

6<sup>th</sup> March 2013

**Mr. Saurabh Chandra**  
**Secretary,**  
**DIPP, Ministry of Commerce and Industry,**  
**Government of India**

**Dear Sir,**

### **Suggestions for the Government of India by JCCII 2013**

Underpinned by the growing interaction between Japan and India across diverse areas of economy and society, we have continued to progress in the past year our "Strategic and Global Partnership" to a new height going a long way to strengthen peace and prosperity of our two countries and the world at large.

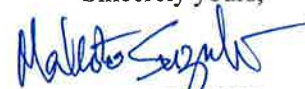
In parallel with the prospering relationship, we are pleased to witness a steadfast increase of foreign direct investment and the increasing number of Japanese companies, 926 in total as of October 2012, which is an increase of 114 over the last year.

Taking this opportunity, we, Japan Chamber of Commerce and Industry in India ("JCCII"), would like to express our sincere appreciation to the Indian Government for the significant strides made last year that would help improve the investment and business environment in India. The conclusion of the Japan-India Social Security Agreement, improvement of the Visa-on-Arrival system, elimination of the re-entry restriction on Tourist Visas, introduction of Advance Pricing Agreement scheme are some of the important breakthroughs that were realized over the past months. We have been privileged to have the opportunity to discuss the matters in depth with important figures in the government including your good self and the top brass of the PMO and DEA, among others.

Meanwhile we wish to call your attention to the fact that many Japanese companies still face enormous difficulties in their business in India and they are approaching JCCII for their redress. Therefore, we would like to hereby present the Suggestion 2013 that contains the current issues in such area as taxation, finance, logistics, BIS on steel products, visa and infrastructure. In order to facilitate dialogue with the Government and implementation of measures, we have taken the liberty to evaluate the progress for each item for your kind consideration.

Your perusal of our Suggestion 2013 would be most welcome and as has been the practice we look forward to the regular meetings to seek your counsel on how we could carry the matter forward. We sincerely hope that the improvement of the Suggestions 2013 would contribute to the better business environment and employment opportunities in India, and further advancement of our bilateral relationship.

Sincerely yours,



**Makoto SUZUKI**

**President**

Japan Chamber of Commerce and Industry in India

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## **IMPROVEMENT OF ADVANCE PRICING AGREEMENT SCHEME**

New       Ongoing (2009, 2010, 2011 and 2012)

### **1. SUGGESTION**

Provisions for “roll back”, “firewall” and “timeline” should be introduced to the current Advance Pricing Agreement (“APA”) Scheme.

### **2. ISSUE / PROBLEM**

- Introduction of the provision for “roll back”: There is no roll back provision in the current Indian APA. APA regulation in most countries has such provision whereby taxpayers are allowed to extend the APA effect to previous years provided that there is no substantive difference in the conditions.
- Introduction of the provision for “firewall”: The APA Scheme has not regulated any provision on firewalls among tax departments in India which would secure taxpayer information confidentiality.
- Introduction of the provision for “timeline”: The APA Scheme does not have any indicative timeline for Pre-Filing Consultation (10H), preparing a draft report (10L (5)) and other procedures by the concerned authorities. This creates uncertainty as to the timeframe envisaged for the completion of the procedure of APA.

### **3. BENEFIT / MERIT FOR INDIA**

Introduction of the above provisions would enable foreign companies to embrace APA more effectively, which would encourage greater FDI in various industries.

### **4. INTERNATIONAL STANDARD / BEST PRACTICE**

Most countries regulate provisions for “roll back”, “firewall” and “timeline”.

### **5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS**

- Ministry of Finance has indicated that they would study the JCCII proposal for “roll back”, “firewall” and “timeline” provisions.

## **TRANSFER PRICE TAXATION (SOGO SHOSHA)**

New       Ongoing (2009, 2010, 2011 and 2012)

### **1. SUGGESTION**

Indian subsidiaries of “Sogo Shosha” should be recognized as service providers, not traders in the Transfer Price (“TP”) Taxation.

### **2. ISSUE / PROBLEM**

- Indian subsidiaries of Sogo Shosha are characterized within the context of TP as service providers in terms of their functions, assets and risks.
- However, tax department has misunderstood the functional profile of the Indian subsidiary of Japanese Sogo Shosha, and has characterized them as traders.
- There is a lack of clarity in the criteria for measurement. Transparency and clear definition are lacking in the discourse of TP.

### **3. BENEFIT / MERIT FOR INDIA**

Current system requires foreign companies to allocate huge amount of human resources and legal fees: this will cumulatively have an adverse effect on FDI inflow.

### **4. INTERNATIONAL STANDARD / BEST PRACTICE**

Since Indian subsidiaries of Sogo Shosha have no intangibles, they should be regarded as service providers. Therefore, Berry Ratio, which is one of the profit level indicators and used globally, should be allowed for Sogo Shosha.

### **5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS**

The Department of Revenue (“DOR”) argues that the claim that Indian subsidiary be recognized as service provider and not trader would depend upon facts of each case and therefore there cannot be a general characterization of income as sought by the Chamber (*Feedback to the Suggestion 2012*). We, however, consider that such case-by-case application should be adopted only after the principle which is applicable to the business model of Japanese Sogo Shosha in terms of TP taxation (i.e., criteria to be recognized as a service provider or a trader) (the “**Principle**”) is made known in advance so as to ensure the predictable and sustainable taxation. Otherwise TP assessments would become highly arbitrary as has been the case lately. Pursuant to our discussion with Ministry of Finance in October 2012, we would like to request DOR to share with the JCCII the ideas about the principal by which DOR assesses the operation of Sogo Shosha.

# **EARLY INTRODUCTION OF GOODS AND SERVICES TAX**

New       Ongoing (2009, 2010, 2011 and 2012)

## **1. SUGGESTION**

- Goods and Services Tax (“GST”) should be introduced at the earliest. Detailed rules and guidelines should be announced 5 to 6 month prior to the commencement date of GST.
- The surcharge, education cess (3%), CST and other States taxes such as VAT, entry tax etc should be subsumed within GST.

## **2. ISSUE / PROBLEM**

Due to the complexity of current indirect tax system in India, both domestic and foreign companies in India are obliged to bear unnecessary costs.

## **3. BENEFIT / MERIT FOR INDIA**

- The introduction of GST, simplified and uniformed indirect tax system in India will boost economic activity and ensure revenue stability.
- It will prevent the cascading effect in Indirect tax regime and result in cost competitiveness of goods and services in the global market.
- It will reduce transaction costs for taxpayers through simplified tax compliance.

## **4. INTERNATIONAL STANDARD / BEST PRACTICE**

More than 140 countries have introduced GST in some form. It has been the norm in Europe for the past 50 years and is fast becoming the preferred form of indirect tax in the Asia Pacific region.

## **5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS**

We are being informed that the Indian government is consulting internally and with the State governments (*Feedback to the Suggestion 2011 and the Suggestion 2012*).

**AFFIXING MAXIMUM RETAIL PRICE STICKERS**  
**AT DOMESTIC TARIFF AREA WAREHOUSE**

New       Ongoing (2009, 2010, 2011 and 2012)

**1. SUGGESTION**

Maximum Retail Price (“MRP”) sticker should be allowed to be affixed at Domestic Tariff Area warehouse after completion of import customs procedures.

**2. ISSUE / PROBLEM**

- The Standards of Weights and Measures Act, 1976 requires MRP stickers to be affixed on goods before landing at the custom ports; this requires importers to decide on the MRP several months before the actual sales.  
<e.g.>  
(Price Data Preparation: 1month) + (Production: 1month) + (Shipment: 1month) + (Stock: 1month) = 4months
- Using bonded warehouses to affix MRP stickers is not a feasible option because of capacity, cost and inconvenience such as process of documentation etc.
- The current system does not allow for flexibility in determining the price by importers; it also demands high-cost operation on the importers.

**3. BENEFIT / MERIT FOR INDIA**

- As a result of the current operation, importers are facing unfair competition with domestic manufacturers. This issue is creating negative impressions about the Indian market such as inefficiency and cumbersome procedures.
- The fair competition between domestic manufacturers and importers ensure the realization of adequate market price and the protection of consumers in the Indian market.

**4. INTERNATIONAL STANDARD / BEST PRACTICE**

We are not aware of practice in other countries which obliges importers to put sales prices on goods before custom clearance.

**5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS**

- Facility has been extended by permitting affixation of MRP on imported goods in bonded warehouses in 2011 (*Feedback to the Suggestion 2011*).
- Allowing charging of Countervailing Duty on imported goods on FOB basis would put the domestic industry under undue disadvantage. This is done to ensure that the domestically produced goods do not suffer unfair competition from imported goods (*Ditto*).
- We, however, consider that, since the bonded warehouse has problems of capacity, cost, and documentation, importers may be forced to transfer such costs to consumers in India. We also consider that depriving the importers of the flexibility to determine sales price will put importers in an unfair position versus their domestic competitors.



## ELIMINATION OF MINIMUM ALTERNATIVE TAX IN SPECIAL ECONOMIC ZONE

New       Ongoing (2012)

### **1. SUGGESTION**

Minimum Alternative Tax (“MAT”) should not be applicable to the Special Economic Zone (“SEZ”).

