

# **JETRO's Role in Accelerating Japanese FDI**

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# What is JETRO ?

## Global Network

For contact information please visit <http://www.jetro.go.jp/en/jetro/worldwide>



**76** overseas offices in

**57** countries

**42** domestic offices

**1,600** employees

*Established 1958*

*Merged IDE\* 1998*

*Reorganized 2003*



\*Institute of Developing Economies

# JETRO Network in India

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# Current status of Japanese FDI to India

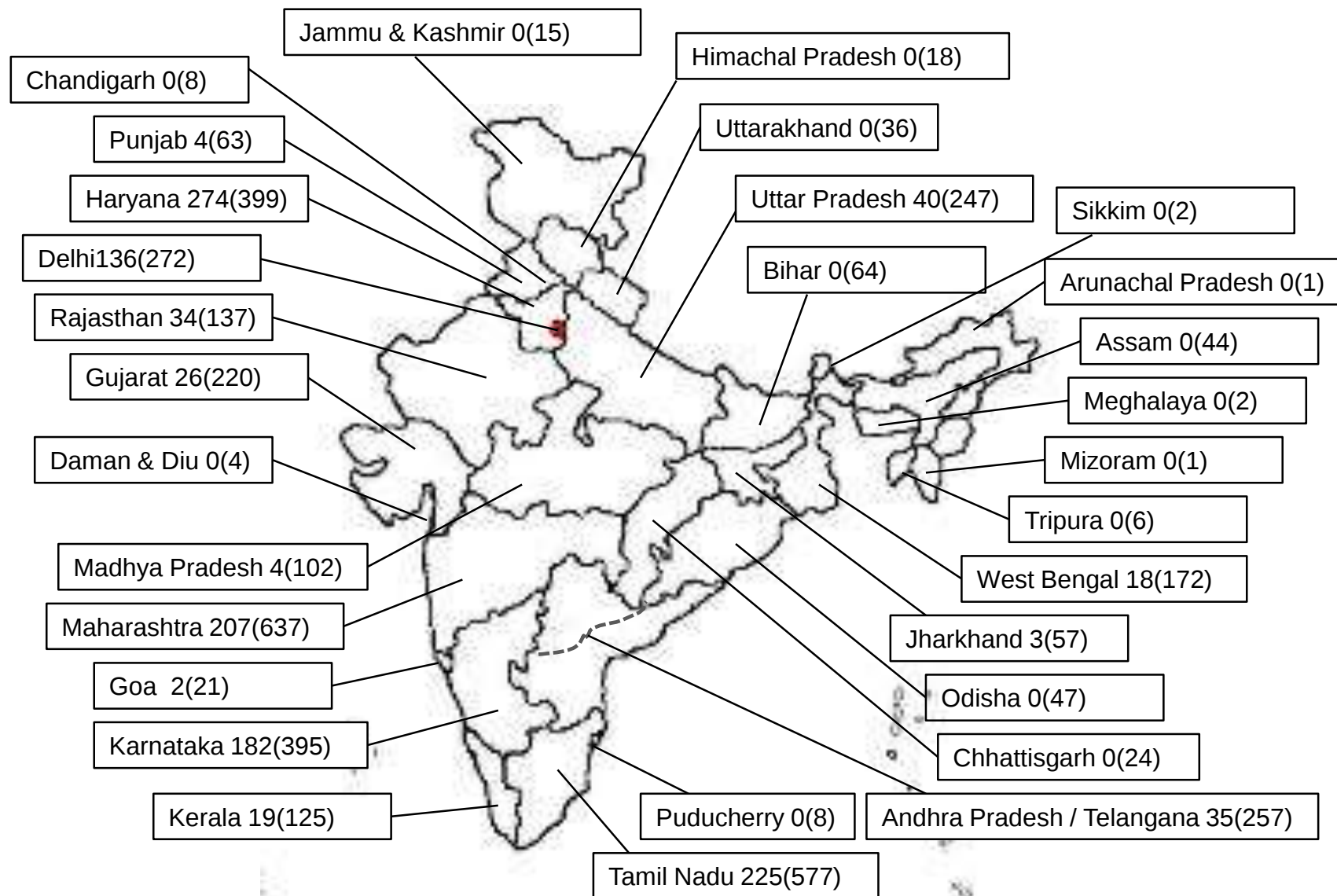


| Year         | Total       | Mauritius   | Singapore   | U.K.      | Netherlands | Japan     | U.S.A.    | Cyprus    | Germany   |
|--------------|-------------|-------------|-------------|-----------|-------------|-----------|-----------|-----------|-----------|
| 2004         | 172,665.2   | 46,162.1    | 2,855.0     | 6,585.4   | 22,779.3    | 5,337.4   | 29,791.7  | 166.3     | 7,274.9   |
| 2005         | 192,990.9   | 94,078.3    | 14,169.0    | 9,578.1   | 5,277.4     | 7,449.6   | 20,700.4  | 3,066.7   | 3,683.1   |
| 2006         | 503,572.5   | 222,207.5   | 28,532.0    | 78,247.3  | 22,457.3    | 5,229.2   | 33,203.8  | 2,570.0   | 13,972.5  |
| 2007         | 797,355.6   | 319,437.1   | 58,306.1    | 19,671.0  | 27,894.5    | 27,751.6  | 36,383.7  | 22,043.2  | 14,155.0  |
| 2008         | 1,397,254.7 | 598,586.5   | 157,758.6   | 70,085.4  | 42,813.5    | 16,976.3  | 75,419.8  | 58,250.2  | 33,288.6  |
| 2009         | 1,309,798.5 | 560,128.9   | 148,262.4   | 22,594.2  | 40,056.6    | 60,943.2  | 98,730.6  | 77,691.4  | 28,812.8  |
| 2010         | 960,149.6   | 329,400.0   | 96,757.8    | 34,243.6  | 52,061.1    | 58,578.6  | 64,824.0  | 42,099.0  | 9,034.6   |
| 2011         | 1,273,623.3 | 437,791.7   | 195,969.7   | 128,557.3 | 58,889.1    | 143,486.1 | 47,127.8  | 61,530.8  | 67,162.8  |
| 2012         | 1,215,914.4 | 491,418.8   | 152,421.8   | 43,718.8  | 89,526.7    | 103,644.2 | 33,832.9  | 50,102.3  | 38,830.6  |
| 2013         | 1,294,824.8 | 331,290.5   | 222,116.3   | 224,990.9 | 125,318.1   | 82,344.2  | 44,781.8  | 27,986.7  | 56,702.6  |
| 2014         | 1,891,071.3 | 551,719.7   | 413,501.4   | 87,693.7  | 209,597.9   | 127,518.3 | 111,496.5 | 36,340.0  | 69,040.1  |
| 10year Total |             | 3,982,222.1 | 1,490,650.1 | 725,965.5 | 696,671.3   | 639,258.7 | 596,292.9 | 381,846.7 | 341,957.6 |

