

CHAPTER I INTRODUCTION

A. Background

Foreign aid is an aid that is given starting with one nation then onto the next (Alesina, 2000). It is usually understood to mean cash, materials, and labor given or lent by governments, associations, and people in rich nations to help individuals in poor nations. Additionally, it also referred to as international aid, economic aid, or development aid/assistance Official Development Assistance is characterized as those streams to nations and domains on the DAC List of ODA Recipients and to multilateral advancement organizations which are given by authority offices, including state and neighborhood governments, or by their official offices (Alesina, 2000).

As a defeated country in war, Japan must pay war reparations. Japan started giving aid as a type of war reimbursement to 12 nations in Asia through Official Development Assistance, or ODA (Akiko, 2000). The installment of reparations and augmentation of yen advances Japan had made in those early years were gone for advancing benevolent relations with Asian nations.

At the initial appearance, the Japanese ODA was indirectly used as a tool of foreign policy by the Japanese government. ODA itself is a form of economic aid to developing countries with lower interest rates with a long repayment period. Japan does not have the specialized agency for ODA, decision-making relating to ODA involving 19 ministries where MOFA (Ministry of Foreign Affairs) are

acting as coordinator. ODA project proposal cannot be forwarded if the ministries and other agencies disagree (JICA, 2005).

The Japanese government issued an ODA Charter in 1992, setting forth the principles (Takayanagi, 2014): (1) For the Environment (2) Avoidance of military use of ODA (3) Attention to ODA recipient's military expenditure and development of weapons of mass destruction (4) Promotion of Democracy, Market economy, and Basic Human Rights. This principle used by Japan as the basis to create Foreign Aid to another country.

One of the countries that receive the ODA from Japan is India. Japan and India relationship have begun in the 6th century when Japan knows Buddhism. Japanese culture has had a great impact by Indian culture, and this is the reason of good relationship between Japan and India. Both countries established a diplomatic relations in 28th April 1952 by signing a peace treaty. This treaty was signed after the World War II as a peace treaty between Japan and India (MoFA, 2016). In 1958, Japan added yen loans (ODA loan) to India. This becomes a marking of a starting point of Japan's economic cooperation (MOFA, 2017). Then, since 1986 Japan has become India's largest aids donor. As the time goes, Japan's ODA were spent more on the infrastructure sector.

Table 1.1

ODA by sector from Japan to India, 1976-2013 (billion Yen)

Sector		1976-80	1981-90	1991-00	2001-10	2011-13	Total
ODA Loan	Commodity Loans	43.0	29.5	53.3	0.0	0.0	125.8
	Electric Power & Gas	9.7	267.1	486.9	274.3	127.8	1,165.8
	Irrigation & Flood	0.0	7.6	37.0	53.2	0.0	97.8
	Communication	11.7	58.2	0.0	0.0	0.0	69.9
	Transportation	0.0	19.9	76.4	698.8	355.5	1,150.6
	Industry	14.8	136.8	261.4	138.6	66.0	617.5
	Water Supply	0.0	0.0	90.8	334.5	113.4	538.7
	Other	0.0	9.2	28.4	16.8	0.0	54.4
Total Loan		79.2	528.3	1,034.3	1,516.2	662.6	3,820.6
Total Grant		15.4	33.5	27.9	12.3	224.0	313.1

Source: (Feasel, 2014)

The loan of ODA by Japan towards India is well-accepted by India. This event makes ODA to spread the range of the aid to help the infrastructure in India which includes: Energy, Transportation, Irrigation, Information & Telecommunication, etc. According to the table above, it can be seen that up until now Japan gives a foreign aid to India which is has a biggest spent mostly on the

In the Energy sector Japan has supported a development of power in certain states such as Andhra Pradesh and West Bengal. Here Japan has played a big role in creating electrical power plants. As a result, the states of Andhra Pradesh and West Bengal achieved an economic growth. Supporting in the power sector

indeed has a contributions to meeting the increased demand for power and also further economic growth and led to investment interest (Sahoo, 2013).

Recently, in the transportation sector, in order to help the traffic problem in India during a visit to New Delhi, Prime Minister Shinzo Abe Announces High-Speed train deal. Japan announced on Saturday for offering a \$12 billion package for the new bullet train which will have a route from Mumbai to Ahmedabad which predicted the travel time from 8 hours into 2 hours (Al-Jazeera, 2015). In this case a rail transport that runs faster which is using an integrated system better than traditional one can be mentioned as a High Speed Rail. The train that able to reach of 200km/h until 250 km/h can be stated as high-speed (UIC, 2010).

