

Prospects of Indian Economy & Indo-Japan Relations



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Ambassador of India to Japan

It is a pleasure to reach out to the readers of “Kaigai Toyushi” on prospects of the Indian economy, opportunities for investment in India and India-Japan economic relations.

With the formation of a new government in New Delhi last year and the initiatives it has taken, prospects for India’s economic growth have improved dramatically. The IMF’s World Economic Outlook Report, released in January 2015, expects India’s growth to be 7.4% in 2015 and to surpass that of China in 2016. The Government of India has taken several measures to enhance the pace of economic reforms. These include the passing of bills on coal mines allocation and labour reforms. The FDI limits in defence, insurance, pension funds and railways have been raised; several defence products have been delicensed for private investment and the FDI regime for real estate has also been liberalized. The new Government has pushed forward the reforms agenda focusing on infrastructure development, manufacturing, skill development and financial inclusion.

The environment of ‘doing business’ in India is being improved by ushering in stable, predictable and transparent regulations, reducing the time for registration of businesses to one day and increasing the spread of e-governance. The Companies Act has been amended, land acquisition procedures have been simplified for industrial projects and the tax structure is being rationalized to change the perception regarding our tax policy. A national consensus is being built to amend the constitution to implement the Goods and Services Tax (GST) and to roll it out by April 2016; the recent Budget has also announced a roadmap for reducing corporate taxes to 25% (from 30%).

The Government has initiated the ‘Make in India’ programme, which aims at raising the competitiveness of India’s manufacturing sector by inviting top global compa-

nies to set up their manufacturing bases in the country. Global companies can take advantage of India’s Demography, Demand and Democracy - three unique features which exist only in our country. Several leading companies such as Siemens, Bosch and GE have already responded positively to the campaign. There is also an ambitious programme underway for infrastructure creation and renewal. These include investments in urban transport networks, smart cities, highways expansion and development of industrial corridors.

Looking at the growing exchanges between India and Japan, the Special Global and Strategic Partnership, between the two Asian democracies, is poised for take-off. The Prime Minister’s visit to Japan in September last year and setting up of a special management team -“Japan Plus”- to fast track Japanese investment in India is seen as a path-breaking step for stronger economic engagement between our countries. There are self-evident complementarities that exist between our two economies: while Japan has an abundance of capital and cutting edge technology, it faces a dwindling market and population. The Indian economy is characterized by a booming market, fuelled by the



Japan-India Summit Meeting (September 1, 2014)



Mrs. Deepa Gopalan Wadhwa arrived in Tokyo on 8 August 2012 to take charge as Ambassador of India to Japan.

Mrs. Wadhwa joined the Indian Foreign Service in 1979. She has served twice in Beijing and speaks Mandarin. She has also worked on the Pakistan Desk in the Ministry of External Affairs in the late 80’s. She has extensive experience with multilateral work and has covered issues like human rights, disarmament, environmental and social issues in the UN and has also worked for International Labour Organisation (ILO) as head of their International Programme for Elimination of Child Labour (IPEC) in New Delhi in 2001.

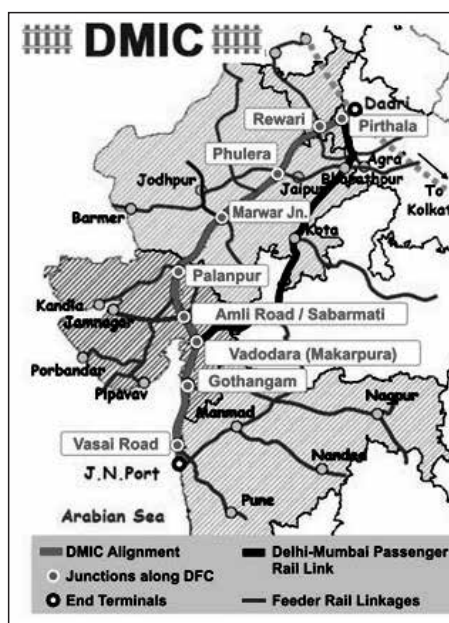
Mrs. Wadhwa has earlier done postings in Hong Kong, Geneva, and The Hague. She served as the Head of UN division in the Ministry of External Affairs and thereafter was appointed the Ambassador of India to Sweden & Latvia. Prior to taking up her assignment in Japan, Mrs. Wadhwa was Ambassador of India to the State of Qatar.

growth of an aspirational middle class, but faces an infrastructure deficit and needs access to technology especially in manufacturing. It is not surprising, therefore, that our leaders have announced an Investment Promotion Partnership with the joint objective to invest Yen 3.5 trillion into India, doubling Japanese FDI and the number of Japanese companies in India in the next 5 years.

India-Japan economic relations have tremendous potential for growth and expansion. The two nations signed a Comprehensive Economic Partnership Agreement in Feb 2011. Though the volumes of our annual bilateral trade at over 17 billion dollars is far below par when compared with Japan-China and India-China trade, expected tariff cuts and efforts on both the sides could lead to a jump in the future. Japanese companies' investment in India stand cumulatively at \$18 billion (2000-2014), making Japan India's 4th largest foreign investor. Japanese ODA has supported India's economic development in priority areas such as power, transportation, environment and in social sectors such as health and education.

The Delhi-Mumbai Industrial Corridor (DMIC) is a model of Indo-Japanese economic cooperation. Started in August 2007, the DMIC project will be implemented on either side of the 1483 km long Western Dedicated Rail Freight Corridor between Dadri (UP) and JNPT (Navi Mumbai). The project seek to create a strong economic base with a globally competitive environment and state-of-the-art infrastructure to activate local commerce, enhance investments and attain sustainable development.

The JBIC Survey for 2014 has ranked India as the most preferred destination for Japanese manufacturing companies - an encouraging sign for the future of Indo-Japan economic relations. Japanese cars already dominate the Indian market and automakers are expanding their production bases in India, targeting not only the domestic market but making India the hub for exports to West Asia and Africa on one hand, and South & Southeast Asia, on the other. Similarly, heavy electrical machinery manufactur-



Delhi Metro

ers and trading houses are also eyeing the growth in India's power equipment market. Profitable sectors that could attract Japanese investment include Smart Cities, rejuvenation of rivers, high speed railway, infrastructure, renewable energy, electronic hardware and life sciences. The mega infrastructure projects of the Western Dedicated Freight Corridor, which draws on a STEP loan, wherein the bidding process favours Japanese companies, the DMIC and CBIC offer unprecedented opportunities for Japanese industry and products to enter India.

There has been a perception among Japanese companies that India is a vast territory, marked by diversity and challenges. To facilitate new businesses, the Government of India has taken several policy decisions, some of which are meant solely for Japanese companies. Now, Japanese industrial parks are being set up in key states with state-of-the-art infrastructure – tackling the issue of land acquisition, power and environmental clearance that confront individual investors. Japanese banks are also opening branches in such parks to service their clients. These industrial parks, several of which are functional and others are in the pipeline, will play an important role in transforming the investment environment for Japanese companies in India.

From time immemorial, whenever Indians and Japanese have come together, they have struck a deep chord in each other. Our countries are joined by convergent interests, critical maritime inter-connections and growing international responsibilities. We share a commitment to peace, international rule of law and an open global trade regime. India-Japan relations draw strength from the exceptional consensus on the significance and potential of this relationship across the political spectrum and people in all walks of life in the two countries. This taken together with the complementarities in our economies creates boundless opportunities to work together.

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