### **2. ISSUE / PROBLEM**

- 100% deduction of profits on export is allowed for SEZ companies as an incentive to enhance foreign investment, to promote employment and to obtain foreign currency through export.
- Due to significant depreciation cost, start-up companies tend to make loss in the initial phase. Levying MAT in these circumstances would redound to punish these start-up companies.
- Introduction of MAT could offset the various incentives provided by the SEZ and companies will not find merit in making investment in SEZs.

### **3. BENEFIT / MERIT FOR INDIA**

The removal of MAT in SEZ will restore the value of SEZs for foreign companies considering business start-up in SEZ and encourages greater FDI in various industries (especially the manufacturing sector).

### **4. INTERNATIONAL STANDARD / BEST PRACTICE**

- SEZ or similar incentivized geographical area is common all over the world to increase foreign direct investment.
- In order to incentivize foreign companies to start-up business in SEZ, fiscal incentives such as tax holiday benefits are often provided to Units in SEZ.
- Units operating in an SEZ are in most cases over the world eligible to claim 100% corporate tax holiday for the initial period, which is the most important incentive for companies aiming at export.

### **5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS**

There has been no feedback from Department of Revenue.

# **ABOLITION OF SPECIAL ADDITIONAL DUTY**

New       Ongoing (2009 and 2011)

## **1. SUGGESTION**

- Special Additional Duty (“SAD”) should be abolished at the earliest.
- Refund of SAD should be executed promptly.

## **2. ISSUE / PROBLEM**

- Japanese sales companies (importers) are put under an adverse situation. They are forced to make double payments (SAD on top of the related sales tax or value added tax), because SAD is not refunded adequately. For example, one Japanese company could obtain only 11 % of the entitled refund in two years. The refund mechanism is not working properly.
- Since the requirements for an application of the refund are strict and procedures required for each authority vary, administrative costs are burdensome for importers.

## **3. BENEFIT / MERIT FOR INDIA**

- Confidence in the Indian market is seriously damaged by the complicated indirect tax scheme (i.e., payment and refund of SAD) should be recovered.
- Companies may have to raise the market price of imported products under the circumstance that SAD refund cannot be expected. If SAD is abolished, lower market price can be achieved.
- Simple and enforceable tax system can help create predictable and stable investment environment in India.

## **4. INTERNATIONAL STANDARD / BEST PRACTICE**

No such practice exists in any other country.

## **5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS**

In 2009, the Government of India promised to take immediate actions toward the refund of SAD. However, the commitment has not been delivered yet. We request that the Government of India delivers its commitment in good faith.

## ELIMINATION OF CUSTOM DUTY ON INVERTER

New       Ongoing

### **1. SUGGESTION**

Custom duty on parts for production of inverter should be eliminated. As far as inverters are concerned, parts should be treated as same as the finished goods, whose duty has been already eliminated under India-Japan Economic Partnership Agreement (the “**India-Japan EPA**”).

### **2. ISSUE / PROBLEM**

- Under the India-Japan EPA, custom duty on the inverter has been eliminated. However, parts for such inverters are subject to phased elimination in 11 years. For example, custom duty for parts for the inverter is 6.1% whereas the inverter itself is not subject to custom duty.
- This saps the incentive of Japanese companies aspiring to start local manufacturing of inverter since inverters can be imported at no custom duty under the India-Japan EPA.
- As a condition for the elimination of custom duty on such parts, it should be ensured that custom-free parts should be limited to those essential for manufacturing inverters only.

### **3. BENEFIT / MERIT FOR INDIA**

- Stepping up local production will increase local procurement.
- Increase of price competition will create greater demand and production leading to increased local employment.

### **4. INTERNATIONAL STANDARD / BEST PRACTICE**

N/A

### **5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS**

N/A

## SIMPLIFICATION OF FIRC PROCESS

New       Ongoing (2009, 2010, 2011 and 2012)

### **1. SUGGESTION**

- Foreign Inward Remittance Certificate (“**FIRC**”) should be issued only by Beneficiary Bank (defined below).
- Receiving Banks (defined below) should be advised to provide Beneficiary Bank with (1) all the necessary details required in FIRC by Beneficiary Bank in the RTGS/NEFT message and (2) instruction to issue FIRC to a beneficiary if required in the case where funds represent proceeds of Foreign Inward Remittance.

### **2. ISSUE / PROBLEM**

- When Foreign Inward Remittance is received by a Bank (“**Receiving bank**”) in India and beneficiary’s account is maintained with another Bank (“**Beneficiary Bank**”), the Receiving Bank transfers the funds to Beneficiary Bank through RTGS/NEFT.
- When FIRC is required against this remittance, the beneficiary submits a FIRC request to Beneficiary Bank who in turn submits the FIRC request to Receiving Bank. This process takes about 1 to 2 weeks time.
- In order to avoid inconvenience to customers, RBI vide letter No.FED.CO.FMD.4393/02.03107/2012-13 dated August 29, 2012 to FEDAI has permitted issuance of FIRC by Beneficiary Banks crediting the beneficiary's account maintained with them through remittances received from other banks in India, representing debits to Non-Resident Rupee Vostro accounts, subject to the related requirements including the following conditions:
  - (i) No FIRCs should be issued by member banks, which receive inward remittances for credit to Non-Resident Rupee Vostro Accounts maintained with them but transfer those remittances by debiting such Non-Resident Rupee Vostro Accounts, to other member banks maintaining accounts of beneficiaries for ultimate payment.
  - (ii) The member bank issuing FIRCs against credit to beneficiaries’ accounts maintained with it through Rupee remittances received by debit to Non-Resident Rupee Vostro Accounts maintained with other member banks, should confirm that such remittances represent debits to Non-Resident Rupee Vostro accounts in India and FIRCs have not been issued against such remittances.
- However, the process for Receiving Bank and Beneficiary Bank to ensure (i) and (ii) above is complicated and time consuming.

### **3. BENEFIT / MERIT FOR INDIA**

The proposed change will improve efficiency in the operation area, which is not limited to Japanese banks.

### **4. INTERNATIONAL STANDARD / BEST PRACTICE**

To the best of our knowledge, no equivalent requirement is observed.

### **5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS**

We have submitted a document on 13 December, 2012 in response to an inquiry from DIPP regarding our specific proposal for changes in FIRC process.

## **OPENING OF BRANCH OFFICES IN THE METROPOLITAN AREA**

New       Ongoing (2009, 2010, 2011 and 2012)

### **1. SUGGESTION**

Foreign banks should be allowed to open branch offices in the metropolitan area more liberally and promptly.

### **2. ISSUE / PROBLEM**

- Foreign banks are generally not allowed to open branch offices in the metropolitan areas unless they open branch offices in the rural areas.
- The obligation to foreign banks to open branch offices in tier 2 and tier 3 cities prevent them from adopting an optimal strategy for growth in India. This obligation is the major obstacle to providing sufficient banking services in India.
- Foreign banks are eager to play a key role in the development of Indian economy. However, because they cannot open branch in the metropolitan area, their aspiration cannot be achieved.

### **3. BENEFIT / MERIT FOR INDIA**

- Expansion of branch network brings more banking service opportunities to both Indian companies, Japanese companies in India and multi national companies in India. Such banking services can contribute more to the Indian economy, especially infrastructure related business.
- Greater foreign participation can bring healthy competition to the sector.

### **4. INTERNATIONAL STANDARD / BEST PRACTICE**

This kind of limitation does not exist in Japan, nor does it exist in Southeast Asian countries.

### **5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS**

- No new comments have been received from Department of Financial Service (*Feedback to the Suggestion 2012*).
- We understand that Government of India and Reserve Bank of India is prepared to consider the JCCII request on a case by case basis. We would like to suggest that foreign banks should be exempted from this rural banking obligation since the background strengths and weakness and business strategy of foreign banks are different from other domestic Indian bank.

# **RAISING THE FDI CAP IN INSURANCE SECTOR**

New       Ongoing (2009, 2010, 1011 and 2012)

## **1. SUGGESTION**

The cap on Foreign Direct Investment (“FDI”) in insurance sector should be raised to 49% (currently at 26%), as a first step, immediately.

## **2. ISSUE / PROBLEM**

Foreign insurance companies cannot take management initiative under the current regime which limits foreign equity participation to 26%. In order to cater to the long term growth of the Indian insurance market, the cap should be eased to invite greater number of foreign insurance companies. Under the current regime, it is difficult to transfer international method of risk management and loss control to cater to the increasing number of accidents.

## **3. BENEFIT / MERIT FOR INDIA**

- This will enable insurance companies in India to acquire greater degree of international risk management methods and knowledge (e.g., loss control measures, business management, risk management, product development) which will enable insurance companies to reduce insurance premium for customers and to access the international reinsurance market more easily. As a result, it will help create a much more dynamic Indian insurance market.
- Considering the current situation wherein life insurance industry in India is shifting towards traditional insurance products from market linked insurance products such as unit-linked products, insurance companies are likely to have to set aside additional reserves to maintain their solvency. In order to cope with this situation, foreign capital can play a critical role, especially to fulfill such financial requirements of insurers.

