

Apart from the traditional issues of aid, trade, FDI and security, South Asia-Japan partnership has been strengthened by other mechanisms. Firstly, Japan is focusing on grassroots networks over the past years for its relations with South Asian countries. The JICA as the major arm of Japanese ODA contributes to grassroots networks building through its various programs. The JICA has introduced seven principles for its development assistance to the developing countries. These principles clearly reflect its commitment to grassroots networks for development. Some of the principles include: reaching those in need through a people-centered approach; empowering people as well as protecting them; working with both government and local communities to realize sustainable development; and strengthening partnership with various actors to achieve a higher impact from assistance.⁴³

JICA has a program called the Japan Overseas Cooperation Volunteers (JOCV) which was founded in 1965. Under this program JICA dispatch the JOCV volunteers to live among the people of the country to which they are dispatched and to pursue their activities with local people, enabling them to ascertain development needs from the viewpoint of those living there. They work with the local people to contribute to the country's socio-economic development, making effective use of their abilities and experiences. It has three major goals: (1) to contribute to the socio-economic development or reconstruction of developing countries and regions; (2) to strengthen friendship and mutual understanding between developing countries and regions, and Japan; and (3) to give back to society the fruits of

⁴³ Japan International Cooperation Agency, *Annual Report 2005*, Tokyo: JICA.

volunteer activity experience. In 1965, JICA sent the JOCV volunteers to 5 countries which increased to 32 countries in 1985, and 76 countries in 2004. As of August 2005, the total number of the JOCV volunteers was 27,521 which is a major expansion from 486 volunteers in 1975.⁴⁴ In addition to the JOCV program, the JICA began to address the challenges of human security in the contemporary world. Since 2003, Japan's Official Development Assistance (ODA) Charter has been reflecting the importance of the concept of human security in the era of globalization. The ODA Charter mentions:

In order to address direct threats to individuals such as conflicts, disasters, infectious diseases, it is important not only to consider the global, regional and national perspectives, but also to consider the perspectives of human security, which focuses on individuals. Accordingly, Japan will implement ODA to strengthen the capacity of local communities through human resource development. To ensure that human dignity is maintained at all stages, from the conflict stage to the reconstruction and development stage, Japan will extend assistance for the protection and empowerment of individuals.⁴⁵

Besides, Japan's new medium-term policy on ODA in February 2005 promoted human security as an overarching concept, integral to the implementation of development assistance. The JOCV volunteers have a strong presence in South Asia and they are contributing to building grassroots networks for social development. In Bangladesh, the JICA dispatched its first volunteers in August 1973.

Initially, the JOCV program activities were focused on rice culture and vegetable growing, but later they include community development, primary school education, computer technology and Japanese language. In 1981, the JICA sent female volunteers for the first time who promoted social participation by women in the rural areas of Bangladesh.⁴⁶ South Asia-Japan relationship is expanding

⁴⁴ *Ibid.*

⁴⁵ The Government of Japan, *Japan's Official Development Assistance Charter*, Tokyo, the Ministry of Foreign Affairs, 2003, available online, <http://www.mofa.go.jp/policy/oda/reform/revision0308.pdf> accessed on 15 June 2007.

⁴⁶ JICA, 2005, *op.cit.*

and strengthening through the grassroots networks that have expanded since the early 1990s through the official and nonofficial channels particularly in social sectors. The Japanese government through JICA initiated assistance for grassroots networks which focuses on empowerment and capacity building of small organizations in South Asian countries. They have introduced a special fund for grassroots networks. However, the most significant contribution in this area comes from Japanese civil society organizations and individuals. A major example is the activity of *Shaplaneer* in Bangladesh and Nepal. The growing visibility of grassroots networks between Japan and South Asia is an emerging phenomenon in their bilateral and multilateral relationship.

