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**The Ties That Bind: Part 2 (2000-2024)**  
**Japan–South Asia Relations and Development**  
**Cooperation Partnership in the Twenty-first**  
**Century and in the Era of the Indo-Pacific**

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## **The Ties That Bind: Part 2 (2000-2024)**

### **Japan–South Asia Relations and Development Cooperation Partnership in the Twenty-first Century and in the Era of the Indo-Pacific**

Purnendra Jain \*

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#### **Abstract**

Following the lowest point in Japan-South Asia ties, particularly with the two key countries (India and Pakistan) in 1998, the region has emerged as crucial for Japan through the twenty-first century, especially from the 2010s, with India and Bangladesh as the top two recipients of Japan's total ODA. Three key factors have influenced Japan's shift in aid focus to South Asia: a genuine desire for South Asia's social and economic development, Japan's own growing and expanding commercial interest, and, particularly from the 2010s, the pursuit of Japan's broader strategic objectives. This is why the levels and nature of Japan's ODA have varied across time and countries in the region. In the current context of Japan's Free and Open Indo-Pacific (FOIP) foreign policy objectives, and as China's rise contributes to transforming global and regional orders, the South Asian region has become strategically important to Japan. It will likely be a focus of Japan's ODA for the foreseeable future.

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**Keywords:** Japan, South Asia, ODA, Aid, Development Cooperation Partnership, Strategic Aid, Indo-Pacific

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## 1. Twenty-first Century

### *International and domestic circumstances influencing Japan's ODA*

Japan's response to nuclear weapons testing by both India and Pakistan in 1998 was widely recognized as highly punitive and seriously soured Japan's relations with both nations. Japan suspended aid and imposed sanctions on both India and Pakistan in line with its 1992 ODA Charter, partly inspired by the horror of its own experience of the nuclear bombings of Hiroshima and Nagasaki by the United States in 1945. Yet Japan's grievance was short-lived. As the 21<sup>st</sup> century dawned, so too did the prospect of a profound shift – in the regional and global orders and domestic circumstances in Japan and South Asian countries. The economic ascendance of Japan's neighbor China was already forcing Japan to carefully recalibrate how, where and with whom it would engage internationally in the years ahead.

Three key international developments in the first decade of the new century significantly changed global security and economic scenarios. Two were sudden – the 9/11 terrorist attacks on US facilities in 2001 and the so-called global financial crisis (GFC) of 2007–2008, which served to weaken US power and influence. The third development, gradual, as a backdrop, and most transformative of all, was China's continuing economic rise and its complex consequences, which included China playing a key economic role in mitigating the adversarial impact of the GFC. Fresh from successfully hosting the 2008 Olympic Games and showcasing its overall power, in 2009, China became the world's second-largest economy, ousting Japan into the number three position. After some 40 years as a significant donor to China's social and economic development, Japan ended new ODA loan commitments to China around the mid-2000s (Drifte 2006), and all other types of aid in 2022 (Okabe 2022). Japan–China political relations began to deteriorate in this context of China's economic rise, accompanied by its growing military strength and military activity in the East China Sea around the Japan-held Senkaku islands, which China claims as part of its sovereign territory.

Global strategic circumstances have become even more complex in the 2020s, with ever-escalating US-China rivalry, the China–Russia 'no limits' partnership announced by the two national leaders in February 2022, the Ukraine war since February 2022, and the eruption of Israel–Palestine conflict in October 2023. The coming of the second Trump administration in the United States further complicates the global strategic scenario. These developments inevitably have direct or indirect impact on Japan's thinking on foreign policy and ODA, which is now linked to Japan's strategic aims in more pronounced ways than ever (Shiga 2023b).

## 2. Japan's Political Landscape and ODA

During his first term as prime minister (2006–2007), Shinzo Abe committed himself to dealing with the profoundly changing global and regional strategic landscape. In 2007, in a groundbreaking speech in the Indian parliament, Abe redefined Asia's politico-strategic map,

linking the Pacific to the Indian Ocean, which had hitherto been considered separate for strategic purposes. He highlighted India as a critical actor within this ‘broader Asia’ concept that reaches beyond ‘Asia-Pacific’, which for decades had isolated India. However, Abe’s unexpected resignation after one year in office led to political instability within Japan, with five new prime ministers over the next five years.

When Abe returned to the national leadership in 2012, his administration made many notable national defense and security policy announcements. These included the 2013 National Security Strategy (NSS), establishing a national security secretariat in 2014, and launching the Free and Open Indo-Pacific (FOIP) concept in 2016. Abe’s FOIP concept essentially aimed to promote and establish the rule of law, freedom of navigation and free trade, pursue economic prosperity and commit to peace and stability in the vast region covering both the Indian and Pacific Oceans (MOFA 2019). The ODA Charter – rebadged the Development Cooperation Charter – was revised in 2015, underscoring the role of ODA in promoting Japan’s national interests and linking ODA to the aims and objectives of the NSS, i.e., formally positioning ODA to serve Japan’s national security needs (Yamamoto 2020). Tokyo also announced a new policy of ‘pro-active contribution to peace’ to distinguish it from the construction of Japan’s past ‘passive peace’ disposition, making ODA an important tool to this end.<sup>1</sup> While the objectives of social development, such as poverty alleviation, human security, environment protection and other elements of the UN sustainable development goals (SDGs), were already included in the charter, this new policy more specifically emphasized projects that would serve Japan’s national security interests. Providing developing countries with ‘quality infrastructure’, i.e., high-caliber infrastructure, particularly for economic development, was the centerpiece of that policy (Hoshiro 2022). ‘Quality infrastructure projects’ objectives also served Japan’s policy of infrastructure exports to stimulate Japan’s economy (Yoshimatsu 2017).

Kishida Fumio came to the national helm in 2021 and broadly carried Abe’s security and ODA policy forward. His administration released a revised NSS and three defense-related policy documents in 2022 and an updated Development Cooperation Charter in 2023, explicitly aligning ODA with the NSS and Japan’s defense policy objectives. His administration established a new program under the revised NSS, called OSA or Official Security Assistance; Bangladesh was one of the beneficiaries of this program, as discussed later in this paper. In 2023, Prime Minister Kishida significantly boosted the FOIP concept with a more elaborate ‘New Plan for a “Free and Open Indo-Pacific”’. It has four key pillars – Principles for Peace and Rules for Prosperity, Addressing Challenges in an Indo-Pacific Way, Multi-layered Connectivity, and Extending Efforts for Security and Safe Use of the ‘Sea’ to the ‘Air’ – and 51 areas of cooperation (MOFA 2023). The most noteworthy features in the background to changes and additions of these policy

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<sup>1</sup> Japan followed a policy of ‘one-nation pacifism’ (*ikkoku heiwashugi*) which was essentially constructed as passive peace.

documents were Japan's ever-tense relationship with China and Russia's military intervention in Ukraine. Kishida often claimed that Ukraine today could be East Asia tomorrow, referring to the possible danger of China's military designs on Taiwan and territorial claims in the South and East China Seas. He often stated that the present strategic landscape is at 'a historic turning point, facing compound crises' (Prime Minister's Office 2024). In response to domestic and international challenges, Japan now unequivocally links its ODA with its national interests, including strategic, political and diplomatic objectives.