## **4. INTERNATIONAL STANDARD / BEST PRACTICE**

- The following countries do not limit FDI in insurance sector:  
United States, United Kingdom, Japan, China, Brazil, Singapore
- Only a few countries adopt limitation on FDI, such as:  
(figures in parenthesis show the share of foreign equity participation permitted)  
Thailand (24% - 100%)\*, Malaysia (70%-100%)\*, Indonesia (max 80%)\*, Philippines (51% - 100%)\* and China (life insurance companies: 50%, non-life insurance companies: 100%)  
(\* ) It is allowed to take a 100% share depending on special permission by regulators.

## **5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS**

We appreciate the Cabinet decision to raise the cap from 26% to 49 % in October 2012, and hope that Parliament will approve the Cabinet decision in the upcoming Budget Session.

# **OBLIGATORY CESSION**

New       Ongoing (2012)

## **1. SUGGESTION**

The same level of reinsurance commission ratio as previously (2011-12) should be maintained. Alternatively, the obligatory cession system should better be discontinued.

## **2. ISSUE / PROBLEM**

- The insurers are obliged to cede 10% of original insurance premium to the General Insurance Corporation of India, as Re-Insurer (“**GIC Re**”) in accordance with the Insurance Act, 1938. Ceding companies can receive the commission from ceded companies (in this case, GIC Re) based on an agreement along with a notice from the Insurance Regulatory and Development Authority (“**IRDA**”).
- GIC Re demanded drastic cuts in the ratio for 2012-13 according to a notice issued by the IRDA, but many insurers (ceding companies) are opposed to this move.
- It is probable that negotiation for fixing commission rate of 2013-14 will stagnate because ceding insurers cannot accept unprofitable commission level which places a financial burden on them.
- GIC Re notified the insurers that the ceding commission would not be paid for 2011-12 in November 2011, because Ministry of Finance had indicated this in a letter to GIC Re. GIC Re has agreed that the commission ratio for 2011-12 would remain at the same level as before.

## **3. BENEFIT / MERIT FOR INDIA**

- The obligatory cession system can be maintained if the original level of the commission ratio is maintained. India can retain the premium within the country.
- Insurers can do further business if the obligatory cession is discontinued and the commission ratio is maintained as the original. This will eventually benefit customers in India.

## **4. INTERNATIONAL STANDARD / BEST PRACTICE**

The commission level for non obligatory cession is around 30% of ceded premium in main products, while current notice minimum ratio is only 15%. In other countries like Turkey, commission ratio is around 30%.

## **5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS**

We did not receive the feedback from Department of Finance Service (“**DoFS**”) (*Feedback to the Suggestion 2012*). Thus we would like to clarify the opinion of DoFS and to have discussions regarding this issue.

# IMPROVEMENT OF CUSTOMS CLEARANCE PROCEDURE

New       Ongoing (2009, 2010, 2011 and 2012)

## **1. SUGGESTION**

- (1) Electronic Data Interface (“EDI”) at customs named “ICE-Gate System” should be integrated with other related systems and achieve operational ratio of 99.9% to establish a high value added Single Window System (“SWS”). This will serve as a comprehensive international trade logistics information platform and as essential tool for risk management for quick and smooth customs clearance. Single Window with up-graded functions and features should be introduced such as: 1) 24hours-365days and 99.99% operating ratio service reliability; 2) less than one second response time; 3) interfacing with in-house system of the participating company and the other authorities; 4) complete cargo tracking, easily monitor the movement of a cargo in a real time basis; 5) avoidance of re-inputting data among the all related procedures; 6) immediate Release upon Arrival and immediate Release upon Carry-in.
- (2) The customs office should be open for 24 hours/7 days a week at major airports (the “**24x7 Customs Clearance**”) for import of commercial and industrial cargos.

## **2. ISSUE / PROBLEM**

- (1) Under the current system, importers need to obtain permissions from various authorities before filing a bill of entry while the related authorities cannot process the required documents simultaneously. The operation of ICE-Gate System is unstable and the system is sometimes not operational. Consequently, it takes a long time to complete customs clearance and to collect the cargos at a port.
- (2) Since the scope of emergency cargo facility is limited to fresh fruits, frozen foods, live animals, etc, almost Japanese manufacturing companies can not avail themselves of the 24x7 Customs Clearance although there is an increasing need to import commercial and industrial cargos urgently. In this context, although the 24x7 Customs Clearance was introduced on a pilot basis from September to December 2012, in general, they could not enjoy the benefit thereof because the 24x7 Customs Clearance is applied only to the Facilitated Bills of Entry where no examination and assessment is required: provided, however, that almost all of them do not have the Accredited Clients Programme (“ACP”) that enable consignees to use the Facilitated Bills of Entry because of the uncertainty of penalties which may be imposed on ACP holders.

## **3. BENEFIT / MERIT FOR INDIA**

- If SWS is introduced, consignees and Custom House Agents will be released from repeatedly having to provide or deal with the same information for different authorities. It will also be able to identify easily which authority’s approvals or procedures are pending and to facilitate service delivery in a timely manner. As a result, Indian Customs can reduce their work load and time: consequently congestion at ports will be eased; and consignee can collect their containers quickly.
- This will facilitate procurement of manufacturing components at the earliest and on-time manufacturing of goods. This will help the export strategy that the Government of India has been promoting.

## **4. INTERNATIONAL STANDARD / BEST PRACTICE**

- (1) Japanese EDI system called NACCS is the upgraded SWS. Japanese companies can obtain import permit, import approval for foods, animals/plant quarantine, and customs clearance by entering their information only once into NACCS.
- (2) Currently, some of Japanese hub ports, New York, Amsterdam, and Hong Kong airports are open for 24 hours.

## **5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS**

We have not received the feedback from Central Board of Excise and Customs (*Feedback to the Suggestion 2012*).



## **CLARIFICATION OF ACCREDITED CLIENTS PROGRAMME**

New       Ongoing

### **1. SUGGESTION**

The Accredited Clients Programme (“ACP”) should define what kinds of documents are required by the consignees and what penalty will apply to them in case errors are found in the Post Clearance Audit (“PCA”).

### **2. ISSUE / PROBLEM**

Many consignees do not apply ACP because of the fear that they may be charged with unexpected huge penalties by officers in case unintentional or minor errors are found in the documents for PCA. There are only around 20 Japanese ACP holders because many consignees cannot understand the benefit or value of ACP.

### **3. BENEFIT / MERIT FOR INDIA**

- If ACP is recognized and utilized among consignees widely, Indian Customs can reduce their work load and time for customs clearance: consequently, congestion at a port will be eased and consignees can collect their containers quickly.
- This will also facilitate procurement of manufacturing components at the earliest and on-time manufacturing of goods. As a result, local production will be boosted and goods can be exported in a timely manner. Thus the improvement of ACP will help the Government of India export strategy.

### **4. INTERNATIONAL STANDARD / BEST PRACTICE**

- In Japan, importers can collect their containers on the same or next day after the vessel arrives at port. This will allow port terminals to reduce containers in their stock yards. Furthermore, all interested parties will be able to know when they can get their cargos and therefore arrange their schedule precisely to produce or sell (or purchase) their goods.
- In Singapore, importers can avail themselves of the one-day customs clearance system.

### **5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS**

N/A

**ABOLISHMENT OR RELAXATION OF MANDATORY  
CERTIFICATION OF INDIAN STANDARDS  
FOR STEEL PRODUCTS**

New       Ongoing (2009)

**1. SUGGESTION**

- Mandatory certification of Indian Standards (“IS Certification”) for the sale of steel products in India should be abolished.
- The following specific steel products, for which usage of inferior quality products is not expected, should be exempted from IS Certification:
  - (1) the steel products which have certifications of globally acknowledged standard (such as JIS, ASTM, etc.) which certify the appropriate quality of the products;
  - (2) the steel products of specific usage, such as automotive, home appliances, etc., for which use of inferior quality products is not expected; and
  - (3) the steel products which are not produced in India.

**2. ISSUE / PROBLEM**

We have no objection to the Government’s policy to eliminate inferior quality steel products from the market to protect consumers’ safety and benefit. However, under this Government policy, all imported and domestic steel products will be required to obtain IS Certification; already the Bureau of Indian Standards (“BIS”) is overloaded with applications, and many delays of IS Certifications are observed. If this policy is implemented, import and production of steel products may stop, which may cause disruption and damages to many aspects of the Indian economy.

**3. BENEFIT / MERIT FOR INDIA**

- Our suggestion assures stable supply of steel product to users in India, and secures the wide choice of raw material to the users.
- It reduces the burden of BIS and the cost of IS Certification; otherwise, initially the fee for IS Certification will be paid to BIS by steel producers, but such increase of the production cost will be eventually passed to users, as price of the product increases.
- If the Government restricts the sales of steel products to only those which have globally acknowledged certification, such as JIS and ASTM, etc., it will assure the consumers’ safety and benefit without any additional cost increase.

**4. INTERNATIONAL STANDARD / BEST PRACTICE**

- All major countries (excluding, Indonesia, Thailand and India) do not impose any restrictions on the sales of steel products which have globally acknowledged certification, such as JIS and ASTM, etc.
- In Indonesia which adopts a mandatory certification system, certification is not required for (i) the steel products which are or will be used for specified usages such as automotive, or by certain users under the control of import quota, and, to (ii) the steel products/specifications which are not producible domestically.

