

POLICY BRIEF

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Dr. Monika Chansoria is a Tokyo-based Senior Fellow at The Japan Institute of International Affairs. Previously, she has held appointments at the Sandia National Laboratories (U.S.), Hokkaido University (Sapporo, Japan), and Fondation Maison des Sciences de l’Homme (Paris). Dr. Chansoria has authored five books including her latest work, *China, Japan, and Senkaku Islands: Conflict in the East China Sea Amid an American Shadow* (Routledge © 2018).

Japan’s Role in India’s Infrastructure Journey: ODA, Technology, and Partnership for Achieving Sustainable Development Goals

Dr. Monika Chansoria

Asia’s current security map finds itself being reimaged in the midst of the evolving regional re-alignments in a post-Covid-19 pandemic scenario that has caused unprecedented damage to humanity. The idea of ‘Asia-Pacific’ that seemed apt as a regional framework at least till the late 20th century now encompasses a far broader scope geographically. The regional order matrix has been instrumental in paving the way for the “Indo-Pacific” region at large. As a region including maritime Asia at its core, the Indo-Pacific finds itself coupled with geographical boundaries that extend from the eastern coast of Africa, through the Indian Ocean, to the Western Pacific.¹ Asia’s tectonic shifts in power politics shall continue to challenge future stability in the region with festering territorial and maritime disputes, worsening resource competition, fast-rising military expenditures, and polarizing waves of domestic nationalism only make more germane efforts towards arriving upon a common understanding and approach for an Indo-Pacific definition of Asia.²

Symbolizing acknowledgment of the economic and strategic dependence on developments across a much wider maritime region, the Indo-Pacific prioritizes membership in and the agendas of regional diplomatic and security institutions as well as their allocation of resources and security partnerships.³ This also suggests that Asia will remain central in achieving its foreign policy objectives,

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1 For more and related details see, Rory Medcalf, “Reimagining Asia: From Asia-Pacific to Indo-Pacific,” *The Asan Forum*, June 26, 2015, available at <http://www.theasanforum.org/reimagining-asia-from-asia-pacific-toindo-pacific/>
2 Monika Chansoria, “Influence of Asia’s Colonization: Debating the Past, Present, and Future of Territorial Issues,” *Japan Review*, vol. 2, no. 1, Summer 2018.
3 Medcalf, n. 1.

whilst also underscoring that the history, geoeconomics, geopolitics and strategic cultures that prevail amongst major players represent a fundamental clash of interests, which, in all likelihood would pose a major obstacle to their co-existence.⁴ This eventually shall become a vital determinant for the evolution of the region's power balance.

The ongoing power play among major powers increasingly demonstrates that Indo-Pacific security institutions will most likely serve as instruments of competitive influence. Efforts need to be stepped up towards a framework to promote security dialogue and interlinked partnerships among major Indo-Pacific democracies. Common interests and shared values will help in fostering power stability and build cooperation that is balanced, mutually beneficial, and rewarding.⁵ This optimism notwithstanding, the question that continues to loom large is whether the Indo-Pacific can come together as a strategic system, given the expanse and size of the region. Common regional security challenges straddle a geographic space extending from the Indian Ocean to the Pacific Ocean, and incorporate risks in South, Southeast and Northeast Asia.⁶

More specifically, the growing commonalities and shared goals driving Indo-Japanese collaboration in the Indo-Pacific have been reinforced by the re-orientation of India's strategic focus from a 'Look East' to an 'Act East' posture being well-matched with Japan's

'Confluence of the Two Seas' vision. These two approaches find manifestation in the overall pragmatist policy approach undertaken by Tokyo and New Delhi towards the Indo-Pacific region to meet common threats and challenges to regional peace and stability. The momentum with which the Indo-Pacific has become New Delhi and Tokyo's strategic focal point is unmistakable and characteristic.

It has been almost three decades since India executed a calibrated shift in its foreign policy orientation for the Indo-Pacific region and pronounced the 'Look East' policy in 1991. A commitment to maintaining the security of the Indo-Pacific region prompted by common challenges and proactive leadership provided India with an opportunity to take a regional lead. The presence of and engagement with Japan shall remain a vital pillar of India's renewed 'Act East' strategy. The renewed focus of India's active engagement in the Indo-Pacific region within the ambit of this 'Act East' policy initiative compliments Japan's 'Free and Open Indo-Pacific Strategy'⁷ pushed by former Prime Minister Abe Shinzo's vision for an Indo-Pacific strategic framework launched during his second tenure in office in December 2012. In order to catch up with the reality of 'broader Asia', Abe referred to Japan undergoing "The Discovery of India"—implying rediscovering India as a partner and a friend.⁸ On his first overseas foray to Vietnam and Indonesia since taking over from Abe, Japan's new prime minister Suga Yoshihide appears much in line with Abe's vision

4 For a detailed debate on India-China relations, see Mohan J. Malik, *China and India: Great Power Rivals*, (First Forum Press, Boulder, 2011) p. 9.