### **3. South Asia's Importance**

Domestic circumstances in South Asia have also changed across the 21<sup>st</sup> century. India's market liberalization since the early 1990s has accelerated national economic growth. Bangladesh's economy has also improved, but Pakistan has struggled economically and politically. The region's least developing countries (LDCs) were improving their economic performance; the Maldives outgrew this status in 2011, Bhutan in 2023, and Bangladesh and Nepal are set to do so in 2026. Even so, deep poverty and poor socio-economic infrastructure in most South Asian countries still qualify them to receive Japan's ODA for economic and social development. Overall, beyond economic need, politico-diplomatic circumstances have also motivated Japan to engage the subcontinent through its aid.

The 9/11 terrorist attacks in the US in 2001 prompted Japan to recognize South Asia, especially Pakistan, as a frontline state. Prime ministers Yoshiro Mori in 2000 and Junichiro Koizumi in 2005 visited South Asian nations and extended financial support, particularly to Pakistan, to tackle terrorist activities across its border onto Afghanistan. China's actions prompted Japan's strategic move closer to India, which still has ongoing and unresolved border disputes with China. Indeed, a serious military skirmish in 2020 claimed the lives of several Indian military personnel. Most significantly, South Asia has gradually been drawn into the broad geographic zone of China's influence, with most South Asian countries (except India and Bhutan) signing up to be part of China's Belt and Road Initiative (BRI).<sup>2</sup> Pakistan has emerged as China's closest and most trusted South Asian partner, receiving massive Chinese investment estimated at \$62 billion through the China-Pakistan Economic Corridor (CPEC) (Afzal 2020). Since economically weaker Japan now finds it difficult to match what China offers financially to developing countries, Tokyo has promoted itself as a 'responsible development partner', providing quality and sustainable financial support that does not burden recipients with long-term debt and poor-quality infrastructure.

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<sup>2</sup> The BRI is the Chinese government's strategy to develop infrastructure globally through investment in more than 150 countries and international organisations, with land corridors connected by road, rail, energy and technological infrastructure, and maritime connections through ports.

This broad-brush overview of global, regional and domestic changes in Japan and South Asian countries provides useful background as we now examine Japan's ODA to the region from 2000 to 2024 in the context of Japan's bilateral and multilateral relationships. Our discussion brackets three periods with some overlap: 2000–2007, 2008–2013/2014 and 2014–2023.

*First Phase: 2000–2007*

In 2000, Prime Minister Mori visited the subcontinent. This trip included Nepal for the first-ever visit by a Japanese prime minister. Mori declared India and Japan 'global partners', a significant departure from the highly critical official Japanese view of India and Pakistan in 1998, and a term that Prime Minister Koizumi, during his visit to India in 2005, qualified as 'strategic'. Even during the few years of its anti-nuclear sanctions from 1998, Japan had continued ODA for projects already underway, but it provided no new aid money. In 2000, it returned to funding for new projects with small amounts, and for India, this funding has continued to increase ever since, as discussed in this paper (also see Yamada 2021, 182).

A highlight of this first period of the new century was the Delhi Metro project, touted as the 'shining example' or 'first milestone' of the Japan–India development partnership. Japan committed huge yen loans (about 60 per cent of the project cost) to this project in 1997, disbursed over several years, which is known as the 'round slices' (*wagiri hoshiki*) method (JICA 2022b). It did not even pause the project loans with its anti-nuclear-testing sanctions since this project was already underway – and was manifestly important for India. We discuss the Delhi Metro as one of Japan's flagship ODA projects in India later in this paper.

During his 2000 official visit, Mori announced new yen loans to India for a coal-fired power plant and highways. When Indian Prime Minister Atal Bihari Vajpayee visited Japan in 2001, bilateral relations seemed almost 'normal', with the nuclear issue on the back burner (Sato 2017, 170). The so-called '9/11' terrorist attacks in the US later that year gave Japan further impetus to increase aid to India (and Pakistan) to combat terrorism. Japan increased ODA to India substantially (Yamada 2021). Indeed, on a commitment basis and with notes of exchange, Japan became India's number one donor, with total aid annually between 100 and 200 billion yen around this period (Sato 2017, 168-69). Some later large projects supported by Japan's ODA in India were planned during this period. The joint statement on the visit to Japan by Indian Prime Minister Manmohan Singh in 2006 included mention of Japan's ODA support for both the Delhi–Mumbai Industrial Corridor (DMIC) and a Dedicated Freight Corridor (DFC) between Delhi and Mumbai.<sup>3</sup> This period became the second take-off for Japan's aid to India (the first was in the 1950s) and parallels significant improvement in the overall Japan–India relationship.

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<sup>3</sup> For details of these projects, see Kojima (2024: 204-206).

Pakistan's experience does not run in tandem with India's. Just before the nuclear testing in 1998, Pakistan depended on Japan for as much as 91.9 per cent of its total loans from aid donors (Malik 2009, 140). Pakistan's high dependence on Japanese aid, therefore, meant Japan's economic sanctions were hurting Pakistan much more deeply than India. By shifting Pakistan's profile to a front-line state (bordering an area of conflict) in the War on Terror, the strategic consequences of 9/11 certainly changed the ODA scenario for Pakistan. Japan indicated it wanted to gain Pakistan's support to help combat global terrorism (Malik 2009, 137). On the back of Prime Minister Koizumi's announcement following 9/11 that Japan would help combat global terrorism, Japan announced it would extend to Pakistan \$40 million in emergency economic assistance. Weeks later, Japan announced it would discontinue the 14 economic measures it had imposed in response to Pakistan's nuclear testing. The next month, Japan announced that \$300 million (including the \$40 million mentioned above) in grant aid would be extended over approximately two years to assist Pakistan's efforts in poverty reduction, including education and medical care.

Japan's ODA to Pakistan flowed reasonably from 2001 to 2006, cumulating a little over \$1bn for these five years (calculated from Malik 2009, 141). A Japanese ambassador to Pakistan noted that between 2005 and 2007, Pakistan was among the top ten recipients of Japanese yen loans (Kojima 2006, 487). In 2006, Foreign Minister Taro Aso explained Japan's strategic motivations: 'Pakistan is a frontline state in the fight against terrorism... Helping to build the infrastructure of such a country will lead to stability in Afghanistan and Central Asia, and also has the value of conserving the distribution routes in the surrounding region' (Kojima 2006, 485).

