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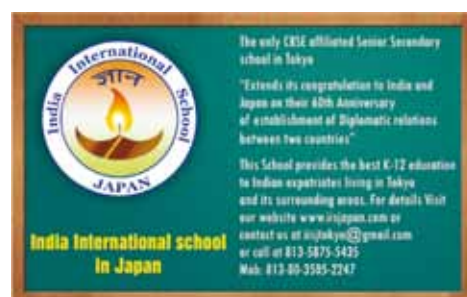
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# CONTENT

India Japan Relations An Overview .....	6
India-Japan: An Asian Partnership .....	8
Three Cheers for Prime Minister Yoshihiko Noda.....	10
Visit India.....	12
Investment Opportunities in India's Infrastructure .....	16
Indian Auto Component Industry .....	19
Indian SME Sector Huge Untapped Potential.....	22
Indian IT Industry An Agenda for Action .....	28
The Global Generic Pharmacy .....	32
Indian Food Processing Industry .....	35
India – Major Player in Seafood Production and Exports.....	39
India-Japan CEPA Provides Good Opportunity to Apparel Exporters.....	41
Photo Feature .....	44

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# Message



**H.E. Mr. Alok Prasad**  
Ambassador of India to Japan

I am happy to learn that the “Diplomatist Magazine” is bringing a special supplement on relations between India and Japan to mark the 60th year of establishment of diplomatic relations between the two nations.

India and Japan share excellent bilateral relations. In recent years these relations have reached historically high level with the declaration of a Global & Strategic Partnership during the visit of Prime Minister Manmohan Singh to Japan in 2006. Since then both countries have nurtured the relationship through annual summit meetings between the leaders of the two countries.

It is heartening to note that Japan-India relations enjoy broad support from all political parties in both countries. Following the earthquake and tsunami in March 2011, both Houses of the Indian Parliament passed unanimous resolution expressing solidarity with the Government and people of Japan. India’s relief assistance including the despatch of a 48-member Disaster Relief Team was greatly appreciated in all quarters in Japan. We are confident that given the resilience of the people, who faced this unprecedented natural disaster with admirable calmness and bravery, Japan will soon overcome the impact of this adversity also. Signs of recovery & rehabilitation are already apparent.

Our economic & commercial ties are also deepening. The Comprehensive Economic Partnership Agreement (CEPA) which came into effect from August 2011 will provide further impetus to this process. The flagship infrastructure projects like the Dedicated Freight Corridor and the Delhi-Mumbai Industrial Corridor are making good progress. Japan continues to be a generous partner in development cooperation having assisted in the Delhi Metro and Bangalore Metro projects.

Our excellent political & economic relations need to be complemented by greater cultural & academic interaction and people to people exchanges. During 2012, when we celebrate the 60th year of establishment of diplomatic relations, we will have an opportunity to showcase the multifaceted nature of relations between the two countries. It is highly appropriate that Diplomatist Magazine’s special supplement will be published on this landmark occasion. I would like to commend the initiative of L.B. Associates and wish them all success.

**H.E. Mr. Alok Prasad**  
Ambassador of India to Japan

# India Japan Relations An Overview

Dr. Srabani Roy Choudhury\*



The Prime Minister, Dr. Manmohan Singh meeting the Prime Minister of Japan, Mr. Yoshihiko Noda, in New Delhi on December 28, 2011.

In the relationship between India and Japan, it is only in the recent past that the maritime security issue has gained quantum importance. Japan's dependency on SLOC for energy resources and other raw material, and thus the significance to Japan of protecting the Indian Ocean region is easily understandable

India's relationship with Japan has two seemingly important factors which should have propelled the relationship to a level on par with the relationships with the USA and the UK. The main argument to support this would be that neither does the India Japan equation have any border issues nor do they have any ideological differences or historical baggage. However, both these countries were positioned politically in opposing camps during the Cold War, making it difficult to forge a warm relationship. However, the interest of both nations towards each other is reflected in the fact that a Peace Treaty was signed in 1952 and there after both countries steadily forged closeness by signing a few important agreements such as: Agreement of Air Service (1956); Cultural Agreement (1957); and, Agreement of Commerce (1958). Japan also given generous developmental aid to India; thus helping India grow.

By the 1980s, Japan achieved the status of a formidable economic power. India too looked towards it to learn a lesson or two to reorganise itself and restore itself to a vibrant economy. This resulted in many Japanese companies coming into India, albeit under restriction. Changes in the world order in the 1990s led to the termination of the Cold War and thus freed both nations to explore strengthening their relationship. Though by the 1990s Japan faced recession domestically, it had spread its investment across the world. India, under Prime Minister Narashima Rao, adopted the 'Look East Policy' and steadily opened up the Indian economy. All this proved propitious for Indo-Japan relations. Just as the relationship was gaining some momentum, the nuclear testing by India in 1998 resulted in yet another abyss of Indo-Japan relations. Japan withdrew itself politically and also stopped its aid to India.

However, since India behaved responsibly during Kargil encounter and there was a manifestation of a new regional environment in Asia, Japan could not ignore India and a new and a more progressive relationship between the two nations took off in the 21st Century.

Chronologically, it all started with Prime Minister Vajpayee and Prime Minister Mori signing the Japan-India Global Partnership in



The Prime Minister, Dr. Manmohan Singh and the Prime Minister of Japan, Mr. Yoshihiko Noda signing an agreement on Vision for the enhancement of India-Japan Strategic and Global Partnership upon entering the year of the 60th anniversary of the establishment of diplomatic relation between the two countries, in New Delhi on 28 December 2011.

the year 2000; and in 2011 Prime Minister Dr. Manmohan Singh and Prime Minister Yoshiro Noda affirmed this relationship in stating a vision for enhancement of a strategic global partnership. If one is to analyse the nine joint statements made so far, one can get an idea of the progress that has been made. Starting with 'global partnership', the term 'strategic' was first stated by Koizumi in his visit in 2005. The statement 'Towards India-Japan Partnership in a New Asian Era: Strategic Orientation of India-Japan Global Partnership,' and the 8-point initiative agreed upon then, laid a solid foundation to realise the strategic partnership. Since then, the term 'Strategic' has gained more attention and today it includes not only economic relations but also security relations between these two nations. Further, it also implies that the 'strategic partnership' would also include the two nations' response to the larger Asian community.

Two common values – democracy and the faith in rule of law in both nations binds them in a common ideology. Common global objectives of access to energy, keeping international sea lanes safe and free, fighting international terrorism, and prevention of proliferation of weapons of mass destruction helps to further the political partnership, as both often support each other in various world forums. This political partnership is strongly ruled by two factors – US factor and the China factor. If one scrutinises the timings of the meeting of Japanese Prime Minister Mori with the then Indian Prime Minister Vajpayee in 2000, it was preceded by US president Clinton's visit to India. Similarly, Junichiro Koizumi's visit was also preceded by President Bush's visit in 2005. As the US forged a stronger relationship with India, Japan too in the same token extended its hand to a more positive and affirmative political partnership. With Japan and the US aligning with India, it ensured an image of a stronger India whose role in Asian architecture is seen as inevitable. China, on the other hand, is viewed as a threat and needs to be contained. With the 'string of pearls' gaining strength because of China establishing

a base in the Maldives, a refilling station in Sri Lanka for its ships and building a railway station for Pakistan near the Western border of India, India needs to have an alliance with a strong Asian power and Japan is a natural choice. In Japan too, China's rise is looked upon with suspicion and forging a strong partnership with the second largest economy and a neighbour of China is inescapable.

In the relationship between India and Japan, it is only in the recent past that the maritime security issue has gained quantum importance. Japan's dependency on SLOC for energy resources and other raw material, and thus the significance to Japan of protecting the Indian Ocean region is easily understandable. The recent activity of pirates in this area has created an additional concern as its oil travels through this area. The Indian Navy has been active in this region and has proved capable of containing piracy by protecting its merchant vessels, and has also assisted other nations against piracy on the high seas. Given this track record, India is looked upon by Japan as a strong ally in maintaining peace in this region. This has channelized talks between the premiers of the two nations from 2008 leading to a 2+2 Security Dialogue and a joint statement on security cooperation between India and Japan during Hatoyama's visit to India in 2009. Bilateral talks between both nations have taken a more significant turn as piracy has become more frequent in this region. During the 2011 visit of Mr. Yoshiro Noda, the joint statement made a special mention of the forthcoming bilateral exercise between JMSDF and Indian Navy.

A sensitive issue that held centre stage in Prime Minister Noda's visit is the Civil Nuclear Agreement. Ever since the US signed this agreement with India, there has been strong speculation about how Japan will react, given its strong aversion due to historical reasons. The joint statement carried a paragraph on civil nuclear cooperation where both Prime Ministers affirmed the need, and urged the negotiators to exert and conclude an agreement on peaceful use of

nuclear energy giving due respect to each other's position. It is of great significance that though the issue of a Non Proliferation Treaty was addressed by both Prime Ministers, it was not used to stall the current efforts.

Economic relations between India and Japan are more complex than it appears. In spite of abundance of reasons to forge strong ties in trade and investment, the statistics do not foretell a glorious tale. Japan is not among the first five nations in India's list for trade or investment. While a momentum has been gained in FDI with a sharp increase to 800 plus Japanese companies in India in 2011, it is miniscule when compared to its investment in China. The Comprehensive Economic Partnership Agreement (CEPA) in August 2011 is expected to build trust and create a platform for a greater activity in trade and help further investment. On the other hand, Japanese ODA to India has been the highest for some time and has not only contributed to infrastructure development but also to poverty reduction, health and medical care and also in areas like afforestation. The Joint Statement devoted a large section to the infrastructure aspect and both roadways and railways were under discussion. With affirming its importance, PM Noda pledged another US\$4.5 billion in the next five years for the DMIC project. A gamut of issues like energy cooperation, technology up-gradation, rare earth exploration, and technology based educational institutes was also discussed, foretelling a large amount of activity by Japanese companies in India.

The commitment of both nations towards building a stable and peaceful Asia has been reinforced time and again, and the visit of Prime Minister Noda was no exception. Apart from the importance of the Seoul Nuclear Security Summit in March 2012, the need to increase the number of permanent seats in Security Council and in the General Assembly, and the importance of G20 as a premium forum found a place in the discussion.

A new strategy that took shape in 2005 with the idea of broadening the agenda of interaction, maintaining regular contacts and exchanges at various levels, and strengthening the defence component of the relationship has borne fruit and the current joint statement is a witness to it.

In conclusion, it is clear that Japan and India have reached a new level of understanding of each others' strengths and needs, and in recent years diplomatic relations between the two nations have grown to show that both Japan and India are keen on building on this relationship to further the interests of both countries and the region.

\* Dr. Srabani Roy Choudhury; Associate Professor, CEAS/SIS/JNU

# India-Japan: An Asian Partnership

By Yuri Higashi \*

*India and Japan have designed their collaborations over the years to be a win-win for both sides. Now, they are willing to collaborate on long-term initiatives, based on intrinsic factors of inter-dependent competencies – rather than on the defense of an extrinsic threat of a common enemy.*



The Prime Minister, Dr. Manmohan Singh with the Prime Minister of Japan, Mr. Yoshihiko Noda, at the delegation level talks, in New Delhi on 28 December 2011.

After the United States hosted India and Japan on December 19 for the first ever trilateral dialogue, Japanese Prime Minister Yoshihiko Noda visited India ten days later to further the discussion and to focus on building a closer economic relationship. With the scope and specificity with which the bilateral engagement is progressing, it is becoming clear that Japan has become one of India's most valued foreign partners.

Most noteworthy was perhaps Prime Minister Noda's offer to invest another \$4.5 billion in the Delhi-Mumbai Industrial Corridor (DMIC) project that India is developing with Japan. This comes in addition to the \$125 million Japan has already invested since the collaboration began in 2007. In parallel, the Japanese government has also expressed interest in investing in phase III of the Delhi Mass Rapid Transport System, and in developing the Chennai-Bangalore corridor, where most of the Japanese companies are housed. These developments, coupled with the recently signed Comprehensive Economic Partnership Agreement (CEPA) on August

1, 2011 – that is expected to remove up to 95 percent of tariffs – is proof that the economic engagement between the countries is developing extremely well.

The defence partnership, on the other hand, has also reached new heights. The Indian Coast Guard and the Japanese Coast Guard are going to hold their first ever joint exercise in January 2012. The Japanese Self Defence Forces and the Indian Army have worked together in peacekeeping operations under United Nations Disengagement Observer Force (UNDOF) in Syria and United Nations Mission in Sudan (UNMIS), and in disaster relief operations after the tsunami hit the Indian Ocean in 2004. With more frequent military exchanges, and the lifting in December 2011 of the ban on the 44 year-old arms export by Japan, the partnership in defence will continue to grow.

What makes the Japan-India partnership especially unique is that both nations have designed their collaboration to be win-win for both sides, and they are willing to collaborate on long-term initiatives. Japan has the capital, technology and experience in energy-saving

manufacturing processes that India can use to meet its international climate-change obligations. On the other hand, India has the opportunities in infrastructure and power that can provide Japanese companies high returns for their investments. The investment in DMIC is one such investment. The Japanese Prime Minister's recently announced support for India's civil nuclear energy initiatives could be another. Then there are other successes such as the construction of National Highway 83 in Bihar and the construction of Metro Rail in Bangalore with the help of Japanese aid, and the joint collaboration to establish an IIT in Hyderabad.

