

India's Growth and Potential

- Leading toward the Future -

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I . India at a Glance

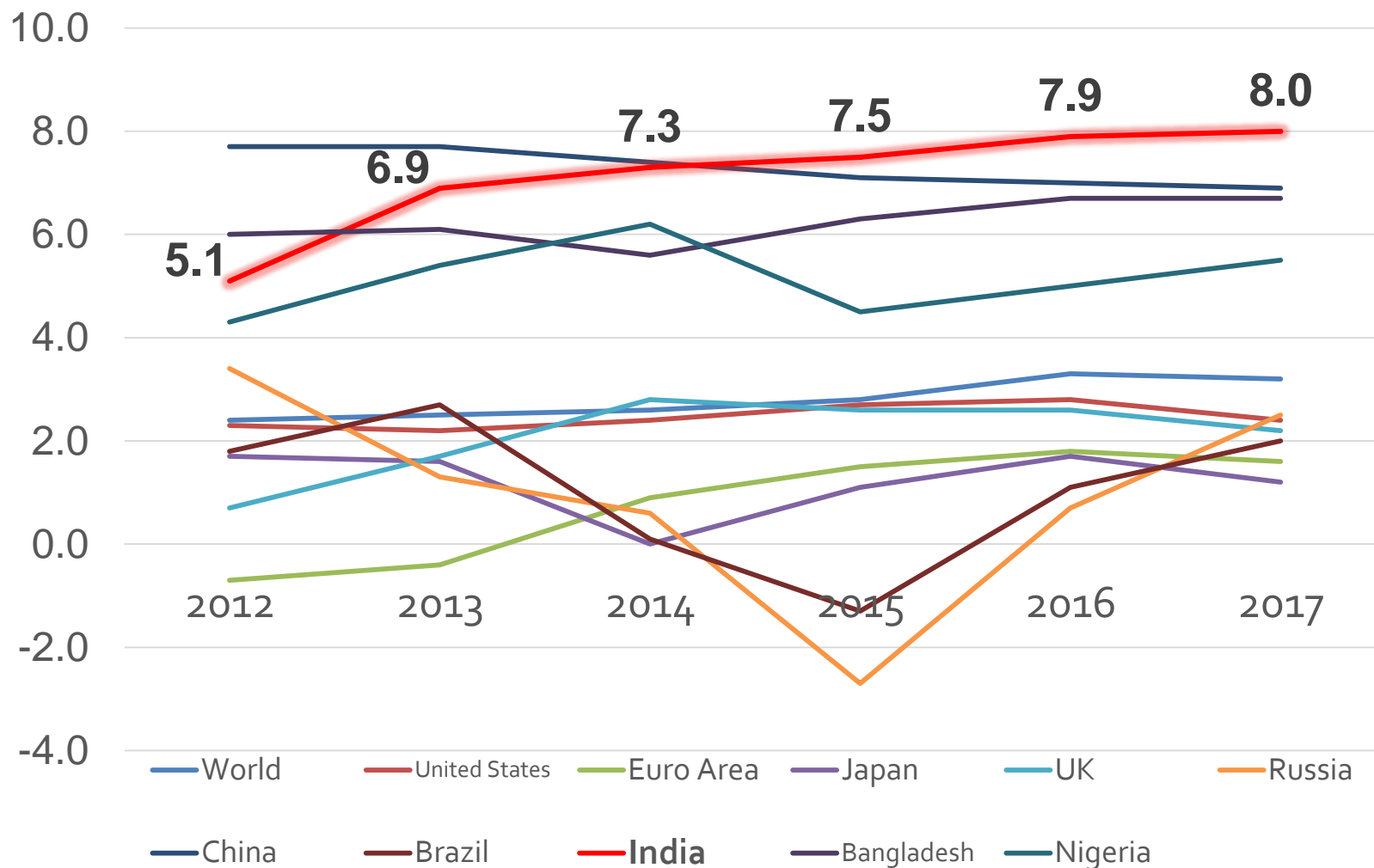
“In this cloudy global horizon, India is a **bright spot.”**

(March 2015, MD Lagarde, IMF)

**“There is no reason to be disappointed.
India will progress very fast and
the **skills of our youth** will take India ahead.”**

(Sept 2014, PM Narendra Modi @ Madison Square Garden)

World Bank: GDP Growth Rate 7.5% in 2015



ADB's Growth Prediction: 7.8% (Top-ranked in Asian)

