

The 3rd ICRIER-PRI Workshop
Economic Reforms and India-Japan Partnership for Mutual Benefit

Session 2:

Proposals for Enhancing Japanese FDI into India

NMP (National Manufacturing Policy)
Japanese Manufactures' Expectations

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NRI and “Japan Desk” experiences

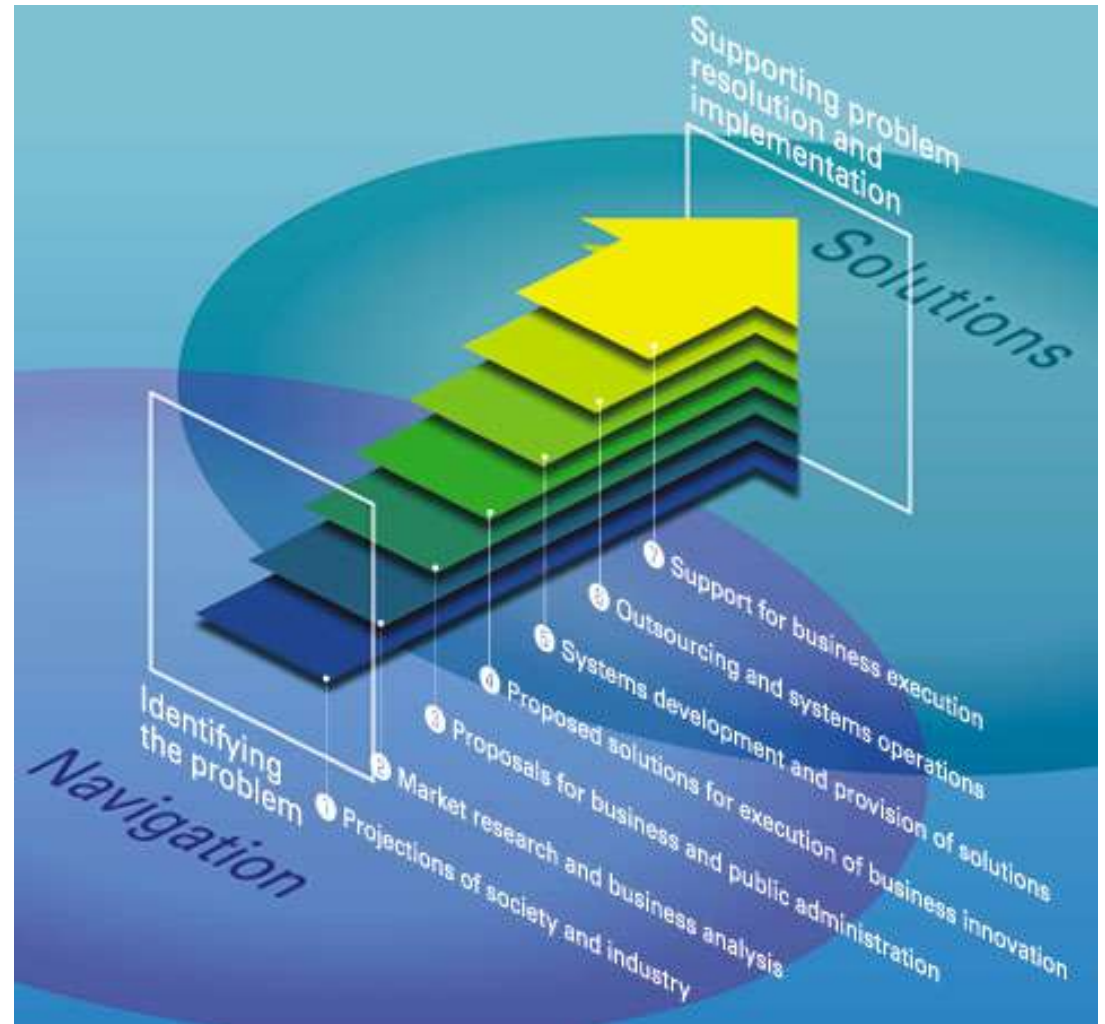
NMP and Japanese Manufactures' Expectations

NRI and “Japan Desk” experiences

Nomura Research Institute. Ltd (NRI) is one of the largest management consulting and IT solution providers established in Japan.