This engagement comes at a time when the world is witnessing a shift in the balance of power – away from the United States. In Asia, specifically, the two countries have been working together in multi-lateral organizations such as Association of Southeast Asian Nations (ASEAN), the ASEAN Regional Forum (ARF), the East-Asia Summit (EAS), and South Asian Association for Regional Cooperation (SAARC) to promote democracy and free markets.

With these developments, both countries have clearly moved beyond the obstacles that have hindered progress in the past. Japanese Prime Minister Yoshiro Mori's visit to India in August 2000 was the first state visit in ten years. That was the initial attempt to restart the stalled process of strengthening ties. During his visit to India, Mori and his counterpart, then Indian Prime Minister Atal Bihari Vajpayee, discussed nuclear proliferation and the reform of the UN Security Council, and agreed on naming their relationship the "Global Partnership in the 21st Century." That was the first time both nations publicly came together to stress the need for democracy, market economy, and the spirit of tolerance.

Later in 2005, Japanese Prime Minister Junichiro Koizumi and Indian Prime Minister Manmohan Singh furthered the discussion through the Eight-fold Initiative to include security. Japanese Defence Minister Fukushima Nukaga and the then Indian Defence Minister Pranab Mukherjee agreed to work together on security matters concerning countering terrorism, trans-national crimes, non-proliferation, safety of maritime traffic, and cooperating in disaster relief operations. This was followed by ministerial, secretarial, defence and student level exchanges.

The idea of quadrilateral dialogue between Japan, United States, Australia and India first came from Japanese Prime Minister Shinzo Abe. He wanted a common platform for the major democratic countries to promote economic development and democratic stability in the region. However, his idea led Beijing to declare the proposal as being hostile to China. Tamed by Beijing's protest, the proposal fell through, and then Abe himself had to resign due to lack of domestic backing for his support for the United States in Afghanistan. His successor, Yasuo Fukuda, showed no inclination to pursue the initiative, choosing instead to focus on improving relations with China.

With this uneven history past, and Japan-India relations on even keel, the recent trilateral hosted by United States on 19 December 2011, indicates that the United States sees the advantage in joining with the Asian nations. The U.S. already has a similar trilateral

dialogue with Japan and Australia and is keen to draw in India to create a quadrilateral dialogue with Australia. The U.S. has evinced considerable interest in closer security ties with Asian nations especially with regard to the security of sea-lanes and terrorism. The first trilateral maritime exercise by the U.S., India and Japan was held in April 2007 in the Pacific Ocean off the Boso Peninsula, off central Japan. This was followed by a five-power joint exercise, including Australia and Singapore in the Bay of Bengal in September 2007. Earlier, in 2004, the U.S., Australia, Japan and India coordinated relief operations following the tsunami in December 2004.

A 2007 report by the Washington-based Center for Strategic and International Studies "The US-Japan Alliance: Getting Asia Right through 2020" recommended that the U.S. and Japan seek appropriate opportunities for trilateral cooperation with India based on a shared belief in democracy and human freedom. However, it also noted that the United States and Japan should move forward without expecting India to act as either Japan's or the United States' counterweight against Beijing. Nevertheless, the Joint Statement of the U.S.-Japan 2+2 meeting held in June 2011, involving the foreign and defence ministries of United States and Japan, indicates that India continues to be wooed as a strategic partner by both countries.

As for more collaboration in defence, perhaps the next step is to establish frameworks such as the Acquisition and Cross-Servicing Agreement (ACSA) and General Security of Military Information Agreement (GSOMIA) for interoperability. ACSA makes it possible for signatory countries to exchange major goods and services necessary during operations such as food, fuel and transportation. GSOMIA, on the other hand, obliges signatories to treat confidential information obtained from the other country respectfully, and as a result facilitates exchanges of information. Japan already has such agreements with the United States, South Korea and Australia; a similar agreement with India will bring India into the circle of these developed nations.

To make all this successful, Japan has to make some policy changes. Japanese legislation for

peacekeeping is one that should be modified. Under the current law, a Japanese Self Defence Force can use force only to protect itself and people under its protection, but cannot use force to protect troops from other countries. This makes it difficult for Japan to join current peacekeeping operations that require robust forces.

The greatest challenge for the Japan-India partnership and the Japan-India-US trilateral partnership is how to respond to a rising China. The rapid modernization and increasing budget of the Chinese military is of concern to other countries in this region, including Vietnam and Philippines. China's intensifying maritime activities, including the buzzing of the Japanese Maritime Self Defence Force's ships by a helicopter during a large naval exercise have caused a diplomatic strain between Japan and China. In September 2010, Japanese authorities arrested a Chinese fishing captain whose trawler had rammed a Japanese coastguard vessel near the disputed Senkaku Islands in the East China Sea. The Chinese responded by cutting supplies of rare-earth materials to Japan. That the United States, Japan and Indian officials were quick to defend the dialogue as not anti-China, and that the Japanese Prime Minister proposed to introduce a United States-Japan-China trilateral dialogue on the same day, shows that confidence in this relationship is yet to grow and that these countries are wary of antagonizing China.

Skirmishes between China, and the four democracies – Japan, United States, Australia and India – are likely to continue. What is most assuring for India is that the Japan-India relationship is based more on intrinsic factors of inter-dependent competencies rather than on the defence of an extrinsic threat of a common enemy. In that, Japan and India are providing a new model for bilateral engagement for themselves, a model that India can adopt with others in the international arena.

*\* Yuri Higashi is a Research Intern at Gateway House: Indian Council on Global Relations.*



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# Three Cheers for Prime Minister Yoshihiko Noda

N. Krishnaswami \*

Japan and India are the two largest democracies in Asia with centuries old cultural and spiritual ties. The cultural bonds between them are 'special and precious,' but it is little known or dimly realised by either side. And, the political and economic relations between the two countries spreading over the last 60 years have been fitful and peripherally punctured at times by "distorted perceptions and disappointed expectations". This raises the question whether increased trade and investment alone would bring Japan closer to India or promote better mutual understanding.

There are some scholars who even believe that Japan and India are "eternal friends and natural partners," but there is something inexplicably missing in the entire gamut of Indo-Japan relations over the last half a century and more that has kept the two neighbours apart. As has been candidly remarked by a Japanese economist recently; even after all the foreign investment barriers were removed by India, there would still remain the psychological barriers between the Japanese and the Indians.

The world has been moving fast and Japan today finds itself in a situation where it has to redefine its position and role. The increasing interaction between Japan and India in recent years is probably indicative of greater interest among intellectuals and policy makers in search of new mores and new friends. With Japan having set for itself a new global role in the coming decades and with India having no problems or irritants, and no hiccups or hangovers with Japan, the potential to foster greater awareness, interest and interaction among the people of the two countries is enormous. It goes to the credit of former Prime Minister Mr. Yoshiro Mori who during his historic visit of India in 2000 broke the shackles of past misgivings, mistrusts, acrimony and mental barriers, and inaugurated a policy of 'global partnership' over issues of worldwide importance with India, and initiated a road map for high level political dialogues at the Prime Minister and Foreign Minister levels on a regular basis. His successors Mr. Junichi Koizumi and Mr. Shinzo Abe took Japan-India relations to greater heights by going in for 'strategic and global partnership' steadily.

With the exit of the half-a-century and more LDP Government and the coming to power of a new government under the Democratic Party of Japan, there were some fears if the new government would slow down or dilute the pace and contents of our bilateral relations. But successive DPJ Prime Ministers consciously continued to strengthen India-Japan bilateral cooperation; and today Japan has a new Prime Minister, Mr. Yoshihiko Noda (since Sept. 2011) who appears to have a liberal and pragmatic mind and softness to India arising from a fortuitous circumstance. Mr. Noda appears to be impressed with the Indian Judge, Justice Radhabinod Pal's



solitary dissenting vote against the conviction of Japanese Wartime leaders at the International Military Tribunal for the Far East (1946). Prime Minister Noda visited India between December 27-29, 2011; the 6th Annual Indo-Japan Summit. Mr. Noda's India visit has been hailed by knowledgeable people as positive and promising to take Indo-Japan relations to a new high, proving once again the enduring nature of our bilateral relations rooted in mutual respect.

Prime Minister Noda after discussions with the Indian Prime Minister and his Advisors, has made breathtaking announcements, ranging from a massive financial support for India's infrastructural projects and industrial corridors, a mega bilateral currency swap to ensure stability in the financial markets, cementing

bilateral trade which is far below potential through the recently concluded Comprehensive Economic Partnership Agreement between the two countries, the lifting of a long standing ban on the export of weapons and lastly and more importantly, and announcing his government's willingness to reopen the stalled bilateral dialogue on civil nuclear cooperation suspended after Fukushima tragedy, were greeted by one and all as a positive outcome of the Summit. What with Prime Minister Noda's declaration that "Japan is a technology-rich and capital-rich country with an aging and declining population, while India is a capital poor country poised to reach a major democratic dividend with a burgeoning market," the Indian side would have been happy to receive an assurance from Prime Minister Noda of more Japanese direct investments into India. Currently Japanese FDI into India is just one percent of total Japanese investments all over the world.

Prime Minister Noda's visit and announcements have given an insight into his mind and his vision. The Great East Japan Earthquake and Tsunami struck the coast of Fukushima on 11th March last year, and thanks to the "indomitable and courageous" people Japan was "open for business" by April 29 (in six weeks!), Fukushima slowed down the phase of Japan's nuclear march but it did not halt it. Anxiety over nuclear plant safety has been driving Tokyo to rethink on the earlier strategic energy plan but the looming energy crisis limited the negative reaction. The government of Japan is revamping the nuclear regulatory framework, and the currently functioning 10 nuclear power plants, besides the 3 nuclear plants under construction and 9 nuclear reactors to be added by 2020, will all come under the scanner of public opinion and the Nuclear Safety Commission, a body under the Cabinet Office. Currently the contribution of nuclear energy to the total requirement is about 30 percent in Japan, and the government's new energy policy will restructure the country's energy mix for

short, medium and long term requirements to ensure that energy shortages will not dislocate or disturb the manufacturing base of the country.

Even otherwise, civil nuclear establishments in Japan cannot be so easily phased out as the country's three major nuclear engineering companies – Hitachi, Mitsubishi Heavy Industries and Toshiba – are under obligation to supply critical equipments to nuclear power producers in the USA, France, Russia and China, and they are already worried and agitated. India would have also been hurt in the bargain the USA and France have signed to help India in the putting up of a few nuclear reactors. All things considered, the willingness of Prime Minister Noda to open the stalled civil nuclear dialogue with India augurs well for India's ambitious energy plan for clean, cheap and abundant source of nuclear energy.

Allaying India's apprehensions regarding nuclear cooperation in the wake of Fukushima incidence, Prime Minister Noda expressed his keenness to expand ties with India in this sector after taking into consideration the safety aspects. "After giving due consideration to nuclear safety, nuclear disarmament and non-proliferation, we shall proceed with the negotiations on civil nuclear agreement" said Mr. Noda. He said Japan attached importance to the voluntary commitments and actions India has expressed with regard to

testing of nuclear devices. This is indeed a laudable statement and a great act of statesmanship on the part of Prime Minister Noda. At last the Japanese psychological barriers, inhibitions and mistrust about India appear to be breaking down, and the mutual trust at the highest level between the two Prime Ministers Dr. Manmohan Singh and Mr. Yoshihiko Noda, will hopefully generate similar trust and confidence in all our interactions at all levels. It was Dr. Manmohan Singh who declared in the beginning of this century that the 21st Century will be the Century of Japan and India. The coming together of the two great leaders of the two great democracies to work closely on the basis of mutual trust on a forbidden and frightening field – namely civil nuclear energy – is bound to bring a lot of good to ecology, environment, clean energy, and prosperity to the people of India and Japan, to the countries of Asia, to the Asia Pacific region and to the world at large.

*\* Mr. N. Krishnaswami, a former professor of economics, a Japanologist, decorated by the Emperor of Japan twice for contribution to strengthening Indo-Japan relations, is currently the President of Indo-Japan Chamber of Commerce & Industry, headquartered in Chennai.*



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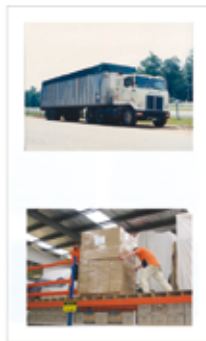


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# Visit India

## Stop at Operating Theatre Go to Recovery Theatre

**B**ounded by the majestic Himalayan ranges in the north and edged by an endless stretch of golden beaches, India is a vivid kaleidoscope of landscapes, magnificent historical sites and royal cities, misty mountain retreats, colourful people, rich cultures and festivities. Modern India is home to a wide range of people; for instance, tribal people with their anachronistic lifestyles and sophisticated urban jet-setters. It is a land where temple elephants exist amicably with the microchip. Its ancient monuments are the backdrop for the world's largest democracy. The timeless mystery and beauty of India can be experienced only by visiting this ancient land. A word of advice: There's just one thing you'll need with you to travel through 5000 years of culture and tradition – a comfortable pair of shoes.

### Stop at Operating Theatre ...

Medical Tourism is a growing sector in India. As medical treatment costs in the developed world balloon, more and more Europeans are finding the prospect of international travel for medical care increasingly appealing. Advantages of India for medical tourists include reduced costs, the availability of latest medical technologies and a growing compliance on international quality standards, as well as the fact that foreigners are less likely to face a language barrier in India. Most estimates claim that treatment costs in India start at around a tenth of the price of comparable treatment in the West. The most popular treatments sought in India by medical tourists are alternative medicine, bone-marrow transplant, cardiac bypass, eye surgery and hip replacement. India is known in particular for heart surgery, hip resurfacing and other areas of advanced medicine.

