

1 | Foreword

■ Towards a Sustainable and Vibrant Business Relationship between Japan and India

- Over the past nine years the Japan Chamber of Commerce and Industry in India (JCCII) has been submitting an annual "Suggestions for the Government of India" to the DPIIT, Ministry of Commerce and Industry.
- Till now, we have focused on requests for improvements related to various issues faced by Japanese companies in the course of their business activities in India.
- Given the growing significance of Japan-India relations in terms of economic security in the context of relations with China, the reconstruction of a more resilient global supply chain has become an urgent issue for both countries. In addition, as a matter of common global concern measures to combat global warming (carbon neutrality) are also an important issue.
- Therefore, in order to further strengthen Japan-India business relations, the JCCII would like to renew its previous proposal and promote discussions and dialogues with the Indian authorities with a future-oriented approach as outlined in this proposal document.

2 | Outline

- Although it is on a gradual uptrend increasing, Japanese investment in India has been limited compared to East Asia.
- In terms of cumulative FDI over the past seven years, Japan's investment in India ranks 4th after the US, UK, and China. However, it is still limited compared to investment in East Asia. In addition, the number of Japanese companies operating in India has been stagnant for the past 3-4 years, notwithstanding the impact of the global pandemic.
- There are several reasons for this:
 - (1) Comparison with the business environment in southeast Asia
 - (2) Heavy emphasis on automotive-related investments
 - (3) Negative image of India due to past experience of failure
 - (4) Skepticism about large-scale investments in terms of various country-specific risks
 - (5) Limited investment in digital fields and startups
- At the same time, even during the pandemic we have witnessed a diversification of investment, including large-scale investments in the financial and real estate sectors, food service and retail industries, and the entry of start-ups. In order to further increase investment, we believe steps are required to better improve the business environment in India. We believe it is essential for us to contribute to the development and advancement of Indian industry in cooperation with the Indian government.

2 | Outline (continued)

- Resolving policy issues through collaborative cooperation between Japanese companies and the Indian government
 - Further improvement of previously-raised pending issues pertaining to the business environment in India
- In light of the above, in preparing proposals for improving the business environment this year, we have been conscious of
 - (1) The contribution of Japanese companies toward Hon. PM Modi's vision of "atmanirbhar India" and
 - (2) Efforts in the energy and environmental fields, which are global issues.
 - In particular, we believe that there is significant potential for Japanese companies to contribute to the strengthening of export competitiveness, which is essential for supply chain resilience.
 - Against this backdrop, we would sincerely urge GoI authorities to consider a proactive response to key underlying issues such as the development of economic and social infrastructure, deregulation of the financial sector, and efficiencies in cumbersome taxation, BIS, customs, and other trade procedures, which have long been impediments for Japanese companies hoping to serve and do business in India. If these issues can be addressed actively, India will surely attract not only Japanese companies but also a wider range of foreign investment.