

World Eye Reports

India

60th Anniversary of Diplomatic Relations between India and Japan in 2012

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Six decades on, Japan sees India as a key partner in Asia

In 2012's bearish global economy, it's almost unusual to see a country doing relatively well, with a bright outlook on the future. India's continuing growth at a time like this and huge market makes it stand out even more on the world stage. In a few decades it has gone from a lumbering, if giant, economic backwater to to-

the country to explore and turn to other means of business and revenue generation."

One key growth factor is a domestic market that is almost unimaginably huge and continues to expand. In fact there are projections that India's current population of 1.2 billion people will overtake world No. 1 China's within 20 years. India's millions also provide a relatively low-cost yet talented and driven workforce. Half of the population is in the 20s, and the ranks of the middle class continue to swell.

Indian companies such as the tire giant MRF have the hometown advantage of this market at their doorstep — which provides a strong foundation for making the leap abroad. "Even though we now have a global footprint, our largest market is still India," says Koshiy K. Varghese, executive vice president of the company.

"India alone produces about 400,000 vehicles a month and is home to 40 million," explains MRF's chairman and managing director K. M. Mammen. "Think of

all those tires that need replacing." However, to make this growth sustainable in the long run, much more development and investment is needed. In this respect, on the historic 60th anniversary of diplomatic relations between the two countries, Japan is perceived as a reliably strong partner and supporter for India's initiatives to reach developed country status.

"There has been a long history of friendly ties between India and Japan, but it is only relatively recently I think that Japanese investors have finally come to realize that India has even greater potential for the future," says the Japanese ambassador to India, Akitaka Saiki. "Countries like India with young populations have a positive outlook because their markets will only expand, so this



The focus on sustainable growth is changing India's landscape: State Bank of India (SBI) has installed wind power generators with capacity for 15 MW in three states for India's energy needs, while the bank is also the world's largest operator of solar-powered ATMs.

progress in recent years in forging closer business ties. "We have begun strengthening our trade partnerships through specific policies such as the comprehensive economic partnership agreement or CEPA, which has notably increased trade by 10 percent since it came into force last year," Saiki adds.

"Meanwhile, the Japan-India Social Security Agreement has helped promote the movement of talent between our economies by easing the burden of labor insurance for both Indian and Japanese citizens working in either country," he explains further. "We are also looking to eliminate tariffs between our two countries by up to 94 percent in the next 10 years."

Noguchi points to the development of the DFC (Dedicated Freight Corridor), built with Japanese assistance to connect Kolkata, Delhi and Mumbai in a bid to improve India's infrastructure — so crucial to the entry of further direct investment from Japan and elsewhere.

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Akitaka Saiki, Japanese Ambassador to India

day's focus of economic expansion and smart choice for direct foreign investment.

Of course, India has not been spared the effects of the global economic crisis. Last year's double-digit growth has dropped to a more modest (if still remarkable in these times) level of about 6 percent this year. Business remains generally positive about the situation.

"There is a growth trend in India regardless of world conditions," explains the interim CEO of BSE (formerly the Bombay Stock Exchange), Ashishkumar Chauhan. "We are growing because ours is a consumption-driven economy. India is being challenged, and this is pushing



Atindra Sen, Director General, Bombay Chamber of Commerce and Industry



Naoyuki Maekawa, Senior Coordinator for South Asia, JETRO



Naoyoshi Noguchi, Director General, JETRO New Delhi

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India's financial leader turns its focus to Asia

Within the dynamic Indian banking landscape, State Bank of India (SBI) has successfully balanced its legacy with a continuing drive to innovate. Since its establishment in 1806, SBI has grown side-by-side with the country to become India's largest commercial bank in terms of profits, assets, branches and employees. The bank currently has a 17 percent market share in India and is planning further growth both in the domestic market and abroad.

Having joined SBI in 1974, Hemant Contractor, its managing director and group executive (for international banking), is still driven to build on the foundations of the bank.

"SBI has come a long way since our early days," he says. "We have created a highly respected institution both in India and throughout the international banking world. The liberalization of the Indian economy in 1991 brought with it a

new competitive environment and we recognized there was a need for change.

"While we had significant legacy systems in place, we gradually shifted to a fully automated accounting and banking system spanning our entire network," Contractor continues. "We also

invest in our people. Today we have four large specialized apex training institutes and more than 50 learning centers across the country. Training, retraining and empowering our people have been key to ensuring we retain our leading position as we look to the future."

Today, SBI's 14,400 branches are all connected on a real-time network system linking its 215,000 staff with domestic and international clients.