### ... Go to Recovery Theatre

#### A Touch of Europe in India

**Pondicherry**, now officially renamed as Puducherry, is a Union Territory of India situated on the east coast. A French colony until 1954, Pondicherry is often referred to as 'The French Riviera of the East'. This coast-hugging town with colonial buildings, churches, statues and systematic town planning, still preserves much of the colonial ambience. Pondicherry has been described by National Geographic as 'a glowing highlight of sub-continental sojourn'. Pondicherry is also a popular weekend destination, which can be reached easily from the nearby cities such



as Chennai and Bangalore. The main tourist attractions include beaches, monuments and statues, gardens and parks, museums and places of worship – temples, churches and mosques.



**Goa** – the smallest state of India – is located on the west coast. A territory of Portugal for about 450 years, Goa was annexed by India in 1961. Renowned for its beaches, places of worship and world heritage architecture, Goa is visited by large numbers of international and domestic tourists each year. Goa has two World Heritage Sites: the Bom Jesus Basilica; and churches and convents of Old Goa. The Basilica holds the mortal remains of St. Francis Xavier, regarded by many Catholics as the patron saint of Goa. The Velhas Conquistas regions are also known for its Goa-Portuguese style architecture.



## Skiing in India? Yes Sir!

Skiing in the past decade has become quiet attention grabbing Indian sport due to the Himalayas. The vast open spaces above the snowline have been flung open to skiing enthusiasts. The hills of Jammu and Kashmir, Himachal Pradesh, and the north eastern states of India have become the favourite ski hideouts of adventure lovers. The awesome height and spread of the snow clad mountains, with the added advantage of powdered snow are tempting enough to magnetize the adventurous spirits of the avid skier, providing all the thrill and excitement attached to the game. Realizing the immense prospect for tourism, India has developed some of the most modern and reasonably priced ski resorts in Asia, if not the whole world.

## Wildlife Anyone?

Believe it or not; there are 99 national parks in India. Perhaps the best ones in which to view the tiger are Ranthambore and Kaziranga National Parks. Ranthambore is one of the best places in India where royal Bengal tigers can be spotted even during the daylight. The park, with rich flora and fauna, has been very popular among wildlife enthusiasts coming from different parts of the world. Kaziranga – a UNESCO world heritage site in natural category – is best known for one horned rhinoceroses. About two-thirds of the world's one-horned rhinos are found at this park, and there is a high density of royal Bengal tigers.



## Mughal Architecture

Mughal architecture is the distinctive style developed by the Mughals in the 16th, 17th and 18th centuries in India and other parts of South Asia. While Humayun's Tomb and Red Fort in Delhi are popular tourist attractions, the most famous example of Mughal architecture by far is the Taj Mahal in Agra, which is on the World Heritage List of UNESCO. The Taj is considered to be one of the most beautiful monuments of the world and was included in the New Seven Wonders of the World list. It is symmetrical and decorative in style.

The Taj Mahal, the 'teardrop on the cheek of eternity' (Rabindranath Tagore), was completed in 1648 by the emperor Shah Jahan



## 2000-Year-Old Erotica – a 'Must See'

India has hundreds of noteworthy temples, that are also tourism attractions, but perhaps the most interesting are the Khajuraho Group of Monuments in the town of Khajuraho about 620 kilometres southeast of New Delhi – one of the most popular tourist destinations in India. Khajuraho has a large group of medieval Hindu and Jain temples, famous for their erotic sculptures. The Khajuraho Group of Monuments has been listed as a UNESCO World Heritage Site, and is considered to be one of the 'seven wonders' of India.

in memory of his wife Mumtaz Mahal. Its longest plane of symmetry runs through the entire complex except for the sarcophagus of Shah Jahan, which is placed off centre in the crypt room below the main floor. This symmetry extended to the building of an entire mirror mosque in red sandstone, to complement the Mecca-facing mosque place to the west of the main structure.

The temples do not contain sexual or erotic art inside or near the deities; however, many external carvings bear erotic art – even bestiality. The Khajuraho temple complex offers a professional light and sound show every evening. The show is about an hour long and covers the history, philosophy and the art of sculpting of these temples. It is held in the open lawns in the temple complex.

## Toy Trains to the Hills

While in India, take a slow toy train up to the hill resorts of Shimla, Ooty, Darjeeling or Matheran. There is nothing to match the experience of chugging up the hills, past little hamlets and terraced fields, making your way through tunnels and over breathtaking bridges. Its leisurely pace offers a panoramic view of changing vistas. The invigorating air and the delights of scenic hill resort provide a welcome respite from the hustle and bustle of the city.

## If not the Hills – the try the Deserts

Deserts form the backdrop of many a legend in India, and in present times, are touted as destinations of tourist interest. Nothing can prepare the visitor for the sheer magic and brilliance of the desert cities of Rajasthan. The camel rides on the sand dunes are an unforgettable experience as are the sunsets. These places boast of some very fine reminders of the glorious past – forts, temples and other elegant monuments of architectural and historical value, and unforgettable treats for any visitor.

At Jaisalmer in the heart of the desert the majestic golden fort is a memorable sight as is the camel ride at nearby Sam. Equally enchanting are the forts at Bikaner and Madwa, which drifts the mind to the medieval times.

## Varanasi – A Holy City

Situated on the River Ganges, Varanasi is one of the holiest cities and targets of pilgrimage for Hindus. As the place where Siddhārtha Gautama gave his first sermon to his disciples, Varanasi is also the city where Buddhism was founded. It is the birthplace of Suparshvanath, Shreyansanath, and Parshva, who are respectively the seventh, eleventh, and twenty-third Jain Tirthankars, and as such Varanasi is a holy city for Jains. Guru Nanak Dev visited Varanasi for Shivratri in 1507 and had an encounter which with other events forms the basis for the story of the founding of Sikhism. The city has a sizeable native Muslim population; it also hosts the Roman Catholic Diocese of Varanasi, and has a significant Jewish expatriate community. Varanasi is home to numerous tribal faiths which are not easily classified and many denominations of the religions which are present. Varanasi has nearly 100 ghats on the banks of the Ganges, most of which are bathing ghats, while others are used as cremation sites. One popular attraction for foreign tourists is to witness the nightly religious ceremonies at the ghats while sitting in a boat on the river

## India for Formula I Race Fans

The Buddh International Circuit is an Indian motor racing circuit in Greater Noida, near Delhi. The circuit is best known as the venue for the annual Formula One Indian Grand Prix,



which was first hosted on 30 October 2011 and won by Germany's Sebastian Vettel of Team RBR-Renault with a time of 1 hour and 30.35 seconds. The 2012 Indian Grand Prix will be held between the 26th & 28th of October; with the first two days for practice and qualifying.

[www.diplomatist.com/hawkesnest/index.html](http://www.diplomatist.com/hawkesnest/index.html)

## Back to the Slow Lane ...

### ... The Kerala Backwaters

The Kerala backwaters – a chain of brackish lagoons and lakes lying parallel to the Arabian Sea coast of Kerala state in southern India – are a popular destination of Western tourists. The backwaters consist of a network of interconnected canals, rivers, lakes and inlets, a labyrinthine system formed by more than 900 km of waterways. In the midst of this landscape there are a number of towns and cities, which serve as the starting and/or end points of backwater cruises. Many unique species of aquatic life including crabs, frogs and mudskippers, water birds such as terns, kingfishers, darters and cormorants, and animals such as otters and turtles live in and alongside the backwaters. Palm trees, pandanus shrubs, various leafy plants and bushes grow alongside the backwaters, providing a green hue to the surrounding landscape.

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# Investment Opportunities in India's Infrastructure

By Arun Goyal \*



India is the world's largest democracy and the 4th largest economy in terms of purchasing power parity. The Indian economy exhibited remarkable resilience in the face of the global financial crisis, registering a growth of 6.7% during 2008-09 and 8% in 2009-10, one of the highest compared to most other economies in the rest of the world. India's robust, well-capitalized and well-regulated financial sector; gradual and cautious opening up of the capital account; and the large stock of foreign reserves worked to its advantage and helped India in coping with the meltdown. As per revised estimates, Indian economy grew by 8.5% in 2010-11 and is expected to grow at around 6.9% in 2011-12. India's total foreign trade increased from \$95.17 billion in 2001-02 to around \$620.9 billion in 2010-11. Foreign exchange reserves as on February 24, 2012, were \$295 billion.

A series of ambitious economic reforms aimed at deregulating the economy and stimulating foreign investment has moved India firmly into the front-runners of the rapidly growing Asia Pacific region and unleashed the latent strength of a complex and rapidly changing nation. Today, India is one of the most exciting emerging markets in the world.

Skilled managerial and technical manpower that matches the best available in the world and an emerging middle class provides India with a distinct cutting edge in global competition. India's time tested institutions offer foreign investors a transparent environment that guarantees the security of their long-term investments. These include a free and vibrant press, a well-established judiciary, a sophisticated legal and accounting system and a user-friendly intellectual infrastructure. India's dynamic and highly competitive private sector has long been the backbone of

**India's foreign investment policy has been formulated with a view to inviting and encouraging FDI into India. The process of regulation and approval has been substantially liberalized**

its economic activity and offers considerable scope for foreign direct investment, joint ventures and collaborations.

India's foreign investment policy has been formulated with a view to inviting and encouraging FDI into India. The process of regulation and approval has been substantially liberalized. FDI under automatic route is permitted in most activities/sectors, except a few where prior approval of the Government is required. Government of India welcomes FDI in all sectors where it is permitted, especially for development of infrastructure, technological upgradation of Indian industry and in projects having the potential of creating employment opportunities on a large scale.

Even though India is one of the fastest growing economies of the world, it is still faced with the problem of infrastructure deficit. India requires enormous investment in infrastructure sector. While Government investment in infrastructure would continue, it is not feasible to fund very large investment requirements of these projects fully from the budgetary resources of the Government. Therefore, India welcomes and encourages investment by private sector in infrastructure sector. Ports, Power, Roads & highways are

some of the infrastructure sectors which are attractive for foreign investors. Investment for setting up Special Economic Zones (SEZs) is also welcome.

Indian has 12 major ports and around 200 minor ports. There was an impressive growth of 11.05% per annum in container traffic during the five years ending 2008-09. About 80% of the total volume of traffic handled was in the form of dry and liquid bulk, with the residual consisting of general cargo, including containerized cargo. For the promotion of foreign investment the government has allowed FDI up to 100% under the automatic route for construction and maintenance of ports and harbors.

Power sector plays a significant role in a country's overall economic development. India's power sector is expected to grow exponentially as the Indian government aims at providing electricity to all households in a short span. Investment opportunities exist in hydro projects; captive power; ultra mega power projects and nuclear power. In addition, opportunities also exist in distribution of rural electrification, privatization of distribution companies and participation under franchise model. FDI up to 100% under automatic route in Generation, Transmission, Distribution and Trading is permitted.

India has one of the largest road networks in the world, aggregating to about 3.34 million kilometers. Country's road network consists

of national highways, state highways, major district roads, other district roads and village roads. National Highways Development Project (NHDP), the largest highway project ever undertaken by the country is being implemented by the National Highway Authority of India (NHAI). Investment opportunities exist in construction of roads, bridges and bypasses; consultancy services; major highway contracts under international competitive bidding (ICB); collaborations for equipment manufacture; equipment leasing; design engineering and new management techniques. Several incentives such as tax exemptions and duty free import of road building equipments and machinery have been announced to encourage private sector participation in the highway sector. India has simplified policies with transparent procurement procedures for this sector with standardized Model Concession Agreement (MCA) standardization. Foreign direct investment up to 100% is allowed in road sector under automatic route. Some of other features of the existing policy are: Viability gap funding, Tax holiday, Retention of toll by concessionaire for Build, Operate and Transfer (BOT) Projects; and Better clarity in the defining of rights and obligations of the parties.

India has announced Special Economic Zone (SEZ) policy with the intention of making the SEZ an engine for economic growth. These zones can act as a catalyst in making



India as an international manufacturing hub as they provide tax holidays and many other incentives. SEZs also have more control over infrastructure like water and power and less regulation. They can create an appetite for worldwide giants to come to India. Some of the benefits to the units located in SEZ are:

- Duty free import of goods for development, operation and maintenance of SEZ units.
- 100% income tax exemption on export income for SEZ units for the first 5 years, 50% for the next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.
- External commercial borrowing by SEZ units up to US\$500 million in a year without any maturity restriction through recognized banking channels.
- Exemption from central sales tax.
- Exemption from service tax.
- Single window clearance for central and state level approvals.
- Exemption from state sales tax and other levies as extended by the respective State Governments.
- Exemption from customs/excise duties for development of SEZs for authorized operations approved by the board of approval (BOA).



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- Income tax exemption on income derived from the business of development of the SEZ in a block of 10 years in 15 years.
- FDI up to 100% is permitted under automatic route.

### Opportunities of Japanese Investors

Recent years have witnessed continuous growth in economic relations between India and Japan. Bilateral trade increased by 33.4 per cent in 2010-11 over the previous year to \$13.82 billion. The Comprehensive Economic Partnership Agreement (CEPA) signed between the two countries in February 2011 and has been effective since August 1, 2012, is expected to give major boost to our trade and investment ties. Japanese FDI into India and number of Japanese affiliated companies in India have also grown significantly over the years. Japanese FDI into India has mainly been in automobile, electrical equipment and telecommunication sectors. India sees a major role for the Japanese companies in next few years in our infrastructure projects - both by way of technology and investment.

