ANALYSIS PAPER ON:
PLATFORM FOR JAPAN-INDIA BUSINESS COOPERATION IN ASIA-AFRICA REGION

SEPTEMBER 2020

JETRO
Japan External Trade Organization

CII
Confederation of Indian Industry
125 Years - Since 1895

Analysis Paper On: *Platform for Japan-India Business Cooperation in Asia-Africa Region*

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JETRO and CII

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This report was authored by Mr. Keiichi Onozawa, Policy Director, JETRO New Delhi, in association with Mr. Kazuya Nakajo, Executive Vice President, JETRO, Mr. Yasuyuki Murahashi, Chief Director General of JETRO New Delhi, Ms. Reiko Furuya, Director, and Ms. Shizuka Isozaki, Director, JETRO New Delhi in collaboration with Ms. Jhanvi Tripathi, Associate Researcher, International Trade Policy, CII under the guidance of Mr. Pranav Kumar, Head, International Trade Policy, CII.

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23, Institutional Area, Lodi Road, New Delhi 110003, India,
Tel: +91-11-24629994-7 | Fax: +91-11-24626149 | Email: info@cii.in | Web: www.cii.in

JETRO

Japan External Trade Organization

JETRO, or the Japan External Trade Organization, is a government-related organization that works to promote mutual trade and investment between Japan and the rest of the world. Originally established in 1958 to promote Japanese exports abroad, JETRO's core focus in the 21st century has shifted toward promoting foreign direct investment into Japan and helping small to medium size Japanese firms maximize their global export potential.

CII

Confederation of Indian Industry

125 Years - Since 1895

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, Government, and civil society through working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness and business opportunities for industry.

Founded in 1895, India's premier business association has more than 9100 members, from the private as well as public sectors, and an indirect membership of over 300,000 enterprises from around 291 national and regional sectoral industry bodies..

With 68 offices, including 9 Centres of Excellence in India, and 9 overseas offices in Australia, China, Egypt, Germany, Indonesia, Singapore, UAE, UK, and USA, as well as institutional partnerships with 394 counterpart organizations in 133 countries, CII serves as a reference point for Indian industry and the international business community.

Confederation of Indian Industry

The Mantosh Sondhi Centre, 23, Institutional Area, Lodi Road, New Delhi – 110 003 (India)

T: 91 11 45771000 / 24629994-7 • F: 91 11 24626149 • E: info@cii.in • W: www.cii.in

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Reach us via our Membership Helpline: 00-91-124-4592966 / 00-91-99104 46244

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INTRODUCTION

Japan External Trade Organization (JETRO) and, Confederation of Indian Industry (CII) signed a Memorandum of Cooperation and launched the Business to Business platform, called the "Platform for Japan-India Business Cooperation in Asia-Africa" (hereinafter, platform) on 10th December 2019. This will contribute to the expansion of business cooperation under the "Free and Open Indo-Pacific Strategy".

The purpose of the platform is to further enhance exchanges between Japanese and Indian companies toward developing Japan-India business cooperation in Asia Africa region. It will enable regular exchanges by sharing information to these companies, offering business matching opportunities, supporting the formation of Japan-India business cooperation projects, and providing other supports. It will be participated by companies, governments and other organizations of both countries. This paper is trying to summarize the economic rationales to promote the triangle partnership, to showcase several precedent business collaborations in Africa, and to categorise promising collaborations between India and Japan.

Over the last three years, there has been intense discussion on trilateral partnership between India and Japan on how to create a collaborative approach to doing business in Africa while meeting African needs. Clearly, there is a political economic basis for such an idea and the belief that actions taken in such a fashion would work.

Japanese private companies have been deepening its economic ties with African countries. They invested around 17 billion USD to Africa between January 2003 and March 2019, creating more than 82 thousand jobs in Africa mainly in automotive, logistics, textiles etc. Also, Japan has been contributing to develop economic infrastructures including ports, roads, railways etc., using Japanese Government's ODAs (official development assistance). Japan has been making conscious efforts to ensure that local population benefits from Japanese projects in Africa and are also given the proper training to maintain the infrastructure that is created.

Indian private companies have their familiarity, long term presence and acceptability. They have been present in Africa for centuries and have grown even before countries were independent. India and its diaspora have been part of Africa's economic growth story. India recently has invested They invested around 45 billion USD to Africa between January 2003 and March 2019 mainly in communication, financial services, and software/IT services etc, creating more than 117 thousand jobs in Africa. Broadening economic ties align with the Indian government's intentions to strengthen its relations with Africa. When Prime Minister Modi visited Uganda in July last year, he announced that he would establish 18 Indian embassies in Africa (there were only 29 embassies all over Africa until that time).

We can expect complementarities by facilitating collaboration between Japanese companies and Indian companies. The biggest concern for Japanese companies foraying into Africa is of "dealing with the laws and regulations and the operational aspect", and about 90% of companies regard it as a risk according to JETRO's survey. And, India ranked #2 following to the local biggest economic player, namely South Africa, as the third country partner to mitigate risks in Africa. Both sides can use network of the partner companies, can share technologies to make their products and services affordable, aligning to local market preference, can provide training for local people together, and can share the financial burden in projects etc.

