

“India Japan Economic Partnership: The Way Forward”

Tadashi Okamura, Chairman of the Japan Chamber of Commerce and Industry

At the Lecture Meeting hosted by the Federation of Indian Chambers of Commerce and Industry (FICCI)

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Taj Mahar Hotel, Delhi, India

Ambassador Arjun Asrani, Chairman of the India Japan Partnership Forum and former Ambassador of India to Japan,

Your Excellency Akitaka Saiki, Japanese Ambassador to India,

Mr. Rohit Relan, Managing Director of Bharat Seats,

Dr. Rajiv Kumar, Secretary General of the Federation of Indian Chambers of Commerce and Industry,

Distinguished guests, ladies and gentlemen:

My name is Tadashi Okamura of the Japan Chamber of Commerce and Industry.

I am deeply honored to have the opportunity to address at this meeting. I would like to offer my sincere thanks to FICCI Secretary General Dr. Rajiv Kumar and to everyone else involved in organizing this event.

I am told that there was earthquake yesterday in Sikkim causing considerable damage. May I sincerely offer my heartfelt sympathy and condolence to the injured and the deceased?

Today I will address three points: the Great East Japan Earthquake and the current state of the Japanese economy, the outlook for Japan-India economic relations, and our expectations for India.

1. The Great East Japan Earthquake and the Japanese Economy

(1) Gratitude for Support from India

In the aftermath of the March 11 Great East Japan Earthquake, Japan received welcome support from the government and people of India, including material assistance and rescue teams. I am very happy to have this opportunity to convey our profound thanks and gratitude.

(2) Reconstruction and Recovery

As you know, the cumulative impact of the earthquake, the massive tsunami, the nuclear accident, and the subsequent damage caused by negative rumors dealt a severe blow to Japan as a whole. From April and June, I personally visited the length and breadth of the affected area, including Iwate, Miyagi, Fukushima, Ibaraki and Chiba Prefectures. I must admit, I was and remain astonished at what I saw.

Reconstruction and recovery are at different levels in the coastal regions that suffered direct tsunami damage, the inland areas, and the district around the nuclear power plants. With the exception of this one small part of Japan, however, economic and social activity is now returning to a level close to that before the earthquake, and even in the worst affected areas reconstruction and recovery efforts are making steady progress.

(3) JCCI Initiatives

Immediately after the earthquake, JCCI set up the Great East Japan Earthquake Reconstruction and Recovery Office, which I head. Since then, JCCI and Japan's 514 chambers of commerce and industry have worked closely together on recovery efforts in the affected areas.

Initiatives have included organizing job seminars for those left unemployed due to the disaster, helping companies affected by the disaster to re-start business by acting as intermediaries that provide idle machinery and equipment, holding product and tourism fairs for affected areas, and issuing certificates to exporters stating that their products have not been contaminated by radiation.

We have also submitted a series of requests to government aimed at rapid reconstruction and recovery. On September 7 we handed a request for acceleration of reconstruction and recovery efforts directly to Japan's new Prime Minister, Yoshihiko Noda. This document particularly asked the government to establish a recovery agency before the end of the year, to set up a system of special reconstruction zones and to establish grants to local governments in the affected areas.

I would also like to request the cooperation of the Indian business community. It is important to understand that Japan is doing its utmost to ensure transparency and guarantee the safety of its products. We are conducting appropriate tests on foodstuffs to ensure the safety of shipments and exports, and publicizing radiation levels on a

daily basis. Both the Tohoku Region and products produced in this part of Japan are safe.

As outlined in the handouts, Tohoku has many famous tourist spots including Hiraizumi, a world heritage site. I encourage you to visit this beautiful region.

(4) The Japanese Economy: Current Status and Prospects

Although the economy was negatively impacted by the earthquake, it is expected to continue to improve as supply chains are restored and production picks up again.

Monthly government reports show an ongoing trend toward economic revival as things gradually return to normal, overseas economies gradually pick up, and various policy measures take effect.

The Local Business Outlook survey conducted by JCCI shows that SMEs have resolved difficulties in procuring parts and materials, and have fully restored production. JCCI now predicts increased sales of power-saving products.

However, many businesses are still concerned about a number of issues, among them the impact of electricity supply constraints on production and sales activities, the rapid strengthening of the yen, raw material price trends, and slowing overseas economies. SMEs are worried about the hollowing out of industry caused by companies relocating overseas and the impact this will have on regional economies.

2. Outlook for Japan-India Economic Relations

(1) Japan-India Economic Ties

Since India has a population of more than 1.2 billion, 60% of which is aged 30 or under, it is a promising market that also offers the crucial attraction of an abundant labor force.

Since 1991 the Indian government has been working to lower barriers to market entry through deregulation. It recently abolished No-Objection Certificate regulations, and I understand it is examining easing regulations governing entry into the GMS market.

Drawn by such developments, Japanese companies have been taking a closer interest in India and its remarkable economic growth in recent years.

A Japan Bank for International Cooperation survey of Japanese manufacturers shows that India ranks second only to China as a promising medium-term overseas business prospect in the next three years or so. Over the longer term, up to a decade ahead, India ranks number one.