Japan and India are committed to execution of the Western corridor of the DFC project through an ODA loan utilizing Japan's Special Terms of Economic Partnership (STEP). JICA assistance for Phase-I (Rewari-Vadodara segment of 950 kms) has been estimated at Yen 405 billion. The loan agreement for Engineering Services for Phase-I for Yen 2.6 billion was signed on October 27, 2009 followed by agreement on Phase-I funding by JICA in March 2010 when the first tranche of main loan (Yen 90.262 billion) was signed. Prequalification process with regard to Civil Contract has been initiated in March 2011. Engineering Services loan agreement for Phase-II had also been signed in July 2010.

Delhi-Mumbai Industrial Corridor is a mega infrastructure project which will see investments of over \$100 billion and is being seen as another flagship initiative of partnership between India and Japan. It covers band of 150 km (Influence region) on both sides of DFC West covering the states of UP, Haryana, Rajasthan, Gujarat, MP and Maharashtra. Project Development

Fund (PDF) has been set up to carry out feasibility studies and master planning of the DMIC region. Japan has contributed by way of loan to the PDF. A special purpose company, Delhi Mumbai Industrial Corridor Development Corporation Ltd. (DMICDC) has been set up by the Government of India to undertake and spearhead the planning and project development activity, and for seamless coordination between the Central and respective State Governments. The Perspective plan for the entire corridor has already been completed and approved. Out of the 24 identified nodes, 7 have been taken up for the development in the first phase.

India is also planning to invest more than US\$ 1 trillion in infrastructure in next five years and half of this is expected to come from private sector. This is likely to give a fillip to Japanese investments in India's infrastructure sector.

*\* Minister (Economic and Commercial), Embassy of India, Tokyo*



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# Indian Auto Component Industry

## A Perspective on Strengthening Indo-Japanese Ties

The Indian automotive industry has come a long way. Today, India is the sixth largest car manufacturer as well as the sixth largest auto market in the world. Year 2010-11 witnessed the production of about 3 million passenger vehicles. India produces the largest number of tractors, is the second largest producer of two-wheelers and in commercial vehicle production is ranked eighth in the world. India is fast emerging as the World's Small Vehicle Manufacturing Hub. The Indian auto component manufacturing industry is now the preferred sourcing destination for many a global players.

The automotive component industry in India continues to be the growth driver for the economy. The fast growing, robust economic environment has significant demand from both rural and urban areas and has deep linkages with multiple sectors. This sector has been a major revenue generating component, contributing 2.1 percent to the Gross Domestic Product (GDP) and generates employment for over one million people directly and a similar number indirectly.

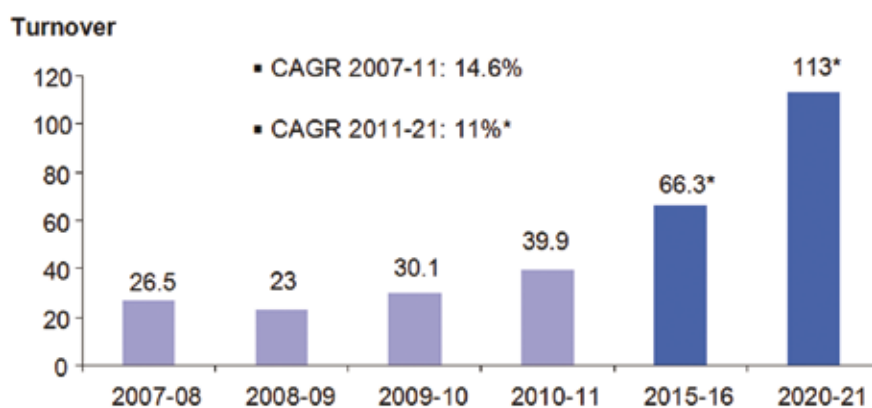
The Auto Component industry in India recorded 34 percent growth with a turnover of

US\$39.9 billion in 2010-11. Exports grew by 54 percent in 2010-11 to touch US\$5.2 billion. Imports crossed US\$8.5 billion, growing 30 percent over the last fiscal.

The Vision 2020 of the Automotive Component Manufacturers Association of India (ACMA) projects that by 2020, the turnover of the auto component sector in India could be well over US\$110 billion, from the current US\$39.9

billion. Of this, the turnover from the domestic market should be around US\$480 billion and an export potential of around US\$30 billion. To meet these targets, the auto component industry would require an average investment of US\$3.5 billion per annum totalling US\$35 billion of additional investments by 2020 and will provide direct and indirect employment to an additional 2 million people.

### Auto Component Industry Profile



Figures for financial year – April to March (\*Estimates)

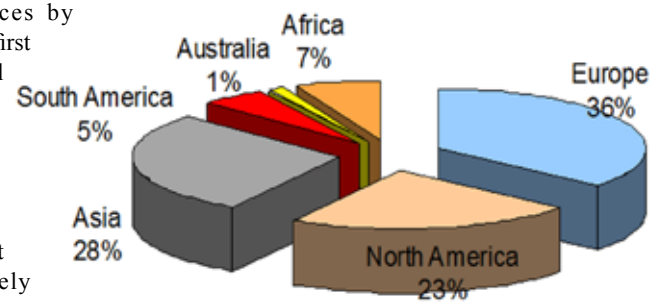
Although the current business sentiment in the domestic market is moderating, the long-term growth prospects of the Indian Automotive Industry remain intact. Primary demand drivers like aspiration for owning vehicles, growth of the economy, favourable demographic profile, rising working population, and increase in salaries, coupled with investments in the infrastructure sector by the government, are the main reasons for this. It is this huge potential that has attracted several global companies to setup their manufacturing bases in India and has led many Indian companies to invest in capacity expansion, in research & development (R&D) and in product innovation. However, inflation, interest rates and fuel hikes, are major deterrents in the growth path and need intervention.

Availability of abundant, cost effective engineering talent makes India an ideal destination for manufacturing. India holds tremendous potential as a manufacturing

destination. The auto components industry in India has witnessed robust growth in the domestic sector, but there is no denying that the fortunes are also linked to the global marketplace. Indian manufacturing has been tremendously influenced by the Japanese manufacturing practices by virtue of the industry's first contact with international manufacturing practices through Japanese investments made by Suzuki and Honda in the mid-eighties. The Indian auto component industry has extensively adopted Japanese manufacturing best practices. In 2011, Japanese brands accounted for about 55 percent of passenger vehicle sales in India.

ACMA plays the role of a catalyst in exposing the Indian auto component industry to international OEMs and the auto

### Export Destinations



OEM/Tier 1 account for 80%; Aftermarket for 20%

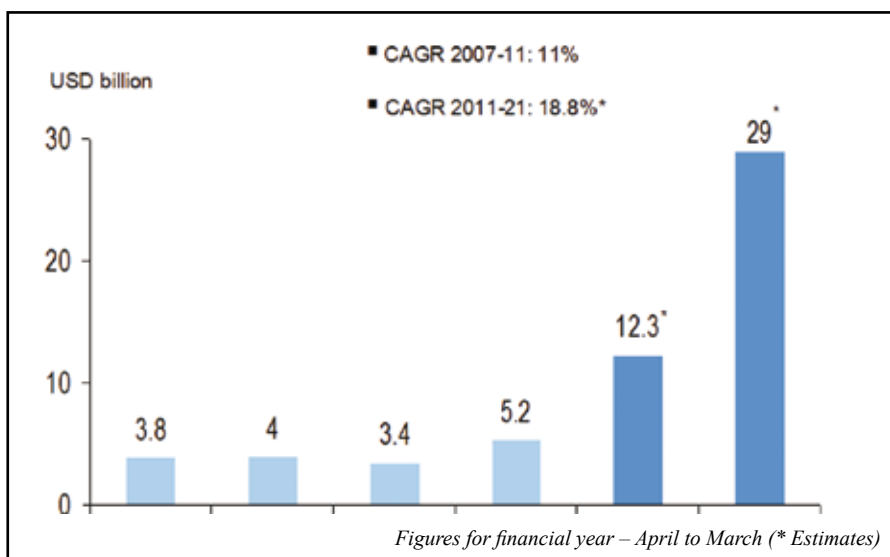


### Chart: Auto Component Industry Performance 2006-11

(US\$ billion)

	2006-07	2007-08	2008-09	2009-10	2010-11
Turnover	22.90	26.50	23.00	30.00	39.90
% Growth	24	2.3	-0.7	28.4	34.2
Exports	3.1	3.8	4.0	3.4	5.2
% Growth	17.6	19.4	6.4	-15.5	54
Imports	3.9	6.2	6.8	6.5	8.5
% Growth	28.8	61.4	9.6	-4.2	30.2
Import as % of Turnover	14	14	17	11	13
Export as % of turnover	17	23	30	22	21
Annual Investment	1.0	1.8	0.1	1.7	2-2.25

### Auto Component Industry Profile Exports



component industry by regularly organising delegations and missions to different countries globally. Recently it organised a mission to Japan with the objective of building 'brand India', creating a positive image about the manufacturing capability of the nation, exploring opportunities for possible engagement and enhancing business linkages – collaboration, potential JVs and strategic alliances, understanding the Japanese vehicle manufacturers' purchasing and sourcing strategy for the global market and for India and to assess expectations with respect to Indian suppliers. Interactions with various key organisations in Japan were arranged, including those with Suzuki Motor Corporation, Toyota Motor Corporation, Nissan Motor, Denso, Nomura Research Institute, and Hamana Parts Industry Co Ltd. The delegation provided an excellent opportunity for the members to not only learn during the formal and informal interactions but also to make key business contacts.

Source: Mr. Vinnie Mehta, Executive Director, Automotive Component Manufacturers Association of India



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# Indian SME Sector Huge Untapped Potential

By Anil Bhardwaj \*

Since independence in 1947, there has been a widespread recognition in India that vibrant small enterprises are potentially a key engine of economic growth, job creation and greater prosperity. The Government of India's successive industrial policy statements have emphasised the role that small business can play in providing employment to around 10 million people transitioning out of agriculture each year. The development of the small scale sector has been seen as a method of ensuring a more equitable distribution of national income and facilitating the effective mobilisation of capital resources and skills which might otherwise remain un-utilised.

In the post-independence period, India adopted a process of centralised planning that determined how much would be saved, where would it be invested and in what forms. Self-reliance was a principal objective. Import substitution and export pessimism was an underlying strategy/assumption. Like in other sectors of the economy, with regards to Small Scale Sector also, the state's intervention had been significant; certain product categories were reserved for exclusive manufacture for the sector; to augment flow of credit to the sector directed lending policies were introduced (under Priority sector lending); State Financial Corporations were created to ease access to term lending; and, a huge network of institutions was created to provide support in marketing and public procurement and technology up-gradation.

## The MSME Sector in India: Characteristics and Significance

Currently, the SME sector in India is termed as a triad of Micro, Small and Medium Enterprises (MSME) which are separately defined. The MSME sector is a nursery of entrepreneurship, often driven by individual creativity and innovation. This sector contributes 8 percent of the country's GDP, 45 percent of the manufactured output and 40 percent of its exports. The labour to capital ratio in MSMEs and the overall growth in the MSME sector is much higher than in the large industries. The geographic distribution of the MSMEs is also more even. Thus, MSMEs are important for the national objectives of growth with equity and inclusion.



The MSME sector in India is highly heterogeneous in terms of the size of the enterprises, variety of products and services produced and the levels of technology employed. While one end of the MSME spectrum contains highly innovative and high growth enterprises, more than 94 percent of MSMEs are unregistered, with a large number established in the informal or unorganized sector. Besides the growth potential of the sector and its critical role in the manufacturing and value chains, the heterogeneity and the unorganised nature of

the Indian MSMEs are important aspects that need to be factored into policy making and programme implementation.

Further, over 95 percent of MSMEs are proprietorship/partnership firms; barely 3 percent are companies with limited liability. Average size of MSMEs is very small: employment per MSME is barely 2 persons. Around half of MSMEs are set up in rural and half in urban areas. Approximately, 50 percent of them are owned by deprived/backward sections of society; and, around 10 percent of them are owned by women.

### Definition of the Sector

Enterprise	Investment in Plant and Machinery Excluding Value of Land and Buildings
Micro	Up to INR 2.5 million (US\$55,500 or less)
Small	INR 2.5 million to 50 million (from US\$ 55,500 to 1.1 million)
Medium	INR 50 million to 100 million (US\$1.1 to 2.2 million)
Large	Exceeding INR 100 million (over US\$ 2.2 million)

Source: MSMED Act 2006 (Ministry of MSME)

The MSME sector in India is highly heterogeneous in terms of the size of the enterprises, variety of products and services produced and the levels of technology employed

As per the 4th Census of MSMEs, there are close to 26 million such units in India, which provide employment to over 60 million people. 'Registered' means MSMEs that are registered with industry department. The number of 'unregistered' enterprises is based on survey which means the number of MSMEs which are present and could have registered but chose not to do so.

It is interesting to see that majority of the MSMEs rely on self-developed technology and less than 2 percent of them have technical know-how from foreign forces.

