

## **From Aid to Alliance: The Role of Japan's Aid Diplomacy in Shaping India-Japan Strategic Relations**

Gajula Sai Niranjana<sup>1</sup>

### **Abstract**

This research paper analyses the role of Japan's Official Development Assistance (ODA) in shaping India-Japan strategic relations, highlighting the transition from aid diplomacy to a multifaceted alliance. Starting in the 1950s, Japan's ODA to India initiated bilateral ties, sustaining the relationship through the Cold War, when broader political engagement remained limited due to ideological divides and contrasting foreign policy priorities. However, the post-Cold War era witnessed a transformation in India-Japan relations. Japan's aid diplomacy evolved from a singular focus on financial assistance to a strategic partnership encompassing security, economic, and geopolitical alignment in the Indo-Pacific.

The paper examines the concept of aid diplomacy and its practical application in Japan's foreign policy, positioning ODA as a tool for soft power and global influence. It further analyzes Japan's aid to India, exploring how developmental assistance fostered long-term collaboration. The research emphasizes the strategic shift from ODA to Japanese investments, particularly in the context of regional connectivity projects in the Indo-Pacific. By investigating the role of aid in facilitating strategic convergence, the paper underscores how Japan's aid diplomacy has evolved into a critical component of the broader Indo-Pacific security architecture, contributing to regional stability and promoting a free, open and well-connected Indo-Pacific region.

**Keywords:** Aid diplomacy, ODA, India-Japan, Bilateral relations, Indo-Pacific

### **Introduction**

The evolution of India-Japan relations offers a compelling narrative of how aid diplomacy can serve as the foundation for broader strategic engagement between two nations. Beginning in the 1950s, Japan's Official Development Assistance (ODA) to India marked the inception of their bilateral diplomatic ties, primarily centred on Japan's developmental assistance to a

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<sup>1</sup> Gajula Sai Niranjana is a Ph.D. Scholar (ICSSR Doctoral Fellow), Centre for South Asian Studies, Pondicherry University, India.

growing post-colonial India. This relationship remained one-dimensional throughout the Cold War, focusing on economic aid, while broader political and economic engagement between the two nations remained negligible. The Cold War's ideological divide and divergent foreign policy priorities contributed to the limited scope of bilateral relations.

However, since the end of the Cold War, the dynamics of India-Japan relations have undergone a significant transformation. What was once predominantly defined by Japan's aid diplomacy has now expanded into a multi-dimensional partnership encompassing security, economic, and strategic cooperation. Japan's consistent developmental assistance through ODA sustained the relationship during periods of political volatility and laid the foundation for more profound engagement post-Cold War. The strategic convergence of both countries, particularly in the Indo-Pacific, reflects a shared vision that transcends bilateral interests and engages with regional security architecture, economic cooperation, and geopolitical dynamics.

This paper explores the trajectory of India-Japan relations, emphasizing how Japan's ODA played a critical role in maintaining bilateral ties during the Cold War and how this aid diplomacy has facilitated the evolution of a grand strategic partnership in the post-Cold War era. By examining the interplay between developmental assistance and strategic cooperation, the paper sheds light on how aid can act as a bridge toward broader geopolitical alignment, contributing to regional stability and promoting a "free, open, and inclusive Indo-Pacific."

### **The Concept of Aid Diplomacy**

Aid diplomacy refers to states offering assistance to other countries, often as part of their foreign policy strategy. The motivations behind aid can range from humanitarian concerns to more self-interested political, economic, or security objectives. For instance, aid might secure political alliances, promote trade relations, or gain access to strategic resources. As Joseph Nye (2004) explains, aid is often an instrument of "soft power," where a country seeks to influence others through coercion, attraction, and persuasion.

Aid diplomacy can take different forms, including:

**Bilateral Aid:** Direct aid from one country to another, often with political conditions attached.

**Multilateral Aid:** Aid channeled through international organizations like the United Nations, World Bank, or International Monetary Fund.

**Humanitarian Aid:** Assistance responding to natural disasters, wars, or famines.

The motivations behind aid diplomacy are multifaceted, with donor and recipient countries having specific interests. Donors often provide aid to gain influence, secure markets, or ensure stability in regions of strategic interest. One of the most cited reasons is to secure political goodwill and diplomatic influence. For example, the U.S. has long used “foreign aid” to influence allies during the Cold War, offering financial assistance to countries in Europe, Asia, Africa, and Latin America to prevent them from aligning with the Soviet Union (Lancaster, 2008).

Similarly, China's Belt and Road Initiative (BRI) reflects how aid diplomacy has evolved into a tool for creating strategic infrastructure networks. China's financial assistance to African and Asian countries is often in the form of loans and development projects, which critics argue create economic dependency and leverage for political concessions (Brautigam, 2011). For example, China's influence in Africa has increased significantly due to its aid programs, often tied to securing access to natural resources and expanding geopolitical influence.

Recipient nations, on the other hand, accept aid for various reasons, such as fulfilling development needs, building infrastructure, or stabilizing their economies. However, aid can also have conditions that influence a country's domestic policies, including governance reforms or the adoption of specific economic policies (Moyo, 2009). This can create complex power dynamics where recipient countries may find themselves constrained by the political or economic objectives of the donors.

### **Aid Diplomacy in Practice**

Aid diplomacy has been crucial in various historical and contemporary global events. The “Marshall Plan”, implemented by the US after World War II, is one of history's most significant examples of aid diplomacy. Through this plan, the U.S. provided substantial financial aid to rebuild war-torn European economies. While the primary goal was to promote economic recovery, it also helped the US secure its leadership position in the Western world and prevent the spread of communism in Europe (Hogan, 1987).

