

# **A Comparative Study of Japan's Role in Nepal and Bhutan, 1990-2016**

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**DECLARATION**

I declare that the dissertation entitled "A Comparative Study of Japan in Nepal and Bhutan, 1900-2016" submitted by me for the award of the degree of Master of Philosophy of Jawaharlal Nehru University is my own work. This dissertation has not been submitted for any other degree of this university or any other university.

  
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**CERTIFICATE**

We recommend that this dissertation be placed before the examiner for evaluation.

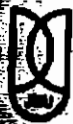
  
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## **PREFACE**

This research has originally stemmed from my passion for developing a better understanding of Japan's approach towards South Asian countries. Initially, it was very challenging for me to arrive at a good research topic as many topics which I intended to work on had already researched upon by various scholars in the past. The other challenging task was to choose a particular timeline for this research as per our centre usually followed.

However, after series of discussion with my supervisor Prof. S.R. Choudhury, along with the research committee members, I finally choose to work upon the two Least Landlocked Developed Countries (LLDC) of South Asia, .i.e. Nepal and Bhutan. Finally my topic was decided on "*A Comparative Study of Japan's Role in Nepal and Bhutan, 1990-2016*". The primary aim of this work is to contribute to the literature, as this particular area has been neglected by the researchers mainly in the Japanese studies programme. Therefore, through this work, I intend to contribute towards the lacuna of the literature, found in this particular research area. The less relevance of Nepal and Bhutan in the international politics can be attributed to the major cause for neglect.

While writing the dissertation, I personally feel that more avenues can be opened by Japanese firm to fulfill its market as well as the host countries for their mutual benefit in these regions. The study highlights the shift of Japan's approach towards South Asia that was ensued by fastest growing economy in the region. It also deals with the significance of smaller countries like Nepal and Bhutan in the policy calculation of Tokyo in long-run, thereby ensuring the multilateral cooperation in South Asia. Since, these two countries has positive outlook over other South Asian countries, and can work for the betterment of regional organization like SAARC. Do that, they have greater chance to play a leading role in harnessing the regional peace and development.

Although, the earlier Japanese understanding of South Asian region was limited and considered as a distant land within Asia. Until the early 1990s the South Asian region has hardly been found in the policy objectives of Japanese Diplomatic Bluebook, this was mainly because of its limited knowledge towards South Asia. However, the post-cold period saw the different colours in many South Asian countries following the

deregulation and liberalization of economic policy. This has attracted many international actors along with Japan for its overseas investment. Thereafter, it slowly started to gain the importance from the Japanese counterpart thereby ensuring the political stability in the region.

The region has started to gain favor in the eyes of the policy makers as the stability in the regions increases. The purpose of this work is to provide a broad understanding of the importance of geopolitics within the strategic calculation of an interested party and to increase the potential of country. The dissertation might not fulfill all the objectives which were yet to be explored in the short span of time. However it tries to address all the aspects of Japan's socio-economic approach towards two landlocked countries in the region. In rebound, it gets supports from these two countries in various international forums. Since, both the countries made its commitment to support for the permanent membership of Japan in UNSC, and both the countries can harness the economic success in SAARC. In the process, this research works has further enlightened me for future direction of research field thereby opening up of new avenues in economic and cultural operation in foreign policy objectives of a country.

The dissertation concludes by giving a comparative analysis of chapter three and chapter four, where the main crux of the study lies. It provides both the similarities and differences of Japan's approach towards these two countries. Since these two countries have similar historical past of monarchy until the early 21<sup>st</sup> century. However, Nepal holds larger strategic advantage in the region, so as the Japanese counterpart gives importance to them to ensure the strategic calculation with neighbouring China. To that end, Japan has been working in close cooperation with India to harness regional peace and stability.

## **Acknowledgement**

Acknowledgement is a difficult undertaking especially when one cannot afford to miss thanking all the individuals who extended a helping hand according to their own capacity. At the same time, I sincerely apologize if I forget to mention their part of the contribution. If I have, this would be purely unintentional.

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I would also like to thank the Chairperson of the Centre for East Asian Studies, Prof. Srikanth Kondapalli for his invaluable comments which helped draft my synopsis. The staffs along with my classmates are another source of perennial support and I therefore extend my appreciation.

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And above all, I like to appreciate and thank the unconditional supports of my family in due process of my research. I also deeply grateful to Pravhat Lama, Ananta Gurung, Sangay Lachenpa, Nanuma Subba, and Rinzing Ongmu Sherpa for their enormous support in completion of this dissertation.

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## **List of Abbreviations**

- ADB- Asian Development Bank
- ARF- ASEAN Regional Forum
- ASEAN- Association of South East Asian Nations
- BARD- Bangladesh Academy of Rural Development
- BBS- Bhutan-Broadcasting Service
- BIG-B- Bay of Bengal Industrial Growth Belt
- BPUP- Bhutan People United Party
- CEPA- Comprehensive Economic Partnership Agreement
- CPEC- China-Pakistan Economic Corridor
- CPN-M- Communist Party of Nepal-Maoist
- CTBT- Comprehensive Test Ban Treaty
- DAC- Development Assistance Committee
- DMIC- Delhi-Mumbai Industrial Corridor
- DPT- Druk Phuensum Tshongpa
- ECB- Election Commission of Bhutan
- FDI- Foreign Direct Investment
- G4- Group of Four (Germany, Brazil, Japan, and India)
- GDP- Gross Domestic Product
- GHN- Gross National Happiness
- GLOF- Glacial Lake Outburst Flood
- GOB- Government of Bhutan
- HIH- His/Her Imperial Highness
- ICT- Information and Communication Technology
- INGOs- International Non-Government Organisation
- ISDB-T- Integrated Services Digital Broadcasting- Terrestrial

IT- Information Technology

JBFA- Japan-Bhutan Friendship Association

JDS- Japanese Grant Aid for Human Resources Development Scholarship

JENESYS- Japan-East Asia Network of Exchange for Students and Youths

JET- Japanese Exchange and Teaching Programme

JICA- Japan International Cooperation Agency

JICA-RI- JICA Research Institute

JOCV- Japan Overseas Cooperation Volunteer

LDCs- Least Developed Countries

LLDC- Least Landlocked Developing Countries

MDG- Millennium Development Goals

MITI- Ministry of International Trade and Industry

MOAF- Ministry of Agriculture and Forest

MOFA- Ministry of Foreign Affairs

NGOs- Non-Government Organization

NIDC- Nepal Industrial Development Cooperation

NPT- Nuclear Non-Proliferation Treaty

OBOR- One Belt One Road

OCEF- Overseas Economic Cooperation Fund

ODA- Official Development Assistance

OECD- Organization for Economic Co-operation and Development

OTCA- Overseas Technical Cooperation Agency

PARD- Pakistan Academy of Rural Development

PDP- People Democratic Party

PPP- Purchasing Power Parity

PRC- Peoples Republic of China

SAARC- South Asian Association of Regional Cooperation

SATREPS- Science and Technology Research Partnership for Sustainable Development

SDF- Self Defense Force

SLOC- Sea Lane of Open Communication

SMEs- Small and Medium Enterprise

UNEC- United Nation Security Council

UNHCR- United Nation High Commissioner for Refugee

WFP- World Food Programme

WTO- World Trade Organization



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**1.1 Background**

The relationship between Japan and South Asia goes back to 6<sup>th</sup> century when Buddhism made inroads indirectly into Japan from India via Korea and China. The second wave of informal visit by Reverend Ekai Kawaguchi, a Japanese monk in 1898 to Nepal on his way to Tibet and the interaction between Asia's first Nobel Laureate Rabindranath Tagore and famous Japanese cultural ideologue Tenshin Okakura further improved the relationship between Japan and South Asia. Despite, early interaction South Asia as a region for Japan was a far off land and did not hold much importance to it. Similarly, for South Asia, Japan too was a distant land and had very limited knowledge about it.

In the immediate post war period Japan and South Asia relationship started off positively mainly because of the sympathetic outlook the region held towards Japan. India and Pakistan provided Japan with crucial materials: iron ore and raw cotton. India's strong support for Japan to have membership of the United Nations in 1956 made a deep and favorable impact upon Japan at that time and were highly regarded by the Japanese people, thus making South Asian region appealing for Japan.

In response to the kindness and compassion shown by the South Asian countries Japan soon engaged with the region by establishing strong economic ties. But the South Asian region despite early strong ties could not mould and strengthen the ties further partly because of the Cold war ideological differences and also because of the aloof position the South Asian region kept during the cold war period. Consequently, the relationship widened and Japan's presence and closeness began to fade away. Thus, the relation between Japan and South Asian region remained miniscule with only few occasion of cooperation in politico-economy per se.

In the post-Cold War period the relationship between Japan and South Asia witnessed improvement. The South Asian nations pursued liberalization and deregulation in the economic sphere and this was supported by political reforms among the South Asian nations thereby bringing political stability in the nations. Consequently, the South

Asian nations registered economic growth at a steady rate. Further, the vast demographic proportion of young people made South Asia an attractive region for the Japanese firms. For the Japanese the South Asian region offered both the market and the cheap labour with the growing consumerism. Thus, investments began to increase from Japan as well as Japan became one of the largest donors for the region.

However, the three days official visit by Prime Minister Toshiki Kaifu made a historic milestone in Japan's relations towards South Asia in 1990. Kaifu's whistle-stop tour to India, Pakistan, Bangladesh and Sri Lanka gave an important message, and was the dawn of economic engagement. Since then, Japan wants to play a more dynamic role in South Asia. While, the bureaucratic procrastination was the major hurdle for Japanese firms earlier in the region, but with the liberalization and deregulation of market economy in early 1990s many changes were seen in the economic environment of the region. Thus, he believes that, peace and democracy will ensure the economic growth of the region, so that the regional economy will shift to integrate with world economy by reducing the domestic impediments.

Within this larger scenario of Japan's improved relationship with South Asian nations, this research work will delve into Japan's role with two of the South Asia's Landlocked Least Developing Countries (LLDC) namely Nepal and Bhutan.

Japan's relationship with Nepal starts with the opening up of formal diplomatic relations in 1956. Since then, Japan has started to play an important role in the development of Nepal through the different developmental programme. Japan's roles for the development of social infrastructure in Nepal were crucial. Japan has always supported the developmental programmes of Nepal. The primary areas where Japan showed major concern are poverty reduction, basic infrastructure, health and education.

With the growing strategic position of Nepal in the region and the increasing influence of Chinese over the Himalayas foothills, makes vulnerable to the India vis-à-vis the Japanese policy maker to extend their engagement more aggressively. In response, policy experts in Tokyo were much concerned about the peace and stability over the region and that has to be fostered via different socio-economic engagement. Apart from that, Japan being an important partner of India in the region always has keen interest over its small neighbouring states in the region, and countries like Nepal and Bhutan are no exception.

The official exchange visits made by the prime ministers of two countries, Girija Prasad Koirala in 1998 and subsequent visit by Yoshihiro Mori in 2000 was another milestone in the history of friendly relation between the two countries. In economic front, the two countries had few amount of exchange in term of trade. During post 1990s, Nepal has faced with the long 10 years of civil war from 1996-2005. Since 2005, the political stability has finally restored in Nepal, with the signing of Comprehensive Peace Accord in 2006. It has further encouraged the Japanese aid towards Nepal. On the other hand, Japan's ODA has continuously helped in development of socio-economic infrastructures in Nepal for a long period of time. The total number of Japanese nationals residing in Nepal is 1,107 and the number of Nepalese nationals residing in Japan is 67,470 through people to people exchange (MOFA, 2017c).

The Kingdom of Bhutan and Japan had minimal relation in the early history. Buddhism is the one factor that binds two countries robustly. Apart from that Japan ODA and investment had brought many changes in the socio-economic pattern of Bhutan. Bhutan has started its formal diplomatic relation with Japan in 1986. Since then, the Royal Government of Bhutan and the emperor of Japan have almost regular visit annually. They have people to people exchange programme between two countries such as the numbers of Japanese nationals residing in Bhutan were 118, whereas Bhutan nationals residing in Japan were 61 (MOFA, 2016b).

In terms of economy, they share very few numbers of products such as vegetables, textiles, small excavator, automobile, products related to automobile. Japan has supported the Royal Bhutanese Government by offering different ODA loans through different projects and economic cooperation. These countries have robust cultural ties. Since after the opening up of Japan-Bhutan Friendship Association in 1981 and Kobe Bhutan Friendship Association established in 1981 are promoting cultural exchange and friendly relations between the two countries.

In 2006, Bhutan's politics saw the new historic milestone in its political history. The fourth King of Bhutan Jigme Singe Wangchuck voluntarily resign the throne in 2006 and formally crowned Jigme Khesar Namgyal Wangchuck as the fifth king of Bhutan in 2008. Further the first written Constitution was enacted in July 2008 has witnessed Bhutan's transition towards Constitutional Monarchy. This event has set a positive

attitude of Bhutanese government in international arena and it was well appreciated by the Japanese counterpart.

Under such regional environment, Japan's views towards these two landlocked countries as an important determinant to guide its policy option for a better position in the region. Its continuous presence will ultimately steer to her long term interest over the region. Japan's posture after 1990 saw the dynamic shift in their policy option towards these countries. Further they are more cautious in the region, after getting the observer status in SAARC along with China in 2005. Thus, they aspire for a better strategic position over the region while balancing the Chinese presence in the regions. Hence, Japan's engagement towards these countries are not understandable only from an economic per se, but it has to look from a holistic approach also by considering the fact that, Japan's continuous efforts for the permanent membership of UN Security Council and Japan's role in Nepal and Bhutan could result equally significant for the bargaining chip of Japan in international relations.

## **1.2 Literature Review**

This section is divided into three parts. The first section mainly focuses on Japan's presences in South Asia. The second section will highlight Japan's relation with Nepal. The third section will be dealing with Japan's relation with Bhutan.

### ***Japan and South Asia***

Purnendra C. Jain (1997), in his article, "Japan's relation with South Asia" gives a broader picture of Japan's presence in the South Asian region by taking the post cold war situation with the changing scenario in international affairs. Japan's economic recession in the 1990s, that led them to think of a new market, where they can access to raw material, human resource, and market. Therefore South Asia is no exception for Japanese economic growth in the post 1990s.

Takenori Horimoto (2014) in his article "Japan-SAARC Relation" argues that, while discussing any relation, historical memories constitutes a basic foundation. In the same way, Japan's perception of the world image in early centuries consists of mainly three countries or regions: Japan, Mainland China, and *Tenjiku* (for Japanese *Tenjiku* was the birthplace of Buddha). Hence modern Japanese people had a feeling of closeness for Sri Lanka and Bhutan than any other South Asian countries. In the economic front, Japan



has achieved a lot, after its contact to the Subcontinent from past two centuries. Japan has mainly benefited by its close ties with the Subcontinent through B+CIA: Buddhism, C (cotton), I (iron ore), and A (automobiles).

S.M Ali Reza's (2014) article, "Japan and South Asia: Still Distant Neighbours?" has argued that, though Japan and South Asian relation has undergone lots of changes in the history. It follows a warmth relation soon after the end of Second World War. It was only after the historic visit of Japanese Prime Minister Toshiki Kaifu in 1990, thereby paving the way for a formal cooperation between Japan and the South Asian nations. Despite the fact that, after gaining the strategic importance in Japan's diplomatic agenda, the South Asian regions have got negligible numbers of ODA as compared to the Southeast Asian regions.

K. V. Kesavan (2003) in his article, "Japan and South Asia: Some Security Consideration," has argues that Japan's lack of interest in South Asian countries had many reason during post war period. Few reasons like geographical proximity, economic backwardness and unfamiliarity with the regions and Cold War politics was another reason that Japan has its close allies to the US or she serves as a "client State" of US, while most of the South Asian are part of Non-Aligned Movement. However, post cold war politics has changed with changing international order. Japan and South Asian countries, particularly India has came closer in many issues after the high level visits from both the countries in early 1990s. Further they have urged to engage in 'a global partnership' on common concern with the wide range of issues ranging from maritime security to anti-terrorism.

J. Berkshire Miller and Arafat Kabir's (2014) article, "Japan's South Asia Policy Takes Shape" has clearly revealed Tokyo's careful approach towards the South Asian Nations specially Bangladesh and Sri Lanka by withdrawing their bid for the non-permanent seat in the UN Security Council. Japan's keen interest in heavy industries and the larger 'Bay of Bengal Industrial Growth Belt' initiative Known as BIG-B, form a special model for Japan's regional strategy. Further Japan also had strong ties with Sri Lanka, her abstained vote in March 2014 against Sri Lanka's war-crimes probe at UN Human Rights Council show the willingness of Japan deeper partnership in bilateral relations (J Berkshrine Miller 2014)

### *Japan-Nepal Relations*

Ram Chandra Dhakal and Ram Kumar Phuyal's (2014) article, "An Overview of Japan's Support for SAARC Member States: With Reference to Nepal" gives a broad understanding of how Japan's presence were helping SAARC nations in order to develop themselves in the field of Socio-economic and political aspects. In this way, Japan's presences play an important role in South Asia. Nepal is one of the least developed countries in South Asia with the lowest per capita income. This gives a larger picture of the Japan's ODA to Nepal that has been exhibited for the last forty-two years in four different phases on the basis of the political scenario in Nepal: During Panchayat system of Governance, after restoration of Democracy, during ten years of conflict, and after signing the Comprehensive Peace Agreement. All the four phases, Japan has been extending its economic and technical assistance to Nepal in various aspects such as human resource development, education, health and medical care, and social infrastructure such as road and transportation, power generation, and so on.

M.D Dharamdasani's (2003) article, "Japan's Aid Programme in the South Asia- A Case Study of Nepal" aspires that Japan's economic cooperation is the integral part of Japan's diplomacy towards the developing countries. Its ODA has broadly highlighted towards the poverty alleviation and democratization process. In 1990s the regions has adopted liberalizing policy that draw attention to Japanese interest, not only because of commercial causes but also due to political and humanitarian cause. As far as Japan's ODA to Nepal is concerned, Japan's cooperation with Nepal had already started prior to the opening up of formal diplomatic relations in 1956. Since then, Nepal had gained several aids in different forms.

Kishore Sharma and Badri Bhattarai's (2013) article, "Aid, Policy and Growth: A Case of Nepal" suggests that Nepal as one of the highest aid recipient in developing countries in South Asia. The study suggests that aid, in the sound economic policy, contribute the growth. However it is evident that, no statistical evidence was found to suggest that democratic governance and openness impact the effectiveness of aid in Nepal.

Badri P. Bhattarai's (2009) article, "Foreign aid and Growth in Nepal: An Empirical Analysis", presents the empirical analysis of aid in Nepal by using the technique such as cointegration and error correction mechanism. This method is being used to detect

the effectiveness of aid in short-run dynamics and long-run linkage among variables. Thus, he concludes that the result of aid in short-run is negative due to the problem associated with absorption capacity, aid management, coordination and allocation and aid conditionalities. However, the result of aid has positive and statistically significant impact in the long-run per capita real GDP. The effect of aid has positive implications in technological progress i.e. aid helps to upgrade technology by helping in import capital goods.

Narayan Khadka's (1997) article, "Foreign Aid to Nepal: Donor Motivations in the Post-Cold War Period", argues that, after the demise of Soviet Union, the other emerging economic power from western Europe, China and Japan now actively play in international arena. Their bilateral aid with Nepal is mainly in the Humanitarian consideration and long term economic interest. It further say that, the donors aid disbursement is an expression of its foreign policy objective viv-a-vis others donors. This expression is merely called aid competition, where once aid can determine the aid of the other donor.

### ***Japan-Bhutan Relations***

Sonam Topgyal (2016) in his book, "Japan's Developmental Cooperation Policy: Examining its Relevance to Bhutan's Development Policy", book argues about Japan's contribution to the international peace and development through the generous ODA policy to outward looking for the global prosperity. It has been guided by the ODA charter, which is concerned about international peace and security through the development of different social sectors. Japan's first ODA was started in 1958 after the recovery of war, and Bhutan too benefited from the Japan's ODA in 1964 for the first time in Bhutan's History. But the formal diplomatic relations between Japan and Bhutan were only started in 1986. Bhutan's philosophy of Gross National Happiness was mutually agreed by Japan. Japan had diverse support for the development of Bhutan, right from the infrastructural scheme to the poverty reduction.

Leo E. Rose's (1974) article, "Bhutan's External Relations", gives a brief understanding as to how Bhutan's external relations have carved out, prior to the early 20<sup>th</sup> century. It starts with the event after signing of Treaty between Bhutan and British India in 1910. Which gives, one important clause under the treaty that is, the Royal Government of Bhutan agreed to accept Indian guidance on foreign policy matter. The

British India recognized Bhutan integral sovereignty as they did not insist upon the establishment of a “Residency” in Bhutan as they had in Nepal and Sikkim. On 8<sup>th</sup> August 1949, a Treaty was signed to recognise the independence of Bhutan in accordance to the clause of 1910 treaty, which allows India in Bhutan’s external matter. The Royal government of Bhutan and India has always looks each other as a close friend or allies in foreign policy matter. Apart from that, there are few irredentist sentiments in Bhutan, which often demand of ‘stolen’ territories by the British in the 18<sup>th</sup> and 19<sup>th</sup> centuries.

Shinichi Kitaoka, the new President of JICA has reiterated that Bhutan has made good economic developmental progress which means Bhutan has passed out of the lowest level of assistance. He say’s “definitely Bhutan will remain in our top list of recipient countries on our priority” again he appreciated that a stable political system, a capable government and a development strategy of gradual change are major factors for successful cooperation so far. Further, he said JICA will welcome to establish Japanese embassy under the concern of Bhutanese government (Dorji 2015). Chinami Nishimura, parliamentary Vice-Minister for Foreign Affairs also said after his visit to Bhutan in 2010, that two countries have grown their relation to better position than what Japan had expected earlier. She appreciated that, Bhutan has proposed the idea of “Gross National Happiness,” which gives a unique idea and that Japan has much to learn from Bhutan (MOFA 2010).

Syed Aziz-al Ahsan and Bhumika Chakma’s (1993) article “Bhutan’s Foreign Policy: Cautious Self-Assertion?” highlight the foreign policy imperative of Bhutan since from the early 1950s. It argues Bhutan’s dependency towards India in its foreign policy decision making in the early 1950s was solely dependent on its security issue. It further deals with Bhutan’s changing foreign policy in different timeline, where India and China were the determining factor in influencing the policy formulation. Since, it holds the important strategic location between the two countries than it is naturally for them to made cautious move while dealing with these neighbouring countries. Thus, it is very important for Bhutan to have a balance views in its foreign policy making.

### **1.3 Literature Gap**

Since, the existing literature focuses on the economic and strategic policy mainly towards the larger nations in South Asia but minimal work has been done in Japan's relation to Nepal and Bhutan. Further, most of the literature focuses on Japan's relationship with the two countries on the basis of ODAs in general and not much has been dealt its impact in political and strategic perspective in a larger framework and on Japan's keenness in improving its relationship with the two countries along with other South Asian nations.

### **1.4 Research Questions**

The following are the research questions:

- 1) What has been Japan's perspective on South Asia during post Cold War period?
- 2) How is Japan trying to improve its relationship with South Asian nations?
- 3) What has been Japan's policy towards Nepal and Bhutan and how is Japan trying to further strengthen its relationship with the two countries?
- 4) What was the other factor that compelled Japan's to look upon Nepal and Bhutan more importantly?

### **1.5 Hypotheses**

The following hypotheses are being tested in the subsequent chapter of the research.

- 1) The growing influence of Chinese assertiveness in South Asian regions in post 1990s has changed the course of Tokyo's approach towards South Asia.
- 2) Political instability in Nepal in late 1990s led to the diminishing of Japanese aid towards Nepal.
- 3) Japan's relation with Nepal and Bhutan has strengthened after restoring political stability in Nepal and after Bhutan became a democratic constitutional monarchy.

### **1.6 Limitation, Rationale and Scope**

The study of Japan relations with these two land-locked countries has very least contribution in the academics literature, especially in case of Japan-Bhutan relations. So the maximum of the material on the bilateral relation of these two countries will be

added through the primary sources such as Japanese embassy in Bhutan, JICA, MOFA White Papers, Joint Reports, and Diplomatic Bluebook.

The rationale of the study is mainly threefold. Firstly, the presence of Japan in South Asia remains a crucial factor in its foreign policy agenda, which constitutes of both political and economic aspects. Secondly, Japan as a global economic power could achieve more popularity in international affairs. Since, Japan's aspiration to achieve permanent membership in United Nation Security Council (UNSC) as a deserving candidate, always aspire an active and positive role in the developing countries, especially in Asia and Africa. Thirdly, the rationale of study is to see the policy option that Japan tries creating in order to facilitate for the development of developing countries like Nepal and Bhutan. It further dealt with the Japan's potential gain from the two landlocked countries that hold important geostrategic location between India and China.

The scope of this research was not only to look at Japan's presence in Nepal and Bhutan, but it also tries to understand how the other force or the other actors in international relations allows them to change their policy option towards these region, specially Nepal and Bhutan. The study will examine the ODA policy towards the two countries and observe the trend of ODA policy according to the political situation of concerned countries. It has further dealt with the counter policy option rather than just holding a diplomatic relation.

### **1.7 Methodology**

The research will be conducted by looking into policy briefs of respective government along with secondary sources. Though this study is essentially a bilateral relation, it will make a comparisons of Japan's involvement in these countries thus it will be an inductive study. It will be based on both qualitative and quantitative methods. Quantitative data constituted of both primary and secondary sources. Qualitative data constitutes all of the factual data of the bilateral relations and also other data reliable to the research topic. Primary data specially includes: Diplomatic Bluebook, Speeches, White Papers, and other bilateral agreements. Secondary sources include available books, journals, research papers, publications, and newspaper articles.

Japan foreign policy will remain independent variable, Japan's presence in Nepal and Bhutan will be the dependent variable and the Chinese assertiveness or the power dynamics (India-Japan-US) in the region will be the intervening variables.

### **1.8 Chapterisation**

The study has dealt in three core chapter excluding the introduction and Conclusion. The second chapter "*Positioning South Asia in Japan's Foreign Policy*" has broadly delved Japan's approach with South Asian countries. It opens the brief discussion of Japan's bilateral relation among the South Asian nations, thereby tracing the importance of each country in Japan's policy calculation. The chapter also deals with the importance of Japan's partnership with South Asian region thereby focusing the strategic implication to aid and investment in the region. It has further highlighted the growing Chinese presence in the region has prompted the Tokyo's policy makers to take the desired initiatives in the region.

The third chapter has solely focused on Japan-Nepal bilateral relations, since the inception of bilateral relations. The chapter has dealt with all the bilateral aspects of Japan-Nepal relations. Japan's involvement in socio-economic development of Nepal will be analyzed. Its economic engagement has taken as the determining factor in bilateral relation thereby taking the tangible aspects of Japan's aid towards Nepal. This has been observed in different time period in order to fulfill the desired hypothesis. Further, this chapter will draw attention as how Japan's engagement will counter Chinese involvement in Nepal. In addition, it also looks upon the changes in Japan's approach towards Nepal after they achieved the political stability in early 2000s. This was mainly with the signing of peace agreement between Government of Nepal and Communist Party of Nepal- Maoist. The long civil war in Nepal has impacted the bilateral economic engagement between the two nations during the late 1990s.

