

## **Japan-India Summit and the India's Significance**

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On September 1, Indian Prime Minister Narendra Modi and his Japanese counterpart Shinzo Abe held an India-Japan summit in Tokyo and issued a joint communiqué titled "Tokyo Declaration for Japan-India Special Strategic and Global Partnership," calling for enhancing bilateral relations in a wide range of fields from economics to security. Key points of the communiqué include (1) some 3.5 trillion yen in Japanese investment in and loans to India over the next five years, (2) about 50 billion yen in Japanese official development assistance loans to India Infrastructure Finance Company, (3) early Indian rare earth exports to Japan, (4) India's emphasis on business environment improvements to attract foreign investment, (5) welcoming progress in bilateral nuclear cooperation negotiations, (6) continuing an annual bilateral summit, (7) considering a 2+2 forum of Japanese and Indian foreign and defense ministers, and (8) regular bilateral maritime exercises. In fact, the document spelled out as many as 39 items of measures to enhance Japan-India cooperation and partnership.

Bhutan neighboring India was the first foreign country that Modi visited as prime minister. Japan was selected as the first major foreign country for him to visit. Modi seeks to vitalize the Indian economy with his "Modinomics" economic policy and may have placed great expectations on Japan as India's economic cooperation partner. He also might have considered that it would be important for India to enhance relations with Japan in foreign, national security and other policy areas while keeping China in mind, when thinking about India's "Look East" policy or its Asian policy. As a matter of course, India's importance for Japan, as well as Japan's importance for India, has been strongly recognized, leading to the latest Japan-India summit and joint communiqué.

India is set to increase its presence in all aspects of international politics, the global economy and the international energy situation in the future. It is very significant for Japan to deepen its cooperative relations with India. In the following, I would like to focus on energy problems involving India. First, I would like to describe India's importance for the international energy market.

From the viewpoint of energy supply and demand, India supported by a population of more than 1.2 billion and robust economic growth is seen as a large growing energy-consuming country. In 2013, India's primary energy consumption totaled some 600 million tons of oil equivalent,

accounting for 5% of the global total. India is the fourth largest energy consumer after China, the United States and Russia. It is also the fourth largest oil consuming country (accounting for 4% of the global total). India is the third large consumer of coal that is a mainstay energy source for the country. In 2013, energy consumption growth slowed down to 4%, though allowing India to increase its presence in the energy market. Particularly important is the future long-term growth potential. The International Energy Agency, the Organization of the Petroleum Exporting Countries and our Institute of Energy Economics, Japan, all expect that India will outdo China in energy demand growth between 2020 and 2030 and beyond. If China is viewed as a current and medium-term energy demand driver for the future, India may be expected to replace China as such driver for the long term future.

In India, domestically produced coal is the largest energy source, accounting for 55% of India's total primary energy consumption. As for oil as the second largest energy source (accounting for 29% of the total) and gas as the third (accounting for 8% of the total), domestic production growth has failed to catch up with demand growth, with India's dependence on oil and gas imports expanding. The trend is expected to be enhanced. Although India had been self-sufficient in coal, it has seen growing coal imports over past years. Energy security has rapidly grown important for India. Therefore, India gives priority to promoting nuclear and renewable energy as domestically produced non-fossil energy sources contributing to environmental conservation, as described later.

As coal has been the largest energy source for India where energy consumption has been expanding, it has become important for India to address air pollution and other environmental problems and global warming caused by increasing carbon dioxide emissions. For the international community, India's environmental measure and policy development is a focus of attention we cannot brush off. Factors behind the energy consumption expansion include not only population and economic growth but also energy subsidies for social policy and poverty reduction purposes that have worked to hold down energy prices. Even in India where economic growth is continuing, the presence of many citizens failing to use modern energy (including electricity) in rural regions is also an important problem. Responses to energy subsidies and modern energy diffusion measures, including rural electrification, are key domestic policy challenges beyond energy problems for India.

In summary, India now has a great presence in the international energy market and will further expand its presence and influences through future economic growth. Furthermore, India could outdo China in energy consumption growth in the long run, becoming the most attention-attracting country in the world. India's growth and development will bring about great challenges regarding energy security and environmental problems, particularly global warming, for India itself and the rest of the world. At the same time, India's growth and development will provide great opportunities (business chances) in the energy market.

In this sense, it is significant for India and Japan to deepen their energy cooperation. While media reports make little mention of Japan-India energy cooperation, the joint communiqué in fact

covers energy cooperation including joint procurement of liquefied natural gas and cooperation in clean coal technology, clarifying energy cooperation as a key challenge for the two countries. As various challenges exist for international politics, the world economy and the energy situation and are increasing uncertainties, Japan and India need each other, with the strategic enhancement of their partnership growing more important. The two countries will thus be required to steadily deepen bilateral relations in a comprehensive or extensive range of fields including energy. I would like to see firm progress in the implementation of key measures given in the communiqué.

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