



U.S.-JAPAN-INDIA REPORT

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Executive Summary

The United States, Japan, and India share common values and a commitment to the maintenance of an open and stable international order. The growth of the trilateral U.S.-Japan-India relationship in the strategic, energy, and economic fields will serve each nation's interests and the cause of peace and stability in Asia and in the international system as a whole. The three nations should increase strategic consultations to ensure that the emerging Asian economic and political architecture remains open and progressive, utilizing meetings such as the G-8 for trilateral leadership consultations and moving forward with Australia to establish a quadrilateral consultative mechanism while remaining open and flexible about membership and focus. The three nations' militaries should build on their common experiences in operating jointly in response to the 2004 tsunami crisis and in joint trilateral exercises in April 2007. In the field of energy and environment, the United States, Japan, and India are well positioned to take a lead in forging a new international consensus for a post-Kyoto framework to address climate change, within the United Nations structure, but with a focus on flexible and diverse approaches. Japan can take a leading role in building international support for the U.S.-India peaceful atomic energy agreement, which will enhance India's sustainable development and reduce greenhouse gas emissions. In the economic field, India's projected 10 percent growth over the coming two decades presents enormous opportunities for enhanced cooperation. Japan's growing interest in the Indian economy has already led to the initiation of the massive project for building the Delhi-Mumbai freight and industrial corridors. There will be many more opportunities for U.S. and Japanese private-sector investment if India accelerates its economic reforms, particularly at the state level. ♦

The United States, Japan, and India: Toward New Trilateral Cooperation

Introduction

At a time of great international preoccupation with Iraq and growing dynamism in Asia, the world's three great democracies—the United States, Japan, and India—can look toward each other with confidence for shared leadership in maintaining an open and stable international order. Japan and India have each undergone important internal reforms over the past decade and are embracing a more proactive internationalism. For both nations, this new external orientation is premised on a closer partnership with the United States, which is in the middle of a great internal debate on its external strategic challenges. The U.S.-Japan alliance has never been stronger, and the U.S.-India relationship has been transformed with the new strategic partnership. Yet despite shared values and interests, the United States, Japan, and India have only just begun to explore the prospects for increased strategic cooperation with each other, and only rarely have the three nations come together as they did in the successful collective response, along with Australia, to the 2004 Indian Ocean tsunami.

The possibilities for greater economic and strategic cooperation between Japan and India have been highlighted by Prime Minister Yoshiro Mori's visit to India in 2000 and Prime Minister Junichiro Koizumi's visit in 2005, and more recently the December 2006 joint statement "Toward Japan-India Strategic and Global Partnership" issued by Prime Ministers Shinzo Abe and Manmohan Singh in Tokyo. The advantages of enhanced trilateral cooperation were evident in the common experience of leading on tsunami relief. All three governments, however, have taken an incremental approach to formalizing this trilateral relationship or the quadrilateral relationship with Australia because of sensitivities about other important relationships that all three nations have in Asia.

Recognizing the need to explore the parameters for broader trilateral cooperation in an unofficial setting, the Center for Strategic and International Studies (CSIS)¹ organized a series of informal roundtables with eminent persons from all three nations. Working with the Confederation of Indian Industry (CII), CSIS hosted the first meeting in Washington in June 2006 and found that there was intense interest in developing a trilateral agenda in the areas of security, energy/environment, and economics. A second session was held in Tokyo in January 2007. The group reconvened in Tokyo on July 27–29, 2007, and agreed at that meeting to issue a set of recommendations to all three governments, under a joint publication by CSIS, CII, and The Japan Institute of International Affairs (JIIA).

¹ The International Security Program and South Asia Program at CSIS, in partnership with The Japan Institute of International Affairs (JIIA), are conducting a separate dialogue on the trilateral relationship, entitled "Bridging Strategic Asia: The United States, Japan, and India," with the objective of facilitating interaction among a younger generation of U.S., Japanese, and Indian foreign policy and security specialists on common interests and potential cooperation on a range of international issues.

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The following recommendations reflect the rich discussions held over the course of the three roundtables but do not necessarily represent the views of every participant in every detail or the institutional positions of the three organizations. The participants will continue to convene roundtables periodically into the future in order to share perspectives and add further definition to an agenda for U.S.-Japan-India trilateral cooperation.