6.2 Labor Migration

Labor migration is a major component of South Asia-Japan relations although it remains somewhat neglected at policy level. Japan is a highly attractive destination for migrant workers from any corner of the world. It is estimated that foreign workers from the developing world earn much more in Japan than in other countries that have migrant labor. According to official and private estimates, foreign workers from the poor countries send home on an average of more than 900 billion yen or around 825.3 million US dollars annually which is larger than the amount they receive from Tokyo as foreign aid.⁴⁷ Asian countries share the largest number of migrants in Japan. On the top of the remittance list are countries such as China, the Philippines, Thailand and South Korea with their combined remittance amounting to US\$5.5 billion.⁴⁸

Although it is difficult to have the accurate number of South Asian migrants in Japan, it can undoubtedly be said that Japan has a sizeable number of South Asians. In general, South Asia produces a large number of migrants in different countries particularly in the developed nations. According to a World Bank estimate, the South Asian region would receive an estimated US\$32 billion in remittances in 2005, a 67 percent increase from 2001. India is the largest recipient

⁴⁷ Subendri Kakuchi, "Migrants: Foreigners' Remittances from Japan Top US\$825 Million", *Global Information Network*, September 2004.

⁴⁸ *Ibid.*

of remittances (US\$21.7 billion), Pakistan and Bangladesh receiving US\$3.9 billion and US\$3.4 billion respectively. The report further says that remittance inflow has helped Bangladesh cut its poverty by six percent; in Sri Lanka remittance receipts are larger than tea exports, and in Nepal, remittances account for nearly 12 percent of GDP.⁴⁹

There is a prospect for expanding Japanese labor market for migrants coming from Asian countries mainly from Southeast and East Asia. The leading business lobby in Japan, the *Keidanren* has been pressing the Japanese government to conclude with its Asian neighbors bilateral trade agreements that recognize the country's need to open its doors to skilled foreign workers.⁵⁰ South Asian policy makers, scholars and citizens expect that Japan may face further crisis of labor because of the increasing number of aging population. This would provide more opportunities for South Asian labor migration to Japan. For example, Rehman Sobhan categorically identifies this opportunity in Japan for the future.⁵¹ Former Bangladeshi Ambassador to Japan, Sirajul Islam also pointed out this possibility while talking to Bangladeshi community in Tokyo.⁵² Moreover, *Diaspora* helps building networks that are used for multifarious purposes from business to culture.

6.3 Peace-building Role in Sri Lanka

The peace-building role of Japan in South Asia paves the way for a new chapter in their partnership. The Tamil conflict in Sri Lanka is regarded as the most intractable and destructive conflict in the region. The war involving the Sri Lankan government and the Liberation Tigers of Tamil Eelam (LTTE) started in 1983, and since then over 65,000 civilians, security force personnel and LTTE cadres have lost their lives. The damage to personal and public property in

⁴⁹ *The Daily Star*, Dhaka, 22 November 2005

⁵⁰ Kakuchi, *op.cit.*

⁵¹ *The Daily Prothom Alo*, 17 August, 2006

⁵² It is based on personal talk and a speech by the Ambassador of Bangladesh to Bangladeshi community in Tokyo on the occasion of celebrating International Mother Language Day organized by the Embassy of Bangladesh, Japan on 22 February 2005.

Sri Lanka during 1993-98 is estimated at 1.7 times of the GDP in 1998.⁵³ Efforts at a negotiated peace settlement have not been succeeded largely due to the uncompromising stance of the political elite representing the country's distinct ethnic communities to agree on a power sharing formula. The unitary form of state is another cause for creating a centralized power structure in which majority community enjoys political power. Perera traces the origin of the conflict to rival elite competition as well as the structure of government.

In 2000, the government of Sri Lanka requested for international mediation with a view to bringing an end to this conflict. The former President Chandrika Kumaratunga invited the government of Norway to act as a third party intermediary and mediate negotiation between the Government and the LTTE. It may be mentioned that before this initiative, there was an attempt by India to settle the conflict. In this regard, India compelled President Jayewardene in 1987 to sign an accord wherein he invited an Indian Peace Keeping Force (IPKF) to help resolve the ethnic conflict. This, however, instead of resolving, further complicated the conflict and, ultimately, India had to withdraw the IPKF in 1990. In 2001, the LTTE leader Velupillai Prabhakaran indicated his willingness to come to a peaceful settlement.⁵⁴ In an attempt to end the conflict, the Sri Lankan Government and LTTE on February 23, 2002, signed the Norwegian-brokered 'Memorandum of Understanding (MoU) on the Permanent Cessation of Hostilities'.