More recently, at the peak of the COVID-19 pandemic, aid diplomacy took the form of “vaccine diplomacy.” Countries like India and China engaged in vaccine diplomacy by providing COVID-19 vaccines to other nations, particularly in the Global South, to bolster their international standing. India, for instance, launched its Vaccine Maitri (Vaccine Friendship) initiative, sending vaccines to neighboring countries in South Asia, Africa, and beyond

(Ministry of External Affairs, 2023). This was seen as an effort to enhance India's soft power and position itself as a global health leader (Mol et al., 2022).

Similarly, the competition between Western nations and China over vaccine distribution illustrates how aid can become a tool of diplomatic rivalry. Western countries, especially through COVAX, have also aimed to distribute vaccines to developing countries, though often after their domestic needs were met. This demonstrates the complex interplay of altruism, strategic interests, and global health concerns in aid diplomacy.

### **Criticisms and Challenges**

Aid diplomacy is not without its criticisms. One major issue is the “conditionality” often attached to aid, which can undermine the sovereignty of recipient nations. Countries receiving aid may be pressured to adopt economic or political reforms that may not be in their best interests or could disrupt local economies. For example, “Structural Adjustment Programs” initiated by the IMF and World Bank during the 1980s and 1990s have been criticized for pushing “austerity measures” on developing countries, often with detrimental social and economic effects (Stiglitz, 2002).

Another critique concerns the phenomenon of “tied aid,” where the donor country requires the aid to purchase goods or services from the donor country itself. This often benefits the donor's economy more than the recipient's and can limit the autonomy of the recipient nation to make decisions that best suit its needs. Aid tied to geopolitical objectives can also exacerbate dependency, as seen in parts of Africa and Southeast Asia, where countries have been left vulnerable to political and economic influence from donor nations (Moyo, 2009).

### **Japan's Aid Diplomacy: A Strategic Tool for Soft Power and Global Influence**

Japan has been one of the world's leading providers of ODA for decades, using aid as a critical element of its foreign policy. Japan's aid diplomacy began post-World War II as part of its efforts to rebuild its international image and regain global acceptance. Following its defeat in the war, Japan sought to rehabilitate its reputation by providing economic assistance, particularly to Asian countries that had suffered under Japanese imperialism. The 1954 “Colombo Plan” marked the official beginning of Japan's aid program, and through this initiative, Japan provided technical and financial aid to Southeast Asian countries (Arase, 2005).

In the 1960s and 1970s, Japan's aid expanded in volume and scope. During this period, Japan shifted from providing reparations to countries it had occupied to offering development aid to emerging economies. By the 1980s, Japan had emerged as the world's largest provider of ODA, surpassing the United States in the volume of aid it provided (Rix, 2010). Japan's aid policy during this time was primarily focused on economic development, particularly in Asia, and was closely tied to Japan's trade and investment interests.

Japan's aid diplomacy is driven by several overlapping motivations, which include economic, political, and strategic considerations.

**Economic Interests:** Japan has consistently used aid to promote economic growth in developing countries, especially in Asia, to create stable markets for Japanese exports and investment. Japan's economic boom in the post-war period created a demand for new markets and sources of raw materials, and aid diplomacy was used to foster economic ties with developing nations (Arase, 2005). For example, Japan provided substantial aid to countries like Thailand, Indonesia, and Malaysia, which became important trade partners.

**Regional Stability:** Japan's aid diplomacy has significantly promoted regional stability, particularly in Southeast Asia. After World War II, Japan sought economic cooperation to rebuild its relationship with its neighbors. Aid was a central component of Japan's efforts to build peaceful and cooperative relations with countries that had experienced Japanese occupation and aggression during the war (Okano-Heijmans, 2012).

**Humanitarian and Development Goals:** Japan has also framed its aid within the broader global goals of poverty reduction, sustainable development, and disaster relief. In the 1990s, Japan aligned its ODA with international efforts such as the "Millennium Development Goals" and, later, the "Sustainable Development Goals." Japan's ODA has supported health, education, infrastructure, and environmental protection projects, often collaborating with international organizations like the United Nations and the World Bank (Hook & Zhang, 1998).

**Diplomatic Leverage and Soft Power:** Aid diplomacy is a cornerstone of Japan's soft power strategy, emphasizing persuasion and attraction rather than coercion. By providing aid, Japan seeks to enhance its international standing and influence on global governance (Nye, 2004). Japan's contributions to international peacekeeping and development, particularly in environmental sustainability and disaster relief, have bolstered its reputation as a responsible and generous global actor (Hirata, 2002).

Japan's aid diplomacy has taken on a more strategic dimension in recent years, particularly in the context of IPR. Japan has increasingly used aid to counter China's growing influence and has been expanding its aid programs through several initiatives. Japan's approach, however, emphasizes transparency, sustainability, and respect for recipient countries' sovereignty. One notable initiative is Japan's "Partnership for Quality Infrastructure program," launched in 2015, which focuses on providing "high-quality" infrastructure projects in the IPR (Ministry of Foreign Affairs of Japan, 2015a). This initiative is seen as a direct response to China's BRI and aims to offer an alternative that prioritizes development projects' long-term economic and environmental sustainability. Japan has partnered with other countries, such as the US and Australia, to advance infrastructure development in the region, reflecting a broader strategy to promote a "Free and Open Indo-Pacific" (Ministry of Foreign Affairs of Japan, 2019). Japan's aid diplomacy in the Indo-Pacific is also focused on maritime security, a vital regional issue given the strategic importance of sea lanes for trade and energy supplies. Japan has provided significant aid to countries like the Philippines and Vietnam to bolster their maritime capabilities (Koga, 2018).

