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# India close to \$15bn high-speed rail deal with Japan

Robin Harding in Tokyo and Victor Mallet in New Delhi

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The prime ministers of Japan and India are set to agree a \$15bn preliminary deal to build India's first high-speed rail line.

Officials in the two countries said an agreement to build the 505km bullet train link between Mumbai and Ahmedabad will be signed by Shinzo Abe and Narendra Modi in New Delhi this weekend.

Such a large investment would further cement the already close strategic and commercial ties between Asia's second- and third-largest economies.

The link, to be financed in part with a Japanese loan at an annual interest rate of 0.5 per cent for up to 50 years, would cut the journey time between Mumbai and Ahmedabad in Mr Modi's home state of Gujarat from almost eight hours to two hours.

"It is likely to happen; it is likely to get signed," said an Indian official, noting that Japanese negotiators had agreed to Indian demands including the low-cost financing package. Local media on Thursday said India's cabinet had cleared the deal. The train line could be extended to New Delhi.

India plans to invest \$137bn in its huge but ageing rail network over the next five years in an effort to improve freight transport and capacity. But with the system already bursting at the seams, and roads and domestic airlines equally congested, passengers for a bullet train are unlikely to be in short supply among the country's 1.3bn people.

Mr Abe and Mr Modi — regarded as “strongmen” in domestic politics — have developed a close relationship. Saturday's summit is expected to conclude with a joint statement, before the two prime ministers visit Mr Modi's constituency of Varanasi on the Ganges, an important centre for Hindus and Buddhists.

“A deal would have very big benefits for both sides,” said Takashi Shimada, president of the Indo Business Centre in Tokyo. “Mr Abe should not just be trying to sell the *shinkansen* [bullet train]; he should explain how India will benefit.”

The deal would be an economic and political boost for Mr Abe, particularly after China snatched a similar high-speed rail project in Indonesia by financing and fully underwriting the entire project.

Mr Modi is not the first prime minister to prioritise his own region in transport policy. Felipe González ensured that Spain's first high-speed train linked Madrid with his home town of Seville in 1992, when Barcelona would have been the more obvious choice. Spain now has Europe's biggest high-speed network.

Defence co-operation will also be on the agenda this weekend. Japan and India have been alarmed by the growing strength of China and its assertiveness in the South China Sea, in the Himalayas and now the Indian Ocean. They also have military relationships with the other main democratic powers in the Pacific: the US and Australia.

Japan joined US-India naval exercises in October, while the foreign ministers of all three countries recently held their first trilateral summit in New York. India and Australia conducted their first joint naval exercise in September.

Mr Modi and Mr Abe may also discuss a long-mooted civil nuclear deal but a conclusion on Saturday is unlikely.

Japan, an important source of nuclear technology, with a near-monopoly on some components, currently bans exports to India, which has not signed the Nuclear Non-Proliferation Treaty.

Raja Mohan, strategic analyst at the Observer Research Foundation in New Delhi, said Mr Abe's visit would allow the two leaders to “bring to closure some of the big things they have tried”, including the rail deal. For India, he said, Japan “is the most important relationship after the US”.