Several joint collaborations are already observed and can be categorised into four types. First, many Japanese companies in India started exports to African countries such as automotive, automotive parts, consumer goods, etc. They not only exports to Africa, but also provide African manager staffs trainings by inviting them to India and sending back to the branches in Africa. Second, Japanese companies and Indian companies jointly worked in several infrastructure projects including power generation and mini-grid operations, and automotive related services. Third, formulating a joint venture in Africa to implement the projects including oil and gas, and telecommunication sectors. Forth will be business collaboration in digital sector. For example, an Indian start-up in health sector who partnered with a Japanese company is planning to expand to several African countries. Also, many African countries are keen to develop digital platform similar to India Stack which achieved financial inclusion and boosted start-ups in India. While India is strong in software, Japanese companies can also contribute in hardware infrastructures, cyber securities, some use cases to help penetration of digital infrastructures in Africa including car insurance services, health, education, SME training.

While this analysis mainly focuses on trilateral cooperation in Africa, it should be also pointed out that promoting trilateral cooperation in Asia is equally important. First, India can expect complementarity from Japanese companies who invested in Asia more than Indian companies did. Also, Indian industry can be more competitive if they are further involved in global value chain (GVC). In order to improve the industrial competitiveness, while India should make efforts to improve business environment, JETRO will also willing to contribute to and expedite the process, for example by considering to dispatching experts to Indian auto-parts suppliers to upgrade capacities and holding business matching between Japanese companies operating in ASEAN countries and Indian companies.

Chapter 1 gives an overview of business relations between the three identified partners – Africa, Japan, and India. Chapter 2 provides current engagements between Indian and Japanese businesses as well as some Indian businesses active in Africa. In Chapter 3, a further discussion is done on models of collaboration. Chapter 4 provides a list of activities JETRO and CII have been doing so far and followed by a way forward for the Japan – India Business Platform.

CHAPTER 1

OVERVIEW OF TRADE, INVESTMENT, AND BUSINESS RELATIONS

1.1 Africa and Asia: Complementarities between Japan and India

First, we would like to identify the regions where Indo-Japanese can complement each other by comparing each share of foreign direct investment for Japan with the share for India in each region. Table 1 shows the region-wise cumulative amount of investment, the number of investments and share of investment by Japan and India from January 2003 to March 2019, using fDi Intelligence database.

On the one hand, India's investment share in value is 19.1% in Middle East, and 18.6% in Africa. On the other hand, The Middle East and Africa are the regions with the least amount of investment by Japan. In terms of absolute investment, India has an investment track record of 1.2 times that of Japan in the Middle East, and 2.6 times that of Japan in Africa. Historically too, Africa has many people of the Indian origin (diaspora) and there is a great potential to use this local network.

Japan's investment share to Asia is about 62% in value and in 52.2% in number of projects. This is much higher than that of India, namely 32.8% in value and 27.6% in number of projects, although India is geographically close to Asia. Japan has been expanding its manufacturing base to Asian countries. For India, partnering with Japanese Asian manufacturing supply chain can be a fast way to proceed structural reforms in manufacturing sectors in India, and to expedite making India an export hub in the global value chain.

In summary, by looking at the recent investment track record, large potentials of collaboration between Japan and India are expected in Asia and Africa.

Table 1: Comparison between Japan and India in terms of destination of FDIs (Aggregate FDI from Jan. 2003 to March 2019

Region	Japan				India			
	Volume of Investments (Million USD)	# of Investments	Share of Investment Volume	Share of Investment #	Volume of Investments (Million USD)	# of Invest-ments	Share of Investment Volume	Share of Investment #
Asia-Pacific	578,160	7,617	61.9%	52.2%	80,648	1,260	32.8%	27.6%
North America	128,485	2,210	13.7%	15.1%	20,209	674	8.2%	14.8%
Western Europe	62,873	2,332	6.7%	16.0%	26,896	1,047	10.9%	22.9%
Latin America & Caribbean	62,868	961	6.7%	6.6%	10,294	225	4.2%	4.9%
Emerging Europe	47,315	938	5.1%	6.4%	15,422	209	6.3%	4.6%
Middle East	37,720	269	4.0%	1.8%	46,917	704	19.1%	15.4%
Africa	17,282	275	1.8%	1.9%	45,798	448	18.6%	9.8%
Sum	934,702	14,602	100.0%	100.0%	246,183	4,567	100.0%	100.0%

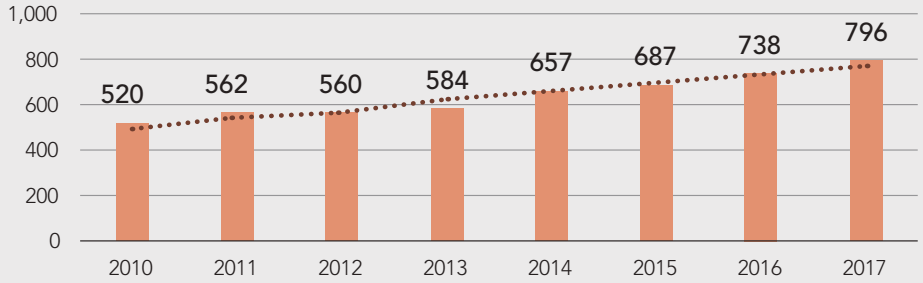
Source Edited by Authors using fDi Intelligence

1.2 Africa and Japan

1.2.1 Japanese Companies in Africa

The number of Japanese companies in Africa has been steadily increasing since 2010. While there are 520 Japanese companies in 2010, the number has increased to 796 in 2017 according to Ministry of Foreign Affairs, Japan. There are several countries which attract Japanese companies intensively: South Africa (282), Morocco (58), Kenya (54), Egypt (50), Ghana (44), Nigeria (40), Mozambique (29). This tendency reflects the positive mind set by Japanese companies toward Africa's potential for continuous growth, and their willingness to contribute to the economic growth.