The fourth chapter "*Japan-Bhutan Relation*" has highlighted all facets of bilateral relation between the two countries. The three main pillars, Political, Economic and Cultural aspects of bilateral relation are being discussed. However, it has focus more on Japan's economic cooperation, thereby accounting its contribution to socio-economic development of Bhutan through bilateral aid. Further it deals with the political transition of Bhutan and its impact on bilateral relations vis-à-vis the aid programme.

Japan's economic engagement has diversified after Bhutan became constitutional democracy in the early 2000s.

The fifth or the last chapter has brings the overall comparative analysis of Japan's role in Nepal and Bhutan in different aspects in their bilateral relation vis-à-vis their strategic implication over the region. The chapter has also look upon the cultural as well as socio-economic similarities between two countries in the similar line of South Asian history. Because of their similar geographical proximity, thereby sharing many universal values, Japan had similar approach towards these two land-locked countries in South Asia. The chapter concludes by giving a broad idea as how Japan's policy maker had intended to get support from these two countries, and what makes them difference in its policy calculation over the region in managing the regional cooperation and to get supports in international forum.



**2.1 Introduction**

Japan and South Asia came into contact when Buddhism came to Japan via China and Korea. Since then Japanese people have long been influenced by the Buddhist way of thinking (philosophy). Japan, throughout her long history, has been immensely influenced by the socio-cultural exchanges with South Asian nations and such cultural exchanges were through saints, monks, religious teachers, ambassadors and traders. In addition to Buddhism and Buddhist pantheon, certain Brahminical gods and goddesses also came to be known in Japan through Central Asia, China and Korea, such as Shoten Sama (Ganesa), Taishaku (Indra), Katen (Agni), and many others (Okabe, 2012). In fact Indian religious teachings has 'acculturation' in Japanese way over the period of time.

The informal visits paid by different personalities from both the side made relations friendly in early 20<sup>th</sup> century. The reverend Ekai Kawaguchi, a Zen Buddhist monk visits Nepal in his way to Tibet in 1899 and thereafter his continuous visits to Nepal in 1902, 1905 and 1912. The relations further improved after the interaction of Indian noble laureate Rabindranath Tagore with Japanese cultural ideologue Tenshin Okakura at Kolkata in 1902 open up for cultural space to know each other.

However, Japan's involvement during Second World War and the cooperation provided by her to Subash Chandra Bose and Ras Bihari Bose during India's freedom struggle helped South Asian region to have greater knowledge about Japan (Ali, 2014). Japan's help during India's freedom struggle in the establishment of the Indian army is well appreciated fact. Japan's relation with the South Asian countries has cordial relations, since these regions has a sympathetic outlook towards Japan soon after getting its sovereignty in 1952. In response, Japan has soon started economic ties with South Asian countries, but unfortunately the South Asian regions was unable to full fill their goodwill, partly because of their ideological difference which arose out of Cold War politics and other reason like regional instability, nuclearization of the regions, and poor infrastructure (Jain, 1997).

Post-war period, South Asian region emerged from its colonial past which ensured power dynamics. India being the largest country by its sheer size, population and resources in the region had role to harness the smaller nations. On the rebound India faced the problem of being called ‘big brother’ syndrome by other states in the region. South Asian countries has positive attitude towards the Japanese after the Second World War. In 1949, Nehru donated an Indian elephant to Japan gives a gleam of hope into the lives of Japanese people who still had not recovered from the defeat in war. Subsequently, Japan and India signed a peace treaty while establishing diplomatic relations in 1952. The Treaty was one of the first peace treaties that Japan had signed after the World War II. This shows the strong support to Japan by India.

For centuries, Japan and Sri Lanka had its deep cultural relation. Buddhism is one important factor that binds the two countries robustly. The role played by J. R Jayewardene, a Finance Minister, who had represented Sri Lanka (then Ceylon) a small island nation at the San Francisco draft of peace treaty with Japan, marked a high watermark in the island’s foreign policy since independence. He shares his speech by giving a quote of Buddha with a strong sense of friendship, that Japan should be welcome in the new era. So that the “Japanese and other Asian people may march together to enjoy the full dignity of human life in peace and prosperity”, he added. His speech has influenced the government of Sri Lanka not to ask for the war reparation. The formal diplomatic relation between two countries started in 1952. But throughout the cold war era the relation between two countries remained miniscule. Thus, it was only after the formal visit made by former Japanese Prime Minister Toshiki Kaifu in 1990, the relations between two countries started to improve (Silva, 2015).

Japan’s relation with Pakistan had started in early 20<sup>th</sup> century with the historical linkage of cultural exchange with Pakistan around 1932, especially after the establishment of Urdu language centre in Tokyo University and Takushoku University. Thus, the research on Urdu language and on people of that region has been started to study in Japan. In the recent times, the relations between two countries were drifted away, which might be attributed by the growing Chinese influence in Pakistan for many years that led to the distance between two countries. Since, no high level visits were made by either countries for almost the last six years. In February 2011, the President Asif Ali Zardari paid last visit to Tokyo and Japanese Prime Minister Koizumi Junichiro has visited Islamabad in 2005. Despite the rich historical past, Japan

is not interested in investment in mega projects in Pakistan might be because of Chinese active presence and Pakistan's own domestic issues (Malik, 2017).

In case of Bangladesh, after its partition from Pakistan in 1971, Japan soon recognized Bangladesh as a new state in South Asia. Japan has soon established its diplomatic relation with Bangladesh in 1972. Since then, both the countries have maintained good relations politically and culturally. In the recent times, Bangladesh is gaining more strategic importance from Japan, since it is geographically located between the Southeast and South Asia, her geographic location remains vital for Japanese. Further, Chinese investment in Bangladesh had compelled Japan to play a more proactive role in Bangladesh. Such an initiative can be seen as the (BIG-B project) Bay of Bengal Industrial Growth Belt, after Shinzo Abe paid visit to Bangladesh in 2014 (Insight, 2016).

Maldives as a small island country in South Asia has maintained a good relation with Japan. Japan started its diplomatic relation with Maldives in 1967. Since then, both the countries have had cordial relations and Maldives has been gaining benefit through Japanese ODA. While, Afghanistan after joining in SAARC in 2007 has probably shift the importance of South Asian regions into another level. As a bordering state to gulf countries and central Asia, Afghanistan holds important geostrategic location vis-à-vis the war in the past decades has taught the international community to pursue peace in the region and more importantly India and Pakistan should learn how to cooperate with Afghanistan (Yamaguchi H. , 2003). Meanwhile, Japan has started to focus in various developmental processes in Afghanistan. Since, her strategic position posses critical for the peace and prosperity of the region.

Post-Cold War period witnessed the improvement of Japan relations with South Asian countries. One of the obvious reasons was that the changing international environment had facilitated Japanese firms in a much better way to promote it's overseas trade and investment. The early 1990s saw the opening up of liberalization policy in many developing countries in Asia and Africa, where South Asia was no exception. Political stability in South Asian region has improved with the fast growing economy. This attracted so many foreign companies including the Japanese firms too, to invest in economies considered as the new emerging market in South Asia. Since then, the region has gained a lot of strategic importance, not because many of the South Asian

countries continue to register high economic growth, but also the vast demographic proportion of youth makes it significant to the region. Meanwhile, Japan's economy has gone through the recession period and it led them to encourage its market to increase the overseas investment for the economic recovery. Thus, it will be mutually beneficial for both the Japanese and South Asian countries over the period of time. While the growing economy has encouraged the Japanese firm to invest their economy in the region and subsequently it has created job and other opportunities for the people living in the region.

In a comparative viewpoint, particularly China, which is very close to South Asia geographically, Chinese growing presence with huge economic engagement, has gained popularity in South Asia economically and strategically. Besides that, it has gained a lot of diplomatic support from Pakistan, Bangladesh, Sri Lanka, and Nepal as they have acknowledged China's "one-China" policy, stating that Taiwan is an integral part of People's Republic of China (PRC). This means Chinese economic growth has gain substantial popularity to change their geo-political perception in the region (Moni, 2007). Thus, China's rise and influence in south Asia has further compelled Japan to enhance the engagement in the region and contributed as yet another factor for Tokyo's policy makers to take effective measures to the region. China is pursuing a "strings of Pearl" strategy to promote friendly relations with India's neighbour in South Asia and to balance India's influence over the region. Since, Indian Ocean is a critical factor in Chinese policy option to protect its economic and security interest in the region. Thus, the Chinese will always try to pursue warm relation in the region for its own interests and it helps them to influence these countries in the long-run diplomatic bargaining.

Under this backdrop, Japan's new ODA charter which was revised in 2002, has brought few changes like, the present development cooperation charter can go beyond 'development' into the 'security' arena, which comprise of indirect military support for the peace and security of the international community. According to the section four of chapter two of the revised ODA charter in 2002, states that the security will be "Based on the concept of human security, Japan is actively extending ODA in the areas of assistance to refugees and displaced persons, de-mining, education, health, and gender" (MOFA, 2003). This move has raised many externalities. In China this new development is considered as a strategic move to curb China's growing influence over

the region. Thus, the developmental assistance for peace and security has constructed new meaning to ODA in the new charter (Ohno, 2013).

## **2.2 Japan's Policy option in South Asia: Strategic Thinking**

After gaining its sovereignty in 1951, Japan's foreign policy was guided by so called the 'Yoshida Doctrine'. Since then, it remains as the dominant guiding principles in Japan foreign policy choice. The central aim of this doctrine was to maintain low profile in international affairs and concentrate on economic development more specifically, reconstruction of the domestic economy while maintaining the security alliance to the United States. So, the South Asian region remains a distant region for Japanese policy maker during post war period. However, the fact was that the region had gained lot of strategic importance with changing international environment. Japan needs to make a calculated move towards South and Southeast Asia. Since, these regions comprised of fast growing economies in the world and one third of world population. Thus, realizing affluence and stability in the region is vital for Japan's peace and prosperity (Bluebook, 2016).

Until the late 1960s and early 1970s, Japan was hesitant to join any regional organization. One of the basic reasons was that, Japan as an economic powerhouse in Asia with huge raw material import for its final product, felt reluctant to join the regional grouping. This was due to a sense of vulnerability which was embedded in the national psyche that the regional grouping will led to the promotion of economic protectionism and conflict. However, Japan had changed its strategy slowly towards the regional economic groupings from late 1970s. Realizing the importance of regional organization, Japan slowly engaged with the different economic groupings in different parts of the world (Varma 2014).

During 1980s, Japan realized that they should have some strategic thought in Asia. It was driven by certain factor that was mushrooming around the world. Firstly, Japan being a dependent country in term of security on United States, fear that US hegemony started to erode after their huge loss in Vietnam war from 1965-75. Secondly, there are temporary setbacks in American leadership position which led to the emergence of other actor across Western Europe and Pacific Asia to starts with their own creative initiative like, new economic model, regional economic grouping, Security Alliance,

etc. Thirdly, Japan's rising economic power in 1980s became another factor that drive new ideas and scheme to become an active regional power. In the mean time, the historical issues are getting momentum in mid 1980s across the world and the same effect was clearly visible in Japan's domestic politics where patriotic voice are getting much stronger stance with the growing aspirations of taking leadership in the larger picture of Asians (Inouguchi, 2007). Thus, the first half of 1990s was important for Japanese strategic thinking in Japan, which has tested the Japanese commitment to the international peace and security with the changing international environment. However, Japan miss opportunities to take advantage for the future direction that may not be available in the future. But it does not mean that it has totally failed to respond the international changing environment. Since, it had succeeded to normalize the relations with the East Asian countries. The period also saw the shift of Japanese strategic thinking to a new dimension that something new-amorphous and unsettling nature which is not able to be beneficial to a certain level even though Japan has been called by US for the active participation in the UN peacekeeping mission (Hasegawa, 2007).

The main objectives of Japan foreign policy in 1990 reflect a multidimensional approach. Firstly, it seeks to advance the cause of world peace and stability. Secondly, Japan wants to play more active role in international affairs commensurate with its position as the world's second largest economy. Thirdly, Japan wants to promote international cooperation mainly grounded in three pillars of enhancing Official Development Assistance (ODA), as a main pillar, cooperating for peace and strengthening international cultural exchange (MOFA, 1990). There are few notable instances in international politics in 1990s in which Japan participated under its new direction. Such instance was the first gulf war in which Japan changed few dynamics in Japanese policy approach. After that, their financial support for UN peace operation programme has been criticized by the international community. This led to the involvement of Japanese Self-Defense Force (SDF) to join as the non-combatant force in UN peace keeping force and it further helped them to play an active role in the international level. In 1992, the other important reform was made in the Japanese ODA policy at the institutional level. The ODA charter was formulated for the first time. This was to enable Japanese aid that can be worked beyond the economic cooperation which means the nature of Japanese aid could be used for peace and security purposes, where the indirect military support can be allowed, if needed. It gave Japan certain leverages

to operate in larger platform towards the developing countries of Asia and Africa. In 2003, the ODA charter has again revised that has further broadened the scope of aid towards human security and peace building (Ohno, 2013).

Japan has given priority for the security dimension of South Asia after the high official exchange between Japan and the South Asian countries in early 1990s. Japan growing interest in South Asia region was also due to favourable consumer market. But the region was also fragile because of low income, poverty, and poor connectivity, thus Japan had given commitment for the developmental programme in the region as primary importance to address those issues through the use of ODA (Jain, 1997). Subsequently, the security issue is another factor that was getting momentum, after US declare the global war on terror, which has its indirect effect in South Asia. Since the operation were taking place in Afghanistan, a bordering state of South Asia has its profound effect in the region and specially after it became the eighth member of South Asian Association for Regional Cooperation (SAARC) in 2007. The regions again remain vulnerable for the development and the foreign direct investment by foreign investors. Therefore, Japan's first role is to play an active role in peace building process in the region through the use of ODA and by other bilateral measures. So, that she can maintain a cordial relation among the South Asian countries. Since, they have been criticized by a famous Pakistani journalist Ahmed Rashid that "Japan's diplomacy is without a face, as if walking in burqa" (Yamaguchi H. , 2003). So it shows the improper channel of Japanese diplomacy. Since, they have failed to address its three neighbouring countries i.e. China and Two Koreas in many domestic political issues. Such issues are the controversial text book in Junior High School and the Prime Ministerial visits of Yashakuni Shrine. Instead, this historical textbook highly speaks of Justice Radha Vinod Pal, who has declared the war Tribunal innocent, may be the writer of that textbook misunderstood the judgment (ibid).

In recent times, this region has emerged and gained geo-strategic importance to the Japanese policy makers. Even though the regions were portrayed as backward image, vulnerable socio-environmental disaster and often neglected region with low per capita income. There are few factors that had contributed to the role of South Asia as a regional viable mediator for the international affairs. Firstly, the size of South Asia has greater significance in managing of global issue; one may well argue that this region can shape the future of globe with the pressing issue like sustainable development,

human development, healthcare challenge, etc. Thus, Japan can play the role of 'responsibility sharing' in the international management would be relevant to seek cooperation with mutual responsibility in the region. Secondly, South Asia become important for the energy security of Japan, since 80% of its oil is passing through the Indian Ocean. Thirdly, Japan's long cherished ambition to become a permanent membership of United Nation Security Council (UNSC) remains strong as ever, but Tokyo has to find multiple paths to realize their desire. For this, Tokyo has set a lobbying so called "G4" form by Japan, Germany, Brazil and India, will further use for cultivating the cooperation in South Asia.

The turn of a new century has heralded as the Asian centuries for the future strategic calculus. More importantly currently Asia has three important giants, China, Japan and India. China's economy and the military might have greater influence in Asia, India too with its multidimensional issues has been showing signs of rapid economic growth. On the other hand, Japan's political dominance in the East and Southeast Asia is waning away gradually. In such a scenario, Tokyo aim to participate in the South Asian region through attractive policies like by using the soft power tools and assure visionary drive towards Asian security and regionalism. For instance, Japan has changed its foreign policy guideline only after the 9/11 terror attack that has challenged the very notion of security of US vis-à-vis Japan. This is how Japan has changed her myopic view towards South Asia. Since, the peace and the stability are very much important for the equitable growth and development of the region (Moni, 2007).

### **2.3 Japan's Post Cold War Engagement in South Asia**

The end of Cold War, with the collapse of Soviet Union has brought many changes in international relations. The period was witnessed by stagnant economic growth in many developing countries of Asia and Africa, so as the Japanese economy were under the recession period. Subsequently, many countries underwent independence. In the mean time, the liberalization process took place in developing countries of South Asia, attracting the foreign investors in the region. On the other hand political stability has also improved in the regions. Meanwhile, Japan has started engagement with these countries, subsequently after the historic visit of Prime Minister Toishiki Kaifu in 1990. The relationship had further strengthened with the formal visits by Japanese Prime Minister Yoshiro Mori to South Asia from 19-25 August 2001. In fact, these two high



level visits of Japanese Prime Ministers had made a landmark history in Japan-South Asia relations (Ali, 2014). Since then Japan's policy towards South Asia has gradually shifted towards a new level of comprehensive partners over the period of time. The growing importance of South Asia for the Tokyo's policy agenda has carved out through the synergy of various factors looking forward for the mutual cooperation over the region.

Against this backdrop, Japan's generous ODA has remained an influential factor in the National interest of South Asian countries one way or the other. But it is evident that, the bilateral economic relation has marked asymmetric growth to a certain extent in the region. Thus, it encourages trade and foreign direct investment for the development of the region, after recognizing that South Asia is strategically important as fast moving Asia. Unfortunately the defilement of South Asian nation times and again falls on poor governance and political instability that goes against the positive environment of foreign investors. The potential of the region was not properly projected to harness better growth and development in the region (Moni, 2007). Japan preferred India as a leading democracy in South Asia with its growing influence in international arena to play greater role for regional peace and stability over the region. Meanwhile, there are problems for a strong Japan-South Asia partnership. The reasons behind the inability for a robust partnership over the region is because of few historical causes with the formation of modern nation-state. Thus, the region is still suffering from political instability in interstate relation vis-à-vis the domestic relations. Sri Lanka and Nepal has suffered from domestic volatility for the several years. On the other hand, the Kashmir issue continuously remains a problem between India and Pakistan (MOFA, 2002).

But, the irony was that, even after gaining importance from Japanese policy experts. South Asia has witnessed very minimal engagement in terms of economy as compared to other countries in Southeast Asia. Japan's one week foreign direct investment (FDI) in Vietnam is almost equivalent to the whole year investment to the whole South Asian Countries. This suggests a trust deficit between either side for a greater investment in the region. According to a data, Japan's ODA disbursement to South Asia was close to "top ten" in Japan's fiscal year 2002. However, Tokyo's repeatedly announced its plan to increase its ODA budget to India and Pakistan, if both the countries agree to stop the

ballistic missile programme and sign the NPT and CTBT and resolve the Kashmir issue in better position of both the countries (Moni, 2007).

In spite of having lots of issues and problems in terms of socio-economic and politico-cultural difference, South Asia has very huge potential in every aspect which is yet to explore in the coming future. Even during cold war period, the regions had come up with distinct vision by following the non-aligned path. However, they fought many wars that included both internal conflicts and conflicts across the regional boundaries. Partition might be the reason that led to course of conflict over the period time, with the premature independence for new states in the region. This shows partial experience of these regions in the world politics. Economically the region has been lagging behind even though the region constitutes one-fifth of world population. Thus, the most important task is to ensure a cooperative measures and development among the eight countries in the South Asia. It is true that SAARC is not able to achieve its grand success, but they can be operationally meaningful not only in the region itself, but also get represented in the global level. Both India and Pakistan can play greater role in the region rather than threatening each other as nuclear possessing countries. So that, smaller countries like Nepal, Bhutan and Maldives may have greater space for positive action once India and Pakistan resolve their issues (Majumder, 2005).

Japan after implementing the ODA charter in 1992, has greater vision of mobilizing the peacekeeping mission across the world. Thus the charter has prohibited that ODA will not be allowed to be used in military purpose by the recipient countries. While the ODA serves for the conflict prevention strategy for Japanese policy maker because there is a close link between the conflict and underdevelopment. Conflict prevention is seen to be a medium of improving the condition of people vis-à-vis it will foster the democratic values and tries to cope all the possible measures through peace building. In such a manner, Japan's efforts in peace making during the nuclear confrontation between India and Pakistan in 1998 have resulted in cut down in its ODA. Thus, Japan has plummeted its yen loan to India from 1.11 US\$ billion in 1997 to 96 US\$ million in 1998. Likewise, Japan's yen loan to Pakistan has also reduced from 270 US\$ million in 1997 to nil in 1998 (Oishi, 2003). This shows Japan as pacifist country has reiterated claims over the end of nuclear warheads in the region and strongly believes on the mutual development of the region by creating an environment which is free from the nuclear threshold.

However, South Asia as a region was first to receive the Japanese ODA in 1950s and has been receiving aid regularly since then. The region witnessed the least developing countries with mostly economically underdeveloped countries in Asia, and most of them are heavily dependent on the foreign economic aid. Japan has remained the top donor in this region, but the amount of aid to this region was much lesser than other parts of Asia. There was a time where the entire aid donor countries were withdrawing their foreign aid from the region. Meanwhile, Japan remained as the top aid donor to South Asian countries in 1990s. But, it was just half of the value as compare to its aid to Southeast Asian countries. Although there are lot of technical failures in facilitating the proper channel of Japanese aid to this region, there are some universal failure and some are specific to Japan. Like there is proper channel to check the aid project in the host countries and sometime language itself is a barrier for communication to each other and there is lack of transparency from the Japanese counterpart (Jain, 1997).

In terms of trade between Japan and South Asia, India is the only country to maintain surplus in bilateral trade more than \$2 billion until 1994. Indian computer software export has almost contributed \$500 million worth in 1994, where the 60% of the software export has been done with US, where Japan had only 4% in 1994. But the Indian estimates to export its computer software to Japan will reach 30% by the end of the decades (Ishizawa, 1995). In the mean time, the entry of Sony in Indian market was a major breakthrough for the Japanese firm to boost their confidence. India remained an attraction for the Japanese firm in late 1990s with an assessment of 200 to 300 growing middle class population. However there was a shift of India's position in Association of South East Asian Regional Cooperation (ASEAN). Since, India was the sectoral dialogue partner of ASEAN Regional Forum (ARF) in 1993 and India got full membership of ARF in 1996. By July 1996, minister from Ministry of International Trade and Industry (MITI) visited India with other business conglomerates like Itochu, Mitsui, Mitsubishi, Marubeni, and Nissho Iwai met the Japanese Ambassador and expressed their concern about India's developmental plan, political situation and economic policy. This remark was highly appreciated by Indian Government (Jain, 1997).

Although, there are lot of issues and problem with South Asian countries for Japanese firms to engage even though they have opened up their economy in early 1990s. It might be because of bureaucratic procrastination and low infrastructural connectivity in

the region that led to the skeptical attitude of Japanese investors and they are still not much sure about the future prospects of doing business. Thus, for many Japanese firms, it became a hindrance in their policy choice for the better engagement in the region. Despite, having this kind of issue the region has managed to give high economic growth. Though, the relationship between Japan and South Asia are more so a market driven economy which was supported by the mutual interest in terms of geo-strategic and politico-diplomatic realms. Basically, the Japanese interests in South Asian region were more attracted towards India with the growing gravitas. Since India alone holds the important strategic position to assist Tokyo's calculus in various ground, particularly under the rising Chinese influence over the region, where Japan intends to contours China dynamically with mutual benefits in the region (Moni, 2007).

#### **2.4 China as a Factor of Japan-South Asia Relation**

China's growing presence in South Asian region has necessitated to draw the security and strategic issue into the policy making for both Japan and the Indian counterpart. Chinese investment in different projects in South Asian countries will be concerned in Japanese strategic thinking. China's construction of Chittagong port in Bangladesh, the Deep Sea port of Hambantota in Sri Lanka and the Gwadar port in Pakistan had given certain thrust in strategic interest by forming a 'String of Pearls'. Further, China has made a huge investment in the infrastructural projects in multiple-hydropower plant in Nepal, which can be viewed as the second and third pillars of the Chinese regional strategy. Thus, China has combined its investment and trade (with high economic returns) with other small projects such as construction of stadium, bridge, roads, convention centre and theatre will facilitate as soft power interest in the long-run (Acharya, 2014).

However, the fact is that, Japan really needs to enhance its relations with South Asian countries. Since, they wanted to participate actively in the regional economic forum that has propelled by the changing nature of its relation with China. Thus, Japan find SAARC as a suitable regional economic forum to cooperate for their mutual benefit, since Japan's relations with China was weaning away by many instances. In 2005 there was a huge protest in China against the Japanese government. This protest demonstration was erupted after the former Japanese Prime Minister Koizumi visit to the Yasakuni Shrine. Japan was well aware about the fact that maintaining a low profile

relation will not serve their national interest in the long term. The bilateral relation was worsening more apparently since, after the confrontation between the Chinese fishing boat and Japanese Coast guard vessel collide near the Senkaku/Diaoyu islands in the East China Sea in September 2010.

The relation between Japan and China has worsened since after the purchase of these disputed islands by Japanese government in 2012, which was followed by the huge protest across the China; Japanese own mall and shopping complex were being vandalized. The fact is that time and again, the issues of historical textbook and the prime ministerial visits to the Yasakuni Shrine, including the fourteen military leaders who were pronounced guilty of war atrocities has further vitiated the bilateral relations with China.

Japan has to balance the Chinese increasing influence in Southeast and South Asia in recent times. Since, China is one of the important economic partner of Japan with the annual trade of two countries are more than \$300 billion. Japan cannot challenge China in both terms, politically and militarily. Thus, Japan has been diversifying its economic interest to other counties which is known as 'Plus One' strategy (Varma, 2014). Japan needs to develop its strategic and economic interest with Southeast and South Asian countries more seriously. Hence, one can assume that, Japan's economic interests are not primary factor in strengthening its relations with South Asia, rather economic cooperation can be seen as by product of larger strategic and geopolitical interest in South Asia.

## **2.5 Japan's relations with South Asian Countries**

### ***Japan-India relation***

Japan and India are the two largest democratic countries in Asia. Japan's first involvement in India through Colombo plan was started by a small grant aid of \$1 million with dispatching Japanese technician to India. The period from 1952 to 1972, 108 Japanese experts were sent to India and Japan had received 1,040 Indian trainees through Japan Overseas Technical Cooperation Agency. Tokyo also sent 35 experts to India under the umbrella of Japanese Asian Productivity Organization and had allowed 351 as the productivity survey-team from India. Followed by many such youth exchange has been succeeding through Japanese Overseas Cooperation Volunteer

Program. Further Japan and India has signed first yen credit agreement in 1958, marked as the new role Japan-India economic development (Khan Z. R., 1976). While, India Iron ore and raw cotton help the Japanese industry to growth a lot at the same time. But after that the relations remain minuscule with the heightening of cold war politics amid the divergent political views on world politics.

The earlier version of Japanese thought of world was only confined with the Japan, mainland China and the Tenjiku which means the birthplace of Buddha. Japan has always been influenced by Indian culture since the arrival of Buddhism in Japan in early history. One of the great Japanese scholars, Professor Hajime Nakamura had said that “without Indian influence, Japanese culture would not be what it is today”, so it shows the deep respect towards India from Japanese perspectives. Some scholars believe that in order to understand the relationship between the two countries, we should take the historical similarities between the two countries in the colonial past. A former Minister and Deputy Chief mission of Japanese Embassy, New Delhi, Wataru Nishigahiro has observed that, the two countries have many commonalities such as trade, maritime security, aid and culture between the two countries. Terrorism is another key area where the two countries can work together and focus more on the Development of regional security (Daramdasani, 2003).

