

PM'S JAPAN VISIT

Japan key to India's Look East policy

This is an ideal time for both India and Japan to give a greater push to their economic engagement



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NEARLY A century ago, Rabindranath Tagore wrote that "in this task of breaking the barrier and facing the world Japan has come out the first in the East. She has infused hope in the heart of all Asia."

Once again, Japan is infusing hope in terms of economic growth in Asia. Through a dose of "Abenomics", Japan has successfully shrugged off its sluggishness and is showing signs of recovery. Business sentiments have improved tremendously and the ripples of this recovery are being felt in the far corners of the globe.

India, on the other hand, is also witnessing a resurgence of sorts. The Indian economy today is widely seen to be turning the corner and growth is expected to be bottoming out. Both industrial growth and business confidence are on an upswing.

This is an ideal time for India and Japan to give a greater push to their economic engagement and chart out a course for future action and strive to build a strong strategic and global partnership.

India-Japan bilateral relations are based on long-term political, economic and strategic interests, aspirations and concerns and underpinned by a common commitment to democracy, open society, human rights, rule of law and free market economy. Japan and India are natural partners as the largest and most developed democracies of Asia, with

a mutual stake in each other's progress and prosperity.

Japan has always been perceived as a strong and steady partner in India's progress. In the 1980s, it was the Maruti 800 that transformed India's automobile industry. Two decades later, with Japan's support, Delhi changed the way it commuted with the advent of the Delhi Metro.

Now, Japan and India have embarked on their most ambitious multidimensional project together with the construction of the Dedicated Rail Freight Corridor and the Delhi Mumbai Industrial Corridor, a \$90-billion project for which Japan has already committed over \$4 billion in credit.

As a result, Japan has now emerged as the fourth-largest investor in India with an investment of over \$16 billion. Much of this investment is in the manufacturing sector. In CII's interactions with Japanese companies, we have found that the interest in India has not waned. An increasing number of Japanese companies have shown interest in investing in India, particularly in the manufacturing sector.

Strategically, Japan occupies a prime position in India's Look East policy. Both nations aim to build a strong strategic and global partnership that can be mutually beneficial and also bring peace, stability and prosperity in the region. Prime Minister Narendra Modi's visit to Japan, beginning August 30, is bound to set a new trajectory of economic cooperation. The participation of CEOs of the most prominent Indian companies at the meeting of the India Japan Business

Leaders Forum being held at Tokyo coinciding with the visit of the Prime Minister is a clear reflection of the enormous potential that Japan holds for India.

Economically, over the past several decades, India has made tremendous strides in highly specialised fields like space science, nuclear energy, biotechnology, medicines, engineering, etc. However, Indian industry can still stand to benefit by cooperating with Japan especially in terms of cutting-edge technologies.

In his Independence Day Speech, the Prime

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Minister announced a renewed focus on manufacturing. "Come, make in India" was his clarion call. For Japan, India offers vast investment opportunities especially in advanced manufacturing sector, including electronic hardware, heavy machinery, telecom equip-

ment,

among

others,

and in tech-

nology-inten-

sive areas like

agriculture, envi-

ronment technology

and R&D.

In order to facilitate growth in manufacturing, it is important to promote small and medium enterprises (SMEs). SMEs have been the backbone of Japan's development over the last several decades.



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India could benefit greatly by learning from the best manufacturing practices of Japanese SMEs.

The key to promoting orderly growth of manufacturing is to adequately train the workforce in the skills required by Indian industry today. The challenges to do so are immense and India can seek to work with Japan in this field through initiatives such as skill training and certification, bilateral exchanges and corporate internships.

Japanese institutions have been deeply involved with Indian manufacturing companies for developing quality and business excellence tools. As per the 2006 Joint Statement, renowned Japanese management guru Prof Shoji Shiba initiated the Visionary Leaders for Manufacturing Programme with CII and was awarded the Padma

Shri for his efforts to transform Indian manufacturing. Such collaboration is now being extended for

three more years.

While Japan is already assisting India with the creation of world-class infrastructure, there are newer areas for cooperation that the two countries could explore, such as high-speed rail transit systems and energy. Japanese investments in India in the areas of nuclear and solar power generation, clean coal technologies and upgrading of brown coal would be greatly welcome.

In this context, there is a need to put in place new joint initiatives between India and Japan to develop strategically important resources in India, including rare earths.

On the trade front, the India-Japan Comprehensive Economic Partnership Agreement (CEPA) became effective on August 2011. It is one of the most comprehensive of all such agreements concluded by India and aims at eliminating tariffs for over 94% of items traded between India and Japan. The CEPA, as an institutional mechanism, has the potential to chart a new direction for India-Japan cooperation in the areas of trade and investment. However, so far, CEPA has not been really able to increase bilateral trade. A review of the CEPA needs to be undertaken to reverse this declining trend.

At the same time, both Japan and India should cooperate and continue to push for the early conclusion of the Regional Comprehensive Economic Partnership (RCEP) negotiations as this will help the two countries achieve their common objective of economic development of the Asia-Pacific region.

Indian industry strongly believes that what is important in the India-Japan relationship is the underlying sentiment of convergence. The two countries have truly emerged as partners in progress.

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