Current unease in international financial markets is also evident in India's domestic banking and financial services sectors. "India has not been immune to the recent global economic turbulence," explains Contractor. "We saw a year of decline in 2009. Indian banks were affected, but the Indian economy bounced back again in 2010."

"Since then we have seen the challenges being faced by countries in Europe," he says. "As a bloc, Europe is our largest trad-

ing partner and we continue to be affected by events taking place across the euro-zone. There is a slowdown. India as a country needs a great deal of further investment to continue moving in the right direction."

Shifting its focus from Europe, SBI's intra-Asian trade is continuing to grow. The bank is committed to facilitating business developments throughout the region. In addition to the bank's subsidiary in Indonesia, its Asian branches include offices in Hong Kong, Shanghai and Singapore. A new office in Tianjin, China, will be opening shortly.

In Japan SBI has offices in Tokyo and Osaka, and has developed a strong relationship with JBIC (Japan Bank for International Cooperation). The Japanese are investing heavily in India, and as the dominant bank in the country, SBI is usually the first port-of-call for Japanese investors undertaking large projects in the country.

While the pace of development needs to be increased in India, there are signs that the country is on the right track in terms of focusing on its future and attracting investment. "The advantages of investing in India are numerous," says Contractor. "We have

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It is unique in focusing on product design and system development — including hardware, software, user interface and mechanical design.

Tata Elxsi has been associated with Japan right from its start in 1989, when it began working for leading Japanese companies in embedded software development: a new area for off-shoring and India at that time.

It set up its first office in Japan in 1997 with a team of Japanese and Indian engineers. This has grown over the last 15 years to serve customers today from the automotive, broadcast, consumer electronics, health care and communications sectors.

Tata Elxsi now offers flexible engagement models including ODC (offshore development centers) in India and teams that can be deployed onsite or in near-shore centers located closer to Japan, such as Thailand, Malaysia and Singapore. This allows it to enhance the global competitiveness of these customers by combining location flexibility with significant reduction in costs.

It also uses its global experience and multi-disciplinary innovation capabilities to help Japanese customers expand into global markets.

In the automotive sector, it focuses on ECU (electronic control units) software development, turnkey system development and testing for areas such as body, chassis, safety, advanced driver assistance, hybrid vehicles and in-car infotainment. It now works with globally renowned companies such as Honda Motor and Fuji Heavy Industries, as well as leading suppliers such as AISIN comCruise and Calsonic Kansei in Japan.

It delivers product engineering for set-top boxes, gateways and smart TVs and also develops innovative applications and services for broadcast service providers.

As one of the world's leading suppliers of LTE and WiMAX software, it helps telecom product companies develop base stations and femtocells using its intellectual property in LTE and WiMAX and custom engineering services.

Tata Elxsi works with leading consumer electronics companies for offshore development of products such as cameras, projectors, printers, smartphones, tablets and other connected devices.

It has customized its internal processes and systems to suit Japanese work culture and requirements, and employs many Japanese staff in Japan and India, as well as encourages its engineers in India to also learn Japanese.

With India becoming an important and strategic market, many Japanese customers are also using Tata Elxsi's deep understanding of Indian consumer needs and market requirements to develop custom products for India and other emerging markets.

"Along with cost reduction, quality and schedule are very important for Japanese customers," says Madhukar Dev, managing director and CEO of Tata Elxsi. "Open communication, flexibility and mutual problem solving is the key to long-term relationships."

On this basis, Tata Elxsi's relationship with Japan is simply set to grow even stronger in the years to come. ♦ www.tataelxsi.com



SBI, India's single largest lender, is a major contributor to the country's continuing industrialization.

Eye on India

• **Tata Elxsi** is a design company that blends technology, creativity and engineering to help customers transform ideas into world-class projects and solutions. A part of the \$100 billion Tata group, it works with leading Japanese companies in the automotive, consumer electronics, communications, health care and broadcast sectors. www.tataelxsi.com

• **The Bombay Chamber of Commerce and Industry** was established in 1836 to encourage and promote amity and cooperation in industry and trade on subjects involving common interests, maintain and provide information and data on matters of general, commercial and industrial interest, help redress grievances affecting industrial and commercial interests and arbitrate disputes arising out of commercial transactions. It is India's oldest chamber of commerce, and currently has about 4,200 members from all sectors of the economy, including a large number of SME companies. www.bombaychamber.com

• Established in 1875, **BSE** (formerly known as the Bombay Stock Exchange) was Asia's first stock exchange and is now one of India's leading exchange groups. Over the past 137 years, BSE has facilitated the growth of the Indian corporate sector by providing it with an efficient capital-raising platform. www.bseindia.com

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