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The Economic Thrust in India-Japan Ties: Potential Opportunities for Singapore

Japan's Prime Minister Shinzo Abe's recent visit to India was full of potential for a qualitative transformation of an already-burgeoning bilateral relationship. Tokyo's big push into India's infrastructure sector should also be of interest to Singaporean firms which are well-positioned to take advantage of India's "Act-East" policy and Japan's "Free and Open Indo-Pacific Strategy".

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Japan's Prime Minister Shinzo Abe paid an official visit to India from 13 to 14 September 2017. His Indian counterpart Narendra Modi, breaking protocol, personally received him and his wife at Ahmedabad airport. The two leaders then went on an eight-kilometre road show, witnessing cultural shows along the way. Japan-India ties have been improving progressively since the visit by Japan's then-Prime Minister Yoshiro Mori to India in 2000, which led to the establishment of a "Global Partnership between Japan and India".

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Major Takeaways

For New Delhi, the Abe visit was important, coming as it did in the backdrop of the end of a China-India standoff over Doklam, which lasted for more than two months. During the Doklam standoff, Japan's Ambassador to India had remarked that, "[T]here should be no attempt to change the status quo on the ground by force",² – this was indicative of Japan's support for the Indian stand on the Doklam issue.

The Abe visit was very significant for a number of reasons.

First, Abe attended a ceremony to mark the start of the construction of India's first high-speed rail corridor between Ahmedabad and Mumbai. The inauguration of the long-planned project of introducing the Japanese bullet train (*Shinkansen*) service in India is crucial, given that India's railway infrastructure is a colonial-era legacy. The India-Japan Joint Statement noted that, "[T]he two Prime Ministers welcomed the exchange of notes for 100 billion yen (\$1.2 billion) as the first ODA [Official Development Assistance] loan for the MAHSR [Mumbai-Ahmedabad High-Speed Rail Corridor] project. They also witnessed the commencement of the construction of the HSR [High-Speed Rail] training institute in Vadodara. They appreciated the commencement of the JICA [Japan International Cooperation Agency] technical cooperation program for the capacity development of the National High Speed Rail Corporation."³ Japanese firms are facing increasing competition from Chinese firms in the export of railway technology – Japanese firms had earlier lost out to Chinese firms in the race to build a high-speed railway line between Jakarta and Bandung in Indonesia.

Second, Abe's visit set the stage for a new era of cooperation between Japan and India in the field of infrastructure, both in India and abroad. India and Japan are collaborating to create the Asia-Africa Growth Corridor which aims to bring together Indian and Japanese

² "Doklam stand-off: Japan backs India, says no one should try to change status quo by force", *Times of India*, August 18, 2017, <http://timesofindia.indiatimes.com/india/doklam-stand-off-japan-backs-india-says-no-one-should-try-to-change-status-quo-by-force/articleshow/60111396.cms>. Accessed on 1 September 2017.

³ "India-Japan Joint Statement during visit of Prime Minister of Japan to India", *Ministry of External Affairs, Government of India*, 14 September 2017. <http://www.mea.gov.in/bilateral-documents.htm?dtl/28946/India+Japan+Joint+Statement+during+visit+of+Prime+Minister+of+Japan+to+India+September+14+2017>. Accessed on 21 September 2017.

technologies, finances and expertise to build high-quality infrastructure in Africa. Tokyo and New Delhi are also collaborating in infrastructure development in Sri Lanka. China's construction of the Hambantota port in Sri Lanka has led to some concern in India – the Chinese venture is viewed as part of China's "string of pearls" strategy – this is a short-hand expression of China's offer of help to build and operate ports in India's immediate neighbourhood such as Gwadar (Pakistan), Hambantota (Sri Lanka) and Kyaukpyu (Myanmar) with the presumed aim of encircling India.

India did not participate in the Belt and Road Forum in Beijing in May 2017 (in protest against the Chinese connectivity initiative infringing India's sovereignty) while Japan only sent a representative from Abe's Liberal Democratic Party. Hence, it is significant that, on the issue of infrastructure, the India-Japan Joint Statement noted that, "[T]he two Prime Ministers also underlined the importance of all countries ensuring the development and use of connectivity infrastructure in an open, transparent and non-exclusive manner based on international standards and responsible debt financing practices, while ensuring respect for sovereignty and territorial integrity, the rule of law, and the environment."⁴ This was clearly directed at the China-Pakistan Economic Corridor, a flagship project under the Belt and Road Initiative.⁵

Third, the Japan-India civilian nuclear deal also entered into force on 20 July 2017. This could mean big business for the beleaguered Japanese conglomerate, Toshiba, which is a majority-stakeholder in Westinghouse, while the Japanese company, Hitachi, owns a majority-stake in GE Hitachi Nuclear Energy Limited. Under the India-US civilian nuclear deal, Westinghouse and GE Hitachi would be constructing six nuclear reactors each in India. Though no specific agreement was signed in this field, the Joint Statement notes that the two countries "looked forward to a working group to strengthen bilateral cooperation in this field".⁶

⁴ Ibid.