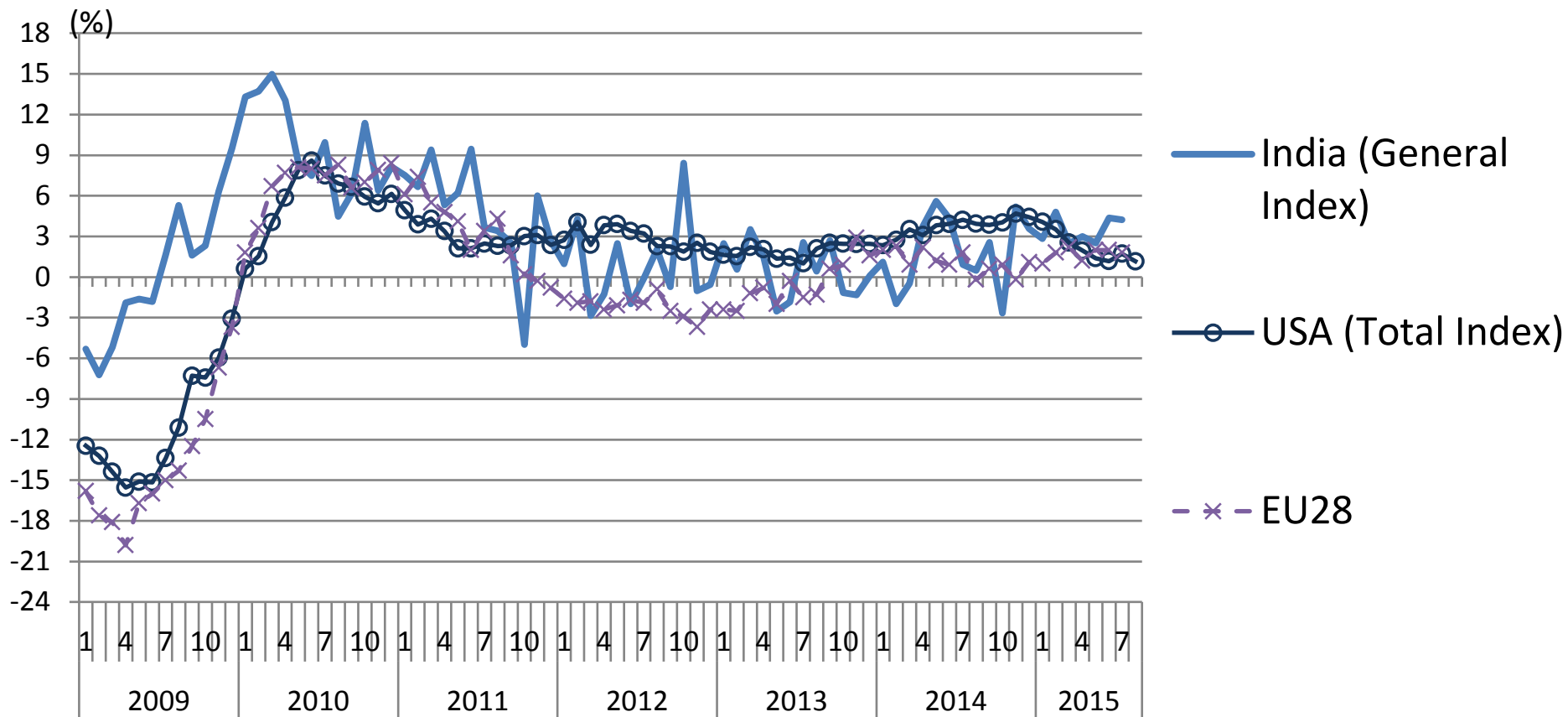
	2014	2015	2016
Asia	6.3	6.1	6.2
East Asia	6.6	6.2	6.2
China	7.4	7.0	6.8
South Asia	6.8	7.3	7.6
India	7.3	7.8	8.2
Southeast Asia	4.4	4.6	5.1
Indonesia	5.0	5.0	5.6
Malaysia	6.0	4.7	5.0
Philippine	6.1	6.4	6.3
Thailand	0.9	3.2	4.1
Vietnam	6.0	6.1	6.2

Industry Production Growth (1)

India: In spite of weak global demand, production growth is recovering.

U.S.: Production recovers but its pace is slow.

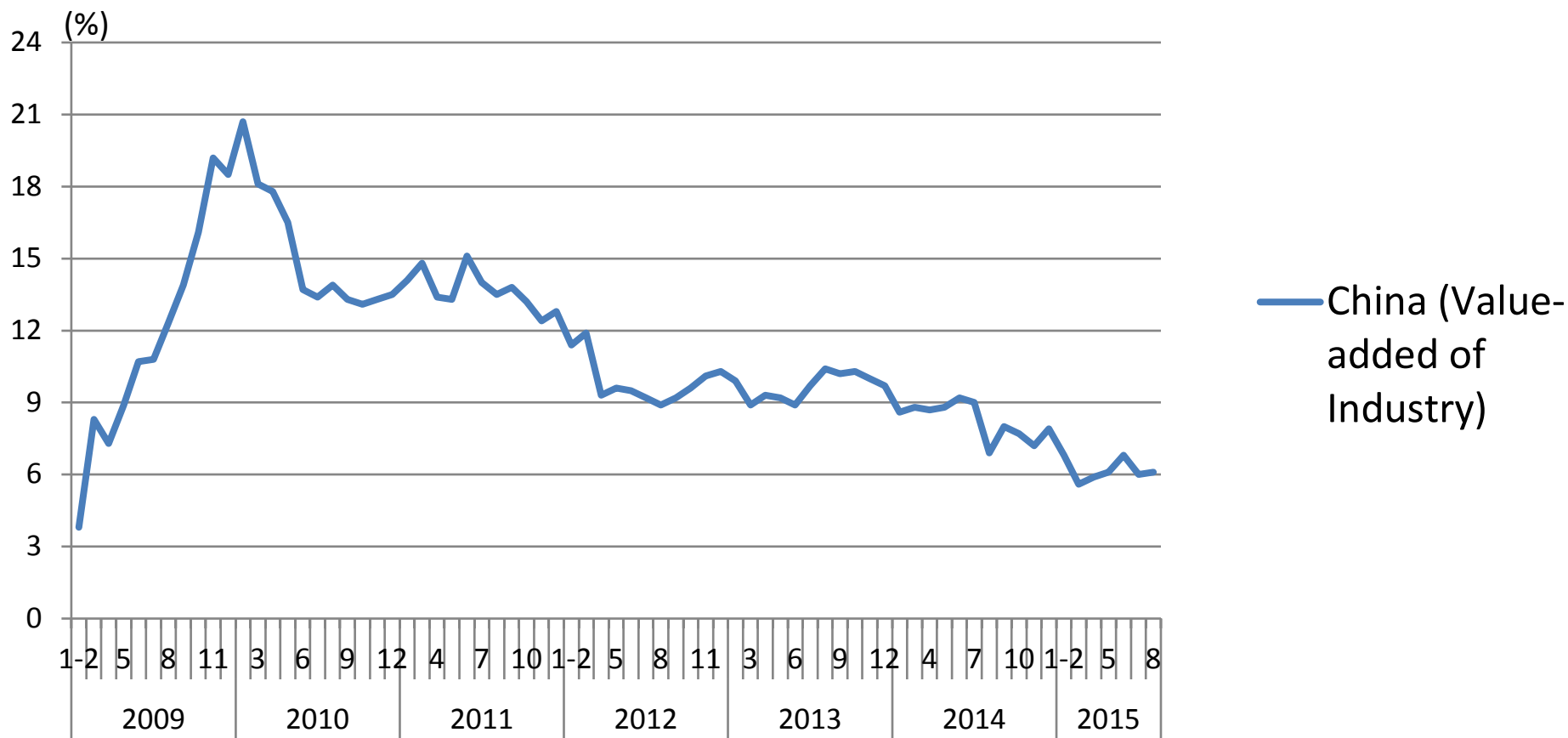
EU: Production growth has been recovering but its pace is slow.