**5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FUTHER COMMENTS**

N/A

# RELAXATION OF RESTRICTIONS AGAINST PRACTICE BY JAPANESE LAWYERS

New       Ongoing

## 1. SUGGESTION

Japanese lawyers should be admitted to conduct the following activities (the “**Activities**”) in India:

- (1) to provide legal services regarding Japanese laws;
- (2) to represent their clients in international arbitration cases (including the procedures for settlement therefrom);
- (3) to employ Indian lawyers and operate law firms in the form of partnerships, limited liability partnerships or other forms (the “**Law Firms**”) jointly with the Indian lawyers; and
- (4) to incorporate Law Firms and to establish offices in order to accomplish all or part of the above.

## 2. ISSUE / PROBLEM

- There have been large gaps in the understandings of Indian laws and regulations between Japanese companies and Indian lawyers, caused by such reasons as: differences in languages; culture; legal systems, etc. (the “**Gap**”). Unfortunately, the Gap is leading Japanese companies to feel that they might not be able to fully rely on the Indian lawyers. The Gap also often leads to legal disputes since Japanese companies could not receive sufficient and satisfactory legal services. Therefore, they recognize India as a high-legal-risk country and hesitate to make further investments into India.
- Under the Advocate Act, 1961 of India (the “**Act**”), one of the functions of the Bar Council of India (“**BCI**”) is to recognize *on a reciprocal basis* foreign lawyers for the purpose of admission as advocates under the Act. Japan admits Indian lawyers to conduct the Activities in Japan, but the above-mentioned function of the BCI is not utilized.

## 3. BENEFIT / MERIT FOR INDIA

- Japanese lawyers having legal knowledge and experiences have deep insight into the needs of the Japanese companies that usually require extensively deep and detailed analysis, and can support them as a bridge between Japanese companies and Indian lawyers; and thereby, Japanese lawyers are able to clear the Gap, to enhance Japanese companies’ confidence in Indian lawyers and to support India in the investments by Japanese companies.
- If Japanese lawyers are permitted to render the Activities jointly with the Indian lawyers, they will be able to share their expertise and experiences, and provide Japanese companies with their high-quality legal services meeting clients’ demands. This cooperation will ultimately create, develop and expand the Indian lawyers’ business.
- Our suggestion does not violate the provisions of the Act because it does not mean to allow Japanese lawyers to give a legal opinion regarding interpretation of Indian laws. Furthermore, we are not proposing that India should generally allow all foreign lawyers to conduct the Activities, but are proposing that India should permit lawyers of foreign countries that allow Indian lawyers to conduct the Activities, based on a reciprocal basis.

## 4. INTERNATIONAL STANDARD / BEST PRACTICE

- Indian lawyers are allowed to conduct the Activities in Japan since 2003. In fact, there are Indian lawyers who are registered with the Japan Federation of Bar Associations and have been providing legal services in Japan since 2012.
- There are a large number of Asian countries (e.g., Japan, China, Singapore, Thailand, Indonesia and Vietnam) which give to certain foreign lawyers the qualifications to conduct all or part of the Activities.

## 5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS

N/A

# IMPROVEMENT OF PRACTICE REGARDING INTELLECTUAL PROPERTY RIGHTS

New       Ongoing

## **1. SUGGESTION**

- a) Patent application should be published within the statutory period as set out in the Patent Act, 1970 (the “Act”).
- b) The term of “Resident” in the Act should be defined clearly.
- c) Procedures of opposition to registration and appeal for cancelling registration (the “Procedures”) of the related intellectual property rights (especially, trademarks and designs) (“IPRs”) should be accelerated.

## **2. ISSUE / PROBLEM**

- a) The statutory publication period of patent application (one month from the date of expiry of eighteen months from the filing of the application or the date of priority of the application, whichever is earlier) is not complied. Publication of patent application contains vital information to grasp the competitors’ trend. Due to the delayed publication, industry cannot seize the trend of technical development in India in a timely manner, and this impedes the moving of foreign manufacturers into India.
- b) Since there is no clear definition of “Resident” in the Act, the person who wishes to apply his patent application abroad may fail to take the procedure required under the Act unexpectedly. The concern over such unintended irregularity may impede research and developments activities (“R&D”) of Japanese companies in India.
- c) Although the originators of trademarks or designs are forced to take the Procedures due to many applications in bad faith, such Procedures are not effective for protection from the counterfeits, because it takes a lot of time (three or four years is not uncommon).

## **3. BENEFIT / MERIT FOR INDIA**

- a) The publication of patent application works as a catalyst for the third party who touches upon the disclosed invention to conceive a new idea. Assuming that the Indian inventors would get first access to the official journal provided by the Indian Authority, it is desirable especially for the Indian inventors to publish patent application within the stipulated period. Since it is frequent to see more than one entity conduct R&D during the same period independently, the delayed publication leads to incurring of huge loss of investment due to the redundant investment for research. The due publication brings the reinforcement of productivity and competitiveness of the Indian manufacturing sector as a whole. In addition, it is important to protect the inventor and promote the invention, since there are rights subject to the publication of patent application.
- b) A clear definition of “Resident” accelerates entry of the foreign R&D facilities into India and collaborative research between Indian companies/institutes and foreign companies, by which manufacturing sector would further progress owing to the improvement of technical and development capabilities.
- c) Speedy completion of the Procedures can prevent a third party from counterfeiting in a timely manner. As a result, such counterfeits can be wiped away from the Indian market, and consumers can be protected against damage to their health or safety caused by confusion over the origin. Besides, such an improvement of the business environment in India through the strengthened protection of IPRs will lead to the increase of overseas private investment in India.

## **4. INTERNATIONAL STANDARD / BEST PRACTICE**

- a) Many countries, including most Asian countries such as Japan, Korea, China, Malaysia, etc., have the same system and function properly.
- b) In fact, in any jurisdiction other than India, there are no regulations which require that “domestic resident” must take a procedure with the domestic authorities when he wishes to apply a patent application to foreign authorities.
- c) In China, the time taken for the Procedures has been shortened through simplification thereof and the increase of human resources recently: in 2011, the average period of the opposition proceedings was about 23 months, and for appeal it was about 20 months. As to the Japan Patent Office, the average time period for the opposition proceedings of trademark was about 8 months, and for trial was about 6 months, in 2011.

## **5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS**

N/A

**INTRODUCTION OF EFFECTIVE SYSTEMS ON INTELLECTUAL PROPERTY  
RIGHTS FOR FACILITATING INNOVATION AND CREATIVITY**

New       Ongoing

**1. SUGGESTION**

- a) Accelerated examination system for patent applications should be introduced.
- b) A partial design system should be introduced at the earliest. In addition, a statute law that prevents activities such as dead copies of the forms of other's products as unfair competition should be established.

**2. ISSUE / PROBLEM**

- a) Examination of patent application is conducted by the patent office in India. It takes three to four years on an average from requests for examination to the issue of first examination reports. Some of the patent applications are worked in a short term from the filing, or some of the inventions are misused by someone else without consent before such inventions are granted patent. In current circumstances, applicants cannot take any actions, such as concluding license contract or filing a suit, since the examinations are done in the order corresponding to the date of request for examination, and thus their applications are still pending.
- b) There are many dead copies or counterfeits which are combined with parts of Japanese companies' products in the Indian market. Even if it is only a part of a product, its design which has been made by the designer with his/her creativity, is worthy of protection. Since India does not have a partial design system, it allows for third parties to free-ride onto a creator's design by combining some parts of their products. The form of the product itself is also made with the designer's creativity. It is necessary to protect it against counterfeiting by dead copies, particularly in sectors such as the apparel industry. In the apparel industry, the life-cycle of a product is too short to register the design right. In India, it is difficult to effectively protect the form of a product; if the dead copy product has a trademark different from one of the originators, then it is not causing confusion about the origin.

**3. BENEFIT / MERIT FOR INDIA**

- a) Suppose an accelerated examination system is introduced, some applications, on which the applicants' request would be examined in preference over other regular patent applications, would be granted faster and thus the applicants/patentees would be able to duly exercise their rights. This benefit would be enjoyed by Indian companies, too. Especially, since foreign manufacturers move into India after they secure legal protection of their own technologies, the introduction of the accelerated examination system would encourage swift advancement of such companies into India and thus boost capital investment from the foreign manufacturing sector.
- b) Introduction of a partial design system and establishment of a statute law to prevent imitation of a form will enhance the protection of the design. It will promote a fair competitive environment, thus improving the business environment in India through the strengthening of protection of Intellectual Property Rights, and will lead to the increase of overseas private investments in India. These measures are very beneficial for Indian companies to improve their design creativity, and will lead to the success of the domestic industry by promoting design.

