Activity of Japan Chamber of Commerce and Industry in India and Japan’s Role for “Make in India” in Enhancing India’s Manufacturing prowess.

17th Nov 2015
Masazumi Konishi
President of JCCII.
Japan Chamber of Commerce and Industry in India (JCCII)
Incorporated : 17th July 2006
Number of Member Companies : 401 (As of Sep 2015)

(Objectives of JCCII)
1. To undertake, encourage, facilitate and promote the industrial and commercial development between India and Japan.

2. To promote and strengthen the relationship between India and Japan through business activities.

3. To enhance information exchange and promote networking in areas of mutual interest among members.
日本商工会議所関連団体/India-related organizations

日本商工会議所印度本部：
401 members

日本商工会議所カクラッタ本部：
20 members

日本商工会議所チェンナイ本部：
188 members

日本商工会議所バンガロール本部：
139 members

日本商工会議所ムンバイ本部 c/o 日本商工会議所ムンバイ：
115 members

Resource: JCCI-related organizations in India
(as of Apr 2015)
Japanese companies and residents in India

Number of Japanese Companies in India

- 2005: 248
- 2006: 267
- 2007: 362
- 2008: 550
- 2009: 627
- 2010: 725
- 2011: 812
- 2012: 926
- 2013: 1,072
- 2014: 1,209

The number of Japanese residents

- 2005: 2,134
- 2006: 2,299
- 2007: 2,819
- 2008: 3,284
- 2009: 4,018
- 2010: 4,501
- 2011: 5,554
- 2012: 7,132
- 2013: 7,883
- 2014: 8,313

Resource: Embassy of Japan in India (as of 2014)
Merits of India investment environment assessment as Japanese companies in India

- **Market Size and Growth Potential**: 86%
- **Cheap Labor Costs**: 41%
- **Stable political and social situation**: 12%
- **Customer (delivery destination) Integrated companies**: 13%
- **Lack of fault on the language and communication**: 23%

Resource: JETRO - Survey of Japanese Companies In Asia and Oceania Regional (as of Oct to Nov 2014)
Risks of India investment environment assessment as Japanese companies in India

Complexity of the Tax System and Tax Procedures

- Rising Labor Costs: 47%
- Complexity of Government Procedures: 71%
- Underdeveloped Infrastructure: 72%
- Underdeveloped and Opaque Operation of the Legal System: 48%

Resource: JETRO - Survey of Japanese Companies In Asia and Oceania Regional (as of Oct to Nov 2014)
Background

Since 2009, JCCII has submitted Suggestion Letters to DIPP, Ministry of Commerce and Industry every year in order to show and explain problems Japanese companies faced in their business.  
*DIPP : Department of Industrial Policy and Promotion

Object

Solutions of the problems stated in Suggestion Letters are believed to improve business environment in India and contribute to the development of Indian economy.
Major Issues in Suggestion Letter 2015

1. **Tax System**
   Transfer Pricing, Advance Pricing Agreement (APA), Permanent Establishment Taxation (PE), Minimum Alternate Tax (MAT) on Special Economic Zones (SEC) companies, etc.

2. **Financial Sector**
   To ease condition of External Commercial Borrowing, Opening Branch Offices in the metropolitan area for Foreign banks

3. **Logistics**
   The process of issuance of Special Valuation Branch (SVB) Order should be streamlined and appropriate time frame for application disposal should be prescribed.

4. **Steel Products**
   Exemptions of Indian Standards (IS) certification for specific steel products, To reduce work load of obtaining IS certificate

5. **Japanese Lawyers**
   Japanese lawyers shall be admitted to conduct activities in India
Major Issues in Suggestion Letter 2015

6. Intellectual Property Rights
   Accelerated examination system, Ease the scope of the Foreign Filing License

7. Procedure SME
   promote advance of Japanese Small & Medium industries into Indian Market.

8. Infrastructure
   Provide stable power supply, Constructions of the Roads and Bridges in Chennai, Connectivity in and around Bangalore.

9. Follow-up Item
   Stable power supply, Industrial park, GST
Collaboration between Government and Private

1. Independent efforts by private sector
   Market development, development of trade investment, human resources

2. Reinforcement of the cooperation between Japanese Government, the related organization and private sector
   Japanese Embassy : General (System, Tax, Regulation, etc)
   JICA : Infrastructure, Investment, technical cooperation.
   JETRO : Assistance for business development and investment, Industrial Park
   JBIC : Assistance for Investment, Finance
   NEDO : New energy
   HIDA : Development of Human resources others;

3. Reinforcement of the cooperation with Indian Government

4. Reinforcement of the cooperation with FICCI, ASSOCHAM, CII etc.
Development Plan for Infrastructure by Gov. of India

- **Budget in FY2015-2016 for Infrastructure**
  - Budget: INR 310,000 Cr. (30% Increase from previous year)
  - Establishment of National Investment and Infrastructure Fund. Funding amount: INR 20,000 Cr.
  - Planning 4,000MW level giga size power plant in 5 locations
  - New development of 100,000km road all over India