Recommendations

Security Cooperation

- ❖ The United States, Japan, and India have shared interests in establishing an open and inclusive regional architecture in Asia at a time when a variety of new forums and institutions, such as the East Asia Summit, the six-party talks, and the Shanghai Cooperation Organization, are taking shape. The three nations should coordinate closely to ensure that Asia retains an open regionalism and that the regional agenda in these various forums and institutions advances our shared norms. Further strengthening U.S.-India and Japan-India bilateral relations are important to this end.
- ❖ The governments of the United States, Japan, and India should develop the proposal for a U.S.-Japan-India-Australia quadrilateral forum beyond the informal assistant-secretary-level discussions held on the margins of the ASEAN Regional Forum (ARF) sessions in May 2007. While the forum should be flexible in membership and should focus on function rather than form, these four democracies can take the lead in establishing an agenda that reinforces a common commitment to open regionalism and raising the standards of governance and transparency. Themes might include transparency in overseas development assistance, governance and rule of law, or capacity building for humanitarian assistance. It should be remembered that the United States, Japan, India, and Australia unilaterally created the tsunami Regional Core Group in 2004 but operated alone for only two days before a large number of other states and international organizations plugged into the effort. In that sense, the next stage of quadrilateral cooperation should avoid dissuading potential partners by being too exclusive about membership rules but should retain a higher principle for cooperation than that normally set in overly inclusive forums such as the ARF. The goal should be to create a magnet that attracts other like-minded states, rather than a wall that drives them toward careful neutrality.
- ❖ The United States, Japan, and India each have rapidly expanding economic relationships with China as well as a commitment to stable and cooperative bilateral political relations with Beijing. Trilateral cooperation among these three democracies or quadrilateral dialogue with Australia should not be seen as targeted at China but rather as a stabilizing factor in broader regional dynamics based on shared values and a shared readiness to provide public goods.
- ❖ Given the need for greater discussion on common values and interests, the United States, Japan, and India should seek opportunities for trilateral leaders' summits on the margins of meetings of the Group of Eight and the United Nations.
- ❖ The April trilateral exercises among the U.S., Japanese, and Indian navies were an important first step in establishing the levels of confidence and interoperability that will be necessary should these three navies be called on to work together again as they did in response to the 2004 tsunami disaster. Future trilateral cooperation should address areas such as peacekeeping operations, technology cooperation, and intelligence sharing and should involve the coast guards as well. It should be noted that there is currently more high-level military exchange between India and China than there is between India and Japan, as Beijing and Delhi appropriately seek to build confidence and trust. However, the nature of the trilateral exercises was operationally more significant, indicating the enormous potential for the Indian and Japanese navies to broaden the positive impact of their cooperation for the region as a whole.
- ❖ The world is on the edge of a major expansion of civilian nuclear power-plant production, with plans for 28 new nuclear reactors in the United States alone. The challenge will be how to deter unreliable nations from allowing fissile material to escape their borders. The United States, Japan, and India have excellent export control systems and could set an example for the world by working collectively to raise standards internationally on export control rules. In addition, the United States, Japan, and India could take the lead in developing "watermarks" for radioactive material that make any detonation traceable to specific nations and therefore deterrable.
- ❖ While the United States, Japan, and India are each playing different roles in Iraq (with a major U.S. military presence, a limited Japanese military logistical role but large aid effort, and no Indian presence within Iraq), there are nevertheless opportunities for all three nations to cooperate on enhancing stability in the region around Iraq. India has significant commercial, cultural, and diplomatic ties to the Persian Gulf States, and Japan's history of aid and diplomacy in the Arab world gives Tokyo a strong tool kit. As the United States works to stabilize the regional dimension of its Iraq strategy, coordination with India and Japan will be important.

Energy Security/Cooperation on Environmental Issues

- ❖ The United States is the largest emitter of greenhouse gases today, and India is set to be one of the fastest-growing emitters over the next two decades, but neither is a member of the Kyoto Protocol. Japan hosted the Kyoto meeting and signed the protocol but has sought a new framework that would include the United States, India, and China and focus more on flexible and diverse approaches. All three nations are members of the Asia-Pacific Partnership on Clean Development and Climate (which also includes Australia, China, and the Republic of Korea). Given these synergies, the United States, Japan, and India are well positioned to take a lead in forging a new international consensus for a post-Kyoto framework to address climate change, within the UN structure, but with a focus on inclusivity and technology-driven and sector-specific approaches.
- ❖ India accounts for 3 percent of greenhouse gas emissions and 17 percent of the world's population. Sustaining development without rapid increases in carbon emissions will be a challenge. However, if India introduces 20 new gigawatts of nuclear power by 2020 as expected, this would lead to a carbon dioxide savings of 145 million tons, which would be nearly as large as the entire European Union reduction of greenhouse gases under Kyoto.
- ❖ The four most significant areas for meeting India's energy needs over the next two decades will be energy efficiency, biomass, nuclear energy, and clean coal. Japan is well positioned to contribute technology in all four areas, strengthening strategic relations with India and helping to reduce greenhouse emissions. India's intellectual property rights protections are also significantly better than other developing countries', which will help to set an example that will ease the technology transfer necessary for fighting carbon emissions in other countries in Asia.
- ❖ The participants from all three nations welcome the completion of the Section 123 Agreement under the U.S.-India Peaceful Atomic Energy Cooperation Act as a major step forward not only for U.S.-India relations but also for India's engagement with the world. The U.S.-India civil nuclear agreement is now shifting from a bilateral negotiation to a broader international effort, and Japan's role will be critical. As noted, nuclear power will make a significant difference in India's economic development and the reduction of greenhouse emissions. When Prime Minister Abe visits India in late August, he

should engage in an active dialogue with Prime Minister Singh on how Japan can play a lead role in building international support for Indian civil nuclear cooperation in the Nuclear Suppliers Group (NSG) and the International Atomic Energy Agency (IAEA). As part of that dialogue, Prime Minister Abe should identify areas where Japan and India can enhance cooperation on counterproliferation and nonproliferation.