**4. INTERNATIONAL STANDARD / BEST PRACTICE**

- a) Regardless of the stage of development of countries, many countries including Japan operate accelerated examination system, some of which are free of charge and the others are subject to fees, so that the inventors' various needs are met and the patent system further contributes to the development of industry. In this context, more than twenty Intellectual Offices including the Japan Patent Office conclude mutual agreements, which are so called "Patent Prosecution Highway", regarding the examination practice which realizes the improvement of user-friendliness and reduction of burden on individual intellectual offices. This system is widely welcomed by stakeholders, since this framework provides accelerated examination to users while reducing the examination burden on Intellectual offices by way of keeping each country's independence.
- b) Japan, Korea, EU, US and Australia have a partial design system. As to the prevention of dead-copy, Japan, Korea and Switzerland have a statute law that prevents such activities as unfair competition.

**5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS**

N/A

# **IMPROVEMENT OF VISA GRANTING PROCESS**

New       Ongoing

## **1. SUGGESTION**

- Processing of Indian visa application (e.g., Employment Visa, Business Visa, and Tourist Visa) in Embassy of India and its Indian Visa Application Center (“IVAC”) should be same and swift in Tokyo and Osaka.
- Processing time of visa application should be shortened; especially, processing time for Business Visa should be no longer than 3 working days.
- Validity of Business Visa, which is 3 years, should be announced in the public domain.
- Documents that are required for visa application should be specified clearly.

## **2. ISSUE / PROBLEM**

- IVAC in Osaka grants Employment Visa to engineers, but not to sales representatives, while IVAC in Tokyo allows it to both the categories. Since this results in losing business opportunities, IVAC in Osaka should also follow the same practice as adopted in Tokyo.
- After introduction of the Online Indian Visa Application System in April 2012, the visa process for Business Visa takes 2-3 weeks, although it used to be 3 working days. As for Employment Visa, it takes 3-4 weeks. During this 2-4 weeks, since the passports of the applicants have been deposited in IVAC and applicants are kept uninformed of the expected delivery date of visa, applicants cannot go abroad on business and lose important business opportunities during this period.
- Validity of Business Visa has been extended to 3 years from 1 year, in practice. This practice should be informed to the public so as to ensure the predictability.
- Applicants are required to submit different documents each time, based on varying instructions by the IVAC officers, and are required to visit IVAC repeatedly due to lack of coherent implementation. As a result of such operations, a large number of Japanese people miss the appropriate time to visit India.

## **3. BENEFIT / MERIT FOR INDIA**

Smooth travel of expatriate Japanese business persons stationed in India, or business travelers to India, will promote economic activities of Japanese companies operating in India and prospects of investment in India.

## **4. INTERNATIONAL STANDARD / BEST PRACTICE**

The Embassy of Japan in India (the Japan Visa Application Centre), under normal circumstances, processes visa applications within 3 working days, including the date of submission.

## **5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS**

N/A

## IMPROVEMENT OF VARIOUS ISSUES REGARDING RESIDENTIAL PERMIT AND EMPLOYMENT VISA

New       Ongoing (2010, 2011 and 2012)

### 1. SUGGESTION

- (1) The validity period of Residential Permit (the “Permit”) should be the same as that of Employment Visa (“E-Visa”) (especially, at the Foreigners Registration Office (“FRO”) in Gurgaon).
- (2) The processing of renewal of E-Visas and Permits should be quick and smooth. The State governments (especially of Haryana and Maharashtra) should delegate the necessary authority to the competent FROs.
- (3) The procedures for the Permit/E-Visa application in each State should be the same as that in Delhi.

### 2. ISSUE / PROBLEM

- (1) According to JCCII research, among of ninety five (95) Japanese people with multi-year E-Visa who had filed applications for the Permit at FRO in Gurgaon from April to October 2012, eighty five (85) people were given only a one-year Permit (nearly 90% of the applicants could not obtain the Permit whose validity period matches that of the E-Visa). FRRO in Chennai also has the same problems. Because of short validity period, applicants are required to frequently visit Foreigners Regional Registration Office (“FRRO”)/FRO. This is creating a huge waste in their time and resource.
- (2) Since FROs in Gurgaon and Pune issue only temporary permits regarding the renewal procedures of E-Visa and/or the Permit for 3 months, and thereafter 6 months, applicants have to visit FRO, every 3 to 6 months. According to JCCII enquiry to its members, although some signs of improvement are visible, problems still persist (more than 50% of applicants receive only short-term temporary permit for the renewal).

Findings of JCCII enquiry

Number of Temporary Renewal Permit	April – July, 2012	August - October, 2012
E-Visa	21 (out of 29 filings)	10 (out of 26 filings)
Residential Permit	47 (out of 61 filings)	22 (out of 42 filings)

- (3) Japanese companies suffer from irregularities of granting or renewing of the Permit/E-Visa, since they are different and inconsistent from one state to another; for example, FRRO in Chennai grants/renews Permit for only 3 months and does not allow foreign applicants to enter its office with support staff or adviser. The practice at FRRO/FRO in each State should be the same as that in Delhi.

### 3. BENEFIT / MERIT FOR INDIA

FRRO/FROs can save time by cutting down the number of unnecessary reissuance of Permits. Saved time could be used for processing Visas for new applicants.

### 4. INTERNATIONAL STANDARD / BEST PRACTICE

N/A

### 5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS

We appreciate that the FRRO in Delhi has started to issue Permits having the same validity period as that of E-Visas lately, and the renewal of E-Visas and Permits is processed smoothly. However, as stated above, FROs in Gurgaon, Pune and Chennai have problems, which should be corrected immediately.

## DEVELOPMENT OF INFRASTRUCTURE

New       Ongoing (2009, 2010, 2011 and 2012)

### **1. SUGGESTION**

- Essential infrastructure such as logistics/electricity/industrial, in particular, in Chennai, Bangalore, Kolkata and Haryana should be completed or resolved at the earliest.
- In order to expedite the development of such infrastructure, Central Government should strengthen relations with State Governments. For example, In Karnataka and Tamil Nadu, JCCIB (Bangalore) and JCCIC (Chennai) holds regular meeting with each State Governments to submit the proposals to solve the current problems. We expect the cooperation from the Central Government to provide necessary support in implementing them.

#### <1. Industrial Corridor Project>

- (1-1) Chennai-Bangalore Industrial Corridor Project

#### <2. Logistics Infrastructure>

- (2-1) Road Development around Chennai City  
(2-2) Road Developments in Bangalore  
(2-3) Road Development in NH8 (Gurgaon- Manesar - Bawal- Neemrana)  
(2-4) Assessment by Expert for Operation in Chennai Port  
(2-5) Reduction of Port Charges and Installation of Facilities for Over Dimension Cargo in Ennore Port  
(2-6) Capital Dredging in Haldia Dock Complex

#### <3. Electricity>

- (3-1) Stable Electricity Supply

#### <4. Industrial Park>

- (4-1) Improvement of operation of Public Industrial Park  
(4-2) Facilitation of development of Private Industrial Park

### **2. ISSUE / PROBLEM**

The lack of necessary infrastructure such as logistics/electricity/industrial is the biggest bottlenecks for growth of manufacturing all over India and establish global export base with enhanced connectivity in India particular in Chennai, Bangalore and Kolkata.

### **3. BENEFIT / MERIT FOR INDIA**

Development of above-mentioned infrastructures significantly contributes to improvement of business climate and trade facilitation. The benefit prevails not only among private companies but also entire India thorough employment creation, improved competitiveness of Indian economy and establishment of global export base in India.

### **4. INTERNATIONAL STANDARD / BEST PRACTICE**

In other countries, growth of manufacturing and trade facilitation are considered as a national agenda and Central Government has more leadership in this regard.

### **5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS**

N/A



## **CHENNAI - BANGALORE INDUSTRIAL CORRIDOR PROJECT**

New       Ongoing

### **1. SUGGESTION**

- Japanese companies have a high expectation for establishing Chennai – Bangalore Industrial Corridor (“CBIC”) as a policy measure to ensure continuous growth of industry in India and to solve various problems in the south region in a comprehensive manner.
- Japanese companies strongly request the Government of India to deliberate industry’s opinion and needs for CBIC project and to implement it immediately.

### **2. ISSUE / PROBLEM**

- Manufacturing and service industries from Japan are expanding their domestic base in South India, however, the related industries that are essential for each of these industries are not necessarily clustered in the Southern region. Therefore setting up business in South India is not necessarily linked to enhancement of competitiveness of companies.
- One of the reasons that domestic and foreign industries (especially small and medium enterprises (“SMEs”)) are rather hesitant to set up base in South India is that there is heavy burden of unnecessary operational costs. This is due to various problems related lack of infrastructure such as inadequate access roads leading to the highway and main ports, chronic shortage of electricity, and inadequate port operations.
- The driving force behind CBIC should be the mitigation of unnecessary risks and costs borne by the industry and leading to the creation of a business environment wherein a company can focus on its core activities. The companies in the southern region highly expect that this would ensure a level playing field for them vis-à-vis other domestic and foreign companies, and it promotes accumulation of industry as a corridor where companies, in particular, SMEs can set up their business smoothly and easily.
- Implementation of the following measures are essential for the development of efficient industrial clusters leading to industrial competitiveness:
  - Improvement of present infrastructure in Chennai and Bangalore, such as road connectivity around Ennore port and Chennai port, railways and port facility.
  - To develop an industrial park which companies utilize a basic infrastructure such as electricity and water, in a sustainable manner.
  - To establish trunk roads at the location of the industrial clusters and the industrial parks.
  - Access roads leading to the main highway and port are to be improved. It is essential to construct and maintain access road of superior quality ensuring proper road width and durability especially since manufacturing industries transport heavy goods.
  - Development of safe and better urban infrastructure like townships, especially near industrial parks, where every worker is able to live safely.