Unit: INR Million  
Source : DIPP

# 1,209 Japanese firms with 3,961 business bases

as on October 2014



# 51% companies from manuf. sector in India

## Purpose of Survey

To understand the current business activities of Japanese-affiliated companies operating in Asia and Oceania and to disseminate those findings widely.

## Surveyed Countries/Regions

Japanese-affiliated companies (with direct and indirect Japanese investment of 10% or greater) operating in a total of 20 countries/regions in northeast Asia (5), ASEAN countries (9), southwest Asia (4), and Oceania (2).

## Survey Period

October 10 to November 14, 2014

## Response Rate

Of a total of 10,078 surveys sent out, we received valid responses from 4,767 firms (47.3%). The breakdown of respondents by country and region is provided in the table to the right.

## Notes

- The survey has been conducted since 1987, making this year the 28<sup>th</sup> version.
- Since 2007, the survey has included non-manufacturing sectors.
- Numbers in tables are rounded, so they do not necessarily total 100%.
- Surveys in Taiwan were conducted with the assistance of the Interchange Association, Japan (IAJ).

(Firms, %)

|                 | Firms surveyed | Firms responding |            | Category      |                   | Valid responses |
|-----------------|----------------|------------------|------------|---------------|-------------------|-----------------|
|                 |                | Valid            | (%)        | Manufacturing | Non-manufacturing |                 |
| Total           | 10,078         | 4,767            | 100.0      | 2,522         | 2,245             | 47.3            |
| Northeast Asia  | 2,263          | 1,559            | 32.7       | 824           | 735               | 68.9            |
| China           | 1,412          | 976              | 20.5       | 616           | 360               | 69.1            |
| Hong Kong/Macau | 325            | 246              | 5.2        | 48            | 198               | 75.7            |
| South Korea     | 259            | 231              | 4.8        | 104           | 127               | 89.2            |
| Taiwan          | 267            | 106              | 2.2        | 56            | 50                | 39.7            |
| ASEAN           | 6,455          | 2,427            | 50.9       | 1,341         | 1,086             | 37.6            |
| Thailand        | 1,696          | 648              | 13.6       | 377           | 271               | 38.2            |
| Indonesia       | 982            | 467              | 9.8        | 292           | 175               | 47.6            |
| Vietnam         | 720            | 458              | 9.6        | 286           | 172               | 63.6            |
| Singapore       | 1,505          | 318              | 6.7        | 57            | 261               | 21.1            |
| Malaysia        | 982            | 292              | 6.1        | 202           | 90                | 29.7            |
| Philippines     | 238            | 140              | 2.9        | 92            | 48                | 58.8            |
| Myanmar         | 127            | 51               | 1.1        | 10            | 41                | 40.2            |
| Cambodia        | 146            | 40               | 0.8        | 19            | 21                | 27.4            |
| Laos            | 59             | 13               | 0.3        | 6             | 7                 | 22.0            |
| Southwest Asia  | 887            | 508              | 10.7       | 266           | 242               | 57.3            |
| <b>India</b>    | <b>686</b>     | <b>422</b>       | <b>8.9</b> | <b>216</b>    | <b>206</b>        | <b>61.5</b>     |
| Bangladesh      | 93             | 38               | 0.8        | 25            | 13                | 40.9            |
| Sri Lanka       | 77             | 29               | 0.6        | 13            | 16                | 37.7            |
| Pakistan        | 31             | 19               | 0.4        | 12            | 7                 | 61.3            |
| Oceania         | 473            | 273              | 5.7        | 91            | 182               | 57.7            |
| Australia       | 320            | 195              | 4.1        | 56            | 139               | 60.9            |
| New Zealand     | 153            | 78               | 1.6        | 35            | 43                | 51.0            |

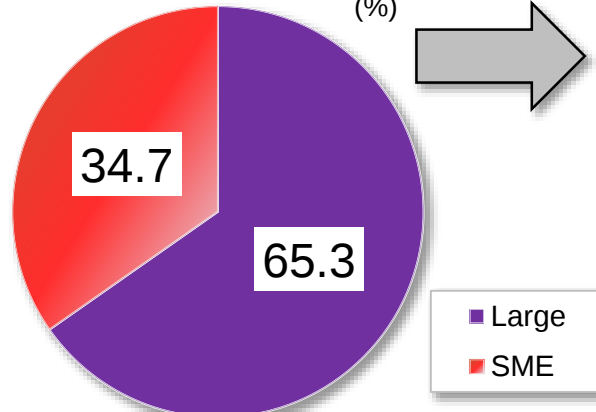
# Only 19% firms from SME in India

By industry category (Firms, %)