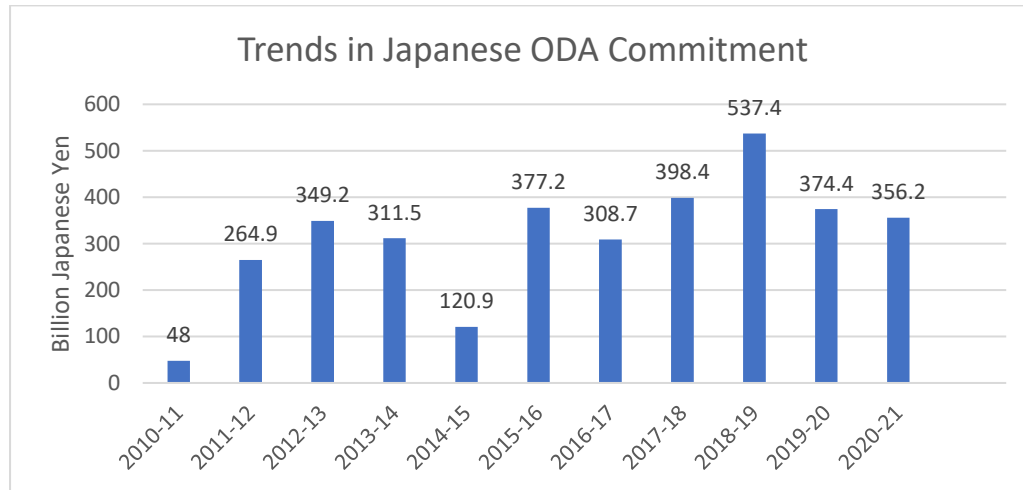
### **Japan's Aid to India through Official Development Assistance (ODA)**

Japan's role in India's economic development began in 1958 through Tokyo's extension of its first ODA to India following Prime Minister Jawaharlal Nehru's visit. India was the first recipient of Japan's ODA loans, with an initial concessional loan of 18 billion Japanese Yen to support India's Second Five-Year Plan. Since then, Japan has committed over 6,978 billion Yen (approximately ₹4,37,742 crores) in ODA loans for diverse sectors of India's development (Japan International Cooperation Agency, 2023).

Japan's ODA to India evolved in scope and impact over time. Technical cooperation began in 1966 with the establishment of Indo-Japanese Agricultural Extension Centres to introduce Japanese paddy cultivation techniques and improve food self-sufficiency in India. Since then, more than 8,400 Indian personnel have received training in Japan, and over 11,835 Japanese experts have contributed expertise in India. Japan's grant aid has supported vital infrastructure projects such as constructing the International Cooperation and Convention Centre, hospitals, and educational facilities. Japan International Cooperation Agency (JICA), the world's largest bilateral aid agency, views India as its most significant development partner. India has consistently been one of the top recipients of Japan's ODA since 2003-2004. While Japan's overall ODA volume declined due to its sluggish economy in the 2000s, its assistance to India

remained robust, reflecting the importance of the bilateral relationship. Japan’s ODA to India peaked at 537.4 billion Yen in 2018-19 (Japan Bank for International Cooperation, 2023).

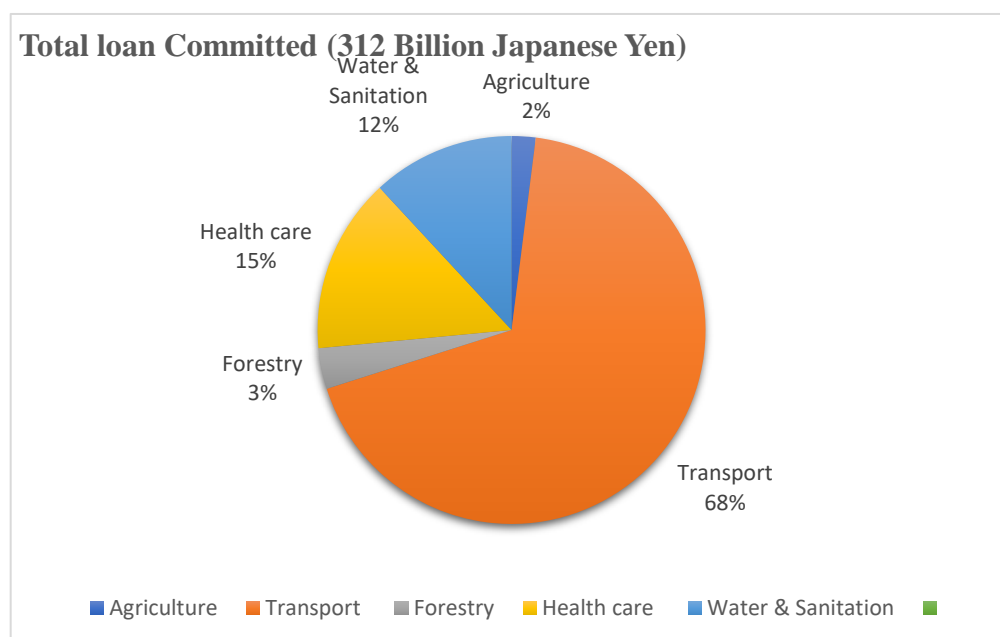
**Figure 1: Trends in Japanese ODA Commitment**



Source: JICA Operations and Activities in India

Japanese ODA has had a far-reaching impact on India’s critical sectors. The transportation sector, in particular, saw a sharp rise in ODA allocation, from 21.9% in 2007 to 68.1% in 2020-21. Other sectors, such as water, energy, agriculture, and forestry, have benefitted significantly (Japan International Cooperation Agency, 2023). Over the years, Japan’s aid has been noted for its quality, providing low-interest, project-oriented loans with structured repayment timelines.