5 For further details see, Monika Chansoria, "Indo-Japanese Strategic Partnership: Scope and Future Avenues," *Note de la FRS*, no. 17, Fondation pour la Recherche Stratégique (FRS), Paris, September 19, 2017, p. 2.

6 Ibid.

7 Chansoria, FRS Paper, n. 5.

8 For more details see, Monika Chansoria, "Japanese Investments Are Instrumental to India's Act East Policy," *Asia Pacific Bulletin*, no. 385, June 21, 2017, East West Center, Washington D.C.

and approach towards a ‘Free and Open Indo-Pacific’.⁹

Challenges to Infrastructure in Developing South Asia: Conceptual Framework

General conclusions derived from international literature that remains relevant for Asia in terms of evidence suggests that infrastructure investment is central both for accelerating growth and reducing inequality and for making growth patterns more pro-poor. Additional growth and poverty reduction benefits are associated with particular sectoral investments, notably in water, sanitation and roads.¹⁰ Further, there is evidence that, at the margin, economic returns on infrastructure investment are high (suggesting there has typically been underinvestment) and, within developing Asia, evidence from comparative studies of different regions that there is a high economic and poverty reduction impact from rural road investment, particularly when complemented by other forms of public expenditure, notably education.¹¹ There has been limited progress in the Asian region in implementing key institutional and policy reforms for infrastructure (lagging well behind Latin America and Eastern Europe for instance).¹²

In understanding the linkages among infrastructure, growth and poverty reduction,

it is important to distinguish first between issues related to infrastructure investment and the regulation and provision of infrastructure services that are provided using the capital created and, second, between the direct impact of infrastructure services – that is the effect on users of the services – and the indirect impact.¹³ For instance, the provision of a port may have little direct impact on semi-skilled workers since they do not directly use its services, but the indirect effect on the demand for their labour from export producers may be substantial. Growth impacts of infrastructure largely work through the impact on the costs of production for enterprises.¹⁴ The weaker growth performance in South Asia coupled with its slower pace of urbanisation have rendered the levels of current infrastructure provision and of human capital generally weaker and more unevenly distributed.¹⁵ There are strong a priori reasons and empirical evidence to suggest that across much of the region rural roads and improved water and sanitation services are the forms of infrastructure investment that will have the greatest positive direct impact on the poor.¹⁶

Infrastructure poses particular policy challenges because of its economic characteristics that are central to an understanding of the policy options and ways to attract sustainable investment. Stephen Jones identifies the key defining features of infrastructure as follows:

9 Mari Yamaguchi, “On Asia trip, Japan’s pragmatic new PM pushes Abe’s vision,” *PTI report* cited in *The Week*, October 18, 2020, available at <https://www.theweek.in/wire-updates/international/2020/10/18/fgn8-japan-suga.html>

10 For details see, A. Estache, “Emerging Infrastructure Policy Issues in Developing Countries: A Survey of the Recent Economic Literature,” *Background Paper*, Meeting of the POVNET Infrastructure Working Group, October 2004; also see, S. Jones, “Contribution of Infrastructure to Growth and Poverty Reduction in East Asia and the Pacific,” *Background Paper*, Oxford Policy Management, October 2004.

11 For further details and reading see, Stephen Jones, “Infrastructure Challenges in East and South Asia,” *IDS Bulletin*, vol. 37, no. 3, May 2006, Institute of Development Studies, p. 29.

12 Ibid.

13 Ibid.

14 Ibid., pp. 29-31.

15 Ibid., p. 29.

16 Ibid., p. 42.

- First, it is a capital good, and thus services are produced by combining this with other inputs and tend to have substantial economies of scale.
- Second, it generally has network characteristics (and therefore the value of an investment is related to that of complementary investments that develop and complete a network).
- Third, it is long-lasting and space-specific, thereby implying high sunk costs.¹⁷

