

Japan's ODA Engagement with India and Bangladesh: Focusing on Connectivity

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- Japan is the largest ODA donor to India and Bangladesh, both key South Asian partners for socio-economic development and politico-strategic purposes.
- Japan assists India and Bangladesh with some big infrastructure projects connecting inter-cities via road and rail links and cross-border areas, such as India's northeast with Bangladesh.
- Although Japan's bilateral aid programmes to both countries continue uninterrupted, the deteriorating India-Bangladesh relations post-Sheikh Hasina period will disrupt cross-border connectivity plans and development in the border areas.

Introduction

South Asian nations began to receive Japan's aid when Japan commenced foreign aid in 1954. India was the first recipient of Japan's yen loan in 1958. With Japan's focus shifting to Southeast Asia and China from the 1970s onwards, South Asian share of Japan's aid reduced significantly. However, the aid engagement remained a great connector between Japan and South Asia. After separating from Pakistan, when Bangladesh became independent in December 1971, Japan became a key aid provider to the impoverished country. The aid engagement with India and Bangladesh has become more intense in recent years. Japan supports large-scale infrastructure projects, such as a high-speed railway (HSR) and connectivity projects in India's northeast. With its yen loans, Japan also funds large infrastructure projects in Bangladesh. While technical assistance and grant programs for socio-economic development projects continue in all South Asian nations, countries other than India and Bangladesh struggle to receive Japan's yen loans because of their debt crisis. India and Bangladesh are the two flagship nations in South Asia for Japan's ODA programme, especially its loan program (interviews in Tokyo, New Delhi and Dhaka on various dates in 2024).

Japan's ODA to India and Bangladesh

Not long after the nuclear fallout in India and Pakistan in 1998, Prime Minister Yoshiro Mori visited several South Asian nations in 2000, and a new chapter began to unfold in Japan's relations with the subcontinent, especially in the aid landscape. This accelerated during the first Abe administration (2006-2007), with his 'confluence of the two seas' speech in the Indian parliament and progressed even faster throughout his second administration (2012-2020). The 'partnership for quality infrastructure' narrative developed under the Abe administration was implemented in South Asia for road and rail connectivity projects. In India, the Delhi Metro, the Delhi-Mumbai Industrial Corridor and a Dedicated Freight Corridor between Delhi and Mumbai were already underway with Japan's funding.

However, under Prime Minister Shinzo Abe and his Indian counterpart, Prime Minister Narendra Modi, the most significant infrastructure project using ODA money granted on highly generous financial terms was the approval of a high-speed railway project based on Japan's Shinkansen or bullet train system in India to run between Mumbai and Ahmedabad, connecting India's financial and commercial hubs. For India, this is the first HSR project; for Japan, this is the first Shinkansen project outside of Japan, funded through ODA. The project is not

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without challenges; it is moving slowly but steadily. This is touted as a catalyst for many high-speed railways throughout India, revolutionising India's rail systems.

Bangladesh's super-fast rise on Japan's ODA landscape was a significant development in South Asia. Japan's ODA to Bangladesh began to rise from 2012 onwards, from a mere \$78 million in 2011 to \$305 million in 2012, and this trend has continued since then, with one analyst suggesting Japan provided \$16.19 billion in foreign aid to Bangladesh up to 2021 (Khatun et al. 2023: 28). Japan's ODA increases have happened in tandem with Bangladesh's economic growth, rise in bilateral trade and recognition of its strategic importance for maritime security. Sheikh Hasina's return to power in 2009 and her unbroken rule until July 2024 gave economic and political stability to Bangladesh. Hasina was one of the most ardent admirers of Japan, who acknowledged Japan's contribution to Bangladesh's development and travelled to Tokyo frequently seeking partnerships. Prime Minister Abe visited Bangladesh in September 2014 and proposed the Bay of Bengal Industrial Growth Belt (BIG-B), promoting infrastructural development and connectivity. Japan is funding the Matarbari deep seaport project that will significantly transform the shipping and movement of goods within and outside Bangladesh. Once operational, it is expected to emerge as a crucial commercial hub for Bangladesh and the Bay of Bengal region, enabling the linkage of industrial value chains with Northeast India.

JICA reports (JICA 2022; JICA 2023) inform that from 2017 to 2022, about half of its total ODA loans globally were for projects in the South Asian region, mainly India and Bangladesh. About 70 per cent of the loans were for transportation, and the rest for electric power and gas, social services, mining and manufacturing, agriculture and fisheries, irrigation and food control. This upward trend and emphasis on India and Bangladesh continued in fiscal 2023 and is likely to continue, given commitments for large projects.

Why Focus on India and Bangladesh?

Why do India and Bangladesh receive ODA for large infrastructure projects under Japan's yen loan program? Three key factors have influenced Japan's aid to South Asia. First, there is a genuine desire in Japan's aid community for South Asia's social and economic development, as this region is still poor and underdeveloped. Second is Japan's commercial interest, given the expanding markets of India and Bangladesh, as their economies have performed better than many others in Asia and future potential is immense. JETRO reports suggest that the business environment and their capacity to absorb investment have improved in both countries

(<https://www.jetro.go.jp/en/news/releases/2024/486c9bc93c915889.html>; <https://www.bssnews.net/business/227230>). Finally, and notably, the importance of the two nations has also risen in Japan's broader strategic objectives in the age of 'free and open Indo-Pacific' and maritime security in the Indian Ocean.

Future Directions

With the change in Bangladesh's political landscape from the Hasina government to the student-led interim government in Dhaka, followed by a tense and deteriorating relationship with India and Bangladesh, the emerging triangle of infrastructure developments involving Japan, India, and Bangladesh has come undone. This triangle is unlikely to revive soon. However, Japan's bilateral relationships with India and Bangladesh, including Japan's ODA-supported large-scale infrastructure projects, will progress as before.

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(Purnendra Jain/ The University of Adelaide)