### Opportunities for Japanese companies in Indian and in Indian MSME space

Since breaking its self-imposed isolation from world markets in 1991, the Indian economy has witnessed a period of sustained growth of greater than six percent. In 2003-04 and 2007-08, its annual growth rates reached an even higher orbit, marking the second highest growth momentum in the world with an average of 8.8 percent, next only to the People's Republic of China. Per capita GDP growth also doubled to 7.3 percent (from 3.7 percent in 1980-91), increasing per capita consumption and further fuelling economic expansion. Growth of this magnitude catapulted India to become the world's twelfth largest economy in current prices, with a GDP of over US\$1 trillion, and the fourth largest economy when measured by Purchasing Power Parity (PPP).

India – a country of 1.2 billion people – is currently passing through huge transformation and presents enormous opportunities. Millions are moving from rural areas to urban areas: urban population it is set to increase from 377 Mn to 600 Mn in the next 20 years. In the 1960s, more than half of India's GDP used to come from Agriculture; now three quarters of it comes from Industry and Services.

Income levels are rising dramatically both in Rural as well as Urban areas (see accompanying tables) fuelling demand of all kinds of goods and services. Besides the huge investment opportunity in infrastructure estimated to be around US\$1 trillion, opportunities also abound as millions of new houses that are being built and as families set-up base in new towns there is need for consumer goods such as refrigerators, air-conditioners, appliances and automobiles etc.

### Size of the MSME Sector in India

	Attribute	Registered	Unregistered	Total
1	Number of Enterprises	1.52	24.57	26.10
	Manufacturing	0.95	6.36	7.31
	Service Enterprises	0.58	18.20	18.78
2	Employment	9.47	50.25	59.72
	Manufacturing	7.84	14.75	22.59
	Service Enterprises	1.63	35.50	37.13

Source: Summary Results of 4th Census of MSMEs, reference year 2006-07, Ministry of MSME

### Technical Know-How

Source	% MSMEs
Foreign Collaboration	1.72 %
Collaboration with Indian company	4.20 %
R&D institution with in India	6.39 %
Self-developed/machinery suppliers	86.53 %
Not reported	1.17

Source: Summary Results of 4th Census of MSMEs, reference year 2006-07, Ministry of MSME

### Number of MSMEs in Industry Groups

NIC code	Industry group	% MSMEs
18	Garments/ apparels/ dyeing etc	13.84
15	Food products and beverages	13.69
52	Repair and maintenance of household goods	9.09
28	Fabricated metal products	8.89
17	Textiles	6.87
36	Furniture	6.44
29	Machinery and equipment	4.66
50	Repair and maintenance of automobiles	3.74
26	Non-metallic products (plastics, rubber, paper ..)	3.65
20	Wood & wood products	3.47
	Others (including services, IT etc)	25.67

Source: Summary Results of 4th Census of MSMEs, reference year 2006-07, Ministry of MSME

Sectoral GDP of India	1960	2010	change
Agriculture	55	18.5	- 66%
Industry	16	26.3	+ 64%
Services	29	55.2	+ 82%

Rural Percent of each Income group					
	1995-6	2001-2	2005-6	2009-10	Change (95-96 ~09-10)
Upper	2.1	3.6	5.2	8.1	+285%
Upper Middle	3.1	4.1	5	6.5	+109%
Middle	8.6	10.1	13.7	22.3	+160%
Lower Middle	29	39.5	43.5	42.5	+46%
Lower	57.2	42.7	32.5	20.6	- 64%

Urban Per cent of each Income group					
	1995-6	2001-2	2005-6	2009-10	Change (95-96~ 09-10)
Upper	7.3	16.7	23.6	35.9	+391%
Upper Middle	9.6	13.7	15	16.3	+70%
Middle	20.3	23.6	23.4	21.7	+7%
Lower Middle	34.8	31.7	28.1	21.4	-39%
Lower	27.9	14.3	9.9	4.7	-83%

Drivers of Economic Growth in India (2002-03 to 2007-08)		
	Segment	% age
1	Manufacturing	16%
2	Trade	14%
3	Communication	11%
4	Agriculture	10%
5	Construction	10%
6	Real Estate/Housing/Business Services	8%
7	Banking and Insurance	8%
8	Other Services	7%
9	Transport by Other Means	6%
10	Other	10%

Source: Arvind Virmani, Economic Advisor, Ministry of Finance, 2008

While the Indian market presents enormous opportunities, the entry and servicing it is complex and difficult. The Indian market demands huge customization to the needs and tastes of Indian consumers. Presence in India, preferably with manufacturing facility, is becoming essential to exploit emerging opportunities.

It is in this context MSMEs provide excellent opportunities to their Japanese counterparts. A large number of Indian MSMEs need technology and know-how to produce goods that can sustain global competition while serving domestic demand. The following sectors present excellent potential for Indo-Japanese collaboration:

- Electricals (Electrical equipment as well as appliances);
- Electronics;
- IT/ITES;
- Engineering (including auto components, defense and aerospace industry);
- Technical Textiles;
- Chemicals & plastics;
- Pharmaceuticals and Healthcare;
- Food processing; and,
- Packaging industry.

### A Word of Caution

Identifying a business partner is never easy; it is no less difficult in India. Japanese

companies should be particularly concerned about three things:

- Short term vision of their Indian entrepreneurs (peer opinion is important);
- Gaps between their intention and capability; between promise and delivery; and,
- Awareness for IPRs (patents etc) is low but with suitable measures IPRs can be effectively protected in India.

Federation of Indian Micro and Small and Medium Enterprises (FISME) facilitates identification of right partners from its three offices in New Delhi, Bangalore and Hyderabad. It runs three IPR Facilitation Centres (sponsored by Ministry of MSME, Govt. of India), and with in-house Patent Attorneys provides guidance on IPR protection.

India is an unparalleled opportunity: the largest democracy, a free market economy with rule of law, and clocking one of the world's highest economic growths for over a decade.

Source: Secretary General, Federation of India Micro and Small & Medium Enterprises

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His Excellency Honorable Minister for METI Mr. Yukio Edano Visiting ABK AOTS DOSOKAI seen with Nihon Technology Chairman and CEO.

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# Indian IT Industry An Agenda for Action

By Ameet Nivsarkar \*



Times have been changing rapidly – 2011 started on a high note, with the global economy seemingly emerging out of a recession, and with the added promise of optimism and growth. However, as the year progressed, several factors continued to dampen sentiments and growth prospects.

What is striking though is that despite all the global uncertainties, there was no letup of intensity in global technology spending. Clients continue to look at global sourcing not only as cost saving operations, but increasingly to enhance competitiveness, increase time-to-market, drive business productivity, impact outcomes and as centres for rapid innovation. As a result, global sourcing grew twice as fast as global technology spending in 2011.

This year, the Indian IT-BPO sector achieved a landmark, as it crossed aggregate revenues of US\$100 billion in FY 2012, generating direct employment for over 2.8 million people. The industry currently accounts for almost 25 percent of India's total exports, and 11 percent of total services revenues. The unique India value proposition of competitive costs, large employable talent pool, customer-centric service providers, excellent business infrastructure and consistent government support has ensured continued growth of the sector.

From \$100 million two decades ago, to \$100 billion today, the industry has witnessed a momentous jump within 20 years. The manner in which the industry has transformed has been phenomenal. From the kind of marquee global customers it is drawing, to the projects it is delivering, to the talent pool it has built, to the competitive differentiators it has created for itself — the sector has added several dimensions to its success story. Today, the IT-BPO industry is making a deep impact on India, on its economy and its people.

We see the Indian technology sector enter the 'age of hyper-specialization,' which

Indian IT-BPO sector achieved a landmark, as it crossed aggregate revenues of US\$100 billion in FY 2012, generating direct employment for over 2.8 million people. The industry currently accounts for almost 25 percent of India's total exports, and 11 percent of total services revenues



Looking ahead, we can see the next phase will be different. The global economic environment remains unstable, but despite adverse conditions, the IT-BPO industry will continue its growth path. This is largely due to our ability to embrace change, adopt different business models, and explore new and emerging opportunities as soon as they appear on the global radar. Also, the global IT spend is expected to grow over the next few years, thus opening new avenues for the Indian sector to tap.

The Indian IT industry has extensively contributed towards a consistent growth of the nation's economy thereby putting India on the global map. Projected to become a US\$225 billion industry by the year 2020, the IT-BPO has become one of the significant growth drivers for the economy. In addition to contributing towards the economy, this industry has also positively impacted the lives of many through contribution to the various socio-economic parameters such as employment, standard of living and diversity among others. The industry has played a major role in transforming the country's image to an innovation and entrepreneurship hub; one which offers the best worldclass technology services and solutions. From a rural- and agriculture-based economy we see India evolving as knowledge-based economy. The efforts of the industry towards the holistic development of the Indian economy and society will continue making a positive impact and changing lives as it has done so far.

Further, the industry has played an active role in developing the country beyond regions, empowering diverse human assets, driving technological innovation to transform client businesses, and enhancing the overall brand image of India.

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*\* Vice President, Global Trade and Development, NASSCOM*

incidentally is also the theme of the India Leadership Form this year. If there is a single phrase that describes the transition of the world and justifies its present-day complexity, it is probably 'hyper-specialization'.

The concept revolves around the metamorphosis of the technology industry from one-directional supply chains to multi-dimensional supply networks, from the desk phone to handphone and now the unified communication platforms, from boxed organizational charts to tangled eco-system meshes and from onsite hosting to cloud hosting.

I often hear the discussions on the Global tech meltdown and its impact on India, but if I were to see it, it is nothing less than an opportunity for emerging markets like that of ours. There has been an upsurge in the global customers ramping up their presence in emerging countries like India and China as a means to gain access to local markets. These are good times for us and although we are cautiously optimistic about the growth rate in the near future, the opportunities are immense. With the slowing growth rates across economies, growth is shifting to developing markets like India and China. The IT industry in India

therefore has a bigger role to play to contribute towards the growth and development of the global economy.

We, at NASSCOM, can clearly see a shift in the way we are looked at by other economies. The IT Industry in India is seen more and more as a strategic partner today in specific business areas to drive productivity gains and business outcomes. Factors including domain proficiency, process excellence and scalability are key to the long term success of companies today and a major differentiator amongst countries. India has been one of the first in adopting these as its value proposition and thereby is emerging as one of the leaders in the global sourcing landscape.

Further, the industry's growing capabilities around transformative services, new business models, flexible product portfolios, verticalized solutions, and services around disruptive elements such as cloud, analytics, social media and enterprise mobility coupled with the industry's continued focus on operational efficiencies and non-linearity, resulted in the growth of India's market share in the global sourcing arena to 58 percent in 2011.

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# The Global Generic Pharmacy

By Dr P.V. Appaji \*

Indian Pharmaceutical industry has started its journey in the early twentieth century with setting up of Alembic. In the mid thirties CIPLA started API manufacturing. Even in the early seventies Indian Pharmaceutical manufacturers' contribution to the healthcare of the Indian population was quite small. Only two companies, namely Alembic and the other Sarabhai, which was in fact more a Legacy of American Squibb, and Geigy a Swiss company than an Indian company, were featuring among the top 12 Players of Pharmaceutical market till mid seventies of the last century.

To help self reliance, Government has promulgated process patent act in 1970 and Indian industry has grabbed the opportunity with both hands and developed unparalleled skills in reverse engineering and produced cost effective formulations. Soon State owned IDPL was initiated into basic manufacturing with know-how support of erstwhile Soviet Union, which was positioned to complement the Indian company's efforts. Thus the Indian pharma industry was born.

The late eighties saw many Indian companies not only playing pivotal role in the domestic market but earning the name of reliable source of Pharmaceuticals for many countries. The

pharmaceutical sector had become a net foreign exchange earner by then and has been so through 2010-11.

Many Indian entrepreneurs who were nurtured in the state owned IDPL have setup their own units and have grown to become world class API and Generic Formulation manufacturers. Dr. Reddy's, Aurobindo, to name a few. Early companies like Cipla, Ranbaxy and Cadila also with their state of the art manufacturing facilities, earned top slots.

Indian exports by 2005, when the WTO agreement of product patent act was being implemented, was to the tune of INR 15,000 crore. India by then had mastered the art of developing process patents, and with its major portion of formulation exports to less regulated countries, turned its attention to highly regulated markets to move up the value chain. Pharmaceutical Exports Promotion Council (Pharmexcil) was instituted then to help better channelization of Pharmaceutical exports in 2004.

## Post TRIPPS

Around 74 facilities from India were registered with USFDA by 2005. The pharmaceuticals industry with this infrastructure started rerouting its journey from being only a

reverse engineering industry mostly suitable for domestic market to a basic research driven industry. More enterprising ideas of contributing as a significant global player started emerging. After a thorough re-look at its present portfolio, the industry brought in a paradigm shift, by providing a wide range of value added quality products and services (like offering their facilities and skilled staff for initial phase of research, and clinical trials) with good management of product life cycle, thus enlarging their reach.

## Positioning in the Global Arena

Besides, the competent and cost efficient workforce (only 20% of cost of operations in US or 30 to 35 percent of the cost in Europe) positioned India as a Pharmaceutical manufacturing hub. Indian manufacturers rapidly built state of the art facilities and started gaining accreditation from authorities like USFDA, UKMHRA, EDQM to name a few evident from the chart 1.