|                                    | Valid        | (%)               |
|------------------------------------|--------------|-------------------|
| <b>Manufacturing</b>               | <b>Total</b> | <b>2,522 52.9</b> |
| Motor vehicles/Motorcycles         | 453          | 9.5               |
| Electric machinery                 | 439          | 9.2               |
| Chemical/Pharmaceutical            | 341          | 7.2               |
| Iron/Nonferrous metals/Metals      | 323          | 6.8               |
| Food                               | 174          | 3.7               |
| General machinery                  | 171          | 3.6               |
| Textiles                           | 100          | 2.1               |
| Precision machinery                | 76           | 1.6               |
| Rubber/Leather                     | 53           | 1.1               |
| Wood/Pulp                          | 47           | 1.0               |
| Other manufacturing industries     | 345          | 7.2               |
| <b>Non-manufacturing</b>           | <b>Total</b> | <b>2,245 47.1</b> |
| Wholesale/Retail                   | 1,004        | 21.1              |
| Transport                          | 245          | 5.1               |
| Construction                       | 171          | 3.6               |
| Communications/Software            | 132          | 2.8               |
| Finance/Insurance                  | 127          | 2.7               |
| Other non-manufacturing industries | 566          | 11.9              |

Note: Wholesale/Retail includes the sales bases of manufacturing firms.

Large vs. Small and Medium-sized Enterprises (SME) (%)



Note: The definition of "small and medium-sized enterprises" here is based on the definition provided in Japan's Small and Medium-sized Enterprise Basic Act.

Note: Industry category details are as follows:

- Food:** Foods, processed agricultural or marine products
- Textiles:** Textiles (yarn, cloth, synthetic fabrics), apparel, textile products
- Wood/Pulp:** Lumber and wood products, paper and pulp
- Chemical/Pharmaceutical:** Chemicals and petroleum products, pharmaceuticals, plastic products
- Iron/Nonferrous metals/Metals:** Iron and steel (including cast and forged products), nonferrous metals and products, fabricated metal products (including plated products)
- General machinery:** General machinery (including metal molds and machine tools)
- Electric machinery:** Electric machinery and electronic equipment, electric and electronic parts and components
- Motor vehicles/Motorcycles:** Motor vehicles and motorcycles, motor vehicle and motorcycle parts and accessories
- Precision machinery:** Precision instruments, medical devices
- Wholesale/Retail:** Trading, logistics, and sales companies
- Finance/Insurance:** Banks, insurance companies, and securities brokers

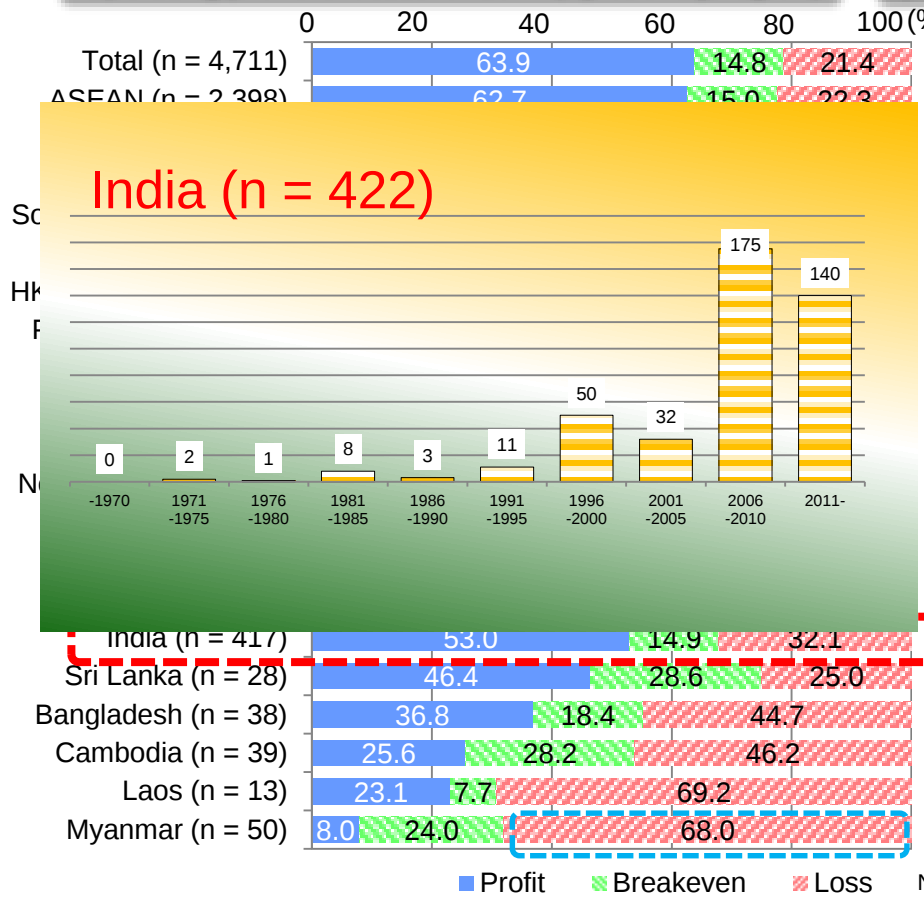
Firms by Country/Region

|                       | Large        | SME          |
|-----------------------|--------------|--------------|
| <b>Total</b>          | <b>3,112</b> | <b>1,655</b> |
| <b>Northeast Asia</b> | <b>1,103</b> | <b>456</b>   |
| China                 | 636          | 340          |
| Hong Kong/Macau       | 190          | 56           |
| South Korea           | 189          | 42           |
| Taiwan                | 88           | 18           |
| <b>ASEAN</b>          | <b>1,408</b> | <b>1,019</b> |
| Thailand              | 305          | 343          |
| Indonesia             | 294          | 173          |
| Vietnam               | 240          | 218          |
| Singapore             | 243          | 75           |
| Malaysia              | 190          | 102          |
| Philippines           | 70           | 70           |
| Myanmar               | 38           | 13           |
| Cambodia              | 20           | 20           |
| Laos                  | 8            | 5            |
| <b>Southwest Asia</b> | <b>393</b>   | <b>115</b>   |
| <b>India</b>          | <b>341</b>   | <b>81</b>    |
| Bangladesh            | 15           | 23           |
| Sri Lanka             | 19           | 10           |
| Pakistan              | 18           | 1            |
| <b>Oceania</b>        | <b>208</b>   | <b>65</b>    |
| Australia             | 158          | 37           |
| New Zealand           | 50           | 28           |

