

Elevating Indo-Japanese relations to a strategic partnership will do wonders for both countries: Baba N. Kalyani



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Bharat Forge Limited (BFL), the flagship company of the USD 2.4 billion Kalyani Group is a world leader in delivering innovative auto-component solutions. An international leader in manufacturing forged and machine components, few people know that there is no car in the world that does not have a component from the Pune-based BFL.

Baba N. Kalyani, the man who made it all happen is as renowned internationally as he is

low-key in India. He led the Indian business delegation that accompanied Prime Minister Narendra Modi to Japan. In an exclusive interview with Chitra Subramaniam, Editor-in-Chief of the News Minute (TNM) he spoke about a range of issues covered by business leaders from both countries, mutual expectations, stumbling blocks and the critical importance of political commitment which the Prime Minister in his person has brought to the table. Excerpts.

You led the Indian business delegation to Tokyo. What were some of the groups' expectations? Were they met?

Since its establishment in 2007, the India-Japan Business Leaders Forum has enabled us to address problems which impede the economic activities in both the countries by communicating the issues to governments of each side and help fast

track the decision making process. Over the past years, members on either side of this forum have cooperated in resolving many bilateral issues, including those related to the implementation of the Japan-India Comprehensive Economic Partnership Agreement (CEPA).

Business leaders from either side had set high hopes that Prime Minister Modi will accelerate the reforms process to improve the business environment in India and promote trade & investment between both the countries. Despite the CEPA in place, there is much progress which needs to be made towards enhancing the trade between India and Japan which in fiscal 2013-14 stood at USD 16.3 billion which is only equivalent to 1% of Japan's total foreign trade and 2.2-2.5% of India's total trade.

Yes, after the summit level interactions between both the Prime Ministers and the joint statement issued by them, there is a renewed enthusiasm and a lot of optimism on both sides about increased economic activity between both the countries. Elevation of India-Japan relationship to a 'Special Strategic and Global Partnership', Japan's commitment to invest FDI worth 35 Trillion Yen and to double the number of Japanese companies in India, the creation of an exclusive facilitation desk in PMO to fast track the clearances in India are some of the most significant moves taken by the governments. I believe that these measures will not only boost the Indian infrastructure sector but also bring High Technology Investments from Japan in Defence and Railways that would boost India's domestic manufacturing capabilities.

What were your expectations for the manufacturing sector? The joint-declaration speaks of creating manufacturing hubs across India. What should be in place this time next year?

Facilitating Japanese investments into India in advanced manufacturing and high-technology fields and encouraging Indian companies to export value added products into Japan, are two areas that I believe, will greatly contribute to increased and better balance of trade between both the countries. The combination of advanced manufacturing technologies from Japan and highly skilled talent pool from India has the potential to create an enviable partnership that carves its unique space in the global manufacturing supply chain.

Establishment of Advanced Skill Development Centers, Investments in building a High-Speed Railway network in India, Collaboration on Defence Technologies and Increased areas of cooperation on the Infrastructure and Renewable Energy front, would collectively add up to a significant benefit to the Indian Manufacturing Sector.

The Prime Minister Modi in his address to the Japanese businessmen has stressed on the huge opportunity that India offers and there is no more Red Tape but only a Red Carpet that awaits to attract investment from various domestic and foreign investors. He invited them, 'Come, Make in India'. The message was well received by the business community. I am sure with the facilitation team set-up in PMO, by this time next year, we will have established one or two model advanced skill development centers, completed the feasibility studies for High-Speed Railways networks between few Indian cities and commenced work in few of the aforementioned areas of cooperation declared.

How does Tokyo see India as a business destination?

India as a market offers big scope for the Japanese company in view of the demographics, wherein India has a large discerning young population ready to spend while Japan has huge ageing population.

India's progress and development presents a big economic opportunity. Japan, being a wealthy net creditor nation can be an important investor in key sectors in India e.g infrastructure, manufacturing, integrated water management, smart cities.

Over the last few years, India has consistently been ranked high in the list of most favourable destination-countries for business by Japanese companies. This is a testimony of the long-standing mutually beneficial relationship between our two countries.

In the recently concluded summit level interactions between India and Japan, the elevation of the relationship between both the countries to a 'Special Strategic and Global Partnership' is testimony of the high levels of confidence that countries and businesses are willing to place in the existing government.

The Prime Minister's resolve to enhance the Ease of Doing Business in India was palpable when he stated that there is no more Red Tape but only a Red Carpet being laid out to attract investment from various domestic and foreign investors. In

the days to come, I further expect the government to suitably amend various policies and procedures by removing outdated and irrelevant rules, regulations and laws that cause roadblocks and hindrances in doing business.

What are some of the broad political lines that were drawn by both Prime Ministers during this historic visit?

I believe the elevation of relationship between the two countries from a Strategic and Global Partnership to a 'Special Strategic and Global Partnership' displays the confidence that both the governments place on each other. They have talked about the relationship not only being economic in nature but broad based and comprehensive extending into cooperation in Defence, Science & Technology, Education, People-to-People exchanges etc., which I consider as quite significant.

Where are the stumbling blocks in India?

The Japanese business group have stressed on the criticality of improving the overall business environment in India by simplification of land acquisition, early implementation of GST, elimination of irregularities existing in taxation across federal and state governments, greater deregulation in the financial and insurance sectors including relaxation of restrictions on external commercial borrowings (ECB) etc.

Where are the stumbling blocks in Japan?

The Indian side has specifically been stressing on the removal of non-tariff barriers, extend access for Indian companies in Japanese markets especially in sectors like marine and agricultural products, pharmaceuticals, IT services, Automotive components etc.

The Indian industry also expressed Japan to facilitate further improvement in movement of natural persons between both the countries and relax norms to qualify for issuing Japanese Visas to Indians.

Both countries stressed the role of SMEs in an industrial take-off. How do you see this?

I believe, SMEs play a key role in transition towards a fully developed economy and are the backbone of industrial development. Small and medium enterprises have always represented the model of economic development, which emphasized high

contribution to domestic production, significant export earnings, low investment requirements, employment generation and effective contribution to foreign exchange earning of the nation.

Today, the Indian SMEs manufactures a whole variety of products from textiles, basic goods to high technology items. 45% of India's manufacturing output and about 40% of India's total exports is attributed to the SMEs which also provide the largest share of employment in our country after agriculture sector.

The Indian SMEs are acquiring companies abroad as part of the globalization process and are investing in R&D to compete globally.

I also believe that with the governmental policies which would address specifically the problems affecting this sector, SMEs would be a major vehicle to achieve our goals.

Finally, what do you expect from Indian industry now that there is Prime Minister leading from the front?

With the Prime Minister leading from the front, the entire process would pick up speed and momentum. The Prime Minister's resolve to enhance the Ease of Doing Business in India was palpable when he stated that there is no more Red Tape but only a Red Carpet that awaits to attract investment from various domestic and foreign investors. In the days to come, I expect the government to suitably amend various policies and procedures by removing outdated and irrelevant rules, regulations and laws that cause roadblocks and hindrances in doing business.

Business leaders have high hopes that under the leadership these two visionary Prime Ministers, India-Japan relationship will further strengthen and both the countries will drive the global economy forward.