**Figure 2: Trends in ODA Loan Commitment by Sector (FY 2021/22)**

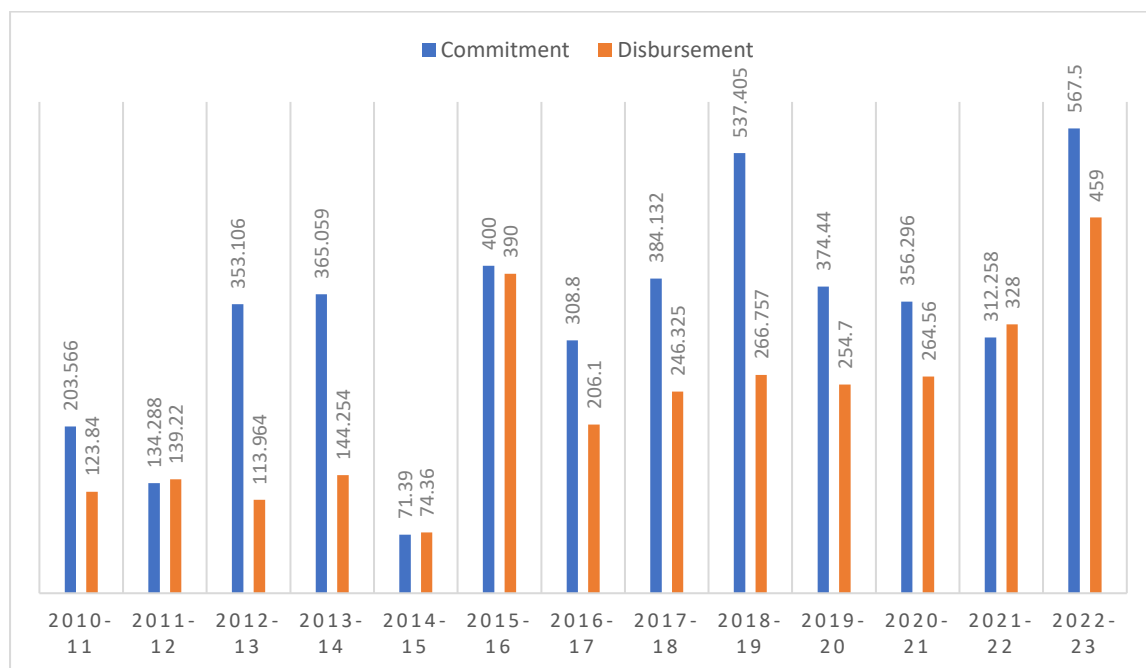


Source: JICA Operations and Activities in India

One persistent challenge in India-Japan ODA relations has been the gap between Japan’s committed aid and actual disbursement. Historically, the disbursement pace lagged behind commitments, but this issue has improved since FY 2015/16, even though disbursements have begun to slow again in recent years.

Japan’s financial institutions, particularly JICA and the Japan Bank for International Cooperation (JBIC), have played a vital role in advancing economic cooperation between the two nations. JICA focuses on economic development and human resource capacity building, while JBIC promotes infrastructure development and industrial collaboration. JBIC, formed in 1999, supports India’s infrastructure development, particularly in projects like the Delhi-Mumbai Industrial Corridor (DMIC). In partnership with India’s Export-Import Bank, JBIC also fosters connectivity in Asia and Africa. A notable development is JBIC’s involvement in the India-Japan Fund, where both India and JBIC have pledged significant investment to promote environmental sustainability, low carbon emissions, and enhance India’s economy. In November 2022, JBIC signed an MoU with India’s “National Investment and Infrastructure Fund Limited” (NIIFL) to further environmental preservation and support India's economic growth (Japan International Cooperation Agency, 2023). These initiatives highlight JBIC’s ongoing efforts to strengthen Japan-India ties and support India's sustainable development.

**Figure 3: Commitments and Disbursements of ODA Loan from Japan**



Source: India-Japan Bilateral Economic Relations (Embassy of India, 2023).

### **From Japanese ODA to Investments**

India and Japan share a long-standing history of economic relations dating back to 1894 when the two nations signed a trade convention that boosted their cotton trade. This agreement facilitated regular ocean transport between India and Japan, beginning a robust economic relationship. By the early 1900s, India had become Japan's third-largest trading partner, with a strong focus on resource supply, particularly iron ore, raw jute, and cotton (Khan, 2019). The two countries had established complementary economic ties before World War II. In the post-war era, India supported Japan's resurgence by offering raw materials, highlighting the growing interdependence between the two nations.