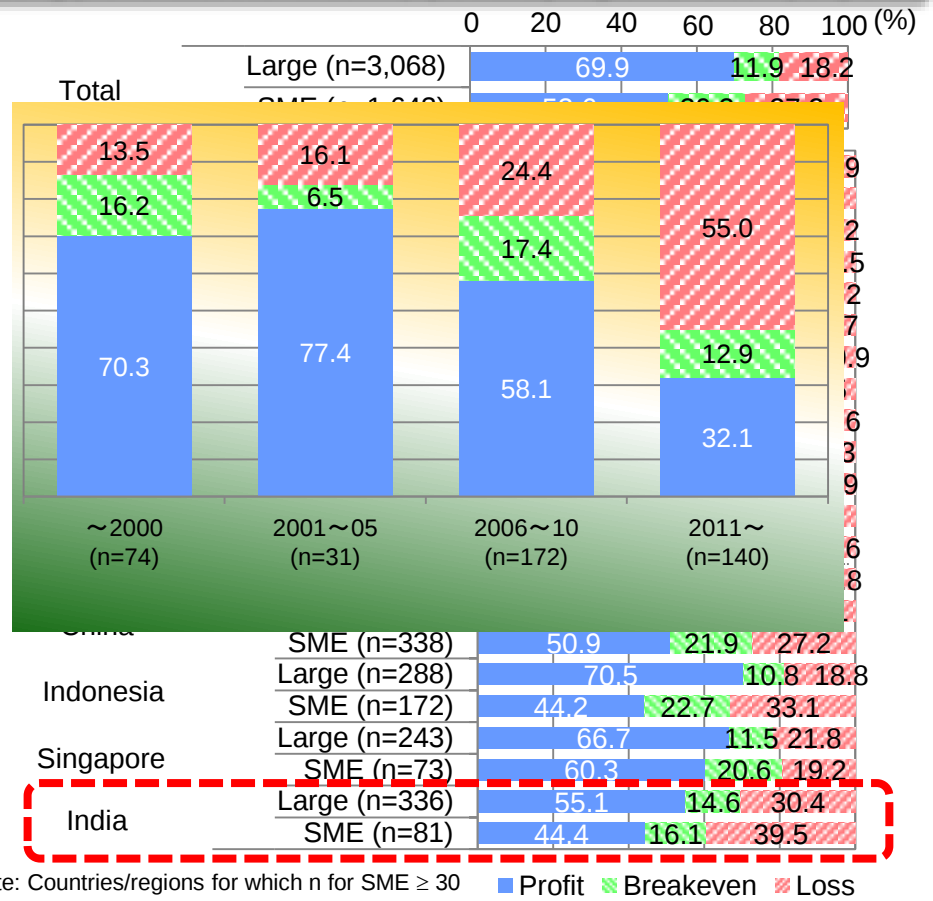


# 75% responded firms joined India after 2006

Operating profit forecast for 2014 (by country/region)



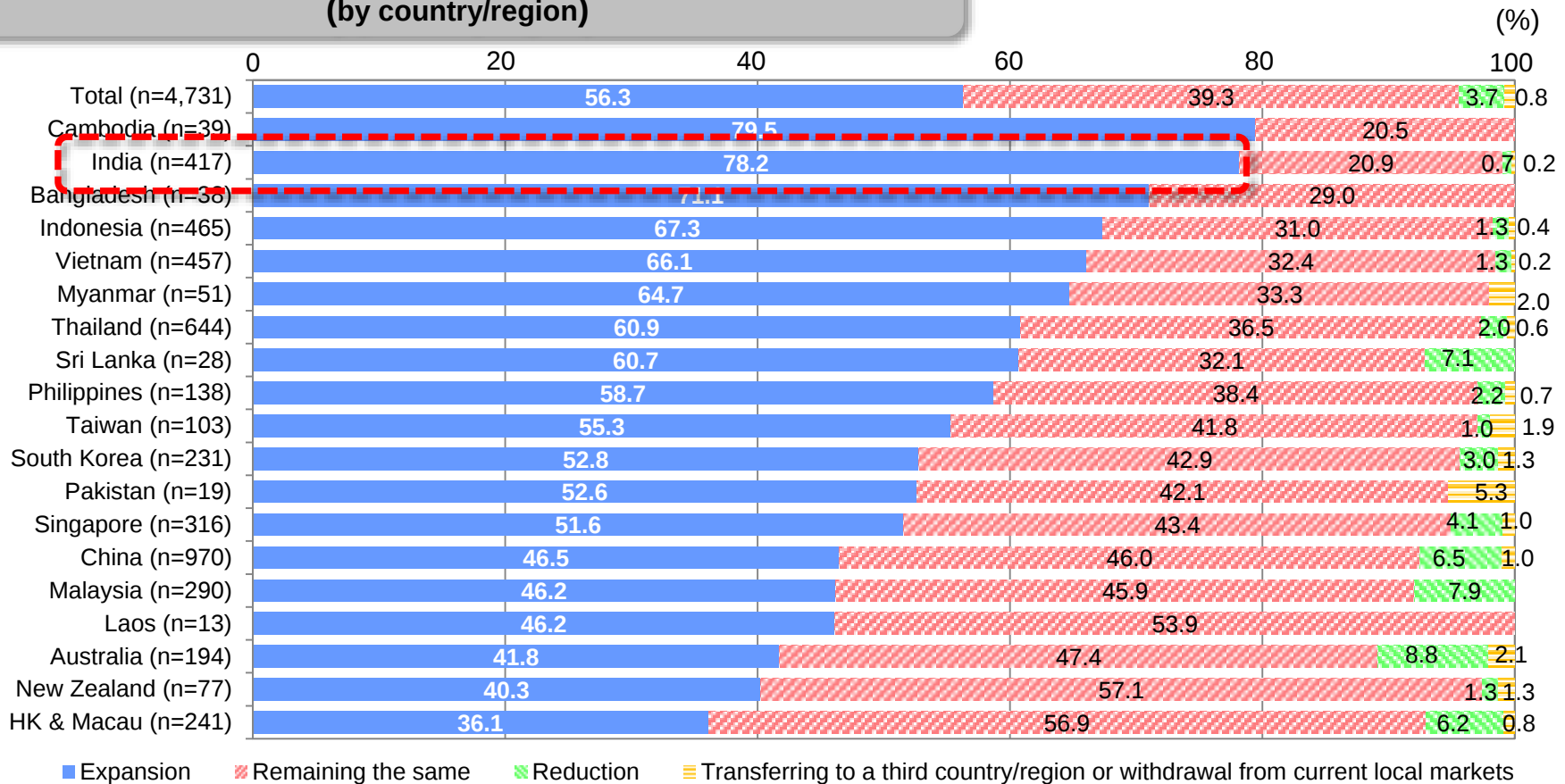
Operating profit forecast for 2014 (by country/region and company size)