Source: Ministry of Statistics and Programme Implementation (India), Board of Governors of the Federal Reserve System (US), eurostat (EU28)

China:

Industry production in August is slightly higher than in previous month, however production recovery is not strong compared with the past records.



Source: National Bureau of Statistics of China



India will become world's most populous country by 2022.

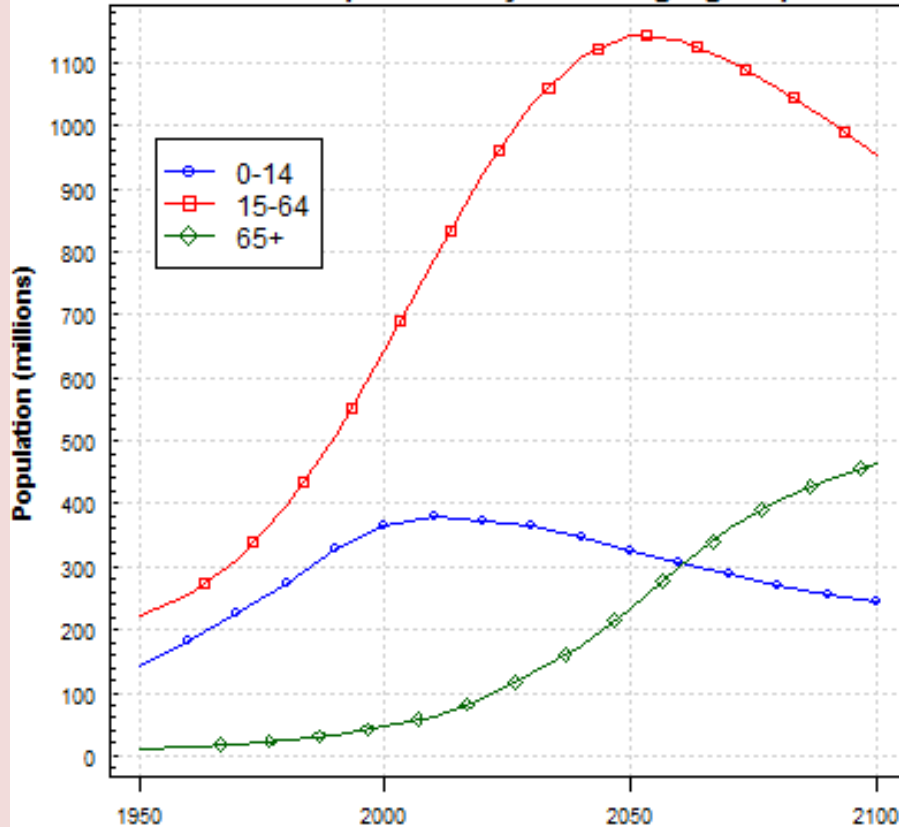
Population Prospects					(Thousand)
	1950	2015	2030	2050	2100
World	2,525,149	739,472	8,500,766	9,725,148	11,213,317
India	376,325	1,311,051	1,527,658	1,705,333	1,659,786
China	544,113	1,376,049	1,415,545	1,348,056	1,004,392
Nigeria	37,860	182,202	262,599	398,508	752,247
USA	157,813	321,774	355,765	388,865	450,385
Republic of Congo	12,184	77,267	120,304	195,277	388,733
Pakistan	37,542	188,925	244,916	309,640	364,283
Indonesia	69,543	257,564	295,482	322,237	313,648
Tanzania	7,650	53,470	82,927	137,136	299,133

Source : World Population Prospects 2015 (UN)

Population (2) – Demographic Bonus

- Below the age of 25: More than 54%
- Growing population up to 2050 (the age of 15 to 64)

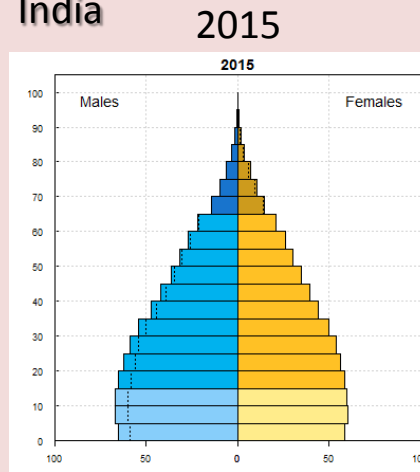
Total Population by broad age group



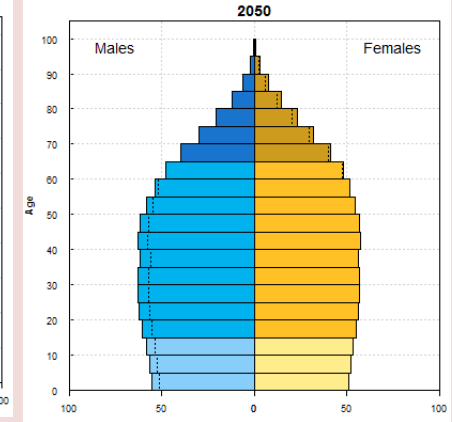
Source : World Population Prospects (UN)

National Policy for Skill Development and Entrepreneurship 2015

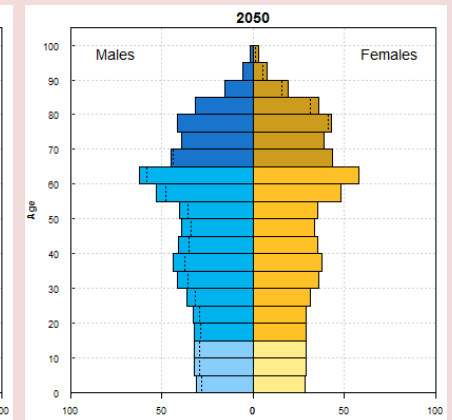
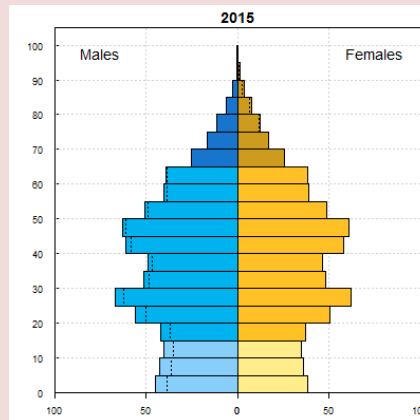
India



