

## India-Japan Relations

### Investment for the future

Tarun Das | Tuesday, Sep 02, 2014 01:00 hrs

Power corridors in New Delhi and Tokyo are abuzz with expectations over Prime Minister Narendra Modi's ongoing visit to Japan. Can India and Japan join hands to strengthen the Asian economy? Can Japanese investments in India be scaled up to \$100 billion over the next decade? Can Modinomics and Abenomics work in tandem to not only boost bilateral ties but also energise global markets?

Answers to these questions hinge on the broad roadmap of ties that the two governments chart out during this visit. The relationship needs out-of-the-box ideas and a comprehensive approach to scale newer heights. The discussion must shift from lauding the strength of bilateral ties to finding new avenues of cooperation and now.

#### Enhancing bilateral trade

The priority areas should include encouraging cross-border investments and capitalising on freer trade. Currently, Japan is involved in nearly 70 infrastructure projects in India, and has invested \$4.5 billion in the Delhi-Mumbai Industrial Corridor (DMIC). Moreover, Japanese companies such as Mitsubishi, Suzuki and Toshiba have been investing in the Indian market and collaborating across sectors. Despite such big-ticket projects, bilateral trade between India and Japan stood at only \$18.5 billion in 2012-13. Though the trade volume has nearly tripled from \$6.5 billion in 2005-06, it barely scratches the surface, given the limitless canvas of opportunities that the two nations have to offer.

India requires foreign investments to the tune of \$1 trillion in infrastructure sector alone in its quest for growth. The DMIC model, which is a symbol of major Japanese investment and participation in India, should be emulated to set up similar heavy duty projects as well, such as the Amritsar-Delhi-Kolkata Industrial Corridor or the Mumbai-Bangalore-Chennai Industrial Corridor. Collaborations on high-speed trains must remain high on the agenda for both countries too. The recently opened Metro network in Mumbai was made possible through a Japanese loan worth \$753 million. Besides the proposed tie-up on creating an Ahmedabad-Mumbai link, Japan and India can now explore jointly creating the Mumbai-Bangalore-Chennai network a task that can be given to Central Japan Railway Company for a feasibility study.

Another interesting idea is the creation of SEZs for Japanese companies to complement India's investment needs. In the past few years, Neemrana, a small town in Rajasthan, has emerged as a lucrative investment hub for Japanese companies. Creation of SEZs,

dedicated exclusively for Japanese investors, will go a long way in driving infrastructure and manufacturing in the coming years.

On the Asean front, affinity between India and Japan is vital to facilitate integration of multilateral interests. However, promoting freer trade in the region will hinge on injecting power into instruments such as the Regional Comprehensive Economic Partnership (RCEP), something that needs a joint push from the two sides.

### Boosting investments

The success of Maruti Suzuki is regarded as one of the hallmarks of India-Japan cooperation, which actually heralded a new industrial and manufacturing revolution in India. Such was the popularity of its flagship car Maruti 800 that all of India was swept in a wave of emotional nostalgia when it drove into sunset last June. New Delhi and Tokyo must now strive to establish at least 10 more similar symbols of success that can capture popular Indian imagination, a la Maruti Suzuki.

At present, over 1,000 Japanese companies are based in India. To ensure this number goes up to 5,000, the government would need to smoothen the ease of doing business in India. Some of the measures towards this end can be to establish a 30-day time limit for approvals, and provide assistance to Japanese companies with their meticulous research. On the flip side, there are few Indian companies operating in Japan. The two sides should work on multiplying Indian presence in Japan through this route of more JVs, especially in water projects, industrial parks and townships. Apparel industry is also a lucrative sector Japanese retail giant Uniqlo recently announced its plans of setting up a thousand stores in India. Joint efforts in sourcing and procurement of goods and services could also prove to be beneficial for both sides.

A core demand of Japanese businesses is the inclusion of "rollback" provision in the current Advance Pricing Agreement (APA) scheme. The APA scheme has not regulated specific provision on firewalls among tax departments in India, which would secure taxpayer information confidentiality and make it easier for them to participate in the APA scheme. The merit for India in this is that introducing such provisions would enable Japanese firms to embrace APA more effectively, which would, in turn, boost FDI in various sectors of the Indian economy.

### Energy partnerships

Today an increasing number of Japanese companies are manufacturing energy-efficient innovations and renewable technologies. For instance, Toshiba has invented batteries capable of recharge 1,000 times. Solar technologies are also coming out of Japanese firms, which can help meet Indian energy requirements. India can potentially save billions of dollars by embracing energy-efficient products from Japan, while offering its relatively untapped market for renewable and solar-based products. This is also an

opportune time to frame a strategy for greater nuclear cooperation between the two countries.

### People matter

The potential to expand tourism is huge, especially due to historical and religious linkages. India's iconic Buddhist sites especially at Gaya, Sarnath, Nalanda and Vaishalican emerge as tourism hubs for the Japanese. However, this would entail a complete overhaul of Indian tourism infrastructure, quality of facilities and cleanliness. Boosting tourism in India and Japan is essential to infuse energy in both economies while building trust. Unless people-to-people contact is deepened and widened, comfort levels between the two sides will be difficult to cultivate.

### A new dawn

The potential to scale up bilateral ties between India and Japan is limitless. Both governments are stable, strong and led by visionary and enterprising leaders who are guided by a strong will. There is no historical baggage of contentions between the two, and Japan is the only country with which the Indian Left and Right streams of political thought have no issues.

What is required now is greater synergy in the realms of foreign policy, defence, nuclear energy and trade. If a vibrant India and a strong Japan can work cohesively to forge a mutually-viable partnership, it will indeed be a new dawn not only for Asia, but for the world.

Author Donald Richie, in his seminal book, *A Lateral View: Essays on Culture and Style in Contemporary Japan*, wrote: "Japan never considers time together as time wasted. Rather, it is time invested." A strong India-Japan relationship is indeed an investment for the future. Undeniably, this is India's Japan moment, and Japan's India moment. And it is imperative for the two governments to capitalise this opportunity.

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