In recent times, the two countries have started to focus beyond its formal relation. Since, both the countries had complimentary role to play for each other. Several common factors are to be taken into consideration as far as the current situation is concerned. Firstly, the geographical and the strategic proximity of the two countries remain critical, where Japan is highly dependent on the safe passage of the Indian Ocean, even though they are far off land to one another. Secondly, both the countries have shared common values of democracy and market economy, which assure them to be a favorable partner to each other. Thirdly, the economic factor that Japan had already invested a lot in Southeast Asia and China. On the other hand, India has huge potential for Japanese investment for market for their manufactured goods and services. Fourth important aspects are the spiritual and cultural linkages that bind the two countries in a smooth manner (Nishigahiro, 2003).

The 1990s saw the major turning point in Japan-India relations. Firstly, the end of cold war has given larger space to both the countries. Secondly, with the opening of free

market economy Japanese firms have much scope to invest in Indian market. Thirdly, with the bold initiative of India's "Look East" policy which has given importance to the East and Southeast Asian countries for the economic engagement and has served as the driving force to the Japanese investors. The two countries has shown their keen interest to cooperate each other and within a decade, they have become much more focused in multidimensional areas than ever before. On the other hand, Japan had faced a bitter experience during the 1990-1991 Gulf war. Even though they had paid a huge amount of \$13 billion for the war efforts which were not acknowledge by its allies. It was obvious for Japan to explore South Asia as a region which was unexplored in the early times in their policy choice. Hence, it is not surprising that Prime Minister Toshiki Kaifu visit to India, Pakistan, Sri Lanka and Bangladesh in 1990. The gulf war has created an apprehension in Japan about its sea lane security through which its 75% of crude oil were exporting and that was a time where Japan chose to be a close partnership with India. So that it can help to secure its sea-lane in the Indian Ocean. This was a point at which Japanese policy expert were very keen to do partnership with the countries in Indian sub-continent (Varma, 2003).

India remains an important actor to drive the Japanese investor in the region. In fact, if India's Gross Domestic Product calculated according to purchasing power parity (PPP) is almost the third highest after Japan and China in Asia. Considering the India's economic strength, the developed countries from west and China, South Korea and others countries from east had made substantial investment in the country. For these reasons, India in particular and South Asia in general deserves to host the accelerated attention of Japanese business and foreign direct investment (Moni, 2007). The ongoing cordial relation between two countries came under strain after India conducted Pokharan nuclear test in 1998. The test has impacted on bilateral relation, as Japan shortly suspended its aid to India. But relations soon normalized in second half of 1999, because both countries has realized that staying aloof to one another was not beneficial for the interest of either countries.

The 21<sup>st</sup> century has brought new dimensions in bilateral relation after the landmark visit of Yoshiro Mori in August 2000. This visit had further improved the relations to a new level of "Global Partnership", which means acting and mutually responding to the global issue like drug trafficking, climate change, terrorism, restructuring the UN, etc. Thus, Japan was merely convinced that India would play an active partner in world

affairs. The relation between two countries takes new shape after the formal visit of Prime Minister Atal Bihari Vajpayee in December 7-11, 2001, that concludes by signing a joint agreement in areas like cooperation for the reform of UNSC, improvement in WTO rules, counter terrorism, cooperation on anti-piracy, etc (Varma, 2003). This kind bilateral cooperation was constantly followed in the mid 2000s in various grounds and that led to Japan-India Comprehensive Economic Partnership Agreement (CEPA) has finally come into effect in 2011. Particularly these agreements were led by two new dimensions between Japan and India. Firstly, the Delhi-Mumbai Industrial Corridor (DMIC) project for which Japan was intensely committed. Secondly, they have entered into the Strategic and Global Partnership in 2006 that provides an essential agenda for consolidating comprehensive Japan-India bilateral relation. The relations were further shifted to a new level of success after the formal visit of Japanese Emperor Akihito and Empress Michiko to India in 2013. Thereafter the invitation of Shinzo Abe as the chief-guest for the republic day celebration in January 2014 by Prime Minister Modi was remarkable affirmation between the two countries relations (Kojima, 2014). The recent Japan's "free and Open Indo-Pacific synergy" and India's "act east policy" under Modi leadership and the signing of civil nuclear cooperation agreement reflect a new level of mutual confidence in strategic partnership that had witnessed the inalienable interest between the two countries(Kaura, 2016).

### ***Japan-Pakistan Relation***

Initially Japan had started its relation with Pakistan through the Colombo Plan under which trainees from Pakistan were given technical training by Japan. There are problems of representation of individual trainee from West Pakistan and East Pakistan, but Japan had managed to resolve the issue. As a member of Aid Consortium to Pakistan, Japan has played a significant role in the economic development of Pakistan in post war period. Japanese contributions towards the agricultural sector of East Pakistan were very successful by giving them the technical assistance through Pakistan Academy of Rural Development (PARAD) later became Bangladesh Academy of Rural Development (BARD) in 1960s and 1970s(Khan Z. R., 1976). Japanese contributions to agricultural sector in East Pakistan remain crucial, which constitutes of 65% of agricultural land in South Asia that was used for cultivation. This area witnessed huge improvement after getting Japanese teaching of improved methods and technique of



cultivation. Political stability in Pakistan from 1966 to 1969 has encouraged more Japanese investment. Whereas, India's political instability in the Northeast and the South had impacted to economic slowdown, that discourages the Japanese economic assistance at the same period. Pakistan mainly exports from four important sectors such as iron ore, hemp fabric, textiles and precious stones and they are getting surplus out of it.

Japan and Pakistan had cordial relation in post 1990s. The relations remain "cold" after Pakistan conducted underground nuclear test in May 1998, which was in response to Indian nuclear testing. Japan has reiterated Pakistan to exercise its utmost control by conveyance through a special envoy to Islamabad with a note of Prime Minister Hashimoto and also made a direct call to Pakistan Prime Minister Nawaz Sharif. It was extremely regrettable that Pakistan had conducted its nuclear testing in insolence of the serious demands from the international community including Japan. Japan urged Pakistan to stop developing its nuclear arms and testing and to become a signatory of CTBT and the NPT, while calling upon the international society to come together in resolving the issue of nuclear disarmament and nuclear non-proliferation (MOFA, 1998).

Recently, Japan's relations with Pakistan has seen a down turn. One possible reason might be Pakistan's closer ties with China and a lack of interest of Pakistani politicians to have close relations with Japan. In the past six years there is no high level official meeting between the two countries. The last such exchanges were done in February 2011, when President Asif Ali Zardari visited Tokyo, before that Japanese Prime Minister Junichiro Koizumi paid a visit to Islamabad in 2005. However, the former Prime Minister Nawaz Sharif's Government had not shown any kind of interest to outreach the far eastern countries in recent times. In the mean time, Indian government under the Prime Ministership of Narendra Modi deepened relations with East Asian countries ranging from Mongolia to Fiji. On the other hand, Pakistan's foreign policies remain inactive in East Asia vis-à-vis Japan hasn't shown much enthusiasm to the Pakistani counterparts. Despite the long history between the two countries, at present Japan's economic activities in Pakistan were limited. Unlike China, Japan is not offering any mega projects to Pakistan. May be for Japan, the situation is not favourable for business and investment in Pakistan for the time being (Malik, 2017).

The China-Pakistan Economic Corridor (CPEC) is a source of irritation for Japanese policy experts in Pakistan and many Japanese analysts argue that Chinese mega projects were not going to give tangible effect to the economic growth of Pakistan economy. But, there is no official response from Tokyo on CPEC as of yet, Japanese government was reluctant to give her opinion because of growing enmity with China. Even though CPEC has offered huge investments and collaborative opportunities to Japanese companies, they are not interested to join in it. Therefore, Japan needs to work on a different strategy to embrace its role in Pakistan. Small aid programme through NGOs donation and with the limited number of Scholarship will not cement a genuine people-to-people tie between the two countries. But, there is a need of solid framework for economic partnership between the two countries. These efforts have a long way to achieve and it needed to follow the out-of-the-box solutions as required, rather than opting for the traditional strategy of moving slowly and gradually and containing China's role in Pakistan. Thus, instead of having their presence in small-scale socio-economic projects mostly run by the civil society in Pakistan. Japan would better serve the broader vision by participating more in mega-infrastructure projects such as railways, roads, ports, shipping and tunnels. So that they could be a crucial partner of CPEC and enter Central Asia through the Gwadar port (Malik, 2017).

### ***Japan-Bangladesh Relation***

In recent times, Bangladesh has become an important country in Tokyo's calculus which foretells Japan's concerns about the region with the growing Chinese influence. Before the formation of Bangladesh, it used to get Yen loan from Japan as part of East Pakistan. The birth of Bangladesh in 1971, thereafter providing a dynamic relation between two countries and their subsequent strategic-diplomatic consideration remains of prime importance. Since then both the countries had maintain a cordial relation and there has been lot of efforts from Japan to uplift the development of Bangladesh in the last few decades. The important area of cooperation remains in economic assistance through the use of ODA and to an extent trade and investment. By 1990s the bilateral relation between two countries started to diversify in various areas and it was clearly visible in every aspect of Bangladesh's socio-economic, cultural and political (Rahman, 1997).

Historically, the relation between two countries has taken considerable shape and reached a comfortable association. The high level visits such as the visits by the head of

the government, parliamentarian, ministers, political mission and foreign policy managers from two countries has been able to garner the friendship between the two countries. In this context, a Japanese Parliamentarian Takashi Hayakawa, the founding President of Bangladesh-Japan Friendship Society in 1973 and a special envoy of the Japanese government to Dhaka (then Dacca) was well appreciated fact by both the countries. In terms of economic aspect, Japan's ODA serves as major factor in facilitating its role in South Asian countries with the general notion of the region based on the high rate of population, low literacy rate, poor governance, lack of infrastructure, low income, and so on (MOFA, 2001). Thus, Japan has started to encourage for the democratization of these countries in 1990s, such that it had served as new priorities of Japanese policies towards Bangladesh. In addition to that, Japan had followed a favourable immigration policy for Bangladeshi people in the post- independence period. Especially, since they have given free visa to the diplomatic officials from Bangladesh and the same policy will apply to the Japanese official coming to Bangladesh.

The bilateral relations between Japan and Bangladesh have taken a different shape with the growing presence of Chinese investment in Bangladesh. In economic sphere, the rich demographic feature with cheap labour in Bangladesh had attracted many foreign investors to its market for the manufacturing hub in South Asia. Bangladesh would play a very important role in balancing Japan's role in South Asia. Since, it holds a very important geostrategic location in South Asia with its access to huge water mass at the Bay of Bengal. It connects South Asia to other Southeast Asian countries through land and sea. Thus, benefiting the sea lanes and land connectivity, Bangladesh would be an important player in serving Japan's economy vis-à-vis the strategic interest in the region.

In fact, Bangladesh has deeply appreciated the Japanese assistance in the developmental challenge in the early years of Bangladesh nation-building. She regards Japan as a reliable partner at all the times. Thus, it has built a strong sense of togetherness between the two countries. Bangladesh has also recognized Japan as an important player in its 'Look East' policy (MOFA 2005b). The look east policy would largely focus to the countries in East Asian countries such as China, Japan and Korea. Since, the global economy has been transforming significantly with the growing economy of China and Korea over the last few decades. By 2012 China, Japan and

Korea together constitute for 21% of total global gross national income in nominal dollar terms based on the World Bank's Atlas method (Ahmed, 2014). Both the countries had worked for the attainment of the development and promotion of trade and investment in many areas, such areas are the sustainable development that has fostered the millennium development goal. Japan has praised the initiative taken by Bangladesh Government for taking a new developmental approach through the micro-credit system to the SMEs. Japan also assists Bangladesh in the self-help project by putting the important infrastructural developmental projects, they are roads, bridges, power plants and other important developmental initiative in the field of health and educational sectors. Strengthening the environment of trade and investment was indispensable for Bangladesh's economic development and improving the governance was another important pillar in achieving development and promoting trade and investment in Bangladesh. Both Japan and Bangladesh has reiterated their strong commitment to establish a vibrant democracy where Japan was interested to support free and fair elections.

The recent meeting of Japanese Prime Minister Shinzo Abe with Bangladesh Prime Minister Sheikh Hasina on the 70<sup>th</sup> anniversary of the United Nations in New York had discussed on many issues regarding the future of their bilateral relations. Abe has expressed the desire to work together with Bangladesh towards the Agenda 2030 to achieve the millennium development goal. and he also talked about the bilateral cooperation regarding the international issue like the reform of United Nations Security Council (UNSC) that needs to cooperate closely to each other and his expectation to cooperate with Bangladesh through the 36<sup>th</sup> Yen Loan Package (total 133.3 billion yen) as part of assistance of up to 600 billion Yen that has already promised centering on the "Bay of Bengal Industrial Growth Belt" (BIG-B) initiative to push the economic growth of two countries. However, Hasina respond positively by acknowledging the fact that Japan has been supporting in developing the Matarbari Ultra Super Critical Coal-Fired Power Project in 2104. She further made a proposal to develop a Special Economic Zone by hosting Japanese investment (MOFA, 2015c). Thus, focusing on the positive aspects in bilateral relation, Japan has contributed in the peace, security and prosperity of Bangladesh. In this way, Japan can do a lot for the mutual gain in its strategic advantage in the region.

### ***Japan-Sri Lanka Relation***

Japan's relations with Sri Lanka dates back to the age of Buddhism, since then the relationship has been consistently cordial throughout the histories. Sri Lanka's support to Japan in the San Francisco Treaty in 1952 can be considered as the watermark in their diplomatic relation. Before that the Sri Lankan position in the Colombo Conference plays an important role in deriving a good relation between the two countries. There are two important points that Sri Lanka had made clear about Japan during the Colombo conference in 1950, one was independent Japan and the other was the necessity for the economic and social development of the people of South and Southeast Asian countries through the Colombo Plan. This Colombo Plan was mainly pushed by the foreign minister of two countries respectively, J. R Jayewardene from Sri Lanka and it was supported by the Australian foreign minister Sir Percy Spender in the Colombo Conference.

The other factor behind the good image of Sri Lanka towards Japan was that, she had taken a bold initiative in the San Francisco Conference, the end of which saw the enactment of San Francisco treaty between US and Japan. This treaty recognizes Japan as the normal state and it can be seen as a unique diplomatic achievement of Sri Lanka in the post-independence period. As it also helped in cementing the relation between two countries in the following year. Thus, it remarks an unforgettably grateful memory from generation to generation to the Japanese counterparts, as has results in the generous Japanese contribution of its valuable aid for the development of Sri Lanka with the concession in long term soft loan (Silva, 2015).

Japan had been actively supported by the Sri Lankan government in terms of improving the higher education learning process. By 1983, Japan had started to give the educational assistance to Sri Lanka in the field of education Japan had also supported a lot in the past decades. Japan's Country Assistance programme for Sri Lanka was divided into humanitarian and reconstruction support at present times. These reconstruction assistance projects mainly deals with the assistance to institutional reform, building economic infrastructure, poverty reduction and so on. By 2009, Japan had initiated a new programme, the so called "Japanese Grant Aid for Human Resources Development Scholarship" (JDS) to encourage more people to people exchange programme. However, the earlier students were not really interested to study

in Japan because of US, UK and Australia. But, recently Japan has been getting more students in higher education as it has improved the level of quality in academic learning. Thus, there is a shift in the learning attitude in higher education as Japan has contributed a lot in higher education in Sri Lanka (Shanmugarajah, 2014).

Maithripala Sirisena, President of Sri Lanka met Japanese Prime minister Shinzo Abe at Nagoya, Japan in May 2016. The two leaders share many common issues in the international cooperation. Both the leaders had agreed for the strengthening for the implementation of Comprehensive Partnerships that will facilitate quality infrastructure between the two countries. The key areas of cooperation are in economic, maritime and national reconstruction and peace building (MOFA, 2016c). They recognized the fact that the importance of free and stable sea lanes will be very much important in the coming future then what it is today. Since, Japan is highly dependent on the sea lanes of Indian Ocean; this is how the region is very much important for Japanese energy transportation.

### ***Japan-Maldives Relation***

Japan had started its relation with Maldives, after the establishment of formal diplomatic relation between two countries in 1967, both the countries has enjoyed a cordial relation to each other. The two countries had its informal interactions before they formally recognized each other to establish diplomatic relation. Maldives being one of the smallest countries in South Asia always had a positive thought towards Japan in the past decades. They have a share in common issues at the international level, one such important issue they have shared is the climate change with the rising sea level, which is very critical to the islands countries in Asia. Maldives is one of the vulnerable countries with rising sea levels, which has always supported by Japan through Japanese ODA, where it gets the maximum grant aid for the overall development of its infrastructure, health care, environmental issues, etc. The cooperation between two countries are witnessed to be minimal as compared to other South Asian countries, it might be because of its sheer size and least important to Tokyo's calculus. But, it is not the neglected area. Since, Tokyo has rigorous support for the development of a vibrant democratic system in Maldives. In 2008 Japan had supported the presidential election of Maldives in the consolidation of democracy. This is one of the unique strategies that Japan is following in its ODA policy after they

introduced ODA charter in 1992 (MOFA, 2016a). Other than that, Japan has continuously support on the ground of humanitarian aspect in developing countries like food aid, construction of roads, school buildings, hospitals, etc.

Japan has been continuously giving food aid to Maldives as part of humanitarian assistance since 1981. Maldives is continuously getting Japanese grant aid and technical aid, by 2006 Japan has extended yen loan to Maldives. This loan basically aims to the project related to reestablish the efficient distribution of goods and reliable sewage service through the assistance to rebuilding of a number of small harbor and sewages smashed by the tsunami in the aftermath of the earthquake off the coast of Sumatra in December 2004, thereby improving the living condition of the people in and around the affected areas (MOFA 2009b). In recent times, Maldives has been getting a prominent place in Tokyo's policy makers, since 90% of its crude oil pass via Maldives. On top of that, Japan had offered various developmental assistance to foster better relations with Maldives, once such project is that Japan grants 2792 million Yen to Maldives government for the establishment of terrestrial television broadcasting network using Japanese system ISDB-T that covers maximum population of Maldives. Thus, it will bridge the digital divide among regions, thereby enhancing better connectivity across the archipelago and furthering social and economic development in the Maldives (Embassy of Japan, 2016).

In recent times, there is a tug of war between different interest group in the political economic dynamics of Maldives, out of which China plays an assertive role in term of infrastructural development of Maldives; was a big concern for the Japanese. In 2014, Chinese president visited Maldives to deal with the 'Maritime Silk Road Initiative' as part of larger framework of "One Belt, One Road", initiative. This was followed by the "China-Maldives friendship bridge", an infrastructural project that connects Male to international airport Hulhumale that has financed by China around US\$126 million as a grant aid. For which, the Maldives government has contributed only US\$12.6 million (Nasheed, 2017). In addition to that, Maldives government had also introduced the Special Economic Zone (SEZ) Act, a day after the vice-president of Maldives flew to China to invite the Chinese investors in the same year. The reemergence of Maldives was mainly due to the growing interest of Indo Pacific region as a geostrategic importance in contemporary global order.

### *Japan and Afghanistan*

Afghanistan is the only country in Asia that holds a very significant geostrategic position throughout history, more specifically during the Cold War era. Its geography is located in such a way that it connects South Asia to West and the Central Asia. Thus, its geographic position remains very crucial to the foreign policy makers among the interest group across the region. Japan looks at Afghanistan as a good partner in its diplomatic relation after the establishment of formal diplomatic relation in 1931. Since then Japan had a cordial relations with Afghanistan.

At the height of cold war in 1960s and 1970s, that resulted in aggressive geopolitical gain over the territories by the two power blocs. After the Soviet invasion of Afghanistan in 1979 had pushed Japan away from Afghanistan by curtailing the diplomatic relation. Thus, the relation remains aloof from each other until Feb 2002, after following the international conference on Reconstruction Assistance of Afghanistan. The embassy of Japan was reopened and then they started to contribute to the peace and reconstruction process of Afghanistan (MOFA 2015b).

Japan wants Afghanistan to be a more peaceful and democratic country in Asia. Since, Afghanistan's fate has been ruined by the geopolitical rivalry during the cold war era. The main reason behind Japan's Assistance towards Afghanistan soon after the beginning of 21 century to have a good relation between the two countries was mainly because of the historical fact of the region. Firstly, the region is vital to prevent from the hotbed of terrorism and for that, Japan has been providing the humanitarian and reconstruction assistance. On the other, they are contributing for the peace and security of the country. Secondly, they have been using institutional mechanism by conducting the international conference on Reconstruction Assistance to Afghanistan (Tokyo Conference) in January 2002. Thirdly, in order to realize peace, Japan has implemented 140 Japanese civilians including JICA experts and Embassy staff to work at the ground level in Afghanistan (MOFA 2014c). In this context, Japan has been involving actively in different measures and developmental projects of Afghanistan.

On the other hand, Japan is one of those countries whose energy is highly dependent on the import of petroleum from West Asian countries, which constitute almost 90 per cent of the total energy import. Thus, the peace and stability of the region was highly dependent on the security situation in Afghanistan, because history had already showed



the role of Afghanistan for the facilitation of regional peace and prosperity. Therefore, Japan had started to give its assistance to Afghanistan soon after the reopening of its diplomatic relation. Infrastructure, Health, Education and Humanitarian Assistance were the few sectors where Japan had focused a lot, in order to meet the self-reliance of Afghanistan.

South Asia had been ignored for a long period by Japan. Its policies were more focused towards China, South Korea and the ASEAN Countries in the latter half of the twentieth century. Though Japan has been providing its ODA in the form of soft loan, technical assistance and grant aid to the South Asian countries, since from 1950s. But they failed to form deeper economic and strategic ties with these countries.

However, there is growing fear among Japanese policy experts over the China rise and its active participation over the region. There are number of initiatives between China and some Bay states, and the strategic significance of Chinese control over port infrastructure in the region had the potential to greatly alter the Bay's delicate balance. Even though China claims its presence and interest over the Indian Ocean was purely economic, it has been subject to a large number of scrutiny. The frequent movement of the Chinese boat and a Shang-class nuclear submarine at Sri Lankan port, the ambiguity of the extent of their presence on the Coco Islands of Myanmar, and the presence of Chinese modern Yuan-class 335 conventional submarine at Karachi port had somehow created discomfort for Tokyo, New Delhi and Washington. Therefore, Japan's close cooperation to the South Asian nations can only further stimulate a healthy balance in the region (Chotani, 2015).

## **2.6 Conclusion**

The early contacts between Japan and South Asia can be trace the centuries back, when Buddhism came to Japan via China and Korea. Since then, the two regions had shaped a good image and cordial relations to each other. Buddhism serves as a link between the two different regions of a larger Asia. Thereafter, the informal exchange of intellectual and individuals in early 20<sup>th</sup> century had resulted in the cultural exchange between the two regions. The relation had further strengthened during 1930s when Japan had supported to Indian national freedom struggle and it was well appreciated fact by many Indians in post independence period.

The South Asian countries were the first among many countries in the world to recognize Japan as a normal state during its post war era. This shows a positive reaction of South Asian countries towards Japan. In the early post war period, South Asian countries had gained little importance from Japan through the Colombo plan followed by the Official Development Assistance (ODA), but soon faded away with the growing tension of cold war. However, the other countries from East and Southeast Asia were getting much more momentum for the developmental assistance from Japan. Whereas, countries from the South Asian region shares cordial relation with Japan for the past centuries, despite the fact that South Asia as a region had little importance in Tokyo's strategic calculation in the earlier period. Since the region had neither the importance for Japan's security needs nor the global economic governance framework. It was clear that Tokyo's main agenda was to grow economically and to achieve that end, their focus was highly prioritized to other East and Southeast Asian countries.

However, Japan has shown its keen interest towards South Asia in early 1990s, when the former Japanese prime minister Toishiki Kaifu made a formal visit to South Asian Countries in 1990. Thereafter the official visit paid by former Japanese Prime Minister Yoshihiro Mori in 2000 witnessed further shift in Japan's approach towards South Asia. But, unfortunately the region had failed to harness the economic cooperation to the desired level with the Japanese counterpart, may be because of domestic problems within South Asian countries such as bureaucratic procrastination, poor infrastructure, language barrier, lack of cultural understanding and so on. Nonetheless, Japan's focus on South Asian countries has been increasing more in recent times by viewing different strategic factors into consideration. Since, South Asian countries have been recorded as the fastest growing economy with its cheap labour market and huge demographic proportion of young population. Thus, naturally has attracted the global investors, South Asia remains as the global hub for finished products recently.

On the one hand, there is growing apprehension among the policy makers in Tokyo with the growing influence of China in South Asia. Chinese investment in South Asian regions has shifted recently from low to high infrastructural projects across the sub-continent, specially focusing on the deep sea port in countries like Pakistan, Sri Lanka and Bangladesh by forming a 'string of pearls'. In this way China's involvement serves as a key factor in the regional development and further complicates the question of India's role within the region. On the other hand, Japan's membership in SAARC as an

observer state along with China, gave greater leverage to operate their strategic interest over the region. The growing Chinese assertiveness in Senkaku/Diaoyu islands in East China Sea, after the purchase of these disputed islands by the Japanese government in 2012 had further triggered the bilateral relations between the two countries. The next chapter will deal with Japan's role in Nepal and how their participation in long-term developmental process in Nepal has changed the perception of Nepal's approach in the regional cooperation and power dynamics in the region.

**3.1 Introduction**

The geographical landscapes of these two countries are miles apart, one is situated in Far East Asia, and the other is in South Asia. Even though these are the two distinct nations, they had shared some of the similar cultural background and spiritual linkage by virtue of being Asian. These shared values and tradition had constituted a cordial, warm and friendly relation between the two countries (Chimoriya, 2017).

Japan's relations with South Asian countries had witnessed a cordial relation. This relation has maintained throughout the history of Japan and South Asia, even though Japan considered South Asia as a distant place from its earlier understanding of the world (Ali, 2014). Nepal is one of the smallest landlocked nations in South Asia with the lowest per capita income and Japan being the third largest economy in the world and second largest economy in Asia has always been supporting Nepal in both terms, tangible and intangible development. Though, the beginning of Japan's relations with Nepal can be seen through the lenses of cultural exchange (Pandey, 2005).

Japan and Nepal have trodden a path in history that is quite similar. Both are small nations, had a monarchical rule in the past and did not face colonialism. Further, there has not been any animosity between the two nations. Thus, by sharing many similarities, the two countries have shared cordial relations in their past till present. The first contact between the two countries goes dates back to 1899 with the informal visit of Japanese monk, Ekai Kawaguchi on his way to Tibet. After that, in 1902 Nepal sent eight students to Japan to study different professional skills (Shrestha, 2014). This marks the earlier exchange between the two countries, where Buddhism served a pivotal role to come closer contact between the two countries in the early 20<sup>th</sup> century.