2050



China



II. India and Japan

**"Some people say there is thick red tape in India,
but I would like you to believe there is a **red carpet** in India."**

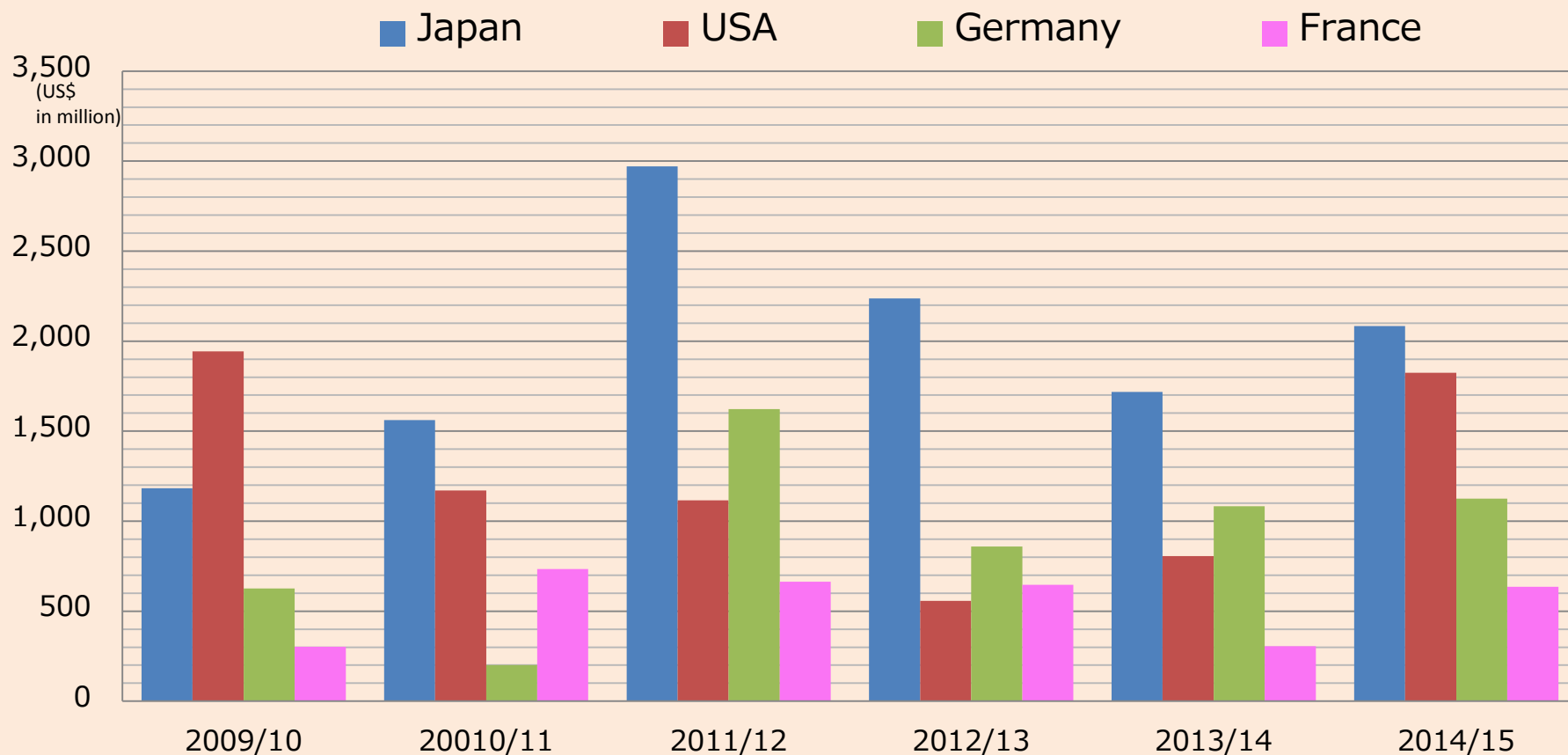
(Sept 2014, PM Narendra Modi @ Tokyo)

