

Enhancing Indo - Japan Business Ties

What is the issue?

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- Despite strong strategic government to government ties, India-Japan economic relationship remains far below the expected levels.

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- While there are ample avenues to expand cooperation, cultural perceptions and are related incompatibilities have hindered progress.

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What are the conditions that are ideal for enhancing Indo - Japan ties?

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- India is a fast-growing economy and has a big young population, while Japan is economically rich and has an aging demography and declining population.

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- India needs technical expertise and investments to develop its infrastructure, while Japan has capital to spare and know-how to share.

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- They have a common strategic objective in countering Chinese hegemony in Asia, a goal that can be best met in collaboration.

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- Also, both countries share cultural and religious ties, and are also sufficiently close for trade but far enough to avoid border and other neighbourhood issues.

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- Technically, these factors provide for the establishment of strong and robust economic ties, but this hasn't happened.

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What is the current status of economic ties?

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- PM Narendra Modi and his Japanese counterpart Shinzo Abe have worked hard to upgrade ties, through high-profile visits and sealing multiple deals.
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- Notably, Japanese has emerged as a prolific investor in India's infrastructure sector - Japanese investments totalled \$4.7 billion in 2016-17.
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- Japan currently ranks as the third largest investor in India and there are 1,369 Japanese companies and over 4,800 Japanese corporate offices active in India.
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- Yet, the India-Japan economic relationship remains underwhelming both in relation to its potential, and to the ties that each nation shares with China.
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- Notably, China received about five times more Japanese investment between 1996-2015 (\$116 billion) than India (\$24 billion).
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- Japan-India two-way trade was merely \$13.48 billion in 2016-17, which is dwarfed in comparison to China-Japan trade (\$350 billion) Or even India-China trade (\$84.44 billion).
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- Additionally, the share of India-Japan trade in Japan's total trade basket is barely 1% and it is a little over 2% of India's trade with the rest of the world.
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- Beyond the common issues like - poor infrastructure, and complex tax structures, there are other issues that plague Indo-japan business ventures.
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What are the main reasons for this?

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- The major problem is that it takes Japanese companies longer time to learn to localise their products for the Indian market.
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- **Pricing** - Japanese tend to think that the most important element is the quality, so that there is minimal requirement for repairs and replacements.
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- They fails to recognize that repairs aren't really a major concern for the Indian consumer as it is cheap due to abundant availability of technicians.
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- Hence, cost at purchase is the critical factor than durability, which calls for companies to reduce manufacturing costs even if quality is lowered.

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- **Cultural bias** - Japanese also tend to have a strong cultural bias against India and Japanese employees perceive an Indian posting as a de-promotion.

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- While larger corporations have realised India's potential, small and medium enterprises continue to carry a biased attitude, which impedes business.

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- Also, punctuality is akin to religion in Japan, whereas in India, time is more lax and this has immense implications for business.

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- **Risk** - Japanese corporations are strongly risk averse which makes it difficult for them to cope in the freewheeling, jugglery environment of India.

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- Flexibility and impromptu decision making are necessary skills to operate in India and Japanese businesses need to co-opt these to sustain in India.

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What are the hopes ahead?

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- Recently, collaboration between Japan's Panasonic and India's Tata Elxsi to develop smart solutions and products for the south Asian market was sealed.

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- This is only possible because India has the capacity and skills for engineering designs that can match Japanese requirements.

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- Hence, there are avenues to rope in more Indian companies to develop and design Japanese products, which could help in deepening business ties.

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- But despite all these, "government to government ties" is far ahead of the "business to business ties" and closing this distance remains a tough ask.

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Source: The Hindu

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