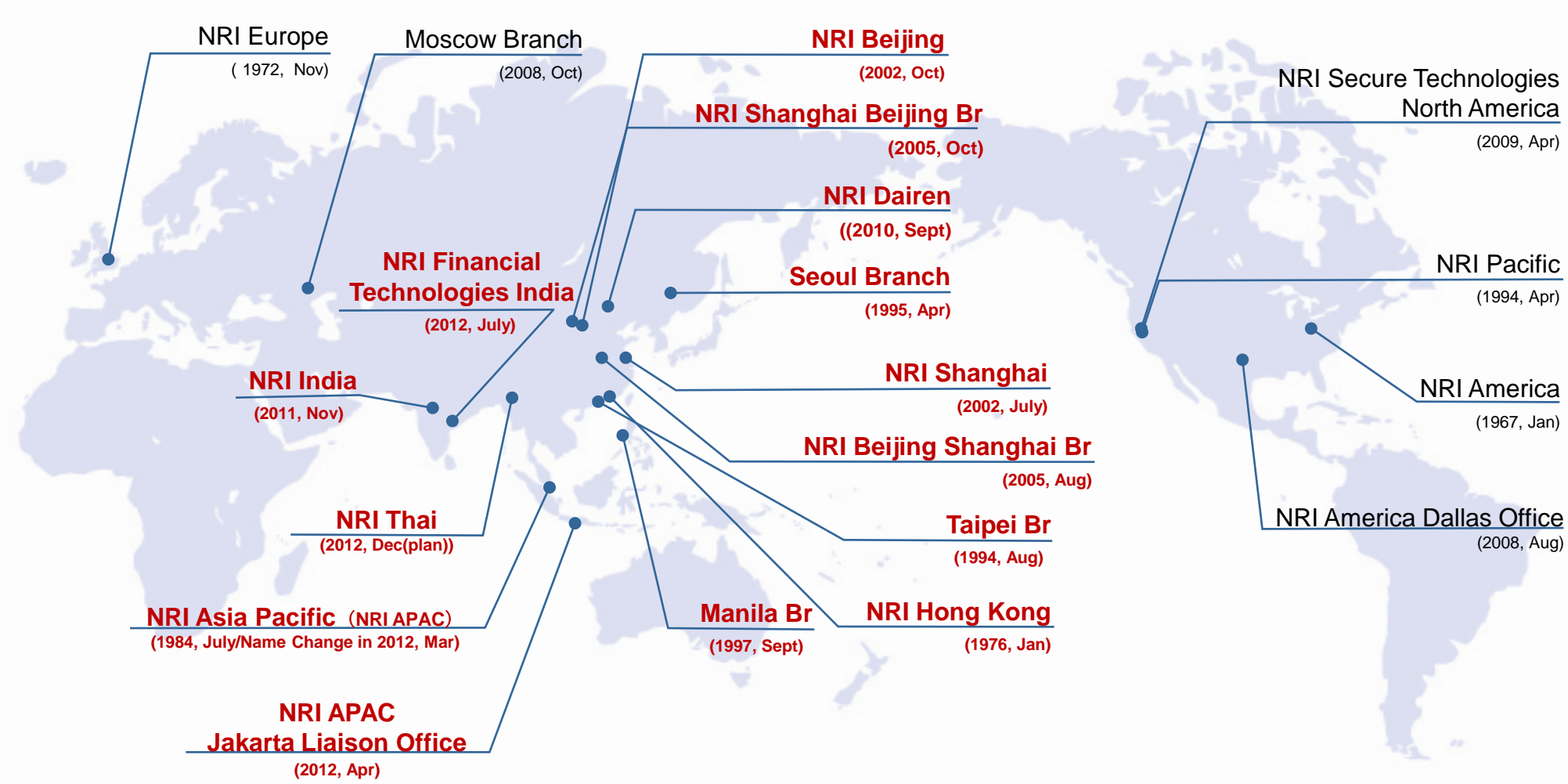
Nomura Research Institute, Ltd. (NRI)

- Headquarter : Tokyo Japan
- Established : April 1, 1965
- CEO&COO : Tadashi Shimamoto
- Listed : Tokyo stock exchange.
- Employees : 5,739
NRI Group 6,810
- March 31, 2012
- Sales : 353 billion JPY
- Fiscal 2011 ending March 31, 2012



NRI and “Japan Desk” experiences
 NRI has focused on Asia including “India”.
 Helping Japanese companies to invest in growing countries.