**"We are proof,
that it's good to make an investment in India."**

**"Most companies make profits ...
when there's a little bit of chaos."**

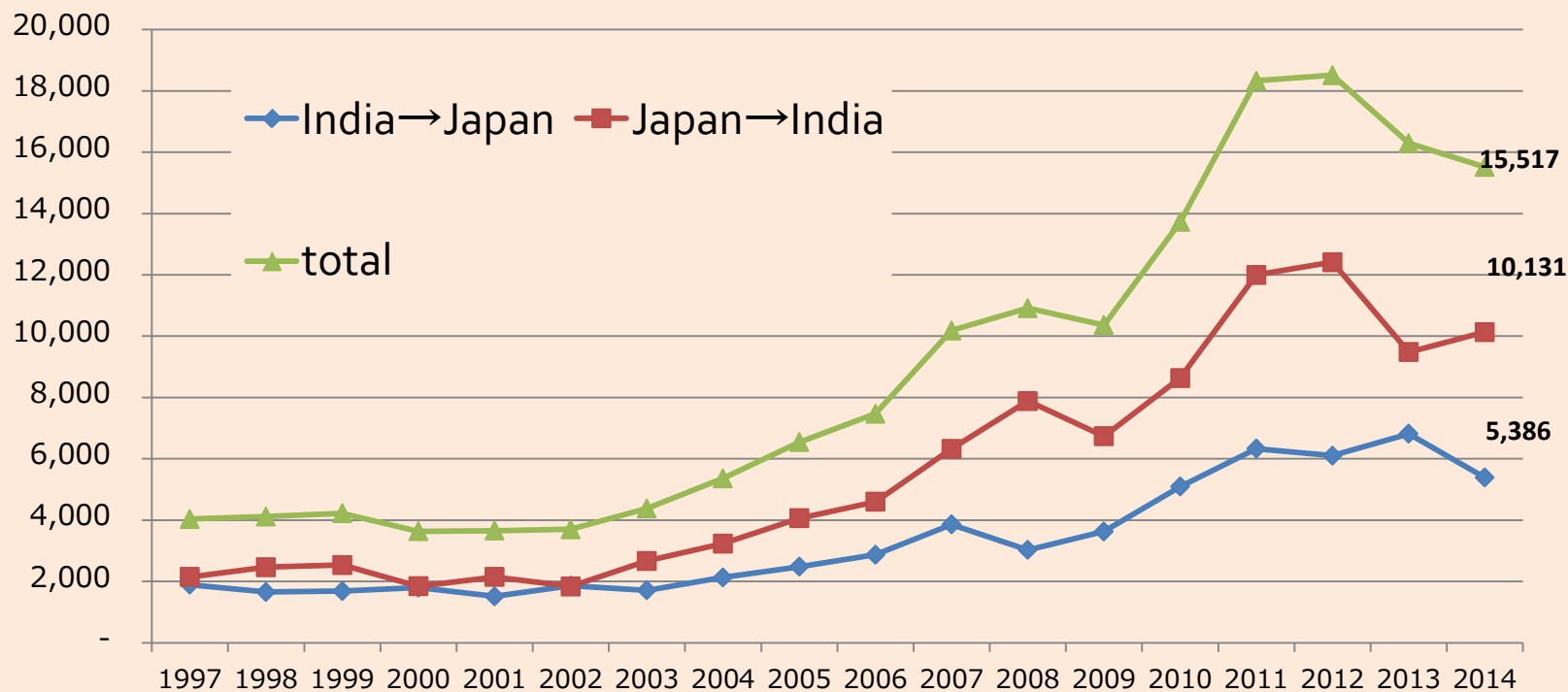
(Sept 2014, Osamu Suzuki, Chairman and CEO of Suzuki Motors)

- Japan's investment is larger than other major countries
- Ranked at 4th, 7.4% out of total investment 2000-2015



- Surge since early 2000s
- Japan ranked at 15th (2%) in total India's trade (*USA is the top / 14%)
- India ranked at 23rd (1%) in total Japan's trade (*China is the top / 20%)

(US\$ in million)



Source: Ministry of Industries and Commerce, India

- 1 September 2014, Prime Ministers called their meeting **the dawn of a new era in Japan-India relations.**
- Developed from “Strategic and Global Partnership” since 2006
- Main Pillars:
 - Political, Defence and Security Partnership
 - Global Partnership for Peace and Security in the Region and the World
 - Civil Nuclear Energy, Non-proliferation and Export Control
 - Partnership for Prosperity
 - ◆ Ambitious vision for **accelerating inclusive development** in India, by **transforming the infrastructure and manufacturing sectors**
 - ◆ **3.5 trillion Yen of investment and financing in 5 years**
(JICA: DMIC, DFC, CBIC, Investment Promotion, HSR, Northeast connectivity, etc)
 - ◆ “Japan Industrial Townships”
 - Exploring Science, Inspiring Innovation, Developing Technology, Connecting People
 - Leading for the future

III. Challenges

End of “Tax Terrorism” – Vodafone Case -

(BJP’s manifesto at 2014 Election)

"In Tamil Nadu, Japan is keen to develop comprehensive infrastructure, including roads, ports, power and industrial parks which would make it even easier for small and medium enterprises to invest even more"

*(Nov 2014, Mr.Muneo Karauchi, Chairman,
Japan India Business Cooperation Committee (JIBCC), @Chennai)*

Challenges for Investment (1) – Doing Business

Behind ASEAN and other emerging countries

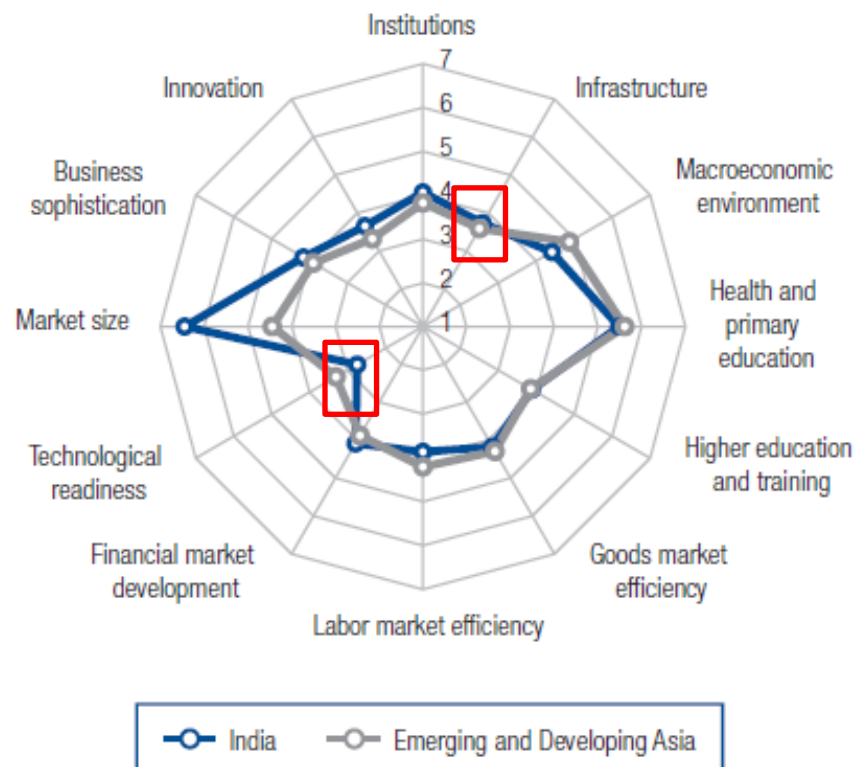
Doing Business 2015, World Bank

	Rank
Thailand	26
Rusia	62
China	90
Vietnam	78
Brasil	120
India	142
Indonesia	144
Bangladesh	173