Infrastructure development belongs to a socio-economic field that provides the foundation for industrial activities and social development and thereby sustains economic growth and social stability. A country that is capable of exporting infrastructure systems is able to acquire substantial economic benefits by gaining contracts on infrastructure projects in other countries. Simultaneously, the country is able to increase leverage on partner countries through support for infrastructure development, and enhance regional influence by forming a new institution designed to prop up infrastructure development.¹⁸ Connectivity development through infrastructure building has crucial impacts on the economy and society in individual countries and the overall development of a broader region.¹⁹ Japan's growing interest in supporting infrastructure development in Asian countries complements its finding a new source of economic growth in exporting infrastructure systems in Asia's emerging economies.²⁰

Japan's ODA History and Trade with India

Prior to World War II, Japan imported large quantities of cotton and pig iron from India, with the latter accounting for 10–15 percent of Japan's total trade volume. As both countries began diversifying their respective trading partners, the share of bilateral trade consequently declined. As of 2018, India held a 1.1 percent share of Japan's total trade, and the latter's share of India's trade stood at 2.1 percent. Despite the Japan-India Comprehensive Economic Partnership Agreement, which took effect in August 2011, bilateral trade has not increased by a great degree. Japan-India trade totaled about \$17.6 billion in 2018—only a fifth of India's trade with China.²¹ Moreover, horizontal trade between Tokyo and New Delhi has not developed as seen in the case of trade in industrial products and parts between Japan and other East Asian nations.²²

The above notwithstanding, the Indo-Japanese journey has been a long, noteworthy one. In this reference, this policy paper aims to specifically focus upon regional connectivity initiatives with increased Japanese investments and collaboration on infrastructure development in India via Japan's ODA (Official Development Assistance) program. While Japanese ODA contributions have no doubt aided in bridging India's infrastructure deficit to a large extent, Tokyo's pivotal role in developing overall infrastructure across India, and specifically in its northeast region, will prove to be a defining turn in the real "confluence" of India's Act East initiative with Japan's Indo-Pacific strategy.

17 Ibid., p. 28.

18 For further details see, Hidetaka Yoshimatsu, "New Dynamics in Sino-Japanese Rivalry: Sustaining Infrastructure Development in Asia," *Journal of Contemporary China*, vol. 27, no. 113, 2018, p. 721.

19 Ibid., p. 720.

20 Ibid.

21 Kojima Makoto, "Japan-India Economic Ties: Current Trends and Future Prospects Economy," May 20, 2020, available at <https://www.nippon.com/en/in-depth/a06702/>

22 Ibid.

Incidentally, former Prime Minister Abe's grandfather, Nobusuke Kishi, who also served as Japan's prime minister (Jan 1957–Jul 1960), became the first-ever Japanese prime minister to visit New Delhi in 1957. It was during this visit that he launched Japan's first post-war ODA to India with the grant of international yen loans that Japan began to provide in 1958. Since fiscal year 2003, except 2010 and 2014, India has become the largest recipient of Japan's Yen Loan per year. A large share of yen loans went for the construction of transport systems. The Delhi Metro that began operating in 2002 is a successful example of the transfer of Japan's operation systems, construction culture, and safety technology. Japan's support of subway systems has since spread from New Delhi to Ahmedabad, Mumbai, Kolkata, and Chennai.²³

From the time Japan made its first post-war yen loan to India to the present, with Japan now being India's largest bilateral lender and the largest humanitarian assistance provider both directly and indirectly through multilateral agencies, the loans for the Delhi Metro, Bullet Train, and other projects have been among the lowest-interest loans given by Japan to any nation, and far lower than the interest rate insisted upon by another major Asian lending nation.²⁴ However, the steady decline in the value of the rupee has been viewed as a dampener for Foreign Direct Investment (FDI). Since profits are recorded in foreign currency such as yen or dollar, each time the rupee declines, it erodes the profitability of the investor.

As indicated by Suzuki's success in India, Japanese automakers' advance into the market has contributed greatly to raising Indian

manufacturing industry standards, such as raising the levels in workers' skills and improving quality control. These changes in effect encouraged the advance of Japanese companies into India in areas such as steel, machinery, power generation equipment, and logistics.²⁵ In the air conditioning sector, Daikin has maintained its position as the top selling brand in India. The advance of Japanese companies into India is increasing in a wide range of areas, such as foods, stationery, cosmetics, pharmaceuticals, sanitary goods, and toilet facilities. In the retail sector, Ryōhin Keikaku's Muji brand opened its first Indian outlet in Mumbai in August 2016, and Fast Retailing opened the first Uniqlo store in New Delhi in October 2019.²⁶