Since the early 1990s, the development cooperation by the rich countries has been extended to peace and conflict issues. The JICA through its report *JICA Thematic Guidelines on Peace-building Assistance* in 2003 clearly conceptualizes the role of Japan in peace-building and post-conflict areas.⁵⁵ Broadly, JICA now focuses on three areas in its peace building assistance worldwide – development assistance, diplomatic approaches and support to PKO. In June 1992, Japan hosted "Ministerial Conference on Cambodian

⁵³ Jehan Perera, "Sri Lanka: Confrontation to Accommodation", *South Asian Journal*, No. 3. January-April 2004.

⁵⁴ *Ibid.*

⁵⁵ Japan International Cooperation Agency, *JICA Thematic Guidelines on Peacebuilding Assistance*, Tokyo: JICA, 2003.

Reconstruction” and chaired the “International Committee on the Reconstruction of Cambodia” for three years from 1993. In 1999, the “East Timor Donors’ Meeting” was held in Tokyo in which Japan took active role in drawing global attention to East Timor crisis.

Similarly, Japan steadily increased its commitments of personnel to UN-led peacekeeping operations in accordance with the 1992 International Peace Cooperation Law. Until March 2005, Japan contributed to 18 global peace cooperation operations in the forms of UN PKO, international humanitarian relief operations, and international election monitoring operations.⁵⁶ In the course of Japan’s growing involvement in global peace-building operations, Japan involved itself in the peace process of Sri Lanka. After signing the MoU, the Government and LTTE have held five rounds of peace talks (the first three rounds, September, October and December 2002 – in Thailand; the 4th round in February 2003, in Berlin; and the March 2003, 5th round in Tokyo).

Peace talks were combined with efforts to mobilize donor funds to rebuild the country, in particular, the North and East. The first donor meeting was held in Oslo in December 2002 followed by the second one in Washington in mid-April 2003. Both were preparatory to a more significant meeting to be held in Tokyo. The key global actors behind this peace process are countries, such as, Norway, USA, EU, Japan and India as well as multilateral agencies, such as, the World Bank, Asian Development Bank and the UNDP. The Japanese government appointed Yasushi Akashi, a former UN Under Secretary General, as the special envoy for the peace process.

The emergence of Japan as a leading player in the negotiations to end nearly twenty years of civil war and post-war reconstruction plans is very significant. Japan also hosted “The Tokyo Conference on Reconstruction and Development of Sri Lanka” in June 2003 that was attended by representatives from 51 countries and 22 international organizations.⁵⁷ Unlike typical peace-building operations as Japan got involved, the Sri Lanka case demonstrates Japan’s political and security ambition. In this case, Japan focused on its diplomatic role

⁵⁶ MOFA, Japan, <http://www.mofa.go.jp/policy/un/pko/pamph2005-2.pdf> accessed on 30 April 2006

⁵⁷ JICA, 2003, *op.cit.*

as Akashi argued Japan must go beyond 'checkbook diplomacy'. Precisely, it was beyond the scope of traditional peacekeeping, humanitarian or election monitoring operations or even checkbook diplomacy. It is a new move by Japan that demonstrates its intention to play a bigger role in South Asia and the Indian Ocean region.

6.4 Cultural Borrowing

Another component of South Asia-Japan relationship includes the concept of cultural borrowing. Actors internalize norms and standards of behavior by acting in social structures. International socialization is the process of inducting actors into norms and rules of a given community.⁵⁸ "With the promulgation of the Taiho Code in 701, Japan introduced a Chinese style government utilizing a bureaucratic system that relied heavily on imported Chinese institutions, norms and practices".⁵⁹ Japan perfectly adapted to Western ideas while retaining the values of its own. Japan had not globalized itself through a typical Western modernization process. The underlying framework behind such change may be conceived as 'cultural borrowing' and 'transnationalism' which was successfully applied by Japan in its quest for modernity since 1867.⁶⁰ Japan's big effect on the world through the model of 'cultural borrowing' has been even more important. It has shown clearly that you do not have to embrace "western" culture in order to modernize your economy and prosper.