The Aid that use is in this project is different from the usual. Usually Japan spends more on the electric power and gas, but now they spend it more on the transportation sector. The Japanese government also gives loan that used for the project is likely to be charged just only for 0.1 percent interests and the tenure is likely to be a lengthy 50 years (Reporter, 2015). This is a big helping hand for India and also a bit different from Japan's behavior in giving loan. Usually Japan gives such loans at 1.5 percent interest rate for 30 years. Compared to regional projects such as Subways or commuter trains, it seems that the high-speed rail is the most important target for Japanese Rail Diplomacy (Wu, 2015).

B. Research Question

According to the background and issues that have been pointed out above, to facilitate troubleshooting and as guidelines in further discussion, the research question that can be summarized as follows:

"Why does Japan decide to give an ODA to HSR-Project in India?"

C. Theoretical Framework

As well as on other scientific works, this thesis also required a basic theoretical framework. The theory can be said as a view or perception of what happened, explains why it happened and may also predict the likelihood of repeating the incident in the future. Theories tell us where the facts important and what is not important, that they organize our view of the world. The theory will describe a series of concepts to be an explanation that will show how concepts connected.

1. National Interest Concept

The concept of national interest is a concept most commonly used in the discussions of foreign policy. This concept is used as the basis for explaining the behavior of a country in international politics. According to *Hans J. Morgenthau*, national interest is the pillar main to support foreign and international politics of a State. National interests of every country is pursuing power i.e. anything that can form and maintain control of a state over other countries (Mas'ood, 1990).

“National interest is the interest of a nation as a whole held to be an independent entity separate from the interests of subordinate areas or groups and also of other nations or supranational groups” (Morgenthau, 2010) All the nations are always try to fulfill or secure of their national interests. The foreign policy of each nation is formulated on the basis of its national interest and it is always at work for securing its goals. It is a universally accepted right of each state to secure

its national interests. A state always tries to justify its actions on the basis of its national interest. The behavior of a state is always conditioned and governed by its national interests. Hence it is essential for us to know the meaning and content of National Interest.

According to Morgenthau, the vital components of the national interests that a foreign policy seeks to secure are survival or identity. He divides identity into three kinds: Physical, Political, and Cultural. Physical identity includes territorial identity. Political identity here means politico- economic system and Cultural identity is for historical values that are used by a nation as part of its cultural heritage. These are called vital components because these are important for the survival of the nation and can be easily identified and examined. A nation even decides to go to war for securing or protecting its vital interests a nation always formulates its foreign policy decisions with a view to secure and strengthens its security. Each nation always tries to secure its vital interests even by means of war (Dinesh, 2016). According to Thomas W. Robinson, there are six categories of national interest. Which are: Primary Interest, Secondary Interest, Permanent Interest, Variable Interest, General Interest, and Specific Interest (Farooq, 2016)

The concept of national interest can be used to analyze the purpose or national interest behind Japan's policy to provide assistance HSR project. The policy does not necessarily expected to be issued only to support or to assist infrastructure development in India alone, it can be predicted that there is one other thing then behind while encouraging Japan to give aid to India. Apart from the advancement of Japan as a country, of course, Japan remains the pursuit of a

set of goals that can then be achieved either by issuing a series of specific foreign policy. As a developing country with good economic growth with high population and has a strategic region, a lot of country try to get a good cooperation with India. This kind of National Interest is the Primary Interest of a nation includes the preservation of physical, political, cultural identity of the stage against possible encroachments from outside powers. These interests are permanent and the state must defend these at all costs. No compromise of these interests is possible. Japan wants to have a good position in South Asia. In order to keep the good relations between Japan-India in the South Asia Region, Japan try to give an aid in this HSR project.

2. Dependence Theory by Theotonio Dos Santos

The dependence theory has been used in Latin America since 1950s. This theory appeared with a goal to make International Relation Studies become more relevant with the global situation nowadays. Dependence theory is a theory which tells about a relation between the developed country and the developing country. The dependence here means a situation where the economy of some country is conditioned by the development of another which the former is subjected.