Today, Japan is among the top five sources of FDI in India. More significantly, the field of FDI is experiencing a more dynamic trend given that Japan is a major investor in India exceeded only by Mauritius and Singapore. The purchase of Ranbaxy Laboratories, India's largest drug maker, by Daiichi Sankyō, and NTT DoCoMo's equity participation in Tata Teleservices has resulted in a substantial surge of Japanese FDI in India. The number of Japanese companies entering the Indian market has grown steadily from 550 in 2008 to 1,441 in 2018.²⁷ Japan's economic power has been sustained by industrial and technological strengths, although these have been heavily dependent on four manufacturing sectors—automobiles, electronics, machinery, and steel. In order to maintain its position as an economic power, Japan needs to broaden the scope of industrial sectors capable of undertaking global operations beyond the narrow manufacturing sectors, and

23 Ibid.

24 Sunil Chacko, "Japanese investment to India: Possibilities and Constraints," *The Sunday Guardian*, May 2, 2020.

25 Makoto, n. 21.

26 Ibid.

27 Source for these figures: Japan External Trade Organization, calculated from the balance of payment statistics of Japan's Ministry of Finance.

integrate these sectors into growth potential in the emerging economies.²⁸

Regional Connectivity: Japanese Loans and Assistance for Infrastructure Projects across India

Despite playing a vital role in India’s infrastructure development, e.g., the building of new industrial cities through the construction of subways, dedicated freight railways, and high-speed railways using Japanese Shinkansen technology, the overall Indo-Japanese partnership still falls far short of its potential, with avenues across a substantial scope waiting to be explored.²⁹ As noted in the preceding reference, infrastructure deficiencies have long been a grievance of many Japanese companies functioning in India. In fact, investments in India have been hindered substantially owing to the lack of infrastructure, and the lack of transparency in the application of laws.³⁰

According to surveys of Japanese companies conducted during the past decade by the Foundation for Advanced Studies on International Development (FASID), the biggest problem when investing in India is its poor infrastructure, and this complaint has remained persistent over many years. The Japan-India Business Co-operation Committee (JIBCC) and various Japanese survey groups visited India to urge that it upgrade its infrastructure facilities.³¹ In 2006, Japanese companies believed that the ODA for India resulted in both direct and indirect profits from incoming contracts. The indirect profits came mainly from reduced costs

as a result of the development of peripheral infrastructure centered on the regions into which they moved.³² The areas in which Japanese companies expected enhanced ODA expansion were centered on physical infrastructure such as power, roads and ports, cited in that order. Also included were loans for projects involving the construction of new power plants as well as the remodeling of existing ones, support for the construction of Special Economic Zones (SEZs), peripheral water treatment and waste disposal facilities, the generation and supply of power, and new urban transport systems such as subways and monorails.³³

More recently, the 2019 Japan Bank for International Cooperation (JBIC) survey of Japanese manufacturers with overseas subsidiaries revealed that India ranked first as a desirable place to do business in the long term (the next 10 years) and in the medium term (the next 3 years). While investment decisions remain based on a mix of factors including economic stability and growth, labor and capital costs, local support services, incentive schemes and strategic location, the priority focus areas identified were modern airports, marine ports, and nationwide fibre-optic broadband.³⁴ During a visit by Prime Minister Modi to Japan in 2016, the synergy between India’s ‘Act East Policy’ and Japan’s ‘Expanded Partnership for Quality Infrastructure’ for better regional integration and improved connectivity was highlighted. This policy pronouncement remains momentous from India’s standpoint, especially in reference to the dire need for infrastructure build-up in India’s northeastern states—the bridgehead of

28 Yoshimatsu, n. 18, p. 729.

29 Makoto, n. 21.

30 Ibid.

31 Kondo Masanori, “How Do Japanese Companies View India’s Infrastructure?” *Journal of the Japan Economic Foundation (Japan Spotlight)*, September/October 2006, p. 22.

32 Ibid., p. 23.

33 Ibid., pp. 23-24.

34 Chacko, n. 24.

its connectivity to Asia's East.³⁵ Prime Minister Modi has long been articulating his vision of India's engagement with the East, since the time he addressed the 12th ASEAN-India Summit in November 2014, having assumed office as India's prime minister just about six months prior.

The intensity and (the) momentum with which we have enhanced our engagement in the East is a reflection of the priority that we give to this region... A new era of economic development, industrialization and trade has begun in India... Externally, India's 'Look East Policy' has become 'Act East Policy'.³⁶

Given the importance of infrastructure investment for the regional economy and climate change, leaders in Asia have exhibited growing interest in managing infrastructure development and investment. This was demonstrated by the leaders of the East Asia Summit (EAS) as they adopted the *Vientiane Declaration on Promoting Infrastructure Development Cooperation in East Asia* at the 11th East Asia Summit meeting in September 2016.³⁷ India's zeal to engage with the EAS, too, is a pointer towards its commitment to bolster cooperation in collectively addressing various traditional and non-traditional security challenges, which will be instrumental in ensuring security and stability for the greater Indo-Pacific region.