Japan established the formal diplomatic relations with the king of Nepal in 1956, ensured by the opening of Royal Nepalese embassy in Tokyo in the same year. Since then, the relations between two countries had remained cordial (Chimoriya, 2017). By 1960, the first high-level exchange visit made by the late King Mahendra and Queen

Ratna to Japan. Subsequently, in the same year, Japanese crown Akihito and Princess Michiko visited Nepal. The two countries had a profound cultural affinity with one another. The relations between two countries increased after the establishment of diplomatic relations in 1956, though the pace has been slow. Since, both the government had engaged in their internal affairs. Japan was busy with its economic recovery and in regaining the international status. On the other hand, Nepal engaged itself in solving the domestic problems. So, the relation between the 1950s and 1960s were minimal regarding bilateral engagement.

The 1970s saw the improvement in bilateral relations followed by the high-level visit and the increasing number of student exchange programmes. Among these were several exchange visits paid by the high official from either country, the most important visit was made by Japanese Parliamentary Vice-Minister for foreign affairs Keiwa Okuda's visit to Nepal in 1977. This visit was necessary because he was the first political figure invited by his Majesty of Nepal. The visit was disclosed by stating that Japan had deep understanding and appreciation for Nepal to be declared as the "Zone of Peace" (Vaidya, 2005). Since the primary objective of Japan's foreign policy itself based on the international peace and stability. Thus Japan's intent to declare the zone of peace with Nepal also signifies in the part and partial its foreign policy objectives.

After few months of Okuda's visit to Nepal, another such important visit has made by Hatoyama, a Japanese foreign minister to Nepal in the same year marking a new height in their bilateral relationship. It clearly shows the increasing concern and active interest of Japanese government to the people of Nepal. In 1978, the bilateral relation made another epoch in the history of Japan-Nepal relation, after the formal visit paid by his majesty King Birendra and Queen Aishwarya to Japan. The visit further strengthened the relation between two countries (ibid, 160). In the meantime, the visit was also marked by the establishment of Nepal-Japan Parliamentary Friendship Association later on. Since then, the high official visits had been increasing between two countries in the subsequent years.

Japan has been supporting Nepal in its economic and social development, since after the establishment of diplomatic relations with Nepal in 1956. Initially, Japan had supported Nepal through the Colombo Plan by giving the technical support. Such instance of Japanese cooperation with Nepal had firstly come in the form of Technical

assistance around 1959-60. They had assisted the Japanese team in conducting the hydroelectric survey of Kali River in Western Nepal. The Colombo Plan was primarily meant for the Equipment Assistance Programme to Nepal in the field of agriculture, cane processing, medicine and fishing (Dharamdasani, 2003).

Japan had its economic relations with Nepal even before Second World War. Japan used to export cheap cotton to Nepal. Thereafter, Japan had started to show its economic cooperation only after the establishment of diplomatic relation in 1956. The postwar Japan-Nepal economic relation was started with the signing of the first exchange of notes between two countries to extend 36 million Yen loan assistance in 1970. It was mainly provided to Nepal Industrial Development Corporation by Export-Import Bank of Japan to encourage the industrial developmental programme in Nepal. Since then, Japan had supported through bilateral and multilateral mechanism to improve the economic infrastructure of Nepal. At times, Japan was the top aid donor of Nepal. For that, Japan has equally focused on both the economic and non-economic sector of development (Vaidhya, 2005). Japan was giving its aid to Nepal since from the 1950s, but there were no regularities until 1975. There are many reasons behind that; it was partly because of “Nixon shocks” in 1971, another was the normalization of Japan-China relation in 1972 and the “Oil Crisis” of 1973. It has led to less contact between two countries, and it results in minimal cooperation between two countries (ibid).

In 1968, the embassy of Japan had established in Kathmandu. Since then, the Japanese government had further helped to strengthen the bilateral ties between the two countries. After that, they had started the high-level visits between two countries in the subsequent years (Malla, 2017). Regarding economic relations, Japan and Nepal have an unusual experience. Japan being one of the leading aid donor countries whereas, Nepal is one of the largest aid recipient countries in Asia. The two countries had maintained cordial relation even having unequal power in unique in aspects. They have shared many similar ideas regarding the international relations, albeit Japan was not the member of non-aligned countries like Nepal. Both the countries have strong faith in the principle and objectives of United Nations and share similar views on peace and stability of Asia and contribute to the broader peace and prosperity of the world. Other than that, the two countries also had vehemently opposed the idea of colonialism,

racism, and apartheid and view such a policy has to be abolished as soon as possible (Vaidya, 2005).

In 1978, JICA had established its office in Nepal. Since then, JICA was playing a significant role in the socio-economic development of Nepal. In recent times, Japanese assistance had covered almost all aspects of Nepalese economy. By 1970, Japan had started to provide Technical Cooperation by dispatching of Japan Overseas Volunteers in implementing and guiding technical cooperation projects (Malla, 2017).

Nepal after the restoration of democracy in 1990, under the multi-party system, the relation has further improved between the two countries. After that, the Prime Ministerial visit paid by Mr. Girija Prasad Koirala to Japan in November 1998 as the first elected Prime Minister, since after the establishment of a multi-party democratic system in Nepal, has marked the historic event in Japan-Nepal relation. While his stay in Japan, he was being hosted as an audience by his Majesty Emperor Akihito and also met with Prime Minister Keizo Obuchi to discuss for the strengthening of the bilateral relationship between two countries. In the process, he also met many other political leaders including the former Prime Minister Ryutaro Hashimoto, a passionate lover of the Himalayas who has visited Nepal for several times (Embassy of Japan, 2012b). Then, the former Japanese Prime Minister Yoshiro Mori reciprocated his visit to Nepal in 2000, where he expressed his desire to continue Japan's active participation in the development of Nepal. It has further strengthened the bilateral relationship.

In relative terms, Japan's economic ties with Nepal were nominal as compared to other South Asian countries. Thus, Japan holds no political interest in Nepal. The most interesting fact about Japan's aid towards Nepal was of their ODA which was given through the grant aid rather than Yen loan and technical assistance. It shows Japan's deep concern regarding the socio-economic development of Nepal by giving much more leverage in bilateral aid. Recently, Japan is supporting Nepal in different sectors, and ways such as agriculture, education, health, transportation, and communication are a few to mention (Malla, 2017). In the meantime, we cannot deny the fact that Nepal's strategic position has always attracted the foreign power and they are playing an active role directly or indirectly such as the US, UK, and China. Especially China can be seen as a significant threat to Japan's interest. Since, Chinese presence remains omnipresent

in Asian politics, became an immense hindrance to Tokyo's policymakers one way or the other.

### **3.2 Early history**

During the 'Tokugawa' period, Japan was very much similar to the century-old Rana autocracy of Nepal, both the countries were following the agro-based economy, which constitutes more than 70 percent of the population were peasants and farmers. The Rana regime and Tokugawa shogun regime had also been following a similar policy of isolation that they did not allow their people to travel abroad. Thus, such policy of Tokugawa period lasted until 1868 Meiji restoration in Japan and the same kind of policy was ended in Nepal with the advent of democracy in 1950-51 after the popular public revolt. So, from this historical perspectives, Nepal thrust to the outside world had lagged almost 80 years behind Japan's approach to international contacts (Chimoriya, 2017).

Buddhism served as a link between two countries. Since, Japan came into contact with Nepal in the early 20<sup>th</sup> century with the informal visit of revered Ekai Kawaguchi, a Japanese monk in 1899 on his way to Tibet via Nepal. The official exchange between two countries happened in 1902 when eight young Nepalese students were sent to Japan to study engineering. In 1912 a Japanese scholar, Junjiro Takakura researched in Sanskrit for a year in Nepal. Following that year, the two world wars broke out with the span of less than half a century (Sherpa, 2002). There was not much interaction in this period until the aftermath of Second World War.

The post-war period saw the new dynamics in bilateral relation that people to people exchange started with the advent of Japanese expedition to Mt. Annapurna in 1953. It was led by the Dr. Eijaburo, a former chairman of Nepal-Japan Friendship Association. After that, the Japanese visitors have been increasing in Nepal as a trekker, mountaineers, researchers, tourists, and travelers. After the opening up of diplomatic relation's between two countries in 1956 thereby approaching close relationship. Thus, the year 1956 remained the watermark in the modern history of Japan-Nepal relations as it has opened up many new avenues between the two countries (Pandey, 2005). It was followed by the high-level exchange visits by the two countries throughout the 1960s and 1970s. Such visits are the late King Mahendra, and the Queen Ratna paid the



state visit in 1960, reciprocating the visit by Japanese Crown Prince Akihito, and Princess Michiko visited Nepal.

Deep down there is an integral connection between Japan and Nepal. Since, Japan has been following the syncretic Buddhism for a long period of time, had always supported and shown liberal attitude towards Nepal, the birthplace of Lord Buddha. Lumbini had served as an important factor in strengthening and cementing the growing socio-cultural bond and religious linkages. Thus, Nepal became a pilgrimage destination for the Japanese at least for once in a lifetime. This has created a new trend in bilateral relation by attracting more Japanese tourist to Nepal. It has also encouraged and strengthened the people to people exchange more frequently. The increasing number of Japanese mountaineering expedition teams visiting to Nepal was another source of attraction in the bilateral ties (Malla, 2017).

### **3.3 Power Dynamics in South Asia**

Initially, the strategic relevance of Nepal was recognized by the British East India Company after China invaded Tibet in 1950s. Since, Tibet has served as a buffer state for British India in between China and India. Now, this burden has fallen into Nepal to play as a buffer state. For United States, the communist victory in China emphasizes the importance of Nepal's strategic position for US through the policy of Containment Communism in South Asia. Thereafter, India lost war against China in 1962 had further propelled them to cultivate its interest in Nepal to a certain level for its security reason. Thus, it has resulted Nepal as a buffer state in between China and India and assumed to be geostrategic importance in the region. In the process, Nepal had also benefited from its geographical setup between the two powers in Asia. Hence, Nepal had gradually adapted to counterbalance their competitive influence to its advantaged (Nayak, 2009).

However, it is a fact that multiple factors and complexity characterized the nature of the conflict in South Asia. Volatile political instability in the region causes this conflict. However, this conflict can prevent from so happening that requires an integrated and comprehensive approach adjoining the political, social, environmental, educational and developmental policies based on democratic principles. In this context, it was worthwhile to note a statement made by former Japanese Prime Minister Junichiro Koizumi in his visit to South Asia in 2005. He has stated that "in order for Japan to

continue enjoying prosperity and peace, it is essential that we steadfastly devote ourselves to international cooperation,” (Pandey, 2005) it was his stance to realize the peace and prosperity, there needs to be multilateral cooperation rather than political rivalry.

With the beginning of the Maoist insurgency in the mid-1990s, Nepal had attracted the attention of major power across the world. These powers had shown real interest in Nepal politics and interfered directly or indirectly in the political process of Nepal. It has followed a protracted civil war, the so-called “*Jan Andolan*” (Peoples movement) almost went for 12 years until they reached for a comprehensive peace agreement in 2006. However, this was not to deny the fact that external power was not there as had been the case during the cold war period. By mid-1990s, Nepal’s politics witnessed the involvement of big powers like the US and the UK with the growing strategic importance of Nepal in the region. After China captured Tibet in 1950s, it has shifted the role played by Tibet as a buffer state to Nepal. In 1990s Nepal became more vulnerable after Maoist insurgency got momentum, which led to mass protests in late 1990s, which became a matter of concern to the external powers to meet their expectation. (Nayak, 2009). It has impacted Nepal’s internal as well as external politics since the socio-economic development of Nepal was heavily dependent on external assistance. Thus, the extra-regional power like the United States, the United Kingdom, Japan, Germany, France and South Korea had provided the substantial economic assistance to Nepal over the years. Some of these countries have strategic and political interests to serve in the region. Such involvement had a massive implication for India and China. Since both, the countries are a close neighbour and had shared their border with Nepal (ibid).

However, the Post-cold war period was characterized by a new asymmetrical triangular formation was formed by the US, China, and India in the sub-continent, which was dominated by the United States that depicts the strategic relations in South Asia. Chinese involvements were mostly to the two nuclear countries in South Asia. Since China and India both emerged as the dominant countries in Asia. They have also become the largest trading partner in the region. Thus, the Chinese focus in small countries like Nepal and Bhutan remained minimal in post-cold war era, but, recently both the countries have gradually shown their interest and are working towards gaining a stronghold in the bilateral relations with its neighbouring countries (Pokharel, 2015).

Therefore, the political development in the last few decades cannot be considered in isolation as an internal issue. Since, the internal political violence lingers more than a decade by the civil war in the country, which was also led by indirect involvement and influence by the external powers like the US, UK, and China. Thus, it is a fact that any future political system in Nepal would continue to be influenced by external forces directly or indirectly (ibid). Since, the strategic importance of Nepal to India had much relevance by any means, because India shares 1800 kilometer of open unregulated border with Nepal is a matter of concern for India in any way. There was a growing apprehension in India with a possible linkage of Nepalese Maoist with Indian Naxalites. It was also said by many commentators from Indian media that the victory of Nepalese Maoist in the early 2000s in Nepal. There may be a spillover effect to the Indian Naxalites and provide them with the similar aspiration of political change in India (Nayak, 2009).

Under such backdrop, Japanese stance in Nepal was very much neutral in a relative term. Since Japan had minimal interest in Nepal as compared with other South Asian states, maybe the volatile political situation in Nepal was one reason behind their less economic interest. Japan is more or less an economic giant with the shrinking economy since the 1990s. Thus, Japan always looks Nepal as merely a friendly country in South Asia. However, in return, Japan will expect some favour from Nepal in the international and regional forum. Nepal also has a friendly approach towards Japan, and they can support each other in many issues in mutual benefit in a different level in different issues. One such issue can be seen as Japan's continuous efforts for the UNSC permanent membership.

However, China's stance in South Asia was simple in the early 1990s. The Chinese policy towards South Asia is mainly based on "good neighbourliness cooperation based on equality and mutual benefit" (Bindra, 2009). The policy was initiated in its "five principles of peaceful co-existence," and they had reiterated claim in many international fora that its relationship with one country will not deal at the cost of another country. On the other hand, China's active participation's in Pakistan nuclear programme remains a long-standing concern with its relation to India. The Sino-Indian relation was marked by occasional tension that had altered with cooperation. Nevertheless, in the changing international order both the countries had consensus in challenging the unipolar world led by US dominance and desired a multi-polar world

where they can have equal voices (ibid). Thus, such views were not welcoming from the Japanese counterpart. Since Japan has been maintaining closer allies with the US and the overwhelming Chinese presence in South Asia was not favourable to Tokyo's calculus.

Whereas, Communist Party of Nepal-Maoist (CPN-M) came to power in Nepal after winning the constituent assembly election in 2008. The CPN-M formed the government in Kathmandu, which was more or less pro-Chinese government. On the other hand, there was an increasing focus of Chinese government on 'soft power' in its foreign policy rhetoric, which can serve through the use of ODA as a tool in its relation with Nepal. In rebound, they are able to work together to build the hydropower projects in Nepal. Meanwhile, Beijing policies were so keen to develop more friendly relations with other South Asian Nations such Bangladesh and Sri Lanka to boost their strategic interest (Adhikari, 2016).

McKinley and Little's (2016) had rightly argued that to understand the Chinese aid to Nepal, it requires a more specific approach from the recipient need model. They suggest that, to influence the recipient country, it is imperative to know the 'recipient political condition,' which is a more useful model to describe in this particular case of China's aid to Nepal. While, it is true that China as a donor country had its vested political interest, such as increasing soft power, by considering the political situation of recipient country (Luitel, 1996).

### **3.4 Nepal's Domestic Politics, Post 1990s**

The year 1990 witnessed the political change in Nepal's domestic politics with the successful people's movement in installing the multi-party system, signaling the uprising of the democratic movement in Nepal. People have resisted the brutal attack of Kings Armed Force during the whole movement, where many were tortured without any reason. On the mass protest, the theatre had played an enormous role in conveying the message to the masses. The demonstrators were blocked by the security forces, though they have managed to cross the barricades until they were within a hundred meters of the gates of the royal palace. Unexpectedly, the armed forces from Kings Palace had opened fire on demonstrators and *lathi* charged on them. Where 50 people died in the firing and many more were being injured in this protest (Davis, 2009). Thus,

Nepal has faced much trouble since the early 1990s. However, it was more evident after the involvement of external power in the domestic politics of Nepal directly or indirectly. As it holds a significant geostrategic position in the changing international order.

During the cold war set up, Nepal's strategic location had attracted foreign bilateral aid from across the world such as India, China, US and the former Soviet Union. As a result, it has been the primary source of capital formation in the country. However, with the end of Cold War and the growing tension of civil war in the mid-1990s led to the fall in foreign aid. Further, the growing intensity of civil war in the early 2000s, the donor countries had stopped their aid due to staff security reason and the destruction of projects caused by the conflicts. The Japanese bilateral aid remained a crucial factor in development budget in Nepal, albeit its share had declined from 97 percent in the 1960s to 71 percent by the mid-2000s (Sharma, 2103). It shows the growing intensity of civil war that led to the diminished foreign aid in Nepal. On top of that, the major aid-giving countries had been discouraged with the leading Maoist government in Nepal.

However, Luitel (1996) had rightly observed that a country's development was not solely dependent on foreign assistance, rather the recipient countries needs to be more active in implementation and to harness such aid. The unlimited amount of wealth entering the country in the form of foreign aid, which are not the part of larger exchange in the productivity process of country's trade and investment. This has lead to widespread economic abuse and corruption. The transference of much of the responsibility to the donor agencies through the different INGOs has even hampered the self-sustained growth in domestic economy (Luitel, 1996). This political economy of Nepal had its close relation to the earlier regime of Rana's and Panchayat system in the early and the latter half of 20<sup>th</sup> century long ruled by kingdom of Nepal. There was overwhelming rule by the land-owning classes, especially from the aristocracy. The government was concerned in maintaining the internal security, thereby collecting the surplus production of farmers and others in the form of taxes to run the state institution through the continued control of ruling classes. Their political institution was not much flexible in nature which made them unable to play in effective manner in the domestic policy. This has impacted their outward policy approach and much of the time they are depended on foreign aid for their domestic growth. This period was characterized by rampant corruption by feudal land-owning classes and bureaucracy, which gradually

led to mass public protests in 1980s until they restored the multi-party democratic system in 1990. This has changed the dynamics of the polity of Nepal (ibid). Under such domestic condition, we can observe the trends of Japanese aid and how it has been able to facilitate to the socio-economic development of Nepal.

### **3.5 Japan Economic Engagement with Nepal**

Japan has been a good partner of Nepal's economic development right from the establishment of diplomatic relation in 1956. This relation was strengthened further after the opening up of the Japanese embassy in Kathmandu in 1968. The nature of Japan's economic engagement in Nepal had gone through different phases. The first phase started from 1959 to 1965, where the two countries were simply cooperating in the form of Technical assistance in the areas of hydro-electricity and agriculture and some amount of financial assistance (not more than NRs 10 million) to newly established Nepal Industrial Development Cooperation (NIDC). The second phase started from 1968 to 1977 where Japan had started concentrating in Nepal's agriculture and infrastructural development. The third phase, from 1978 to 1987 the focus was mainly on economic and social projects. By 1987 Japan has been focusing on transportation, communication, and energy sector. Thereafter, from early 2000s Japan priority areas were shifted towards poverty reduction, democratization and peacebuilding processes with the development of economic infrastructure. The entire projects had been supervised by JICA coordinating with different institutions of government of Nepal (Khanal, 2010).

The primary objectives of Japan's assistance to Nepal were to support for sustainable and balanced economic growth, with the aim of allowing the country to graduate from LDCs status. For that, it mainly consists of three priority areas such as poverty alleviation in rural areas, building social infrastructure and institution for balanced economic growth, and peace-building and steady transition to democracy. This assistance policy for Nepal ensures consistency with the government policies and development needs of Nepal, with high-level policy of Japan's ODA charter and medium-term ODA policy (MOFA, 2013).

JICA's assistance in Nepal was ranging from infrastructural development to socio-economic and governance programme aiming at the overall development of Nepal in a

comprehensive manner. It serves Japan's ODA such as loan aid, grant aid, technical assistance and volunteer programme are different forms of JICA's support in Nepal. They are also active in conducting the periodic training programme to government officials of Nepal by Japanese expertise in Japan. Thus, it fosters a close working relationship in grassroots level and helps in strengthening the mutual understanding and cordial relation to build trust between the two countries (JICA, 2017).

As of 2010, Nepal ranked Seventh (by including Net Expenditure) on the list of countries receiving Japanese grant aid (excluding the debt relief) with totaling US\$ 66.97 million and 21<sup>st</sup> of the countries receiving technical assistance totaling US\$ 24.28 million. In the same year, Nepal ranked 18<sup>th</sup> out of 166 Japanese ODA recipient countries and regions and ranked fourth in the South Asian region. In the process, Japanese assistance to Nepal had few critical comparative advantages. Firstly, their assistance was politically neutral standpoint with no particular conflict. Secondly, they had technical skill in term of infrastructure development. Thirdly, they have visible assistance through volunteers and experts. Finally, they had an advantage for the development of human resources through assistance for technology transfer and training (MOFA, 2013). Thus, it can said that Japan's assistance is based on the comparative advantage to any recipient countries.

The trade relation between Japan and Nepal had an unusual relationship, where the balance of trade was in favour of Japan. To resolve such trade imbalance, Japan had initiated a Japan-Nepal Business Facilitation Programme in 2005. It was primarily to promote business in IT by attracting Japanese investment in ICT business which was likely to be one significant area of cooperation between two countries. Before that, Japan and Nepal Chamber of Commerce and Industry was established in 1997, which involves business companies from both the countries, to promote industrial and commercial relations between two countries. Thus, Japan remains a reliable partner for Nepal in its development. Meanwhile, Japan has been incredibly supportive in alleviating poverty reduction programme, thereby opening up new avenues of relative cooperation beneficial for both the countries (Chimoriya, 2017).

Though, the volume of trade between Japan and Nepal is limited with unfavorable trade balance. There is a need for dynamic initiatives to warm up the bilateral trade. The Major items Nepal had exported are pashmina products, garments, woolen appraisals,

handicrafts, carpets, Nepali paper and paper products, ready-made clothes, and fabric which has amounted to 1.2 billion Rupees in 2015. Meanwhile, Japan's exports mainly comprised of high-tech automobiles and electronic goods of steel products, machinery, industrial products, machinery, and automotive parts with worth amount of Nepali Rs. 7.6 billion. It has resulted in Nepal's trade deficit at the cost of Nepali Rs. 6.4 billion (MOFA, 2016a). To improve such trade deficit and to accelerate Nepal's economic development, Japan had initiated different measures like they provide more concessional business opportunities, relaxation of the rule of origin, simplification of procedures and standards and trade capacity building be required to increase the bilateral. For that, private business sector have to encourage, and regular exchange of trade delegation needs to be encouraged and also the areas of comparative advantage to be explored (Bairagi, 2016).

Japan as a third largest economic power in the world, is one of the closest partners of Nepal, had maintained an amiable bilateral since the beginning. Japan was also one of the largest aid donors of Nepal. Even though, Nepalese government was highly relying on the foreign aid for the socio-economic development of their country (Malla, 2017). Japan has played one of the key roles in investment sector in the economic growth of Nepal. They have a total investment amounting to Nepali Rs. 2050 million with 215 projects, that had helped to create almost about 8,000 jobs in Nepal. There are several Japan-Nepal joint venture cooperation in the hospitality industry, horticulture and construction sectors are operating in Nepal. A free market economic policy with a rich resource base, a vast potential in water resources and abundant cheap labour market makes the investment in Nepal profitable. Meanwhile, Nepal's geostrategic location between the two largest emerging economies with easy access to the market of more than 2.6 billion people had provided other leverage to further engagement in economic activities in Nepal (Bairagi, 2016).

However, there was a trade imbalance between two countries that favoured Japan's balance of payment, albeit the volume of trade was very limited, which was not beneficial for Nepal. But, the recent trend has shown the future scope for Nepal has been identified. In one hand, there was growing number of population and unemployment in Nepal. On the other hand, Japan has been facing the problem of aging population. Thus, it would be helpful for Nepal to further improve their relationship in the field of employment with Japan in increasing job opportunities. So that their



relationship can be strengthened, thereby getting mutual benefit of both the countries (ibid).

### **3.6 Japan's ODA to Nepal**

Nepal is one of the biggest aid recipient countries in the developing world. It is suggested that aid in the presence of sound economic policy will contribute to the growth. However, it is wrong to say that the democratic governance and openness had impacted the effectiveness of aid in Nepal or by carrying the dummy variable may not have captured the effectiveness of aid in a democratic regime. Rather, there needs to be more research in future with the proper measurable indicator of democracy. There is a general consensus among scholars that the excessive inflow of aid can lead to the political instability and corruption in the higher level of government and bureaucracy and that can result in weak governance. Rather, the aid can be more effective with the good governance with a proper channel through their institution (Kishore Sharma, 2013). The main point was that poorly governed countries should be allowed short-term commitment projects with narrowly focused activities.

Nepal during the second half of the 1990s had faced severe armed struggle led by Maoist insurgency until the first half of 2000s. This prolonged conflict between the government of Nepal and Maoist rebels had significantly deteriorated the security and economic growth with a considerable loss in the tourism industry. Under such circumstances, Japan's ODA had advocated an approach to achieve the disparity reduction and economic growth simultaneously, while considering the "pro-poor growth strategy." To this end, JICA released a report by identifying short-term, medium-term, and long-term goals to achieve. The short-term goals mainly focuses on poverty reduction while supporting local (district) initiatives. The medium-term goal was to achieve sustainable growth under the initiative of local government and its people. The long-term goal was to construct a platform for industrial growth aimed at gaining foreign capital and to achieve high human resources development and environmental protection. To achieve such goals, JICA's report had adhered under the principle of two grounds by encouraging local initiatives and promoting cooperation and coordination with other donors in extending the pro-poor growth strategy for Nepal (JICA, 2003).

Under such backdrop, Japan had initiated its aid implementation a system was initially developed in line with the provision of reparation and aid to start. For that, they had initiated the Society of Economic Cooperation in Asia was established in 1954 to foster the technical cooperation. Further, they also participated in the Colombo Plan for the cooperative economy and social development in Asia and the Pacific. Since then Japan had started to provide government based technical cooperation programme in the form of trainees and dispatching experts (MOFA, 2006). Since then, Japan has been supporting Nepal through the technical assistance since after the establishment of diplomatic relation in 1956 (JICA, 2005). After that, an Overseas Economic Cooperation Fund (OECF) has established in 1961 for the formulation of Yen loans.

In 1962, Overseas Technical Cooperation Agency (OTCA) was founded, and by 1974, OTCA became JICA (MOFA, 2006). Japan's official ODA has been started through financial and technical assistance to Nepal by extending the Grant Assistance in the year 1969. In term of technical cooperation and human resources development, they share 24 percent out of total ODA in the form of Technical Training. Thus, Nepalese trainees participants in Japan was 3240, Japanese experts are 1322, and Japan Overseas Cooperation Volunteers (JOCV) to Nepal are 820 until 2005 (JICA, 2005).