Figure 1: Number of Japanese Companies in Africa (2010-2017)

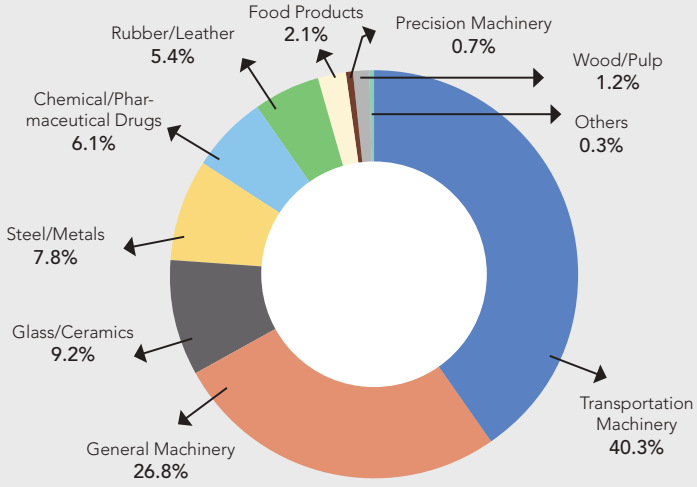


Source: Ministry of Foreign Affairs, Japan

1.2.2 Balance of Japanese FDI to Africa by areas

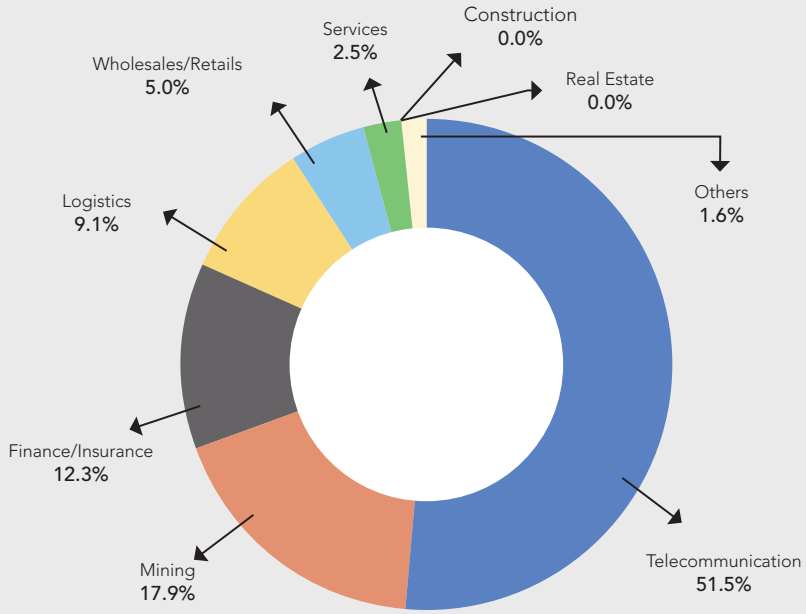
At the end of f018, the balance of Japanese FDI in Africa is USD8,715 million (967Billion JPY). While the manufacturing sector is $2,626million (291Billion JPY), non-manufacturing sector is $6,089Million (675Billion JPY). In the manufacturing sector, transportation machinery and equipment is the biggest sector (40.3$) followed by the general machinery sector (26.8%). In the non-manufacturing sector, telecommunication is the biggest share (51.5%), followed by mining (17.9%), and finance and insurance (12.3%).

Figure 2: Balance of Japanese FDI in Manufacturing Sectors in Africa as of e.o. 2018



Source: Analysis by JETRO using data from Ministry of Finance and Bank of Japan

Figure 3: balance of Japanese FDI in non-manufacturing sectors in Africa as of e.o. 2018



1.2.3 Increasing interest of Japanese companies in Africa

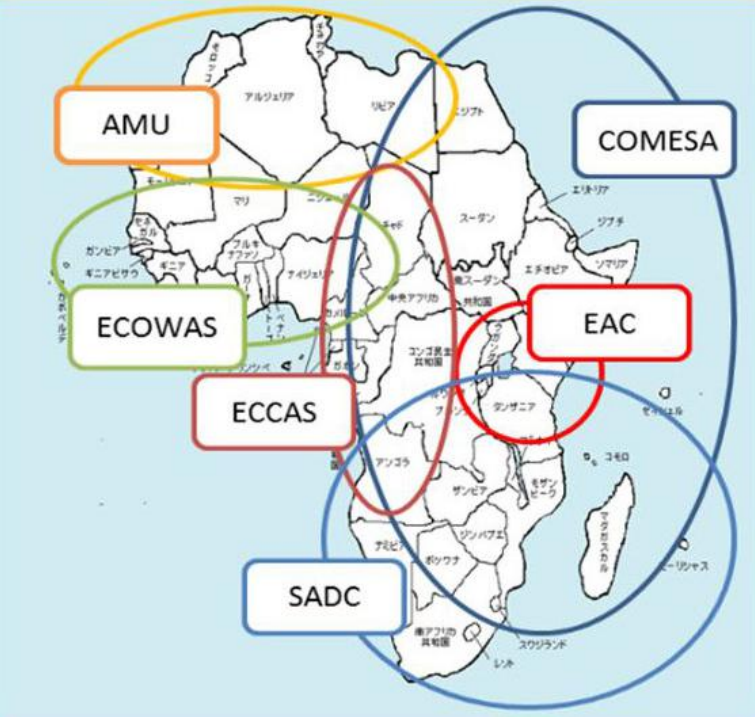
The interest of Japanese companies in Africa is steadily increasing, and in recent years their business portfolio content also seems to be changing. JETRO conducted a "Survey on Japanese companies foraying into Africa" from September to October 2018.