- **New Policies for Infrastructure**
  - Admission of 100% FDI in railway field
  - Admission of issuance of tax exemption warrants in railway, road development and irrigation projects
  - Establishment of Project Monitoring Group (PMG) in order to solve disputes in relation to development of infrastructure

**Pronouncement of Strong Intention for Infrastructure Development by Modi Government**
Japan-India Special Strategic and Global Partnership

Announcement of JPY 3.5 trillion investment during 5 years by government and private sector

<Infrastructure Programs>
- Delhi – Mumbai Industrial Corridor
- Chennai – Bengaluru Industrial Corridor
- Dedicated Freight Corridor Project
- High Speed Railway between Mumbai and Ahmedabad
- Development of Ahmedabad Metro Network
- Smart City Project / Renewal of Varanasi City with Purification of Ganga

Strong Backup for Infrastructure Development by Gov. of Japan
Railway Network & Development Plan

Network of Indian Railway / Comparison List

<table>
<thead>
<tr>
<th>Country</th>
<th>Territory [km²]</th>
<th>Railway Track [km]</th>
<th>Passenger Distance*¹ [1mil km]</th>
<th>Freight weight Distance*² [1mil ton·km]</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>2,973,190</td>
<td>64,460</td>
<td>978,508</td>
<td>625,723</td>
</tr>
<tr>
<td>USA</td>
<td>9,147,420</td>
<td>228,218</td>
<td>9,518</td>
<td>2,524,585</td>
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<tr>
<td>China</td>
<td>9,326,410</td>
<td>86,000</td>
<td>795,639</td>
<td>2,518,310</td>
</tr>
<tr>
<td>Japan</td>
<td>364,560</td>
<td>20,140</td>
<td>244,591</td>
<td>20,255</td>
</tr>
</tbody>
</table>

*¹ number of passengers multiply distance of each passenger : Scale indicator for railway for passengers
*² Weight of cargo multiply distance of the cargo : scale indicator for freight railway

FY2015-2016 Railway Budget: 100,000 Cr. (Double of FY2014-2015)

Investment Plan
- Investment in **850,000 Cr. during 5 years**
- Priority: Network Decongestion, Station redevelopment, Passenger Amenities, Safety, Network Expansion, Rolling Stock
- Utilization for Private Fund ➔ Admission of 100% FDI in Railway Field

Modernization and Safety for Railway
Aim to Encourage Private Companies’ Participation in India’s Railway Sector

Q&A: No.1

**Final Target?**
To develop the infrastructure which should be the base of industrial development and peoples’ lives

Correct

Q&A: No.2

**Why are private companies’ participation required?**
- IR does not have enough fund for project.
- IR wants to utilize private financial strength.

Not up to the Mark

Why are private companies’ participation required?
- IR does not have enough fund for project.
- For better infrastructure, IR shall utilize private sector’s better technology, methodology, operation and maintenance with higher cost.

Need “Mind-Set Change”

Correct
Bad Cycle to Good Cycle

Discourage Private Companies

IR does not have the opportunity to learn.

No improvement on IR’s technology & method

Need “Mind-Set Change”

Attract Private Companies

Better Technology & Method of Private Companies

IR also learns better technology & method from Private Companies

IR’s technology & method also improves
DO's & DON'Ts by MOR

Protect companies from risks

• MOR should protect private companies from various risks, which private companies can not take such as land acquisition, change of law etc.

Fair Competition

• MOR shall prepare the fair competition ground. Especially against MOR’s own PSU such as CONCOR, CLW, DLW etc.

View private companies as clients

• Don’t view private companies as just vendor. Private companies are the client.
• Please think about how to help private companies generate profit.
Western Dedicated Freight Corridor (DFC)

- Emergency requirement for expansion of capacity of Freight in India
- JICA has been providing STEP (Tied) Loan for Western DFC

Sojitz has been executing the following 2 large contracts.

- Civil & Track Wok Package 1 & 2 from Aug. 2013 (INR6,700Cr. / Rewari - Iqbalgarh: 626Km)
- Electrical & Mechanical Package 4 from May. 2015 (INR3,100Cr. / Rewari – Vadodara: 915km)

Delhi – Mumbai Industrial Corridor Project (DMIC)
- Development plan for establishment of huge industrial territory between Delhi and Mumbai in order to promote export.
- Western DFC line to be industrial backbone in DMIC project. Surrounding WDFC Line, ports, airports, power plants, logistic station will be developed.
- FDI for the area from Japanese companies will be expected.
Sojitz’s Next Target in India

- High Speed Railway
  as EPC Contractor / Rolling Stock Supplier / O&M Service Provider

- DMIC Railway Projects
  as EPC Contractor / Rolling Stock Supplier / O&M Service Provider

- Automobile Freight Train Operator (AFTO)
  as Concessionaire / Service Provider

- Transit Oriented Development (TOD) & Redevelopment of Stations
  by utilizing our experiences of shopping mall & station building development

- Any Railway / Infrastructure Projects
  funded by Japan (Especially Tied Loan)
The Sojitz Group creates value and prosperity by connecting the world with a spirit of integrity.