The 2016 *Vientiane Declaration* underscored the '...importance of promoting quality

infrastructure development, which ensures factors such as economic efficiency in view of life cycle cost, safety, resilience and sustainability, job creation, capacity building, transfer of expertise and know-how, and alignment with economic and development strategies while addressing social and environmental impacts'.³⁸

G7 Ise-Shima Principles for Promoting Quality Infrastructure Investment

International conferences entitled *Sustainable Development through Quality Infrastructure Investment* in January 2016 and February 2017 organized by the World Bank and Japan aimed at promoting common understanding regarding major characteristics of quality infrastructure investment and its relevance to economic growth, and at examining concrete methods to realize quality infrastructure investment effectively.³⁹ The core ideal of Japan's quality infrastructure lies in the promotion of strong, sustainable and balanced growth by enhancing the resilience of the society. This ideal was included in the 'Principles for Promoting Quality Infrastructure Investment' adopted during the Japan-hosted Group of Seven (G7) Ise-Shima Summit in May 2016⁴⁰ and the leaders' statement for promoting quality infrastructure investment issued at the Japan-Africa Public-Private Infrastructure Conference three months later. On the basis of this ideal, five principles were drawn up, namely:

- economic efficiency in view of life cycle

35 Monika Chansoria, "Japan's loans should focus on Northeast," *The Sunday Guardian*, December 10, 2016.

36 The 12th ASEAN-India Summit, Nay Pyi Taw, Myanmar, November 12, 2014, available at https://mea.gov.in/bilateral-documents.htm?dtl/24243/Chairmans_statement_of_the_12th_ASEANIndia_Summit_in_Nay_Pyi_Taw_Myanmar

37 Yoshimatsu, n. 18, p. 721.

38 For more details see, *Vientiane Declaration on Promoting Infrastructure Development Cooperation in East Asia*, available at <http://asean.org/vientiane-declaration-on-promoting-infrastructure-development-cooperation-in-east-asia/>

39 Yoshimatsu, n. 18, p. 724.

40 For details see, G7 Ise-Shima Summit Leaders' Declaration, May 26–27, 2016, available at http://www.mofa.go.jp/ecm/ec/page24e_000148.html

cost as well as safety and resilience against natural disaster

- ensuring job creation, capacity building and transfer of expertise and know-how
- social and environmental impacts
- alignment with economic and development strategies
- resource mobilization through Public Private Partnership

Japan’s approach to building connectivity underscores the Ise-Shima Leaders’ Declaration endorsed by the G7 in 2016 that include safety, reliability and resilience, social and environmental considerations, local job creation and transfer of know-how, alignment with host country development strategies, and economic viability.⁴¹ In a statement pertaining to infrastructure, the G7 Ise-Shima Leaders’ Declaration endorsed promoting quality infrastructure investment to address the global demand-supply gap and striving to align the G7’s infrastructure investment with Principles. The G7 encouraged relevant stakeholders, including multilateral development banks (MDBs), to align their infrastructure investment and assistance with the Principles. The global demand-supply gap in infrastructure investment is a serious bottleneck to the current growth, job creation and development challenges the world faces. While recognizing that effective mobilization of resources in quantity is imperative, the G7 highlighted that investment without the quality perspective could end up introducing infrastructure with higher life cycle costs, less durability, inequitable distributive effects, highly negative environmental and social impacts, vulnerability against natural disasters

and climate change impacts.⁴²

Thus, the G7 reaffirmed the crucial importance for stakeholders, including governments, international organizations and the private sector, to work coherently towards bridging the existing gaps by promoting quality infrastructure investment so as to promote strong, sustainable, and balanced growth with an important contribution to productivity gains and enhance resilience in society, as well as contribute to global efforts to advance sustainable development by addressing development challenges, including those identified in the 2030 Agenda, the Paris Agreement and the Addis Ababa Action Agenda.⁴³ To promote such quality infrastructure investment, the G7 aimed at aligning its own infrastructure investment with the G7 Ise-Shima Principles for Promoting Quality Infrastructure Investment. The relevant stakeholders, namely governments, MDBs and other international organizations, and the private sector, have been encouraged in PPP projects and elsewhere to align their infrastructure investment and assistance with the Principles, including the introduction and promotion of a transparent, competitive procurement process that takes full account of value for money and quality of infrastructure.⁴⁴

Japanese ODA: Instrumental for India’s ‘Act East’ Initiative via the Northeast

While addressing the centenary celebrations of a well-known voluntary organization in the capital city of India’s northeastern state of Meghalaya in May 2017, Modi emphasized

41 For further reading see, John Hartle, “The Normalization of Japanese Policy in the Indian Ocean Region,” *Policy Report*, Analysis and Policy Observatory, Future Directions International, Australia’s Global Interests, June 21, 2018.

