INDIA-JAPAN TRADE & ECONOMIC RELATIONS WITH FOCUS ON ELECTRONICS

OPPORTUNITIES IN INDIA
6th INDIA-JAPAN JOINT WORKING GROUP MEETING

25 September 2018, Tokyo, Japan

Mr Manish Sharma
Co-Chair- FICCI Electronics & White Goods Manufacturing Committee & President and CEO
Panasonic India Private Limited
ABOUT FICCI

• Established in 1927, FICCI is the largest and oldest apex business organization in India.
• A non-government, not-for-profit organization, FICCI is the voice of India’s business and industry.
• Its history is closely interwoven with India’s struggle for independence
• Spread Across 17 Indian States
• 9 International offices
• FICCI provides a platform for networking and consensus building within and across sectors and is the first port of call for Indian industry, policy makers and the international business community.
• FICCI has about 63 sectoral committees spanning across various sectors
India’s GDP Growth Projections (in %) by Multilateral Organizations

**GDP Growth (in %)**

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP Growth</td>
<td>5.5</td>
<td>6.4</td>
<td>7.4</td>
<td>8.2</td>
<td>7.1</td>
<td>6.7</td>
</tr>
</tbody>
</table>

**GDP Growth (in %)**

- **Asian Development Bank (July 2018)**
  - Q2 FY 18: 6.7
  - Q3 FY 18: 7.3
  - Q4 FY 18: 7.6
  - Q1 FY 19: 6.7

- **International Monetary Fund (July 2018)**
  - Q2 FY 18: 6.7
  - Q3 FY 18: 7.3
  - Q4 FY 18: 7.5

- **World Bank (June 2018)**
  - Q2 FY 18: 6.7
  - Q3 FY 18: 7.3
  - Q4 FY 18: 7.5

- **Organisation for Economic Co-operation and Development (May 2018)**
  - Q2 FY 18: 6.5
  - Q3 FY 18: 7.4
  - Q4 FY 18: 7.5
INDIA: GROWTH OF KEY SECTORS

Manufacturing Growth Rate (%)

Source: Index of Industrial Production (Base 2011-12)

Growth of Manufacture of computer, electronic and optical products (%)

Growth of Consumer durables Industry (%)

Source: Index of Industrial Production (Base 2011-12)
GROWTH IN FOREIGN DIRECT INVESTMENT

- Unprecedented growth in Foreign Direct Investments since the launch of Make in India.

FDI has shown an extremely positive trend since the launch of Make in India Initiative with growth of 55% on FDI inflow and 63% on FDI Equity Inflows since the launch of the initiative over the corresponding period previous to it.
KEY INITIATIVES OF GOVERNMENT OF INDIA

- New Processes
  - Ease of Doing Business
  - GST

- New Sectors
  - Major FDI reforms and inflows

- New Approach
  - Make in India
  - Digital India
  - Skill India

- New Infrastructure
  - Key Infrastructure and Urbanization

- New Innovation and R&D
  - India – Design & Innovation
  - Start Up India
  - Intellectual Property Rights

- New Mind-set
  - From red tape to red carpet

Source: Government of India
FORWARD LOOKING POLICY IN ELECTRONICS

**MSIPS**
- 134 proposals approved as on May 2018
- 25 have applications received from Japanese companies for benefits under MSIPs

**Electronics Manufacture Cluster Scheme**
- 20 Greenfield EMCs and 3 Common Facility Centers (CFC) have been accorded final approval in 15 states throughout the country.

**National Policy on Electronics, 2012**
- Policy devoted to growing manufacturing in the electronics sector, which is undergoing revision

**Compulsory Safety Standards**
- Mandates Indian Safety Standards for 30 Electronic product categories

**Zero Defect Zero Effect**
- To manufacture goods in the country with "zero defects" and to ensure that the goods have "zero effect" on the environment

**Electronics Development Fund (EDF)**
- 22 Daughter Funds have been selected for investment through EDF.
- 23 Cumulative commitment is Rs **1227 crore** Total targeted corpus is around Rs 10,900 crore
**OPPORTUNITIES**

Big Ticket Opportunities in ELECTRONICS in INDIA

- **Consumer Electronic**
  - US$ 22 Bn Market Growing @13% pa.
  - From 14 mn to 20 Mn by 2020.

- **Mobile Phones**
  - 300 Mn Units Market; Growing rapidly – 400 Mn by 2020

- **LED Lighting**
  - Share has increased from 13% to 63% in last 6 years. Grew from US$ 200 Mn to $1500 Mn in 2018

- **SET TOP BOX**
  - Annual Demand 60 Mn pcs; Imports 24 Mn Pcs Replacement Demand is 10%.

- **Automotive Electronics**
  - 18Mn 2Wh and 3 Mn 4Wh, Growing steadily at 7-8% per annum

- **Components**
  - PCB’s Demand growing from US$ 2.3 Bn in 2017 to ~10Bn by 2022
SHARE OF ELECTRONICS

Electronics market of India is one of the largest in the world

- Anticipated to reach US $ 400 bn in 2023-24 from US$ 69.6 billion in 2012
  (MeitY Annual Report 2017-18)
- Production of electronics sector in India has increased at CAGR of 19.1% in the last 5 years.