Japanese companies are particularly focusing on new business areas that show promise. The most promising business areas in the future included infrastructure (53.0%), service industry (52.7%), consumer market (40.9%), and new industries (39.6%), which surpassed businesses like the resources (31.9%) and transportation equipment (two-wheelers, four-wheelers, etc.) (30.2%) etc. that have been the main focus areas until now. Looking at specific sectors, about 50% of companies that see prospects in the consumer market are focusing on products for babies, children and women. New industries are highly interested in areas such as IoT (Internet of Things), fintech, e-commerce (EC), amongst others. Hope for new industries was expressed by the companies and they stated that "the e-commerce business is quite promising with the increase in smartphones and young population", and "there is a high probability of new markets being created that combine innovative technologies, like that of the phenomenal expansion of mobile payment apps. Also new businesses that could not be implemented in developed countries too could flourish here".

The progress towards economic integration in Africa has also led to hope for the formation of a huge market. In recent years, the number of Japanese companies using FTAs (free trade agreements) has been steadily increasing. The number of companies that responded that they are using a combination of FTA and Customs was 5.6% as per the survey conducted in 2007, but in this survey, it has increased to 18.2%. The FTA that is most used by Japanese companies is that of the South African Development Community (SADC) led by South Africa and accounted for 49.1%. Among other FTAs that many companies are considering utilizing in future is the Economic Community of West African Countries (ECOWAS), of which the

people-rich Nigeria is a member. This accounted for about 35.5%. In May 2019, the African Continent Free Trade Area (AfCFTA) Agreement including 55 countries and regions of the African Union (AU) came into effect. 52 countries have already signed the agreement which is expected to accelerate the economic integration in Africa.

Image 1



While more and more Japanese companies are looking at the African market with promise, there are still voices pointing out the difficulties on the field. The survey pointed out that "though Africa as a market has promise and the market potential is high, there are difficulties that will be faced because of the poor development of various systems, and there are major hurdles that may impede smooth functioning of business." "Also, there may be many companies that can see the potential in the market but might actually find it difficult when they consider the financing aspect".

The biggest concern for Japanese companies foraying into Africa is of "dealing with the laws and regulations and the operational aspect", and about 90% of companies regard it as a risk. Particularly, there were strong concerns about "the murky policy management of local governments" and "the complex administrative procedures" (see Table below). In addition to that the survey pointed out that more than 70% of companies had concerns with regards to "finances and currency exchange" and "unstable political situation and social conditions". They particularly felt that, "there is no prospect that the complexity of administrative procedures and the infrastructure environment will improve in future," and "the conditions needed for an investment environment such as public order, infrastructure, and political situation are also not so good." On the other hand, if we consider it by country, in Morocco, either of the items were below average across the board, and in particular, there were very few companies that considered "the political situation and social conditions" as risks as compared to other countries.

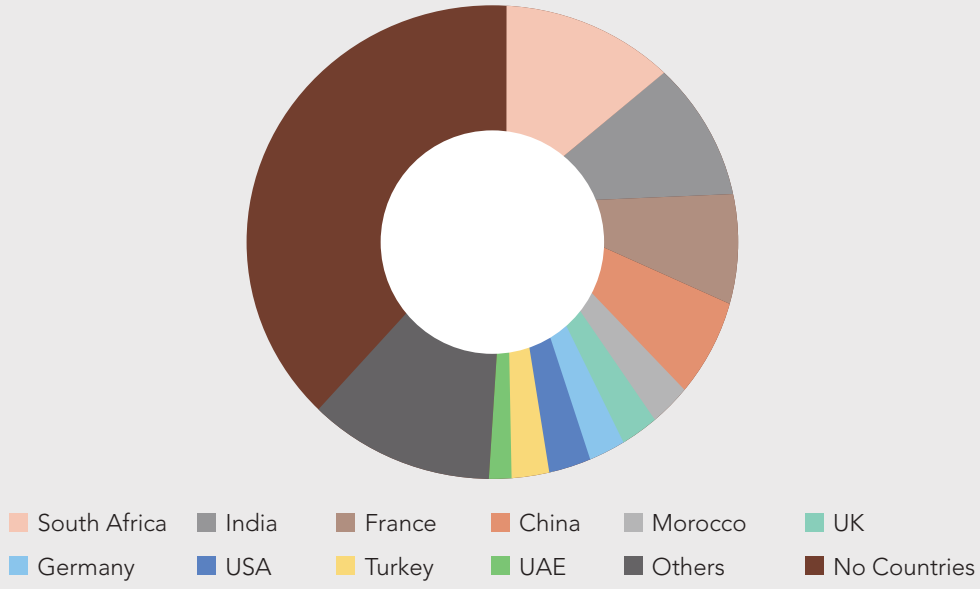
Table 2: Risk factors in investment and doing business in Africa