A comparison of Top ten countries' DMF's filings with USFDA show that India progressed rapidly in harnessing its chemistry skills in the last six years during which from less than a hundred filings in 2005 it progressed to 2760 by Dec 2011 accounting for 35 percent of the total DMFS filed. In the years 2010 and

**Chart 1: Table showing some Accreditations**

Approvals Received by Indian Pharma Companies from various Regulatory Agencies of the World			
Country	Name of Regulatory Agency	Nos.	As On
USA	DMFs filed with U.S. FDA (companies)	220	Dec 2011
	No: of sites registered with US FDA	503	Dec 2011
	Total No Of DMF's Filed from India (as on Dec 2011)	2759	Dec 2011
	Formulation companies with ANDA's approvals. FDA	29	Dec 2011
EDQM	EDQM (European Directorate of Quality Medicine) (Bulk drug facilities)	153	
	Number of CEPs received	805	July 2011
	Number of Molecules for which CEPs have been filed with EDQM	195	July 2011
UK	MHRA (Medicines Healthcare Regulatory Agency), UK (companies)	15	
Ethiopia	DACA (Drug Administration and Control Authority), Ethiopia (companies)	50	Dec 2010
India	WHO GMP Certified Plants (as per Drug Controller General of India)	~1,000	

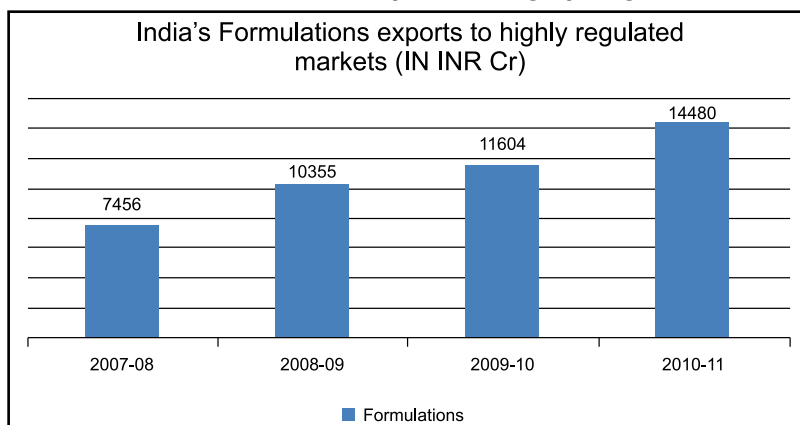
Source: FDA websites of respective countries, Pharmexcil Research

2011 India alone accounted for 47 and 51 percent of the total DMF's filed with USFDA respectively. As on Dec 2011 almost a fourth of CEPS granted by EDQMA were of Indian companies.

Indian exporters exhibited matching prowess in producing world class generics which are endorsed by USFDA, UKMHRA, TGA etc by their market authorizations. (Refer chart No 4).

Cost Advantage & Vast Talent Pool: A recent Deutsche Bank report puts average cost of production of Indian Pharmaceutical industry as 20 percent of USA's cost and 30 percent of Europe's cost.

**Chart 4: India's Formulation Exports to Highly Regulated Markets**



**Chart 2: Country-wise Comparison of DMF's as on Dec 2011**

Table Showing market authorizations of Indian Pharma Granted by Various agencies.

List of Market Authorisations			
No	Granting Authority	Number	As On
1	USFDA	1989	31-Dec-11
2	UKMHRA	1113	31-Dec-11
3	TGA Australia	845	31-Jul-11
4	Health Canada	472	31-Jul-11
5	Tanzania	1591	31-Jul-11
6	Kenya	2949	31-Jul-11

Each year, roughly 115,000 chemists graduate from Indian universities with a master's degree and roughly 12,000 with a PhD. The corresponding figures for Germany are just under 3,000 and 1,500 respectively. Overall business managerial skills of Indians are second to none and are sought after even in the highly developed countries of the west and Singapore.

With such low cost of operation, large pool of educated population and the fact that as of 2011 December 503 manufacturing sites were registered with USFDA (the highest number outside USA), speaks volumes of the depth of expertise, it is no wonder that India has attained the title of pharmaceutical manufacturing hub. An increasing number of foreign companies are now setting up

manufacturing facilities in India to cater to their global business.

### Up the Value Chain

The Indian Pharmaceutical industry has managed the product mix accordingly to position themselves as a major source of supply for highly regulated markets. During the last three years many DMFs of therapeutic segments like Cardio vascular (CVS), Central nervous (CNS), and of Oncology were filed. 1252 DMF's out of a total of 2759 filed with USFDA are of these therapeutic segments. 240 out of 860 market authorizations received from USFDA during the last three years are for CNS, CVS mostly and a beginning in Oncology also is made.

India's exports of formulations during the recent years show its ability to cater to the needs of highly regulated markets and developed countries which need more of life style drugs. Refer chart No 4:



The gradual change in composition of India's exports speaks of India's ascendancy in catering to the needs of developed countries. Gradual increase in Formulation exports is seen over the years. Please refer chart -5.

In the year 2010-11 the country's pharmaceutical exports have recorded a figure of INR 47,553 crore with a growth rate of 12.0 and in US\$ terms has touched 10,435 million with a growth of 16.53 percent. 27 percent of its formulation exports were to the USA during 2010-11.

India exports pharmaceuticals to over 226 countries/colonies. The following table shows some of the countries region-wise patronizing India's pharmaceuticals.

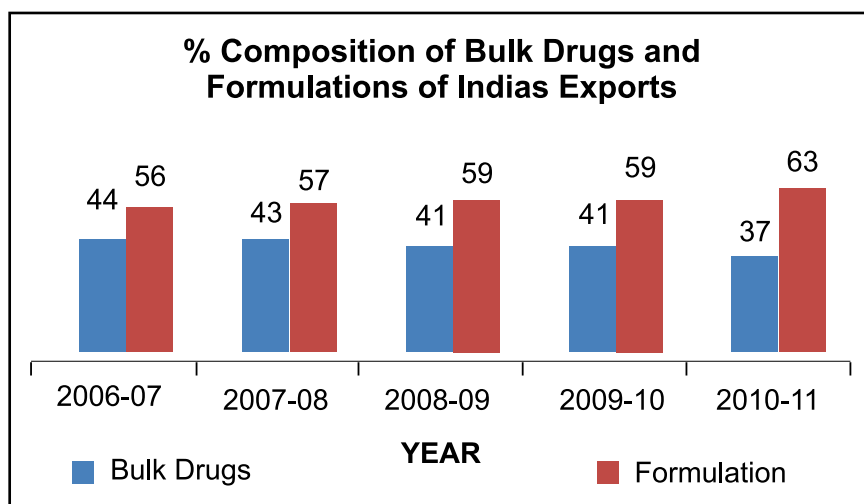
Region	Country
Africa	South Africa
	Nigeria
ASEAN	Vietnam
	Singapore
Asia (Excluding Middle East)	China
	South Korea
CIS	Russia
	Ukraine
EU	UK
	Germany
LAC	Brazil
	Mexico
Middle East	Turkey
	Israel
North America	USA
	Canada
Oceania	Australia
	New Zealand
Other European countries	Switzerland
	Croatia

### India Tops the Formulation Exporters

India topped the formulation exporters with 12 percent market share by way of volumes as per UN COMTRADE in the calendar year of 2009. Even in the year 2010 India is retained this position, perhaps with increased percentage share.

During the year 2010 the world generic market size was US\$234 billion out of a total of US\$856 billion. That is a total of 27.3 of the total market is of generics. By 2014 while the total market is expected to go to US\$1100 billion, generics market is expected to touch US\$400 billion as per IMS estimates. That is 36 percent of the market will consist of

Chart 5: Composition of India's Exports



generics, growing at a CAGR of 14 percent while the total market is expected to grow by 6 percent.

As the pipeline of Innovative block busters, if not totally dried to a trickle, it is the generic sector which will be the major driver of the pharmaceutical market for some time to come.

India then could be concluded as placed on a firm ground with all the necessary infrastructure and product range to become a major source of API's and formulations be it Africa, Asia or the well developed Europe or the Americas.

India is looking at the Japanese market with interest as the generic market in Japan is likely to grow faster as the authorities are keen to promote generics in a bigger way so as to help generic market reach a fourth of the total market by way of value, soon. Presently the generic market constitutes only 11 percent of

the Japan's total market. During 2010-11 India exported US\$80 million to Japan. Exports to Japan have picked up considerably as for the period April-Aug 2011 exports to Japan touched US\$49 million with a growth of over 40 percent in comparison to the corresponding period.

Indian companies are also now investing in basic R&D. Today the average is around 4 percent of the revenues as Deutsche bank report puts it. Companies like M/s Suen invests 27 percent of its revenue in R&D.

Pharmexil as the nodal agency of Indian Pharmaceutical exporters always appraises the Government of India, regarding the road blocks in India's way and the country is aware of its intense competition and is quite sensitive to the requirements.

\* Executive Director & CEO, Pharmaceutical Export Promotion Council.



# Indian Food Processing Industry

## A Status Report

India presents a study of contrasts as far as the food industry is concerned. With a predominantly agrarian economy, the potential for the explosive growth of the food processing industry seems to be simmering just below the surface. The country has several advantages that if exploited and channelled in the right direction with the right infrastructure can ensure that we poise ourselves for take-off in this segment. But unfortunately, the food processing industry faces several bottlenecks that have stymied its growth.

### **Core Strengths that Should Encourage Investment in Food Processing**

**India's Strong Agriculture Record:** India has the ability to become the food supplier to the world. India is the number one producer of milk, and second largest producer of fruits and vegetables in the world. The country is one of the largest producers of rice and wheat. The country also tops in the production of mangoes and bananas. In the next ten years, food production is expected to double – thus providing a vast source of raw material for the food production industry.

**India's Growing Consumer Base:** India's population stands at 1.25 billion and is expected to grow at 15 percent per annum.

With its economy taking an upturn, the purchasing power in the country has increased dramatically in the recent past. The urban middle class stands 350 million strong and is expanding fast. The statistics prove that this represents an expansion of the market for processed foods. Food products are the single largest component of private consumption expenditure, accounting for as much as 49 percent of the total spending. Furthermore, the upward mobility of income classes and increasing need for convenience and hygiene is driving demand for perishables and non food staples as well as processed foods. Also, as middleclass aspirations grow there has been a change in consumption patterns. Eating out is more common and processed foods are accepted as an alternative to home cooked food because of the convenience it offers.

### **Global Trade Powers Supplies: With the globalization of trade and availability of**

high speed logistics, food retailers in developed countries are sourcing a year-round supply of fruits and vegetables from developing countries. Thus, there is a year round opportunity for fruits and vegetables, meat and poultry products and ready to eat processed foods both for local consumption

as well for export.

**Change in Agro Profile:** Over the years, there has been a shift from food grains to cultivation of commercial crops like fruits, vegetables, spices and plantation crops.

### **The Main Players in the Food Processing Industry**

The Indian industry has recognized the potential of food processing. There are several well known Indians as well as multi-national brands like Tropicana that have entered the industry and provide customers with options ranging from processed juices, ready-to-eat foods, dessert mixes, chocolates, confectionaries, cookies and much more.

Indian companies have been innovative. HLL, ITC, MTR and others have introduced innovative heat-and-eat dishes and high standard packaging. Local companies like Dabur, MTR, ITC, Godrej, and Amul are aggressive across the value chain. Multiple restaurant chains such as McDonalds, Pizza Hut, Dominos, Coffee Day, Qwiky's, Saravana Bhavan and Sagar Chains are growing rapidly. However, the overall pace is slow. There are no billion dollar players in India, while in countries like China and the Philippines there are large players with sales exceeding US\$1 billion.

**Corporate Houses and State Govt/PSUs currently engaged in Processed Food Sector**

Indian food processing exports range from dehydrated vegetables and fruit pulps to ready-to-eat snacks. Export with a major country like Japan has shown an encouraging trend over the past few years. India's biggest export to Japan in this sector is mango pulp.

Indian food processing exports range from dehydrated vegetables and fruit pulps to ready-to-eat snacks. Export with a major country like Japan has shown an encouraging trend over the past few years. India's biggest export to Japan in this sector is mango pulp. Guargum and poultry products also make up a significant portion of the exports to Japan. Alcoholic beverages, cereal preparations and dairy products also make their way from India to the Japanese market.

Company	Major Brands	Categories/Products
Dabur India Ltd	Dabur, Real Activ, Vatika, Pudín Hara, etc	Juice, Honey, Spices, Cooking Pastes, Coconut Milk, etc.
Godrej Industries Ltd	Godrej, Jumpin, Xs, etc	Oils and Vanaspati, Bakery Fats, Fruit Drinks and Fruit Nectar, Non-food items include chemicals, consumer products, etc
Parle Agro Ltd	LMN, Bailey, Appy, Frooti, etc	Water, Beverages, Confectionary, etc.
MTR	MTR	Ready to eat and frozen food, Spices, Dessert mix, Pickle, Papads, Beverages, etc.
Nestle India	Nestle, Maggi, Nescafe, etc	Chocolates, Malt food, Cocoa, Infant Food, etc.
Pepsico	Pepsi, Frito-Lay	Carbonated drinks, Juices, Snack Foods, etc.
Cadbury India Ltd	Dairy Milk, Perk, Five Star, Gems, etc.	Chocolates, Malt food, Cocoa powder, etc.
Hindustan Unilever Ltd	Brooke Bon, Annapurna, Kissan, Knorr, Kwality Walls	Tea, Coffee, Biscuits, Ice creams, Atta (flour), Instant drinks, Soups, Jams and Squash, and other FMCG products,
Gujarat Cooperative Milk Marketing Federation	Amul	Ice cream, Skimmed milk powder, Ghee, Dairy whitener, Paneer (cottage cheese), Sweet Yogurt, Pizza, Cheese, Butter, etc
Hind Agro Industries Ltd.	Fast Prax, (Fast Food Outlets)	Meat of Buffalo, Sheep and Goat
Allanasons Limited	Premier (fruits and vegetables)	Meat of Buffalo and goat, Fish
VH Group	Venky's	Chicken & eggs
Al Kabeer	Al Kabeer	Vegetables and fruits, snacks, Meat and poultry, Ready-to-eat meals and seafood





## India Export of Agro Food Products-Country Report/Product Group Wise

Country: Japan

Value in Rs. Lacs Qty in Mt.