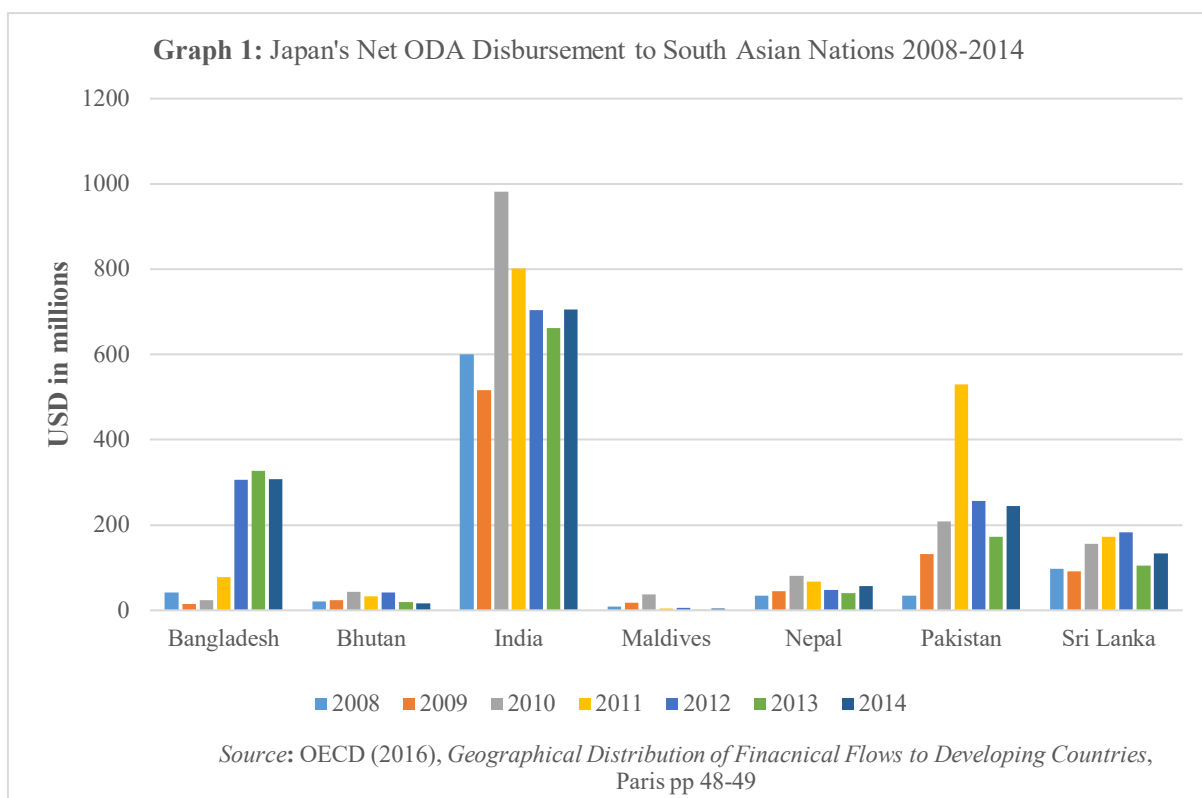
For Pakistan, 9/11 proved to be in some ways a 'blessing in disguise' vis-a-vis Japan, as it prompted Japan to stop suspending its aid. Japan even rescheduled Pakistan's debt worth \$4.5 billion and provided significant aid for emergency relief work after the earthquake Pakistan suffered in 2005 (Malik 2009, 142). But by the end of the first phase, Japan-Pakistan relations began to cool, the forerunner for this relationship's downward trajectory in the 2010s. There are two key reasons for this change. One is that improvements in India's relations with the US, Japan's key strategic partner – including the US-India Civil Nuclear Agreement of 2005 – raised India's significance in Japan's strategic thinking at the expense of Pakistan. Another is Pakistan's rapidly strengthening ties with China and weakening ties with the US. Notably, in 2007 Abe did not go to Pakistan when he visited India, unlike all his predecessors who went to both India and Pakistan during their visits to the subcontinent.

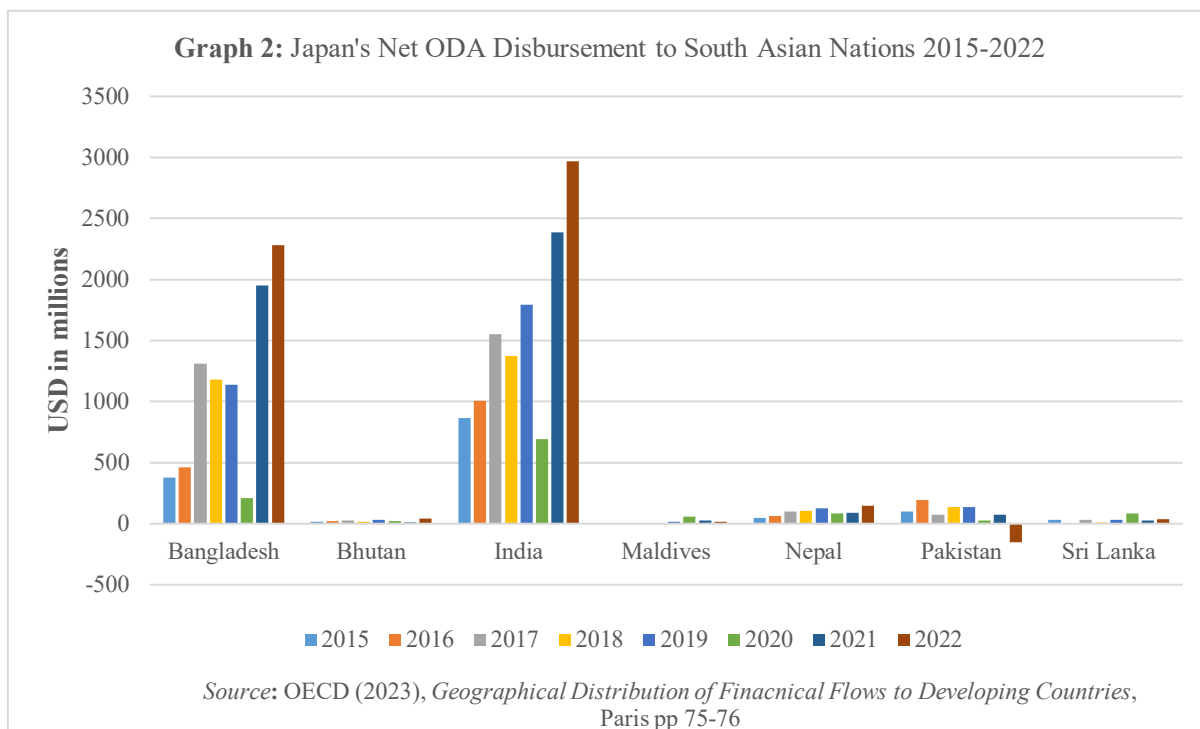
Japan's ODA connections with other South Asian countries throughout this first phase continued as much as before. They mainly comprised technical assistance and grants, as other South Asian countries could not absorb large ODA loans. Japan aid to Sri Lanka was affected because of the ongoing ethnic conflict and civil war that brought political instability and dragged down the national economy (Pradhan 2001). However, Japan provided some loans because development

assistance projects served the entire nation. Notably, Japan also played a significant role in helping bring peace to the island state, particularly through partnering with Norway for a peace plan (Lam 2009, 89-103). “Norway’s third-party role has been criticized by nationalists for being partial towards the Tigers, and by a section of peace activists for focusing on a minimalist agenda of peace” (Moolakkattu 2005, 385). On the other hand, Japan’s peacebuilding efforts are concentrated as development assistance in the nation and are viewed more positively (Fazil 2008).

*Second Phase: 2008–2013/2014*

The second phase opened in 2008 when major structural reform in Japan’s aid administration brought a merger of the division responsible for responsible for ODA yen loans from the Japan Bank For International Cooperation (JBIC) (created in 1999 from the merger of EXIM Bank and Overseas Economic Cooperation Fund (OECF)), with JICA, which was responsible for ODA grants and technical cooperation. The ‘New JICA’ that this merger created has the power to oversee yen loans, grants and technical assistance programs. Frequent changes in Japan’s prime ministers across this period saw some instability, but the return of Abe as prime minister in late 2012 brought that instability to an end. Given the ever-greater strategic significance of Japan’s ODA to South Asia from this time, in Graphs 1 and 2 we present trends on Japan’s ODA to South Asia for both the second and third phases (2008–2013/2014 and 2015–2022). These graphs enable comparison between the two phases and among recipient nations across South Asia. They also highlight the shifting priorities in aid allocations in the 2010s and early 2020s.





The Japan–India relationship strengthened notably in this period. The two nations signed a Joint Declaration on Security Cooperation in 2008, and a comprehensive economic partnership agreement in 2011. The annual summit between the two prime ministers continued, with joint statements underlining the strength of the relationship and commitment to lift it to ‘the next level.’<sup>4</sup> This strong relationship is reflected in Japan’s commitment to and disbursement of ODA during the period, as shown in Graph 1.