Risk factors	% of answers
risks on regulation (development and implementation)	87.3%
financial stability and exchange rate fluctuation	75.9%
political and social instability	74.3%
employment and labor issues	65.1%
undeveloped infrastructure	54.4%
trade rules	52.4%
no issues	2.9%

Source: JETRO (N=307)

As the business environment in Africa is highly challenging as observed above, how can Japanese companies avoid these risks? One way to do this is to collaborate with companies of a third country. When we asked about the expectations with respect to collaborating with companies from other countries, 60% of companies cited "use of the network of the partner companies". Collaboration with companies from South Africa, India, and France as partners was preferred (see Figure below). With respect to collaboration with South Africa, partnering with the local companies as regional bases has lot of advantages as they would have gathered the know-how and developed a market network spread over a large area." In the case of India, other than being "an excellent strategy for the African market in that it has an affinity with the country," it was suggested that "the African market can be penetrated using a Japanese company which has a base in India". As for France, they hoped for a "possible cooperation in French-speaking African countries".

Figure 4: Potential Partner Countries for Japanese Companies in African Business



Source: JETRO (N=303)

1.3 Africa and India

1.3.1 Trade relation between India and Africa

Africa and India trade relations, as many have noted, have grown organically. India's development cooperation with Africa has been an asset in increasing Africa – India trade and investment. The Duty-Free Tariff Preference (DFTP), is also an example of the Indian governments' pivot to Africa. India's approach to Africa has not been aid based but follows the spirit of development cooperation under the aegis of South-South Cooperation.

In the past 10 years, the growth in Africa-India trade has been slow but steady. The trade relations between these two have not received too many shocks despite the slow-down in global trade and other developments.

Figure 5: India-Africa Trade from fy2009-fy2018 (US$ Thousands)

Source: Author generated using data from ITC Trade Map

Table 3: India-Africa Trade from 2009-2018 (US$ Thousands)

	India's Imports from Africa	India's Exports to Africa	Trade Balance
2009	2,11,16,451	1,33,10,992	-78,05,459
2010	3,14,40,602	1,78,87,335	-1,35,53,267
2011	3,97,80,165	2,33,46,040	-1,64,34,125
2012	4,30,17,046	2,73,14,749	-1,57,02,297
2013	3,94,16,660	3,40,76,067	-53,40,593
2014	4,03,66,254	3,46,29,975	-57,36,279
2015	3,37,80,221	2,56,40,346	-81,39,875
2016	2,61,43,152	2,26,14,602	-35,28,550
2017	3,57,98,845	2,43,76,748	-1,14,22,097
2018	4,15,10,989	2,69,52,962	-1,45,58,027

Source: ITC Trade Map below table

As we can see from Figure 5, trade has been balanced in favour of Africa. This has been consciously maintained by India across the continent given the mutual goals for development cooperation.

If we look at the trade and investment portfolios, however, we find that Africa – India trade is not very diversified. When it comes to goods trade, the two-way trade is dependent on raw materials and components. There is no escalation on either side for the Top 10 products trade das seen in Table 4 and 5. The only exception to this is exports of pharmaceutical products from India to Africa.

Table 4: Top 10 sectors of export from India to Africa (US$ million)

S.No.	HS Code	Commodity	2016-2017	2017-2018	% Growth
1	27	Mineral Fuels, Mineral Oils and Products of Their Distillation; Bituminous Substances; Mineral Waxes.	4,280.00	4,091.23	-4.41
2	30	Pharmaceutical Products	2,801.64	2,917.05	4.12
3	87	Vehicles Other Than Railway or Tramway Rolling Stock, and Parts and Accessories Thereof.	2,165.13	2,689.48	24.22
4	10	Cereals.	1,579.26	1,776.52	12.49
5	84	Nuclear Reactors, Boilers, Machinery and Mechanical Appliances; Parts Thereof.	1,422.32	1,646.58	15.77
6	39	Plastic and Articles Thereof.	872.33	922.9	5.8
7	85	Electrical Machinery and Equipment and Parts Thereof; Sound Recorders and Reproducers, Television Image and Sound Recorders and Reproducers, and Parts.	798.94	889.32	11.31
8	52	Cotton.	646.04	775.97	20.11
9	29	Organic Chemicals	635.93	693.81	9.1
10	73	Articles of Iron or Steel	503.88	603.97	19.86

Source: Department of Commerce, Government of India

Table 5: Top 10 sectors of Import from Africa for India (US$ million)

S.No.	HS Code	Commodity	2016-2017	2017-2018	% Growth
1	27	Mineral Fuels, Mineral Oils and Products of Their Distillation; Bituminous Substances; Mineral Waxes.	15,027.43	20,759.07	38.14
2	71	Natural or Cultured Pearls,Precious or Semiprecious Stones, Pre.metals, Clad with Pre.metal and Artcls Thereof; Imit. jewlry; Coin.	6,621.41	8,728.03	31.82
3	8	Edible Fruit and Nuts; Peel or Citrus Fruit or Melons.	1,347.44	1,392.22	3.32
4	28	Inorganic Chemicals; Organic or Inorganic Compounds of Precious Metals, of Rare-Earth Metals, or Radi. Elem. or of Isotopes.	979.35	1,268.32	29.51
5	26	ORES, SLAG and ASH.	570.65	1,086.58	90.41
6	74	Copper and Articles Thereof.	850.79	1,047.76	23.15
7	25	Salt; Sulphur; Earths and Stone; Plastering Materials, Lime And Cement.	399.13	405.71	1.65
8	72	Iron and Steel	243.79	371.03	52.19
9	52	Cotton.	279.41	322.3	15.35
10	47	Pulp of Wood or of Other Fibrous Cellulosic Material; Waste and Scrap of Paper or Paperboard.	230.06	295.11	28.27

