

INDIA-JAPAN Economic Relations Perspectives

– The Strategic Global Partnership;
a Sustainable Growth Path for INDIA and JAPAN–

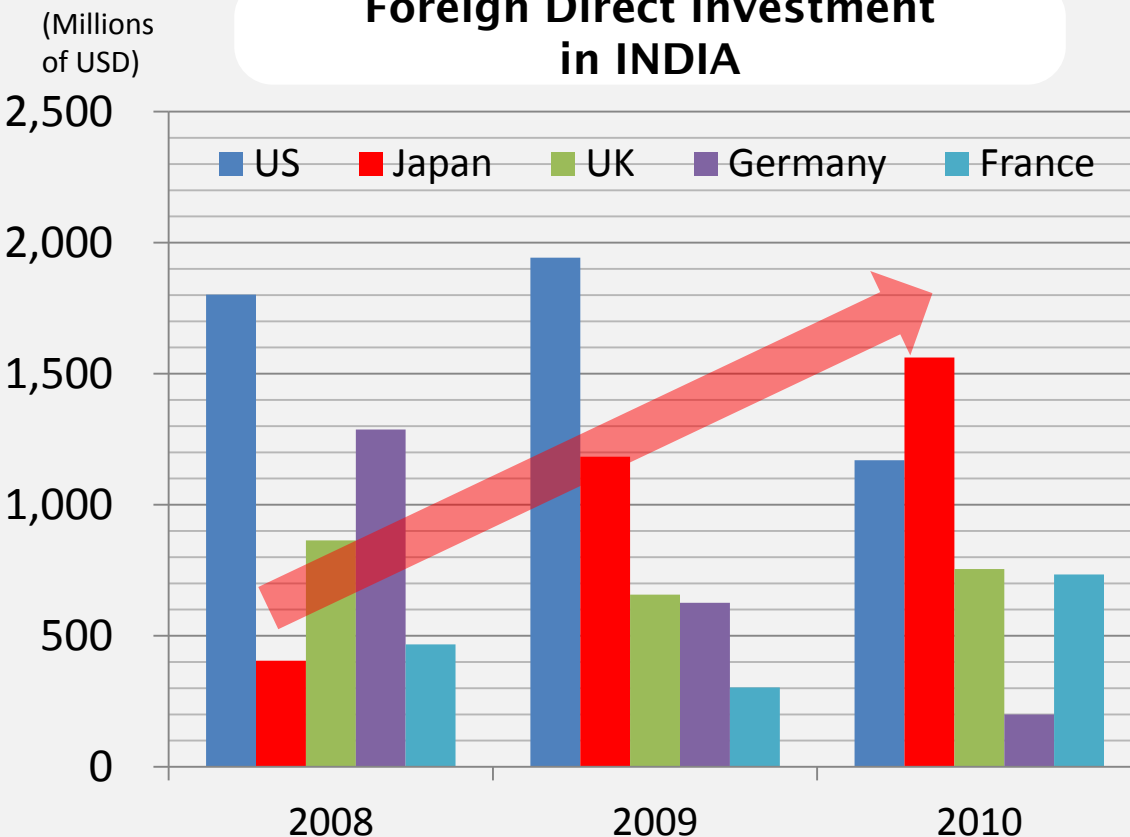


Despite global uncertainties, JAPAN has remained a **SOLID** and **STEADFAST** economic partner of India.

■ Japan's FDI into India has **QUADRUPLED**.

■ Japan was the **3rd largest source** of FDI in India in 2010.

Foreign Direct Investment in INDIA



FDI Source Ranking (2010)

(Millions of USD)

