



Bangalore Chamber of Industry and Commerce

33rd Annual General Meeting

Address by

H.E. Mr. Hideaki Domichi, Japanese Ambassador to India

Date	Time	Venue
Friday June 25, 2010	11.45 p.m.	Ball Room Hotel Taj West End

Mr. K. R. Girish, President of BCIC

Mr. V.P. Baligar, IAS, Principal Secretary, Commerce & Industries Department, Govt. of Karnataka

Mr. Shekar Viswanathan, Vice President, BCIC

Ladies and gentlemen,

It is my great honour to have an opportunity to speak to you. I understand that each of you has respected position in this country and I believe that your understanding and actual participation in building up our relations is vitally important. In Delhi, I have a privilege of active communication and getting occasional advice and help from the leadership and secretariat of both FICCI and ASSOCHAM, but reaching out to the State is equally valuable for us, and it is in this sense I really appreciate your offer to exchange the views on our relations.

In talking about the relations between our two countries, I would like to start off by pointing out that we have excellent relations, and they are growing day by day. However, our economic relation is still small and there are much larger potential still untapped. No doubt, we have maintained very friendly national feelings towards each other throughout the history. According to the survey conducted recently regarding popularity among the Indian people towards various countries, Japan ranked No.3 after US and Russia. These three countries' popularity is far ahead of the rest. However, our presence in India today is still very small although increasing rapidly. The number of Japanese residents in India is now just over 4,000. When I compare this with the presence of the Japanese in the neighbouring countries of ASEAN or China, the difference is striking. The Japanese residents in ASEAN countries for instance in Thailand and Indonesia, the numbers are 45,000 and 11,000 (as of Oct. 2009) respectively. In China, there are 125,000.

I believe that this difference is the outcome of the sluggishness of economic activities between our two countries in the past. At one time of our history, India was Japan's main trading partner, and actually, the industrial development of the Japanese economy owed greatly to the Indian export of cotton and iron ore.

Also at the end of last war, we can never forget the gracious gesture of warm feelings shown by Prime Minister Nehru to the war-devastated Japanese children when he donated an elephant named Indira to the Japanese zoo in Tokyo. However, in a way, the cold war had an adverse effect. While Japan belonged to the West, India was seen to be closer to the Soviet Bloc, and when Japan was emerging as an economic power, dependence on India diminished as US and other countries in the region has emerged as stronger trade partners.

So, the legacy still remains today. But, today the picture has changed completely. India is now emerging as a big economy. India is now at the center of the world's attention. On the other hand, Japan, still maintaining the position of one of the largest economy of the world, is being taken over by China as the 2nd largest economy of the world. Also, Japan is now faced with the serious problems; population decline and aging, which means that we cannot maintain our competitiveness by focusing on our internal or traditional demand, and it has become crucial for us to cultivate the demand outside of Japan, especially in India.

I started my remarks by pointing out that our bilateral economic relations are still small compared with others; however, I would like to hasten to add that the other side of the coin is that our economic relations are developing in the most dynamic manner. For instance, the Japanese direct investment into India is growing at a phenomenal rate. In 2008, for the first time in our history, India has become the No.1 destination of the Japanese overseas direct investment, surpassing that to China. The amount reached \$8 billion in that year alone. Accordingly, the number of the Japanese companies registered in India is also increasing day by day. When we took a survey asking the Japanese companies which country they think is most promising in considering investment, India and China are now sharing No.1 and No.2, and in ten years from now, definitely India will be the No.1 host of the Japanese investment. Indeed, I believe that India and China have special status in international communities. There are no other countries that have population over a billion and register a high economic growth. The consequent phenomena in these economies are something special. It is inconceivable in my country or in any developed economy for that matter that new subscription of mobile telephone is increasing by 10 to 17 million every month.

The strength of internal demand of India is also very impressive. The recent worldwide economic crisis highlighted the strength of internal demand of India. As economy grows, new demand is being created and tens of millions of people will come to enter the market. Japan also experienced a period of high growth, but the growth we see here and in China are more impressive, and we believe that this will continue for years to come.