The most significant development in this period was Bangladesh’s upward leap on Japan’s ODA recipients list, particularly from 2012. The annual amount of this bilateral ODA almost quadrupled from a mere \$78 million in 2011 to \$305 million in 2012, a trend that has continued since. Yanagihara’s (1993) observation that aid to Bangladesh was only for poverty alleviation and social development and had no strategic significance would no longer hold ground. Japan’s aid support – and approach to this bilateral relationship – had now clearly reached beyond poverty relief and social development to recognition of Bangladesh as a significant economic and strategic player in Japan’s political calculus. Bangladesh was an economic growth story, and its geographical location for maritime security in the Indian Ocean is strategically important for Japan.

<sup>4</sup> For a comprehensive coverage of this period, see Horimoto ed. (2017).

Sheikh Hasina, who was voted back into power in Bangladesh in 2009 and held office till ousted in August 2024, has been one of Japan's most ardent admirers.<sup>5</sup> Soon after taking office in 2009, she visited Japan in 2010 and met with Prime Minister Naoto Kan. In their joint statement, Hasina expressed appreciation for Japan supporting infrastructure development in Bangladesh, such as 'large-scale bridges, roads, railways, power plants and electronic distribution facilities, as well as Japan's assistance in the areas of education and health'<sup>6</sup>. Prime Minister Kan announced approximately 400 million dollars through an ODA loan for the Padma Multipurpose Bridge Project for improved connectivity between the capital area of Dhaka and the east and southwest regions (Prime Minister of Japan 2010).

As a goodwill gesture to Japan, in 2014, Bangladesh withdrew its candidacy for non-permanent membership in the United Nations Security Council (UNSC) in favour of Japan. Hasina prioritised visiting Japan in May 2014 and chose to miss the newly-elected Prime Minister Narendra Modi's oath-taking ceremony in India in 2014.<sup>7</sup> Prime ministers Hasina and Abe announced the 'Japan–Bangladesh Comprehensive Partnership' in their joint statement in Tokyo (MOFA 2014a). Five months later, Abe visited Bangladesh in September 2014 and proposed the Bay of Bengal Industrial Growth Belt (BIG-B), which promotes infrastructure development and connectivity (MOFA 2014b). This flagship project highlights Dhaka's rising economic and strategic importance for Tokyo and is one of the projects discussed later in this paper.

Abe was the first Japanese prime minister in 24 years to visit Sri Lanka in 2014, conveying Sri Lanka's rising importance to Japan. Abe recalled the 1957 visit to Sri Lanka by his grandfather, then Prime Minister Nobusuke Kishi, and the goodwill between the two countries. Abe and President Rajapaksa acclaimed the signing of the Exchange of Notes for a loan totalling 13.717 billion yen for the Digitalization of Terrestrial Television Broadcasting Project. Abe raised the possibility of Japan funding 'the introduction of a suitable mass rapid transit system to mitigate the traffic congestion and eliminate transport bottlenecks'<sup>8</sup>, which President Rajapaksa welcomed. The two leaders identified various cooperation areas in their joint statement and announced a new partnership between maritime countries.' Japan's aid to Sri Lanka was steady until 2014 (Graph 1), which began to decline slightly, as Graph 2 indicates.

Pakistan's fall from favour is reflected in the fluctuations in Japan's ODA to Pakistan across this phase. In 2009, Pakistan's President Asif Ali Zardari visited Tokyo to attend an aid donors conference and seek Japanese investment in Pakistan. In 2011, he made an official visit. The official joint statement confirmed Pakistan's critical role in combatting terrorism but made no

<sup>5</sup> Notably, Hasina was Bangladesh's prime minister for almost 20 years, from 1996 to 2001 and then from 2009 until her ousting in August 2024.

<sup>6</sup> Quoted in Dhaka News.

<sup>7</sup> Anonymous interview with a former Bangladesh diplomat in 2024.

<sup>8</sup> Quoted in The Embassy of Japan in Sri Lanka (2014).

substantial Japanese commitment to Pakistan in aid or otherwise (Prime Minister of Japan 2011). The Maldives, Bhutan, and Nepal maintained their steady aid flow from Japan across this phase, mainly consisting of technical assistance and grants, with only a few loans.

*Third Phase: 2014–2020 and beyond*

This is the most recent phase, and we see both significant changes in Japan's relations with South Asia and substantial increases overall in Japan's ODA to the region. We explore what these third-phase developments reveal about Japan's current relations with South Asia and its member nations and why/how Japan is providing ODA as a vital strategic tool. Our discussion clarifies the growing importance of the South Asian region and ODA as a strategic tool in Japan's foreign policy thinking and practice, as the historic shift in power relations regionally and internationally reconfigures the global strategic landscape through the early decades of the 21st century.

Graph 2 shows the upward trend in Japan's ODA to South Asia (mainly India and Bangladesh) moving into the 21<sup>st</sup> century, even with reductions in allocations to Pakistan and Sri Lanka. This region was a laggard among Japan's ODA recipients for the last third quarter of the twentieth century, but with shifts underway through the 21st century, South Asia is now the top regional recipient of Japan's aid, surpassing even long-time number one regional recipient, Southeast Asia. In fiscal 2021, of JICA's total outlay of 1536bn yen, 680.4 billion yen (44%) went to South Asia, while Southeast Asia's share was only 361 billion yen (23.5%) (JICA 2022a, 6-7).<sup>9</sup> This trend continued in fiscal 2022; of the total JICA projects valued at 2745 billion yen in fiscal 2022, 987.3 billion yen (36%) went to South Asia (no.1), and 896.4 billion yen (32.7%) went to Southeast Asia (no. 2) (JICA 2023a, 6-7).

Graph 2 also shows general shifts in aid allocations among South Asian recipients. JICA data (Ito 2023) are consistent, showing that in 2021–22, even though five of the seven South Asian member nations received relatively small shares, the shares of this region's top two recipients – India (334,011 million yen) and Bangladesh (318,098 million yen) – were large enough to keep South Asia as the region receiving the largest share of Japan's aid. That year, the overwhelming share of Japan's aid money to South Asia (94%) was provided as loans and investments; only 2.5% was in grants, and 3% was in technical cooperation. That year was not exceptional. From 2017 to 2022, about half of JICA's ODA loans were for projects in South Asia, mainly in 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. The JICA 2023 annual report confirmed continuity in South Asian allocations: India and Bangladesh remained in number one and number two positions (586,236 million yen, 59.4%, and 350,780 million yen, 35.5% respectively) and Nepal (21,608 million yen, 2.2%) in third place.

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<sup>9</sup> JICA includes Afghanistan in South Asia, but the share of Afghanistan is relatively small. The percentage calculated by the author is from the JICA Reports.

But Sri Lanka (1,797 million yen, 0.2%) was now last among the eight member countries, including Afghanistan (JICA 2023a, 41).

Why have India and Bangladesh received large infrastructure projects under Japan's yen loan program? Why have Pakistan and Sri Lanka been smaller recipients of Japan's ODA? Why have the other three states – Nepal, the Maldives and Bhutan – been treated relatively consistently, receiving mainly grants and technical assistance but no large loans for infrastructure projects? The large infrastructure projects of the two biggest recipients can be understood in economic and politico-strategic terms. Economically, India and Bangladesh have been growing more rapidly than any other aid-receiving country in the region. Japan is interested in the two countries' expanding markets and business potential. But it is not just economics. Japan's strategic interest and growing defense/security links with India and Bangladesh are paramount in aid decision-making. Japan's Official Security Assistance in its commencement year to Bangladesh can be understood in this context, as discussed below. Sri Lanka is also strategically important to Japan, but ODA to the island nation declined because of its debt crisis and political issues. More than ever, Japan's ODA is guided by the pursuit of Japan's national interests, with both economic and strategic concerns at the forefront. South Asia has become Japan's largest aid recipient region; India and Bangladesh are now front-runners as ODA recipients through this viewing lens.

