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Japan-India Cooperation in the Infrastructure Sector and Opportunities for Singapore

Japan and India are collaborating in a big way to develop India's infrastructure sector. This is an area which is critical to India maintaining or even enhancing its growth levels. As such, New Delhi is pulling out all stops to overhaul this key area. Indo-Japanese collaboration provides a unique opportunity for Singaporean companies to seek business deals in India's infrastructure sector – an opportunity too good to miss.

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Japan and India have a long history of cooperation in the infrastructure sector. However, it is notable that the cooperation is now extending to the less traditional regions such as the north-eastern part of India, which were previously not open to foreign investment. As India ramps up its infrastructure sector with the help of countries like Japan, Singaporean companies should seize on the 'first-mover advantage' in this sector.

Good quality infrastructure is the life-blood of a nation. While India's infrastructure is improving, it is a far cry from the quality to be found in developed countries. No wonder, the present Indian government wants to develop the infrastructure sector in a big way and one

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country that is supporting New Delhi in its efforts is Japan – both financially and in technical expertise.

There is a long history to Japanese aid to India. New Delhi was the first recipient of yen loans from Japan in 1958, during the time of Nobusuke Kishi, the grandfather of present Japanese Prime Minister, Shinzo Abe. This was one of the ways in which Japan thanked India for contributing to its economic recovery after the devastation caused by the Second World War, by supplying much-needed iron ore. Japan has been helping India proactively in the field of infrastructure building and New Delhi has been the biggest recipient of Japanese Official Development Assistance (ODA) since 2003-2004.²

Major Signposts

The Delhi Metro is a visible example of Japanese ODA to India – one which has revolutionised the way people in India's National Capital Region travel. There is also the Delhi-Mumbai Industrial Corridor (DMIC) and the western dedicated freight corridor, to which Japan has contributed financially. The DMIC is one of the world's largest infrastructure projects and will link the political capital, New Delhi, with the economic capital, Mumbai, while passing through seven Indian states.

Japan is also financially helping with the Chennai-Bangalore Industrial Corridor (CBIC) which will link Bangalore and Chennai in South India and is meant to increase trading volumes between South India and Southeast Asia. India and Japan have also signed an agreement to introduce Japanese bullet trains (*Shinkansen*) between Mumbai and Ahmedabad in Gujarat. Japan has committed a loan of around US\$12 billion for the Mumbai-Ahmedabad bullet train project at a very negligible rate of interest. The construction work on the Shinkansen Line will start by 2018 and is expected to commence operations by 2023.

Japan is now also involved in infrastructure development in India's remote north-eastern region. It is worth noting here that, the Indian government was previously not keen to allow

² Outline of Japan's ODA to India, available at http://www.mofa.go.jp/region/asia-paci/india/pmv0504/oda_i.pdf. Accessed on 1 May 2017.

foreign investment in this part of the country, given the socio-political issues plaguing the region. It must, however, be pointed out that one of the main reasons for the backwardness of the north-eastern region has been the poor state of its infrastructure.

Tokyo has earmarked an ODA loan of around 96 billion yen (around US\$845 million) for the development of roadways in India's north-eastern region.³ In addition, New Delhi is going in for the India-Myanmar-Thailand trilateral highway, which, when completed in 2019, is likely to be a game-changer in the region. There are also plans in the future to link the India-Myanmar-Thailand trilateral highway all the way to Da Nang in Vietnam through existing road networks.

During India's Prime Minister Narendra Modi's visit to Tokyo in 2014, it was agreed that Japan would provide 3.5 trillion yen to India over the next five years. On its part, New Delhi has set up a "Japan Plus" office in its Ministry of Commerce and Industry to redress problems faced by Japanese companies in India. New Delhi and Tokyo have also agreed to cooperate to develop civilian infrastructure in the Andaman and Nicobar Islands, which lie very close to the entrance of the Straits of Malacca – a choke point.