As India grows at this rate, GDP as much as that of Vietnam will be created every year. This is why India is now at the center of the world's attention. In my country as well, the news about India have increased dramatically to our advantage. CEOs and Managers from Japan are visiting me almost every week. Yet, for most of them, Indian market is a new frontier.

What strategy can we have to tackle India, which is as large as the European Continent with so little presence of the Japanese? Of course, successes of the companies like Suzuki or Honda are well known, and all Japanese carmakers are now in India including Toyota and Nissan-Renault. Every automaker is bringing with it its affiliated companies to increase the local production. Besides automakers that have been the mainstream of the Japanese investment into India, we are now seeing different types of investments. The investment is attaining more diversification to include such areas like power plant, pharmaceuticals, home electronics, life and non-life insurance and telecommunication. Our strength is in manufacturing, and more and more Japanese companies are expecting opportunities in the area of environment related business which they have competitive edge, or consumer goods and distribution, infrastructure and civil nuclear and so forth.

These Japanese businesses are now looking for the partners. They realize that they are rather new comers in the new market of India and that good Indian partners are the key for success. I am also advising them that in order to succeed, we should bring our best technologies, not the second rate, modify them to suit the Indian market if necessary, form a good partnerships, and make India a hub for their global strategies, including establishment of R&D centers in India. We also have to be more familiarized with how to participate in PPPs, especially in order to participate in infrastructure building. Japan Chamber of Commerce and Industry is planning to soon send delegation here jointly with the Australian counterpart to explore the ways to participate in PPP business. With these strong momentum, I believe that what we see today, such as expanding Japanese direct investment and trade, are only the beginning, and that in the years from now, our economic relations would be much much larger and could become one of the pivotal relations for both Japan and India.

Today our largest trade partner is with China, already exceeding the Japan-US trade. I think that any delay of our economic relations with India compared to that with China is simply because China preceded economic reform 13 years earlier than India and that China was closer to Japan geographically and in terms of culture. People who know both China and India often remind me that the situation of the relations we have with India today to some extent resembles the situation we had with China 10 years ago.

I take this as an encouragement that we can expand our relations with India in a dramatic manner, faster than anybody else. Besides, I believe that with India we would be able to build a new base for manufacturing.

In this context, I would like to refer to our appreciation to the Government of India, especially to the leadership of your Prime Minister, who has paid special attention to fostering our bilateral relations. I think that our relations would probably develop even without any support from the Government, because of the dynamism of the private sector.

However, there is no doubt that things would not have developed as fast as we see it today, and the same is true for the foreseeable future without the positive and committed engagement of our Governments.

As you are aware, both of our Governments are committed to promote the “Global Strategic Partnership” under which we promote major flagship projects such as constructions of the Dedicated Freight Corridor (DFC) and Delhi-Mumbai Industrial Corridor (DMIC). Our official development assistance to India, especially in the form of long-term financing is the largest amounting \$2.5 billion per year. DFC is a project encompassing Mumbai-Kolkata and we are committed to build western corridor between Delhi and Mumbai. As India will grow further, the demand for container transport is increasing rapidly, and the DFC is designed to meet the demand. The double-decker train will run at the speed of 100km per hour, and in working together with the Indian engineers, we will introduce new type of transportation to India. DMIC is the bigger, ambitious project to build industrial zones together with a new township along the DFC. DMIC Development Corporation has already been established, and involving 6 States concerned, some Feasibility Studies have already been commissioned. The Japanese Government is also proposing to introduce “Smart Communities” along DMIC. A consortium of Japanese companies was formed under the guidance of METI to conduct a pre-Feasibility Study to introduce various technologies related to the township construction that are most modern and environmentally advanced. When proved that these technologies are applicable, they will be introduced in promoting DMIC.

Besides these flagship projects, we are promoting the cooperation with IIT Hyderabad. The idea is to promote academic interactions between the consortium of the Japanese universities and IIT Hyderabad. IITs of India have produced most brilliant brains for India, but so far their interaction with Japan was very thin. We would like to introduce more of Indian brilliant brains to Japan.