Yamada (2021, 183) explains India's importance as a recipient of Japan's ODA based on India's vast population and huge need for infrastructure development, its capacity as an outlet for yen loans (especially significant after China, a large recipient of yen loans, was no longer eligible), and the strategic context inspired by the rise of China. These factors remain important for Japan's engagement with India, but today Japan-India relations extend well beyond economics and commerce, defense and security, and many other areas. Prime Ministers Abe and Modi upgraded the relationship to a 'Special Strategic and Global Partnership' in 2014.

India leads the South Asian pack in defence and security ties, while shared interests inspire ever more robust bilateral relations. Ties were expanded particularly during this period, with bilateral dialogues at ministerial, top-official and military-to-military levels. The foreign and defence ministers meet regularly in a 2+2 format. Japan and India have a defence and technology transfer agreement, but despite several attempts, so far, there have been no defence equipment sales.<sup>10</sup> In 2020, India and Japan signed an Acquisition and Cross-Servicing Agreement (ACSA) for reciprocal supplies and services, enabling closer cooperation between their armed forces. Operational-level cooperation includes the three branches of both nations' militaries conducting

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<sup>10</sup> After speculations that India would buy US-2 Amphibian aircraft from Japan in the mid-2010s, the deal never materialised. At the 2024 2+2 meeting in Tokyo, prospects of selling to India stealth antennas for naval communications were raised.

joint exercises.<sup>11</sup> The China factor clearly plays into their ties, as both are neighbours of China and hold grave concerns about China's territorial claims and what they perceive as military threats from China.

Japan's relations with Bangladesh are also expanding (Khatun et al., 2023). Bangladesh and Japan became 'comprehensive partners' in 2014 and elevated that status to a 'strategic' partnership in 2023, both agreements signed during then Prime Minister Hasina's official visits to Tokyo. Japan's ODA to Bangladesh has 'proliferated after establishing the comprehensive partnership between Bangladesh and Japan in 2014' (Khatun et al., 2023, 38). Japanese self-defence maritime vessels make port calls in Bangladesh, and the two militaries conduct mutual dialogues.

Bangladesh was one of the first four countries to receive Japan's newly established Official Security Assistance (OSA) in 2023, underlining the country's importance to Japan's security objectives in the Indo-Pacific region, especially for maritime safety and security (Jain 2024a). Although administered by the Ministry of Foreign Affairs, the OSA is not part of ODA and falls under Japan's defense program. As noted above, Japan is injecting a massive amount of ODA into infrastructure projects. The newly opened Dhaka Rapid Mass Transit symbolises such infrastructure projects. Another project underway as of 2024 is the Matarbari deep seaport, which will significantly transform the shipping and movement of goods within and outside Bangladesh. The strategic importance of this seaport is noted later in this paper's discussion of Japan's BIG-B Initiative in Bangladesh. Completion of the Matarbari port project will increase the influence not only of Bangladesh in the Indo-pacific cooperation network but also of Japan and India by improving upon bilateral as well as multilateral engagement and helping to counter China's inroads in the Indo-Pacific through its Belt and Road Initiative (BRI) (GO Editorial 2023).

Such strategically significant bilateral links with Japan remain limited in Nepal, Pakistan and less salient in the case of Sri Lanka, despite its strategic significance. Even so, ODA flows have continued, mainly as technical cooperation and limited grants and some loans. Japan's ODA to Nepal aims to achieve balanced and sustainable economic growth and help Nepal graduate from Least Developed Country (LDC) status. Here, the three pillars of cooperation are poverty, energy and governance. The loan component is small, with funding for the Tanahu hydropower and Nagdhunga tunnel construction projects. ODA supported a democracy project in Nepal by providing ballot boxes, training election officers, and helping the Nepal Constituent Assembly election in 2013 (Malla 2014, 99-100). Political instability in Nepal, with changes in prime ministers almost annually, is of concern to aid policymakers in Tokyo.

For Pakistan, though, the game has changed significantly. Fluctuations from 2000 until 2014

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<sup>11</sup> For an up-to-date overview of the security relationship covering security and defence matters, see Jain 2024b.

followed a downward spiral from the mid-2010s. Pakistan now does not receive new loans, a far cry from years past when Pakistan received Japan's ODA (including large amounts of loans) at par with India and sometimes for special strategic reasons, for example, after the 1979 Soviet intervention in Afghanistan and in the wake of the 9/11 terrorist attacks.

The Embassy of Japan website in Pakistan informs that Japan provided \$8.65 billion in concessional loans (1961–2022), \$2.52 billion in grants (1970–2022), and \$538 million in technical cooperation (1954–2022). Total assistance from 1954 to 2022 amounted to \$11.7 billion, making Japan the second largest aid donor to Pakistan (Embassy of Japan in Pakistan 2022). Maternal and child health, COVID-19 grants, education, vocational training, safe water supply, disaster risk management, economic infrastructure, governance and peacebuilding are some of the key areas where Japan has given economic assistance to Pakistan. Small infrastructure projects in the power and transport sectors were mostly completed by 2020. Pakistan owes \$8.5 billion in debt to the Paris Club donors, of which its debt to Japan is the largest (\$3.6 billion), followed by debt to France (\$1.2 billion) (Rana 2023). Tokyo, therefore, may consider Pakistan as an economically high-risk country and has committed no new loans to Pakistan since 2017. Pakistan's political instability, military dominance and volatile security situation concern Japan as a donor, as most certainly does Pakistan's close relationship with China.

Another South Asian nation with close links to China – indeed, over-reliant on China-funded BRI projects and, consequently, in a debt crisis – is Sri Lanka. Some authors have noted that Sri Lanka has not received yen loans for large projects since 2015 (Ratnayake and Amaratunge 2022, 275). However, Japan has funded seven loan projects in 2016-2019.<sup>12</sup> To blunt China's growing influence on the island nation, in 2019, Japan agreed to grant loan assistance of about \$1,800 million for the Light Rail Transit System (LRT) project to help solve the traffic congestion in Colombo City and its suburbs (Wijedasa 2022). Unlike Bangladesh and Nepal, which have followed a balanced approach to engaging China and Japan and receiving aid money from both, Sri Lanka made some tactical mistakes in dealing with Japan. One clear example was when the Beijing-leaning president, Gotabaya Rajapaksa, decided unilaterally to drop the proposed Japan-funded light rail project in 2020, leaving Japan highly disappointed.

Gotabaya Rajapaksa's successor, President Ranil Wickremesinghe, apologised for this unilateral act by his predecessor during his meeting with Prime Minister Kishida in Tokyo in mid-2023. During Foreign Minister Yoko Kamikawa's visit to Sri Lanka in April 2024, the Sri Lankan side raised the prospect of reviving the LRT project, but this project's revival seems unlikely. Although there is no 'official' statement on this, for Japan, a recipient's cancellation of any project means the end of the project and start afresh for revival. Colombo's current debt crisis – with \$37.3 billion in debt, of which it owes \$4.7 billion to China and \$2.7 billion to Japan – has coupled

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<sup>12</sup> Information obtained from JICA.

with instability through changes in national leadership and in policy directions. This displeasing mix makes it unlikely that Sri Lanka will receive new loans for large infrastructure projects from Japan in the immediate future. But possibilities of loan projects may emerge with changes in circumstances in Sri Lanka because of its strategic importance. Nevertheless, in 2024, 11 projects are underway. Loans for these projects were committed in the past, so it appears both the projects and the loans will continue.