Dos Santos (1970) said that the dependence relation between the developed countries with developing country is a condition where the economy of some state is interfered by another state (Santos, 1970). According to Dos Santos there are 3 forms of Dependence which happens between Developed Country and Developing Country, they are:

1. “Colonial Dependence”: There is a bond between the developed country and developing country such as invasion, etc. This Colonial Dependence is more focused on the track record of an invasion by the developed country to the developing country. It means that the invader country has a dependency to the invaded country. This relation between the invader and invaded tends to be exploitative.
2. “Finance-Industry Dependence”: A power that owned by a country which has got independence is still controlled by the core country. The core country also may invest a lot of money to the developing country. This activity can be happened by agreement with local businessmen in the developing country. In this condition the existing internal market was restricted by four factors which are national income from export, manpower, subsistence economy, and enclave economies.
3. “Technology-Industry Dependence”: This kind of dependence can be said as a new of dependence. The economy activity which is happened in the developing country is not an export of raw material to the core country anymore. The activity of this dependence is tends to be an investment by the multinational corporation to the developing countries. In here, there is a tendency in modern technology. The local businessmen have difficulties, and they must pay for the utilization of certain patented techniques. The foreign capital able to enters with many advantages.

Basically, this dependency theory agrees that the cause of dependence between the central states to the periphery countries is the lack of capital and lack

of expertise possessed by the periphery. While in the context of relations between Japan and India, a dependency relationship of the two countries can be said that Japan's role as the central state while India serves as the periphery. Japan with its economy quite rapidly become the second largest country as a distributor of foreign aid programs to countries in the developing world through Official Development Assistance (ODA).

The form that suitable with this case is the 3rd form of dependence or the Technology-Industry Dependence, where the economy activity which is happened in the developing country is not an export of raw material to the core country anymore. The activity of this dependence is tends to be an investment by the multinational corporation to the developing countries. Some of the advantage in here according to Dos Santos (1970) is that loans are available from foreign and domestic banks, which prefer such clients; and also after installation, high profits obtained in such favorable circumstances can be re-invested freely.

Here, During the World War II Japan colonize India's island which are Andaman and Nicobar Island and took benefit from these two islands. After their relationship repaired, Japan makes better trade with India. Mostly India exports raw material to Japan. However it also makes India import to Japan in the form of processed product. Also, Japan has given ODA to India in several major projects in infrastructure. In order to make India stayed under Japan, Japan gives the ODA in the HSR Project in order to make India still use the Japan's technology. Also, the place that used in India which is Mumbai and Ahmedabad is the place that will be used by India as the tourism site which will gives a benefit to Japan in the

future. Here Japan tries to invest to the India to realize the High-Speed Railway project which is connecting Mumbai and Ahmedabad using Japan's technology.

D. Hypothesis

The temporary answers that can be taken from the research question of Japan decide to give an ODA to HSR-Project in India because:

- Japan wants to make a better relationship with India which has a good development and potential in South Asia Region, in order to maintain a place in South Asia Region.
- To create an India's dependence towards Japan's technology.

E. Scope of Research

Scope of research is used in order to make the research object will not became too wide and it can be more focus, also it will make the case and research will can be blend together. The scope of research is focusing on two countries which are Japan and India, where Japan becomes the country who gives the foreign aid or ODA to India in 2015. The writer will observe more likely in years back in order to analyze the consideration of Japan give the foreign aid. Also, this limitation is aimed to avoid complexity of further analysis.

However, the limitation of scope research will not end the possibility for the writer to utilize other data beyond the mentioned period. This might be happened in case that the data has strong relations with the research

F. Research Methodology

A research methodology is important in determining the outcome research as a systematic thinking demand that can be scientifically justified. The existence

of the method is one of the conditions something admitted into science, in addition to other requirements, which has the object, the viewpoint of the object methods, and results his view is a unified whole and rounded or systematic.

Meanwhile the data analysis will use a qualitative descriptive method. Writer is intended to describe the situation that is deemed relevant objective and clear on the basis of the facts that occurred, and then retrieved conclusions on the facts. Data was collected through literature study (library research), the data obtained through sources comes from books, journals, textbook, magazine articles, newspapers, research reports and through the Internet.

G. Systematic Writing

The systematic writing of this research is divided into five chapters and each chapter is composed of several sub-chapters in accordance with the discussion and the matter is being investigated.

Chapter I: This chapter is an introduction that discusses the reasons for selecting the title, background, research question, theoretical framework, and hypothesis, scope of research, methodology, and systematics writing.

Chapter II: This chapter will explain about Japan profile and history with India.

Chapter III: This chapter will explain about ODA as foreign aid towards India

Chapter IV: This chapter will explain about the reason of why Japan decides to give Official Development Assistance for High Speed Railway project in India

Chapter V: This chapter is the conclusion of the research. This chapter discusses the core of chapters and sub-chapters that have been described previously.