Product	2008-2009		2009-2010		2010-2011		%age growth on previous year	%age share current year	
	Qty	Value	Qty	Value	Qty	Value			
Mango Pulp	4,971.26	3,730.99	2,471.53	1,938.34	3,750.61	2,930.48	51.19	23.53	
Guargum	1,807.84	960.45	1,888.63	1,982.66	2,679.18	2,564.74	29.36	20.59	
Poultry Products	749.10	2,299.75	551.72	1,143.77	591.59	1,183.86	3.51	9.51	
Floriculture	965.34	1,790.97	970.92	1,558.74	576.71	1,151.87	•26.1	9.25	
Other Processed Fruits and									
Vegetables	3,108.29	2,064.51	2,091.76	1,407.20	1,958.16	1,147.37	•18.46	9.21	
Other Cereals	77,549.90	8,316.01	5,583.92	683.66	7,386.88	1,108.73	62.18		8.9
Fruit and Vegetable Seeds	101.85	847.05	96.68	883.78	191.77	718.75	•18.67	5.77	
MISC. PREPARATIONS	1,532.90	589.45	904.77	513.09	899.96	499.48	•2.65	4.01	
Dried And Preserved Vegetables	602.13	175.53	580.49	223.84	614.23	270.17	20.7	2.17	
Alcoholic Beverages	587.47	253.65	230.07	186.60	180.79	212.02	13.62		17
Ground Nuts	247.40	137.20	217.47	106.62	325.29	179.33	68.2	1.44	
Cereal Preparations	415.96	207.50	231.62	137.35	279.11	151.27	10.13	1.21	
Other Fresh Fruits	438.16	126.35	295.33	189.64	215.83	143.15	•24.51	L15	
Milled Products	33.58	12.36	188.48	36.05	190.80	52.31	45.1	0.42	
Dairy Products	1,162.35	1,490.79	31.65	48.16	28.65	46.07	-4.34	0.37	
Pulses	61.24	16.15	57.17	24.46	86.56	24.79	1.35		0.2
Fresh Mangoes	118.71	119.87	54.48	56.79	14.52	20.55	•63.81	0.16	
Basma Ti Rice	691.16	515.56	90.65	78.00	22.37	9.34	•88.03	0.07	
Other Fresh Vegetables	13.07	3.63	199.97	18.70	14.48	8.94	•52.19	0.07	
Fresh Onions	7.45	3.73	33.00	4.58	52.50	8.04	75.55	0.06	
Jaggery And Confectionery	24.40	5.55	9.37	3.43	10.70	7.72	125.07	0.06	
Fresh Grapes	1.50	0.74	0.43	0.55	8.57	6.37	1058.18	0.05	
Walnuts	175	1.89	39.20	10.36	2.80	5.20	-49.81	0.04	
Natural Honey	15.02	22.46	29.27	75.98	2.02	3.55	•95.33	0.03	
Wheat	0.00	0.00	0.00	0.00	7.70	1.01	100.00	0.01	
Non Basmati Rice	0.05	0.03	1.34	0.27	0.00	0.00	•100		0
Sheep / Goat Meat	0.00	0.00	0.01	0.01	0.00	0.00	•100		0
Swine Meat	0.01	0.00	0.00	0.00	0.00	0.00	0.00		0
Buffalo Meat	10.00	7.48	28.65	21.77	0.00	0.00	•100		0
Cocoa Products	114.28	69.02	9.28	15.98	0.00	0.00	•100		0
Total	95,332.17	23,768.67	16,887.86	11,350.38	20,091.78	12,455.11			

Source: Directorate General of Commercial Intelligence and Statistics

### Three Year Export Statement of APEDA Products

Value in Rs. Lacs Qty in Mt.

Product	2008		2009		2010-11	
	Qty	Value	Qty	Value	Qty	Value
Processed Fruits & Vegetables						
Dried And Preserved Vegetables	147861.22	49641.51	124613.5	53207.48	110173.91	51697.09
Mango Pulp	173013.6	75298.9	186197.85	74460.77	171929.43	81400.66
Other Processed Fruits And Vegetables	387126.42	137179	397978.17	143550.63	340067.97	131635.53
Pulses	136880.08	54232.5	100130.94	40832.47	205820.98	85310.73
Total	844881.32	316351.91	808920.46	312051.35	827992.29	350044.01

#### OTHER PROCESSED FOODS

Ground Nuts	297890.37	123900.93	340246.31	142593.3	417150.04	209406.4
Guargum	258567.56	133898.53	218479.74	113330.55	403675.01	281194.5
Jaggery And Confectionery	1467904.9	200482.09	53639.76	23320.18	1068376.45	349570.07
Cocoa Products	6831.9	8403.91	5863.88	9699.45	6962.54	11151.92
Cereal Preparations	206928.49	110092.5	168795.5	101353.72	215727.31	122681.79
Alcoholic Beverages	56152.9	54254.2	70504.99	58952.65	132113.31	79019.63
Miscellaneous Preparations	139637.31	59172.63	158803.46	69427.79	182184.2	87426.47
Total	2433913.43	690204.79	1016333.64	518677.64	2426188.86	1142450.93
Grand Total	3278794.75	1006556.7	1825254.1	830728.99	3254181.15	1492494.94

#### Share (%age) of Top Five Destination of APEDA Products Year 2010-2011

Dried and Preserved Vegetables	Russia (11.53%)	Germany (10.81%)	Malaysia (7.86%)	USA (7.81%)	France (7.49%)
Mango Pulp	Saudi Arabia (25.87%)	Netherlands (13.18%)	UAE (7.60%)	Yemen (7.46%)	UK (6.94%)
Other Processed Fruits and Vegetables	USA (23.16%)	UK (9.48%)	Netherlands (8.58%)	Saudi Arabia (6.86%)	UAE (4.51%)
Pulses	Pakistan (31.85%)	Algeria (13.02%)	Turkey (11.73%)	Sri Lanka (9.43%)	UAE (7.68%)
Ground Nuts	Indonesia (43.06%)	Malaysia (17.46%)	Philippines (11.04%)	Pakistan (4.29%)	China (4.13%)
Guargum	USA (59.96%)	China (7.36%)	Germany (6.16%)	Russia (4.20%)	Italy (2.53%)
Jaggery and Confectionery	Bangladesh (25.48%)	Pakistan (18.80%)	Sri Lanka (9.10%)	Somalia (7.10%)	Indonesia (5.53%)
Cocoa Products	Netherlands (25.48%)	Nepal (17.28%)	USA (13.68%)	China (9.59%)	Sri Lanka (7.82%)
Cereal Preparations	USA (16.75%)	UK (11.12%)	Bangladesh (7.49%)	UAE (6.64%)	Nepal (6.07%)
Alcoholic Beverages	UAE (23.53%)	Angola (21.66%)	Ghana (7.22%)	Singapore (5.36%)	Nepal (3.62%)
Miscellaneous Preparations	USA (18.46%)	UAE (10.62%)	Nepal (7.08%)	Kenya (6.39%)	UK (6.12%)

Financial schemes for exports presently focus on: Infrastructure development; Quality development; Market Promotion; Research and Development; Transport Assistance; and, Marketing Development Assistance

#### The Way Forward for Indian Food Processing

**Develop Food Clusters:** The creation and development of food clusters can be helpful. Actually, India has natural food clusters. Since the raw materials for the industry are perishable and the infrastructure is missing, most processing units are located close to the source of raw materials. Encouraging this trend and establishing a proper infrastructure via uninterrupted power supply, cold storages, rural roads and connectivity between farms and markets will surely help. Proactive measures will be required both by the Central and State governments. Private participation through the Public Private Partnership model can bring in funds for technological research as well as for infrastructure development.

**Provide Finance:** Finance is also a key to developing the industry. But things are looking up, especially in the export sector. Financial schemes for exports presently focus on: Infrastructure development; Quality development; Market Promotion; Research and Development; Transport Assistance; and, Marketing Development Assistance.

Recently a common aseptic packaging unit with capacity of 6 MT per hour for mango pulp and vegetables was set up in Chittoor district of Andhra Pradesh with an assistance of Rs. 440.00 lakhs from APEDA. The unit has been operational since April 2011. Financing is important for the growth of the food processing industry and banks as well as private equity have a crucial role to play.

Source: Agricultural & processed food products export development authority and Dun & Bradstreet



# India – Major Player in Seafood Production and Exports

By Marine Products Export Development Authority, (Govt of India), Kochi

India is blessed with a coastline of over 8,129 km; 2.02 million sq. km. of EEZ, 0.5 million sq. km. and a continental shelf estimated to have exploitable fishery resources to the tune of 3.9 million tons of which above 3.02 million tons are presently exploited. The estimated potential brackish water area suitable for shrimp farming is about 1.2 million hectare, of which around 15 percent is utilised for farming, producing about 1.46 lakh tons of shrimp and scampi which is going to the export basket. India's total fishery production is about 7.6 million tons from both capture and aquaculture sources.

Major commercial items of exports are shrimp and scampi, fin fishes, cuttlefish, squid, lobster, crabs etc. The major markets are EU, South East Asia, China, USA, Japan and the Middle East. There are 421 processing units

(of which 237 units have been approved by EU) with a freezing capacity of over 16,202 MT/day making India one among the biggest seafood processing hubs in Asia.

During 2010-11, exports from India touched an all time record value of US\$2,856.92 million through the export of 813,091 tons of fish and fishery products. Frozen Shrimp is the major export item accounting 44.17 percent of the total export earnings. Export of Frozen Shrimp to USA registered a tremendous growth of about 140.47 percent in value.

Fish is the principal export item in quantity terms, the second largest export item in value terms, and carries a share of about 20.42 percent in value. The other major items were frozen cephalopods, dried items, chilled and live marine products. India exports marine products to 98 countries.

The provisional figures indicate that the exports during April to September 2011 were 312,904 tonnes in quantity, worth US\$1,496.34 million. The exports recorded a growth of 0.12 percent in quantity and 23.01 percent growth in US dollars earnings compared to the same period in previous year. Presently, India is among the largest suppliers of shrimp to Japan. India is also the 5th topmost supplier of shrimp to Europe.

## Role of MPEDA as Catalyst

The Marine Products Export Development Authority (MPEDA), a statutory body set up by the Government of India under the MPEDA Act 1972, is the nodal agency that oversees seafood export activities in India. The role envisaged for the MPEDA under the statute is comprehensive covering of all works relating to promotion of raw material production by





capture and culture of fisheries, processing, marketing, extension export standards and training in various aspects of the industry.

The MPEDA functions under the Ministry of Commerce & Industry, Govt. of India, as a nodal agency coordinating with different Central and State Government establishments engaged in fishery production and allied activities. The MPEDA has established field offices in all the maritime states of India and the developmental schemes for export promotion/aquaculture production of marine products are implemented through these field offices. Apart from offices in India, the Authority has two Trade Promotion Offices functioning in Tokyo and New York.

### Quality Control Measures

To ensure quality of the seafood and to make it free of contaminants as per the import regulations of major markets like EU, USA etc., MPEDA implements pre-harvest screening of antibiotics in shrimps and other residues through its regular monitoring plan. This is done through 16 ELISA labs set up by MPEDA in addition to the three NABL accredited labs of MPEDA.

Besides this, MPEDA has also set up three societies, viz., NETFISH, NaCSA and RGCA to provide adequate attention in the fields of capacity building and applied research.

Network for Fish Quality Management and Sustainable Fishing (NETFISH), was established for capacity building of both fishing and fish processing sectors at the

grassroot level in order to improve the quality of fishery products, and works in close coordination with international and national institutions of excellence in the field of extension and training.

The second, National Centre for Sustainable Aquaculture (NaCSA), organizes small farmers to form primary aquaculture societies, and provides technical support to build their capacity to produce quality shrimps in a sustainable manner. It also facilitates linkages between aquaculture stake holders, implement voluntary guidelines on Best Management Practices, and formulate strategies that benefit the entire shrimp farming community.

Rajiv Gandhi Centre for Aquaculture (RGCA) is the Research and Development arm of MPEDA that has evolved as a 'Centre of Excellence in Aquaculture'. RGCA is actively involved in the development of various sustainable aquaculture technologies for different aquatic species with export potential. It has a state-of-the-art technology transfer and training centre to disseminate the technologies developed to the interested stakeholders. RGCA has also set up a central quarantine facility for the first time in India at Chennai to check the imported Specific Pathogen Free *L. vannamei* shrimp brood stock.

The current diversification in aquaculture practices includes introduction of technology for seed production of Asian Seabass, Cobia, Grouper and Mud Crab, Pangasius and *L. vannamei* farming, cage culture of Asian Seabass etc. Trials on cage farming of grouper

and tilapia, demonstration of mud crab culture and soft shell crab production and expansion of mussel farming are other technologies that are expected to hit the field in the near future. RGCA is also developing SPF brood stock of Black Tiger Shrimp in its research facility situated in the A&N islands.

