

Japan Foundation/CII Seminar

**Japanese Business in India
- Strengthening Ties -**

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Outline of the presentation

- Features of Japanese business in India
- Progress in Japan-India business relationship
- Impacts of the recent financial crisis
- Major complaints of Japanese and Indians
- Towards better communications

Overview of Japanese Business in India

Salient features of Japanese business in India

- Third “India boom” in Japan since 1991
- Concentration in auto and related industries
- Consider India as a country that is important in the “long-run”
- India’s foremost importance for Japanese ODA

Recent progress in Japan-India relationship

- Prime minister's visit every year
- Cooperation in defense matters
- EPA/CEPA expected in 2009
- DMIC/DFC and IIT Hyderabad plan

Recent progress in Japan-India business

- Increase in FDI and trade
- More knowledge accumulation on India
- Huge amount of portfolio investment
- Large-scale M&A by Japanese multinationals
- Increasing presence of NRI in Japan

Progress yet to be made

- Decreasing Japan's rank as a trade partner in India
- Not enough diversification in trade/investment
- Limited investment by Japanese SMEs
- Stagnant market share of Indian IT firms in Japan
- Very limited BPO by Indian companies in Japan
- Politically difficult to support India's nuclear
- Still limited people-to-people contact

Common factors behind successful FDI in India

- Commitment of top-level management
- Large-scale initial investment
- Intensive market survey and aggressive marketing
- Reasonably-priced quality products
- Delegating to capable Indian managers
- Not blaming or complaining against Indians

Impacts of the recent financial crisis

- Japanese firms freeze overseas investment plans
- Weakening Rupee and Japan's investment cost
- Most affected industry being automobile sector
- Coincidence with the terrorist attack in Mumbai
- Loss of Japanese investors in India's stock market
- Due diligence and trust matters in Japanese M&A
- Japan's takeover of American business in India

Towards better communications

Common complaints by Japanese

- India's poor infrastructure
- Bureaucracy and complicated tax scheme
- India's democracy compared to ASEAN/China
- Difficult human resource management
- Living environment in India

Common complaints by Indians

- Koreans are more aggressive than Japanese
- Keep sending delegations with no follow-up
- Too many general complaints against India
- Per-capita income and language skills
- Missing opportunities in infra business
- Limited career prospects to work for Japan

What Japan can say about business in India

- Japan's strength and India's strength doesn't match
- Japan has an export base in ASEAN/China already
- Japan's ASEAN business model is special
- High-quality products with high price tags
- Unlike India, Japanese business is bottom-up style
- Short-term personnel assessment in Japan
- Not many success stories in India are shared in Japan

On Japanese investment in India's infrastructure

- Japanese firms aren't used to run infrastructure
- Bidding in power projects is cost-based
- Portfolio investment for infrastructure
- Role of ODA when financial crisis affects PPP

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Concluding remarks / Reference

- Need to sharing knowledge between India and Japan
- Effective people-to-people contact for better communications
- Be aware that both Japanese and Indians are proud people
- Actions and follow-up are the key
- Eminent Persons' Group report in 2001
- India-Japan Joint Study Group report in 2006
- JFIR's 29th policy proposal in 2008