However, in the 1950s, divergent economic and political perceptions hindered the growth of bilateral economic relations. Japan was concerned about India's socialist economic model and perceived "unrealistic and non-pragmatic" policies (Khan, 2019). Moreover, the Cold War further strained ties, with India's alignment with the Soviet Union and Japan's security alliance with the US. As a result, economic engagement between the two countries remained limited, with Japan's economic involvement in India largely confined to Official Development Assistance (ODA) programs. Nonetheless, some Japanese companies, such as Suzuki, began to enter the Indian market during this period.

India's economic liberalization in 1991 marked a turning point, as the country recognized Japan as a key source of investment and technology (Dixit, 1996). Despite India's efforts to open up its economy, Japanese investors were cautious, as the pace and scope of India's reforms were slower than anticipated. Nevertheless, Japanese automotive firms, including Honda and Toyota, established manufacturing plants in India by the mid-1990s, though Japanese electronics companies remained hesitant to invest (Khan, 2019).

Political ties between the two nations strengthened, evolving into a strategic partnership by 2005. During his visit to New Delhi in 2005, Japanese Prime Minister Junichiro Koizumi emphasized the importance of a "strong, prosperous, and dynamic India" for Japan and underlined the need to "enhance economic cooperation" between the two countries (Ministry of Foreign Affairs of Japan, 2005). However, economic ties remained underdeveloped, with Prime Minister Manmohan Singh, during his 2006 visit to Japan, calling for economic relations to become the bedrock of Indo-Japanese relations. This marked the beginning of more focused

efforts to strengthen economic cooperation, leading to the promotion of the Special Economic Partnership Initiative (SEPI) (Ministry of Foreign Affairs of Japan, 2006b).

In 2005, India and Japan established the Joint Study Group (JSG) under the "India-Japan Partnership in a New Asian Era: Strategic Orientation of India-Japan Global Partnership." The primary objective of the JSG was to explore measures for expanding "trade in goods and services, investment flows, and broader economic cooperation" (Ministry of Foreign Affairs of Japan, 2006a). Composed of government officials, industry stakeholders, and academic experts, the JSG conducted extensive discussions to assess the status and future potential of India-Japan bilateral economic relations. The JSG's report, published in June 2006, underscored the complementary nature of the two economies and identified critical areas of improvement to enhance bilateral trade and investment. The report emphasized the need for both nations to continue economic reforms, focusing on privatization and financial restructuring, as these would sustain long-term economic growth.

Following the JSG's recommendations, India and Japan initiated formal negotiations on a Comprehensive Economic Partnership Agreement (CEPA). These negotiations, which began in 2007, covered a broad range of economic activities, including trade in goods and services, investment, intellectual property rights (IPRs), customs procedures, and the movement of natural persons. Despite the broad scope of discussions, the negotiations took several years to conclude, resulting in the signing of the CEPA on February 16, 2011, in Tokyo. The agreement came into effect on August 1, 2011.

The CEPA marked a significant milestone in India-Japan relations, representing the most comprehensive trade agreement India had entered into. Covering over 90% of bilateral trade, the CEPA aimed to liberalize and facilitate trade, investment, and services between the two nations. Japan liberalized tariffs on 87% of tariff lines from the outset. In comparison, India offered immediate tariff reductions on 17.4% of lines, with plans to gradually eliminate tariffs on 66.32% of lines within ten years (Ministry of Commerce & Industry, 2013). CEPA aimed to create larger markets, enhance the attractiveness of both countries to investors, and contribute to the efficiency and competitiveness of their manufacturing and services sectors. Additionally, the CEPA was expected to have a regional impact, particularly in the evolving ASEAN+3+3 framework, which later culminated in the Regional Comprehensive Economic Partnership (RCEP) (Khan, 2019). CEPA included commitments to reduce or eliminate customs duties, with goods classified into different schedules for phased tariff elimination. While some goods

saw immediate tariff reductions, others were subject to phased reductions over six to sixteen years. The CEPA provided "national treatment" to Japanese investors, ensuring they were treated no less favorably than domestic investors. Both countries also granted Most Favored Nation (MFN) status to each other's investors, ensuring they had access to local courts and tribunals in case of disputes.

Japan's Prime Minister Shinzo Abe introduced "Abenomics," a comprehensive economic strategy focused on promoting infrastructure exports. This strategy, launched in May 2013, aimed to integrate ODA with infrastructure development, opening new markets for Japanese businesses while addressing the infrastructure needs of countries like India, Indonesia, Vietnam, and Thailand. Abe's strategy also countered China's growing influence in the region through the BRI, with strong backing from Japan's business federation, Keidanren, which championed Japan's "Quality Infrastructure" exports—known for their durability, resilience, and eco-friendliness (Keidanren, 2015). Japan introduced the "Partnership for Quality Infrastructure" in 2015, pledging US\$110 billion over five years in collaboration with the Asian Development Bank to boost infrastructure investment across Asia. It emphasized high-quality, sustainable infrastructure projects, drawing on Japan's expertise and private-sector innovation to foster connectivity and economic growth (Ministry of Foreign Affairs of Japan, 2015a). The Indian government recognized Japan's crucial role in modernizing India's infrastructure and expressed a shared vision for deepening bilateral ties. During Prime Minister Modi's 2014 visit to Japan for a bilateral summit, leaders of both countries set ambitious goals: to double Japanese direct investment in India and the number of Japanese companies operating there within five years. Japan committed to a ¥3.5 trillion (US\$33.5 billion) public and private investment package, covering critical sectors like "infrastructure, connectivity, smart cities, energy, and skills development." Japan also pledged an ODA loan of ¥50 billion for the India Infrastructure Finance Company (IIFC), further underscoring Japan's commitment to India's infrastructure development (Ministry of External Affairs, 2014).