Japan will also continue to engage with Sri Lanka despite current economic and political difficulties. In 2024 Japan provided Sri Lanka with a debt relief package, technical cooperation, and assistance through grants. While Japan is seriously concerned about Sri Lanka's economy and moves cautiously here, it recognises Sri Lanka's critical role in maritime security, as the Indian Ocean is the world's leading trade route. Sri Lanka's receipt of military assistance, mainly from China, Russia, India and Pakistan also shapes Japan's approach to this bilateral aid relationship.

Having discussed broad trends in Japan's ODA linkages and ties overall with South Asian nations from 2000 to 2022, let us briefly consider two related matters intrinsic to our current discussion. One is the Free and Open Indo-Pacific concept, in which Japan proactively promotes the importance of maritime order in the Indo-Pacific region as a flagbearer of free trade. The other is the development cooperation (formerly ODA) charters that set the parameters of Japan's ODA and, therefore, offer guidance to understanding the strategic significance and preferential aid treatment of India and Bangladesh by Japan at this time. We are then placed to consider some examples of large infrastructure projects driven by Japan's foreign policy objectives and strategic interests since these will illustrate how Japan's aid philosophy and practices take effect on the ground in contemporary South Asia.

#### **4. The Free and Open Indo-Pacific Concept and South Asia**

Prime Minister Abe officially articulated Japan's Free and Open Indo-Pacific (FOIP) strategy in 2016. It rests on three pillars: "1) promoting the rule of law in the region; 2) promoting economic prosperity through quality infrastructure development and enhanced economic partnerships; and 3) developing individual or collective capacity to address security issues in areas such as maritime law enforcement and disaster prevention" (Jain 2019, 20). The focus of FOIP is on Asia and Africa. ASEAN's centrality and the hinge of the two oceans (Indian and Pacific) were emphasised for connectivity projects. South Asia was, therefore, an essential part of Abe's FOIP strategy, with three big projects mentioned: the Delhi–Mumbai Industrial Corridor, the Mumbai–Ahmedabad High-speed Railway, and the Bay of Bengal Industrial Growth Belt (BIG-B) (MOFA (a) n.d.).

Prime Minister Kishida was not Abe's direct successor; between Abe and Kishida, Yoshihide Suga served as prime minister for one year. Nevertheless, largely influenced by Abe, Kishida's 'New

Plan' for a Free and Open Indo-Pacific, revealed in his speech in New Delhi in March 2023, was sub-titled 'together with India, as an indispensable partner'. The four pillars of Kishida's New Plan for a FOIP were noted earlier in the paper. For Kishida, the root of the concept of FOIP was defending freedom and the rule of law.

South Asia's prominence in both Abe and Kishida's FOIP outlines indicates Japan's increasing interest in South Asia. Kishida's FOIP vision outlined in New Delhi was further expanded with 51 cooperation items and four pillars. For our purposes here, the main takeaway of this dense and long document is pillar 3: multilayered connectivity and mention of developing an industrial value chain connecting the Bay of Bengal and the Northeast region of India (MOFA (b) n.d.). Never before has South Asia been mentioned so prominently in Japan's foreign policy papers: India appears 35 times, Bangladesh 16, Sri Lanka 6, Pakistan 2, Bhutan 2 and Nepal 1, and no mention of the Maldives.

### **5. Recent Development Cooperation Charters**

Japan's 2003 revised ODA Charter, 2015, named the Development Cooperation Charter, was further revised and updated under Kishida's premiership in 2023. Many of the features of social and economic development assistance outlined in the 1992 and 2003 charters were retained. Still, distinctively, language change from 'ODA' to 'development cooperation' in the 2015 charter's title and content underscores the horizontal relations and partnership newly envisaged between donors and recipients. Other marked differences signalling the shift in thinking also distinguished the 2015 revised version from the earlier charters of 1992 and 2003, as discussed by Shiga (2023a and 2023b), Kaizuka (2023), Hoshiro (2022), Orita (2022), Yamamoto (2020), and Kato et al. (2016).

The most important thing to understand regarding the shift in thinking that inspired the 2015 revision is the dominant Japanese perspective on the changing geostrategic context. Especially significant is a response to the rise of China and its assertive leader, Xi Jinping, inspiring recognition of the need to recalibrate ODA to defend Japan's economic and strategic interests. National security-type assistance on a limited basis, such as patrol boats to Indonesia, the Philippines and Djibouti, was provided even before the revisions made for the 2015 Charter (Jain 2015). However, as Hoshiro (2022, 325) notes: 'following the enactment of the 2015 Charter, Japan has, to a limited extent, provided aid for military personnel, which was previously prohibited'.

The 2023 Charter was similarly issued following the revision of the 2013 National Security Strategy in 2022. Significantly, the 2023 Charter acknowledges that the 'international community is at a historical turning point, facing compound crises'. This charter further highlights serious challenges to the free and open international order and growing risks of fragmentation. It makes

explicit that Japan will ‘make further effective and strategic use of development cooperation as one of the most important tools of its diplomacy.’ That matters while Japan remains deeply concerned by the growing rivalry between China and the US and the continuity of both the war in Ukraine and the Israel–Palestine conflict. By the terms of the 2023 Charter, Japan is to use ODA to support strategically critical eligible countries. Japan’s strategic thinking around possible consequences of China’s growing presence across the Indian Ocean into the Middle East, South and Southeast Asia and Africa identifies India and Bangladesh as the two key South Asian nations that meet Japan’s politico-strategic and ODA objectives, which is why these nations have been made Japan’s major aid beneficiaries.

## **6. Japan’s Flagship ODA Projects in India**

Our brief discussion of three of Japan’s flagship ODA projects in India – all for transportation – illustrates how aspects of Japan’s aid program in South Asia materialise on the ground and serve practical and policy objectives. We consider the Delhi Metro project, the Mumbai Trans Harbour Link and the High-Speed Railway that provide useful insights.

### *Delhi Metro*

Delhi Metro is one of the world’s largest metro networks, about 400km long, covering three states of the Indian National Capital Region: Delhi, Haryana and Uttar Pradesh. Japan’s total ODA for this project exceeded 825 billion yen (\$6.8bn) in 2022, and further expansions are planned (JICA 2022). Onishi (2016) and Sadana (2021) outline this project’s successes and positive impact on the daily lives of residents of the National Capital Region. During Abe’s second term, Japan’s ODA discourse introduced the concept of ‘quality infrastructure,’ and the Delhi Metro project is often presented as a clear example. Delhi Metro was the first of Japan’s metro aid projects after the 1991 economic liberalisation process.<sup>13</sup> In 2024, seven JICA-funded metro projects are underway in India (in Delhi, Kolkata, Patna, Chennai, Ahmedabad, Mumbai and Bangalore), some under construction, some partially opened (JICA 2022-2023).

### *Mumbai Trans Harbour Link*

A more recent Japanese flagship project is the Mumbai Trans Harbour Link or Atal Setu, funded with nearly \$2 billion of Japan’s ODA. This 22km connectivity project is India’s longest sea bridge, which, by connecting South Mumbai and Navi Mumbai, reduces travel time from two hours to 20 minutes. Japan has hailed this project as the second most significant milestone in its mega infrastructure projects after the Delhi Metro (Kachari 2024). Inaugurating the project in 2024, Indian Prime Minister Modi thanked Japan for funding this ‘ambitious infrastructure project’ and acknowledged Japan’s support.