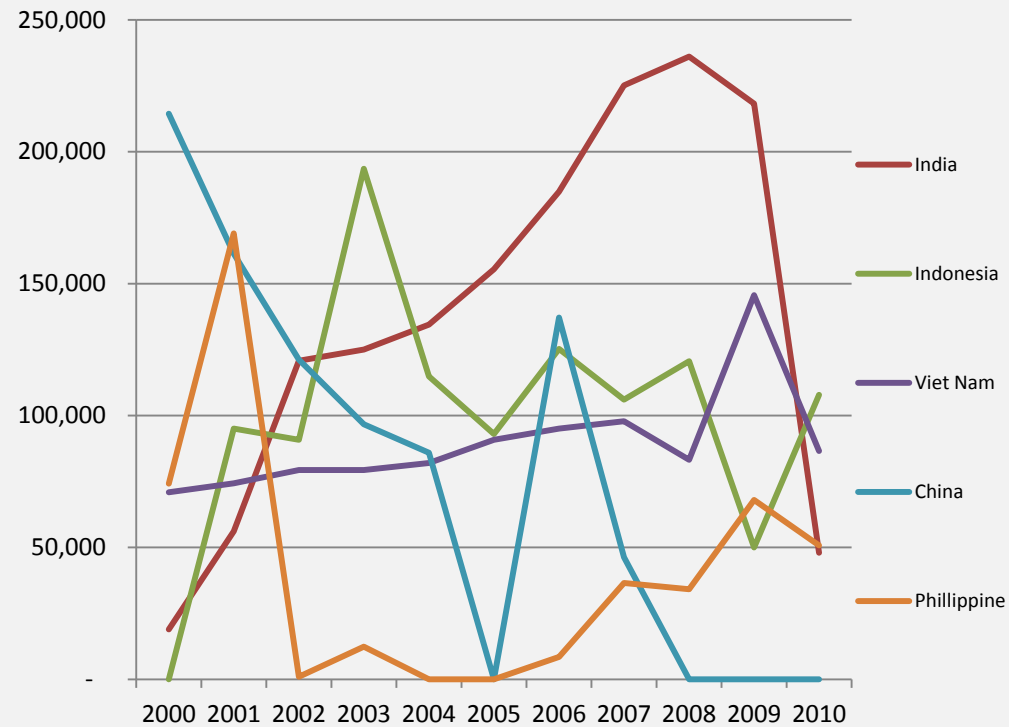
1	Mauritius	6,987
2	Singapore	1,705
3	Japan	1,562
4	Netherlands	1,212
5	US	1,170
6	Cyprus	913
7	UK	755
8	France	734
9	UAE	341
10	Germany	200

Japan ODA Loan: Country

Loan Contract (commitment) basis

(unit : million yen)

FY	India	Indonesia	Viet Nam	China	Philippines
2000	18,926	-	70,904	214,399	74,180
2001	56,132	95,057	74,314	161,366	169,060
2002	120,766	90,819	79,330	121,214	991
2003	125,004	193,573	79,330	96,692	12,410
2004	134,466	114,829	82,000	85,875	-
2005	155,458	93,005	90,820	-	-
2006	184,893	125,234	95,078	137,128	8,529
2007	225,130	106,003	97,853	46,302	36,512
2008	236,047	120,599	83,201	-	34,139
2009	218,217	49,984	145,613	-	68,038
2010	48,017	107,837	86,568	-	50,759



Economic Cooperation with India (ODA)

Development Cooperation with India by the Major Donors
(contract/commitment basis, Unit: million \$)

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
IBRD	762.7	1,355.5	1,503.0	1,927.1	710.0	5,833.2
IDA	1,388.0	628.4	1,582.7	1,280.9	1,202.6	547.0
ADB	1,928.6	1,046.1	1,523.1	1,664.0	1,730.5	565.2
Japan	1,137.9	1,203.2	2,068.8	2,043.4	2,283.5	2349.7
UK	591.6	197.3	-	965.2	-	-
Germany	31.5	-	59.0	256.4	166.7	436.0
USA	-	-	-	-	-	-
Loan total	5,212.2	3,912.2	6,209.8	7,182.2	6,183.2	10,318.0
Grant total	703.7	368.1	773.0	1,064.0	271.6	201.8
Total	5,915.9	4,280.4	6,982.8	8,246.1	6,454.9	10,519.7

Economic Cooperation with India (ODA)