### **3. BENEFIT / MERIT FOR INDIA**

The objective of CBIC is to increase business competitiveness through an effective system of planned industrial clusters. Through continuous growth of industrial clusters, companies would be able to implement their business plans with more certainty and enhance their competitiveness, so that India could be considered as a global export base.

### **4. INTERNATIONAL STANDARD / BEST PRACTICE**

N/A

### **5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS**

N/A

# ROAD DEVELOPMENT AROUND CHENNAI CITY

New Suggestion       Ongoing (2010, 2011 and 2012)

## 1. SUGGESTION

Constructions of the Roads and Bridges mentioned in column of ISSUE/PROBLEM shall be completed at the earliest.

## 2. ISSUE/PROBLEM

### **A The Most Urgent Issues (to be solved by 2013)**

- (1) Completion of widening of the TPP Road, the Inner Ring Road, the Manali Oil Refinery Road and the Ennore Expressway into four lanes.

As the part of EMRIP, those constructions are steadily under way. Request to complete those constructions by June, 2013.

- (2) Completion of the construction of the Four Major Bridges (the Napallayam Bridge, the Attipattu ROB, the Pulicat Backwater Bridge, and the bridge over the Backingham Canal), Culvert, T junction.

Tamil Nadu government promised with MOU to improve Ennore port access road, but the completion has been delayed in one year and half. The over dimension cargo (“ODC”) products (turbine generators of the 660MW to 1000MW category for power stations) will be shipped out from Chennai in December, 2013. Request to complete the Four Major Bridges, Culvert and T Junction in time for the shipment.

- (3) Widening of the Ennore Port Road and the NCTPS Road into four lanes

The budget for widening the Ennore Port Road and the NCTPS Road has not been materialized. Request to widening 4 lanes with service road till Ennore port

- (4) Improvement of SH57 connecting NH4 and NH45, and its vicinity roads (Roads surrounding Oragadam)

The SH57 is one of the most important roads connecting major industrial parks. However, due to insufficient width and capacity of the SH57, freight transportation is hindered. In addition, the prolongation of the construction of the flyover at Oragadam has caused the deterioration of the road conditions. Following issues are the urgent to be solved.

- Widening of the SH57 into four lanes.
- Complete the pavement of the roads around the flyover and improve promptly the road inside the SIPCOT Industrial Park
- Expedite the construction of the flyover.

### **B. Important Issues (to be solved by 2015)**

- (1) Outer Ring Road: Phase I, Phase II

Request to ensure the Phase I will be completed in December this year as planned. As for Phase II, request to establish the completion date clearly and start construction as soon as possible.

- (2) Northern Port Access Road

The construction of the Road is yet to begin. Request to start it immediately.

- (3) Elevated Corridor Project to Chennai Port

The Resettlement and Rehabilitation problems and environmental problems forced the project to be stopped. Request to complete it immediately.

- (4) Implementation of the Chennai Suburbs Peripheral Road Plan

Peripheral Road Plan proposed by Hon’ble Chief Minister Jayalalithaa. If the plan is brought to realization, it will be possible to access to the Ennore Port without passing through Chennai city. At the same time, the road network connecting major industrial parks will be developed. Request to implement it immediately.

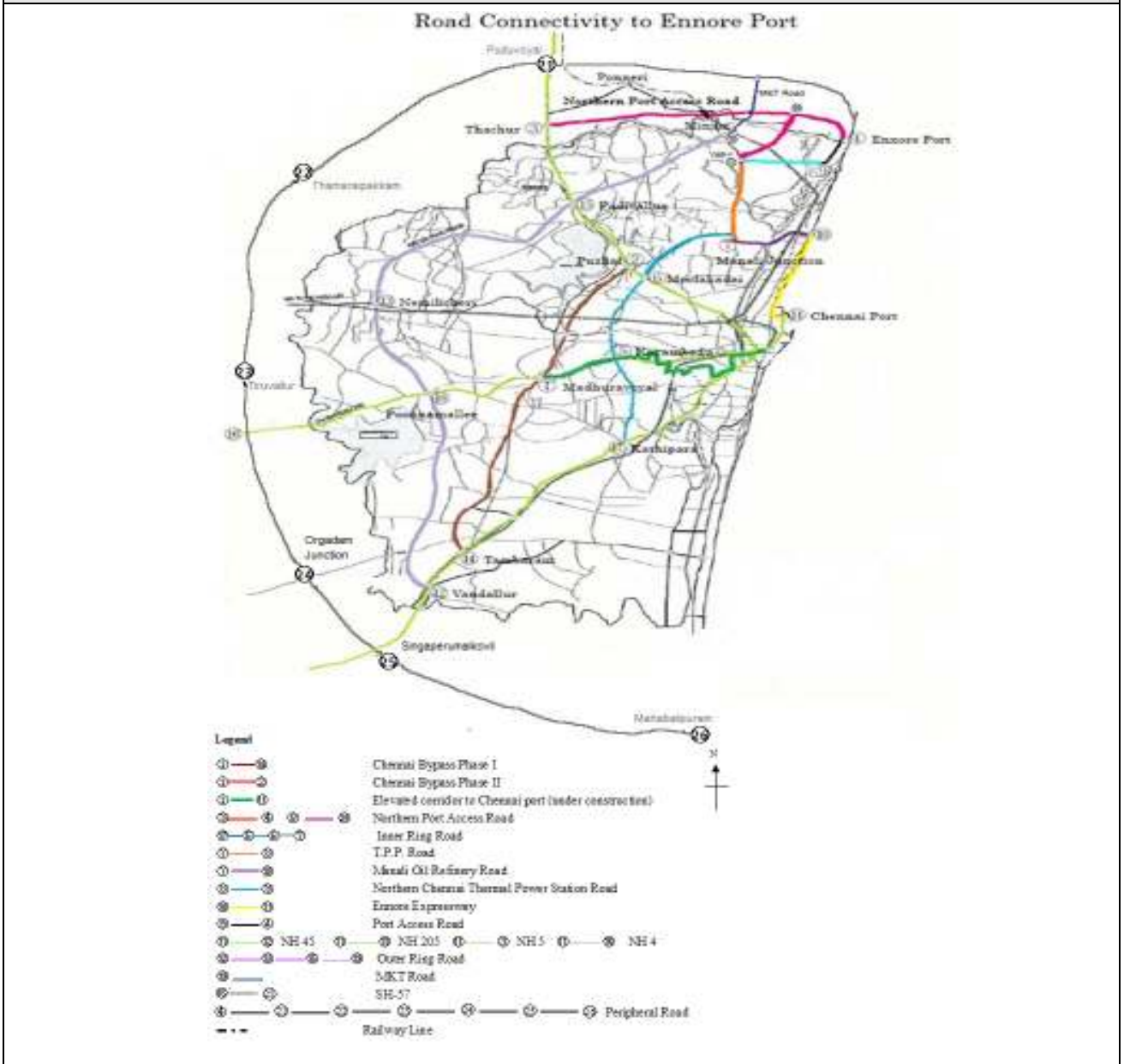
## 3. BENEFIT / MERIT FOR INDIA

- Road development in Chennai city significantly contributes to improvement in logistics, transportation of goods, services and people. It realizes not only huge savings in time and cost

of companies but also stimulates and enhances business activities in Chennai and TN.

- ODC production (660MW to 1000MW class turbine and generator, etc.) will be exported from Ennore Port.
- Smooth and effective connectivity to Ennore/Chennai ports improves their global competitiveness so that TN may expect increase on in-out flow of goods, services, money and people via Ennore/Chennai ports.

#### 4. REFERENCE



#### 5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS

At the meeting between JCCIC and GoTN, responsible officers of GoTN reported progress of road construction projects as follows:

- Overall 50% of entire work of EMRIP project has been completed. Original target for completion was June 2013. However it is expected that the work could be completed earlier.
- The bridges except Attipatu ROB are expected to be completed in 12 months (End of November 2013). And budgeting for Four Major Bridges and land acquisition for ROB and Pulicat Backwater Bridge have not settled yet.

# ROAD DEVELOPMENT IN BANGALORE

New       Ongoing (2012)

## 1. SUGGESTION

Connectivity in and around Bangalore shall be improved and construction of the Roads and Bridges mentioned in column of ISSUE/PROBLEM shall be completed at the earliest.

## 2. ISSUE / PROBLEM

- Widening of NH-207 & its linkage to the proposed Chennai-Bangalore Expressway.
- Improvement of connectivity between NH4 (Hoskote/Kolar) and NH7 (Hosur) via Malur.
- Widening of NH-209 & its linkage to NICE Road.
- Complete construction of Peripheral Ring Road phase-1 at earliest.