Rationale for Japan's Help in India's Infrastructure Sector

Firstly, India reels under a huge infrastructure deficit in both its cities and rural areas. At present, substantial fuel and valuable man-hours are lost due to the lack of good quality infrastructure. Besides, it could also have strategic ramifications as, in the north-eastern part of the country (which shares borders with Bhutan, China, Myanmar and Bangladesh), quality infrastructure projects are few and far between. It is also important to ensure the quality of the infrastructure to be constructed in India. Here too, Japan's help would be crucial, especially in the north-eastern part of the country, as the terrain is similar to large parts of Japan (hilly with heavy rainfall and prone to earthquakes).

Secondly, in addition, the setting up of smart cities along the DMIC will go a long way to offset India's growing pollution problems. Most Indian cities are chock-a-block with traffic. As such,

³ Toward Strategic Economic Cooperation Between India and Japan available at http://carnegieendowment.org/files/Darshana_Baruah_India_and_Japan.pdf. Accessed on 25 April 2017.

creating good quality public infrastructure is critically important for India. Japan can also help India cut down on green-house gas emissions as, unfortunately, New Delhi has emerged as one of the biggest polluters in the world.

Thirdly, India is urbanising rapidly as more and more people move into the cities. However, the cities are not yet ready to receive this increasing number of people as they suffer from a significant infrastructure deficit. This, in the long run, will have negative effects on India's growth trajectory, and India needs to address this issue soon.

Fourthly, there are also prospects for cooperation between Japan and India in third countries. India has been involved with the development of the Chabahar port in Iran⁴ and Japan has expressed its willingness to be a part of the initiative. Japan is also looking at improving its ties with Iran as Tokyo is a net-energy importer and, in the aftermath of the Fukushima nuclear disaster in 2011, it has had to cut down on the production of nuclear energy.

While there have been many notable successes with regards to Japan-India cooperation in the infrastructure sector, there have been quite a few challenges as well. Land acquisition has been a hard nut to crack. Then there is the variance in laws between different states in India. In addition, potential frequent change(s) of government in India, as result of state (provincial)-level elections, could make the implementation of projects which involve multiple states in India difficult and complicated.

The joint statement issued during the visit of the Japanese Prime Minister to India in December 2015 notes that, "seeking the synergy between India's "Act East" policy and Japan's "Partnership for Quality Infrastructure", the two Prime Ministers have decided to develop and strengthen reliable, sustainable and resilient infrastructures that augment connectivity within India and between India and other countries in the region."⁵

⁴ India-Japan Cooperation on Chabahar Could be a Game-Changer for Asia available at <https://thewire.in/47617/india-japan-cooperation-on-chabahar-could-be-a-game-changer-for-asia/>. Accessed on 22 April 2017.

⁵ Joint Statement on India and Japan Vision 2025, available at http://www.mea.gov.in/bilateral-documents.htm?dtl/26176/Joint_Statement_on_India_and_Japan_Vision_2025_Special_Strategic_and_Global_Partnership_Working_Together_for_Peace_and_Prosperty_of_the_IndoPacific_R. Accessed on 10 April 2017.

Opportunities for Singapore

Singapore is well-placed to take advantage of the growing cooperation between Tokyo and New Delhi in the infrastructure sector because of its historical connections and geographical proximity to India. There could be multiple areas of cooperation between India, Japan and Singapore in this sector. Singaporean firms could team up with Indian and Japanese companies not only to build, but also maintain infrastructure projects in India. A notable area could be the ports as Singapore has rich expertise in this area. Similarly, there are also prospects for collaboration between these countries in third countries like Myanmar – Singapore is keen to support and be involved in its development.

Singaporean companies could also explore setting up manufacturing hubs along the CBIC or the DMIC, as well as participate in the setting up of more smart cities in India. Singapore has agreed to participate in the development of Amaravati, the de facto capital city of Andhra Pradesh. Singapore also has excellent skills in flood-management and waste-management and there would certainly be many takers for such skills in India, given the problems in many Indian cities.

India's infrastructure sector requires significant development and investment. An improvement in India's infrastructure will have positive spin-off effects for not only India, but also for other countries like Japan and Singapore. There is a huge window of opportunity in the field of infrastructure building in India. However, the window will not remain open for long. Hence, it is important for these key partners to 'strike while the iron is hot'.

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