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<sup>13</sup> The first metro in India supported by JICA was flagged off in Kolkata (then Calcutta) in 1984, but it progressed extremely slowly.

*High-Speed Railway (HSR) in India*

Japan has used ODA to fund a high-speed railway project (based on Japan's Shinkansen or bullet train system) between Mumbai and Ahmedabad, India's financial and commercial hubs.<sup>14</sup> This is India's first HSR project and Japan's first Shinkansen project outside Japan, funded through ODA.<sup>15</sup> To be sure, this development project serves well the travel needs of the Indian people, and it dovetails with India's modernization of its railways (BBC 2017). The project also promotes Japan's economic interest in exporting its technology and generating commercial gains through that, as well as Japan's concern for India's economic development and social and political consequences.

The project also carries a significant strategic dimension, influenced in part by Japan's interest in regional stability and balanced economic engagement in Asia and beyond. Providing 'quality infrastructure' such as this HSR aims to advance Japan's strategic and economic position beyond the 'Asia Pacific' into the Indo-Pacific region (Hoshiro 2022). It highlights an important aspect of official aid, where aid donors seeking aims to build strong partnerships and align their efforts with the priorities of recipient countries. Gaining and maintaining India's support surely shaped Japan's ODA offer for the first bullet train in India. India's support matters greatly in Japan's broad strategic vision, where India is a crucial regional player capable of balancing China's expanding influence (Choudhury ed.2023). So here we see that Japan's and India's bilateral relations with China are intrinsic to their bilateral relations (Jain 2019).

The HSR bullet train project in India is a critical test case for Japan's relatively new strategy of 'quality infrastructure' aid projects. Its success or otherwise will be closely watched by both countries, and by other aid donors and recipients (Jain 2019, 31). As intended, this HSR project in India may be an example to demonstrate the true value of Japan's 'quality' infrastructure aid projects, especially to developing countries in Asia and Africa (Jain 2019, 31-32). If it does serve this purpose, this project in India has highly significant strategic value for Japan, while aid donors compete to provide useful projects abroad that also serve strategic purposes for the donor nation.

**7. Northeast India and connectivity in third countries**

India's northeast, comprising the so-called seven sister states (Arunachal Pradesh, Assam, Manipur, Meghalaya, Mizoram, Nagaland and Tripura) plus Sikkim, is a strategically important region for South Asian nations and to some extent also for Japan. To the north is China, to the east Myanmar, and to the west Bangladesh, which connects the Northeast with the Bay of Bengal. Nepal and Bhutan are also connected to India's northeast states of Arunachal Pradesh and Sikkim. The region is also important economically for connecting South and Southeast Asia. Japan has a

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<sup>14</sup> Part of the discussion on the HSR is drawn from Jain 2019.

<sup>15</sup> A bullet train system previously exported to Taiwan involved private-sector collaborations, not ODA.

distinctive interest in India's northeast because it was Japan's last frontier during World War II after its defeat at the India–Burma border. Thousands of Japanese soldiers are buried in Nagaland and Manipur. Prime Minister Abe was scheduled to visit Assam and Manipur in 2019 for the first visit ever by a Japanese prime minister, but with ongoing violent protests in the region after the Modi government announced a new citizenship law, the visit was cancelled.

India and Japan have both moved to formally acknowledge and institutionalize the importance of this region. India launched its Act East Policy in 2014, and the Indo-Pacific Ocean Initiative in 2018, which dovetails with Japan's Free and Open Indo-Pacific launched in 2016. India and Japan established the Act East Forum (AEF) in December 2017, aiming especially to develop India's North Eastern Region (NER) and promote connectivity within and between this region and Southeast Asia. AEF reflects the synergy between India's Act East Policy (AEP) and Japan's FOIP vision. In 2017 the two nations established the India–Japan Sustainable Development Initiative for the Northeastern (SDINE) region of India, focusing on such areas as agriculture, forest resources, health care, tourism, renewable energy, disaster resilience and connectivity (Embassy of Japan in India. n.d.).

Japan's ODA loans for northeast India's development have been boosted significantly in recent years, from 67.2 billion yen in 2017 to 146.3 billion yen in 2020 (Yamada 2021, 187), and in 2022, a package of 315 billion yen in loans and 39.9 million yen in grant assistance.<sup>16</sup> JICA's chief representative in India has outlined both the infrastructure projects underway and the technical and geographical challenges present. Despite, or perhaps because of these difficulties, some of the projects are particularly to enhance connectivity (JICA 2023b). The Northeastern Region (NER) has become so important economically and strategically for connectivity that research is conducted in both India and Japan. The Shillong-based think tank Asian Confluence is at the forefront of conducting research and developing policy. In Japan, the Institute of Developing Economies organizes symposiums, conducts research, undertakes projects, and publishes reports and papers on Japan's role in Northeast India and Bangladesh. Japanese and Indian scholars have also collaborated on Japan's role in Northeast India and to assess how Northeast India can be developed as a 'gateway' to South Asia via Bangladesh to Myanmar and beyond.

Difficulties with connectivity are evident, ironically, even in efforts by Japan and India to collaborate in development projects in third countries. These collaborations have so far yielded minimal results. Even in Bangladesh, where both Japan and India developed closer bilateral relations, especially under Sheikh Hasina, a joint India–Japan project has yet to be launched. Instead, Japan and India each engage with Bangladesh separately, although they consult each other on various projects to avoid duplication.<sup>17</sup> However, with the fall of the Hasina regime in

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<sup>16</sup> Figures obtained from the JICA Delhi office in January 2024.

<sup>17</sup> Interview JICA office, New Delhi, February 2024.

August 2024, and the installation of an interim government, India-Bangladesh relations have become extremely tense. Any hope of a joint India-Japan connectivity project in Bangladesh has become impossible (Jain 2025).

### **8. Japan's BIG-B Initiative in Bangladesh**

The Bay of Bengal Industrial Growth Belt (BIG-B) is touted as a flagship project that fits well with Japan's FOIP concept (MOFA (c) n.d). It has three pillars: development of economic infrastructure, improvement of the investment environment, and enhancement of connectivity inside and outside the region. Japan and Bangladesh launched their 'comprehensive partnership' in May 2014, followed by the launch of the BIG-B Initiative. Subsequently, Japan's ODA to Bangladesh has surged, considerably more than tripling from \$307 million in 2014 to 1,139 million in 2019, totaling \$10,848 million for those six years (Embassy of Japan in Bangladesh n.d.). Graph 2 illustrates Japan's ODA rise to Bangladesh in the early 2020s. When BIG-B was initiated, Japan committed a \$5 billion loan to Bangladesh to begin construction of an industrial corridor between Dhaka, Chittagong and Cox's Bazaar. Key infrastructure projects under the BIG-B initiative are a deep seaport in Matarbari – Bangladesh's first deep seaport from which neighboring landlocked countries like Nepal and Bhutan will also benefit immensely; the Dhaka Metro rail; the Moheshkhali–Matarbari Integrated Infrastructure Development Initiative (MIDI), and the Dhaka Airport Terminal 3.