It may be argued that close ties between South Asia and Japan on socio-cultural front can create the opportunities for South Asian countries for sharing the Japanese experiences of cultural borrowing. Tagore hinted at such possibilities long ago. Although he criticized

⁵⁸ Michael Zurn, and T. Checkel Jeffrey, "Getting Socialized to Build Bridges: Constructivism and Rationalism, Europe and the Nation-State", *International Organization*, 59, Fall 2005, pp. 1045-79.

⁵⁹ David C Kang, "Hierarchy in Asian International Relations: 1300-1900", *Asian Security*, No. 1. January 2005, p. 58.

⁶⁰ Kazuhiko Okuda, "Transnationalism and the Meiji State: On the Question of Cultural Borrowing". *Bulletin of the Royal Institute for Inter-Faith Studies* 3, No. 1, 2001; M.A. Bamyeh, "Transnationalism" *Current Sociology* 41, no. 3, Winter, 1993.

Japanese militarism, he highlighted the importance of Japan as a model to achieve economic and social development to the colonized world subsequently emerged as the Third World/Developing World.⁶¹ As Huq observes, the image of Japan in the developing world is that of a nation which could achieve tremendous success in a relatively short period of time.⁶² Moreover, Japan remains the only example of a nation that could graduate from the position of recipient of foreign aid to the status of a principal donor within a relatively short period of time. This makes the country an example that many in the developing world would definitely like to follow.⁶³ He further argues that if today's developing countries can learn something from that particular experience of Japan, only then can there be any possibility of applying the Japanese model in reality.⁶⁴ An Indian Minister who visited Japan in 2005 pointed out that India and Japan have many things to learn from each other.⁶⁵ Thus it reflects a true need for social learning from Japan that can be achieved through a regional framework.

7. Conclusion

The paper demonstrates that there is an evolving regional dimension to understand South Asia-Japan relations in the contemporary world. The typical donor-recipient pattern of relationship cannot explain the significance of relationship between South Asia and Japan. Japan's growing interest in regionalism provides necessary impetus to explore the regional perspective and its agenda, determinants and instruments. Japan's relations with SAARC as an observer nation and growing connections with BIMSTEC and IOR-ARC empirically show how they are connected through regional considerations. The major instruments behind their new partnership include ODA, trade and investment on the one hand, grassroots networks, labor migration, peace building role and cultural borrowing, on the other.

⁶¹ Rabindranath Tagore emphasised this point in his lectures delivered while visiting Japan. He also wrote a book entitled *Japan Jatri* (A visit to Japan) published in 1919 where he referred to such idea.

⁶² Huq, 2003, *op.cit.*

⁶³ *Ibid.*

⁶⁴ *Ibid.*

⁶⁵ Renuka Chowdhury, *The Japan Times*, 15 October 2005.

However, in consolidating South Asia-Japan regional partnership two major constraints are mainly visible. First, the volatile and chaotic regional political dynamics hinders taking long-term projects in this region by Japan. Bilateral disputes between India and Pakistan on the Kashmir issue and several other inter-state conflicts pose constant threat to regional peace and security. Besides, the rise of religious extremism, insurgent movements and ethnic problems adversely influence regional political environment. So, it is important to have favorable regional environment to engage external powers like Japan. Otherwise it will be the same old story. Second, business environment in South Asia also suffers from several hindrances identified by the Japanese investors in South Asia. Japanese investors have identified some specific problems existing for business in different countries of South Asia. For example, according to Japanese investors, in India they face problems such as restriction on entry into retail industry by foreign enterprises, delayed investment approval procedure, defective labor laws and regulations, and frequent labor disputes, underdeveloped infrastructure and delayed procedure for tax deduction at source. In Bangladesh, the constraints include lack of policy continuity, labor disputes, lack of security, corruption, existence of pre-shipment inspection, delayed customs procedure, delayed issuance of employment visas, underdeveloped infrastructure and delayed L/C settlement. In Sri Lanka, the hindrances include uncertainty regarding peace and security, lack of policy continuity, lengthy dispute settlements, inefficient customs, and labor disputes. In case of Japan, the country appears to have stereotyped donor mindset singularly focused on ODA. Japan is less interested to expand its production networks from Southeast Asia or East Asia to South Asia. Japan has been oblivious to strategic significance of South Asia for many decades. In the conclusion, it may be argued that the positive changes in regional political and business environment in South Asia and changes in the mindset of Japanese policy-makers will strengthen mutual cooperation resulting in a robust and vibrant regional perspective.