- ❖ Dependence on nations such as Iraq, Iran, Venezuela, Nigeria, and Saudi Arabia for oil means that the United States, Japan, and India have an interest in working together to enhance the stability of provider states. These nations provide 70 percent of the world's oil.
- ❖ There are also opportunities for the United States, Japan, and India to enhance cooperation in other developing regions of the world. For example, India is increasing its own economic and diplomatic activities with African nations, and Japan should consider inviting India to participate in TICAD (Tokyo International Conference on African Development) and coordinate further with others on economic aid to Africa.

Economic Cooperation

- ❖ The year 2007 is the India-Japan friendship year, with 120 trade events and a 40 percent increase in Japanese foreign direct investment (FDI) in India. Business polling in Japan indicates that interest in India among Japanese firms has risen, and they now rank this country second only to China, as they diversify their investment through the "China Plus One" strategy. With India expected to grow at approximately 10 percent over the next 10 years, Japanese and U.S. FDI and trade will likely continue to build.
- ❖ India has attracted attention from major economies such as the United States and Japan due to a 12 percent GDP growth this year; a dramatic decrease in tariffs (with exceptions such as autos); and the introduction of a national unified system of taxation (from a state VAT [value-added tax] to a national GSSP [Generally Accepted System Security Practices]). India's lack of infrastructure has long been a disincentive for Japanese investment, but Japanese yen loans and industry involvement have been crucial to the massive Delhi-Mumbai industrial corridor, which is expected to add at least 1 percent GDP growth when completed.
- ❖ In India, there are still 600 million people earning \$1 per day. Thirty million new cell phone and television consumers are added to the Indian market each year, and this has already begun to transform the Indian countryside. Further technology additions to productivity in the rural sector could be enormous. The United States initiated an agricultural cooperative agreement with India in July 2005 named the "U.S.-India

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Agricultural Knowledge Initiative (AKI).” India and Japan could make an important contribution by doing the same.

- ❖ India requires 10 percent GDP growth per year to lift its population out of poverty. In order to continue attracting Japanese and U.S. FDI and to sustain its growth, India needs more reforms at the state level. India will have to increase reforms in order to ensure that the second wave of Japanese FDI is not a bad experience that discourages further investment (as happened after the first wave in the 1980s).
- ❖ The Delhi-Mumbai industrial corridor is located in western India and connects the wealthiest of India’s cities, and both the public and private sectors in Japan are showing interest now in contributing to this project. In the meantime, the east is more impoverished and remains an important target for Japan’s next round of aid and investment.
- ❖ The India-Singapore Economic Partnership Agreement (EPA) is a useful model for Japan’s own EPA negotiations with India, given Singapore’s long experience working at the crossroads between South and East Asia. The India-Singapore EPA is particularly instructive, because it included pharmaceuticals, information technology, professional services, licensing, and other areas that would harmonize the Japanese and Indian economies and strengthen FDI (and both the United States and Japan need highly trained health service professionals and engineers).
- ❖ The participants welcomed Prime Minister Abe’s decision to bring a 200-person business delegation to Delhi with him in August. The next stage should be sector-specific delegations to explore opportunities for economic cooperation in more detail.
- ❖ While discussions have increased in APEC (Asia-Pacific Economic Cooperation) and other settings on the modalities for cooperating in the event of a major health pandemic from SARS or Avian influenza, the reality is that a network of government and private-sector institutions has not yet taken root. The United States, Japan, and India can jumpstart such an effort.

The July 2007 Roundtable Participants

United States

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 Walter Doran, *Former Commander of the Seventh Fleet, U.S. Navy*
 Michael Green, *Senior Adviser & Japan Chair, CSIS; Associate Professor, Georgetown University*
 John Hamre, *President and CEO, CSIS*
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Japan

Yoshiyuki Kasai, *Chairman and Representative Director, Central Japan Railway Company (known as JR Tokai)*
 Tsunehisa Katsumata, *President, The Tokyo Electric Power Company (TEPCO)*
 Shinjiro Koizumi, *Adjunct Fellow, CSIS*
 Yorihiro Kojima, *President and Chief Executive Officer, Mitsubishi Corporation*
 Kazuya Natsukawa, *Former Chairman of the Self-Defense Forces’ Joint Staff Council*
 Junichi Nishiyama, *Adviser, Mitsubishi Heavy Industries, Ltd. (on behalf of Takashi Nishioka, Chairman)*
 Yukio Satoh, *President, The Japan Institute of International Affairs*

India

Tarun Das, *Chief Mentor, Confederation of Indian Industry*
 Admiral P.S. Das, *Former Commander in Chief, Eastern Navy Command, Indian Navy*
 J. N. Godrej, *Chairman, Aspen Institute India; Chairman, CII Sohrabji Godrej Green Business Centre*
 S. K. Lambah, *Special Envoy in the Office of the Prime Minister of India*
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 Lt. General Satish Nambiar (Ret.), *Member of the Executive Committee of the United Service Institution (USI) of India*
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This report was written in collaboration with The Japan Institute of International Affairs and the Confederation of Indian Industry. ❖

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