## 3. BENEFIT / MERIT FOR INDIA

- Reducing the traffic congestion will improve the efficiency of the business activities, and cost competitiveness.
- Improvement of the connectivity among NH4, NH7, NH207 and NH209 etc will increase the efficiencies by the industries for the procurement of the components/raw materials.

## 4. REFERENCE

### Expectation from States.....

#### Need to improve Road Connectivity



- Widening of NH-207, NH-209, linkage to Chennai-Bangalore Expressway, between Hoskote-Malur-Kolar&Hosur
- Expedite the implementation of Peripheral Ring Road phase -1.
- Completion of NICE Road.
- Alleviation of Traffic jams in some areas accessing to Bidadi, Tumkur, Whitefield etc.

## 5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS/FEEDBACK

N/A

## FURTHER PROMOTION OF ROAD CONSTRUCTION OF NH8 (GURUGAON – MANESAR – BAWAL - NEEMRANA)

■ New      □ Ongoing

### 1. SUGGESTION

Road construction of NH8 (especially, Gurgaon - Manesar - Bawal - Neemrana) shall be further promoted at the earliest: for instance, enhancement of facilities for drainage and construction of pedestrian crossing bridges and fly over.

### 2. ISSUE / PROBLEM

Many Japanese manufacturing plants are located along NH8, such as Gurgaon, Manesar, Bawal and Neemrana. However, all of them have suffered from the delayed transfer of their products and/or parts due to severe traffic jam which is arisen out of the delayed road construction on NH8 and thereby they have incurred heavy losses. State Govt/ NHAI and Local administration is aware about the fact of inconvenience situation of Traffic Jam of Hero Chowk, but action plan is very slow. Now after formation of a Group, this matter is in High Court and the Court is taking action and giving direction to related Govt. authorities to resolve this issue and IMT Manesar's fly over. Although NHAI already prepared Development of Planning Report of making fly over, no action has taken. That case is in High Court.

### 3. BENEFIT / MERIT FOR INDIA

There are many potential Japanese investors who want to set up manufacturing plants along NH8. Improvement of the road construction on NH8 (especially, Gurgaon, Manesar, Bawal and Neemrana) gives foreign investors confidence to invest in the areas along NH8 and leads further investment from Japan.

### 4. INTERNATIONAL STANDARD / BEST PRACTICE

In many Asian countries such as China, Thailand, Indonesia and Vietnam, it is the immediate priority issue to solve the traffic jam at access road to industrial park in order to facilitate investment from abroad.

### 5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS

N/A

### 6. REFERENCE



## ASSESSMENT BY EXPERT FOR OPERATION IN CHENNAI PORT

New       Ongoing

### **1. SUGGESTION**

Operation in Chennai port shall be assessed by experts (the “Assessment”) and suggestion pointed thereby shall be implemented at the earliest.

### **2. ISSUE / PROBLEM**

- The operation of the Chennai Port has been one of the reasons of the traffic jams around the port, which seriously hinders smooth traffic in the whole vicinity.
- Operating the port for 24 hours, improving the ways to use the gate, simplifying the security check, streamlining the checking procedure at the gate (i.e. issuing numbered tickets, controlling traffic by assigning the time for entrance, etc.) and preventing troubles at the customs are examples of possible improvements. To improve the operation of the port in a comprehensive way, an overall assessment by experts and the implementation of the measures based on the assessment are necessary.

### **3. BENEFIT / MERIT FOR INDIA**

By improving the issues based on results of the Assessment, trade of goods and smooth transportation in and around the Chennai port will be facilitated, and effectiveness thereof as an international level port in terms of shipping process and custom clearance will be enhanced further.

### **4. INTERNATIONAL STANDARD / BEST PRACTICE**

N/A

### **5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS/FEEDBACK**

N/A

## **REDUCTION OF PORT CHARGES AND INSTALLATION OF FACILITIES FOR OVER DIMENSION CARGO IN ENNORE PORT**

New       Ongoing (2011 and 2012)

### **1. SUGGESTION**

- (1) Port charges of Ennore port shall be reduced further.
- (2) Facilities (e.g., the largest crane) for over dimension cargo (“ODC”) shall be installed at Ennore Port.

### **2. ISSUE/PROBLEM**

- (1) Extremely higher charge in Ennore Port than other major ports either in India or in ASEAN region. This is hampering global competitiveness of the products of users:
  - 5.2 times the charge at Lem Chabang Port in Thailand
  - 8.7 times the charge in Colombo
  - 2.3 times the charge in Chennai/Mumbai
- (2) There are very few ports in India where large cargos can be handled.

### **3. BENEFIT/ MERIT FOR INDIA**

- (1) Lower Ennore Port charges improves its competitiveness so that Ennore Port may expect increase in vessels per annum, hence it leads to improvement in operation ratio of Ennore Port and increase in revenue in Ennore Port in the long run. Together with smooth and effective connectivity to Ennore Port, the state of Tamil Nadu may expect increase of in-out flow of goods, services, money and people via Ennore Port.
- (2) Industries are able to export/import ODC through the Ennore port which would facilitate exports of ODC (e.g., huge generator, turbine) from India. It also attracts investors of foreign countries who are considering location of factories manufacturing ODC.

### **4. INTERNATIONAL STANDARD / BEST PRACTICE**

See the chart in the column on the following page.

### **5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS**

- The port charge of Ennore port has been reduced by 20% compared to the previous rate, effected from October 2012.
- Ennore Port Ltd informed that a further reduction of 20% for car carriers would be implemented from 1<sup>st</sup> Jan 2013 (@the 2<sup>nd</sup> JCCIC-GoTN meeting).

## 6. REFERENCE

Port Charge Comparison

- Loading Volume: 4,500units/shipment
- Loading time: 3 days(72hours)/shipment

### 1) Indian Domestic Port

	Ennore	Chennai	Mundra	Mumbai
<b>Pilotage</b>	<b>30,403</b> (\$0.656 per GRT)	<b>23,975</b> (US\$0.507 per GRT)	<b>18,744</b> (US\$0.405 per GRT)	<b>14,929</b> (US\$0.322 per GRT)
<b>Port Due</b>	<b>19,651</b> (\$0.424 per GRT)	<b>10,695</b> (US\$0.23 per GRT)	<b>7,209</b> (US\$0.156 per GRT)	<b>9,783</b> (US\$0.2111 per GRT)
<b>Berth Hire</b>	<b>33,369</b> (\$0.010per GRT/hrs)	<b>9,676</b> (US\$0.00289 per GRT/hrs)	<b>22,246</b> (US\$0.0067 per GRT/hrs)	<b>25,026</b> (US\$0.0075 per GRT/hrs)
<b>Others</b>	<b>16,148</b> (Incl. Service Tax)	<b>9,567</b> (Incl. Service Tax)	<b>5,019</b> (Incl. Service Tax)	<b>5,000</b> (approx. Incl. Service Tax)
<b>Total</b>	<b>99,571</b>	<b>53,913</b>	<b>53,218</b>	<b>54,738</b>
<b>Index</b>	<b>100.0%</b>	<b>54.1%</b>	<b>53.4%</b>	<b>55.0%</b>

### 2) Global Port

	Ennore	Laem Chabang	Singapore	Colombo	Amsterdam	Tacoma (U.S.)
<b>Pilotage</b>	<b>30,403</b> (\$0.656 per GRT)	<b>3,443</b> (Draft 8.5m LOA 617ft)	<b>4,290</b> (US\$262.31 per hrs)	<b>2,825</b> (US\$0.061 per GRT)	<b>29,348</b> (Draft 7.5m : US\$8,300)	<b>18,397</b> (US\$0.082 per GRT)
<b>Port Due</b>	<b>19,651</b> (\$0.424 per GRT)	<b>9,257</b> (US\$0.1935 per GRT + US\$0.259)	<b>3,430</b> (US\$6.98 per 100GRT)	<b>368</b> (US\$0.0795 per GRT)	<b>8,618</b> (US\$0.177 per GRT)	<b>3,000</b> (US\$0.06 per NRT)
<b>Berth Hire</b>	<b>33,369</b> (\$0.010per GRT/hrs)	<b>8,100</b> (US\$0.0024 per GRT/hrs)	<b>16,404</b> (US\$5,468 per day)	<b>7,350</b> (US\$0.0022 per GRT/hrs)	<b>2,007</b> (US\$669 per day)	<b>13,053</b> (US\$4,351 per day)
<b>Others</b>	<b>16,148</b> (Incl. Service Tax)	<b>2,700</b> <b>13,725</b> (General Cargo wharfage US\$0.71per RT)	<b>2,200</b>	<b>5,000</b> (approx)	<b>7,085</b>	<b>4,620</b>
<b>Total</b>	<b>99,571</b>	<b>37,225</b>	<b>26,324</b>	<b>15,543</b>	<b>47,058</b>	<b>39,070</b>
<b>Index</b>	<b>100.0%</b>	<b>37.4%</b>	<b>26.4%</b>	<b>15.6%</b>	<b>47.3%</b>	<b>39.2%</b>



# CAPITAL DREDGING IN HALDIA DOCK COMPLEX

New       Ongoing (2012)

## 1. SUGGESTION

The Indian government shall immediately allocate funds for capital dredging in Haldia river channel. Additionally normal dredging activities in Auckland and Jellingham areas shall be continued.

