

The 6th Study Meeting on Asia

1. Date: February 8, 2011 15:00 – 17:00
2. Venue: Meeting Room, the Takeda Foundation
3. Title: Industries and Society of India

Speaker: Mr. Deven Arora, CEO, ICONASIA

4. Participants :

01	Deven Arora	CEO, ICONASIA
02	Tsuneo Kanazawa	CEO, Excel of Mechatronix.Co
03	Ikuo Moriwaki	Dou Yee International
04	Ikuo Takeda	Chairman, the Takeda Foundation
05	Mlstuo Akagi	Senior Managing Director, the Takeda Foundation
06	Ysuo Tarui	Managing Director, the Takeda Foundation
07	Yuzo Mizobuchi	Director, the Takeda Foundation
08	Norio Ohto	Director, the Takeda Foundation
09	Naoaki Aizaki	Program Officer, the Takeda Foundation
10	Aiko Ubasawa	Program Specialist, the Takeda Foundation
11	Setsufumi Kamuro	Program Specialist, the Takeda Foundation
12	Mototaka Kamoshida	Program Specialist, the Takeda Foundation
13	Emiko Mitsui	Program Officer, the Takeda Foundation
14	Takami	Member, the Takeda Foundation

5. Memo

Overview of India

India has the seventh largest land area and the second largest population (1.2 billion people) in the world. India is a pluralistic, multiethnic, and multilingual state in which more than 300 different languages are spoken. India is one of the fastest growing countries with an average growth rate of 5.8% over the latest 20 years since the introduction of a market mechanism in 1991. India is one of the original founding members of the United Nations. It is also a member of the Non-aligned Movement, WTO, the South Asian Association for Regional Cooperation, East Asian summit, G20, and the Commonwealth of Nations. India has the third largest standing armed force with nuclear weapons. India maintains strategic relations with Russia, and also extensive defense relations with Israel and France.

Economic Power of India

India has the 11th largest GDP (1.2 trillion US dollars), and an average annual per capita income of 1,000 US dollars. The total labor force is 470 million. Agricultural products account for 28% of GDP, service industry for 18%, and the manufacturing industry for 54%. Tata has attracted world attention because of its very low price, but the Indian automobile industry has grown by a factor of 5 in the latest 5 years. Seven of the top 15 technology contract firms are located in India. However, India has the largest population living in poverty with an income of less than 1.25 dollars a day, although the percentage of this population decreased from 60% in 1981 to 42% in 2005. Also interstate economic discrepancy has been expanding since 1991.

Indo-Japanese relationships

Throughout history, Indo-Japanese relations have always been strong. For centuries, India and Japan have engaged in cultural exchanges, primarily as a result of Buddhism, which spread indirectly from India to China and then to Japan. During the Second World War, the Japanese Imperial Army employed Entail Subhash Chandra Bose's Indian National Army in battles against British forces. India is the largest recipient of Japanese ODA. India–Japan have stood by each other at critical moments in their history.

Political relations between the two nations have remained warm since India's independence. Japanese companies, including Sony, Toyota, and Honda, have manufacturing facilities in India, and with the growth of the Indian economy, India is a big market for Japanese firms. Japanese firms were, in fact, some of the first firms to invest in India. The most prominent Japanese company to have invested in India is automobile giant Suzuki, which established a partnership with Indian automobile company Maruti Suzuki, the largest car manufacturer in India.

In December 2006, Prime Minister Manmohan Singh's visit to Japan culminated in the signing of the "Joint Statement Towards Japan-India Strategic and Global Partnership". Japan has funded many infrastructure projects in India, most notably the Delhi Metro subway system. Indian applicants were welcomed in 2006 to the JET Program, and 41 young Indians went to Japan in 2007, through this program.

In 2007, the Japanese Self Defense Forces took part in a naval exercise in the Indian Ocean known as Malabar 2007, which also involved the naval forces of

India, Australia, Singapore and the United States. The year 2007 was also declared "India-Japan Friendship Year."

Collaborations between Japan and India

India offers a huge market for the maturing and shrinking Japanese economy. India needs Japan's technology, expertise and investments in the areas of infrastructure, energy and health care. Japan with its highly organized corporate institutions and disciplined planning process stands in contrast with India's dynamic, diversified and volatile business landscape. If Japanese firms or managers come to India to work, India can offer various opportunities and places to work. Japanese small and medium sized enterprises (SMEs) have grown their businesses to the third or fourth generation; however, they face a lack of successors. If the current owners die, then the expertise they have developed will also die out. In India, the middle income population has been increasing, and various demands are evolving, but there is no technology available to satisfy these demands. If Japanese SMEs come to India, they can use their technology and expertise to satisfy these demands. In Tokyo, Ohta-ku alone has more than 5,000 SME's, 49% of which employ 1-10 persons. They have developed their own unique know-how over the generations, but they do not find enough opportunities to use their expertise in Japan. It is critical to reach out to SMEs across Japan and help them find their place in the extraordinary opportunity unfolding in India. This SME Initiative presents a "win-win" opportunity for both sides, and enriches the global value chain to mutual advantage. My dream is to open Ohta Techno Park in India.

QUESTIONS & ANSWERS

Question 1

What kinds of business models will be possible if Japanese SMEs work in India?

Mr. Arora

Usually they can establish joint ventures with local Indian firms. In India, foreign firms can hold more than 50 % of shares in joint ventures, which is more beneficial for foreign firms than the regulations in other countries.

Question 2

Major firms have legal sections and they can easily establish joint ventures in India. However, employees of the Japanese SMEs don't speak English, and it is not easy for them to establish joint ventures in India. It will be really helpful if someone speaks Japanese in India.

Mr. Arora

We will help them establish joint ventures in India. Also, Japanese retirees can work in India. They can transfer technology to Indian firms. The point is that Japanese should come and train Indian people.

Question 3

India has a caste system. Do you think the caste system would hamper business in India?

Mr. Arora

Indian universities and the government employ affirmative action and they are trying to demolish discrimination based on the caste system.