NRI Global Network



NRI and “Japan Desk” experiences

NRI has supported Asian governments as Knowledge Partner to plan Industrial development and to attract Japanese investments. So-called “Japan Desk”

Typical NRI “JAPAN DESK” Project in China

Industrial and urban development strategy for TEDA
(Tianjin Economic-Technological Development Area)



NRI has conducted industrial and urban development strategy consulting for TEDA. NRI has also carried out consultation to strengthen the international competitiveness of TEDA after 10 years.

New urban development plan for
Lingang Economic Development Zone, Shanghai.



NRI has conducted total development strategy and promotion for the Shanghai Municipal Government. NRI proposed development plan for about 200 square kilometers scale, “New city and harbor Shanghai Lingang Economic Development Zone” in 2002. and supported from its feasibility study to promotion activities as total solution.

NRI and “Japan Desk” experiences

“Japan desk “ has not only planned the strategy but actually supported Japanese Investment in Asian country including South Korea, Taiwan, China and others.

NRI Japan desk project in various Asian countries

		Taiwan (1995~)	Korea (2004~)	China (Shang hai) (2006~)	Thailand	Malaysia	Vietnam
Promotion Strategy	Target Industrial Cluster and Companies	● electronic parts, Precision Machinery etc.	● Auto component, electronic parts etc.	● Logistics, Heavy Industries, Auto component	● Parts industry, supporting industry	● Parts industry, supporting industry	×
Promotion Platform Setup	Foreign Promotion Office	●	● Installed in 36 Countries	●	×	×	×
	Japan Desk	●	●	●	×	×	×
Promotion Activities	Supporting Companies' Entry Strategy	●	●	●	●	×	×
	Promoting Benefits & Incentives	●	●	●	●	●	●
	Infrastructure Improvement	●	●	●	●	●	△

NRI and “Japan Desk” experiences

Especially in Taiwan, almost 60 percent of the Japanese companies have invested with our supports of “Japan desk”. NRI attracted larger amount per investment.

NRI Japan desk contribution to Investment by Japanese companies in Taiwan

	Investment in Taiwan from Japan (As a whole)	Investment in Taiwan from Japan (Through NRI Japan Desk)
Investment Amount	309 million US Dollars	179 million U.S. dollars (58% of total)
Number of investment	271 Nos.	39 Nos. (14% of total)
Average invested amount	1.14 million US Dollar/ Review	4.58 million US Dollar/ Review (4 times of as-a-whole)
The top five industries (based on amount)	Finance and insurance	Commerce
	Wholesale and retail	General machinery
	Power equipment	Precision machinery
	Machinery and equipment	Construction
	Electronic Components	Real estate
New investment ratio (based on number)		
Manufacturing /non-manufacturing ratio (based on number)		

NRI and “Japan Desk” experiences

NMP and Japanese Manufactures' Expectations

NMP is a challenging but very attractive policy for Japanese manufactures who seriously plan to position India as one of global supply chain hubs.

Objective and outline of National Manufacturing Policy

Objective

- Manufacturing as Engine of Growth
 - The mid to long-term growth rate to 12~14%.
 - **The GDP contribution ratio to 25% by 2022** (15% at present).
 - **100 million additional job creation by 2022.**
- Creation of appropriate skill sets among rural migrant and urban poor for growth.
- Increase domestic value addition and technological 'depth'
- Enhance global competitiveness
- Ensure sustainability of growth with
 - energy efficiency,
 - optimal utilization of natural resources
 - restoration of eco-systems