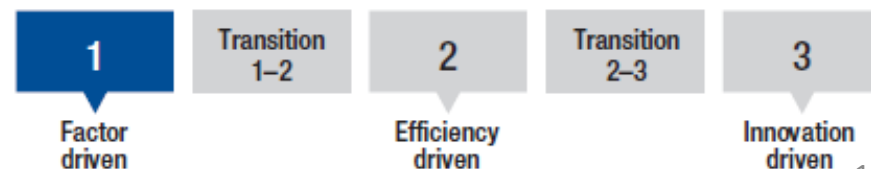


Global Competitiveness Index

	Rank (out of 140)	Score (1–7)
GCI 2015–2016	55	4.3
GCI 2014–2015 (out of 144)	71	4.2
GCI 2013–2014 (out of 148)	60	4.3
GCI 2012–2013 (out of 144)	59	4.3
Basic requirements (60.0%)	80	4.4
1st pillar: Institutions	60	4.1
2nd pillar: Infrastructure	81	3.7
3rd pillar: Macroeconomic environment	91	4.4
4th pillar: Health and primary education	84	5.5
Efficiency enhancers (35.0%)	58	4.2
5th pillar: Higher education and training	90	3.9
6th pillar: Goods market efficiency	91	4.2
7th pillar: Labor market efficiency	103	3.9
8th pillar: Financial market development	53	4.1
9th pillar: Technological readiness	120	2.7
10th pillar: Market size	3	6.4
Innovation and sophistication factors (5.0%)	46	3.9
11th pillar: Business sophistication	52	4.2
12th pillar: Innovation	42	3.6



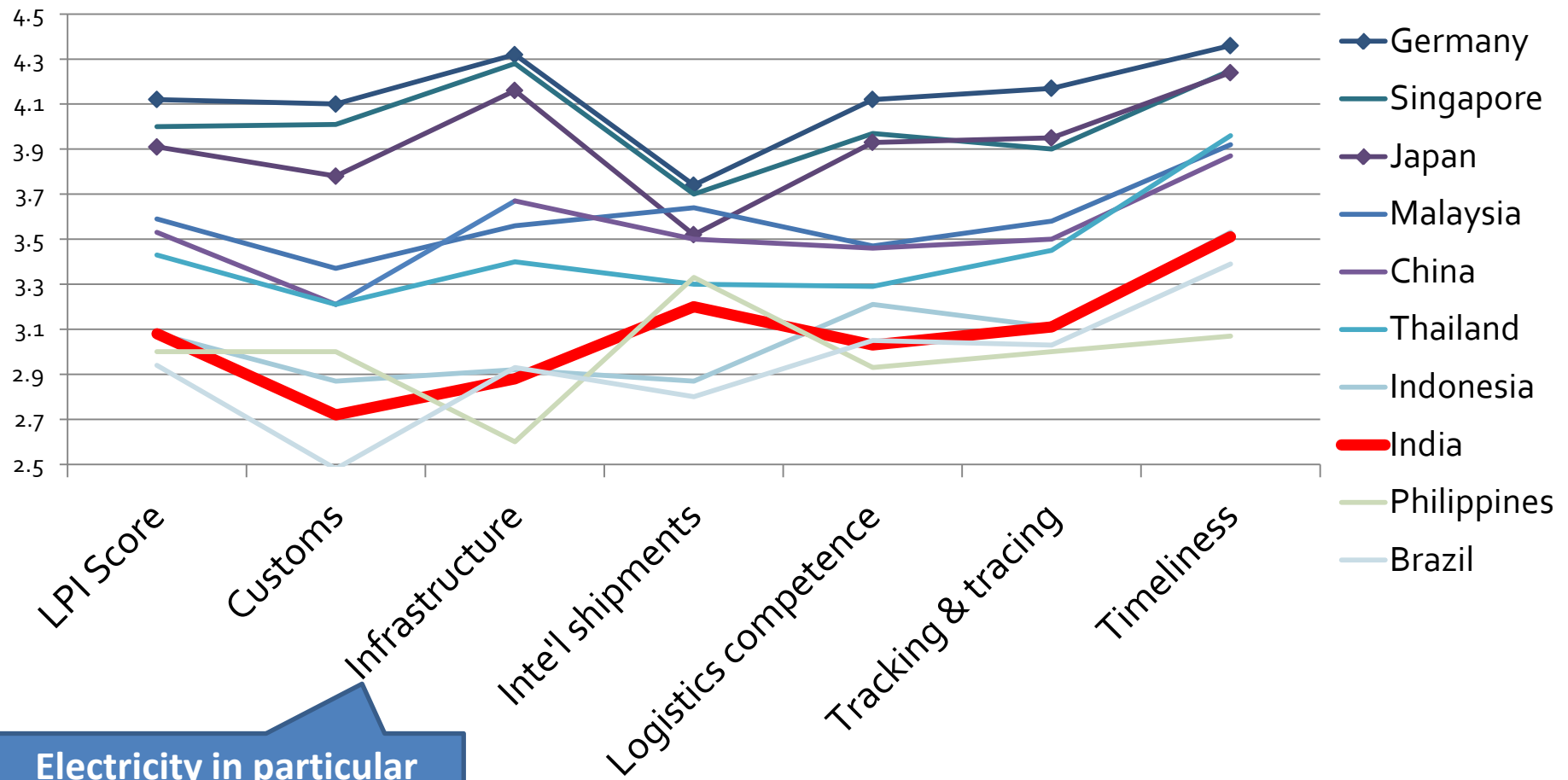
Stage of development



Challenges for Investment (3) – Logistics Performance

Custom: Efficiency of the clearance process (i.e., speed, simplicity and predictability of formalities) by border control agencies, including customs

Infrastructure: Quality of trade and transport related infrastructure (e.g., ports, railroads, roads, information technology)