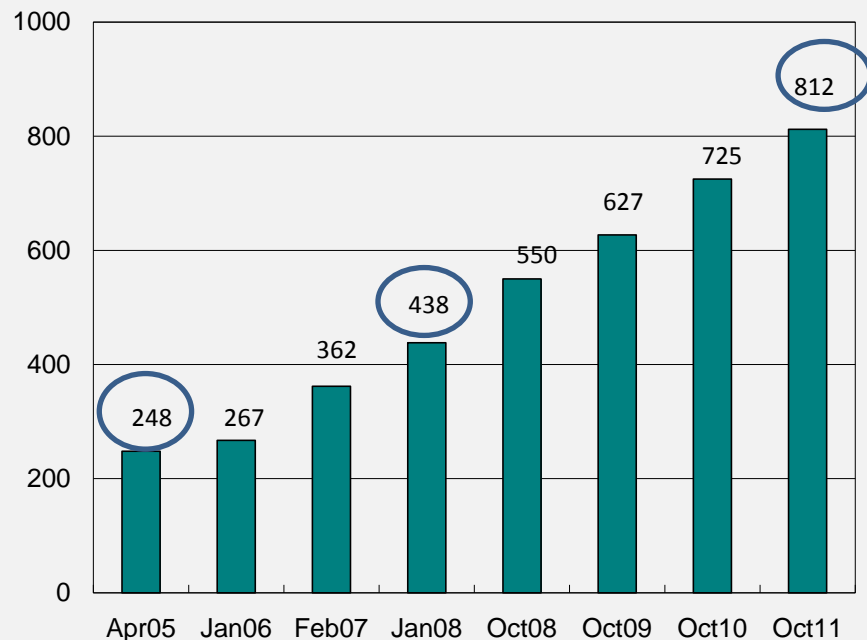
**Development Cooperation with India by Major Donors
(disbursement-basis, Unit: million \$)**

	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10
IBRD	853.6	941.2	1,038.0	1,100.0	808.1	1,661.2
IDA	1,060.9	1,200.0	998.9	815.3	1,024.8	1,236.9
ADB	4,902.3	601.0	1,024.3	1,244.2	1,441.3	1,468.6
Japan	680.9	615.1	505.4	866.7	1,160.5	1,455.3
UK	345.3	307.3	305.8	398.5	338.5	289.0
Germany	29.1	42.9	91.3	611	186.7	125.3
USA	22.8	11.8	10.3	16.0	11.3	3.1
Loan total	3359.5	3607.0	3,918.0	4,280.5	4,769.3	6,130.5
Grant total	570.7	625.3	586.5	666.3	555.1	692.8
Total	3,930.2	4,232.2	4,265.5	4,946.8	5,324.4	6,823.3

(Source : GOI, Economic Survey 2010/11)

Japanese companies in India create **Employment** and are actively involved in **Social Activities**.

Number of Japanese Companies



■ **At least 150,000 jobs created: especially in the manufacturing sector.**

■ **CSR activities: more than Rs.476 million.**

Japanese Companies see **MORE OPPORTUNITY** in India than in any other country.

■ Examples of recent Japanese Investments into INDIA

(Millions of USD)

MARUTI SUZUKI (Auto)	2,857
HONDA (Auto)	828
NISSAN (Auto)	1,571
TOYOTA (Auto)	971
MITSUBISHI CHEMICAL (Chemical)	607
DAIICHI SANKYO (Pharmaceutical company)	5,285
NTT DOCOMO (Telecommunication)	3,771
PANASONIC (Electrics)	428
SUMITOMO METAL INDUSTRIES (Steel)	4,285
JFE STEEL CORPORATION (Steel)	1,285

(Source: Ministry of Economy, Trade and Industry, Japan)

■ Survey on Overseas Business Operations of Japanese Manufacturers

Question: which country has the greatest potential for business expansion in the long term?