A survey of SMEs by the Tokyo Chamber of Commerce and Industry last year revealed that India, following China and Vietnam, was regarded as one of the most promising countries for future overseas business in the Asian region.

There is no doubt that Japanese companies are moving into India at a faster rate. A survey by the Japanese embassy in India found that Japanese companies had established 438 firms and 555 offices in India as of January 2008, and that this had grown to 725 firms and 1,236 offices by October 2010.

The survey found steady growth over a wide area that included West Bengal, Andhra Pradesh, and Gujarat, with Tamil Nadu recording the highest growth.

However, considering that India and Japan have a long history of interaction and constitute the second and third largest economies in Asia, our economic relations do not necessarily reflect the size of the two countries' economies.

(2) Japan-India Comprehensive Economic Partnership Agreement

The Japan-India Comprehensive Economic Partnership Agreement came into force on August 1st.

Over the next ten years this agreement will abolish tariffs on approximately 97% of exports from India to Japan and about 90% of exports from Japan to India, accounting for around 94% of our two-way trade.

The agreement sets high-level rules for liberalization and the protection of investment. It also achieves a higher level of liberalization of trade in services than required under WTO commitments.

Moreover, this agreement sets up a framework that will help to create and improve business environments for companies doing business in India and Japan, with the participation of both countries' governments, the private sector, and relevant organizations.

JCCI issues certificates of origin under the Japan-India Comprehensive Economic Partnership Agreement, and in the first month after the agreement came into force we supplied 439 such certificates. This is the largest number of certificates of origin we have issued in the first month of an EPA concluded by Japan, and a flying start for the Japan-India Comprehensive Economic Partnership Agreement.

India's Minister of Commerce and Industry Anand Sharma hopes that the value of trade between Japan and India will more than double to 25 billion dollars by 2014, and this goal is very likely to be achieved.

JCCI has high hopes that this agreement will create tremendous opportunities for businesses in both India and Japan and lead to even stronger and closer economic ties between our countries.

(3) SME Expansion into India

When I was appointed as JCCI chairman in November 2007, I made SME globalization a key pillar of our activities.

During this visit, we plan to sign a memorandum of understanding with the government of Tamil Nadu aimed at cooperation in encouraging Japanese SMEs to invest in the state.

We hope that this will prompt our members, especially manufacturers, to take even greater interest in India, and that it will accelerate expansion into Tamil Nadu and India as a whole.

The Indian Government is currently drawing up a National Manufacturing Policy aimed at raising the proportion of GDP output accounted for by manufacturing from the current 16% to 25% by 2025. Japan's small and medium-sized manufactures have advanced technical capabilities, and by expanding into India I believe they can help local manufacturers to become more competitive through technology transfers, employment opportunities, and human resources development.

3. Hopes for India

(1) Business Opportunities for Japanese Firms

I understand that in the Twelfth Five Year Plan (for 2012-2017), the Planning Commission aims to secure investments of almost one trillion dollars in such

infrastructure as roads, railways, and power stations, in order to achieve a high annual GDP growth rate of between 9 and 9.5%. Roughly half of this investment will come from the private sector.

As well as having a pump-priming effect for firms expanding into India, infrastructure development will present companies with enormous business opportunities.

Many Japanese firms are highly competitive in the infrastructure field and are very interested in the Delhi-Mumbai Industrial Corridor and the Dedicated Freight Corridor. They hope to have opportunities to contribute to India's sustained growth through such infrastructure projects.

At the COP 15 meeting on climate change held in Copenhagen in 2009, the Indian government announced the voluntary goal of reducing greenhouse gas emissions to between 20 and 25% below 2005 levels by 2020.

I believe that Japanese companies' strengths in energy-saving and environmental technologies can play a useful role in achieving the twin goals of maintaining high economic growth and reducing greenhouse gas emissions.

(2) Expectations for States

Improving connectivity between key regions in India by enhancing infrastructure, especially roads and railways, will give Japanese companies a wider choice in selecting areas to expand their operations.

In addition to Tamil Nadu, JCCI is focusing on states including Andhra Pradesh and Karnataka, where economic development is accelerating, Gujarat, which is actively soliciting investment, and West Bengal, where there are moves to energize the economy through industrialization.

We would like to ask each state government to listen to the needs of Japanese companies doing business in the respective states and strive to create an even better business environment. Especially, improvements of infrastructures such as roads, ports, and electricity supplies as well as industrial parks are important for the betterment.

(3) Sixtieth Anniversary of Japan-India Diplomatic Relations

Next year Japan and India will celebrate sixty years of diplomatic relations.

As well as sharing the fundamental values of democracy, market economies and the rule of law, our two countries share wide-ranging interests in Asian development and especially economic integration in East Asia.

I hope that the visit of our business mission will provide opportunities to build even stronger economic ties and friendlier relations between Japan and India.

Allow me to conclude with one more request. In order to showcase Japan's recovery from the Great East Japan Earthquake to the world, Tokyo has decided to submit a bid to host the 2020 Olympic Games. JCCI is in agreement with this plan and has resolved to offer comprehensive assistance. I would like to request the wholehearted support of the Indian Business Community in helping to make the 2020 Tokyo Olympics a reality.

Thank you.