For this purpose we will start cooperating with IIT-Hyderabad in the advanced technologies such as (1) environment/energy, (2) digital communications, (3) design and manufacturing, (4) nanotechnology/nanoscience, and (5) civil engineering.

Bangalore is famous worldwide for IT, especially for its software. This is also an area we think most promising for our cooperation. However, most of Indian export of IT service is for US or Europe. Only 2% of Indian IT service exports go to Japan. This is because 92% of the Japanese IT service development is in-house development, and for the offshore development, more than half of it is commissioned to China. I believe that this ought to change, because we are running short of qualified engineers sooner or later as an effect of overall aging. I very much hope that much stronger alliance will form between Indian IT companies and the Japanese business. At the government level, we have started an interaction with the Ministry of IT & Communications and TRAI to promote closer cooperation in the Telecom and IT related technologies, such as the next generation network. MOUs have been signed between TRAI and the Ministry of Internal Affairs and Communications of Japan.

We are also engaged in the negotiation of EPA to bring our two economies much closer. Sometime within this year, Prime Minister Dr. Manmohan Singh will visit Japan, and I hope we will be able to conclude the EPA by then.

Energy is another area for cooperation between the two countries. There are various cooperative projects being conducted in the fields such as energy conservation, power generation, coal, oil, natural gas and renewable energy. Ongoing commercial-scale model projects by NEDO (Japan's New Energy and Industrial Technology Development Organization), such as a coke dry-quenching system, diesel generator fuel-switching attempts from oil to gas, and cooler waste heat recovery system are just some of such examples. Just at the end of this April, H.E. Mr. NAOSHIMA Masayuki, Japanese Minister for Economy, Trade and Industry and H.E. Mr. Montek Singh Ahluwalia, Deputy Chairman of the Planning Commission of India, met in New Delhi and co-chaired the fourth ministerial-level meeting of the Energy Dialogue between the two countries. They welcomed the progresses made in energy cooperation between the two countries, and recognized the need to facilitate further cooperation at the industry level on commercial basis.

The two Ministers also decided to establish a Nuclear Energy Working Group under the Energy Dialogue to exchange views and information on their respective nuclear energy policies from the energy, economic and industrial perspectives.

For us, India is a land of promise. We used to call India as a country of heaven, since Buddha was born here. In our long history of friendship and interaction, we are now entering a new era of expansion.

Both of our Governments recognize this very well. Between India and Japan, there is a commitment among the leaders that they will visit with each other alternately. For Japan, there is no other country that we have made such promise. At the time of trying to elevate the relations in a dramatic manner, there is nothing like the reciprocal visit by the leaders themselves every year. Prime Minister's visit would be most opportune for the review of the progress and the new direction for which the whole Government would be mobilized. Despite the sudden leadership change in Japan from Mr. Hatoyama to Mr. Kan, our new Prime Minister, I am very optimistic about our relations. I am certain that our new Prime Minister has the same view toward India and about the prospect of our relations.

Asia will emerge as a center of world growth, and I am sure India will increasingly gain its weight in Asia and the world. Under these circumstances, we have already started exchanging an idea of how to build a further architecture in Asia. Our Government is proposing to build the East Asian Community. Although the idea is still broad, we certainly regard India as our partner. Both Japan and India share the same values, and the scope for cooperation is far beyond the economy and business. All we need is much larger interactions among the people to further activate our overall relations. Expansion of economic or business relations is the first track, and I feel very fortunate that we have a momentum in this direction.

Chennai-Bangalore corridor is another strategic area from our point of view. Big Japanese companies like Toyota are already here, and the Chennai area is also attracting a lot of Japanese investments. FTA with ASEAN would also serve to promote interaction between Japanese companies already located in ASEAN and India. As we have a big picture about India's future, we also have a big picture of our relations. In concluding my remark, I would like to reiterate my appreciation to BCIC and hope that you will continue to offer helping hands to the Japanese who wish to come to India, especially to Bangalore.

Thank you.