42 Statement on the G7 Ise-Shima Summit, *Official Release*, The White House, Office of the Press Secretary, May 27, 2016, available at <https://obamawhitehouse.archives.gov/the-press-office/2016/05/27/g7-ise-shima-leaders-declaration>

43 Ibid.

44 Ibid.

India's major thrust of improving connectivity to the entire Northeast region by means of initiating major infrastructure projects in the seven northeastern states. This included investing Rs 40,000 crores for the improvement of roads and highways. For strengthening connectivity with Southeast Asia, India began work in June 2017 on a highway from Meghalaya to Myanmar. This constitutes the base of the India-Myanmar-Thailand trilateral pact of constructing 1,400 kilometres of highway linking the country with Southeast Asia by land for the first time in decades. Other notable connectivity projects include 19 major railway line plans, the air travel scheme "Udaan", construction of smaller airports, and extension of the Shillong runway, which stands approved.⁴⁵

India and Japan are developing a concrete roadmap for the phased transfer of technology in sync with New Delhi's 'Make in India' initiative, human resource and financial development and collaboration in fields such as highways, high-speed rail technology, operations, maintenance, modernization and expansion of the conventional railway system in India. Tasked to spot investment opportunities in India, the Mizuho Financial Group of Japan has identified key sectors in India for a focused investment approach. The requirements of India's growing infrastructure needs present a compelling case for increased outlay of Japanese capital. From 2014-2019, Tokyo pledged 3.5 trillion yen (close to US \$33 billion) in investments to boost India's burgeoning manufacturing and infrastructure sector. Another potential avenue is that of the thousands of mid-sized companies in Japan with virtuous technologies that need to be marketed well,⁴⁶ in that, once they are combined with Indian manufacturing, a newer foundation of

Indo-Japanese growth will be on the anvil.

In order to promote quality and innovative infrastructure, Japan has adopted several new loan system policies. First, the government revised yen loan procedures to reduce the period necessary for completing government-related procedures to one and a half years for important priority projects, and approximately two years for secondary projects.⁴⁷ Second, Japan introduced ODA loans with a currency conversion option for upper-middle-income countries. This method is designed to increase the attractiveness of the loans by making their repayment options flexible.⁴⁸ Third, Japan will decide as an exception on a case-by-case basis at a Ministerial conference to exempt the government guarantee in providing yen loans directly to sub-sovereign entities of developing countries when several conditions, including economic stability in the recipient countries and sufficient commitments by recipient governments, are met.⁴⁹

Asia per se has insatiable infrastructure requirements, touching 100 trillion yen (close to US\$1 trillion) annually. Of this, India holds the highest demand for infrastructure development within Asian countries. Japan's ODA commitment to India in 2015 reached 366 billion yen, which was then an all-time high. This figure remained the highest in comparison to ODA provided by Japan to any other country. As indicated in the previous reference, the year 2016 saw a commitment of 390 billion yen by the government of Japan, the highest amount committed in a single fiscal year.⁵⁰ The importance of securing appropriate implementation of ODA projects cannot be overemphasized, with 3.5 trillion yen of public

45 Chansoria, *Asia Pacific Bulletin*, n. 8.

46 Chacko, n. 24.

47 Yoshimatsu, n. 18, p. 723.

48 Ibid.

49 Yoshimatsu, n. 18, p. 723.

50 Chansoria, "Japan's loans ..." n. 35.

and private investment and financing to be received by India in five years under the “Japan-India Investment Promotion Partnership”. Japanese contributions to the development and modernization of infrastructure in India via ODA are fast becoming a vital reference point, with a majority of ODA-related projects lying in the infrastructure sector.