In 1970, Japan had extended its long-term Yen loan of one million Yen in the field of Industry through the Nepal Industrial Development Corporation. Thereafter, on February 1982, the two countries signed an agreement to build a 37 km road from Mahendra Rajmarg to Sindhuli Road connecting the capital to eastern Nepal. In Feb 1984, Japan and Nepal had signed three different agreement under which Nepal got the sum amount of 11,496 million as grant aid assistance. The first agreement provided for the purchase and transportation of small size steel bars. The second agreement provided the transportation of equipment and material for tube wells, and the third agreement deals with the purchase of the logistics like cement, steel bars fertilizers and petroleum products from Japan, albeit provided by the Japanese grant assistance. However, the fact is that it has been criticized of having Japanese vested interests in the deal and the choice of deal they have with Nepal (Dharamdasani, 2003).

However, total Japanese ODA to the developing countries has been decreasing significantly from US\$14,489 billion in 1995 to US\$ 9,283 billion in 2002 (64%) due to the financial reform was taken by the government and the long-term recession period

they have faced in its economic development in the 1990s. Nonetheless, Nepal got relatively high priorities in the development strategy focusing on Poverty Reduction in 2002. Nepal was the second largest recipient of Japan's ODA/Grant aid after Bangladesh. Because this time, ODA has more efficient and effective approach to project selection would proposed in the limited budget. Therefore, there is an annual request survey for Japan's various assistance schemes to be completed more effectively in line with Japan's ODA strategic plan and so on (JICA, 2005).

*ODA after the restoration of Democracy until Civil War occurred in Nepal, 1990-1995.*

After the restoration of democracy in 1990 and the adoption of the multi-party democratic system in Nepal, there was a hope among the masses that they will improve the socio-economic development of the country. So that, a stable democratic process followed by the economic liberalization had a lot to contribute to the nation. It might have attracted the Japanese aid towards hoping for a better aid implementation in the following days (Dhakal, 2014).

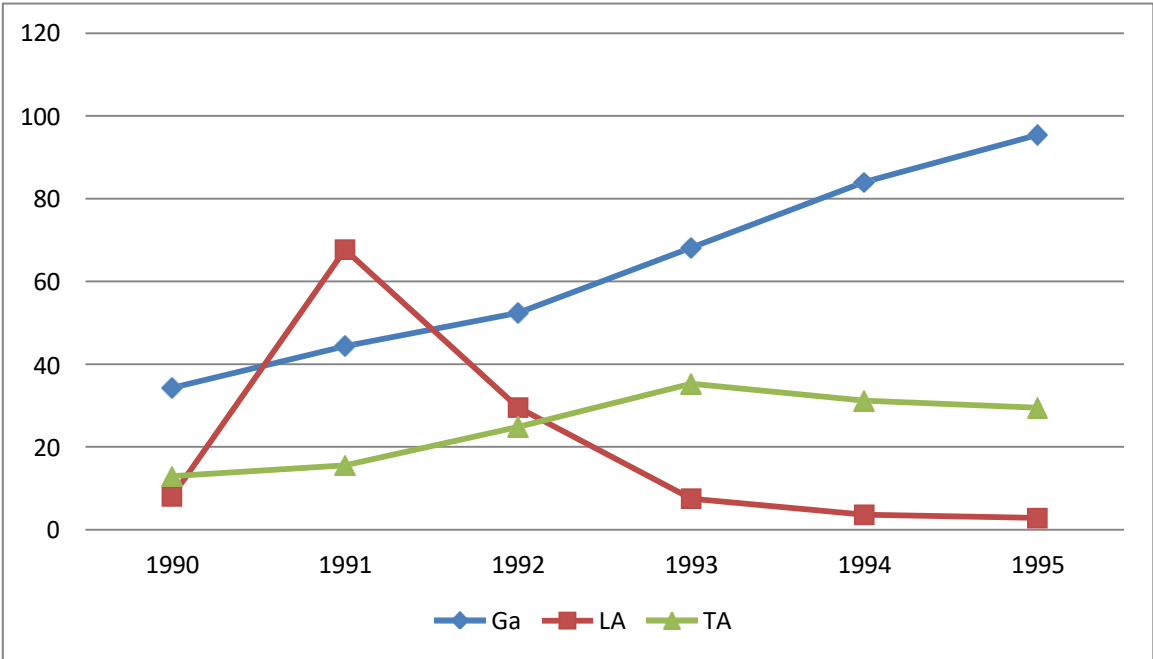
Table 3.1: shows the Japanese ODA after the restoration of Democratic System (US\$ million)

Years	Grant Aid(\$)	Loan Aid(\$)	Technical A (\$)	Total(\$)
1990	34.27	8.04	12.86	55.17
1991	44.33	67.69	15.52	127.54
1992	52.32	29.51	24.79	106.62
1993	68.11	7.5	35.28	110.89
1994	83.96	3.61	31.18	118.75
1995	95.38	2.8	29.42	127.6
Total	378.37	119.15	149.05	646.57
Mean	63.06	19.85	24.84	107
Per cent (%)	58.52	18.43	23.06	100

Sources: MITI, Yearly ODA white paper, 1990-1995, MOFA, Japan.

The above table clearly has shown that Japanese assistance to Nepal after the restoration of democracy had a positive effect on its aid disbursement towards Nepal. The aid has been increased from US\$ 34.27 million in the fiscal year 1990 to US\$ 44.33 million in 1991, followed by the simultaneous growth until 1995 (Ibid, 170). The most exciting fact about Japanese aid to Nepal was that its aid had given more priority to the grant aid rather than technical assistance and loan aid, which means Japan, had given much more leverage to Nepal for their socio-economic and infrastructural development of the country. They had almost offered 59 percent out of total aid disbursement to the grant aid, while 23 percent are in technical assistance and only 19 percent in loan aid. The trend of Japan’s aid towards Nepal shows that there was a profoundly concerned about the democratic transition of Nepal in the early 1990s.

Fig 3.1. ODA disbursement after the restoration of Democracy, 1990-95. (Million \$)



The above figure shows the increasing trends of grant aid disbursement of Japan from US\$ 34.27 million in 1990 to 95.38 in 1995. While loan aid had started to decrease from 1991 until the end of civil war and technical assistance remained increasing until 1993, then it slowly started to fall-downwards.

*Japanese ODA during the ten years of civil war in Nepal*

The second *Jan Andolan* had soon started after the simultaneous attacks on remote police stations and district headquarters by the Communist Party of Nepal-Maoist in

1996 (Ibid: 170). This struggle of Maoist movement lasted for ten years until the peace agreement between the Maoist leader and the Nepal government in 2006. So the long civil war has made a lot of disturbances in the development of Nepal's domestic economy (Adhikari, 2016).

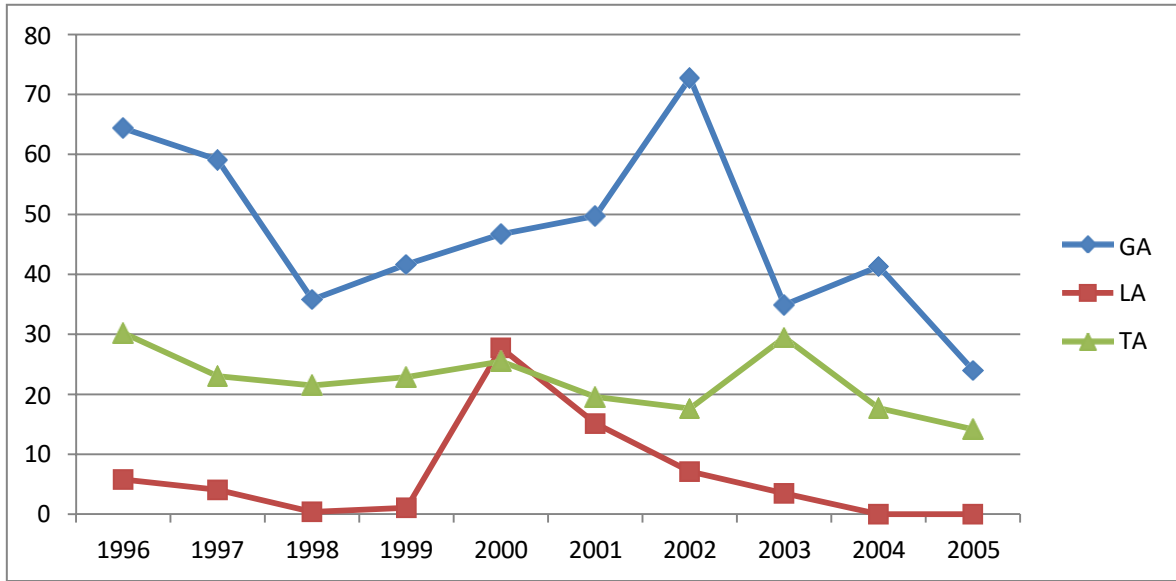
Table 3.2: ODA disbursement during the ten years of conflict from 1996-2005 (US\$ Million)

Years	GA(\$)	LA(\$)	TA(\$)	Total(\$)
1996	64.36	5.78	30.21	100.35
1997	59.11	4.05	23	86.16
1998	35.79	0.4	21.49	57.68
1999	41.63	1.08	22.88	65.59
2000	46.69	27.74	25.5	99.93
2001	49.72	15.1	19.57	84.39
2002	72.69	7.11	17.65	97.45
2003	34.87	3.47	29.49	67.83
2004	41.29	Debt relief (211.16)	17.7	58.99
2005	23.96	Debt relief (18.81)	14.18	38.14
Total	470.11	64.73	221.67	756.85
Mean	47.01	6.47	22.16	75.64
Percent (%)	62.11	8.55	29.28	100

Sources: A detailed survey of yearly ODA white paper, MOFA, 1996-2005.

The above table has shown Japan's aid towards Nepal during the ten years of civil war (Jan Andolan II). There is a sharp decline of Japan's total aid disbursement from US\$ 100.35 million in 1996 to US\$ 38.14 million in 2005. The above table has clearly shown in the graphs below for a more comprehensive understanding of the Japanese ODA disbursement to Nepal.

Fig 3.2: Trend of Japan's ODA to Nepal during the ten years of conflict, 1996-2005(US\$ million)



The exciting fact about Japanese aid was that the loan aid provided by Japan was very less as compared to grant aid and technical assistance, except the fiscal year 2000, i.e. US\$ 27.74 million. In case of grant aid, the amount has gradually decreased until 1998 and slowly increased from the fiscal year 1999 until it reached its highest level in 2002 with US\$ 72.69 million. However, again it has started to fall-down while having fluctuation in its volume until 2005. Whereas, the technical assistance remains almost average at a certain level, which slowly starts to decrease towards low margin as compared to previous fiscal year (Dhakal, 2014).

In the end, the consequences of the ten years of civil war in Nepal had its massive impact on its economy, lose out the foreign exchange, and had also resulted in the loss of life of thousands of innocent people (ibid). It has also affected the tourism industry and had suffered many other institutions as well. Overall, it was a considerable loss for Nepal as it led to the stagnation of socio-economic development of the country in one way or the other (Adhikari, 2016).

*After the Comprehensive Peace agreement, 2006-2016*

The Nepalese politics saw the historic landmark after the signing of twelve points of Comprehensive Peace Agreement between the Government of Nepal and the Communist Party of Nepal-Maoist (CPN-M) in 2006. It then led to the first constitutional assembly election in 2008, in which the CPN-M came to power to form a

new government in Nepal. After that, Nepal became the ‘cool earth’ partner of Japan in March 2009. It was mainly initiated by Japanese counterpart to focus more on poverty reduction, setting a vibrant democratic system, peacebuilding and socio-economic development and infrastructural improvement in Nepal as major priorities (Dhakal, 2014). Recently, Japan is established as one of the top donors of Nepal’s foreign aid and has supported every essential socio-economic and cultural development of Nepal.

Table 3.3: Japan aid after the comprehensive peace agreement in 2006 (unit-1\$ million)

Years	GA (\$)	LA (\$)	TA (\$)	Total (\$)
2006	44.36	Debt relief (16.49)	13.69	58.05
2007	24.09	Debt relief (16.31)	15.35	39.44
2008	25.69	Debt relief (116.9)	18.69	44.38
2009	54.22	-	21.16	75.38
2010	39.65	-	24.61	64.26
2011	37.35	-	20.4	57.75
2012	29.73	-11.04	29.73	47.54
2013	24.36	-8.07	24.48	40.77
2014	34.77	0.70	20.95	56.37
2015	38.19	1.15	24.48	48.82
Total	352.41	-17.52	213.54	532.76
Mean	35.24	-1.75	21.35	53.27
Percent (%)	66.14	-3.29	40.08	100

Sources: A Detailed Survey of Yearly ODA white paper, MOFA, 2006-2012.

The above table 3 shows Japan’s ODA disbursement to Nepal after the signing of the peace treaty in 2006. The general trends of Japan’s aid towards Nepal remain relatively low as compared to the earlier ten years of conflicts. In case of grant aid, the fiscal year 2006 saw the increase of grant aid as compared to the earlier year in 2005. However, the overall grant aid remains relatively low at the average rate of US\$ 35.24 million, which was US\$ 47.01 million during the ten years of conflicts in Nepal. In the meantime, if we see the share of share of grant aid out of total aid disbursement, then it

constitutes 66.14 percent, which was relatively higher than earlier ten years of conflict, i.e. 64.77 percent. However, the technical assistance remains almost same as compared to earlier ten years of conflicts. On the other hand, Japan's loan aid or Yen loan to Nepal had given lots of relaxation or debt relief since from 2004, which signifies that Japan wants Nepal to come out from its basics problems of poverty alleviation and infrastructural development. The other reasons are maybe because Japan wants Nepal to be graduates from its Least Developed Countries (LDC) status. So that, there will be a chance to encourage the Japanese firms to intervene in the newly emerging market in Nepal.

Nonetheless, if we observed the overall trends of Japan's ODA, then we get to know that by late 1990s Japan's ODA has started to deteriorate both regarding quality and quantity. The ODA volume reached its peak in 1999 with US\$ 15.3 billion and had started to decrease significantly following the years. By 2003, Japan's ODA was significantly fallen with 42 percent as compared to the fiscal year 1999 with amounting US\$ 8.91 billion. Thereafter, its aid budget for the fiscal year 2004 has slashed by another 4.8 percent (Watanbe, 2005).

#### *The Challenge to Japan's ODA*

In the international forum, Japan's aid has faced lots of criticism (mainly from OECD) of having flexibility with the lack of proper guidance to the aid recipient countries. Nonetheless, there was also positive recognition of Japanese aid from the Asian countries, but there is little skepticism among the donors regarding the transportability and applicability of Japan's model to the poor region in Africa. Apart from that, Japan was the early proponent of poverty reduction that gradually evolved into the Millennium Development Goals (MDGs). Finally, as a DAC member, Japan has formally endorsed the Paris Declaration on Aid Effectiveness of 2005, even though most of them have struggled to meet the objectives of Paris Declaration in practice (Rocha, 2011).

Among DAC donors, Japan's approach to development was unique, which is different and challenging for Japan to cope up with others donors on a regular, substantive and sustained basis. As Arase (2005) had noted that Japan's ODA has comparative advantage in many Asian countries as being of one of the Asian nations that makes a difference to other donors. Since the primary focus of its aid is to remain in the



development of most destitute population through the technical cooperation and institutional building processes targeting the new Millennium Development Goals (MDGs). This distinctive feature of Japanese aid makes them unique and has attracted attention over the other donors across the world. Since, they are functioning without agreeing on the global consensus regarding the ODA programme (Ibid). In this way, Japan's ODAs are more unequivocally committed towards more successful than other donors in promoting country ownership. Since the Japanese assistance is grounded on the principles of non-interference and self-help and their focus is on comparative advantage.

### **3.7 Recent Engagement**

In 2004, Japanese government had initiated a Public Diplomacy Department in Nepal to combine and strengthen public relations with a cultural exchange programme. It is further supplemented with the establishment of the Council on the Promotion of Cultural Diplomacy. Besides that, Japan had launched Japanese Exchange and Teaching Programme (JET) in 1987 to facilitate the public diplomacy that had invited around 40,000 students, scholars, and journalist from across the world including Nepal to study in Japan. By 2007 Nepal sent the highest number of students among the South Asian countries to study in Japan (Khanal, 2010).

In March 2015, Foreign Secretary of Nepal Shankar Bairagi addressed the Hiroshima University on the political situation of Nepal, during his visit to Japan. His visit was also vital as he was leading the delegation to the first meeting of a bilateral consultative mechanism for political dialogue. The meeting gave an opportunity to both the countries to talk on the matter of bilateral relation with mutual interest (Government of Nepal, 2016).

On the 60th anniversary of Japan-Nepal diplomatic relation in 2016, the ministers of foreign affairs Dr. Prakash Sharan Mahat convey that, Nepal-Japan relation was based on mutual trust and cooperation in a very cordial manner. He appreciated the Japanese government for its continuous support to Nepal's socio-economic development. He further stated that "Japan, which is Nepal's reliable and the major donor partner has achieved tremendous development in science and technology and has an impressive record in economic development sector" (Post, 2016). Apart from that, both the

countries had interacted and worked beyond the bilateral framework. For example, they have worked together through the regional forum like SAARC, where Japan is a major observer member. In international level, both the countries had closely worked in United Nation Peace Keeping missions (MOFA, 2016a).

Under this backdrop, Japan's State Minister for Foreign Affairs, Kishi has also observed that Japan was ready in all possible support to the holistic development of Nepal. For the Japanese, Nepal's majestic mountains and natural beauties had always touched their heart and mind; Nepal was considered as one of the beautiful destinations for all Japanese (Post, 2016).

The second important visit was paid by Nepalese Foreign Minister Mr. Mahendra Bahadur Pandey to Japan. This visit had important implication for both bilateral relations and multilateral matter like climate change and disaster reduction. In the meantime, Pandey also led the Nepalese delegation to the United Nation Conference on World Disaster Risk Reduction held in Sendai, the capital city of Miyagi prefecture of Japan on 14-18 March 2015 and had addressed the gathering. Further, he had discussed a lot on the future of bilateral relations to the Japanese counterpart, Foreign Minister Mr. Fumio Kishida. During his stay in Japan, he also had an extensive discussion with one of the most powerful politicians Mr. Toshihoro Nikai who is currently the head of the Japan-Nepal Parliamentary Friendship league (Nepal, 2016).

The Japanese government had been encouraging different programmes for people to people exchange programme to the Nepali youth to facilitate the information and knowledge to make Nepal get back up stronger. This initiative has been doing a twofold; one is promoting the youth exchange where young Nepali come to Japan to work in different economic sector for two years, thereby they will learn the Japanese ways of life and work ethics. On the other hand, the Japanese government has also provided educational opportunities to Nepali to study in Japan in universities and other specialized professional centers. By 2013 there were 3,188 Nepali students studying in Japan, constituting Nepal the fourth largest country in sending its students in Japan. In the same way, there were 2,619 students in 2013, constituting the third largest number of international students studying the Japanese language in Japan (Correspondent, 2014).

### **3.8 Conclusion**

The relationship of Japan and Nepal goes back to the end of 19<sup>th</sup> century and the beginning of 20<sup>th</sup> century after a reverend Ekai Kawaguchi, a Japanese monk made an informal visit to Nepal in his way to Tibet to learn Buddhism. While returning from Tibet, Kawaguchi has written five pages of letter note to the Maharaja of Nepal, while suggesting the socio-economic development of his country and for the betterment his subjects and future course of action. After that, they had started the exchange programme of Nepalese students to train in Japan for different profession. Initially, Nepal has sent eight students from different background for training to Japan in 1908. Since then, the two countries had been enjoying a cordial relationship of friendship to each other apart from little aloofness during the cold war.

The bilateral relation has further strengthened after the opening up of formal diplomatic relations in 1956 with the establishment of Nepalese embassy in Tokyo. After that, Japanese embassy had established in 1968 in Kathmandu. It was followed by the exchange of visit by the high officials from both the countries in the 1960s and 1970s; one such notable visit was in 1977 by the Japanese Parliamentary Vice Minister for foreign affairs Keiwa Okuda, this visit was significant as he was the first political figure invited by the Majesty of Nepal. Reciprocating his visit by his Majesty Birendra and Queen Aishwarya in 1978 made another historic landmark in Japan-Nepal relations.

In recent times, people to people contact at the grass-root level between two countries has been increasing with the luring and friendly nature of Nepalese people during the visits made by Japanese people in Nepal. Such relationship along with national level cooperation had indeed contributed to cementing ties between the two countries (Singh, 2016). By 1990s, Japan's relation with Nepal has been deepening in a pleasant manner. One of the obvious reasons behind this was the transition of Nepalese polity from Panchayat system to multi-party democratic system in 1990. It has had a positive response from the other countries across the world vis-a-vis the Japanese counterpart (regarding) the bilateral relationship, which was more evident in its bilateral aid towards Nepal. The other important reason was Japan's renewal of its ODA charter in 1992, where they had prioritized its aid more on social welfare scheme in the least developing countries, and Nepal was not an exception.

On the other hand, China has raised central challenges and opportunities for Japan's aid programme. Since Japan was a leading development force in Asia, the rise of China had a more significant implication on Japanese monopoly over the "Asian model" of development. China also had made the influential holding in Africa challenging Japan, as China had also built its presence in that region. In case of Nepal, China has been playing an active role in development projects of Nepal. The recent blockade in Nepal-India border in September 2015 by the Madeshi group has fired up the Nepalese population and government of Nepal. It has led to the open critic of New Delhi policy towards Nepal by K P Oli. Meanwhile, Beijing had the offer to build a hydropower plant in Nepal with \$8.3 billion. In addition to that, Beijing is also looking for the possibility of connecting a railway route from Kathmandu to Lhasa in Tibet as part of "One Belt One Road" at an estimated cost of \$8 billion. Thus, this has given China an upper hand in the development of Nepal and it has been steadily expanding after Kathmandu's support for OBOR is to be materialized (Pant, 2017).

There are two ways to look at the Japanese aid towards Nepal after the restoration of democracy in 1990 until 1996 when second Jan Andolan broke out. Firstly, after the restoration of the democratic system in 1990, there we see the increase in GA and TA and decreasing trends in LA. Approximately 59 percent of this assistance was coming through GA, while TA constitutes 23 percent and 20 percent of aid were in loan aid. Secondly, such circumstances also occurred due to the changes in new ODA charter renewed by the Japanese government in 1992, where the focus is more on social infrastructure and peace-building in a new international order.

On the other hand, there was a decreasing trend in overall Japanese aid with the beginning of civil war in 1996. It was more evident in the following year of prolonged conflict e.g.- Japan's aid to Nepal has been decreased from US\$ 127.6 million in the fiscal year 1995 to US\$ 38.14 million in the fiscal year 2005. It was also because of the financial reform was taken up by the government of Japan and the long recession economy they were facing since from the early 1990s. On the other hand, Nepal's domestic political instability had long affected in between the ten years conflicts and the international politics were more or less characterized by the multi-polar system.

Thus we can say that the second hypothesis has proven right that though there is a decreasing ODA trend from Japan to Nepal in the post-1990s; there is an adverse

quantitative change in Japanese aid from 1996 to 2005. Further, there are increasing trends of Japanese aid (see table 3.2) after the signing of peace treaty agreement between CPN-M and the government of Nepal.

Also, we see a similar trend of Japanese aid after the end of ten long years of the civil war in 2006 until 2015. If we take the quantitative change (data) in Japanese aid disbursement towards Nepal, there is a negative trend in relative term in overall aid flow and frequently remained stagnated in an average of US\$ 53.27 million, which was US\$ 75.64 million earlier during ten years of conflicts in Nepal. However, if we take the qualitative change in Japan's ODA disbursement towards Nepal by considering the Japan's domestic factor (long economic recession) and international scenario then the Japanese assistance to Nepal shows positive trends and slightly increasing in its aid disbursement. The next Chapter will deal with Japan's relationship with Bhutan which will explicate on the socio-economic development of Bhutan in particular and Japan's participation in the development process of Bhutan in general.

**4.1 Introduction**

Japan has had a strong historical connect with South Asia and its cordial relation continue till date. Japan's informal relationship with Bhutan was established in the 1960s through agricultural cooperation and is considered unique due to its complementarities. Like Nepal, Bhutan is also one of the smallest land-locked countries in South Asia, situated between two emerging power in Asia, i.e., China and India. Bhutan is the Buddhist Kingdom with a small land-mass, limited economic strength, and dependent military power. Unlike other countries in its neighborhood, Bhutan was never colonized and has remained aloof from the two world wars and cold war politics (Choden, 2004). Bhutan is the only country having a constitutional monarchy in South Asia and stands exceptionally within the South Asian polity. On the other hand, Japan situated in extreme Eastern Asia thereby following the free market economy and democratic principle and the rule of law. While maintaining the Emperor and the Empress as the nominal head of states, hitherto Japan follows the constitution which was imposed during the US occupation period. The two countries had different past, albeit they had a similar culture by following the path of Buddhism. Thus, Japan also feels that the development of democratic culture is mutually beneficial for both the countries in the coming year. Japan had a positive aspiration for the democratization process of Bhutan in the better mutual interest of both countries.

Among the South Asian countries, Bhutan was a latecomer in establishing bilateral relations with Japan. Since Bhutan was a tiny kingdom and had limited requirement quest for engagement with the outside world was limited in nature. Japan had no understanding of Bhutan and did not find any advantage to engage. However, as a Buddhist country, Bhutan has always been projected a positive image to Japan. In fact, academically there is very less work which has been done in Japan-Bhutan relations. This might be attributed to Bhutan's slow entry into the international relations and world politics under the larger ambit of its small geographical area and political mileage within South Asia in particular and world politics in general. Further, lack of

knowledge, no political or social reason, and no economic complementarities resulted in both the nations overlooking a relation. However, Japan did have a sort of informal exchange with Bhutan, similar to the one Japan had with Nepal in the early 20<sup>th</sup> century.

After the establishment of South Asian Association for Regional Cooperation (SAARC) as a regional multilateral cooperation institution in 1985, Japan has been cooperating for deeper integration with the SAARC member countries. In the process, Bhutan has also got lots of priorities in different developmental areas through SAARC. The major initiatives that Japan has taken for the Royal Government of Bhutan were connectivity (both energy and transport), promotion of youth exchange, democratization, peace-building and disaster risk reduction. In case of Bhutan, Japan had actively participated in rural electrification in different phases, for connectivity, Japan has helped in road construction by providing equipment for the improvement of road connectivity. In addition to that, Japan also had contributed to the enhancement of local governance and decentralization of power to the Royal Government of Bhutan (MOFA, 2008).

The formal diplomatic relationship between Japan and Bhutan established on March 28, 1986, with the opening up a non-residential embassy of Japan in New Delhi instead of Thimpu. Since then, the two countries had enjoyed the cordiality with each other. Thereafter, the royal family from both the countries had made high-level exchange visits in the following years. In 1987, the first ever high-level visit made by His Imperial Highness Prince Naruhito to Bhutan and later his Majesty Jigme Singe Wangchuck, the King of Bhutan visited twice in 1989 and 1990. In the same year, the first Bhutanese student got Monbusho scholarship to study in Japan that has marked the people to people exchange programme between the two countries for the first time (Embassy of Japan, 2012b). Japan has been supporting Bhutan in the socio-economic infrastructure for the long-term benefit of the country. Recent trends also show that the cultural ties of two countries have been increasing in a new height of success. In 2011, Bhutan witnessed 7,000 Japanese tourists constituting the second largest visitors in Bhutanese tourism market (Bluebook, 2017).