Source: Department of Commerce, Government of India

1.3.2 India's FDI into Africa

Table 6 shows the country-wise breakdown of India's investment in Africa. The number of investments from January 2003 to March 2019 at the least were around 448, with about 45 billion USD invested in Africa. The cumulative employment brought forth by these investments was for about 117,000 people. Most number of investments and the most amount invested was in the resource-rich countries like South Africa, Nigeria, Mozambique and others, and also in the countries of East Africa like Kenya, Tanzania, Ethiopia, Ghana, etc. that belonged to the Commonwealth group of countries.

Table 6: India's FDI into Africa by countries

Destination Country	# of Investment	Share of Investments	Volume of Investments	Share of Investment Volume	Jobs Created
South Africa	90	20.1%	5,203	11.4%	11,971
Kenya	47	10.5%	2,125	4.6%	9,192
Nigeria	45	10.0%	6,541	14.3%	13,741
Egypt	37	8.3%	5,392	11.8%	13,285
Tanzania	32	7.1%	833	1.8%	3,933
Ethiopia	25	5.6%	2,076	4.5%	20,587
Ghana	20	4.5%	2,254	4.9%	6,869
Mauritius	19	4.2%	489	1.1%	1,984
Uganda	16	3.6%	668	1.5%	1,361
Zambia	15	3.3%	1,457	3.2%	4,737
Morocco	13	2.9%	988	2.2%	8,158
Mozambique	11	2.5%	8,176	17.9%	3,169
Botswana	10	2.2%	156	0.3%	867
Democratic Republic of Congo	8	1.8%	378	0.8%	862
Zimbabwe	8	1.8%	3,114	6.8%	3,678
Rwanda	7	1.6%	220	0.5%	1,007
Madagascar	5	1.1%	361	0.8%	797
Seychelles	4	0.9%	166	0.4%	528
Others	36	8.0%	5,201	11.4%	10,888
Sum	448	100%	45,798	100%	117,614

Source: JETRO's analysis using the fDi Intelligence Database

If we turn to the sector-wise analysis, most investments from India to Africa have gone to the services sector – Financial, Software and IT, Communications, Business services, and healthcare are the lead sectors here. This is followed by investments in the Automotive Original Equipment Manufacturing (OEM) field, followed by oil and gas, pharmaceuticals., chemicals, and industrial equipment. Together these sectors make up the top 10 sectors which attract Indian investments. They are also sectors that are job creating, which is important from the perspective of African priorities.

Table 7: Data for companies from India investing in Africa between January 2003 and March 2019.

S. No.	Industry Sector	# of Projects	Share of Projects in # (%)	Capex Million of USD)	Share of Capex (%)	# of Jobs Created	Average jobs created
1	Financial services	55	12%	592.6	1%	1,263	22
2	Software & IT services	49	11%	631.3	1%	5,008	102
3	Communications	37	8%	3,362.9	7%	4,221	114
4	Business services	36	8%	489	1%	10,199	283
5	Automotive OEM	35	8%	1935	4%	19,200	548
6	Coal, oil & gas	23	5%	18628	41%	3,113	135
7	Healthcare	21	5%	276	1%	1,518	72
8	Pharmaceuticals	17	4%	353	1%	2,533	149
9	Chemicals	16	4%	5650	12%	6,322	395
10	Industrial equipment	16	4%	235	1%	3,308	206
11	Consumer products	15	3%	135	0%	3,730	248
12	Metals	14	3%	2638	6%	7,774	555
13	Plastics	14	3%	1824	4%	8,687	620
14	Food & tobacco	11	2%	2448	5%	6,773	615
15	Textiles	11	2%	1317	3%	15,756	1,432
	Others	78	17%	5,284	12%	18,209	3,632
	Sum	448	100%	45,798	100%	117,614	262

Source: JETRO's analysis using the fDi Intelligence Database

India has contributed to the development of the local economy by investing in sectors like the automobiles, plastics, textiles, etc., which produce large number of jobs. As for the automobile sector, Mahindra has factories and offices in 10 countries (South Africa, Egypt, Kenya, Nigeria, Ghana, Ethiopia, Morocco, Tunisia, Zambia, Gambia), and Tata in 8 countries (Ghana, Nigeria, South Africa, Mauritius, Zambia, Kenya, Morocco, Senegal). Plastics are centered mainly in Egypt, with investments by TCI Sanmar Chemicals, Dhunseri Petrochem and Tea Limited, Uflex, and others. The textile industry is mainly located in Ethiopia and companies like ShriVallabh Pittie Group, Arvind Mills, Raymond Group, Karli International, CLC Industries, Tata International, and others have invested there.