⁵ For a detailed analysis of the issues between India and China on the Belt and Road Initiative, see Institute of South Asian Studies Insights 411: "The Belt And Road Initiative: China Acts 'Global', India Plays 'Local'", P S Suryanarayana, 23 May 2017. <https://www.isas.nus.edu.sg/ISAS%20Reports/ISAS%20Insight%2041%20-%20The%20Belt%20and%20Road%20Initiative-%20China%20acts%20'global',%20India%20plays%20'local'.pdf>. Accessed on 29 September 2017.

⁶ "India-Japan Joint Statement during visit of Prime Minister of Japan to India", *Ministry of External Affairs, Government of India*, op cit.

Fourth, New Delhi's decision to allow Japanese investment in the north-eastern part of India is significant – no other countries have, thus far, had the opportunity to do so. The Joint Statement issued during the Abe visit notes that “the two Prime Ministers welcomed the India-Japan cooperation on development of India's North Eastern Region (NER) as a concrete symbol of developing synergies between India's Act-East policy and Japan's Free and Open Indo-Pacific Strategy.”⁷ In this context, they noted with satisfaction the setting up of the India-Japan Act East Forum. Soft loans from the Japanese government agency JICA will also be used to fund mass rapid transit systems in Gujarat and Haryana.

On the flip side, the two countries could not reach an agreement for the supply of Japanese-made US-2i maritime reconnaissance aircraft to India, although negotiations have been going on for long over this issue. The Joint Statement, however, notes “Japan's readiness to provide its state-of-the-art US-2i amphibian aircraft.”⁸ Had the deal for the sale of US2i aircraft been inked, it would have represented a big leap of faith for Japan, as its post-World War II constitution restricts arms exports, although the Abe government has relaxed some of its provisions. Japan has also introduced a new legislation which allows its Self-Defence Forces to participate in overseas military missions.

Overall, the two prime ministers noted “the significant progress achieved in maritime security cooperation evidenced by the expansion in scale and complexity of the MALABAR Exercise in the Bay of Bengal in July 2017 (MALABAR-17).”⁹ It is worth noting here that, in the Malabar 2017 naval exercises, in which India, Japan and the US took part, the three countries fielded their biggest naval assets in the form of the aircraft carrier, *INS Vikramaditya* by India, *USS Nimitz* super carrier by the US and *JS Izumo* by Japan. *JS Izumo* is Japan's biggest warship in the post-Second World War era.

What is in it for Japan?

Tokyo faces a grave security situation particularly in the light of the recent hydrogen-bomb test and two missile tests in quick succession by North Korea, with the missiles flying over

⁷ Ibid.

⁸ “India-Japan Joint Statement during visit of Prime Minister of Japan to India”, *Ministry of External Affairs, Government of India*, op cit.

⁹ Ibid.

Hokkaido in Japan. Though this is not the first time that a North Korean missile has flown over Japan, it had not happened since 2009.

On a separate front, Abe has been busy with domestic politics as well, and he has recently replaced a couple of senior ministers, including the foreign minister and the defence minister. The former Defence Minister Tomomi Inada was replaced by Itsunori Onedera, who had earlier, too, served as the Defence Minister. Abe also replaced the Foreign Minister, Fumio Kishida, with Taro Kono during a recent Cabinet reshuffle.

India is crucial for the success of the Japanese leader's policy of "Abenomics" as it is a huge market for Japanese conglomerates, especially as they face dwindling demand at home on account of Japan's declining population and problems in the Chinese market owing to political issues. Abe has called for fresh elections in Japan, and good business opportunities overseas for Japanese companies could well translate into better electoral prospects for Abe and his ruling coalition.

The Indian Ocean region is also important for Japan. Tokyo has a "Free and Open Indo-Pacific Strategy" as Japan is a net-energy importer and it depends significantly on exports for its economic stability. In a landmark speech in August 2007 in the Indian Parliament during his earlier tenure as prime minister, Abe said that "[T]he Pacific and the Indian Oceans are now bringing about a dynamic coupling as seas of freedom and of prosperity. A 'broader Asia' that broke away geographical boundaries is now beginning to take on a distinct form. Our two countries have the ability – and the responsibility – to ensure that it broadens yet further and to nurture and enrich these seas to become seas of clearest transparency."¹⁰

Potential Opportunities for Singapore

The India-Japan nexus provides possible opportunities to countries such as Singapore, which has warm and cordial relations with both these countries.

