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Japan in Prime Minister Modi's Vision for India

BY TITLI BASU

Japan constitutes a critical component of Prime Minister Narendra Modi's *Act East* Policy. Beyond strategic congruence and coordination in Asia, the role of Japan in facilitating Modi's economic development agenda is indispensable. As Modi envisions India's ascent in the international order, the need to strengthen the economic foundation takes precedence. Demonstrating his pragmatic leadership, Modi has articulated several national campaigns including 'Make in India', 'Skill India', 'Smart Cities' and 'Digital India'. Japan's support for the success of each of these initiatives is crucial.

India began courting Japan primarily to source capital for investment in infrastructure, accessing civil nuclear technology, and securing the supply of high-end defense technology. The two countries redefined the contours of bilateral defense cooperation with the December 2015 *Agreement Concerning Transfer of Defence Equipment and Technology Cooperation*. India's defense modernization offers colossal opportunities for Japanese industry, which since 2014 is exploring the benefits of eased arms export regulations.

Beyond the scope of joint-development of defense technologies, Japan fits well with Modi's larger goal to make India a center of global manufacturing. Modi's 'Make in India' initiative intersects with Prime Minister Abe's 'Partnership for Quality Infrastructure Investment for Asia's Future'. To facilitate manufacturing, Modi aims to undo hurdles in conducting business, develop necessary infrastructure, and boost the investment climate in India. In this regard, the footprint of Japanese ODA is expanding in Indian infrastructure sectors including high-speed rail, industrial corridors, and urban mass rapid transport systems. Meanwhile, Abenomics is striving to reinvigorate the Japanese economy by benefitting from the growth of the emerging economies. India will continue to be one of the fastest growing economies with a promising market. Japan being a capital rich nation with an aging population and India being a capital poor nation with rich demographic dividends and inexpensive labor compensation underscores the mutuality of economic interests.

Building quality infrastructure and nurturing manufacturing industries is Modi's priority. While Japan has an international reputation for manufacturing excellence, one of the challenges in the economic profile of this relationship is the limited Japanese manufacturing presence in India. To ease the impediments Japanese firms navigate through while operating in India, Modi institutionalized 'Japan Plus', a special management team to accelerate investments from Japan. Advancing industrial networks and regional value chains must be a priority. Japanese corporations are key actors in East Asian production networks but India is yet to significantly feature in them. Robust infrastructure enhancing connectivity between India and the Indo-Pacific region is important for strengthening economic opportunities and meaningfully advancing 'Make in India'. Connectivity between India's Northeast and Southeast Asia is a long cherished goal which benefited from recent Japanese assistance in a Northeast connectivity project aimed at converting the region into a manufacturing center. Japan is offering ODA loans for the North East Road Network Connectivity Improvement Project (Phase I), aimed at strengthening the existing national highway network in and around the northeast states of Meghalaya and Mizoram.

Titli Basu, Researcher at the East Asia Centre of the Institute for Defence Studies and Analyses in New Delhi, explains that "Modi's aim is to bolster India's emerging power status. For this, he is willing to boldly engage, but not align, with all regional actors including Japan to leverage partnerships without diluting the fundamental values of India's foreign policy."

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Modi's 'Skill India' is aimed at cultivating a professional labor force catering to the manufacturing sector. This is another area where Japanese experience, disseminated through Japan International Training Cooperation Organization (JITCO) and Overseas Human Resources and Industry Development Association (HIDA), is valuable. Capacity building has found resonance with the Technical Intern Training Program and Advance Soft Skills Development Project in India, which aim to impart Japanese manufacturing practices critical for the success of the Japanese Industrial Townships in India. Moreover, HIDA has delivered in attempting to support skill development in the Delhi-Mumbai Industrial Corridor endeavor.

The core elements of India's 'Smart City' Mission can draw from the Japanese know-how concerning solid waste management, water recycling, urban public transport, and digitalization. There are prospects for joint R&D. In early 2016, the Indian Institute of Technology (Kharagpur) and Nikken Sekkei Research Institute (NSRI) agreed to collaborate and design smart technologies to build sustainable cities. Dealing with urbanization, Modi plans to build 100 smart cities which present opportunities for Japanese companies like Hitachi Data Systems with its social innovation solutions. Moreover, Modi's reform line-up, together with the 'Digital India' plan, offers a chance for Japanese corporations to invest in the information and communications technology (ICT) sector where 100 percent FDI is allowed. Joint projects in Green ICT, including green mobile base-stations and ICT for disaster management, are being explored by engaging Indian and Japanese industrial partners.

As India seeks to achieve sustainable economic development, priority is being accorded to enhancing energy efficiency, conservation and boosting renewable energy. As Japan is one of the most energy efficient economies of the world, India will benefit from technological cooperation and innovative solutions for building smarter communities. Japanese New Energy and Industrial Technology Development Organization (NEDO) and The Energy and Resources Institute (TERI) have done joint research expanding the scope of cooperation in the energy sector. Meanwhile, Modi demonstrated political will by redefining India's national solar ambitions, targeting 100 GW by 2022. The objective is making solar energy more affordable, dependable, and unproblematic to connect to the grid. In this regard, there is increasing scope for Japanese corporations in the Indian solar market. Soft Bank, along with Bharti Enterprises and Foxconn, plans to invest \$20 billion in solar projects in India and they bagged their maiden solar project at a competitive rate of Rs 4.63/kWh.

Japan has a particularly special place in Modi's economic and development vision for India. In the Asia-Pacific, Modi's aim is to bolster India's emerging power status. For this, he is willing to boldly engage, but not align, with all regional actors including Japan to leverage partnerships without diluting the fundamental values of India's foreign policy. While some in Japan harbor expectation from India to be a balancer vis-à-vis China, India will not be any country's formal ally. Under Modi, India is more forthcoming than in the past in articulating its position on few specific regional issues in an unambiguous manner where India's interest is involved, such as freedom of navigation in the South China Sea. Modi has articulated India's vision for the Asia-Pacific, engaged in strategic coordination including India-Japan-U.S. and India-Japan-Australia trilaterals, and accepted Japan's participation into the Malabar exercise. There is certainly a greater strategic coordination on a few specific regional issues. Despite PM Modi's high hopes for cooperation with Japan, it also needs to be noted that Modi has simultaneously engaged with China in building a closer developmental partnership, has adopted a different approach than Japan with regard to the AIB, and conducted a joint counter-terrorism drill with China around the same time when Modi created space for Japan in the Malabar exercise. Therefore, a balance of interests is driving Indian policy. Japan is one but not the only important player in PM Modi's vision. India will not align but instead looks to pragmatically engage with all the important players in the Asia-Pacific matrix to pursue its quest for multi-polarity and great power identity.

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Dr. Titli Basu is a Researcher at the East Asia Centre of the Institute for Defence Studies and Analyses (IDSA) in New Delhi. She can be contacted at jnu.basu@gmail.com.