To fast-track these initiatives, India established "Japan Plus" in 2014—a dedicated team under the Department for Promotion of Industry and Internal Trade (DPIIT). Based in New Delhi, Japan Plus is a facilitator between both governments, ensuring seamless Japanese investment flows into India. It engages with Japanese companies, resolving challenges and supporting new investments across various sectors. Japan Plus also collaborates with a high-level Core Group chaired by the Cabinet Secretary to ensure that investment goals are met (Ministry of Commerce & Trade, 2020).

In recognition of their shared vision for regional economic integration, India and Japan elevated their relationship to a "Special Strategic and Global Partnership" in 2015. This partnership aimed to leverage mutual strengths and resources to accelerate India's economic and social development, focusing on infrastructure, capacity-building, and regional cooperation. Modi established Japanese industrial townships in India to foster innovation, promote technology transfer, and enhance connectivity. At the same time, Japan voiced its strong support for India's flagship programs like "Make in India," "Digital India," and "Skill India" (Ministry of Foreign Affairs of Japan, 2015b).

Japanese investment in India has grown significantly since 2014. Foreign Direct Investment (FDI) from Japan surged from 282 billion Yen in 2014 to 641 billion Yen in 2022, ranking Japan as India's fifth-largest investor by 2021. Japanese investments have primarily flowed into sectors such as automobiles, telecommunications, electrical equipment, chemicals, and pharmaceuticals (Ministry of Foreign Affairs of Japan, 2023). This surge in investment has been supported by India's efforts to make the country more attractive to Japanese businesses, including initiatives like the Japan Plus desk and the establishment of Japanese industrial townships. Bilateral trade between India and Japan has expanded from US\$15.71 billion in 2017-18 to US\$21.96 billion in 2022-23. While Japan's exports to India have increased, accounting for 2.31% of India's total imports, India's exports to Japan have grown more slowly, representing 1.21% of India's total exports (Embassy of India Tokyo, 2023).

**Table 1: Direct Investment from Japan (Yen: billion)**

<b>Year</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>Direct Investment from Japan</b>	282	368	564	357	371	522	214	493	641

**Table 2: India-Japan bilateral trade (US\$ billion)**

<b>Year</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	<b>2020-21</b>	<b>2021-22</b>	<b>2022-23</b>
<b>India's exports to Japan</b>	4.73	4.86	4.52	4.43	6.18	5.46
<b>India's imports from Japan</b>	10.97	12.77	12.43	10.9	14.39	16.49
<b>India-Japan bilateral trade</b>	15.71	17.63	16.95	15.33	20.57	21.96

The “India-Japan Digital Partnership” (I-JDP), launched during Modi’s 2018 visit to Japan, further deepened cooperation in science, technology, and information and communication technologies (ICT). This partnership established a startup hub in Bengaluru, connecting promising Indian tech companies with the Japanese market. It also focused on innovations aligned with SDGs, facilitating collaboration between India’s Startup-India and Japan’s Innovation Network (Embassy of India, 2023).

Additionally, Japan has supported India’s skill development through projects like the “Japan-India Institute for Manufacturing” (JIM) and “Japanese Endowed Courses” (JEC), which aim to train 30,000 Indian engineers and shop-floor leaders to Japanese standards. A Technical Intern Training Program (TITP) has also facilitated skill exchange between the two countries, further solidified by the 2021 agreement on the "Specified Skilled Worker" framework (Embassy of India, 2023). The “Supply Chain Resilience Initiative” (SCRI), a trilateral partnership between India, Japan, and Australia, was launched in 2020 to diversify and strengthen supply chains across the Indo-Pacific. This initiative underscores the strategic importance of India-Japan collaboration in ensuring regional economic stability, especially in the wake of disruptions caused by the COVID-19 pandemic (Embassy of India, 2023).

Through these developments, Japanese companies have significantly increased their presence in India, rising from 362 in 2007 to 1,400 in 2022, with the number of business establishments reaching 4,901 (Embassy of Japan in India, 2022). With continued support from both

governments, Japanese investment in India remains strong, bolstered by joint efforts to promote sustainable economic growth, technological innovation, and regional cooperation.

### **Strategic Aid Diplomacy: India-Japan Collaboration for Regional Connectivity and Development in the Indo-Pacific**

India and Japan's collaborative efforts in the Indo-Pacific exemplify a sophisticated form of aid diplomacy, where development assistance is strategically aligned with broader geopolitical and economic objectives. By integrating India's "Act East" Policy with Japan's FOIP, the partnership strengthens regional connectivity and infrastructure development, fostering economic integration and stability. A central focus of this cooperation is advancing critical infrastructure financing to link sub-regions and enhance market interactions across the Indo-Pacific. The India and Japan "Vision 2025" framework aimed at enhancing the partnership across various sectors, including economic cooperation, security, and cultural exchanges. The vision focuses on strengthening regional economic and security forums and coordinated actions to address global challenges. Additionally, India welcomed Japan's commitment to join initiatives like the International Solar Alliance, reflecting collaboration in clean energy ventures.