Bangladesh is located at a strategically sensitive geographic connection between South and Southeast Asia. The regional power transition associated with China's rise makes this geographic positioning an inevitable consideration for all aid planning to Bangladesh. Japan's aid program proposes the Bay of Bengal linking to Northeast India as a 'single economic zone,' which, by including the Matarbari deep seaport, will foster the zone's development as a hub for regional connectivity. Analysts of Japan's role in developing Northeast India and its connectivity to Bangladesh through official aid or development cooperation generally agree that Japan's infrastructure projects have enhanced connectivity intra- and extra-regionally. Thus, Japan has been an active development partner of India and Bangladesh in enabling greater integration within the Indo-Pacific region (Asian Confluence 2023, 10).

A trilateral cooperation framework between Japan, India and Bangladesh will most likely bring economic benefits to each of these partners and the region. Given Japan's strong relations with India and Bangladesh and India–Bangladesh relations at their best, such a trilateral framework will fit with Japan's FOIP thinking, with India's AEP, and with Bangladesh's vision of developing ties with India during the Hasina government and Japan as a balance to its ties with China. Japan's BIG-B initiative and other aid programs in Bangladesh and Northeast Asia are motivated by concerns about the need for economic infrastructure. They are very concerned with enabling or promoting connectivity within and beyond the region. Yet since this location is the site of

geographic linkage between South and Southeast Asia, the projects are strategic at their heart and will be planned, implemented and evaluated on that understanding. Such is the very nature of Japan's aid to South Asia at this time of much heightened strategic concern, regionally and globally.

### **9. Conclusions, the Road Ahead and Challenges**

These papers presented in two parts have covered 70 years of Japan's engagement with South Asia's seven nation-states since Japan began providing aid in 1954. All seven of these nations were then, and still are, official aid recipients from Japan. We have explored the development of Japan's aid relationship with each of these nations, offering comparisons, observing shifts over time due to changes in domestic, regional and international contexts, changes in national political leaders or in aid policy and foreign/security/defense policy directions, changes in relations among the South Asian nations, and changes in the capacity of these nations to repay aid loans. Most significantly, we have observed shifts in the quantity and nature of Japan's aid to South Asia, particularly as evolving strategic imperatives orient Japan's aid-giving, in philosophy, practice and discourse, towards an ever more firmly geostrategic perspective.

Several broad conclusions can be drawn from this analysis. Some are associated with this paper's main argument that official aid, or ODA, has continued to serve as the main connector in Japan's engagement with South Asia, providing a vital connection even during the years when other economic, political or diplomatic connections were weak or nonexistent. In the 21<sup>st</sup> century, Japan's relations with South Asia have significantly strengthened, especially with India and Bangladesh, while they have relatively weakened with Pakistan and Sri Lanka, which have largely positioned themselves alongside China. Japan's aid provides a vital connection, even if relatively tenuous, for its former close partners (Pakistan in particular) whose newly forming relations with China now distance them from Japan's strong support and goodwill.

The discussion here has identified that since Japan's ODA allocations have been attached ever more to its strategic as well as economic interests, Japan has made India and Bangladesh the two leading recipients of its aid to South Asia, and India its number one aid recipient overall. This is perhaps not surprising when we consider the Free and Open Indo-Pacific (FOIP) thinking that orients Japan's strategic understanding towards nations on side with its key strategic partner, the US, and in many instances, therefore, offside with China. The examples we discussed of large infrastructure projects in India and Bangladesh illustrate how Japan's generous projects are designed in nature, location and scale to foster regional connectivity for strategic and economic reasons in line with the FOIP vision. Failure to fit with this vision is why Pakistan, formerly receiving ODA on par with or more than India for its frontline status, has fallen off the radar and why Japan has continued to reduce aid allocations to Pakistan with Pakistan's faltering economy and moving ever closer to China.

Looking to the future, it is likely that all South Asian countries will, for some time, still be classified as ‘developing’ and eligible to receive aid from both bilateral and multilateral donors. Japan’s ODA connection with South Asian countries will also likely continue. Although there are now public concerns about the level of ODA that Japan offers globally (Kawakami 2025), significant changes to Japan’s ODA policy are unlikely in the immediate future, as is the chance that India will graduate from aid anytime soon. India’s economic growth and aspiration to become a developed and the world’s third-largest economy by 2047 may help to reduce India’s aid dependence. However, given its vast economic disparity, low per capita income and infrastructure development needs, India could, like Japan in the 1950s, serve as a donor as well as a recipient of aid. In March 2024, Indian External Affairs Minister S. Jaishankar explained how New Delhi rescued Sri Lanka with an economic package more extensive than that of the International Monetary Fund (IMF) and delivered the package much faster than the IMF did (Mojo Story 2024). Prime Minister Narendra Modi announced an aid package of \$1.2 billion over five years for Bhutan during his visit in March 2024 (Sridharan 2024). Yet these amounts are relatively small. Japan’s ODA activities will likely remain a significant connector between Japan and South Asia given the importance Japan attaches here – to ODA as a strategic tool as well as developmental needs of several South Asian nations.

South Asia is still a politically untidy region that Japan finds challenging to navigate. Interstate relations are complex and sometimes hostile due to rivalry, enmity and mutual suspicion. The recent example of India-Bangladesh relations illustrates this point. India’s attempts to improve relations with neighbours have produced mixed results. Modi’s Neighbourhood First policy has not worked and, to the contrary, has built up tensions with Nepal and now with Bangladesh. An ‘India Out’ campaign has gained momentum, especially in the Maldives and Bangladesh, even though Dhaka’s official ties with India have been cordial for decades. SAARC, as a regional organisation, is dormant and has little hope for revival. Japan’s aid to the region is, therefore, heavily bilateral in the absence of a functional regional framework. Attempts at Japan–India cooperation in Sri Lanka and in Bangladesh have been unable to progress.

Another challenge for Japan as an aid donor to South Asian countries is their limited absorption capacity. Besides India and Bangladesh, no other country in the region has the capacity to repay large aid projects given as yen loans. Sri Lanka faces a serious debt crisis, and Pakistan’s economy is in poor shape, making both nations ineligible for new loans in the near future. Nepal, Bhutan, and the Maldives are all relatively small and have limited economic capacity.

Overall, we see that the rise of China, especially through the 21st century, has major implications for all aspects of this story about Japan’s aid to South Asia. Strategic decisions on the part of all national actors here have regard for Chinese strategic consequences – from the direction, nature

and scale of projects for Japan as an aid donor to the seven South Asian nations as aid recipients. Japan has learned much as 'a' or 'the' primary aid donor to South Asia over the past 70 years. Present strategically evolving circumstances suggest that both Japan and the seven South Asian nations will continue to learn from each other about aid delivery as the 21<sup>st</sup> century unfolds in its third decade.

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## Abstract (in Japanese)

### 要 約

日本と南アジアとの関係、特に主要二か国（インドとパキスタン）との関係が1998年に最低レベルにまで冷え込んだ後、同地域は21世紀を通じて日本にとって重要な存在として現れ、特に2010年代以降、インドとバングラデシュは日本のODA援助先における上位2か国となっている。日本が援助の焦点を南アジアへと移行させた要因として、南アジアの社会経済開発に対する純粋な願望、日本の商業的利益の成長と拡大、そして特に2010年代以降における日本のより広範な戦略的目標の追及の3つが挙げられる。これが、この地域において時期や国によってODAの供与水準と性質が異なる理由である。現在の日本における「自由で開かれたインド太平洋（FOIP）」政策の目的と、中国の台頭が世界的及び地域的な秩序の変革に寄与しているという文脈のもと、南アジア地域は日本にとって戦略的な重要性を増している。ゆえに同地域は、予見しうる将来において、日本のODAの焦点となるであろう。

**キーワード：** 日本、南アジア、ODA、援助、開発協力パートナーシップ、戦略的援助、インド太平洋