Ranking	Country/Economy
<u>1</u>	<u>INDIA</u>
2	CHINA
3	Brazil
4	Indonesia
5	Viet Nam
6	Thailand
7	Russia
8	US

(Source: JBIC)

Private-sector led Indian economy: potential

	India	Indonesia	Vietnam	China	Brazil	Japan
population	1,216	234	88	1,341	193	128
GDP	1,603	823	119	6,516	2,422	5,822
GDP/capita	1,371	2,974	1,174	4,382	10,816	42,783
Growth (real GDP)	8.8	6.3	6.8	9.5	4.1	1.4
trade/GDP	29.9	39.1	130.7	44.3	18.0	22.3
BoP/GDP	-2.9	0.8	-3.3	4.7	-2.0	3.3
FDI/GDP	1.6	1.6	7.0	1.6	2.0	0.0
Credit to commercial sector/GDP	46.8	27.6	112.7	127.3	54.0	171.0
Private consumption/GDP	57.2	56.7	66.5	35.5	60.6	60.6
Government consumption/GDP	11.2	9.1	6.3	13.0	21.2	21.2

(IMF, WEOD 2011)

Complementarity of Interests and synergies

WHAT INDIA NEEDS

▶ Manufacturing Sector

‘ Increase the share of manufacturing in GDP from 16% to 25% and create 100 million additional jobs by 2022. ’

(National Manufacturing Policy, Jun 08, 2011)

▶ Quality Labor

Labor Cost in Asia

▶ Infrastructure

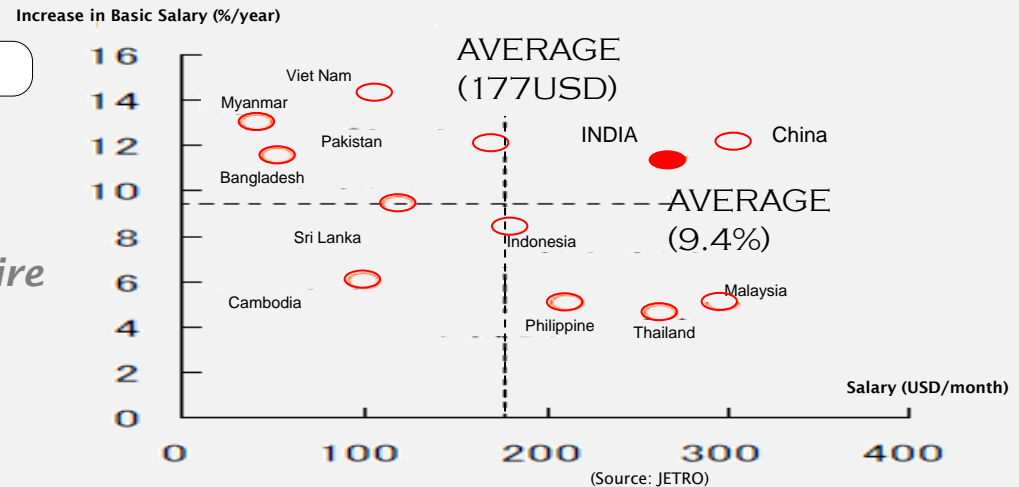
‘ India's infrastructure sector will require investment of about USD 1 trillion ’

(The 12th Five Year Plan)

WHAT JAPAN CAN OFFER

...experience, technology and finance

- ▶ Expertise and technology in such areas as steel, electronics, auto, pharma...
- ▶ Human resource development
- ▶ Finance