Source: Ministry of Electronics Annual Report 2017-18
**INDIA-JAPAN TRADE & ECONOMIC RELATIONS**

**Bilateral Trade**

Economic relations between India and Japan have vast potential for growth.

Japan ranks 13th amongst India’s top trading partner.

India’s total Trade in 2017-18 was US $ 769.1 billion
- Exports were US $ 303.5 billion
- Imports were US $ 465.6 billion

Bilateral trade between India and Japan has increased from US$ 4 billion in 1999-2000 to US$ 15.70 billion during 2017-18, at CAGR of 8.4%

**FDI Inflows from Japan**

Japan is India’s 3rd largest investor

FDI Equity inflows from Japan to India were US $ 1.6 bn in April-March 2017-18

Cumulative FDI equity inflows from Japan to India from April 2000 to June 2018 are US $ 28.1 billion
- Approx 7.2% of total FDI Inflows

Top sectors attracting investments from Japan:
- Automotive
- Drugs and pharmaceuticals
- Services
- Metallurgical industries
- Telecom
## BILATERAL TRADE BETWEEN INDIA AND JAPAN

### India’s top 5 Exports to Japan (US $ million)

<table>
<thead>
<tr>
<th>S.No.</th>
<th>HSCode</th>
<th>Commodity</th>
<th>2016-17</th>
<th>2017-18</th>
<th>%Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>27</td>
<td>MINERAL FUELS, MINERAL OILS AND PRODUCTS OF THEIR DISTILLATION; BITUMINOUS SUBSTANCES; MINERAL WAXES.</td>
<td>564.1</td>
<td>866.14</td>
<td>53.54</td>
</tr>
<tr>
<td>2</td>
<td>3</td>
<td>FISH AND CRUSTACEANS, MOLLUSCS AND OTHER AQUATIC INVERTEBRATES.</td>
<td>383.19</td>
<td>443.85</td>
<td>15.83</td>
</tr>
<tr>
<td>3</td>
<td>29</td>
<td>ORGANIC CHEMICALS</td>
<td>413.56</td>
<td>408.83</td>
<td>-1.14</td>
</tr>
<tr>
<td>4</td>
<td>84</td>
<td>NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF.</td>
<td>267.53</td>
<td>294.02</td>
<td>9.9</td>
</tr>
<tr>
<td>5</td>
<td>71</td>
<td>NATURAL OR CULTURED PEARLS, PRECIOUS OR SEMIPRECIOUS STONES, PRE. METALS, CLAD WITH PRE. METAL AND ARTCLS THEREOF; Imit. Jewlry; COIN.</td>
<td>310.37</td>
<td>278.09</td>
<td>-10.4</td>
</tr>
</tbody>
</table>

### India’s top 5 Imports from Japan (US $ million)

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<th>S.No.</th>
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<th>2017-18</th>
<th>%Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>84</td>
<td>NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES; PARTS THEREOF.</td>
<td>2,784.12</td>
<td>2,669.19</td>
<td>-4.13</td>
</tr>
<tr>
<td>2</td>
<td>85</td>
<td>ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS THEREOF; SOUND RECORDERS AND REPRODUCERS, TELEVISION IMAGE AND SOUND RECORDERS AND REPRODUCERS, AND PARTS.</td>
<td>1,141.44</td>
<td>1,335.74</td>
<td>17.02</td>
</tr>
<tr>
<td>3</td>
<td>72</td>
<td>IRON AND STEEL</td>
<td>930.55</td>
<td>1,169.67</td>
<td>25.7</td>
</tr>
<tr>
<td>4</td>
<td>39</td>
<td>PLASTIC AND ARTICLES THEREOF.</td>
<td>697.68</td>
<td>830.38</td>
<td>19.02</td>
</tr>
<tr>
<td>5</td>
<td>90</td>
<td>OPTICAL, PHOTOGRAPHIC CINEMATOGRAPHIC MEASURING, CHECKING PRECISION, MEDICAL OR SURGICAL INST. AND APPARATUS PARTS AND ACCESSORIES THEREOF;</td>
<td>639.6</td>
<td>700.88</td>
<td>9.58</td>
</tr>
</tbody>
</table>

India’s exports to Japan were US $ 4.7 billion
India’s major exports to Japan have been primary products—very little exports of electrical & electronic items

Imports by India from Japan for 2017-18 are US$ 10.9 billion—*Electrical & electronics items form major imports from Japan*
INDIA-JAPAN Partnership – Salient Features

- **Japan offers cutting edge technology option** for Indian Market with potential for Mutual benefit - optimal technology solutions for the growing demand of India in ESDM sector.

- **Indian & Japanese industry largely keen on long term strong business relationships**, committed and mutually beneficial partnerships

- **Forge partnerships – SME’s need to take small steps and grow to a comprehensive JV.**

- Manufacturing in India is the right strategy with gradual transfer of technology to the JV. **Ensure maximum policy benefits** which needs time.

