



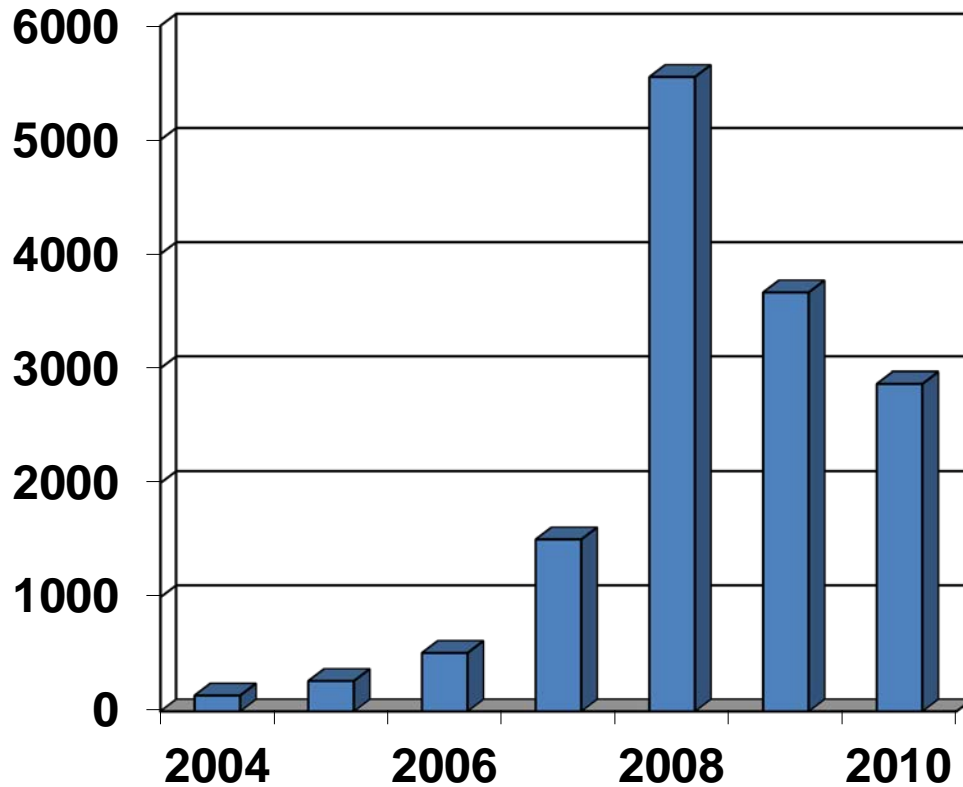
The Japan Institute of International Affairs
The 60th Anniversary of the Establishment of Diplomatic Relationship
between Japan and India

Japan-India Economic Relationship - Trends and Prospects -

December 13, 2012
Masanori Kondo
International Christian University

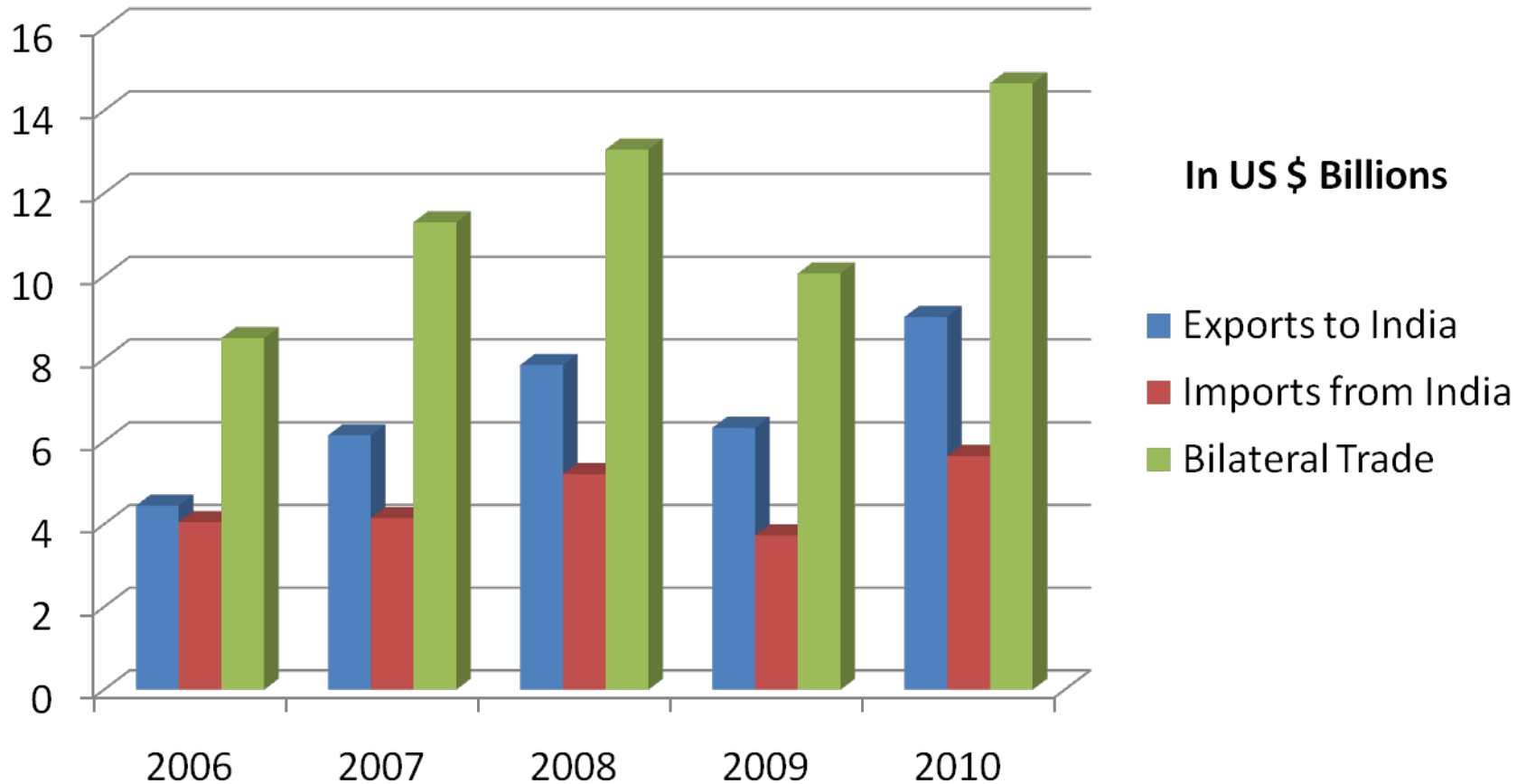


Japanese FDI to India (US\$ million)





India-Japan bilateral trade



Source: JETRO Website

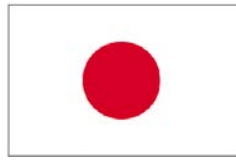


Salient features of India-Japan business

- 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

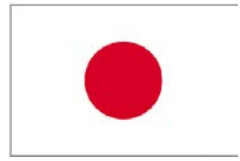


India

- 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

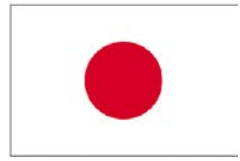
Japan

- 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