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Japanese Investments Are Instrumental to India's Act East Policy

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Dr. Monika Chansoria, Resident Visiting Fellow at The Japan Institute of International Affairs, **explains that "Japan's role in developing infrastructure in India's northeastern region will be one of the key yardsticks to measure the "confluence" of India's Act East initiative with Japan's Indo-Pacific strategy."**

Indian Prime Minister Narendra Modi has long articulated his vision of engagement with the East, beginning with his address at the 12th ASEAN-India Summit in 2014, when he had been in office for just six months, stating: "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.'" India's zeal to engage with the East Asia Summit is an indicator of its drive to bolster cooperation in collectively addressing various traditional and nontraditional security challenges, which will be instrumental in ensuring security and stability for the greater Indo-Pacific region.

However, Modi's vision of India's "Act East" policy and strategic initiative will remain unfulfilled without the development of the country's northeastern region as a gateway to Southeast Asia. In May, Modi emphasized India's major thrust to improve connectivity to the entire northeast by means of initiating major infrastructure projects in the seven northeastern states. This effort includes investing 400 billion Rupees ($6.2 billion) in the improvement of roads and highways. For strengthening connectivity with Southeast Asia, India will begin work in June on the highway from Meghalaya to Myanmar. This will form the base of the India-Myanmar-Thailand trilateral pact of constructing a 1,400 km highway, linking India with Southeast Asia by land for the first time in decades. Other notable connectivity projects include 19 major planned railway lines, the air travel scheme "Udaan", construction of smaller airports, and an approved extension of the Shillong runway.

Japan's role in developing infrastructure in India's northeastern region will be one of the key yardsticks to measure the "confluence" of India's Act East initiative with Japan's Indo-Pacific strategy. Asia, per se, has insatiable infrastructure requirements, approaching at least $1 trillion annually. Japan's Official Development Loan Assistance (ODA) commitment to India in 2015 reached $1 billion, which is an all time high. This figure remains higher than ODA provided to any other country by Japan. The importance of securing appropriate implementation of ODA projects cannot be overstated, with $30 billion of public and private financing that has already gone to India in five years. Japan's committed future ODA to India is $2 billion.

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The ODA loan assistance specifically earmarked for the Northeast Road Network Connectivity Improvement Project (Phase 1) stands at $600 million. The ODA projects relating to enhancing road connectivity in northeastern India by identifying technologies, infrastructure, and strategies to facilitate development will be a critical benchmark to test the pragmatic basis of India's overall relationship with Japan.

Japan has agreed, in principle, to back and fund many critical highway projects in northeastern India. The Japan International Cooperation Agency, which coordinates ODA for the government of Japan, will be involved in the 400 km highway stretch in Mizoram between Aizawl and Tuipang; a 150 km highway in Meghalaya; two projects in Manipur; and one each in Tripura, Nagaland, and Assam. Incidentally, no major infrastructure project with Japanese assistance has been announced for the northeastern state of Arunachal Pradesh. Japan and India should consider announcing a few big-ticket infrastructure projects in Arunachal Pradesh on a priority basis, notwithstanding Chinese claims over the integral state in the Union of India.

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Tasked to spot investment opportunities in India, the Mizuho Financial Group has identified key sectors in India for a focused investing approach. This comes against the backdrop of Japan being among the top five sources of Foreign Direct Investment in India, with Indian infrastructure presenting a compelling case for investment of Japanese capital. Tokyo has already pledged around $33 billion in investments between 2014 and 2019 to boost India's manufacturing and infrastructure sector.

The renewed focus of India's active engagement in the region within the ambit of its "Act East" policy initiative compliments Japan's "Free and Open Indo-Pacific Strategy", which highlights Prime Minister Shinzo Abe's vision for an Indo-Pacific strategic framework launched during his second tenure in office.

Abe's bid to forge this vision began in his first term as Prime Minister, when he addressed the Indian Parliament in August 2007. The Japanese leader was inspired by the most famous authored work of Mughal prince Dara Shikoh, the book Majma-ul-Bahrain (The Confluence of the Two Seas; published 1655), which became the foundation and title of Abe's speech and vision for Indo-Japanese relations — that of nurturing an open and transparent Indo-Pacific maritime zone as part of a broader Asia. In fact, the speech "Confluence of the Two Seas" underscored the pivotal advisory role of Deputy Chief Cabinet Secretary, Kanehara Nobukatsu, and special Cabinet Advisor Taniguchi Tomohiko. The concept of a "broader Asia" is fast transcending geographical boundaries, with the Pacific and Indian Oceans' coalescence becoming far more pronounced and evident than ever. In order to catch up to the reality of this "broader Asia", Prime Minister Shinzo Abe referred to Japan undergoing "The Discovery of India" — implying rediscovering India as a partner and a friend.

The synergy between India's "Act East" Policy and Japan's "Expanded Partnership for Quality Infrastructure" for better regional integration and improved connectivity is exemplified by the dire need for infrastructure build-up in India's North-eastern states, which remain the bridgehead of India's connectivity to the East.

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