Japan's FOIP emphasizes enhanced connectivity through quality infrastructure that adheres to international standards, mainly focusing on critical sub-regions like ASEAN and South Asia. Notable projects include Southeast Asia's East-West and Southern Economic Corridor and infrastructure initiatives like the Northeast Connectivity Improvement Project and the Bay of Bengal Industrial Growth Zone in South Asia (Mission of Japan to ASEAN, 2018). These projects exemplify how infrastructure development can bridge regional divides and create strategic linkages from Southeast Asia to Africa, thus promoting Japan's broader regional objectives.

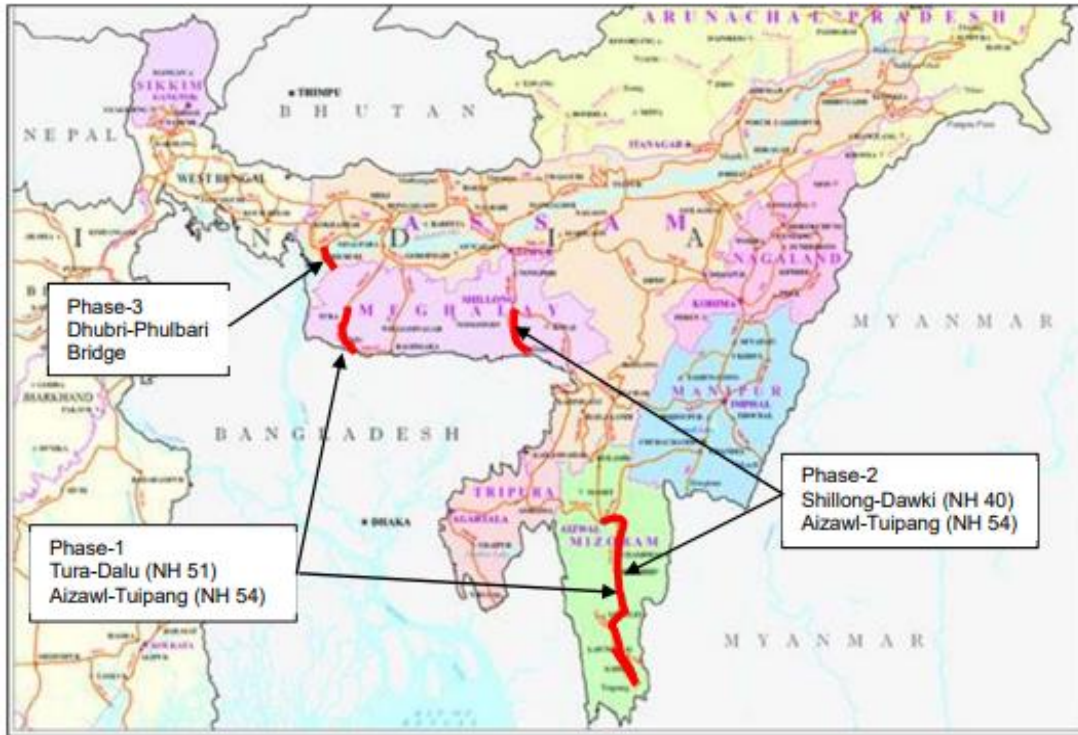
The Asia-Africa Growth Corridor (AAGC) is a prime illustration of how aid diplomacy and development assistance align with strategic goals. Born from a 2016 joint declaration between Indian Prime Minister Narendra Modi and Japanese Prime Minister Abe, the AAGC focuses on interconnectivity between Asia and Africa, regions with shared historical and economic ties. Both continents seek to harness their economic potential through collaborative development, particularly in infrastructure, capacity building, and sustainable growth initiatives. The AAGC is structured around four main pillars: Development and Cooperation Projects, Quality Infrastructure, Capacity Enhancement, and People-to-People Partnerships (Puri, 2017).

Importantly, this initiative integrates people-centric approaches with a focus on aligning with the SDGs, ensuring that economic growth benefits local populations.

Japan and India are using development assistance as a tool for economic engagement and as a mechanism to deepen their strategic influence across the Indo-Pacific. Japan's Partnership for Quality Infrastructure (PQI), established in 2015 and became the Expanded Partnership for Quality Infrastructure (EPQI) in 2016, exemplifies Japan's commitment to providing high-quality, sustainable infrastructure development across the region. By offering substantial financing—\$200 billion over five years—Japan positions itself as a major player in meeting Asia's infrastructure needs, estimated by the ADB to require \$26 trillion by 2030 (Asian Development Bank, 2017). Through these initiatives, Japan not only stimulates economic growth at home but also strengthens its geopolitical presence by supporting infrastructure projects crucial to regional economic integration.