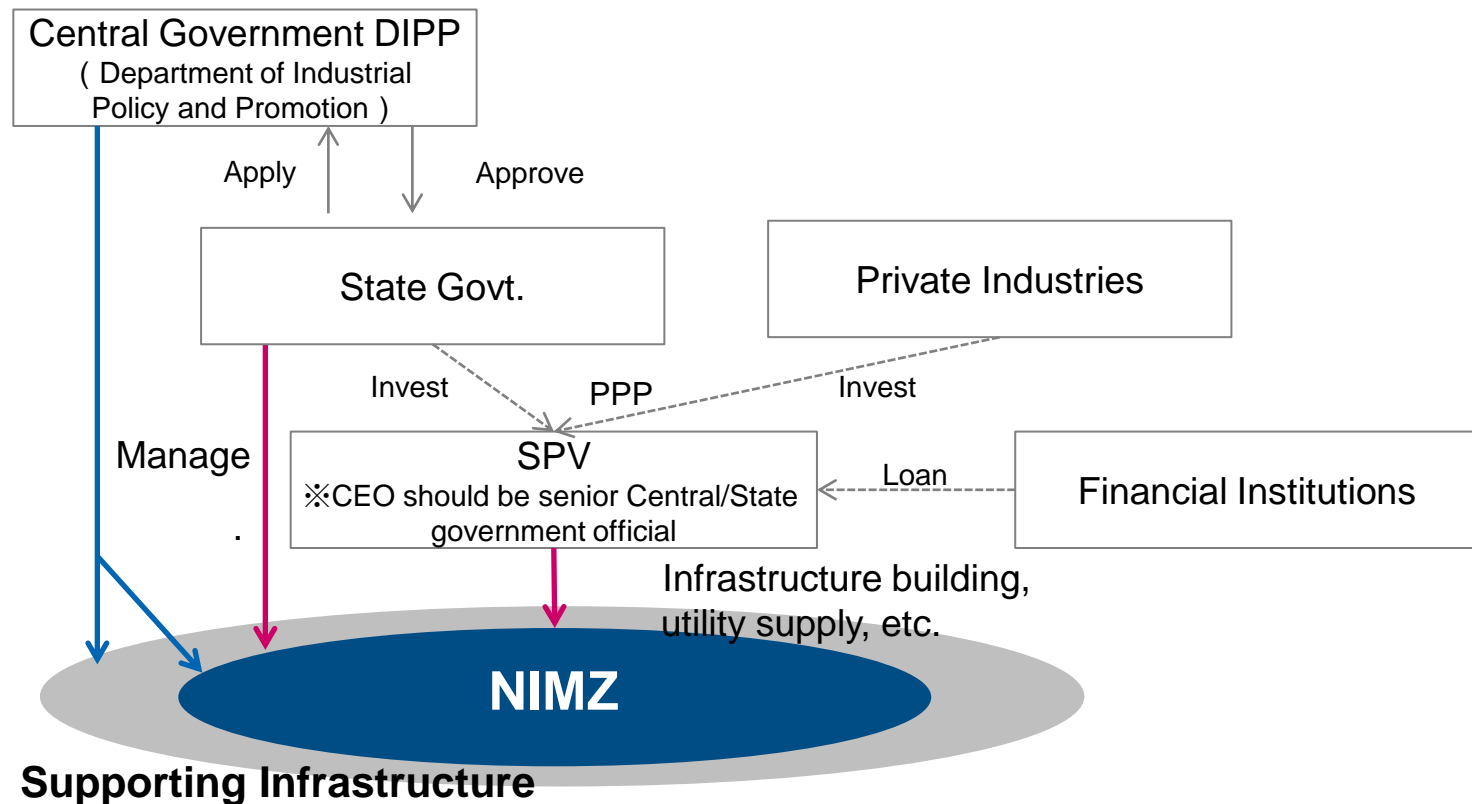
National Manufacturing Policy

Policy Outline

- I. Rationalization and simplification of business regulation
- II. EXIT policy: Simple and expeditious exit mechanism, giving full protection to the interests of the employees
- III. Structure for fund and system for technical development including environmental technology
- IV. Industrial training and a skill improvement measures.
- V. The incentive to small and medium-sized enterprises
- VI. Special Focus Sectors:** cost competitive and generate maximum employment
- VII. Leverage insufficient Infrastructure and Govt. Purchase (Local added value conditions)
- VIII. Clustering and integration: National investment and Manufacturing Zone (NIMZs)**
- IX. Trade policy

NIMZs are expected as concrete solutions to attract industry cluster as a whole and to solve many infrastructure related issues.