**Appendix-1:
South Asia-Japan Trade Information and Japanese ODA to South Asia***

Table-1: Japan as a Bilateral Donor to Bangladesh (net disbursements in US\$ million).

Year	1		2		3		4		5		Total
1998	Japan	189.1	U.K.	99.0	Germany	65.1	Netherlands	57.9	Canada	53.5	623.9
1999	Japan	123.7	U.K.	114.9	USA	113.6	Germany	46.6	Denmark	42.0	607.3
2000	Japan	201.6	U.K.	103.4	USA	62.5	Canada	38.5	Germany	36.7	616.5
2002	Japan	262	U.K.	188	USA	95	Netherlands	51	Denmark	41	913.0

Source: MOFA, Japan, *Japan's ODA White Paper 2002*.

Table-2: Japan as a Bilateral Donor to India (Net Disbursements in US\$ million)

Year	1		2		3		4		5		Total
1998	Japan	505.0	U.K.	186.6	Germany	106.5	Denmark	37.7	Netherlands	27.0	915.1
1999	Japan	634.0	U.K.	131.7	Germany	29.6	Denmark	25.1	Switzerland	19.4	838.3
2000	Japan	368.2	U.K.	204.2	Denmark	20.9	Switzerland	18.3	Germany	15.6	650.3
2002	Japan	768.0	U.K.	346.0	Germany	159	USA	149	Netherlands	105.0	1463

Source: MOFA, Japan, *Japan's ODA White Paper 2002*.

Table-3: Japan as a Bilateral Donor to Pakistan (Net Disbursements in US\$ million)

Year	1		2		3		4		5		Total
1998	Japan	491.5	U.K.	46.4	Netherlands	16.8	Canada	16.1	Switzerland	10.1	534.8
1999	Japan	169.7	Germany	83.4	U.S.A.	75.0	U.K.	39.5	Netherlands	23.2	435.2
2000	Japan	280.4	U.S.A.	88.5	U.K.	23.7	France	19.6	Netherlands	19.1	475.1
2002	USA	656	Japan	284	France	250	U.K.	106	Germany	58	2138

Source: MOFA, Japan, *Japan's ODA White Paper 2002*.

Table-4: Japan as a Bilateral Donor to Sri Lanka (Net Disbursements in US\$ million)

Year	1		2		3		4		5		Total
1998	Japan	197.9	Germany	19.0	U.K.	13.6	Netherlands	13.2	Norway	13.2	282.3
1999	Japan	136.0	Sweden	14.3	Norway	14.0	Germany	10.8	U.K.	9.3	207.7
2000	Japan	163.7	Germany	21.2	Sweden	16.7	Norway	14.6	U.K.	9.9	240.2
2002	Japan	249	Germany	25	Norway	25	Netherlands	24	Korea	17	344

Source: MOFA, Japan, *Japan's ODA White Paper 2002*.

*Figures for individual donors for each year in Table 1-5 correspond to a gross ODA and the total figure is net ODA.

Table-5: Japan as a Bilateral Donor to Nepal (Net Disbursements in US\$ million)

Year	1	2	3	4	5	Total					
1998	Japan	56.9	U.K.	28.0	Germany	24.5	Denmark	22.9	U.S.A.	16.9	212.7
1999	Japan	65.6	U.K.	26.4	Denmark	23.8	Germany	22.1	U.S.A.	16.7	204.8
2000	Japan	99.9	Denmark	25.0	U.K.	23.0	Germany?	21.8	U.S.A.	16.0	231.2
2002	Japan	87.0	Germany	49.0	U.K.	45.0	USA	35.0	Denmark	33.0	365.0

Source: MOFA, Japan, *Japan's ODA White Paper 2002*.