Japan has a non-resident embassy to Bhutan in New Delhi, India. However, Japan had a plan to establish a permanent embassy in Thimpu by 2014; hitherto it was unable to

open, because of budget constraints serve as an obstacle to the project. It shows the confusion regarding Japan's minimal interest towards Bhutan (or it shows a confusing situation of Japan's minimal interest towards Bhutan). The request for the building of an embassy in Thimpu was made by the King Jigme Khesar Namgyal and Queen Pema, when they visited Japan on the 25<sup>th</sup> anniversary of Japan-Bhutan diplomatic relation in March 2011 (GOB, 2012). Meanwhile, one of the factors behind Japanese interest to have a permanent residential embassy in Bhutan is to counter the Chinese presence around the region, while maintaining cordial relations with other South Asian countries. The year 2011 marks the 25<sup>th</sup> year of diplomatic ties between two countries while maintaining the friendly bilateral relationship. The bilateral relations were also enhanced by the high-level visits of those members in the Japanese Imperial family and his Royal family, the Kingdom of Bhutan as well as the economic cooperation (MOFA, 2011a).

Japanese relation with Bhutan was not so significant in Tokyo's calculus in the earlier period (until the early 1990s), since Bhutan is one of the smallest landlocked countries in South Asia and has minimal role to play in Asian politics in particular and the world in general. The economy of Bhutan is small in volume and with a small population that it has less advantageous for the countries like Japan. However, a cultural tie has been one of the prima facie of Bhutan relation with Japan in the initial period of interaction between two countries. Two critical factors that has impacted the Japanese policymakers to consider their approach towards Bhutan in the past decade are, firstly, most important factor was that the establishment of SAARC in 1985, wherein-Bhutan could also play an equal part in the prospects of South Asian nations. Secondly, the growing presence of China in the regional politics of the South Asian nation and the admission of China as the observer states along with Japan in SAARC in 2005. Thus, these few factors have remained crucial in Japan's approach towards Bhutan's role in the regional setting.

The economic relations between Japan and Bhutan are skewed. Japan being a third largest economy in the world always had upper hand in the bilateral trade. On the other hand, Bhutan is one of the minor economies among the countries in South Asian, and most of the time, India had played a significant role in the economic development of Bhutan. In fact, the volume of trade between the two countries was in favour of Japan. It is obvious that partnership of this kind can never be based on equality, unless the



smaller countries have some resource that gives comparative advantage to the smaller nations, which is not the case in this relation. However, Bhutan has always shown considerable efforts in its economic development as compared to other nations in South Asia in dealing with bilateral economic cooperation with Japan. Bhutan has been progressing a lot in the economic field for the past decade, in the last five years Bhutan has witnessed rapid economic growth at the average rate of 9.3 in the annual GDP. Bhutan's economic sources of income are largely generated by the abundant supply of hydroelectricity to its adjacent neighbouring countries. By 2011, Bhutan GNI per capita income was US\$ 2,130, which comes under the middle-income countries according to UNDP report (JICA, 2011). However, Bhutan has a huge trade deficit with Japan, at the same time she also receives the grants in aid almost equivalent to the volume of its bilateral trade.

The bilateral volume of trade between Japan and Bhutan is less as compared to other nations in South Asia. Japan being a high-tech industrial nation has exports automobiles, small excavator, and products related to automobile. On the other hand, Bhutan being an agrarian economy has mainly exported the vegetables, farms products, and textiles (MOFA, 2017d). However, Japan has always been supportive of the economic engagement between two countries and has strongly believed that Bhutan can succeed to get graduation from the Least Developing Countries. Japan's economic cooperation is more or less relies on the JICA engagement in different sectors of Bhutanese economy. It has operated mainly in the infrastructural development like road connectivity and other social infrastructures like health, education, and agriculture. Recently, JICA has been actively supporting Bhutan in the areas of climate change, sustainable development, research on Glacial Lake Outburst Flood and the democratization in Bhutan.

#### **4.2 Bhutan Domestic Politics**

Bhutan is the tiny Buddhist Kingdom with the population about 0.7 million in South Asia and has been ruled by the king for centuries. It has remained peaceful throughout its history, albeit it has a problem with *Lothshampa* during the 1990s, which was closely linked with the Nepalese migrants in southern Bhutan from Nepal and adjacent areas and yet the issue remains unresolved till date. However, the major drawback behind the citizen act of Bhutan in 1985 was that there was no such official record

before 1958, which the governments of Bhutan are asking to the *Lothsampas*. This has lead a tension between the *Lothsampas* and the government of Bhutan regarding the citizen act of 1985 where the *Lothsampas* has been rejected to get the citizenship within Bhutan. In the process, the *Lothsampas* has been expelled away from Bhutan, which was done by the governments well planned. Since the government was so protected regarding their culture and they find threat in the growing participation of *Lothsampas* in political domain. It has had severe effects on almost 90,000 *Lothsampas* to leave the country or have expelled them in the early 1990s (House, 2012).

The year 1972 saw the political transition in Bhutan after Jigme Singye Wangchuck ascended the throne at the age of sixteen. He had focused on the modern education system, decentralization of governance, development of hydroelectricity, encouraged tourism and improved the development of rural areas. He has made a significant milestone by throwing the ideas of “Gross National Happiness” by which he was internationally recognized (US Dept. of State, 2008). Thereafter, the philosophy of gross national happiness is well appreciated by the Japanese government also.

The Royal Kingdom of Bhutan witnessed a historic moment in March 2006 that the government of Bhutan came out with a draft of the constitution. Subsequently, in the same year on 17 December, the national day of Bhutan, the King Jigme Singye Wangchuck declared himself to step down from his throne by giving favour to his son Jigme Khesar Namgyel Wangchuck as his succession. Thereby, he further announced that the first national-level election to elect and form a government under the parliamentary democratic system would take place in 2008 (Joseph, 2006).

In January 2006 the election commission of Bhutan was established, thereby strengthening the constitutional monarchy. From now on, the election commission of Bhutan was responsible for the electoral system and also responsible for the referendum on the new constitution. Thus, it will act as the autonomous body within the Royal government of Bhutan. The election commission has autonomy as it does away with the political interference since its creation. By 2009, UNDP along with Japanese government has been working together to enhance free and fair elections in the local level, thereby promoting the awareness on rights and duties through public education. Formation of political parties became legalized in 2007. This established setting up of

few mandatory practices for those party representatives to contest election should not have a criminal record and must have acquired tertiary-level education (Dizard, 2012).

Until the second half of 2007, only two parties had registered for the general election of 2008. These two political parties are Druk Phuensum Tshongpa (DPT), led by the former Prime Minister, Lyonpo Jigme Y. Thinley and the People Democratic Party (PDP) led by the Lyonpo Sangye Ngegrup, also a former PM of Bhutan. Both the parties were campaigning in a similar background of unity and development of the country and had close affiliation to the royal house of Bhutan with little ideological difference between two parties (House, 2012). The DPT is a more conservative and royalist faction, whereas PDP was more open and progressive, those that gives priority to free-market and open economy (D'Ambrogio, 2014). Nevertheless, a third party called the Bhutan People United Party (BPUP) was disqualified by ECB from contests the election on the ground of the requisite diversity in the membership of the party and to have an unclear ideology. However, they believe that there was a severe internal politics to downplay their party. They further argue that articles 15 (4) (b) of the constitution had already stated that, the membership of a political party might not based on "region, sex, language, religion and social origin" did breach for the electoral right (House, 2012). In fact, political parties in Bhutan were profoundly influenced by the Royal family, which led to procrastination in the democratic transition of Bhutan. Since the King holds many discretionary power in the executive council. Thus, there was clear-cut bias in the formation of a political party and its agenda to be legitimised from the head of state.

After the successful 2008 general election conducted by the ECB, the report has made by the 42 international and 52 domestic organization as observer stated that the election was conducted smoothly in all 29 *dzongkhag* (districts). However, the international observer had suggested the lack of proper management in the electoral process ranging from boosting the capacity of the ECB and more proportionate system for the allocation of seats. Further, there is a lack of inclusiveness in the democratic electoral process, where 82,000 Nepali Bhutanese living in the country were not able to vote and declared as non-national as per the 2005 Census, thereby disqualifying from them voting rights. It resulted in the massive protest by the Nepali population for their exclusion in the electoral system, and it was also said the rationale behind the four bomb blast in different places of Bhutan on January 20, 2008(ibid).

Under such backdrop, Japan's assistance for the democratization process in Bhutan was considerable, because Japan's Foreign Policy belief "of rule-based order" in Asia and the World is principally formed by the democratic principle of peace and security of the regions. To achieve such ends, the government of Japan has engaged with security dialogue and defense exchange to the individual countries like Russia, China, Republic of Korea, and India. In this way, Japan tries to foster the bilateral and multilateral engagement to gain trust and mutual understanding for the regional peace and security. For this larger goal, democratization is also part of process to gain the peace and security of the region (Bluebook, 2006). Bhutan was going through a transition phase of the democratic experiment in the second half of the 2000s. The government of Japan was supporting South Asia through regional organizations like SAARC, since after it became the observer member state along with China in 2005. Japan's assistance was focusing mainly in the field of democratization, peace-building, promoting the cooperation over the region, and people-to-people exchange.

In Bhutan, the priority areas of Japanese assistance are focusing on the transition towards parliamentary (representative) form of government. For that, Japan has given a chance to acquire the know-how in the electoral process of Japan to the Chief Election Commissioner and its member in Japan, thereby inviting the Chief Justice to Japan to improve the human development in the legal system of Bhutan. Also, they are supporting the Bhutan-Broadcasting Service (BBS) to support the production programme and provided the first Yen loan of USD 30 million for the rural electrification project. So that, it can serves to establish a stable democratic society (MOFA, 2007a). In addition to that, the Japanese government is also helping to conduct a joint team from Nepal and Bhutan to coordinate the identification procedure of the refugee at Jhapa districts of Eastern Nepal. Since the problem of refugee between two countries became a decade long standing problem. The government of Japan acknowledges this development effort made by these two countries. Japan further gave its assistance to the refugee through the World Food Programme (WFP) and the office of United Nation High Commissioner for Refugee (UNHCR), hoping for the possible settlement of refugee problem (MOFA, 2001).

### **4.3 Japan's Political relation with Bhutan**

Japan is the world's third-largest economy with its diverse view in the international politics, which has very actively worked for the climate change and other developmental issues in the developing countries of Asia and Africa. Japan has been an influential actor in the international political economy since the 1970s. On the other hand, Bhutan was a small kingdom following the constitutional monarchy with a small population of about 700,000. This adds a unique feature about the two countries relations. The formal diplomatic relation between Japan and Bhutan has started with the formal visit of Lyonpo Dawa Tshering, Foreign Minister of the Royal Kingdom of Bhutan to Japan in March 1986. His subsequent visits to Japan twice in 1987 and 1988 further cemented their bilateral relationship. Since then, the two countries have maintained friendly ties. There was a strong cultural bond between two countries because, Bhutan as a Buddhist kingdom, the Japanese government always had a sympathetic outlook towards Bhutan.

Japan's relation with Bhutan has strengthened with the high-level visits paid by the Imperial family of Japan and the Royal family of Bhutan vis-à-vis the high officials from both the countries in the following year. In 1989, his Majesty Jigme Singye Wangchuck, the fourth king of Bhutan paid his visit to Japan to attend the funeral of Emperor Showa(Wangchuck, 2011). Following that, a delegation from the Japanese Socialist Party lead by Makoto Taneda visited Bhutan in 1992 (MOFA, 2016b). Another notable visit made by Lyonpo Jigmi Thinley, Minister of Home and Cultural Affairs has visited Japan from 1 to 4 June 2005. He has invited to attend the National Day event on 2 June along with another special guest from the Republic of Madagascar, Republic of Congo, Romania and New Zealand (MOFA, 2005a). Later, the Japanese delegation had an official visit to Bhutan for the Japan-Bhutan Friendship Parliamentarian League, headed by Nobutaka Machimura former Minister of Foreign Affairs in October 2006.

In April 2010, former Parliamentary Vice-Minister Nishimura visited Bhutan, where she met King Wangchuck and discussed the bilateral relations. During their conversation Wangchuck showed a deeper concern about the ODA offered by Japan and also said, Japan was vital and trustworthy partners for the development of Bhutan. While Nishimura appreciates the unique development model of "Gross National Happiness," proposed by Bhutan. Thereafter, in September 2011 Bhutanese Prime

Minister Lyonchen Jigme Y. Thinley visited Japan and shared many common issues faced by both the nations. In his stay in Japan, Prime Minister Yoshihiko Noda offered his congratulations for the upcoming wedding of his majesty the king of Bhutan. Noda further stated that Japan would continue to support the socio-economic development of Bhutan as well as democratization process in Bhutan. In response, former Prime Minister Thinley also stated that Bhutan would continue to support Japan's continuous efforts for the permanent membership in UN Security Council.

Most importantly, the year 2011 saw five remarkable high-level visits paid by the officials from both sides, witnessing the gradual shift in Japan-Bhutan relation, especially the efforts made by the Bhutanese counterpart. In February 2011 Her Royal Highness Ashi Kezang Choden Wangchuck visited Japan. This visit was reciprocated by former Japanese Parliamentary Vice-Minister for Foreign Affairs Makiko Kituka in May. Subsequently, in July His Royal Highness Prince Jigyel Ogyen Wangchuck visit to Japan, was immediately followed by another visit by former Prime Minister Lyonchen Jigme Thinley in September (MOFA, 2016b). In the same year, another crucial visit made by seven-member delegation had visited Japan on the invitation of House of Councilor of Japan. This visit was exclusive because it happened on the occasion of the 25<sup>th</sup> year anniversary of their diplomatic relation, which has shown a more profound mutual interest between the two countries (Khandu, 2011).

The relation between two countries has improved in recent times. The most notable visits were during the Japan-Bhutan Summit meeting held between Prime Minister Shinzo Abe and H.E Lyonchen Tshering, Prime Minister of Bhutan on his visit to Japan in 2014. This summit meeting was significant because Prime Minister Abe had officially invited the Prime Minister of Bhutan for the first time since after the establishment of diplomatic relation in 1986. The bilateral relationship has achieved remarkable strength after the visit paid by his Majesty King of Bhutan Jigme Khesar Namgyal with his Queen Jetsun Pema Wangchuck as a state guest to Japan in November 2011. Thus, the first Prime Ministerial visit made by Tobgay to Japan has further strengthened the bilateral relationship between two countries.

Meanwhile, the Bhutanese Prime Minister also acknowledged that this summit-level visit has served as an opportunity to develop the relationship robustly. On the other hand, Prime Minister Abe had proposed to establish the director-general-level

consultation to broadly discuss Japan-Bhutan bilateral relation regarding the socio-economic, political and cultural issue. Further, the two leaders have discussed on the cooperation of people-to-people exchange through sports and other activities. At the international level, Japan has been playing a proactive role in international peace and prosperity. Thus, Bhutan also acknowledges Japan's efforts in peaceful international settlement of disputes and supports Japan to be a permanent member of United Nation Security Council (MOFA, 2014b).

Bhutan has remained a priority area of Japan's developmental policies and it has become more evident after Bhutan chose the path of democratization. The new JICA Presidents Shinichi Kitaoka reiterated that "Definitely Bhutan will remain in our top list of recipient countries in our priority," in the development aid programme. He made this statement during his first visit to Bhutan in December 2015, then the President of New JICA in October 2015 (Dorji, 2015). On the other hand, Japan also provides a new comprehensive medical assistance to the Kingdom of Bhutan, especially to the medical institute of Bhutan. It has marked the first full-scale overseas assistance in the field of medical education thereby dispatching the doctors, nurses and other experts from Japan (Nikkei, 2014).

The recent visit made by the Her Imperial Highness Princess Mako to the Kingdom of Bhutan in June 2017 on the invitation of His Majesty King and Her Majesty Gyaltsuen. It was the third visit by the member of the Imperial Family. The Crown Prince Naruhito paid the first visit in 1987, and the Imperial Highness, Prince Akishino in 1997 (MOFA, 2017e). During her stay in Bhutan, she was granted as an audience at Tashichhodzong, and also attended the opening of the 3<sup>rd</sup> Royal Bhutan Flower Exhibition at National Memorial Chorten in Thimpu. Then, Princess Mako went to Paro to meet the Japanese official where she offers an honour of late Japanese Agriculturist Dasho Keiji Nishioka. Thus, her visit showed a further signal of deepening the bilateral relations between two countries (Tshering, 2017).

#### **4.4 Japan-Bhutan Economic Relationship**

The economic connection between Japan and Bhutan as briefed earlier, is based on conventional relations between developed and developing nations. In trade, the balance of payment was favourable to Japan. The volume of trade between two countries was

very less as compare to other countries in South Asia. However, it is not a surprising fact that Japan has an economic advantage. Since, Japan was the second largest economy after the United States, until China surpassed Japan in 2010. Whereas, Bhutan is a tiny kingdom with the least developed economy ranking as low as 142<sup>nd</sup> position with the annual GDP of US\$1.516 billion in world's economy in the year 2010 (World Bank, 2016). Bhutan's economy is small by any measure as compared to the whole of South Asia. Within South Asia, its population constitutes 0.05 percent and 0.75 of the land area. However, Bhutan per capita income is slightly higher than any of the South Asian countries, except Sri Lanka (US\$ 840 in 2002). This is because of low population density of Bhutan that enjoys double of Nepal and 23 percent higher than India (Choden, 2004). Thus, the two countries had its distinct economic relation since the early 1960s, where Bhutan has a lot to gain from Japanese assistance.

Japan has also supported Bhutan through SAARC initiative in many priority areas and policies related to climate change, an environmental issue and other areas of security and developmental programme in South Asia since it became the observer state of SAARC in 2005. In Bhutan, Japan has coordinated in two essential areas which are climate change and environmental protection such as Science and Technology Research Partnership for Sustainable Development (SATREPS), and to study Glacial Lake Outburst Flood (GOLF) in Bhutan Himalayas from FY 2009-12. Japan's support for the stability and development areas were done through the SAARC Expert Group Meeting to enhance development through regional strategy, thereby meeting with the technical committee on environmental forestry. For sustainable growth and development, Japan proposed a grant aid of \$ 24.94 million for the reconstruction of the bridge (phase III) in FY 2009. Simultaneously, for the improvement of machinery and equipment for construction of a rural agricultural road (phase II) with grant aid of \$5.97 million in the FY 2009 (MOFA, 2009a).

Trade relations between the two countries were not favourable to Bhutan. There was a trade imbalance in Bhutan's balance of payment. During the fiscal year 2014, Bhutan had exported 199 million yen constituting the vegetables and textile and had imported 1,709 million yen from Japan that constitutes of small excavator, automobile, products related to the automobiles. On the other hand, Japan has been continuously supporting Bhutan's economic development through its generous aid. Until the fiscal year 2014, Japan has contributed the total amount of 5.763 billion Yen through the loan aid, and



Japan had given 2.824 billion yen as part of grant aid and 1.093 billion yen through the technical assistance. In this way, Japan has made substantial contribution to the economic development of Bhutan (MOFA, 2016b).

The contrasting feature about the two economies was that Japan being a most industrialized economy in Asia, where 7 percent of its population was engaged in the agricultural sector in 1991 that has reduced to 3 percent in 2017. Whereas, Bhutan is a small landlocked country whose economy is dependent on the agricultural sector, thereby following a unique development model called “Gross National Happiness” as a significant domestic goal and has a more significant claim in the international community. The proportion of Bhutan’s economy has vast difference than that of Japan, where 85 percent of its population was engaged in agriculture in 1991, which has reduced to 57 percent by 2017 (ILO, 2017).

Bhutan’s economic viability is predominantly dependent on the rural economy, where more than 79 percent of its population live in the rural areas (planning commission: 9<sup>th</sup> five the year 2002-07). The population of Bhutan is about 0.658 million as of 2000 with as large as 39.1 percent are at the age of below 15 years old. According to the World Bank report, Bhutan comes under a low-income country. The Royal Government of Bhutan had its unique holistic approach of Gross National Happiness as a developmental tool to measure its development progress. Thus, they consider “Gross National Happiness” has its close connection between its people and nature. Since, Bhutan as a country has been carved out through its distinct way, free from western interference (Choden, 2004).

Japan and Bhutan commemorated the 50<sup>th</sup> anniversary years of milestone event, i.e. Japan’s assistance to support the development of Bhutan through Japan International Cooperation Agency (JICA). The event was highlighted by the speech of former JICA’s President Akihito Tanaka who stated that “The development is a continuum. There is no beginning or an end. 50 years is just a milestone, and our journey continues. We will continue to work closely with Bhutan in the years to come” (Zangpo, 2014). He further acknowledged Dasho Nishioka, who came to Bhutan in 1964 and improved the working experience of farmers and achieved legacy through his work and progress he did in Bhutan. Currently, other than agriculture sector, Japan-Bhutan cooperation

has been active in other areas, such as social infrastructure, governance, tourism, telecom, disaster management and education (ibid).

Japan's economic relations with Bhutan has been closely linked with the domestic political economy of Bhutan. Japan's economic cooperation has gradually increased, as Bhutan has achieved its millennium development goal by 2015. Supplementing the earlier initiatives taken by Bhutanese governments with its 8<sup>th</sup> five-year plan, which focused more on the private sector development and privatization of economy and recognizing its importance to the economic growth. In the meantime, Bhutanese domestic politics saw the devolution of executive power by His Majesty Khesar Namgyal, the fourth king of Bhutan to the elected members of the National Assembly that marked the onset of Bhutan's transition to democracy. It was much more transparent after the fourth king voluntarily abdicated the throne in 2006 and after that formally crowned the fifth king, Jigme Khesar Namgyal Wangchuck in 2008 (Topgyal, 2016).

Japan proposed few points between the two countries that have put forward in the 10<sup>th</sup> annual consultation between two countries held at Thimpu in August 2015. It is essential to understand the changing bilateral relationship between the two countries. Japan proposed Bhutan to play an active role in economic cooperation in their bilateral relationship, and it wants Bhutan to cooperate in a horizontal manner. Instead of merely cooperate in a vertical relationship of donor and recipient, and it is only possible when Bhutan has equal economic engagement with Japan. Japan wants to diversify its economic relations into more substantial trade and investment and has been encouraging Bhutan to take equal part in it. The former economic and development minister at the Japanese Embassy in New Delhi, Akio Isomata also said that Bhutan as a fast growing economy should be explored as new avenue in bilateral relations. The government of Bhutan needs to play an active role, albeit the size of Bhutan is small, but it can play a more significant role by exporting its finished products to a bigger market in India (Dorji, 2015).

In 2016, the Japan-Bhutan met for the 11<sup>th</sup> annual consultation summit that was held in New Delhi. This summit has been conducting such programmes since the time of its inception in 2006. The annual meeting has continued to serve as the essential platform for the cooperation between the two countries in the future. Japanese aid has focused in

four main sectors for the development of Bhutan, such as agriculture and rural economic development, economic infrastructure, social development, and strengthening of good governance. Since, Japan has committed a total amount of \$ 10.8 million through the various projects of grant aid projects and grassroots grants projects, during the last annual consultation for the fiscal year of 2016. Also, Japan has been allocating the total sum of \$73 million as the assistance to Bhutan for the 11<sup>th</sup> fiscal year plan cycle (Affairs, Press Release, 2017)

#### **4.5 Japan's ODA to Bhutan**

Japanese ODA is the primary area of cooperation to the overseas countries, since after the end of Second World War. Initially, Japan starts to give the developmental aid for the repatriation to the affected countries in Second World War through the Colombo Plan in 1954. After that, in continuation of Colombo Plan, Japan has shifted it to give ODA in 1958 and India was the first country to receive Japanese ODA. In case of Bhutan, the first economic cooperation started in 1964 in the field of Agriculture. Since then, Japan has continuously supported the socio-economic development of Bhutan through its aid, but the diplomatic relations between two countries had formally established in 1986. This bilateral cooperation has been successful through the Japan International Cooperation Agency (JICA) and Asian Development Bank (ADB). These two institutions were the critical component in the formulation of Japanese ODA in Bhutan.

Since 1983, Japan was the second largest ODA donor in the world, and by 1993, it became the world largest aid donor until 2000 (MOFA, 2015a). In the fiscal year 2016, Japan became the fourth largest donor country in the world and most significant donor in Asia with net ODA of \$11.9 billion. This ODA represents only 0.23% of Japan's Gross National Income. A significant amount of Japanese ODA had engaged in the development of social and economic infrastructure of the developing countries (OECD, 2017). In the process, Bhutan also has benefited out of it, since from its inception of the developmental cooperation in the year 1964.

After the establishment of SAARC in 1985, Japan has actively supported all the SAARC member countries through both the bilateral and multilateral mechanism, and JICA played a crucial role to meet the cooperation demand among these countries. For

that JICA has utilized various means and technique to address the issues faced by each South Asian countries. While poverty remains high in the region and climate change and disaster prevention, remain the crucial challenge in the region. In such a situation, JICA has continuously extended its assistance in the field of social and economic infrastructural development. In the fiscal year 2009, South Asian countries had received 196,449 million Yen directly from Japan, and Bhutan receives 2,792 million Yen out of total amount (JICA, 2009).

Koji Yamada (2016) Chief Representative of JICA in Thimpu has observed that Bhutan has already followed a noble path to the development of Gross National Happiness, which was much similar to its Sustainable Development Goal 2030 that has mainly focused in three central pillars of sustainable, i.e., social, economic and environmental. He further appreciated that, Bhutan has developed an alternative concept of well-being of society or country regarding GNH, rather than per capita income. Thus, Bhutan is in the best position to convince the world that it is in the direction of sustainability. In this context, a Japan-Bhutan bilateral partnership between the two cannot be defined in a unilateral donor-recipient relation. Instead, it is reciprocal, and Japan has many things to learn from Bhutan. So that JICA can facilitate this bilateral relation in more inclusive manner and together they can benefit with multi-stakeholder from both the countries (Yamada, 2016).

The fifth successful JICA seminar was held in Taj Tashi, Thimpu in May 2009. This seminar became much crucial because of the formation of new JICA in October 2008, thereby adding more budgets with the additional technical assistance of \$200 million to the JICA, which was available as an ODA loan. A former Residential Representative of JICA India, Mr. Hideshi Irigaki has stated in his speech that “JICA has a new strategy that involves ‘adding soft components (technical assistance) to the hard infrastructure projects (ODA loan).’” Thus, Japan/JICA came with a new framework to encourage Bhutan in developing its modern infrastructure as the country was gaining a rapid economic growth (JICA, 2009).

In 2014, JICA celebrated the 50<sup>th</sup> anniversary of Japan-Bhutan cooperation in the agricultural sector. The Foreign Minister of Bhutan, Lyonpo Rinzin Dorje acknowledged the achievement made by late Dasho Nishioka and said that “Japanese lives have touched the lives of every Bhutanese people,” and further appreciate Japan’s

continuous support and cooperation in the development of Bhutan (Zangpo, 2014). As per the report made by OECD Development Assistance Committee, Japan is the largest ODA partner of Bhutan and has provided 5.7 billion Yen as part of grant aid assistance to Bhutan. Akihito Tanaka, a former JICA President to Bhutan also said that Bhutan's development philosophy of Gross National Happiness shares familiar feature with human security that Japan has advocated the international community (ibid).

