

India-Japan Industrial Competitiveness Partnership Roadmap

India and Japan since 2014 have taken several steps to enhance bilateral economic cooperation. These steps have resulted in a steady rise in Japan's Foreign Direct Investment (FDI) into India and in the number of Japanese companies in India. India has also been ranked as one of the top promising countries of investment in recent surveys by Japan Bank for International Cooperation (JBIC), including in its latest survey of 2021. In order to further enhance their economic cooperation, the two sides launched the India-Japan Industrial Competitiveness Partnership (IJICP) in December 2019 to strengthen India's industrial competitiveness. To formalize this mechanism, the two sides held a Secretary/Vice Minister-level meeting on 16 November 2021 and signed a Memorandum of Cooperation (MoC) on the IJICP. As stated under Sections III.2 and III.5 of the MoC, the two sides decided during the meeting to develop procedures to implement the MoC.

Government of India has also taken several other initiatives to boost economic growth and improve ease of doing business. These include structural reforms in labour laws, PM Gati Shakti National Master Plan as an ambitious program designed to cut down logistics cost from 13% to 8% and improve transport infrastructure, Investment Clearance Cell/National Single Window Portal, and Production-linked Incentive Schemes (PLI) for manufacturing in 14 different sectors such as air-conditioners, electronics, auto-components, medical devices, chemicals, steel, textiles, etc.

Government of Japan has also taken various initiatives to strengthen economic cooperation between India and Japan. These include concrete proposals of business environment improvement based on Japan Industrial Township (JIT) review and proposals from the industry, reinforcement of human resources with a focus on manufacturing such as Japan-India Institute for Manufacturing/Japanese Endowed Course, promotion of investment in India through Japanese organizations such as Japan External Trade Organization and Japan International Cooperation Agency, and support for capacity building in India. Furthermore, Government of Japan, along with Government of India and Government of Australia, has launched Supply Chain Resilience Initiative for improving supply chain resilience between the three countries. In this regard, strengthening of industrial competitiveness in India would not only help foster greater economic relations between India and Japan, but would also help integrate Indian supply chains with global supply chains.

The two sides have now developed an India-Japan Industrial Competitiveness Partnership Roadmap in line with the MoC signed on 16 November 2021 to address challenges towards enhancing India's industrial competitiveness and promote industrial cooperation between the two countries. This Roadmap will serve as a basis for cooperation under the IJICP. By improving competitiveness, including by addressing JIT issues, the two sides endeavor to improve investments in India, especially in manufacturing (in a variety of sectors).

1. Scope of Cooperation

The two sides will jointly work to strengthen India's industrial competitiveness and promote industrial cooperation between the two countries, in areas such as (i) logistics, (ii) sharing experiences and best practices on industrial policy, (iii) ease of doing business, (iv) export competitiveness, (v) resolution of issues faced by Japanese companies, and (vi) issues in primary sectors such as healthcare, education and agriculture through use of digital technology, while making use of Japan's experience in industrial policy.

(a) Sector-wise Working Groups

The two sides had identified two industrial sectors, namely logistics and textiles, as focus sectors. Working Groups (WG) on logistics and textiles have already convened. In the first meeting of 4 February 2020, the Indian side identified six more areas, namely food processing, steel, automotive, industrial capital goods, electronics, and telecom equipment. WGs in these sectors may be set up as needed.

(b) Fast-track Mechanism

The two sides will launch a fast-track mechanism in cooperation with the Embassy of India in Tokyo and the Embassy of Japan in Delhi to resolve issues faced by individual companies.

(c) Japan Industrial Township WG

A Japan Industrial Township (JIT) Working Group may also be set up under DPIIT. It will monitor progress in JITs and serve to enhance communication between JIT authorities,

state governments, and Japanese stakeholders to resolve issues faced by Japanese companies in JITs, with participation of concerned ministries and states.

2. New Fields

To further develop cross-sectoral cooperation, it is important to strengthen the supply chain, develop local Micro, Small and Medium Enterprises (MSME) in India and promote entry of Japanese MSMEs, enhance R&D and Innovation, and strengthen measures to take advantage of digitalization and create greater opportunities for movement of skilled workers from India to Japan. To this end, the two sides have identified the following areas as the future direction of cross-cutting measures.

(a) Micro, Small and Medium Enterprises

The following items will be discussed from the view point of supplier development to make them competitive across industries:

1. Introduction of MSME promotion policies by the Japanese government.
2. Cooperation for Japanese MSMEs to expand their business in India.
3. Collaboration in the area of Technology and Technology centres.

An MSME Working Group will be set up for this purpose.

(b) Supply Chain

For India to connect to the global supply chain and become an export base in the future, the following items will be discussed from the perspective of promoting supply chain diversification (location of production bases in India) and visualization:

1. PLI schemes (in India) and subsidies for supply chain resilience in the Indo-Pacific region (in Japan) to support diversification.
2. Implementation of a joint project to visualize the supply chain (including logistics) from end to end using digital technology.

An Investment Working Group may be set up as needed.

(c) Utilization of Digital Technology for Industrial Competitiveness

The following items will be discussed because it is important to find solutions to issues in primary sectors such as healthcare, education, and agriculture with the use of digital technology in order to fully realize India's industrial competitiveness:

1. Supporting projects in these sectors through collaboration between Japanese and Indian companies.
2. Strengthening recruitment of Indian IT personnel in Japanese companies.

(d) Cooperation on R&D and Innovation

The two sides, recognizing India's prowess in software and Japan's prowess in hardware manufacturing, will expand their partnership from traditional manufacturing to innovative solutions and technologies.

3. Work Plan

The two sides will hold the Working Group meetings and other mechanisms envisaged under the roadmap as per the attached Work Plan and do the necessary follow-up and report the findings to the leadership.

Signed on 19th day of March 2022 in two originals in the English language.



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