Simultaneously, MPEDA is also actively pursuing its organic aquaculture programme launched in 2007 and achieved production of organic scampi for the first time in the world. It currently promotes organic shrimp culture in coastal states. MPEDA also supports a small segment of ornamental fish production and export in various states to increase production base and quality. It has also brought in 'Green Certification' guidelines for the first time in the world for Freshwater Ornamentals with an aim to inculcate sustainable development of the sector.



As a part of promotional activities MPEDA participates in various national and international trade fairs wherein the activities and state of the sector are showcased. It also organizes international shows of seafood and aquaculture to promote the sector. Publications and periodicals are also brought out to the benefit of the industry.


### Sea Food Show in Chennai

The Authority, along with the Seafood Exporters Association of India, is organising their 18th India International Seafood Show from 29th February to 2nd March 2012 at Chennai Trade Centre, Tamil Nadu, India. Around 20 exhibitors and over 50 delegates are participating in the event to enhance the existing business and friendship. MPEDA aims that with concerted efforts, we could make India a leading player in seafood production and processing trade.

**Precious and Pretty  
Indian Ornamental Fishes**

Charming ornamental fishes and aquarium plants, be it freshwater or marine, find it all in India. Its hotspots of biodiversity and state-of-the-art culture systems offer ornamental fishes with variety, quality and purity.

Green certification of freshwater ornamental fishes is implemented in India by MPEDA.

 The Marine Products Export Development Authority  
(Ministry of commerce & Industry, Government of India)  
[www.mpeda.com](http://www.mpeda.com)

# India-Japan CEPA Provides Good Opportunity to Apparel Exporters

By Atul Mishra \*

The Indian apparel industry, employing about 60 lakh people, is the significant industry in the country. There are 8000 factories registered under Companies Act in India. Nearly 4.4 percent of export earnings of the country come from this industry. The industry is widely spread in various clusters across the country around the places like Ludhiana, Tirupur, Bangalore, Mumbai, Kolkata, Ahmadabad, Delhi and NCR, Chennai and Jaipur.

Industries located in the clusters have outward oriented markets and more than 90 percent of their output is exported in the overseas markets. Markets which are catered to by apparel exports oriented industries are USA, almost all countries of EU, Russia, Canada, Latin American countries, Japan, southern African countries, gulf countries and some south east Asian countries.

Agreement on textile and clothing led to the quota phase out in the transitional time period of 10 years from 1995-2005. Since January 2005 quota was phased out of the trade in textiles and clothing was regulated by the demand and supply mechanism of markets.

A few early studies suggest that the QRs under the MFA significantly distorted the pattern of exports across developing countries. Thus, developing countries and economists anticipated that developing countries which are highly restricted now, would gain relatively larger shares from 2005 onward. Studies predicted that China, South Asian, and ASEAN are likely to experience the largest exports expansions, while Turkey, Hong Kong, Taiwan and South Korea, as well as Latin American and African countries will likely see relatively small expansions (and possibly reductions) in exports.

For three decades, overall real economic growth had been spectacular - a 10 percent average in the 1960s, a 5 percent average

in the 1970s, and a 4 percent average in the 1980s. Growth slowed markedly in the 1990s, averaging just 1.7 percent, largely because of the after effects of inefficient investment and an asset price bubble in the late 1980s that required a protracted period of time for firms to reduce excess debt, capital, and labor. Government stimulus spending helped the economy recover in late 2009 and 2010, but Tokyo is warning that GDP growth will slow in 2011.

Measured on purchasing power parity (PPP) basis that adjusts for price differences, Japan in 2010 stood as the third-largest economy in the world after China, which surpassed Japan in 2011.

**Table 1: Key Macro-Economic Indicators of Japan**

Details	Year	Figures
Population	(2010 est.)	126,475,664
Population Growth Rate	(2010 est.)	-0.278%
GDP (Purchasing Power Parity - PPP)	(2010 est.)	\$4.338 trillion
Annual Rate of Inflation	(2010 est.)	-0.7%
GDP Per Capita (PPP)	(2010 est.)	\$34,200
Industry	(2010 est.)	23%
<b>Major Ports</b>	Chiba, Kawasaki, Kobe, Mizushima, Moji, Nagoya, Osaka, Tokyo, Tomakomai, Yokohama	

Source: World Fact Book, CIA



Total export of Japan stood US\$769839.4 million in 2010 which increased by 32.7 percent from 2009 while total import were to the tune of US\$692620.6 million almost 25.5 percent higher than 2009. Japan exported 1.2 percent of total export to India while in its total import from world India accounted for less than 1 percent share in 2010. India's share in Japan's export has increased by .1 percent in 2010 from 2009 and share in import also increased from .7 to .8 percent in 2010.

In Japan's total export, apparel sector accounted for less than 0.1 percent share while in import accounted for around 4 percent in 2010. Japan's apparel export to world in 2010 stood for US\$384 million which was 9 percent higher than 2009 and import stood for US\$25262.2 million which is 5 percent higher than 2009.

Japan's import of knitted garment is higher than the woven garment and in the last three years share of knitted garment in total garment import has increased substantially. Import from India was higher for woven garment compared to knitted garment and same remained true for 2010 also. Overall apparel import from India increased by 6.2 percent in 2010 compared to 2009. Below in the Table 2 segment wise import of Japan from world and India is given.

China is the top most apparel supplier to Japan. India is the sixth largest apparel supplier after China Vietnam, Italy, Thailand, and Korea Rep. China accounts for almost 84 percent share in Japan's total apparel import from world while India accounted for 0.8 percent in 2010. Vietnam which is the second largest apparel supplier to Japan accounted for around 5 percent share in total apparel import of Japan. Among the top seven suppliers, except for Italy, the rest of the other partners registered positive growth from 2009 and Bangladesh registered highest growth among them. Apparel imports from India have grown but marginally.

Below in the Table 3 and Fig 1 top 7 apparel import partner of Japan and their relative position are shown:

**Table 2: Japan's Import of Apparel From India and World, US\$ million**

Years	World	India	India's Share in Import in %
2007	22597.5	152.3	0.67
2008	24216.3	182.3	0.75
2009	24069.8	192.7	0.8
2010	25262.2	204.6	0.81
<b>Growth in % 2010/2009</b>	5	6.2	1.1

Source: UN Comtrade, 2011



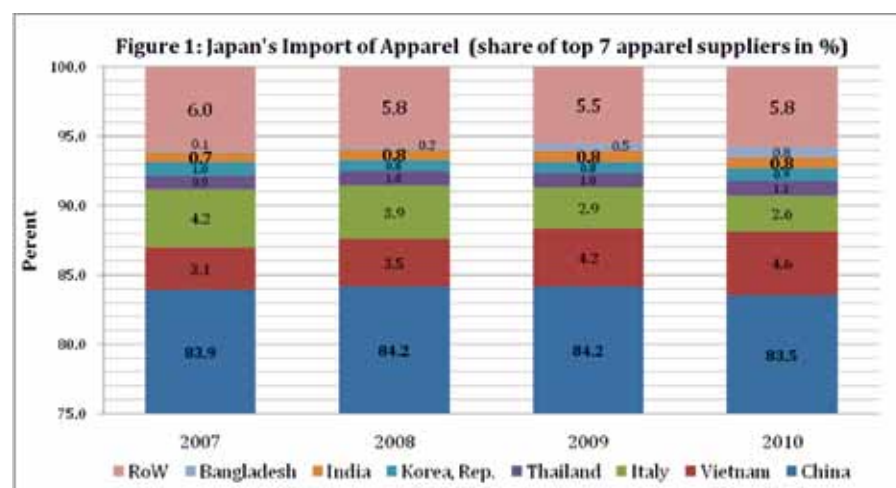
**Table 3: Top Seven Apparel Suppliers to Japan, US\$ million**

Rank in 2010	Countries	2007	2008	2009	2010	Share in 2010 in %	Growth in % 2010/2009
	World	22597.5	24216.3	24069.8	25262.2	100.0	5.0
1	China	18967.6	20381.7	20261.7	21103.1	83.5	4.2
2	Vietnam	690.7	835.7	1007.4	1162.5	4.6	15.4
3	Italy	956.2	937.3	706.0	653.5	2.6	-7.4
4	Thailand	214.1	240.0	248.5	269.0	1.1	8.3
5	Korea Rep.	226.0	199.7	202.9	217.1	0.9	7.0
6	India	152.3	182.3	192.7	204.6	0.8	6.2
7	Bangladesh	29.6	45.3	120.5	196.9	0.8	63.3

Source: UN Comtrade, 2011

### Japan's Apparel Import AT HS four Digit

Japan Imports 34 products at HS 4 digit from world. Among the 34 items there were eight categories where there had been decline in import from last year while rest of the twenty six categories registered increase in import. Categories which registered decline from previous year were 6215, 6213, 6110, 6217, 6208, 6207, 6112, and 6101. The highest growth was registered by the 6102, import of which increased by 33 percent in 2010 from 2009. The top three apparel imports from India at HS 4 digit are 6204, 6206 (Women/Girls' Blouses, Shirts & Shirt-Blouses) and 6214 (Shawls, scarves, mufflers, mantillas, veils and the like). These three items accounted 67 percent share in India's total export to Japan. In Fig. 3 relative position of Japan's top 5 apparel import from India at HS 4 digit is depicted.



Source: UN Comtrade, 2011

India is the sixth largest apparel supplier after China Vietnam, Italy, Thailand, and Korea Rep



Japan Imports 34 products at HS 4 digit from world. Among the 34 items there were eight categories where there had been decline in import from last year while rest of the twenty six categories registered increase in import

Source: UN Comtrade, \*Bubble sizes depict Japan's Apparel Import from world, in US\$ Mn. (Product name in yellow colour at HS 4 digit and values are in brackets)

Table 4: Japan's top 3 import of apparel at HS 6 digit, US\$ million

HS Code	Description	World			India			
		2009	2010	Growth in % 10/09	2009	2010	Share in % 10	Growth in % 10/09
611030	jerseys etc of manmade fibres	2131.2	2211.4	3.8	0.4	0.4	0	-7.8
611020	jerseys etc of cotton	1423.5	1242.5	-12.7	4.1	3.2	0.3	-20.4
610910	t-shirts etc of cotton	1295.9	1205.9	-6.9	6.3	9.6	0.8	51.5
620462	trousers, bib and brace overalls, breeches and shorts of cotton	1150.6	1135.4	-1.3	5.1	5.2	0.5	2.0
610990	t-shirt etc of other textile materials	503.5	769.9	52.9	0.4	0.4	0.1	1.1

### Japan's Apparel Import AT HS Six Digit

There are 218 apparel items imported by Japan at HS 6 digit from world. In 2010 there were 133 product categories that registered positive growth while rest of the 85 categories registered decline from previous year. In case of import from India 76 product categories registered decline and rest of the 68 categories registered increase in the import from last year. Top 3 apparel export from India to Japan were 620630 (Blouses, Shirts & Shirts-Blouses of Cotton), 620442 (Dresses of Cotton), 621420 (Shawls, Scarves etc of Wool/Fine Animal Hair).

In Table 4 top three import items from the world are given. India's share in these product categories stood around 1 percent.

### Competitive Picture of Indian Apparel Export in Japan

Below in Table 5 competitive positions of top 7 suppliers for top three items are given as these top 3 items constitute more than 40 percent share in total apparel import of Japan from the world. China has been found to be the dominant supplier followed by Vietnam. India remained at the sixth position for two products and at third for one product category.

The recently concluded India-Japan CEPA has given tariff advantage to Indian apparel exporters to Japanese market as apparel import is duty free in Japan from India. Earlier Japan used to apply 9.2 percent applied MFN AV on apparel imports; now there will be no duty on imports of apparel from India.

\* (Sr. Research Analyst), Apparel Export Promotion Council

Table 5: Competitive Position of India's Apparel Export in Japan, US\$ million

HS Code	Description	Import from World		
		2010	Share of Top 6 Suppliers in %	Growth in % 10/09
6110	Jerseys, Pullovers, Cardigans, Waistcoats & Similar Articles, Knitted/Crochtd	4088.1	China(90.4), Vietnam(2.1), Italy(2.5), Thailand(0.5), Korea Rep.(0.9), Bangladesh(0.4), India(0.1)	-2.9
6204	Women's/Girls' Suits, Ensembles, Jackets, Dresses, Skirts, Trousers, Bib & Brace Ovrals, Brechs & Shorts Etc(Excpst Swimwear)	3487.9	China(82.8), Vietnam(3.4), Italy(3.3), Thailand(0.3), Korea Rep.(0.7), Bangladesh(0.9), India(1.8)	3.6
6203	Men's Or Boys' Suits, Ensembles, Jackets Blazers, Trousers, Bib & Brace Overalls Breeches & Shorts(Other Than Swimwear)	2234.5	China(74.5), Vietnam(8.2), Italy(4.6), Thailand(0.5), Korea Rep.(0.07), Bangladesh(2.5), India(0.7)	0

Source: UN Comtrade

# PHOTO



# FEATURE



*Statue of Ugranarasimha at Hampi (a World Heritage Site), located within the ruins of Vijayanagara, the former capital of the Vijayanagara Empire.*





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A photograph of two tigers in a forest. The tigers are standing on their hind legs, facing each other, and appear to be in a playful or social interaction. The forest is filled with tall, golden-brown grasses and trees with yellow leaves, suggesting an autumn or late summer setting. The lighting is warm and golden, creating a dramatic and beautiful scene.

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