In addition, investments in healthcare, pharmaceuticals, and consumer goods sectors are also increasing. In the healthcare sector, Apollo Hospital Group operates in 8 countries (Nigeria, Uganda, Kenya, Ghana, Ethiopia, Tanzania, Zambia, Mauritius), and Healthcare Global Enterprises (HCG) in 6 countries (Ghana, Nigeria, Burundi, Rwanda, Uganda, Tanzania). In the pharmaceuticals sector, Indian companies such as Hester Biosciences (in Tanzania, Ethiopia, Kenya), Aanjaneya Lifecare (in Uganda, Tanzania), Sun Pharma (in Egypt), Cipla (in South Africa, Algeria) have established their presence in Africa. In the consumer goods sector, Dabur India that produces Ayurveda products has its offices in Morocco, South Africa, Kenya and Egypt, and in 2017 Godrej established a factory in Mozambique. When the author interviewed Godrej, they said that in order to customize their products to meet the local needs, it was important to partner with local companies and local brands.

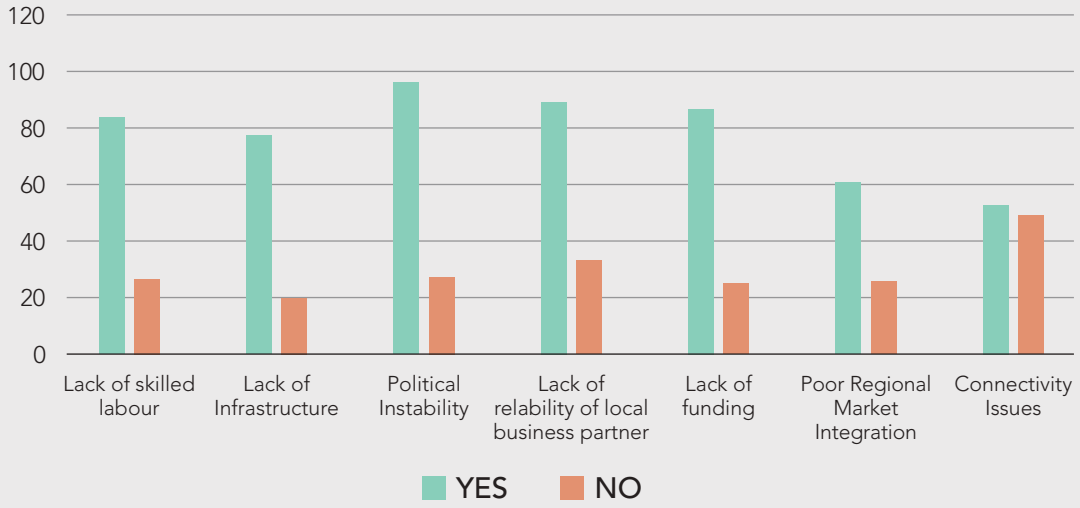
1.3.3 Initiatives by the Indian government to strengthen relations with Africa

The Indian government had recently clearly stated its intentions to strengthen its relations with Africa. When Prime Minister Modi visited Uganda in July last year, he announced that he would establish 18 Indian embassies in Africa (there were only 29 embassies all over Africa until that time).

India's summit level engagement with Africa has also increased through the India-Africa Forum Summit (IAFS). At the third summit (IAFS III), in New Delhi in 2015 became a new benchmark in revitalising India-Africa relations with participation seen from 51 African countries.

A study done by the Confederation of Indian Industry, in collaboration with UN Economic Commission on Africa found that there are various concerns that Indian companies have that disable their integration in global value chains. It referenced a Survey conducted by CII in 2015. The survey found that political instability and lack of funding, followed by lack of reliable business partners were the main disablers of Africa-India trade relations (Mevel & Tripathi, 2018). This gives another implication that India and Japan can help African countries overcome these concerns and can help them involved in global supply chains, which will lead to a win-win-win situation.

Figure 7: Issues faced by Indian Industry



Source: CII 'Doing Business with Africa', May 2015.

When Prime Minister Modi visited Uganda in July last year, Prime Minister Modi also gave a speech on the strengthening of relations with Africa in the Ugandan Parliament and stated the following ten principles for strengthening India's relations with Africa. The salient feature of these 10 principles was that India shares a lot of its social issues and experiences of independence from the colonial rule by the West with Africa. Innovations in the fields of energy, agriculture, medical care, etc. that have happened in India can contribute to the economic and social development of Africa, and the ability to achieve that at a low price will also be an essential advantage to Africa.

Box 1: Principles of Cooperation

Prime Minister Modi enunciated that India's engagement with Africa would continue to be guided by 10 principles which inter-alia were:

- Africa will have the highest priority for India with intensive engagement.
- The development partnership will be guided by African priorities on terms acceptable to them. India would build as much local capacity as feasible and create local opportunity.
- The Indian market would be open and attractive for trade with Africa. India will support greater FDI in Africa from India.
- Indian experience with the impact of the digital revolution would be shared with Africa which would help to achieve the SDGs and give greater opportunities to African youth.
- India would work with Africa to enhance agricultural productivity.
- India would work with Africa to deal with climate change both through adaptation and mitigation as well as to ensure a just international order.
- India would continue to support UN peace keeping operations and enhance cooperation with Africa to deal with terrorism and extremism while also building on cyber security.
- The blue economy offers great opportunities and India & Africa would work together to keep the ocean open and free for the benefit of all in a cooperative and inclusive manner.
- India wishes to support the aspiration of African youth and as globalization develops, closer engagement for mutual benefit would be necessary.
- Given the experience of India and Africa's common challenge to colonialism, they will continue to work together for a representative and fair international order in which India and Africa are both heard. India's quest for reform of global institutions always has an equal place for Africa and this is a guiding principle of our foreign policy.