Japan’s Official Development Assistance to India specifically included 67.1 billion yen for the Northeast Road Network Connectivity Improvement Project (Phase I). Strategies to facilitate development will be a critical benchmark that would test the strategic basis of India’s relationship with Japan by means of facilitating these ODA projects to enhance road connectivity throughout Northeast India by means of identifying technologies and collaborative infrastructure strategies. In this reference, Japan has agreed, in principle, to back and fund many critical Greenfield Highway Projects in Northeast India. The Japan International Cooperation Agency (JICA), which coordinates ODA for the government of Japan, is involved in the following projects located in Northeast India:

- 1) An earmarked appx. 400 km stretch of highway in Mizoram between Aizawl and Tuipang
- 2) A 50 km and appx. 80km stretch of highway in Meghalaya; and
- 3) One project each in Tripura and Assam

Japan has worked on a variety of development projects in India’s Northeast, ranging from connectivity infrastructure such as roads and electricity to water supply and sewage as well as forest resource management and biodiversity. It has pledged a loan of around 15.6 billion

yen (approximately US\$156 million) for the Guwahati Sewerage Project in Assam. In addition, Tokyo is assisting India in the field of forest resource management through projects currently the subjects of feasibility studies being conducted by JICA.

The role and scope of Japan in developing infrastructure in India’s Northeast will be among the key yardsticks to measure the ‘confluence’ of India’s ‘Act East’ initiative with Japan’s Indo-Pacific strategy discussed in an earlier segment of this paper. Working towards realization of this objective, the Japanese Embassy in New Delhi and India’s Ministry of Development of North Eastern Region officially inaugurated the India-Japan Cooperation Forum for Development of the North Eastern Region in August 2017, which was later upgraded to the Japan-India Act East Forum. The inaugural meeting of the Japan-India Coordination Forum (JICF) for the development of the Northeastern Region aimed at promoting cooperation for projects in the region. Japan has been placing a special emphasis on cooperation in the Northeastern Region due to its geographical importance in connecting India to Southeast Asia even as India simultaneously promotes its “Act East’ Policy.⁵¹ As for Japan, securing projects in Southeast Asia is important since the region has been a traditional locus of Japanese foreign direct investment and production networks.⁵²

Tokyo and New Delhi need to collaborate, on a priority basis, in order to enhance roads and highway connectivity in this Northeastern Indian state that remains New Delhi’s steppingstone to the East.

The latest March 2020 statistical update on JICA-funded ODA loans in crucial sectors,

51 As per a release by the Embassy of Japan in India, August 4, 2017 available at http://www.in.embjapan.go.jp/itpr_en/00_000394.html; also see, “First meeting of Japan-India Coordination Forum (JICF) for Development of North-Eastern Region held,” *Press Information Bureau*, Government of India, Ministry for Development of North-East Region, August 3, 2017.

52 Yoshimatsu, n. 18, p. 729.

including investments in the Northeast, incorporates loan agreements signed between JICA and the Government of India providing up to a total of 374.44 billion yen⁵³ for the following nine projects across India.

- (1) Dedicated Freight Corridor Project (Phase I) (loan amount: 130 billion yen)
- (2) Mumbai Metro Line 3 Project (III) (loan amount: 39.928 billion yen)
- (3) Ahmedabad Metro Project (II) (loan amount: 13.967 billion yen)
- (4) Mumbai Trans-Harbor Link Project (II) (loan amount: 66.909 billion yen)
- (5) North East Road Network Connectivity Improvement Project (Phase 4) (loan amount: 14.926 billion yen)

The objective of the *North East Road Network Connectivity Improvement Project (Phase 4)* is to improve the connectivity in the Northeast Region of India through establishing and improving National Highway 208 (Kailashahar–Khowai), thereby promoting regional economic development. The executing agency is the National Highways and Infrastructure Development Corporation Limited and completion of the project is slated for March 2024 with the start of road operations.

- (6) Madhya Pradesh Rural Water Supply Project

(loan amount: 55.474 billion yen)

- (7) Project for Pollution Abatement of Nag River in Nagpur (loan amount: 29.082 billion yen)
- (8) Project for Ecosystem Restoration in Gujarat (loan amount: 13.757 billion yen)
- (9) Project for Community-Based Forest Management and Livelihoods Improvement in Meghalaya (loan amount: 10.397 billion yen)

The objective of the *Project for Community-Based Forest Management and Livelihoods Improvement in Meghalaya* is to restore and conserve natural resources within the villages by sustainable forest management, livelihood improvement, and institutional strengthening. This will contribute to conservation of the environment, biodiversity, and improvement of the socio-economic conditions of people in the state of Meghalaya. The executing agency of this project is the Meghalaya Basin Development Authority, Government of Meghalaya and completion of project is slated for March 2030 with the conclusion of all activities.