¹⁰ "Confluence of the Two Seas", *Ministry of Foreign Affairs, Government of Japan*, August 22, 2007 <http://www.mofa.go.jp/region/asia-paci/pm0708/speech-2.html>. Accessed on 20 September 2017.

Singaporean firms can look for opportunities in areas such as the building of expressways and ports, and in developing smart cities along with Japanese and Indian enterprises. There could also be opportunities for investment for Singaporean firms in India's north-eastern region, especially in the light of the push being given to this region as part of India's "Act-East" policy. It is worth mentioning here that there is a new highway being built which will run from India to Thailand via Myanmar, known as the India-Myanmar-Thailand trilateral highway. There are also plans to connect it all the way to Vietnam, and this could mean big business for Singaporean firms too.

Singaporean firms may wish to take note of initiatives such as 'Make in India', 'Digital India', 'Skill India', 'Smart Cities', 'Clean India' and 'Start-Up India' and take advantage of the introduction of the Goods and Services Tax in India. For example, Singapore has inked a memorandum of understanding to set up a Skill Centre in the northeast-Indian city of Guwahati, in collaboration with the state and central governments. The centre will be set up in 2019. Since India has also offered access to Japan in northeast India, all the three countries could pool their efforts and explore economic collaboration in this region. In the area of 'Smart Cities', Singaporean firms are already involved in the development of the new capital city of Amravati in Andhra Pradesh. At the same time, they are working in this area in collaboration with the governments of Rajasthan and Himachal Pradesh. They could explore similar possibilities with Japanese firms in the northeast and other parts of India.

Singapore's PSA International is already a significant player in India's port sector and holds terminal concessions at Jawaharlal Nehru Port Trust, Chennai, Tuticorin, Kolkata and Kakinada. The 'Sagarmala' (Ocean Garland) project which aims to upgrade India's ports and ensure port-led development along India's huge coastline, therefore, carries huge economic and investment significance for Singaporean companies.

Conclusion

Japan is a critical part of India's "Act-East" policy which aims to re-energise its historical ties with countries in Southeast Asia and Northeast Asia. New Delhi had lost out to these countries, especially in the economic domain, in the light of its closeness to the former Soviet

Union in the aftermath of its independence in 1947. However, following the dissolution of the erstwhile Soviet Union, many things have changed in Indian foreign policy. Japan and India are also bidding to be permanent members of the United Nations Security Council and are pooling their efforts along with countries like Germany and Brazil.

The scope of the “Look-East” policy was enhanced after Modi took office in May 2014 – it was renamed the “Act-East” policy, especially given the economic necessities. Japan was the first country (outside the Indian subcontinent) to which Modi paid a bilateral visit after taking oath. Besides, Japan is the only country (with the exception of Russia) with which India has an annual summit.

The importance of Japan to India was spelt out in a speech in Singapore by India’s Foreign Secretary S Jaishankar, where he remarked that “gradually and steadily, Japan has emerged as a special strategic partner with whom India increasingly shares a global agenda. The planned *Shinkansen* high speed rail project is the symbol of these changes. But they do reflect a much more profound shift underway, one that involves a significant Japanese commitment to infrastructure modernisation in India.”¹¹

During that lecture, Jaishankar had also noted that the “burgeoning ties with ASEAN was initially described in India as our “Look-East” policy. To underline our seriousness in taking it forward, especially through physical connectivity projects, this was upgraded to “Act-East” a few years ago. But whatever its status, this relationship actually reflects a profound shift in India’s geo-political outlook towards the world to its East. Growing contacts and expanding cooperation with South East Asia opened up to India the world beyond it.”¹²

India and Japan have moved a lot closer during the last few years. However, both Modi and Abe need to give an extra push to fulfil the full potential of what Abe had earlier described as the relationship with the “largest potential for development of any bilateral relationship

¹¹ “Speech by Dr S Jaishankar”, *Ministry of External Affairs, Government of India*, 11 July 2017 http://mea.gov.in/Speeches-Statements.htm?dtl/28609/Speech_by_Dr_S_Jaishankar_Foreign_Secretary_to_mark_25_years_of_IndiaSingapore_Partnership_at_Shangri-La_Hotel_Singapore_July_11_2017. Accessed on 2 September 2017.

¹² *Ibid.*

anywhere in the world”.¹³ In this respect, Singapore is well-placed to take advantage of this growing cooperation between Japan and India.

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¹³ “Japan-India Summit Meeting”, Ministry of Foreign Affairs, Government of Japan, 13 December 2015, http://www.mofa.go.jp/s_sa/sw/in/page3e_000436.html. Accessed on 4 September 2017.