Basic NIMZ Scheme



- NIMZ ownership model is the discretion of State Govt., can be in PPP Model, with framework for industrial infrastructure formation incorporating green and clean technologies, and industrial housing complex
- Each NIMZ managed by a SPV functioning as self governing and autonomous body which ensures master planning of the zone, infrastructure supply, and industry attraction towards creating world class industrial townships.

NMP and Japanese Manufactures' Expectations

For India/Japan mutual benefits, India first should target Japanese Auto/auto components and Electronics /Machine tools sectors.

Targeted industries in NMP		The contribution to the supporting industry	Global competitive power of Japanese companies ※1	Industrial Scale in Japan※2
Employment intensive	<ul style="list-style-type: none"> Textiles and garments; leather and footwear; gems and jewellery Food processing 	×	×	○
Technical Advancement	<ul style="list-style-type: none"> Machine tools ICT Hardware Electrical· Electronics 	○	○	○
Energy security	<ul style="list-style-type: none"> Solar Energy Green Coal Technology Nuclear power generation 	△	○	×
Capital equipment for growth of infrastructure	<ul style="list-style-type: none"> Heavy electric equipment Heavy load conveyance, construction machinery, mining machinery 	△	○	×
India holds competitive power	<ul style="list-style-type: none"> Automobile, Auto Components 	○	○	○
	<ul style="list-style-type: none"> Medicine equipment Medical supplies, medical devices 	△	△	

※1 Global competitive power of Japanese companies: Based on Industry wise companies' overseas deployment power, Overseas expansion power is considered. Specifically, the number ratio of field offices abroad estimated based on the "corporate activity basic survey."

x: Less-than [0-3%] △: Less than [3-6%] ○: More than 5%

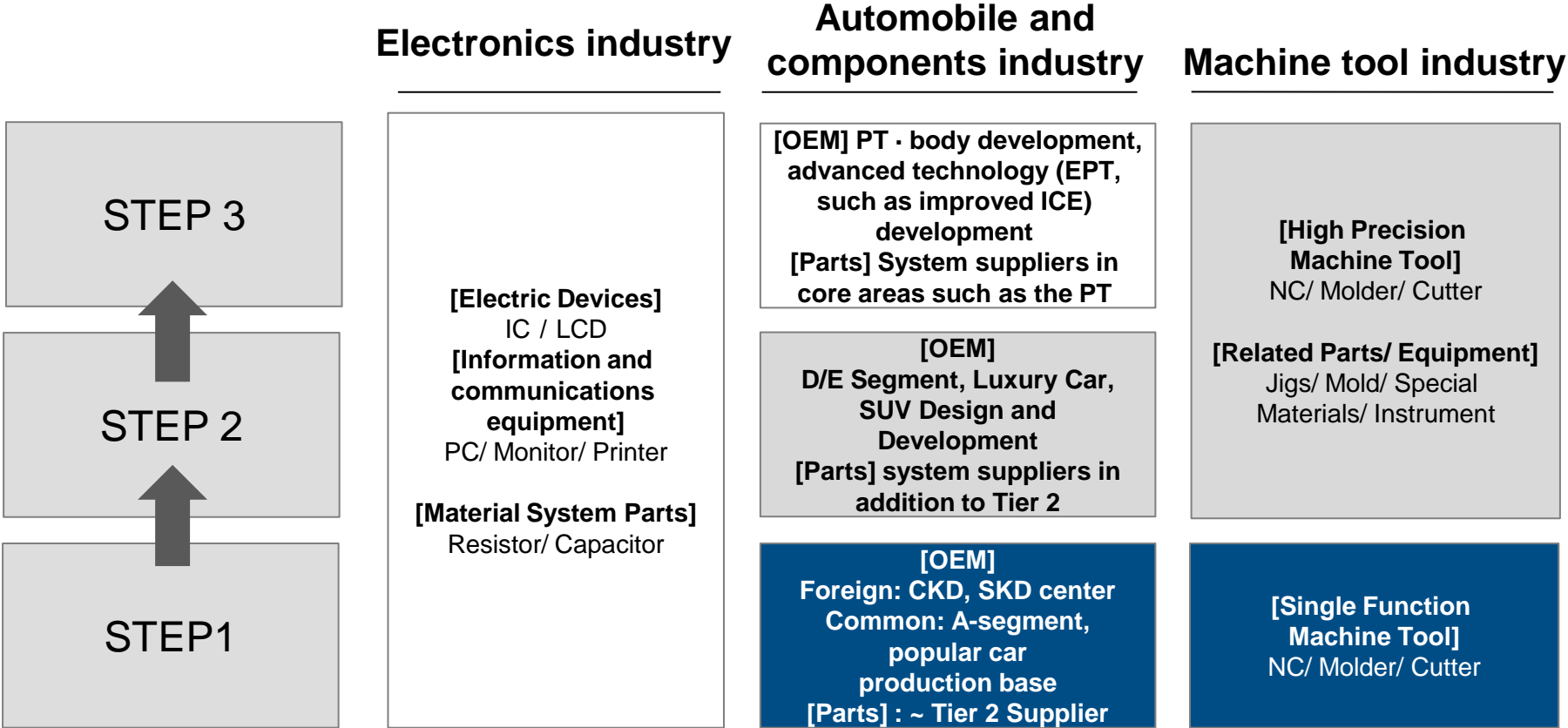
※2 Industrial scale in Japan: Based on industry wise industrial statistics, scale is considered as the product shipment value