The above-mentioned projects will contribute to the achievement of the United Nations' SDGs,⁵⁴ namely, 1, 3, 6, 9, 11, 13, 14 and 15:

- Goal 1. End poverty in all its forms everywhere
By 2030, eradicate extreme poverty for all people everywhere, currently

53 For more details see, *Press Release*, Japan International Cooperation Agency (JICA) "Signing of Japanese ODA Loan Agreements with India: Supporting well-balanced economic growth through establishment of urban infrastructure and rural development with community participation," March 30, 2020, available at https://www.jica.go.jp/english/news/press/2019/20200330_31_en.html

54 Final list of proposed Sustainable Development Goal global indicator framework developed by the Inter-Agency and Expert Group on SDG Indicators (IAEG-SDGs) and agreed to, as a practical starting point at the 47th session of the UN Statistical Commission held in March 2016. The report of the Commission, which included the global indicator framework, was then taken note of by ECOSOC at its 70th session in June 2016. The global indicator list is contained in the Report of the Inter-Agency and Expert Group on Sustainable Development Goal Indicators (E/CN.3/2016/2/Rev.1), Annex IV, available at <https://sustainabledevelopment.un.org/content/documents/11803Official-List-of-Proposed-SDG-Indicators.pdf>

measured as people living on less than \$1.25 a day

including marine debris and nutrient pollution

Goal 3. Ensure healthy lives and promote well-being for all at all ages
By 2030, reduce the global maternal mortality ratio to less than 70 per 100,000 live births

Goal 15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Goal 6. Ensure availability and sustainable management of water and sanitation for all
By 2030, achieve universal and equitable access to safe and affordable drinking water for all

By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements

Goal 9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation
Develop quality, reliable, sustainable and resilient infrastructure, including regional and trans-border infrastructure, to support economic development and human well-being, with a focus on affordable and equitable access for all

Conclusion

Commensurate with India’s ‘Act East’ policy announcement and consequent re-orientation of its strategic focus, establishing security norms and rules in accordance with international law across the full extent of the Indo-Pacific region will remain a vital objective for both India and Japan. The two nations today represent strong and united leadership with a determination to persevere by virtue of sharing basic democratic values that uphold individual freedoms, liberties, rights and social values as foremost guarantees of their respective democratic constitutions.

Goal 11. Make cities and human settlements inclusive, safe, resilient and sustainable
By 2030, ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums

Goal 13. Take urgent action to combat climate change and its impact
Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries

Bilateral and multilateral regional endeavors by liberal democracies with similar perspectives and approaches to the rule of international law will remain crucial in their respective partnerships with the Indian Ocean Region’s littoral states aimed at building capacity, developing infrastructure and contributing to the regions’ sustainable development. Furthermore, securitization of the sea lines of communication (SLOC) is a primary driver for building on security and economic partnerships with potential strategic partners across the

Goal 14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development
By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities,

Indo-Pacific.⁵⁵ Liberal democracies holding vital stakes in Asia and its future geo-political and economic order should maintain their solid foundations and convergences at the strategic level for greater leverage and say in the future security design of Asia by undertaking flexible decisions based on maritime border variables to achieve strategic deliverables, bilaterally and multilaterally.⁵⁶

paving the way for better integration of the Indo-Pacific, the Indian Ocean Region, and its stakeholders.

Although the People’s Republic of China appears more integrated with the world’s political and economic systems, growing uneasiness in the Indo-Pacific region – exacerbated by post-COVID-19 pandemic scenarios, moves indicative of China’s increasing economic and military power, and China’s lack of adherence to regional and international norms⁵⁷ – has been a source of increasing instability in the greater Indo-Pacific region. China today is far more adept at launching and supporting missions beyond its immediate periphery. In reference, former US Secretary of State Madeleine Albright once wrote, “The manner in which the United States engages China now and, in the future, will influence whether China becomes a constructive participant in the international arena.... We seek a China that embraces universally recognized human rights and global norms of conduct and one that works with us to build a secure international order.”⁵⁸

The commonality of goals such as strengthening multilateralism, protecting an international maritime order based on law, and pursuing international development cooperation (scientific and technological) need to be highlighted as priority areas. Bilateral and multilateral initiatives shall likely propel growth and investment through capacity-building,

55 For further details see, Monika Chansoria, “China, U.S. and a Post-Covid Indo-Pacific Setting,” *Note de la FRS*, Fondation pour la Recherche Stratégique (FRS), Paris, November 2020, Forthcoming.

56 Ibid.

57 Alastair Iain Johnston, “Is China a Status Quo Power?” *International Security*, vol. 27, no. 4, Spring 2003, pp. 5-56.

58 Madeleine K. Albright, “The U.S. and China,” *Diario Las Americas*, Miami, Florida, July 5, 1998, available at <http://secretary.state.gov/www/statements/1998/980705.html>