The Japan Institute of International Affairs
The 60th Anniversary of the Establishment of Diplomatic Relationship between Japan and India

Japan-India Economic Relationship
- Trends and Prospects -

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Masanori Kondo
International Christian University
Japanese FDI to India
(US$ million)
India-Japan bilateral trade

Source: JETRO Website
Salient features of India-Japan business

- Concentration on the automobile and related sector
- Delayed entry in the home electronics industry
- Difficulties for small and medium-sized enterprises (SMEs)
- Limited success in the service industry
- Increase in investment does not increase bilateral trade
- Limited people-to-people contact
- Untapped potential of the nuclear business
India-Japan complementarities

**India**

• Requires capital in all areas and technology
• Many investment opportunities with strong domestic demand
• More than 50% population below 25
• Easy availability of scientific, technical and skilled personnel
• Global powerhouse in software solutions
• Extremely cost competitive

**Japan**

• Surplus capital with businesses and technology powerhouse
• Limited investment opportunities and stagnant domestic demand
• Aging population - 23% above 65 years
• Limited availability of skilled and technical manpower
• High tech hardware and technological capabilities
• High cost economy
Obstacles for Japanese companies

- Underdeveloped infrastructure
- Bureaucracy
- Land acquisition
- Labor management
- Difficulty in finding a right partner
- Competition with local companies
- Declining profitability
Recent developments

• Doubling the number of Japanese companies in India in 3 years
• Catch up through large-scale M&A
• Investment in the steel and power generation equipment industries
• Chennai as a new investment destination
• Interest in BOP (Base of the Pyramid) business
• India-Japan Comprehensive Economic Agreement (EPA/CEPA)
• Further negotiation on movement of natural persons
• Negotiation on Social Security Agreement
Development in Neemlana

• Limited land availability in National Capital Region (NCR).
• MOU between METI/JETRO and RITCO for the industrial estate for Japanese companies.
• Tax and other incentives.
• 14 Japanese companies have already started operations, and 32 companies are committed.
• Issue of power, water, and other infrastructure.
Development in Chennai area

• Mizuho Corporate Bank and JGC Corporation invest 4 billion yen in the industrial park developed by Ascendas Group.
• The park will be 2.3 square kilometers, and the plants will start operation in 2013.
• The residential area will be 2 square kilometers. Japanese shopping center, golf course, and hospitals will also be built.
• Sojitz is also developing an industrial park in Chennai with Motherson Group, and its development cost is 5 billion yen. It will start operating in 2014.
Japanese government projects

• India as the largest recipient of Japanese yen loan since 2006
• Delhi Metro project
• Delhi-Mumbai Dedicated Freight Corridor (DFC)
• Delhi-Mumbai Industrial Corridor (DMIC)
• Neemrana Japanese Investment Industrial Area
• JETRO Business Support Center in India
• Comparison with US, Europe and Korea
Strategies for Japanese companies in India

• Commitment from the top
• Entry – JV or 100%?
• Long-term strategy
• Positioning India in the global strategy
• Localization
• Managing labor issues
• Collaboration with other MNCs