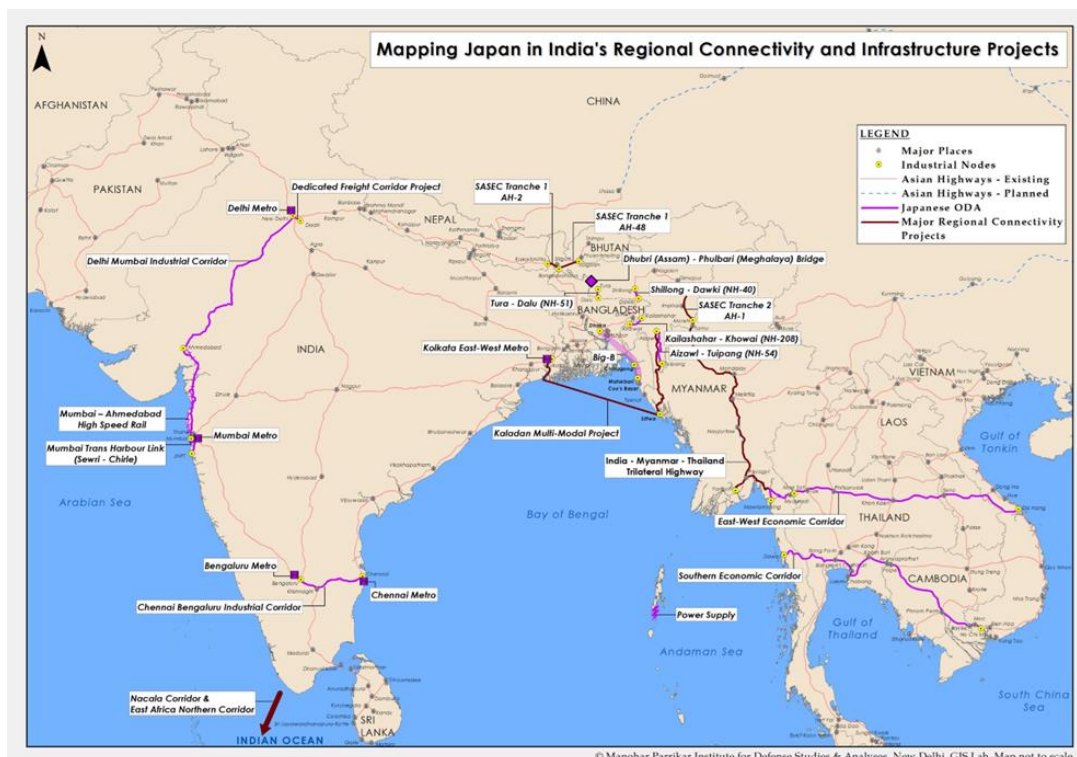
A critical focus of Japan's aid diplomacy has been India's Northeast region, seen as a gateway to Southeast Asia. Infrastructure projects here, supported by the Japan International Cooperation Agency (JICA), are pivotal in realizing India's Act East Policy. Major projects like the Northeast Industrial Corridor, connecting Dawki to Moreh, and road connectivity improvements in Meghalaya and Mizoram are key examples. These efforts strategically integrate India into the broader Indo-Pacific economic landscape by enhancing regional connectivity, linking India with neighboring Southeast Asian nations via the India-Myanmar-Thailand Trilateral Highway. This corridor is part of a broader network that extends to Cambodia, Laos, and Vietnam, reflecting Japan's comprehensive strategy to shape regional production networks and value chains (Japan International Cooperation Agency, 2023).

### **Map 1: Road Network Connectivity Improvement Projects by JICA in India's North East Region**



Source: JICA Report

Map 2: Mapping Japan in India's Regional Connectivity and Infrastructure Projects



Source: MP-IDSA (Basu, 2022)

Besides, Japan is heavily invested in developing Africa as the nations are emerging as essential hubs in the Indo-Pacific, with projects such as the Mombasa Port expansion, Mombasa Special Economic Zone (SEZ), and Nacala Port in Mozambique. By selectively targeting infrastructure investments, Japan aims to maximize impact while advancing its strategic goals. This selective approach to aid diplomacy aligns with Japan's FOIP strategy, reinforcing Japan's position as a regional leader in development assistance.

## **Conclusion**

Japan's ODA has shaped India-Japan relations since 1958, evolving from focusing on economic development and technical cooperation to a multi-dimensional strategic partnership in the Indo-Pacific era. Over the decades, Japan's aid has bolstered critical infrastructure, capacity building, and sustainable development in India, particularly in vital sectors like transportation, energy, and water. Despite challenges such as disbursement delays, Japan's aid diplomacy has deepened bilateral cooperation, fostering mutual economic growth and strategic alignment. Financial institutions like the JICA and the JBIC have played crucial roles in facilitating major infrastructure projects while promoting environmental sustainability and resilience.

The evolution of India-Japan economic relations underscores a significant transformation, transitioning from historic trade ties to a dynamic partnership characterized by substantial investments and strategic cooperation. Since the 1990s, India's economic liberalization has attracted increased Japanese investments in diverse sectors, including automobiles, telecommunications, and pharmaceuticals. Initiatives like the CEPA and Japan Plus have significantly enhanced bilateral trade. At the same time, the India-Japan Digital Partnership and skill development programs reflect a shared commitment to innovation and collaborative growth. Besides, the Supply Chain Resilience Initiative highlights the strategic importance of this partnership in the Indo-Pacific region, positioning both nations to address emerging global challenges together. As the number of Japanese companies in India continues to rise, both countries are poised to strengthen their economic ties, promoting sustainable growth and regional stability.

India and Japan's collaboration exemplifies a strategic approach to aid diplomacy, where development assistance aligns with broader geopolitical objectives. Both nations can enhance regional connectivity and infrastructure development by integrating India's "Act East" Policy with Japan's FOIP. Initiatives such as the AAGC and Japan's EPQI demonstrate their commitment to high-quality infrastructure projects that promote sustainable growth and

address local needs. Japan's investments in India's Northeast region and infrastructure projects across Africa further consolidate its influence in the Indo-Pacific, fostering interconnectivity and economic integration across Southeast Asia, South Asia, and Africa. This multifaceted collaboration not only strengthens bilateral ties but also positions India and Japan as key players in shaping the future of the Indo-Pacific region, demonstrating how Japan's aid diplomacy has sustained and enhanced their bilateral relationship into a comprehensive strategic partnership.

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