x: Less-than 10 trillion yen △: 10 trillion yen - Less than 30 trillion yen ○: 30 trillion yen or more

Note: About "the industry which contributes to national security", since debt examination complicated military affairs closely, it is omitted.

NMP and Japanese Manufactures' Expectations

Analyze the value chain of each industry sector and make promotion strategy.
 Difficult to attract only a part of value chain, especially in Electronics sector.



- Rarely exist in India
- Exist in India but not sufficient
- Exist in India to some extent

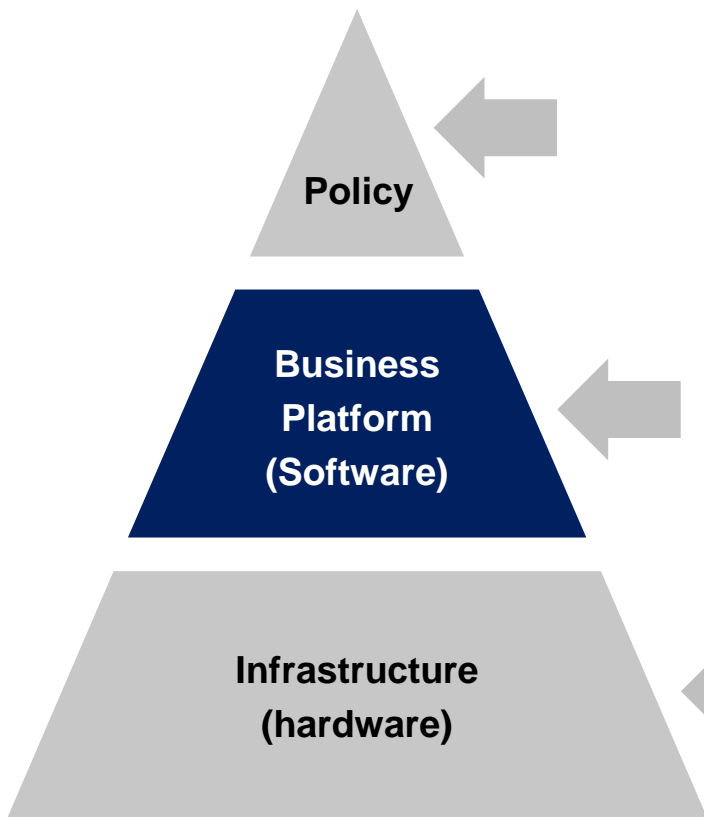
Japanese Automotive companies raise typically 12 categories of Business Environment Issues in India.