## 2. ISSUE / PROBLEM

Vessels coming to and moving out of Haldia port cannot take load up to their full capacity resulting in the payment of high dead freight and demurrage due to insufficient draft. As a result, industries in and around Haldia region lose their cost competitiveness compared to other states.

## 3. BENEFIT / MERIT FOR INDIA

With increased draft in the Haldia river, vessels coming to and moving out of Haldia port can reduce their dead freight and demurrage costs. Industries dependent on the port can become more cost competitive and self reliant. They in turn can develop further their downstream industries in and around Haldia region.

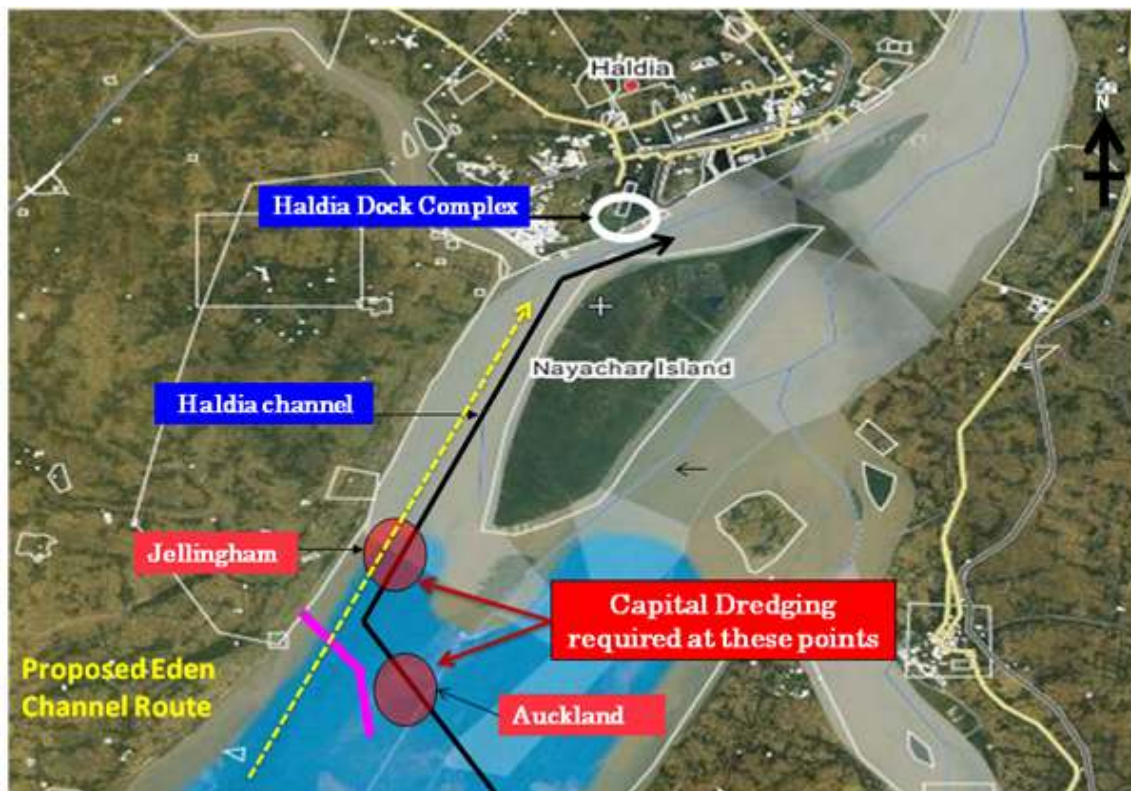
## 4. INTERNATIONAL STANDARD / BEST PRACTICE

Maintaining navigability of the riverine ports and inland waterways comes under the preview of national port development policy and has to be ensured for the growth of domestic industries.

## 5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS

N/A

## 6. REFERENCE



## STABLE POWER SUPPLY

New       Ongoing

### **1. SUGGESTION**

- The proposed construction of power plants such as the Ultra Mega Power Projects shall be implemented in a timely manner and facilitated by the smooth and immediate land acquisition, issuance of the related environmental permission, etc with the appropriate support of the Government of India.
- Efficiency in the operation of the State Electricity Board or State Electricity Corporation shall be improved by further investing in facilities or equipments, minimizing power loss and implementing:
  - to ensure implementation of the plan to construct the current power plant;
  - to establish a supply system with surplus supply to meet the anticipated demand;
  - to maintain a network of power supply which is not affected by the weather conditions;
  - to maintain a system in which the incidents of electrical line breakage are prevented and are promptly restored in case of the breakage;
  - to properly furnish information regarding planned power outage to users;
  - to improve the accuracy of timings for planned power outage; and
  - to provide timely information regarding the cause of the power failure and the estimated restoration time.
- Expedition of the proposed construction and effective operation of State Electricity or State Electricity Corporation are essential as power supply is the major factor to promote large number of investments which could guarantee certain employment in India.

### **2. ISSUE / PROBLEM**

There is a large number of Japanese manufacturing companies that can not operate its factories with maximum efficient due to power shortage. This has given negative impression on them that hesitate to make investment in India further.

### **3. BENEFIT / MERIT FOR INDIA**

The improvement of power supply amounts to a large number of investments and can guarantee employment generation, which is a huge opportunity for development.

### **4. INTERNATIONAL STANDARD / BEST PRACTICE**

In south east Asia such as Thailand and Vietnam, electricity is supplied sufficiently so that Japanese manufactures can concentrate on their operation.

### **5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS/FEEDBACK**

N/A

## **PUBLIC INDUSTRIAL PARK**

New       Ongoing

### **1. SUGGESTION**

The industrial parks which have the following features/function as per the international standard should be set up at the earliest:

- (i) completion of proper land acquisition process so as to ensure the valid ownership/leasehold with little risk of liability or claim from any third parties;
- (ii) equipment with “ready-to-use” infrastructure, e.g. all-weather road, adequate supply of energy(gas/electricity), water and good connectivity (plug and play);
- (iii) consideration for business stability therein such as elimination of enhanced compensation clause/specification of allotment area at down payment ; and
- (iv) a problem solving window/continuous information disclosure mechanism.

### **2. ISSUE / PROBLEM**

- Lack of the industrial park is one of the biggest bottlenecks for growth of manufacturing in India. In addition, there are a large number of industrial parks in which basic infrastructure such as electricity, water, road, etc. is insufficient, or in which the mechanism for processing industrial waste disposal is not organized yet.
- These issues are getting worse due to the absence of a clear window for Japanese companies.
- In several states, business stability/development is not considered well. For example, at the occasion of down-payment, companies cannot choose allocated area in Karnataka States. As a result, companies face difficulty to foresee their business plan till States’ Government decision on allocation.
- In addition, States Government insists to include enhanced compensation clause. Such clauses create huge business risk for Japanese manufactures so that some of them give up their investment. For example Haryana State Industrial and Infrastructure Development Corporation Ltd. (“HSIIDC”) issued demand notices to the industry / allottees in Phase-1 HSIIDC Growth Centre Bawal and it demanded the huge arbitrary amount as enhanced compensation amount.

### **3. BENEFIT / MERIT FOR INDIA**

Creating many industrial parks with improved quality of infrastructure can guarantee huge investment from Japan and employment generation for Indians, which is a huge opportunity for development.

### **4. INTERNATIONAL STANDARD / BEST PRACTICE**

In south east Asia such as Thailand and Vietnam, industrial parks are equipped with necessary infrastructure in advance so that Japanese manufactures can concentrate on their operation.

### **5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS**

N/A

## **FACILITATION OF DEVELOPMENT OF PRIVATE INDUSTRIAL PARK**

New       Ongoing

### **1. SUGGESTION**

- The procedures to obtain necessary permission of the master plans and environment assessments, etc. for early materialization of industrial park development projects by private companies should be accelerated by the Central government and States governments.
- State Government should commit stable water and electricity supply to industrial park operated by private companies.

### **2. ISSUE / PROBLEM**

- Lack of industrial parks is one of the biggest bottlenecks for growth of manufacturing in India. Facilitating development of private industrial parks could be a solution. However, uncertainty/delay of land acquisition, environmental clearance and related permission impedes smooth development of private industrial park. With such a huge uncertainty, it is difficult for private developers to commit to their customers about the specification of their parks; thus the Japanese companies considering to set up their bases can hardly draw a plan, such as which industrial park to choose, when to enter, and start production, etc.
- Stable supply of water and power is imperative to the development of an infrastructure project. However, often it is very difficult to get a commitment from the State Government bodies assuring stable supply of these resources. This attributes to the less number of companies willing to develop and operate industrial parks.

### **3. BENEFIT / MERIT FOR INDIA**

Making these private industrial parks quickly available can significantly lower the hurdles for Japanese companies to establish in India, and as a result there would be greater chances for them to choose India as their destination country.

### **4. INTERNATIONAL STANDARD / BEST PRACTICE**

In south east Asia such as Thailand and Vietnam, Japanese companies can establish private industrial parks with the strong backup by governments. Most of these private industrial parks are bought up by Japanese manufactures.

### **5. REACTIOIN FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS**

N/A