Table-6: Major Export Markets of South Asian Countries (% of total)

	DMCs		PRC		Japan		US		EU		Others	
	1995	2004	1995	2004	1995	2004	1995	2004	1995	2004	1995	2004
South Asia	18.4	19.6	1.0	4.4	6.5	2.2	19.5	19.2	29.9	25.7	24.8	28.9
Afghanistan	55.9	50.1	9.2	0.4	0.6	0.5	3.2	12.4	20.6	20.3	10.5	16.3
Bangladesh	8.2	4.4	0.6	0.4	3.3	0.8	31.9	22.4	44.8	51.2	11.2	20.8
India	20.2	22.0	0.9	5.5	7.0	2.5	17.4	17.0	27.5	21.9	27.0	31.1
Nepal	9.8	49.3	0.1	1.2	0.5	1.1	30.5	22.7	53.3	18.2	5.8	7.5
Pakistan	19.6	15.8	1.5	2.3	6.8	1.2	15.1	23.5	31.0	30.3	26.1	27.0
Sri Lanka	8.9	12.7	0.1	0.4	5.3	2.7	35.6	32.4	32.4	32.4	17.7	19.5

Source: ADB, *Asian Development Outlook 2006*

Table-7: Direction of Merchandise exports of South Asian Countries (% of total)

	Asia		Europe		North & Central America		Middle East		South America		Africa		Rest of the World	
	1990	2004	1990	2004	1990	2004	1990	2004	1990	2004	1990	2004	1990	2004
Bangladesh	14.8	7.0	41.8	51.0	32.3	26.5	4.9	1.3	0.4	0.1	3.3	0.8	2.5	13.3
India	21.0	32.4	47.2	24.8	16.3	20.7	7.1	13.5	0.1	1.1	1.8	5.2	6.4	2.4
Nepal	14.7	53.7	60.0	18.8	24.1	24.1	0.1	0.1	0.0	0.0	0.0	0.1	1.0	3.3
Pakistan	30.6	22.4	41.0	29.9	14.3	23.8	8.7	17.8	0.1	0.6	4.0	4.4	1.4	1.2
Sri Lanka	14.8	14.3	30.9	36.9	28.8	33.4	17.7	8.1	0.6	0.5	1.2	0.8	5.9	6.0

Source: Asian Development Bank, *Key Indicators 2005*, Manila: Asian Development Bank, 2005.

Table-8: Direction of merchandise imports of South Asian countries (% of total)

	Asia		Europe		North & Central America		Middle East		South America		Africa		Rest of the World	
	1990	2004	1990	2004	1990	2004	1990	2004	1990	2004	1990	2004	1990	2004
Bangladesh	47.7	59.6	22.0	10.6	8.4	3.1	5.1	8.2	1.4	1.5	0.2	0.8	15.1	16
India	17.4	27.8	41.3	28.6	12.9	7.9	18.3	5.9	1.6	1.4	2.8	2.0	5.7	26.4
Nepal	69.4	67.7	20.1	6.3	2.9	2.5	0.0	18.5	0.4	0.2	0.2	0.3	7.0	4.5
Pakistan	31.6	35.1	29.3	22.1	14.2	11.8	19.1	26.6	0.8	0.4	2.5	1.8	2.5	2.2
Sri Lanka	47.5	55.3	18.0	23.0	9.0	2.8	11.5	9.0	0.8	0.3	4.4	0.5	8.8	9.1

Source: Asian Development Bank, *Key Indicators 2005*, Manila: Asian Development Bank, 2005.

Table-9: Major Trading Partners of South Asia and Japan, 2003

Countries	Major Destinations of Exports*					Major Destinations for Imports*				
Japan	USA	EU (15)	China	Korea	Taiwan	China	USA	EU (15)	Korea	Indonesia
Bangladesh	EU (15)	USA	Canada	Hong Kong	Japan	India	Singapore	China	EU (15)	Hong Kong
India	EU (15)	USA	UAE	Hong Kong	China	EU (15)	USA	China	Switzerland	Korea
Nepal	India	USA	EU (15)	China	Bangladesh	India	China	Singapore	EU (15)	Malaysia
Pakistan	EU (15)	USA	UAE	Hong Kong	Afghanistan	EU (15)	KSA	UAE	USA	China
Sri Lanka	USA	EU (15)	India	Japan	Russia	India	EU (15)	Hong Kong	Singapore	Japan

Source: World Trade Organization (WTO). Available online.
http://stat.wto.org/countryprofiles/NP_e.htm accessed on September 18, 2005.

