

THE HINDU
Business Line

INDIA-JAPAN TIES

More hay to make from the rising sun

Take a cursory look at the roads in any Indian city. What are the dominant marques you see? The ubiquitous Maruti, of course, but increasingly Toyota's Camry, Corolla, not to forget the Qualis and its successor the Innova that ferry scores of youngsters to their BPO units every day, and Hero Honda, now the world's largest two-wheeler maker.

As one Mumbai car dealer said, "You throw a stone on a crowded road and the chances are that you will hit a Japanese make."

This is not a negligible presence. The automobiles industry has been one of the key industries driving India into global reckoning, and the Japanese joint ventures have been at the forefront of this.

The auto sector accounts for 60 per cent of Japanese foreign direct investment in India. But look beyond automobiles and you'll find a whole host of familiar brand names up on the billboards and on TV commercials - Asahi Glass, Canon, Citizen Watches, Daikin, Sharp, Sony, Mitsubishi, Sanyo, Sumitomo...

The significant point about these companies is that they are no longer just trading entities testing Indian waters. As the In-

dia Brand Equity Foundation revealed in its study "Proven Strategies: Japanese Companies in India" (available on www.ibef.org), a sizeable number of them are now in investment mode. Maruti, for instance, has a \$700-million expansion plan and India will soon become an important R&D centre for its global operations. Mitsubishi Chemicals is pumping \$370 million into its Haldia plant.

The Honda group has a \$230-million investment plan and Toyota and Asahi are looking at putting in \$130-million each.

Japan is the fourth-largest foreign direct investor in India since 1991. Even more remarkably, since September 2004, Japanese fund managers have pumped in a little under \$5 billion into the stock market, almost half the FII inflow into India.

Though these numbers are impressive, the potential for a substantive increase is immense. As the magazine *India Now* points out in its June cover story, "The Rising Sun," against the 300-odd line-up in India, there are 6,000 Japanese companies in China and 2,000 in Thailand. And where China attracted FDI worth \$6.53 billion last year from Japan, India received a tenth of that. Of Japan's

Given India Inc's newfound confidence in its ability to compete globally, it can look at Japan as much as a market as a source of knowhow and finance. "Incredible India" is finding increasing resonance in Japan, too.

total FDI of \$35.5 billion in 2004, the latest official statistics available from Japan, India's take was roughly on par with the Antilles, a 960-square km set of islands in the Caribbean! In other words, the Indo-Japanese business relationship is nowhere near critical mass, and poised for a take-off.

RARING TO GO

Also, Japan has climbed out of its economic slump and is "raring to go". Small signs of this are already in evidence. For one, there have been more business delegations visiting Japan in the past year-and-a-half than in the previous five decades. Earlier, most exchanges used to be cultural.

Expectedly, the predictions are also upbeat. Japanese FDI in India is expected to average \$600 million a year in 2005-07. Mr Yasukuni Enoki, Japan's Ambassador to India, predicted that it would exceed this amount "very easily". "The cur-

rent Japanese boom in India is based on the confidence of Japanese investors in the strong economic fundamentals of the country," he said.

Both current and sunrise opportunities are the focus of the upcoming India-Japan Business Summit in Tokyo being co-organised by the CII, India Brand Equity Foundation and JETRO on June 14. Team India will be led by Mr Kamal Nath, Minister of Commerce and Industry, and will include business leaders from across sectors.

A recent Japan Bank for International Cooperation report ranks India second among promising countries for business development in the medium term.

There is vast scope for collaboration in a host of new areas, such as biotechnology, agriculture, hydrocarbon fuels, nanotechnology, environment, information and communication technology, robotics and alter-

native sources of energy. It is significant that Indian small and medium enterprises (SMEs) are keen to establish strategic tie-ups with global firms in such areas as electrical equipment, transportation, chemicals, industrial machinery and metallurgical industries.

The Bangalore-based Toyota Kirloskar Motors (TKM) sees huge scope for India-Japan joint ventures for both the domestic and export markets.

As Mr Vikram Kirloskar, Vice-Chairman of TKM, told *India Now*, "I do not look for only big Japanese companies to come to India but also for the small and mid-size enterprises, which are key to an efficient supply and delivery chain."

JAPAN AS A MARKET

The big point, though, is that given India Inc's newfound confidence in its ability to compete globally, the flow of investment and knowhow can be two-way. Indian companies may as well look at Japan as a market, too. This is beginning to happen. Inevitably, it is the software companies that have led the charge.

Today, by one estimate, there are 70 software companies operating in Japan. Yet, the total value of the export of Indian software products and services

to Japan is insignificant (around 3 per cent of India's total exports of software products and services).

But the potential for growth is almost limitless, especially given that Japan has even liberalised rules for the issue of multiple-entry visas for IT experts from India.

Apart from hard business deals, there are other opportunities for India to leverage, in purveying its English language skills in Japan, not to speak of its "soft power" reflected in the growing global craze for yoga, Indian cuisine and fashion, and tourism.

Clearly, "Incredible India" is finding increasing resonance in Japan, too. These are not ephemeral ideas: History has shown that cultural understanding provides a strong foundation for business growth.

The basis of that foundation already exists in the shared historical roots going back many centuries through Buddhism. That the Japanese word "zen" has its roots in the Sanskrit word "dhyana" reflects a shared consciousness between India and Japan that closer business collaboration can only enhance.

(The author is CEO, India Brand Equity Foundation. The views are personal.)