For the economic assistance, Japan was ready to give 353 power tillers, and it would further propose for another 400 to enhance the farm mechanization. In August 2017, Officials from Bhutan acknowledged that they have received 3,589 power tillers, since the commencement of KR-II grant in 1983. In the health sector, Japan has been continuously supported Bhutan for health improvement. In the technological sector, Japanese assistance has planned to develop new Fablab at the College of Science and technology in Phuentsholing. It has designed the development of fab-lab, training of trainer on digital fabrication, curriculum development, and coordination, which is likely to boost the economic engagement shortly. While, Japan's support to Bhutan to achieve the Least Developed Countries (LDC) graduation, said the director general of the respective department (Tshering D. , 2017).

Under this backdrop, this chapter also seeks to engage with the trend of Japanese ODA to Bhutan, and this ODA can be taken as a variable to observe the level of the Japanese engagement for the development of Bhutan in different sectors like socio-economic and political fields. Mainly it will focus on the pre and the post-constitutional monarch period in Bhutan.

#### *Japan's ODA to Bhutan in Post-1990s (during Monarch regime)*

Japan is one of the leading ODA countries among the Development Assistance Committee (DAC) since from the 1970s. Japan's support for the development of Bhutan socio-economic infrastructural development was crucial, especially in the agricultural sector. The recipient countries well appreciated its assistance, and Bhutan has also benefited out of it. The trend of Japanese aid towards Bhutan has taken into consideration the economic engagement between two countries.

Japan has continuously remained as the top donor of Bhutan for almost the whole decades of the 1990s except in the fiscal year 1992. Japan's assistance to Bhutan during this period was relatively lesser than other South Asian countries but remain the largest

among other donor countries. For example, Japan's aid to Bhutan in the fiscal year in 1991 Bhutan received low \$2.96 million as compared to the high amount received by India amounting \$891.05 million. It shows the sharp difference between two different economies, and yet in both countries, Japan was the highest donor among other DAC countries.

Table 4.1: shows the trend of Japan's ODA to Bhutan, (1unit =\$ million)

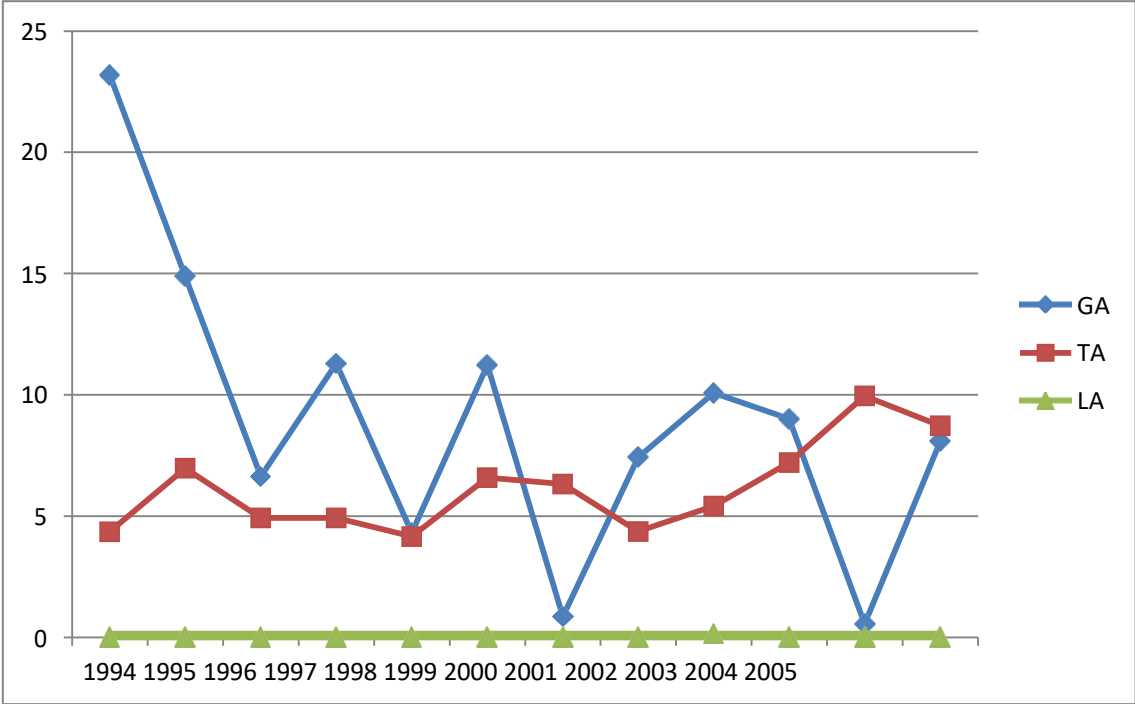
Fiscal Year	Grant Aid	Technical Assistance	Loan Aid	Total
1994	23.19	4.35	-	27.54
1995	14.88	6.97	-	21.86
1996	6.63	4.92	-	11.64
1997	11.29	4.92	-	16.21
1998	4.31	4.15	-	8.47
1999	11.23	6.58	-	17.81
2000	0.86	6.32	-	7.18
2001	7.42	4.36	-	11.78
2002	10.08	5.41	.16	15.33
2003	9.01	7.20	-	16.21
2004	0.55	9.95	-	10.51
2005	8.08	8.72	-	16.80
Total	107.53	73.85	0.16	181.34
Mean	8.96	6.15	0.16	15.11
Percent (%)	59.01	40.05	1.06	100

Sources: Japan's yearly ODA white paper, 1994-2005, MOFA.

The above table has clearly shown that Japan's assistance towards Bhutan has mostly assisted through the grant aid, which constitutes 59 percent out of total ODA disbursement and 40 percent was through the technical assistance for the socio-economic development of Bhutan. It was only in the fiscal year 2002, Bhutan received the small amount of Yen loan amounting \$0.16 million that constitutes only one

percent out of total aid disbursement. Japan's ODA trend thus proves that there was no constancy in grant aid even though it remains highest most of the time, and technical assistance was much reliable than grant aid. These can be more visible in the figure given below.

Fig 4.1: showing Japan's ODA trend in Post-Monarch period.



The above figure shows the decreasing trend of Japanese aid towards Bhutan during the King's regime. The reason behind the higher amount of ODA in the fiscal year 1994 was also because of the revised ODA charter in 1992 and Toshiki Kaifu visit to South Asia has given much of the priority to this region. Grant aid remains unstable as it has much fluctuation in the decreasing trend. Whereas, Technical assistance has relatively improved as compared to grant aid and has followed the slow increase in the wake of the 21<sup>st</sup> century.

*Japan's Aid to Bhutan during/after Constitutional Monarchy*

In 2006, Bhutan saw the transformation in its political history. This transformation leads to the path of constitutional monarchy after the fourth King of Bhutan Jigme Sangye Wangchuck formally abdicated his throne in favour of his crown prince Jigme Khesar Namgyal Wangchuck as the fifth King of Bhutan, thereby promised to write a constitution for the Royal Government of Bhutan. By 2008, the draft of the constitution has been introduced by the government of Bhutan (House, 2012).

Table 4.2: shows the trend of Japanese during the Post-Monarch period.  
(1unit=\$million)

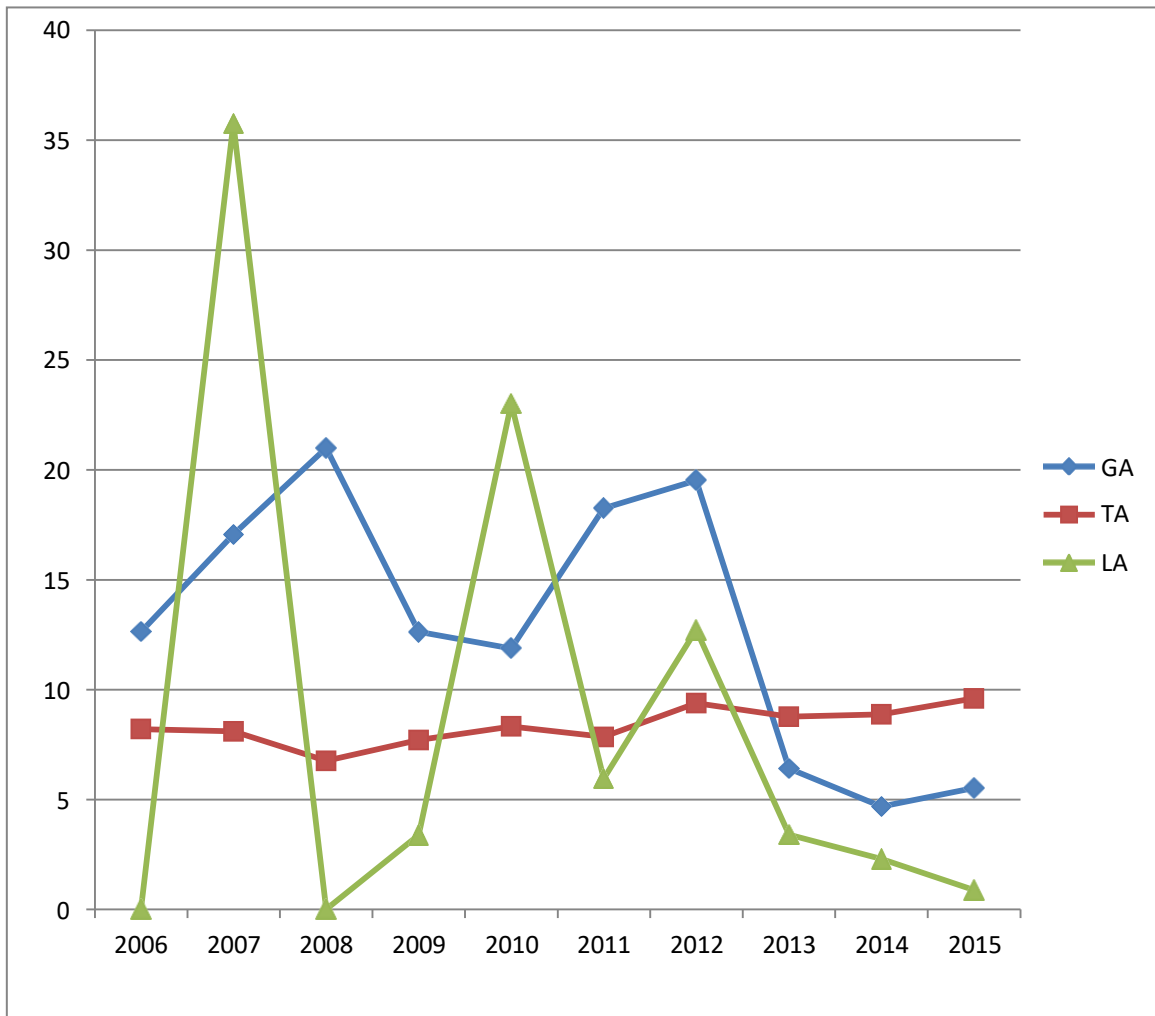
Fiscal year	GA	TA	LA	Total
2006	12.64	8.21	-	20.85
2007	17.06	8.1	35.76	60.92
2008	21	6.76	-	27.76
2009	12.63	7.71	3.39	23.92
2010	11.88	8.33	23.02	43.23
2011	18.26	7.85	5.95	32.06
2012	19.53	9.39	12.72	41.64
2013	6.41	8.77	3.40	18.58
2014	4.68	8.88	2.29	15.85
2015	5.52	9.6	0.88	16
Total	129.61	83.6	87.41	300.81
Mean	12.96	8.36	8.74	30.08
Percent	43.1 (%)	27.8 (%)	29.09 (%)	100

Sources: Japan's yearly ODA white paper, 2006-14, MOFA.

The above table reflects the changing pattern of Japanese ODA trend toward Bhutan after the fourth King declared to pursue the constitutional monarchy. Interestingly, Japanese aid after Bhutan became the constitutional monarchy was that it had introduced the loan aid, which has closely linked to the democratization process in Bhutan. The fiscal year 2007 saw the highest amount of loan aid from Japan that brings the drastic change in the general trends of Japanese aid to Bhutan. Even though, loan aid remains relatively low in the following years until the fiscal year 2015. If we observe the overall trends of Japanese assistance between the two different periods then, it shows the gradual increase in Japanese aid in the post-constitutional period in Bhutan. The overall ODA has doubled from 15.11 % average to 30.08 % from earlier monarchy regime to post-monarch period. It was partly due to the introduction of Yen loan that strongly supports the democratization process during the constitutional monarchy period in Bhutan.



Fig 4.2: showing Japan's ODA trend after Bhutan became constitutional Monarchy.



The above figure showed the fluctuation of grant aid and loan aid in the decreasing trend. While the year 2007 and 2010 remains the highest loan aid from Japan to Bhutan, and Technical aid remains average at the rate \$8.36 million, and there is a slight change in the earlier pattern of technical assistance during the monarchy regime, i.e. \$6.5million. In FY 2007, the government of Japan has decided to provide yen loan of 35.76 million yen to Bhutan was primarily to implement the “Rural Electrification Project,” the highest Japanese loan to the Royal Government of Bhutan (MOFA, 2007b).

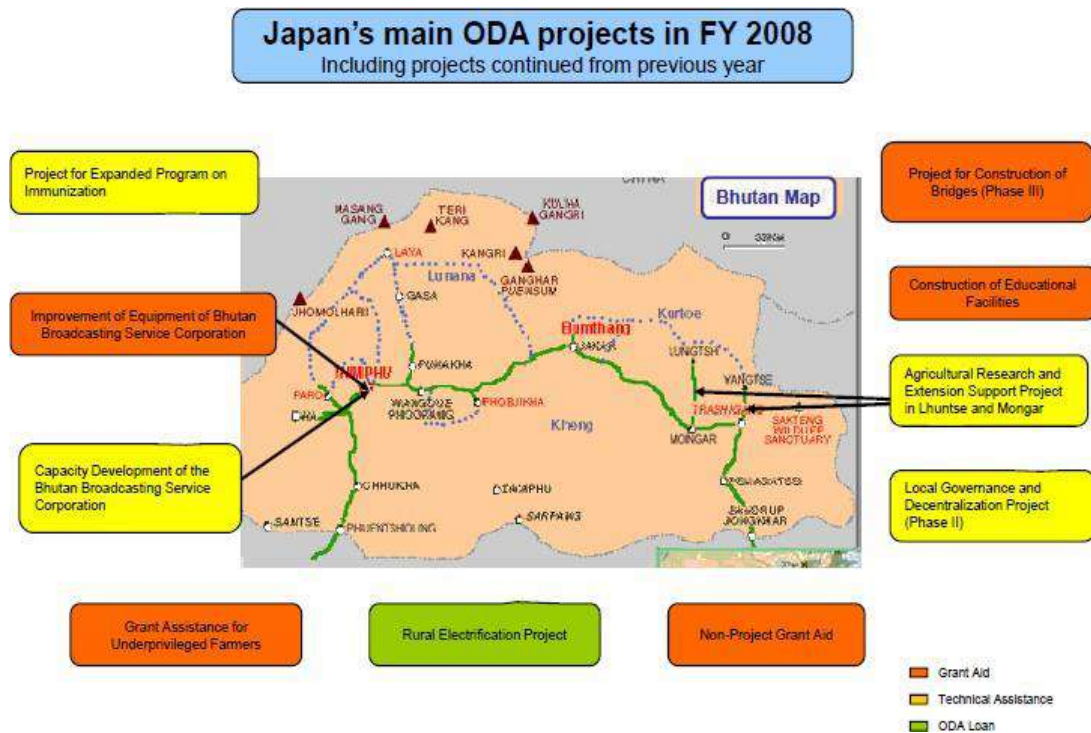
For the last two decades JICA participation has improved in various aspects after getting criticism from many individual, academics, media person in domestic and international level. It was mainly criticized on the ground of unclear policy objectives, since Japan foreign aid was run by few chunks of diplomats, bureaucracy, and the

dozens of ministers and agencies involved in the institution and each section has its own vested interest. Instead, of clear policy goals as what to be achieve as part of foreign aid, and for whom was not clearly articulated (Jain, 2014).

However, Japanese ODA has undergone the significant transformation in its scale, programme, objectives and the geographical outreach with its viable policy makers. In 2014, the 60<sup>th</sup> anniversary of Japan's overseas cooperation had provided an opportunity to reflect and renew its position and chart new development avenues for the coming decades. Under such a situation, JICA Research Institute (JICA-RI) has formed by the groups of domestic and international researchers and practitioner to show Japan's aid record until 2014, and proposed for the post-2015 development agenda (ibid).

In recent times, Japan's engagement has been diversified in various sectors of cooperation with Bhutan. This cooperation has been facilitated through the JICA initiatives, which remains the key factor in developing the bilateral relations. There are multi-layered priorities in the bilateral cooperation between two countries. The first main priorities of JICA in Bhutan are agriculture and rural development that includes agricultural modernization and agricultural infrastructure. Secondly, it has focus on the economic infrastructure development such as road network development and improvement of rural electrification. Third important sector is the improvement of social and services, which includes human resources development, employment generation, improvement of education service, and healthcare service. The fourth major priorities areas of cooperation are good governance that encourages decentralization, and improvement of information equity (MOFA, 2009a). In addition, JICA has also started to cooperate in areas of climate change and environmental protection that has been coordinated through Science and Technology Research Partnership for Sustainable Development (SATREPS) and also the study of Glacial Lake Outburst Flood (GOLF) is the recent developments between the two countries. This kind of initiatives made by JICA to the people of Bhutan had contributed to its social, economic and political aspiration of Bhutanese people.

Fig 4.3: Map shows the JICA's cooperation with Bhutan in the fiscal year 2008.



Source: MOFA, 2009

#### 4.6 Japan-Bhutan Cultural Engagement

Culture remains a crucial binder in any bilateral between two countries, whether it is in the social, economic, and political. It signifies some acceptance of one idea to another in any form. In the same way, Japan cultural relation with Bhutan has started since the inception of Buddhism in the 7<sup>th</sup> century, but they did not have any official contacts. Since, Buddhism has flourished during the 7<sup>th</sup> century in both the countries, which had initially made its route via Tibet to Bhutan vis-à-vis the East Asian Countries. The first contact between the two countries was made by a Japanese agricultural specialist Keiji Nishioka in his visit to Bhutan in 1964 as part of Colombo Plan (Embassy of Japan, 2012a). During his stay in Bhutan for two years, he introduced new farming techniques to the farmers of Bhutan and has brought significant development in the farming practice that has transformed the livelihood of Bhutanese farmers, and the people of Bhutan were highly indebted by his contribution. After that, he had worked for the development of agricultural sector in Japan for 28 years until he retired and later died in 1992. However, his contribution to the agriculture is still remembered in Japan as well as in Bhutan.

The recent initiative made by the Royal Government of Bhutan under the Ministry of Agricultural and Forest to establish a Museum in the memory of Late Dasho Keiji Nishioka in June 2014 was appreciated by the Japanese government as well. It was inaugurated jointly in the presence of former JICA President, Mr. Akihiko Tanaka, and the Secretary of Ministry of Agriculture and Forests (MoAF), Dasho Tenzin Dhendup at the Agriculture Machinery Centre in Boney, Paro (Penjor, 2014,).

Before the establishment of any diplomatic ties between the two countries, Japan had initiated to form the Japan-Bhutan Friendship Association (JBFA) in 1981. The association was formed under the efforts made by few Japanese scholars such as Jiro Kawa Kiwada, Takeo Kuwahara, Fumihiko Toho, Sasuke Nakao, Chie Nakao, and Eisabu Nishibori, the key figures who was extremely interested in Bhutan's academic research and diplomacy. The main aim of this friendship is to deepen the mutual understanding between the people of two countries through an informal exchange programme and to promote the friendly relation between two countries. Meanwhile, the two countries had also established the Kobe-Bhutan Friendship Association in 1981 to promote the friendly relations by encouraging people-to-people exchange programmes.

Since centuries both the nations have been following Buddhism creating a bond of shared cultural values between the two countries. Although the two countries are located in a distant place, similar cultural ties made them closer in the latter half of the 20<sup>th</sup> century. The recent development of Bhutan towards constitutional monarchy by following the path of democracy has somehow molded the political culture they share now.

The whole series of a cultural exchange programme between two countries had started with the informal visit made by the JICA official members from Japan thereby creating a friendly environment between two countries. After that, with the establishment of diplomatic relations ensuring the Bhutanese honorary consulate-general office in Tokyo, the two governments had further gain trust among each other. Later, the Royal members of Bhutan and the Imperial family of Japan had visited several times to each other's countries have further strengthened the cultural ties between the two.

Another crucial Japanese institution that has helped to foster the people-to-people exchange programme is JOCV (Japan Overseas Cooperation Volunteers). It was established in 1965, thereby sending the first batch of a volunteer to Laos and Southeast

Asian countries (JICA, 2013). Initially, JOCV has worked as a part of Colombo Plan in 1954 and then later on, it has changed its nomenclature, and by August 1974 it became what we call today the Japan International Cooperation Agency (JICA). Japan has actively supported the technical cooperation by sending its volunteers to Bhutan. The mountainous terrain in Bhutan, leaves the option to build an airport limited hence the road must serve the necessary infrastructure. Thus, JICA has proactively supported bridge construction with grant aid and human resource trained with the Technical cooperation by JICA (Asakuma, 2015).

In 2011, Japan and Bhutan had celebrated the Silver Jubilee, the 25<sup>th</sup> anniversary of the establishment of diplomatic relations. In this occasion, the former Ambassador of Japan to Bhutan, Mr. Akitaka Saiki has shared his views regarding the bilateral relations of two countries. He said that, until now the two countries had nurtured a friendly and special relationship with each other. Mr. Nishioka has supported for the modernization of farm in Bhutan for almost thirty years since 1964, and the relation has further deepened with the several visits paid by the imperial family of Japan and the Royal Family of Bhutan. Meanwhile, Her Royal Highness Princess Kezang Choden Wangchuck visited Japan to receive the “Earth Hall of Fame Kyoto” Award in Feb 2011, where she has presented the idea of Gross National Happiness to the audience.

When, the former prime minister of Japan Yoshihiro Noda and his wife paid a courtesy call to His Majesty King Jigme Khesar Namgyal Wangchuck and Her Majesty Queen Jetsun Pema Wangchuck of the kingdom of Bhutan then visited as the state guest to Japan in November 2011. During their stay, both the leaders had exchanged their view regarding the high-level visits of the Imperial members of Japan and the Royal family of Bhutan as well as the economic cooperation, including the technical cooperation between the two countries. Later, Noda reiterated his sympathy towards Bhutan regarding the damage caused by the earthquake in September, and also appreciated the Sympathy and support made by Bhutan during the Great East Japan Earthquake (MOFA, 2011a).

Apart from the high-level diplomacy between Japan and Bhutan, a few talks are in line of people-to-people exchange had always occurred at the ground of bilateral relationships. There are more than 20 high school and college students from Bhutan along with other South Asian countries who are invited for ten days cultural exchange

through JENESYS (Japan-East Asia Network of Exchange for Students and Youths) every year. Recently four students from Bhutan were selected, and they had visited the Nagasaki prefecture, situated in the western island of Kyushu. Albeit, the students had faced with many problems because there is no Japanese Embassy in Thimpu. However, their stay in Japan had contributed a lot to their personal experience to know about Japan vis-à-vis, it has helped to have a better understanding of both countries. To this end, Japan facilitates such programme through such people-to-people exchanges (Yamada, 2018). Thus, such kind of exchanges had strengthened the bilateral relationship between two countries, thereby fostering the Japanese soft power as such a programme is not a zero-sum game.

In 2016, the 30<sup>th</sup> anniversary of diplomatic relation between Japan and Bhutan had been celebrated in several ways. Supplementary to it there has been further engagement through the cultural programme such as seminar over Bhutanese culture, opening up of the “61<sup>st</sup> Bhutan Study Group” a research institute, and the proposal for the Bhutanese cultural center at the Kyoto University. Such are few among many such examples in the cultural engagement between Japan and Bhutan in recent time (GOB, 2016). In this anniversary, the two countries had also engaged with lots of bilateral programme like the embassy of Japan, Japan Foundation New Delhi and JICA in Bhutan has decided to observe the “Japan week in Bhutan” from September 24<sup>th</sup> to October 1<sup>st</sup> in Thimpu, Bhutan. Meanwhile, Katsuyuki Kawai, a special advisor to the Prime Minister of Japan was invited as a guest to attend the opening ceremony of the programme (Japan embassy, 2016).

Thus, Japan has been playing an important role in the socio-economic and cultural development of Bhutan, and recently Japan had assured to continue its assistance by renewing the 12<sup>th</sup> annual consultation in economic cooperation between the two countries. Kenko Sone, Minister Counselor for the economic and development from the Japanese embassy in New Delhi, said that the two countries have a stronger relation, after Princess Mako’s visit to Bhutan recently in May 2017. He further says, that the two countries should not limit itself as donor and beneficiary. Instead, it should be horizontal where both the countries can equally engage in economic activities (Tshering D. , 2017).

To conclude, the relation between two distant Asian neighbours is unique, since there is little significance in terms of political and economic concerns. Because of similar cultural proximity, Japan and Bhutan had shared some universal cultural values. These shared values had tied both the countries and had maintained friendly relations, albeit the diplomatic relations between two countries established in 1986. The two countries have distinct experience in history, that one has remained aloof from international politics until the late 20<sup>th</sup> century. On the other hand, Japan has engaged in both the World War and Cold War politics for the whole century. Initially, Japan came in contact with Bhutan firstly through the agricultural cooperation in 1964, thereby sending agricultural experts, Late Dasho Keiji Nishioka by the Japanese government. Since then, he works in Bondey Agriculture Farm and has contributed a lot to the development of farming activity, and has actively participated in the agricultural development of Bhutan. The relation between two countries has maintained through the informal channel until the diplomatic relationship had formally established in 1986. The bilateral relationship has improved with the frequent visits paid by the high official of both countries. In 1988, JICA granted its first bilateral assistance to Bhutan by dispatching the experts through Japan Overseas Volunteer Cooperation (JOVC).

Buddhism is the crucial cultural factor binding Japan-Bhutan relation that gives space for the better future between two countries. Because of this similar cultural proximity (Buddhism), Japan's approach towards countries like Bhutan, and Sri Lanka among South Asian nations is quite lenient. India's recent moves to operate the Buddhist diplomacy, thereby opening up of Nalanda University had given the larger picture to promote the soft power tool in South Asia. It has made a significant claim to share these common Asian values, and even Bhutan and Sri Lanka as the Buddhist nation have scope to get benefit out of it.

Japan's relation with Bhutan was cordial since from the advent of their agricultural engagement in the 1960s. Its relationship has further improved over the years. Japan's cooperation with Bhutan has increased after Japan got the observer membership in SAARC along with China in 2005. Japan's contribution towards the socio-economic infrastructural development was critical, and it was one of the highest aid donor countries in Bhutan. It is further evident that Japan's economic engagement has strengthened after Bhutan became the constitutional monarchy and had continuously supported the democratization process of Bhutan. Since Japan had a strong feeling

about the democratic values that they have to preserve for the betterment of Asia and the World. In return, Bhutan has reiterated its support to Japan for the permanent membership in the United Nation Security Council.