* Destination countries are put in ranking order.

** USA (United States of America), EU (European Union), UAE (United Arab Emirates), KSA (Kingdom of Saudi Arabia).

Table-10: Exports from Japan to Selected Countries of South, Southeast and East Asia, 2004 (in JPY100million)

	1990	1992	1994	1996	1998	2000	2001	2002	2003	2004
East and Southeast Asia										
China	8840	15100	19100	23800	26200	32700	37600	49800	66400	79900
Korea	25200	22500	24900	31900	200	23100	33100	35700	40200	47900
Indonesia	7240	7060	7830	9860	560	8180	7780	780	830	9820
Malaysia	7930	10300	12600	16700	12200	1500	13400	13800	1300	13600
Philippines	3630	4450	6040	9150	9480	11100	9950	10600	10400	10400
Thailand	13200	13100	1500	19900	12200	14700	14400	16500	18500	21900
South Asia										
Bangladesh	550.3	303.6	342.3	376.5	421.1	509.1	542.4	534.4	493.5	486.2
India	2470	1880	2090	2650	3140	2680	2340	2340	2760	3290
Pakistan	1450	1640	873.4	1260	855.7	652.3	608.6	895.9	1040	1340
Sri Lanka	451.3	454.2	465.2	436.1	629.2	558.2	325.5	355.3	433.6	366.6
Nepal	83.4	75.1	67.6	71.2	31.9	33.4	26.0	21.0	15.1	24.4

Source: Trade Statistics of Japan, Monthly and Yearly Data, Ministry of Finance. Available online.

Table-11: Imports of Japan from Selected Countries of South, Southeast and East Asia, 2004 (in JPY100million)

	1990	1992	1994	1996	1998	2000	2001	2002	2003	2004
East and Southeast Asia										
China	17300	21400	28100	4400	48400	59400	70300	77300	87300	102000
Korea	16900	14700	13800	17400	15800	2200	20900	19400	20700	2380
Indonesia	18200	15500	13200	16500	14200	17700	18100	17700	19100	2020
Malaysia	780	8330	8420	12800	11300	15600	15600	1400	14600	1530
Philippines	3130	2960	2710	4920	5790	7760	7790	8180	8150	8920
Thailand	5990	7530	8380	11100	10700	11400	12600	13100	13800	1530
South Asia										
Bangladesh	103.3	78.4	92.6	156.2	149.0	126.3	140.1	140.5	152.3	153.0
India	3010	2590	2730	3090	2850	2840	2690	2620	2520	2830
Pakistan	778.8	671.6	561.7	625.3	405.6	270.6	268.2	189.7	155.8	184.3
Sri Lanka	194.7	191.5	193.2	297.6	297.3	242.4	248.3	209.1	225.4	212.8
Nepal	3.81	2.80	3.30	2.16	4.90	30.55	13.69	7.85	8.28	8.18

Source: Trade Statistics of Japan, *Monthly and Yearly Data*, Ministry of Finance, Japan. Available online.

Table-12: Outward Direct Investment from Japan in Selected Countries of South, Southeast and East Asia, 2004 (in JPY100million)

Countries	1990	1992	1994	1996	1998	2000	2001	2002	2003	2004
East and Southeast Asian Countries										
China	511	1381	2683	2828	1377	1114	1819	2152	3553	4909
Korea	419	291	420	468	389	902	704	763	321	908
Indonesia	1615	2142	1808	2720	1428	464	785	644	732	334
Malaysia	1067	919	772	664	668	256	321	98	523	135
Philippines	383	210	683	630	488	514	989	500	222	341
Thailand	1696	849	749	1581	1798	1030	1106	614	711	1273
South Asian Countries										
Bangladesh	60	79	2	12	4	9	-	-	-	-
India	44	160	101	247	332	185	181	378	99	104
Pakistan	13	23	83	34	11	-	-	9	-	-
Sri Lanka	7	24	10	30	46	12	16	29	-	-
Nepal	16	1	6	-	-	-	6	-	-	-

Source: Investment Statistics of Japan, Ministry of Finance. Available online.
<http://www.mof.go.jp/english/e1c008.htm> accessed on 18 June 2005.