- 63.9% of all firms expect an operating “Profit” for 2014, down 0.7 percentage points (pp) from 64.6% (n = 4,514) in 2013; in contrast, 21.4% of all firms expect an operating “Loss,” up 0.8 pp from 20.6% in 2013
- By country/region, the proportion of firms expecting an operating profit was highest in Pakistan at 84.2%, followed by Taiwan, South Korea, Australia, Hong Kong/Macau, and the Philippines at over 70%, respectively.
- In Myanmar, firms expecting an operating “loss” accounted for 68.0%, up 37.2 pp from 30.8% in 2013, as many of them are young firms.
- 69.9% of large enterprises expect an operating profit, which is higher than 52.6% of small and medium-sized enterprises (SMEs) by 17.3 pp. The proportion of positive forecasts was higher among large enterprises than SMEs in all 11 countries/regions with valid responses from more than 30 companies. In particular, the proportion of profitable firms was higher in large enterprises than in SMEs by over 20 pp in Hong Kong/Macau, Malaysia, Vietnam, China, and Indonesia.

# 78% firms will expand business in next 1-2 years in India

## Approach to future business challenges in the next 1 to 2 years (by country/region)



- 56.3% of all firms selected “Expansion” as their approach to future business challenges in the next one or two years, marking a decrease of 3.5 pp from 59.8% in the 2013 survey (n = 4,536). In contrast, 4.5% of all firms selected “Reduction” or “Transferring to a third country/region or withdrawal from current local markets,” up 0.6 pp from 3.9% in the 2013 survey.
- By country/region, Cambodia marked the highest proportion of “Expansion” at 79.5%, followed by India and Bangladesh at over 70%, respectively.
- In China, 46.5% of all firms selected “Expansion,” down 7.7 pp from the 2013 survey.

# Problems in doing business in India (1)

Problems common to all regions (top 10, multiple answers, response rate for each country/region) (%)



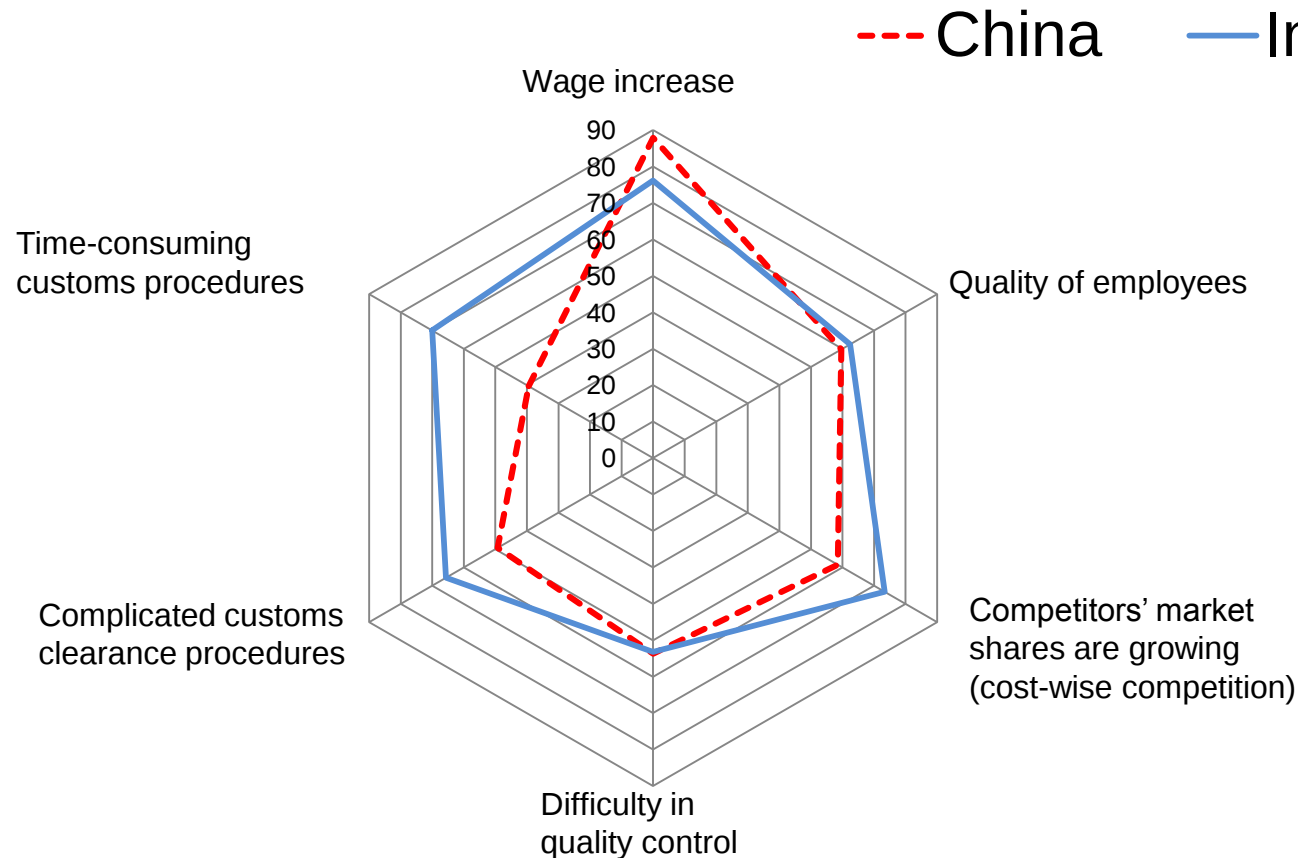
# Problems in doing business in India (2)