Challenges for Investment (4) – Japanese Manufacturers

Infrastructure and legal enforcement are major obstacles

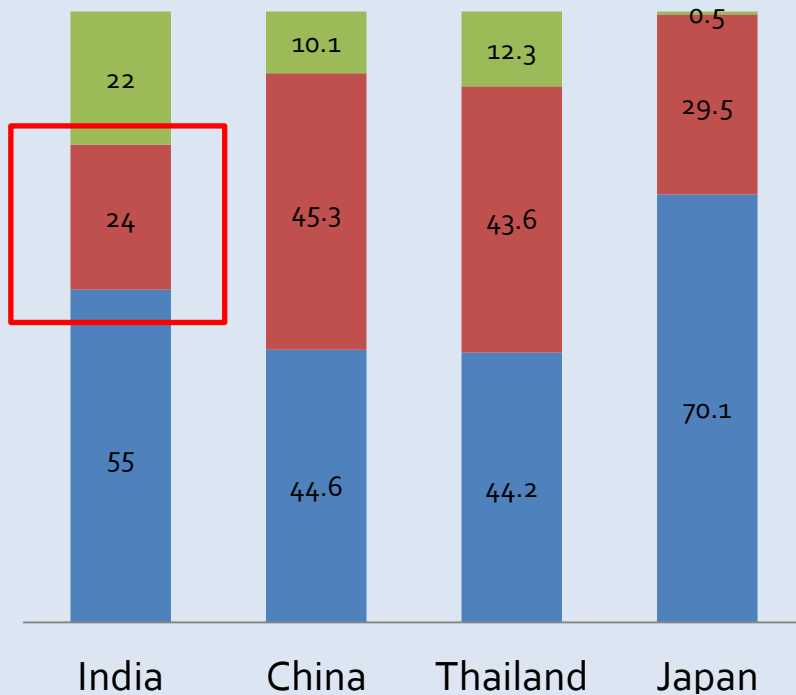
	India		Indonesia		China	
1	Infrastructure	51.6	Labour Cost	44.1	Labour Cost	75.4
2	Competitive Environment	36.7	Legal System	41.0	Competitive Environment	58.8
3	Legal Enforcement	35.1	Competitive Environment	32.4	Legal System	54.3
4	Taxation System	28.2	Infrastructure	32.4	Intellectual Property Right	47.2
5	Labour Conflict	24.5	Human Resources (Management level)	27.1	Regulation on Remittance	32.7

Source: 「わが国製造業企業の海外展開に関する調査報告2014年度 海外直接投融資アンケート結果（第26回）」（JBIC）

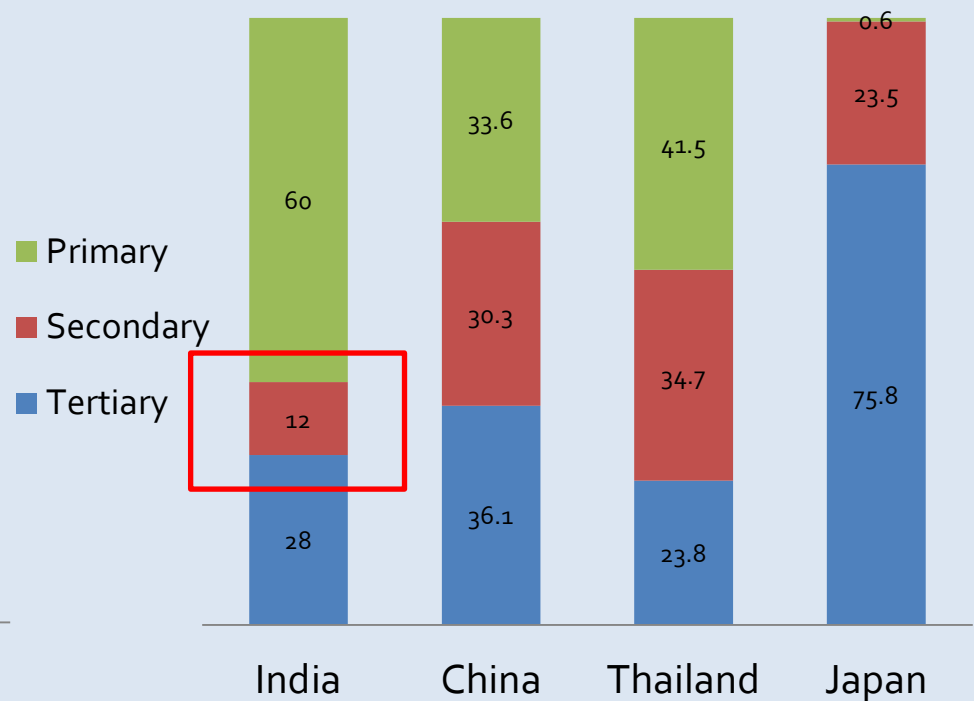
Manufacturing Sector's Contribution

- Secondary Industry (Manufacturing Sector) is not matured.
(around 15% out of Total GDP in recent decades)
- Working Population: High ration in Primary Industry.
- Need to foster skilled workers in Secondary Industry.

GDP composition ratio



Working Population



[Land Acquisition Bill]

- Execution Order expired on 31st August 2015
- Election season starts
(Bihar in Nov 2015, Tamil Nadu/WB/Kerala/Assam in 2016)

The BJP's Amendment Bill seeks to exempt the following five types of projects from certain provisions of the Act: (i) defence; (ii) rural infrastructure; (iii) affordable housing; **(iv) industrial corridors (set up by the government); and (v) infrastructure projects.**

The provisions of the Act which will not apply to these five types of projects are:

- (i) **obtaining the consent of 80% of land owners** when land is acquired for a private project and the consent of 70% of land owners when land is acquired for the public-private partnership project;
- (ii) conducting a **Social Impact Assessment**; and
- (iii) limits on acquiring agricultural and multi-cropped land.

[Goods and Services Tax (GST)]

- Unlikely to be sanctioned and introduced by April 2016

IV. India's Policy

“Come, Make in India!”

