

Topic: Cautious Cooperation with Japan

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Introduction

Japan has long been a significant investor in India's infrastructure sector. Of late, there have been consistent efforts by both New **Delhi and Tokyo** to transform this economic momentum into a "**special strategic and global partnership**". Japanese Prime Minister **Shinzo Abe's three-day visit** to India this month, during which both sides agreed to major deals, including the introduction of **Japan's bullet train technology** in India and an agreement on **nuclear partnership**, clearly sets the stage for elevated bilateral ties in the future. The potential of **Indo-Japanese economic partnership** is huge. Despite India being one of the world's largest economies, it accounts for only about 1 per cent of Japan's imports, exports and direct investments abroad. The proposed bullet train link between Mumbai and Ahmedabad, which will have access to a soft Japanese loan of \$12-15 billion at a concessional interest rate of 0.1 per cent, will cement economic cooperation further. Besides, this suits well Prime Minister **Narendra Modi's agenda of building quality infrastructure** in the country. The civil nuclear cooperation deal, after five years of talks, marks a complete reversal of the policy Japan adopted towards India after the Pokhran nuclear tests in May 1998. Tokyo, which considers itself a champion of non-proliferation, had suspended much of its aid after India's nuclear test. The deal, however, can be seen as a Japanese seal of approval to India's status as a nuclear-armed state. The Indian Cabinet has given its nod to set up **India's first 500-km-long bullet train project**, which will be the largest foreign investment in Indian railways, with the help of Japanese funds and technology. **Japan International Cooperation Agency (JICA)**, which had offered to fund 80% of the estimated **Rs 98,000 crore** cost of the Mumbai-Ahmedabad bullet train project, had submitted a feasibility study in July for the high-speed corridor.

The Japanese loan of more than **Rs 78,000 crore** will come with a **50-year tenure** and less than **1% cent** interest rate, along with a **moratorium of 15 years**.

The deal is the result of an agreement, signed during **Modi's five-day visit to Japan in September last year**, between both countries to develop a bullet train system for India.

Here is a quick rundown of major agreements between India and Japan:

1. Japan has committed to doubling its current investment in India to **\$35 billion** over the next five years.
2. Japan has pledged **\$500 million** towards the Public-Private Partnership Infrastructure Financing Project to the India Infrastructure Finance Company Limited (**IIFCL**)
3. During last year's visit, Modi had inked a Memorandum of Understanding (MoU) between the **Ministry of New and Renewable Energy of India and the Japan Bank for International Cooperation (JBIC)** in the field of new and renewable energy.

4. Both countries agreed to work towards industrial infrastructure development with the creation of **Smart Community projects** in six Indian states as the part of the Delhi Mumbai Industrial Corridor (DMIC) Project.

5. Japan has agreed to ease foreign end-user entities list for India. As a starter, it has removed **6 Indian space defence-related entities from its restricted list.**

6. Japan has agreed to work with India on creating smart cities, starting with the **Kyoto-Varanasi project.**

7. Earlier this year, the Japanese government initiated further steps to help develop infrastructure in India. According to The Economic Times , Japan has identified **11 sites to set up industrial townships in India.** The identified sites include **Tumkur** in Karnataka, **Ghilot** in Rajasthan, **Mandal** in Gujarat and **Supa** in Maharashtra.

8. Japanese investments in India have grown at a fast pace. FDI inflow amounted to \$618 million during June-September, 2014 against \$273 million for the corresponding period in 2013. A survey conducted by Japan Bank for International Cooperation (JBIC) this year ranked India as the top destination for future investments by **1,000 Japanese manufacturing companies.**

9. According to a Reuters report in June this year, Japan's Softbank Corp, together with Bharati Enterprises and Taiwan's Foxconn, committed to investing an estimated **\$20 billion in solar projects in India.**

10. Japan has agreed to participate in Indian Railways' **\$140 billion** investment plan and modernise **400 railway stations** across the country. As for the high-speed rail network, it will be built on the **Shikansen model** known for its reliability and safety. PM Modi noted that Abe's extraordinary package of approximately **\$12 billion** and technical assistance, on very easy terms, for this project was greatly appreciated.

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<http://economictimes.indiatimes.com/news/economy/finance/india-japan-sign-agreement-to-amend-dtaa/articleshow/50153763.cms>

<http://timesofindia.indiatimes.com/india/India-Japan-summit-Pacts-inked-on-bullet-train-defence-nuclear-energy/articleshow/50149738.cms>

<http://www.wsj.com/articles/india-japan-strengthen-ties-with-industrial-military-agreements-1450026031>

<http://indianexpress.com/article/india/india-news-india/n-deal-to-bullet-train-to-defence-pacts-fast-track-india-japan-ties/>