Problems common to all regions (top 10, multiple answers, response rate for each country/region) (%)



# Comparison of top 5 problems between China and India

manufacturing, multiple answers

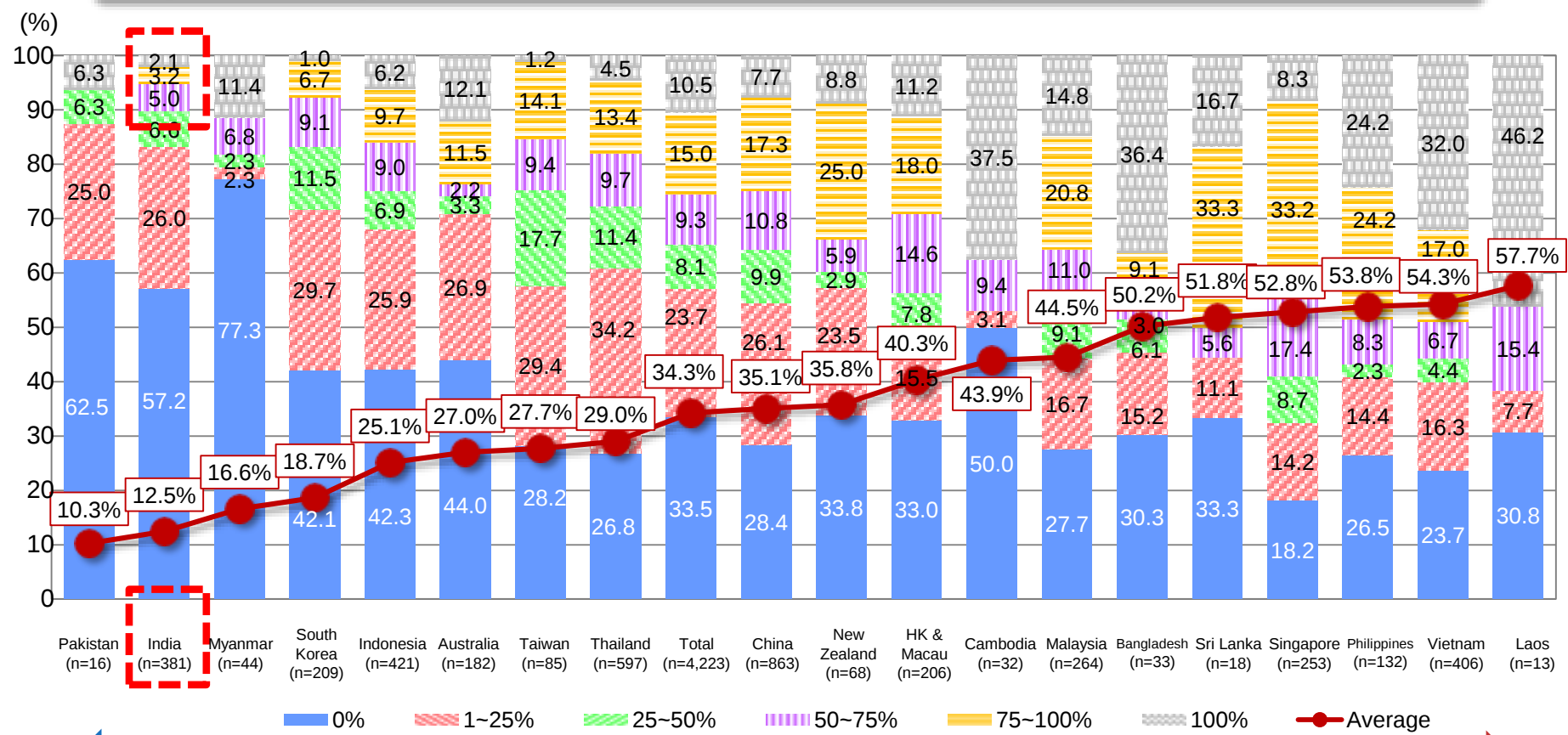


Note: The above charts compare the top 5 problems in China and other major countries in Asia.

- Customs-related problems such as “Time-consuming customs procedures” and “Complicated customs clearance procedures” were cited more commonly in India than in China.