(Sept 2014, PM Narendra Modi @ Tokyo)

**“Kaushal Bharat, Kushal Bharat”
(Skilled India, Successful India)**

(July 2015, PM Narendra Modi @ New Delhi)

Focus on Infrastructure

- Higher allocation to infrastructure capital expenditure (INR 70,000 crore)
- **National Investment and Infrastructure Fund** (INR 20,000 crores)
- Tax free infrastructure bonds for the projects in the rail, road and irrigation
- Five new Ultra Mega Power Projects, each of 4000 MW

Focus on Make In India

- Revive **Manufacturing Sector** and obtain higher contribution in the GDP pie.
- Revival of investment and promotion of domestic manufacturing for **job creation**.
- Basic Custom duty on certain inputs in 22 items, reduced to minimize the impact of duty inversion.

Focus on Job Creation

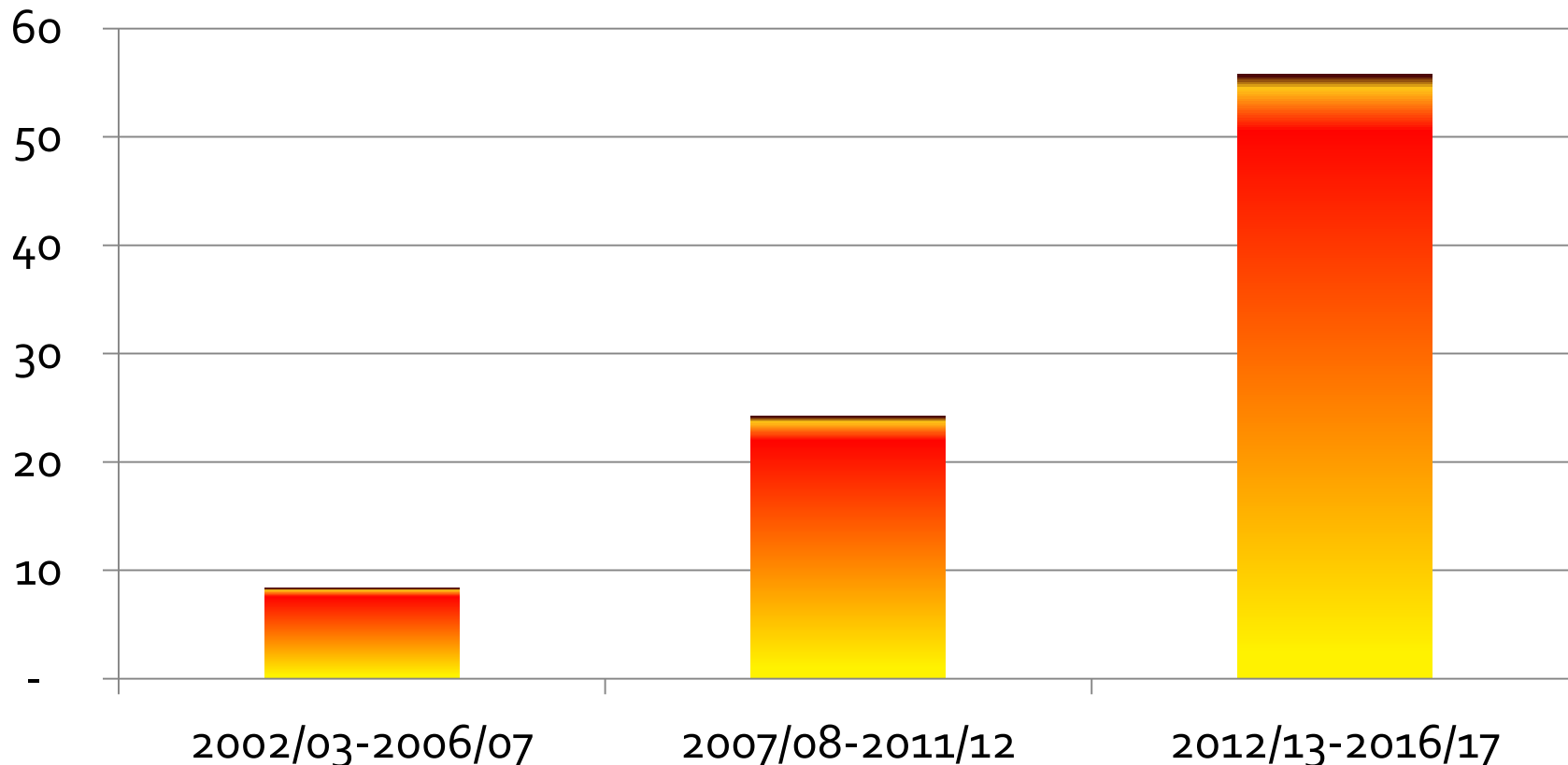
- Corporate tax reduction is a step to incentivize corporates for capex investments, thereby leading to creation of jobs.
- Providing enablers for entrepreneurship, to turn youth into job creators.
- **A national skill mission** to consolidate skill initiatives

Ease of Doing Business

- **E-business portal** launched, 14 regulatory permissions at one source
- Ending the red tape by reforming and rationalising a large number of procedures, rules and regulations
- For **quick resolution of commercial disputes**, Government to set up exclusive commercial divisions in various courts in India.
- Proposal to introduce a public Contracts (**resolution of disputes**) Bill to streamline the institutional arrangements for resolution of such disputes

12th Five Year Plan (2012/2013～2016/2017): INR 56 Trillion

Infrastructure Investment under Five Years Plans (Trillion INR)



Make in India

- Manufacturing Sector in GDP: from 16% to 25% (2022)
- 100 million employment in manufacturing sector (2022)
- Emphasis on 25 sectors:
automobiles, chemicals, IT, pharmaceuticals, textiles,
ports, aviation, leather, tourism and hospitality, wellness,
railways, auto components, design manufacturing,
renewable energy, mining, bio-technology,
pharmaceuticals and electronics among others.

Skill India

- Train over 400 million people in different skills by 2022
 - National Skill Development Mission,
 - National Policy for Skill Development and Entrepreneurship 2015,
 - Pradhan Mantri Kaushal Vikas Yojana (PMKVY) scheme and,
 - Skill Loan scheme.

Thank you for kind attention

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