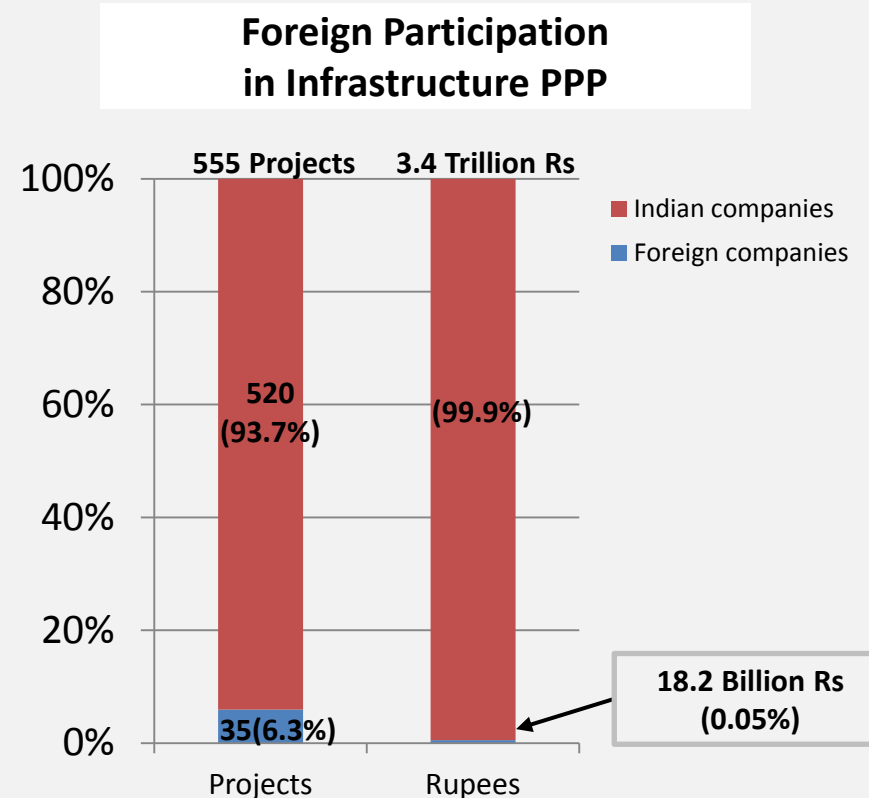


Strength and Advantages of **INDIA** (...as a business partner and destination of Japanese investment)

- Democratic political process
- No bilateral uncertainties and irritants
- Affinity towards Japan at the popular level
- Contract and English as basic tools of business

Weaknesses and Disadvantages

- Institutional Transparency
- Finance
- Administrative Clearance /Approval
- Land Acquisition
- Regional / State Divide