Issues raised from the interviews in Auto-related companies

Issue Categories	Opinions from Auto OEM and component companies
1 Policy visibility, Consistency	<ul style="list-style-type: none"> • Market instabilities due to lack of visibilities of subsidy policy, tax policies • Lack of clear implementation plans and procedures of policies leading to huge delays
2 xEV · Mileage · Emission	<ul style="list-style-type: none"> • Lack of clear steps in the policies for future technology development leading to inefficient investments and development
3 Development of Electronics	<ul style="list-style-type: none"> • Electronic supplier are few , there is no road map towards industrial prosperity
4 Tax system and operation complexity	<ul style="list-style-type: none"> • Complexities from state wise taxes, increased cost and lead times due to delaying of GST implementation • Inefficient tax operations such as the requirement to include price, quantities , and invoice nos. of all parts in car Delivery Note
5 Human Resources	<ul style="list-style-type: none"> • Can get people of basic skills, however, recruitment and training costs are high
6 Level up of local supplier capability	<ul style="list-style-type: none"> • Low local supplier quality levels of precision electric/electronics, engine parts(Injection related), fasteners etc. • Entry of Japanese suppliers with capabilities in the above technologies are slow
7 Japanese Life Support	<ul style="list-style-type: none"> • Needs basic Japanese life support related Japanese food etc.
8 Roads · Logistics	<ul style="list-style-type: none"> • Bad overall quality of roads, traffic jams, impacting automobile sales growth • Logistics quality low (long lead times, damage while transportation) • Issues related to Inefficient trucking companies and its network
9 Power Supply	<ul style="list-style-type: none"> • Unstable Power supply, Frequent Power cuts, impact of additional cost for captive power generation
10 Export/Ports operation	<ul style="list-style-type: none"> • Damage from transport and storage ,inefficient customs clearance
• Exchange Rate	<ul style="list-style-type: none"> • Unstable exchange rate related difficulties in making business plans
• Interest Rate	<ul style="list-style-type: none"> • High Interest rate related impacts on car sales growth

To encourage investment in Automotive sector, India needs to improve “Business Platform” layer.

Issue layers about investment in Automotive sector



Issues	Solutions (examples)
<ol style="list-style-type: none"> 1 Policy visibility, Consistency 2 xEV · Mileage · Emission standards 3 Development of Electronics 	<ul style="list-style-type: none"> • Commitment to Policy Roadmap (PDCA cycle) (Especially fuel price policy.) • Promote NMP in co-ordination with <ul style="list-style-type: none"> - NPNG, MP/BEE, MHI - SIAM, ACMA (Roadmap of Auto industry) - NPE (national Policy of Electronics) • Focus on value Chain of Electronics
<ol style="list-style-type: none"> 4 Tax system and operation complexity 5 Human Resources 6 Level up of Local Suppliers Capability 7 Japanese Life Support 	<ul style="list-style-type: none"> • Simplify the tax-related paper works and promote tax incentives in NIMZ • Offer one-stop-supports for entry in NIMZ • Establish Japan-supported ITIs in NIMZ • Set specialized area for Japanese Tier 2/3 companies in NIMZ • Bring “Monozukuri Network” in NIMZ • Set adjacent residential area especially for Japanese in NIMZ
<ol style="list-style-type: none"> 8 Road · Logistics 9 Power supply 10 Export/Ports Operation 	<ul style="list-style-type: none"> • NIMZ infra implementation (committed plan) • DMIC, CBIC

Japanese companies expect NMP and NMIZ to become success story.
Ready to support detailed activity wise and feasible action plan.

KFS to enhance FDI from JAPAN

1. Set up “Japan Desk”
2. Focus on “Mutually Beneficial” industry
3. Target companies along “Value Chain”
4. Improve “Business Platform” layers
5. First create “Success story” in particular NIMZ

India / Japan collaboration

- Collaboratively operate “Japan Desk”
- Human Resource Development in Real – Ready to work and fit for job Skilled Engineers and Workers
- India / Japan Business matching in Tier2/Tier3 supporting industry
- Support in making Policy Roadmaps

NRI

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*Dream up
the future.*

野村総合研究所
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