**5.1 Introduction**

The historical tie between Japan and South Asia goes back to the 6<sup>th</sup> Century A.D when Buddhism reached Japan via China and Korea. Since then Japan has been highly influenced by Buddhist philosophy. Thereafter, the second wave of informal exchange between Japan and South Asia took place with the informal visits of a Japanese monk Ekai Kawaguchi in 1899 to Tibet (now the autonomous region of China) via Nepal. Subsequently, Japan started to build informal contacts with the South Asian countries, and by early 1900s Nepal has sent eight students to pursue the different professional course in higher education to Japan. In 1930s when Japan supported the Indian national freedom struggle, wherein Subash Chandra Bose and Ras Bihari had sought help and played a crucial role in bridging the relation.

During the post war period, the South Asian countries were the first among many countries to sign the peace treaty with Japan in its post war period thereby recognizing the normal status of Japan in international fora. In the early post war era, South Asian nations had started getting importance from Japan through the Colombo Plan in 1954. After that, India was the first country to get the first Japanese ODA in the region, but the relations with south Asian countries soon faded away with the growing tensions of Cold War. Japan concentrated in bolstering relations in East and Southeast Asian nations and as it developed used these nations to gain economic strength in form of trade and investment and engage in developing these economy's to ensure market and create stability in the region.

In the past centuries, the South Asian countries had shared a friendly relation with Japan, albeit the region had little importance in Tokyo's strategic calculus until the end of cold war period. Since the region had neither been significant for Japan's security needs nor its economic growth. Thus, Japan's main foreign policy in the post-war period was to grow economically, and to achieve that end; Tokyo has mainly prioritized to the favourable market in East and Southeast Asian countries. However, Japan's focus in South Asian region has recently increasing as the regions had witnessed the rapid

economic growth with its cheap labour and the largest proportion of youths. Thus, it has attracted global investors for their market and the region remains at the top priority for the finished products.

Japan relation with South Asian countries can be seen in two dimensions. One is that, Japan's engagement to these countries after the historic visits paid by the former Japanese Prime Minister Toshiki Kaifu in 1990 to four South Asian countries, i.e. India, Pakistan, Bangladesh and Sri Lanka. These visits had marked the growing importance of the region that was attracted by the stable economic system. After that, former Japanese Prime Minister Yoshihiro Mori visited the South Asian nations in 2005 had further improved Japan's relation with these countries. However, the region has failed to harness the economic cooperation as desired by Japanese firms, it was mainly because of poor infrastructure, bureaucratic procrastination, language barrier and lack of cultural understanding.

The other dimension of the study focuses on two small landlocked countries in South Asia and their prospects in the region. Query of interest is to what extent does Japan cooperate with these two countries at the wake of liberalization and deregulation in the 1990s? As the two countries has practiced monarchy until the end of 20<sup>th</sup> century and Bhutan is still continuing constitutional monarchy. These two countries are at the initial phase of democratization process of their domestic politics. One of the obvious reasons was that the two countries are the fastest growing economy, albeit they had minimal economic engagement within the South Asian region. The other reason was that both the countries were the member of SAARC regional cooperation, where Japan can actively cooperate in the economic activities in the regional setting.

In recent past, there was growing apprehension among the policymakers in Tokyo regarding the growing Chinese presence in South Asia. There is a general consensus among scholars in many countries regarding the Chinese assertive policy in the East and South China Sea, which is more of a physical presence over the region. In case of South Asia, Chinese economic investment in the region has recently shifted from low to high infrastructural projects across the sub-continent. This project has specially focused on deep sea port in countries like Pakistan, Sri Lanka, and Bangladesh thereby forming a 'string of pearls.' On the other hand, Japan's membership in SAARC as an observer states along with China in 2005, gives it the leverage to operate their strategic

interest in the region. However, in case of Nepal and Bhutan, Japan has greater advantage, since these two countries are situated in the Himalayan region between India and China, where there is continuous geopolitical confrontation between two countries over the strategic position of these two countries. Thus, Japan can play an intermediary role for the development of these two countries to choose their economic cooperation, even though its geographical proximity is far away from both the countries.

It is fact that, China's factor has determined Tokyo's approach towards South Asia in general and Nepal and Bhutan in particular. If we take the geographical factor into account then these two countries have shared their boundary with both China in the north and India to the South. There is something unique about these two countries, since both the countries were landlocked and were highly dependent to India's economy, thereby sharing the common universal values of democratic principle and the rule of law. Thus, politically these two countries have closer proximity to India as well as Japan. Bhutan has always favoured India and supported it in the regional setting. Whereas, Nepal domestic political volatility and bad diplomatic ties with New Delhi have sometimes seen closer ties to China, which is also a matter of concern for Japanese Policymaker in the near future.

## **5.2 A Comparative Analysis of Japan's Role in Nepal and Bhutan**

The third and the fourth chapter focused on Japan's engagement with the two landlocked countries of South Asia, thereby studying Japanese stands in socio-economic and political cooperation with these two countries. In the recent past, the region has gained critical strategic position, thus altering Tokyo's diplomatic calculation and enhanced its focus in the region. In such a situation, how important a role can Nepal and Bhutan play in the South Asian theatre for Japan's strategic bargaining. The rationale behind a comparative study of Japan's role in these two landlocked countries understands Japanese approach to these particular countries of the region. Since both the countries can play a significant role in the regional organization like SAARC in the near future. However, Japan's tangible economic engagement in Nepal and Bhutan were relatively low as compared to other countries of South Asia. This might be partly because of their limited economic and political influence in the region and beyond.

The study also finds many similarities and differences between two landlocked countries of South Asia, and this has shaped Japan's perception towards these countries. The similarities are firstly, they are the two landlocked countries in the region and shared similar historical experience during the colonial period in South Asia. Secondly, both the countries did not face any colonial rule in the entire history of South Asia, which is unique since Japan also has same experience in its past. Thirdly, both the countries had long dynastic rule in their past and Bhutan still has the King as the nominal head of the state. Fourthly, the two countries share similar developing economy, where more than half of the populations were engaged in the agricultural sector. Finally, they have followed the democratic transition almost at the same time. The dissimilarities lies in the process of achieving the democratic values, which is quite different in both the countries. Nepal had experience a decade long civil war to come for the agreement of democratic (peace) transition. Whereas, Bhutan had experienced the top-down approach from the Royal King of Bhutan in silence. Thus, the two countries are the youngest democracy in South Asia, even though they have the refugee problem of *Lothsampas*, who are been thrown out from Southern Bhutan in early 1990s by the government of Bhutan and currently settled at refugee camp in Jhapa district, Eastern Nepal.

Under such backdrop, Japan's engagement with these countries might have different approach in its bilateral relation to the individual countries. Due to its sheer size, Japan's engagement with Nepal is much larger than Bhutan. Japan's economic engagement with Nepal was relatively larger in volume and advanced in many sector as compared to Bhutan. Bhutan shares one of the unique development models of "Gross National Happiness," which share similar ideas of Japan's security policy of climate change and environmental policy. Thus, Bhutan has credential of guaranteeing sustainability of the resource in the near future. Nepal's geostrategic stand in the region had higher implication towards China and India vis-à-vis the Japanese counterparts, as it holds the significant geostrategic position between the two powers in Asia. This has given Nepal a leverage to play an important role in the region. Whereas, Bhutan had quite clear stands towards China, since Bhutan often faces the Chinese incursion to its northern border with China. With increasing advent of Chinese presence in the region, Japan considers the geopolitical strategic locations of the two countries as critical. With, Nepal's tilting diplomacy towards China it has furthered concern of the

democratic allies in this region namely, India, Japan, Bangladesh and resulted in modification to the dynamics of South Asian politics.

The study highlights unique features about Japan's role in both Nepal and Bhutan, it remains one of the highest aid donor countries since from the early 1990s. Japan's contribution to the development of social infrastructure, improving health, education and poverty reduction remained significant in both the countries. In recent times, Japan assistance for the democratization of Nepal and Bhutan was appreciated by the government of both the countries. Nepal being one the oldest friends of Japan, which had shared similar historical ties with Japan have fourth largest number of Nepalese resident in its country. The year 2016 witnessed 67,470 Nepalese nationals residing in its country and 1,107 Japanese citizens were staying in Nepal. Whereas, there are only 61 Bhutanese nationals were residing in Japan and 118 Japanese nationals residing in Bhutan, until the fiscal year 2014. The basic reason behind Japan's inability to have a vibrant communication with the people of Bhutan is also because the lack of knowledge and language barrier. Bhutan's late entry to international politics was also the reason behind the lack of exchange, even though Japan had closer cultural proximity because of Buddhism.

### **5.3 Conclusion**

The previous three chapters have dealt in detail the subject matter of Japan's approach towards South Asian countries in general and Nepal and Bhutan in particular. It deals with the Japanese engagement with the region's socio-economic and political relations, which is embedded in shared cultural and political values between the two regions in general, and Nepal and Bhutan in particular. The second chapter focused on positioning Japan's foreign policy approach towards South Asia dealing with the social, economic, and political cooperation between Japan and South Asia. India has played a crucial role in anchoring the two regions to come closer through multilateral cooperation. Bangladesh and Sri Lanka are few among the South Asian countries that had gotten full attention from the Japanese counterpart. Since these two countries holds important Sea Lane of Communication in an open navigation in the Indian Ocean and Bay of Bengal. The chapter delved with the first hypothesis of the research paper, i.e. *“The growing influence of Chinese assertiveness in South Asian regions in post 1990s has changed the course of Tokyo's approach towards South Asia,”* and hence proved that, because

there is the growing fear of Chinese activities in the region that led to the worries among the Japanese policymakers in Tokyo. This is mainly due to the recent Chinese shift from small investment to the huge project based investment in the region, which was considered as the ‘string of pearls’ strategy thereby setting the deep-sea ports in the Indian sub-continent.

In order to prove the second and the third hypotheses, the proposed research has taken Japanese aid as dependent (determining) variable, part of the economic engagement of Japan’s bilateral relations with these two land-locked countries of South Asia. Since, the political and cultural domains are less accountable to choose as a variable in factoring the dominant variables in bilateral relations; rather these can be the supporting variable in the economic engagement between Japan and the two countries of South Asia. The reason behind Choosing ODA an economic tool as a determining factor is mainly because it is tangible to quantify the level of Japan’s engagement with these two countries in the region. Thus, the political and cultural relations are relatively less focused in the earlier chapters, instead it has further substantiated the economic relations between two countries.

The third chapter has explored in detail Japan’s relation with Nepal. It deals with every aspects of the bilateral relation in general and Japan’s aid to Nepal in particular, as the study has taken ODA as the tangible variable to factor the level of bilateral engagement. However, it is important to understand Japan’s domestic issue (economic recession in 1990s) with regards to the volume of aid towards Nepal. As it has explained earlier in the chapter that Japan’s engagement has been improving with the qualitative change in bilateral relation between two countries. Until the early 1990s when civil war broke out in Nepal, Nepal witnessed the increasing trends of Japanese ODA, which was largely constituted of grants aids and technical assistance. It was partly because of the changing political discourse with the establishment of multi-party democratic system in Nepal, and also the revised ODA charter made by Japanese government in 1992. Thereafter, the civil war broke out in Nepal in 1996, which has resulted in the loss of thousands of people, until the peace treaty was signed between the government of Nepal and Maoist Party in 2006. This period has witnessed the decreasing trends of Japanese assistance to the Nepal, which was mainly due to the civil war, as it results in the huge loss of public property across the country. Thus, the second hypothesis *“Political instability in Nepal in late 1990s led to the diminishing*

*of Japanese aid towards Nepal,”* has been proved in this chapter. The signing of the comprehensive peace treaty between the government of Nepal and the Communist Party of Nepal-Maoist (CPN-M) in 2006 has furthered the relation and proves that post politically stable Nepal has ensured more engagement by Japan.

To prove the third hypothesis, the fourth chapter has to be taken in account and partly touch upon the third chapter as it has close relationship with both the chapters. So, it has discussed the political instability in Nepal (as dealt in chapter three) and the democratic transition in Bhutan had attracted the Japanese aid in early 2000s. The fourth chapter broadly dealt with political, economic, and cultural relation between Japan and Bhutan. In case of Bhutan, the political transition took place silently through the top-down approach after the fourth King of Bhutan; Jigme Singye Wangchuck officially abdicated his throne to his Prince Jigme Khesar Namgyal Wangchuck as the fifth king of Bhutan in December 2006. Meanwhile, the King also proposed the first draft of constitution in the same year. Thereafter it was finally drafted in 2008. Having such political transition in Bhutan domestic politics has a positive impression towards the government of Japan. After that, the bilateral relation between two countries has further strengthened, meaning Japan had further encouraged the democratization process in Bhutan. Thereby providing many exchange programmes between the officials from Election Commission of Bhutan to visit Japan to exchange the ideas and know-how of the electoral system of Japan. Hence, the third hypothesis, *“Japan’s relation with Nepal and Bhutan has strengthened after restoring political stability in Nepal and after Bhutan became a democratic constitutional monarchy,”* has been proved, as the Japan’s approach towards these two countries has changed with the change in their domestic environment.

Under this backdrop, the recent development made by Japan’s policymakers to allure the two landlocked countries of South Asia has made tremendous progress through its generous aid providing for the social and economic infrastructural development of these countries. In rebound, it has achieved some of its goal in different international and regional forum. Firstly, Japan has secured its vote in its continuous efforts to achieve the permanent membership in UN Security Council. Since, Japan is historically a friendly nation to Nepal and Bhutan thereby it has shared many common values during dynastic rule and now is following the path of democratic principle has further strengthened the ties between the two distant regions of Asia. Secondly, it has been

able to contain Chinese presence in these two landlocked countries, since Japan's relation with Nepal and Bhutan is more or less based on non-reciprocity. Thus, it has a very positive impact on Nepal and Bhutan in their approach towards Japan. However, the active Chinese investment in Nepal and the growing eagerness of Communist Party of Nepal (United) towards China has prompted a greater concern to the Indian as well as Japanese counterpart, to think an alternative approach towards Nepal. In case of Bhutan, India has played a critical role in its development since from the inception of bilateral relation between two countries. Thus, it is equally beneficial for Japan in the long-run as Japan shares a close relation with the Indian counterpart. Bhutan's historical baggage of annexation of Tibet's autonomous region by China has bitter experience that led to trust-deficit with Chinese presence in the region, albeit China has recognized its sovereignty. Thus, Bhutan wants a balanced foreign policy to its each neighbouring countries in Asia. Thirdly, Japan deserves to play a leading role along with India to anchor the social-economic and political development of the region in general and Nepal and Bhutan in particular. Because these two countries are the youngest democracy in South Asia and Japan and India being the largest and the oldest democracy in Asia had responsible to have a progressive political development of the region and these two countries are not an exception.

Japan being the second largest economy and the largest democracy in Asia, needs to anchor the political and economic development of small economies and the young democratic countries in South Asia. To further progress in the regions, Japan has to closely cooperate with India, as she is one of the crucial players in the region. Since, Japan and India has shared many universal values of democratic principle right from the beginning of their diplomatic ties. Thus, it is natural that the two largest democracy of Asia has to come closer in order to ensure the peace and prosperity of the region. Japan need to give equal importance to the other South Asian countries as these countries have gained more strategic importance in the regions. Countries like Bangladesh and Sri Lanka had recently gained much importance for building the deep sea port from Chinese counterpart. Thus, Japan needs a cautious move to create an environment of mutual benefit thereby considering their strategic as well economic interest in the region. In order to create a counter hegemonic idea to contain the Chinese presence in South Asia in general and Nepal and Bhutan in Particular. Japan needs to understand the vast cultural diversity of the region and their aspiration into



consideration, so that it can better formulate its policy towards the region thereby assuring the mutual benefit to the different stakeholder of the region.

However, the bureaucratic procrastination of South Asian region remains major problem to the Japanese firms for their investments. Japan foreign policies have to take a bold step to translate its policy initiatives into reality that would only be possible through the regional cooperation among the South Asian nation. For that, Nepal and Bhutan can play a crucial role in harnessing the regional peace and stability in the region. To further develop an egalitarian approach, Japan needs to build the individual skill development programme thereby fostering the capacity building initiatives. This kind of initiatives helps to the people of Nepal and Bhutan in the long term. The promotion of Japanese language would be one of the important areas to harness its soft power in the region. Since the language brings the inbound cultural values from one place to another. Thus, Japan can share their rich cultural value, which was tapped in its society for the centuries, would export through language to South Asia and beyond. For this to happen in reality, Japan have to take practical approach to its cultural exchange programme thereby encouraging more people travel from Japan to South Asia and vice-versa.

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## Appendix 1

1.1 Map showing the geographic location of Nepal and Bhutan within South Asia.



1.2 Map shows the distance between Japan with Two South Asian countries.





1.3 Map Showing the oil route and formation of “string of pearls” in Indian Ocean.

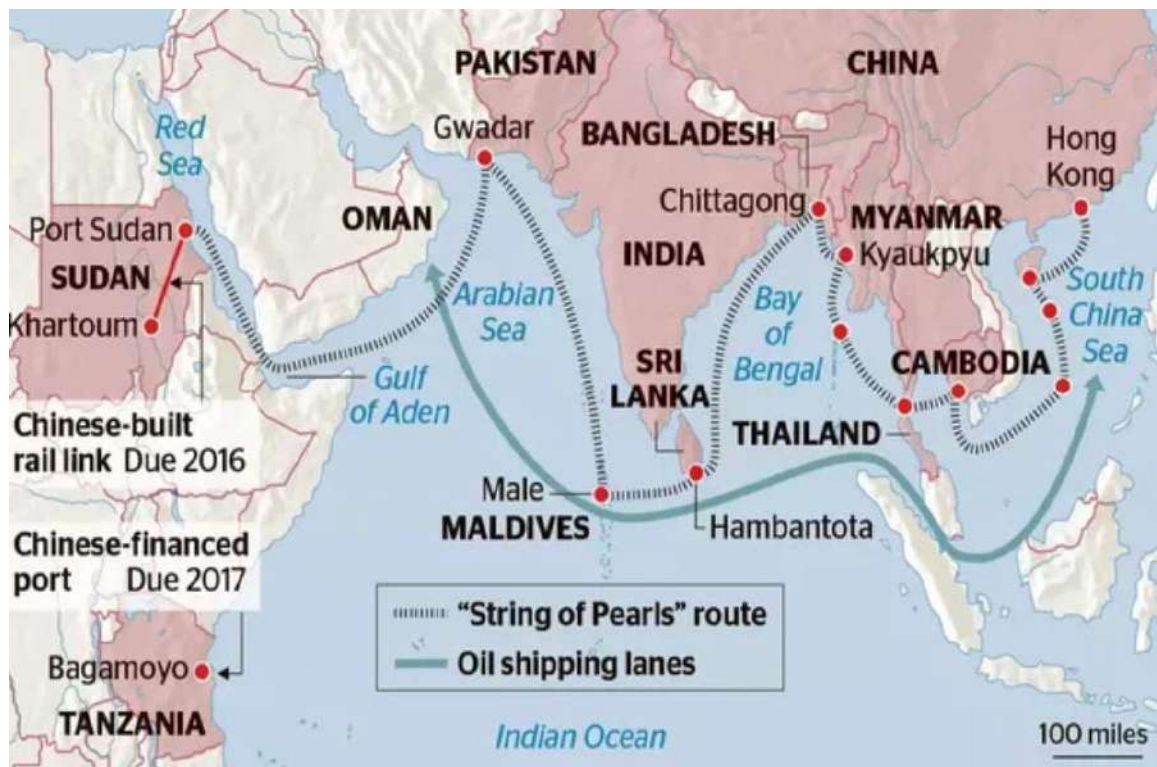




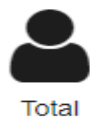
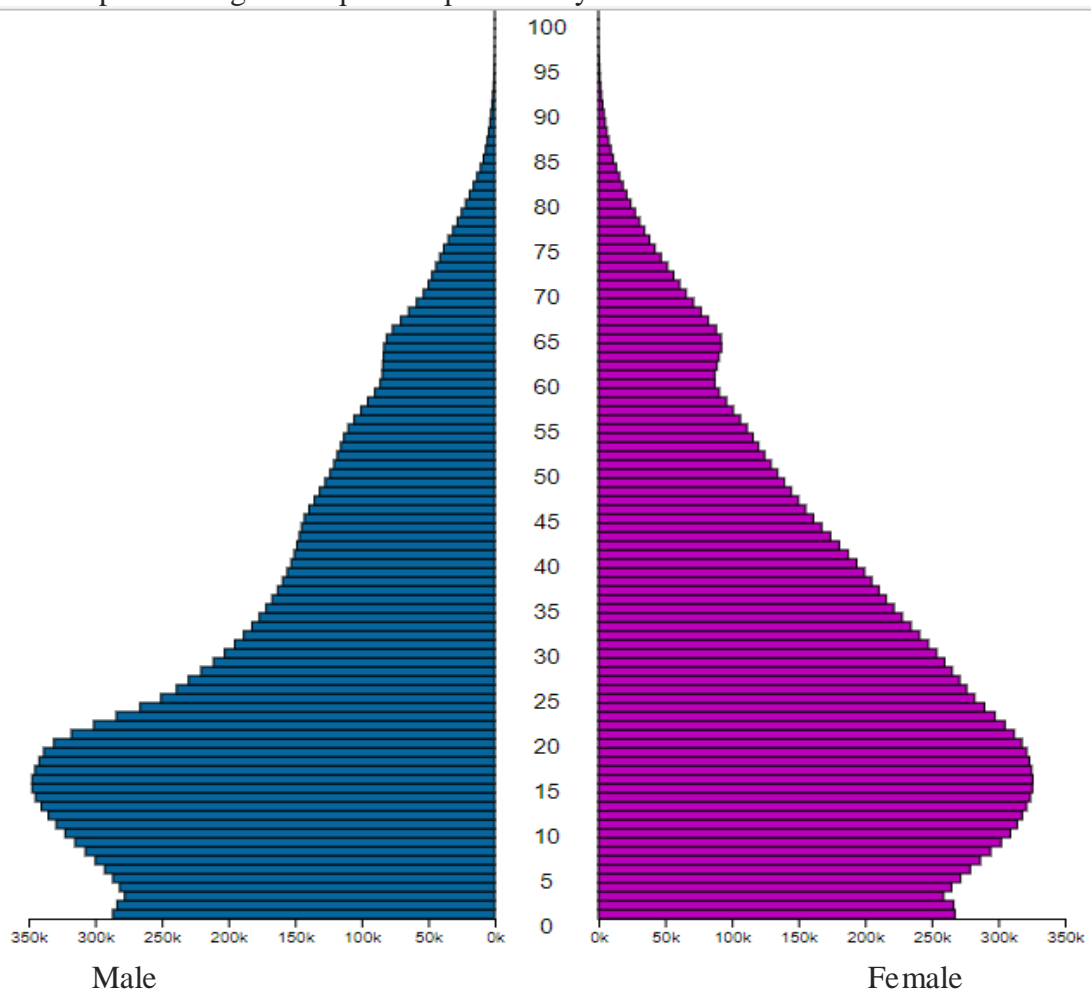
Table 1.4 shows the demographic structure of Bhutanese population.

<b>Age Group</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>%</b>
Total	381 582	351 421	733 004	100
0-4	42 725	41 999	84 724	11,56
5-9	38 396	37 725	76 121	10,38
10-14	32 169	31 593	63 762	8,70
15-19	35 432	34 403	69 835	9,53
20-24	36 526	34 745	71 271	9,72
25-29	35 433	32 065	67 498	9,21
30-34	33 279	28 491	61 770	8,43
35-39	28 766	24 060	52 827	7,21
40-44	23 774	19 545	43 319	5,91
45-49	19 391	16 213	35 604	4,86
50-54	15 245	13 209	28 455	3,88
55-59	12 257	10 806	23 063	3,15
60-64	9 602	8 645	18 247	2,49
65-69	7 268	6 741	14 009	1,91
70-74	5 169	4 956	10 124	1,38
75-79	3 338	3 313	6 651	0,91
80+	2 812	2 912	5 724	0,78

<b>Age group</b>	<b>Male</b>	<b>Female</b>	<b>Total</b>	<b>Percent</b>
0-14	113 290	111 317	224 607	30,64
15-64	249 705	222 182	471 887	64,38
65+	18 587	17 922	36 509	4,98

Sources: *World Population Prospects: The 2010 Revision*. United Nation

### 1.5. Graph showing the Nepal's Population Pyramid 2018



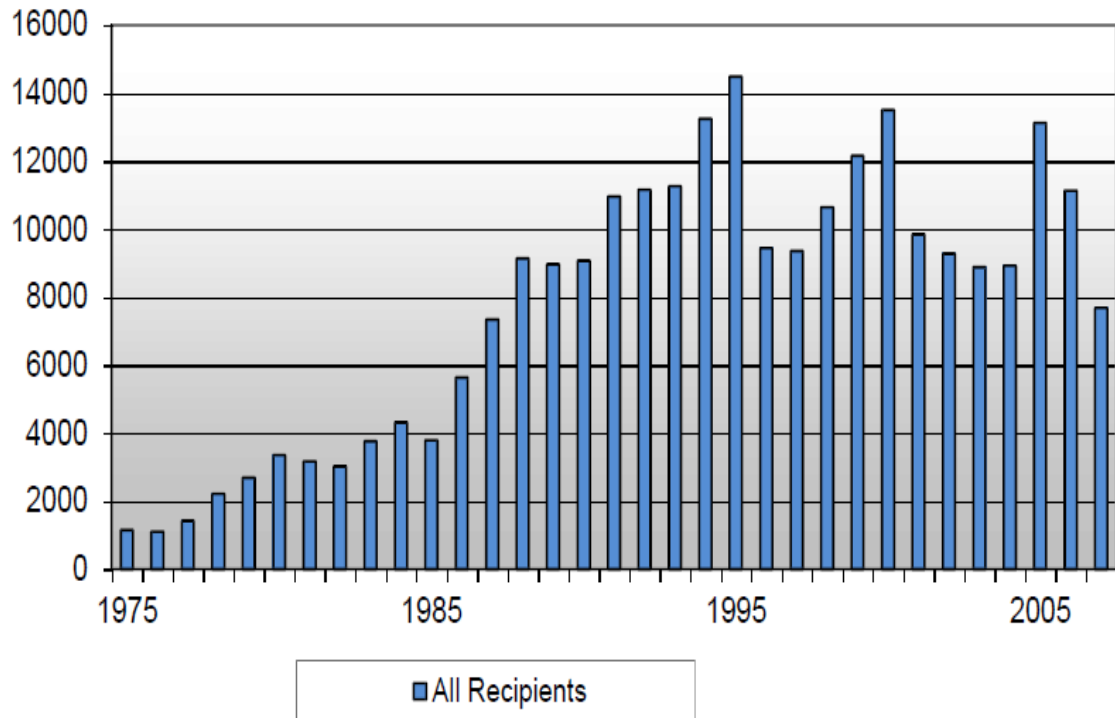
#### Nepal Population by Age

There are 18,243,743 adults in Nepal.

#### Census Years

Year	Date
2021	2021
2011	22 June 2011
2001	22 June 2001
1991	22 June 1991

1.6 Figure showing Japan total ODA (current prices, \$US)



Sources: OECD- DAC Statistics Database.

1.7 Fig: Japan’s ODA evaluation mechanism.