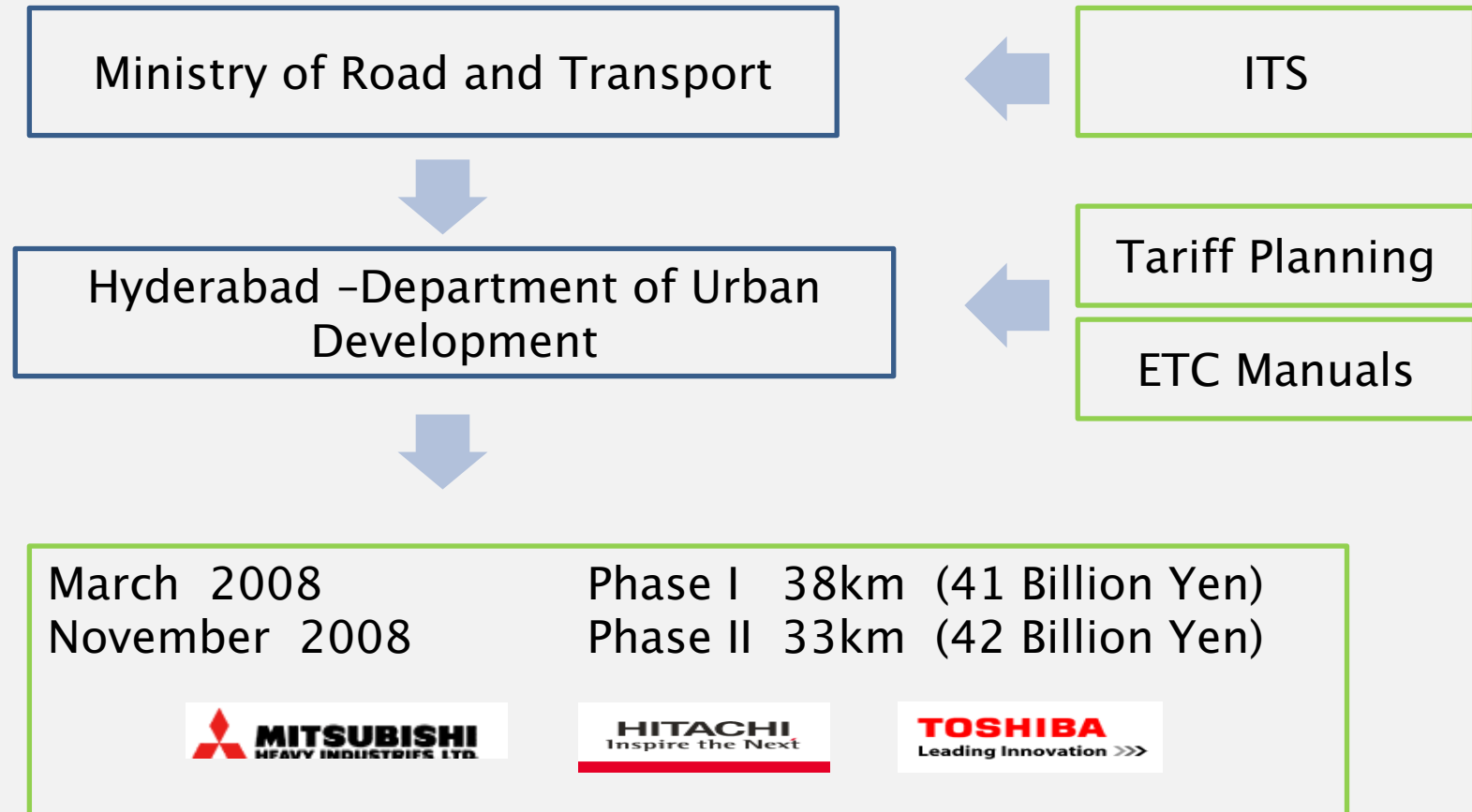


(Source: PPP India Database 2011)

Challenges...what Japan needs to do

- Late comers...weak human network
- ICB...weak upstream involvement
- Infrastructure...weak negotiating power

Hyderabad Outer Ring Road Project (ODA loan)



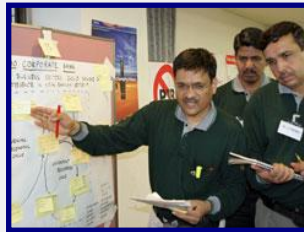
Japanese participation in metro projects in India

	DELHI METRO (Phase I)	DELHI METRO (Phase II)	BANGALOR METRO	KOLKATA METRO	CHENNAI METRO
CIVIL ENGINEERING	Kumagai Gumi Shimizu Corp.	Shimizu Corp.			
ROLLING STOCK	Mitsubishi Corp, Mitsubishi Electric Hyundai-Rotem(KR), BEML(IN)	Mitsubishi Corp. Mitsubishi Electric Hyundai-Rotem(KR), BEML(IN)	Mitsubishi Corp. Mitsubishi Electric Hyundai- Rotem(KR), BEML(IN)	(Under Bidding Process)	Alstom (FR),
SIGNAL SYSTEM	Sumitomo Corp. Alstom (FR) Alstom (IN)	Sumitomo Corp. Alstom (FR) Alstom (IN)	Sumitomo Corp. Alstom (FR) Alstom (IN) Thales(POR)	Ansaldo (IT)	Siemens (GR)
AUTOMATED TICKET GATE	Thales(FR)	Thales (FR)	Samsung (KR) Kalindee Rail Nirman (IN)	(Under Bidding Process)	Nippon Signal

JICA–Visionary Leaders for Manufacturing Project (VLFM)

1. Core concept

- ◆ Create visionary leaders skilled to transform Indian manufacturing
- ◆ senior and middle managers
- ◆ Japanese manufacturing management: from concept creation of new product to after sales service



2. Key features

- ◆ National integrated human resource development programme
- ◆ Government–Industry–Academia collaboration
- ◆ Created over 400 visionary leaders; many job offers from industry



3. Application to business: development of “Chotucool”

- ◆ VLFM graduate of Godrej & Boyce Mfg Co Ltd
- ◆ Invention of a totally new type of fridge
- ◆ small and affordable cooler that works on battery, inverter, solar power; good for daily consuming food...example of BOP business



Chotucool (Rs. 3500)

ODA Loan: Sector

Japanese ODA Loan Sector-wise (Aggregate from FY2000)

(Unit: Million Yen)

Transport	718,598
Energy	384,645
Water	347,770
Forestry	133,146
Agriculture	54,717
Others	16,826
Total	1,655,702