# Export to sales ratio of Japanese firms in India is still low

Proportion of export sales to the total sales (by country/region, responses as 0-100%)



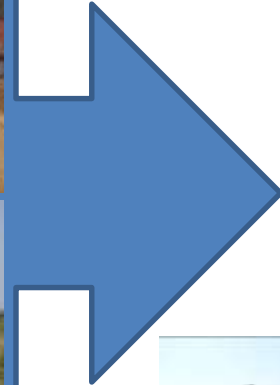
Domestic sales-oriented Export-oriented

- The average export-to-local sales ratio of Japanese-affiliated firms exceeded 50% in Laos (57.7%), Vietnam (54.3%), the Philippines (53.8%), Singapore (52.8%), Sri Lanka (51.8%), and Bangladesh (50.2%). On the other hand, Pakistan (10.3%), India (12.5%), Myanmar (16.6%), and South Korea (18.7%), with an export ratio below 20%, have a high proportion of domestic sales.
- The proportion of totally export-oriented firms (export ratio: 100%) was high in Laos (46.2%), Cambodia (37.5%), Bangladesh (36.4%), and Vietnam (32.0%). Meanwhile, totally domestic sales-oriented firms (export ratio: 0%) exceeded 50% in Myanmar (77.3%), Pakistan (62.5%), and India (57.2%).



# Neemrana Japanese Industrial Zone

in 2006



# Japan Industrial Townships



April 2015, METI Minister Miyazawa and Ms. Nirmala Sitharaman, Minister of State for Commerce and Industry, signed the Action Agenda for “India-Japan Investment and Trade Promotion and Indo-Pacific Economic Integration”. The Action Agenda included mutual approval of the identification of 11 candidate sites for Japan Industrial Townships and initiation of the Japan Industrial Township

- ① Areas between the south border and Krishnapatnam Port, **Andhra Pradesh**
- ② Tumkur, **Karnataka**
- ③ Ponneri, **Tamil Nadu**
- ④ One Hub Chennai, **Tamil Nadu**
- ⑤ Sojitz – Motherson, **Tamil Nadu**
- ⑥ Jhajjar, **Haryana**
- ⑦ Supa, **Maharashtra**
- ⑧ Neemrana, **Rajasthan**
- ⑨ Ghilot, **Rajasthan**
- ⑩ Mandal, **Gujarat**
- ⑪ Integrated Industrial Township, Greater Noida **Uttar Pradesh**

# To increase Japanese investment in mfg. ( Suggestions)

## Expected incentives

- ◆ Expand the applicability of incentives provided under SEZ.
- ◆ Relax the SEZ requirement for balance between export and import in five years.
- ◆ Exemption of CST, Entry tax, Stump duty etc. which is belonging State government.
- ◆ Relaxation of ECB for manufacturing company.

## Other incentives

- ◆ Power supplier licenses of supplying electricity and setting grids for industrial parks.
- ◆ Uninterrupted supply of power and water.

## Common facilities

- ◆ Drainage treatment system, housing and **rental factory**
- ◆ Well road connectivity

## Rationalization of regulation

- ◆ Environmental assessments under the responsibility of state governments
- ◆ Set standard processing period (1 month) for environment licensing procedure
- ◆ Complete single window under which applicants do not have to come to each ministry after they file their applications
- ◆ Establish the **Project Facilitation Committee.**

## Labor

- ◆ Prohibit of illegal movement.

# Ideal condition of industrial park for “ Make in India”

## 【Outline of rental factory】

- Providing ready made factory. Quick set up of equipments and quick start production is possible.
- SME investor can use for initial production base.

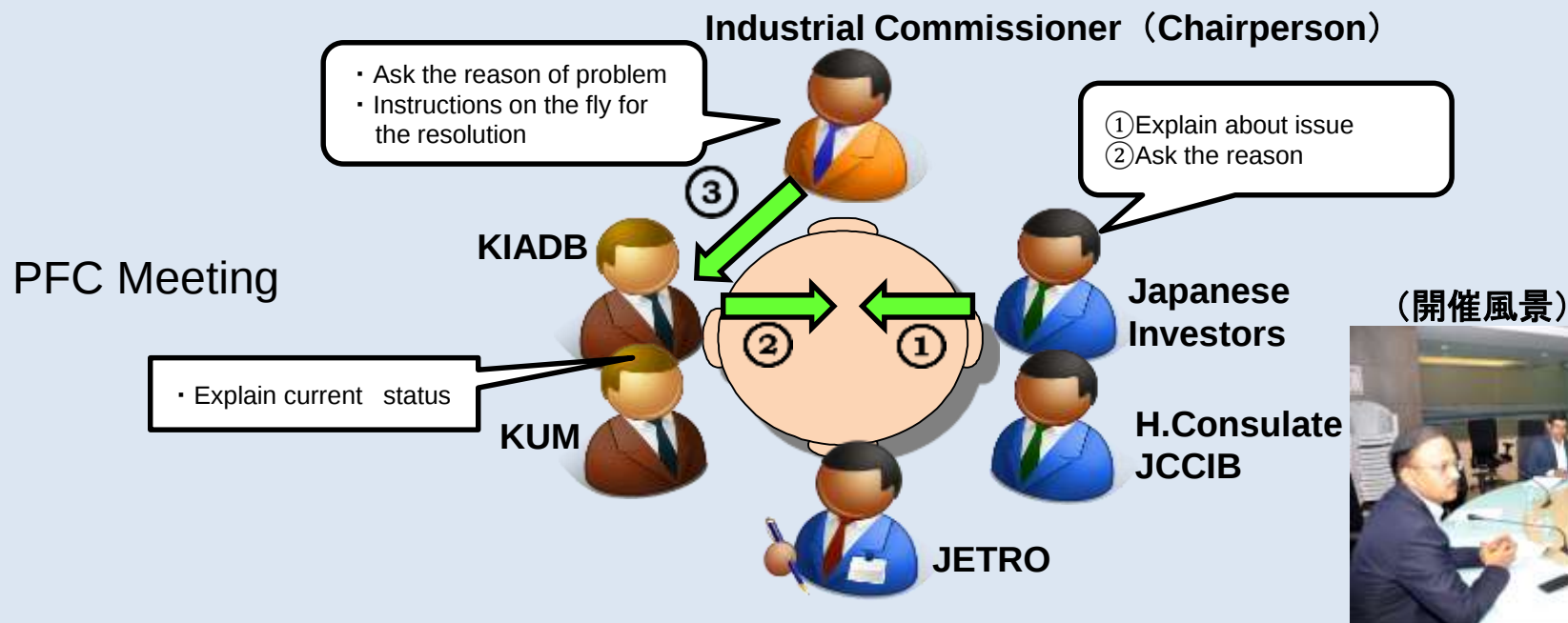
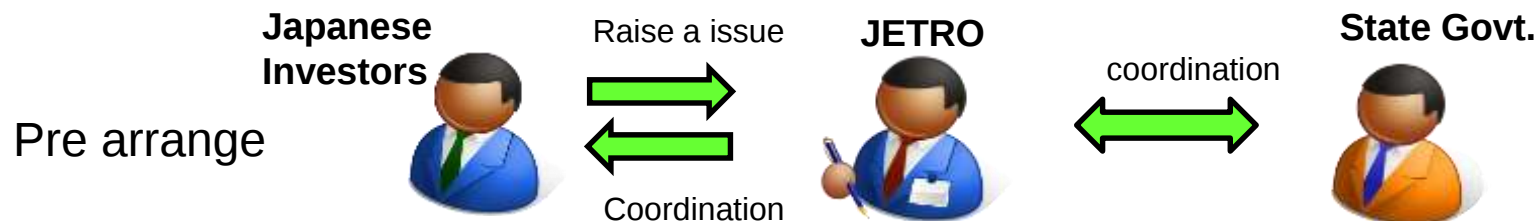
- 320m<sup>2</sup> per unit (other size also available)
- US\$2,000/month unit
- Common service fee US\$1,000/month
- Lease period 3year (extension is possible)
- Industrial park provide basic support for operation like Accounting, Legal procedure and Recruitment .
- Common facility like a Meeting room , Canteen and Security are substantial