- **Focus on few collaborative domains** – like Auto-electronics, Medical electronics, LED, Components, Consumer Durables with high market potential.
JAPANESE COMPANIES PRESENT IN INDIA IN ELECTRONICS

- Panasonic India
- Daikin Air conditioning India Pvt. Ltd.
- Nippon Audiotronix
- Canon
- Fujitsu India Ltd.
- Alpine Electronics Asia Pvt. Ltd.
- Sharp India Ltd.
- Sony India Pvt. Ltd.
- Hitachi Home & Life Solutions
- Akasaka Electronics Ltd.
- Onkyo Sight and Sound India Pvt. Ltd.
## JAPANESE INDUSTRIAL TOWNSHIPS

### Special Incentives to Japanese Industrial Townships (JIT) Proposed By Some States:

**Source:** [http://dipp.nic.in/japan-plus/japanese-industrial-townships](http://dipp.nic.in/japan-plus/japanese-industrial-townships)

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Rajasthan</th>
<th>Maharashtra</th>
<th>Gujarat</th>
<th>Madhya Pradesh</th>
<th>Haryana</th>
<th>Uttar Pradesh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Roads</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Water</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Exemption of CST</td>
<td>Yes (0.25% instead of 2%)</td>
<td>Yes (100% of CST Abatement)</td>
<td>No</td>
<td>Yes (100% reimbursement of VAT and CST for 10 years)</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Exemption of Electricity Duty</td>
<td>Yes (50 % for 7 years)</td>
<td>Yes (100%)</td>
<td>Yes (For 5 years)</td>
<td>Yes (For 10 years)</td>
<td>Yes (Special Package of Incentives is available for mega projects)</td>
<td>Yes (For 10 years)</td>
</tr>
<tr>
<td>Exemption of Stamp Duty</td>
<td>Yes (50 %)</td>
<td>Yes (100% within investment period for acquiring land)</td>
<td>N.A.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Exemption of Entry Tax</td>
<td>Yes (Investment more than 750 crores)</td>
<td>N.A.</td>
<td>Yes</td>
<td>Yes (For 7 years)</td>
<td>Yes</td>
<td>Yes (Only on Iron and Steel to be used as raw material)</td>
</tr>
<tr>
<td>Exemption of Land Acquisition Tax</td>
<td>Yes (50% for seven years)</td>
<td>N.A.</td>
<td>N.A.</td>
<td>Yes (upto 50%)</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Single Window Clearance</td>
<td>Yes</td>
<td>Yes</td>
<td>N.A.</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
</tbody>
</table>
A collaboration between JETRO and the Government of Rajasthan

1,100 acres of land hosting companies such as Toyota, Daikin, Hitachi

Uninterrupted power and water supplies

Streamlined license and approval process that bypasses local officials

Created about 10,000 factory jobs mainly in Automotive sector

INDIA-JAPAN | MAJOR PROJECTS

Chennai–Bengaluru Industrial Corridor (CBIC)

Delhi–Mumbai Industrial Corridor Project

Mumbai–Ahmedabad high-speed rail corridor
CASE STUDY IN DIGITAL TALENT- Under Make In India

Vendor to Strategic Partner

TAIWAN COMPONENT COMPANIES (facilitating Design Capabilities)

COMPONENT SOURCING

INDIAN BRANDS

DESIGN

MANUFACTURING

SALES & DISTRIBUTION

Class Design Principle:

• Target in senior design engineer or manager.
• From theory to hands-on lab.
• Cover all key component areas and their integrations.
CASE STUDY IN DIGITAL TALENT - Under Make In India

2016 CLOSING CEREMONY - TAIWAN

- 11 ecosystem companies work together
- 6 weeks in Taiwan.
- 49 students from 22 Indian companies.

2017 CLOSING CEREMONY - TAIWAN

- 19 ecosystem companies work together
- Section 1: One day remote training per week for 6 weeks. (Total 87 candidates from 42 companies)
- Section 2: 3 weeks in Taiwan. (Total 39 candidates from 27 companies)
Vendor Development Program
for Indian industry with the support of Japanese industry

Vendor Partnership/Interaction

FICCI-MEITY-JETRO (Implementing Agencies)

- Final selection of the vendors based on capability level achieved
- Discussing and finalising the framework of cooperation for Vendor Partnership/Interaction with the Japanese side
- Identification of the Japanese OEMs/Anchor firms which would participate
- Identification of the Parts/Components to be supplied by Indian Manufacturers to the Japanese OEMs
- Identification of Indian companies
- Drawing the schedule for Vendor Partnership/Interaction

To be finalized by FICCI, MEITY based on the criteria laid out under the framework

• To be suggested by JETRO/JEITA
WAY FORWARD

- Developing component base in India with the support of Japanese industry
- Training & Skill development for design & manufacturing (as shared in the successful case study model with Taiwan industry)
- Industry 4.0, Digital technologies – Vast array of opportunities in these technologies for Japanese industry
- Clusters, Townships & Industrial Parks – Already work underway in some townships and more such townships could be developed
THANK YOU