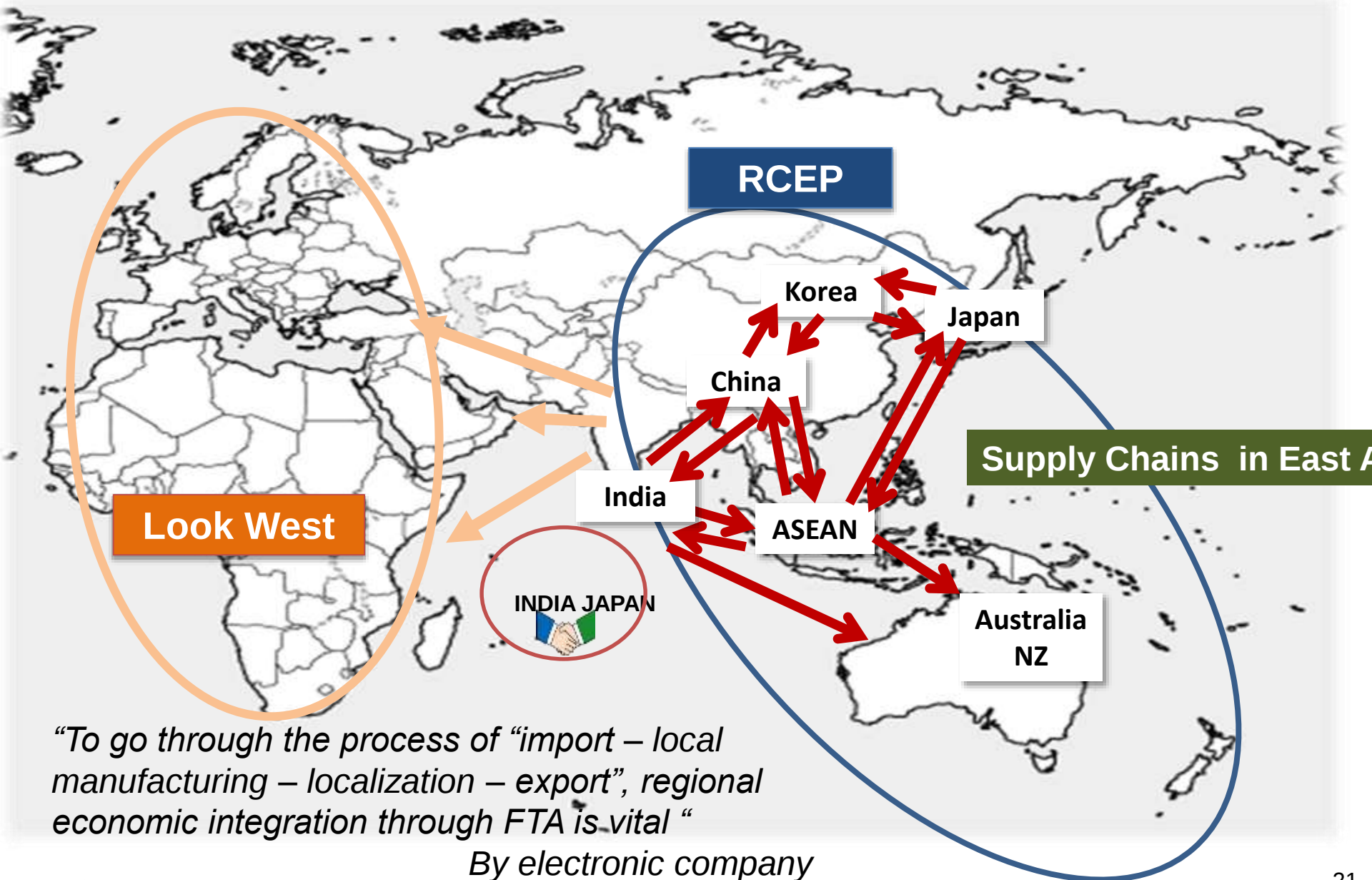
# Ideal condition of industrial park for “ Make in India”



# Project Facilitation Committee



# RCEP & Look West



# Toward manufacturing hub