(Singh & Tripathi, 2019)

The above box clearly highlights Indian priorities in Africa. The report prepared by Confederation of Indian Industry which highlighted these priorities also pointed out notable partners for trilateral cooperation which included Japan as a primary partner. It also recognised various sectors where collaboration could be stepped up. These included – Infrastructure, Start-ups and social enterprises, Manufacturing and services, and Development Cooperation. (Singh & Tripathi, 2019)

An important finding of that study was the need for government to government cooperation to underline risks. Political risk has been identified as a key disabler of Africa – India trade and investment relations (Mevel & Tripathi, 2018). Alleviating it by ensuring that governments involved have a stake in the success of these projects is important.

CHAPTER 2:

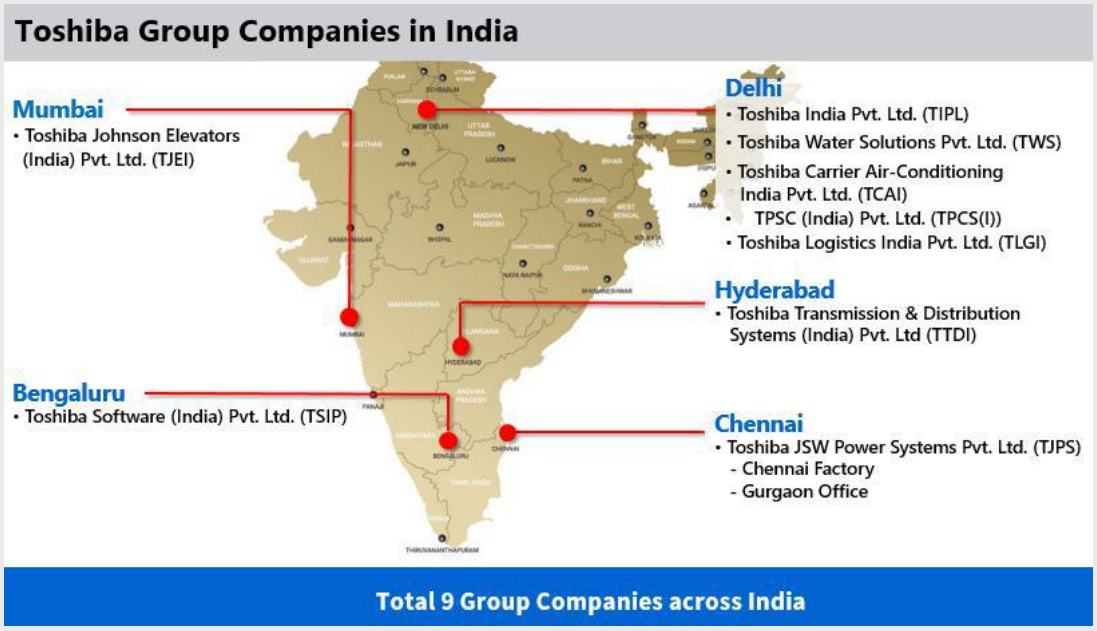
INDUSTRY PERSPECTIVE

2.1 Japanese Cases

2.1.1 Toshiba India

(1) Business Activities In India

Toshiba's relationship with India dates back close to 60 years. Toshiba identified India as a hub for its manufacturing operations and export base with an aim to 'Make-in-India' and 'Export-from-India' especially to Africa. In line with this strategy, Toshiba group has made over Rs. 3,000 crore investment in India since 2013 and employs more than 8,000 people. In India, Toshiba is focusing on B2B power and infrastructure fields like Power Systems, Water Treatment, Railway Systems, Elevators, Air-conditioners and Batteries. Toshiba is contributing to Indian government's initiatives like Make-in-India, Clean India and Skill India.



Toshiba group companies in India (as on August 2020)

(2) Business Activities In Africa

Toshiba established its first Africa office in Johannesburg, South Africa, in 1967. The company has since supplied a wide range of products and systems such as Energy, Infrastructure and Digital solutions. Toshiba established Toshiba Africa to focus on business expansion across the continent. Toshiba has supplied Power Generation systems for Geothermal, Hydro and Thermal and also Transmission and Distribution systems in Africa. Toshiba has also supplied Infrastructure systems such as Electric locomotives for Freight Rail, Air conditioners for building solutions and Banknote processing systems. Toshiba's Digital Solutions such as Multi-functional printers, surveillance hard disk drives and retail Point of Sale solutions are used by a number of businesses in Africa. Furthermore we are introducing our state of the

art technologies to the African market; our Hydrogen energy systems will provide clean off grid energy. Cyber security solutions offer secure Cyber Physical Systems to protect against formidable, sophisticated and diverse cyber-attacks and thereby ensure the safety and security of people's lives.



Olkaria Geothermal plant in Kenya

(3) Economic Cooperation Between Japan, India And Africa

India and Japan have long historical linkages with African countries, especially India has become an important hub to reach out to our customers to serve essential needs of energy and infrastructure development in economically growing African countries. Because of the strong manufacturing bases in India, Toshiba's technologically advanced products have become available for customers in Africa with globally competitive price. The strong India-Africa cultural linkages enable Toshiba to have in-depth knowledge about African business, which assist us to strengthen our networks, develop business and serve customers in the continent. India's relations with African nations have accelerated at a fast pace in the last decade, making India a strategic gateway to African countries.

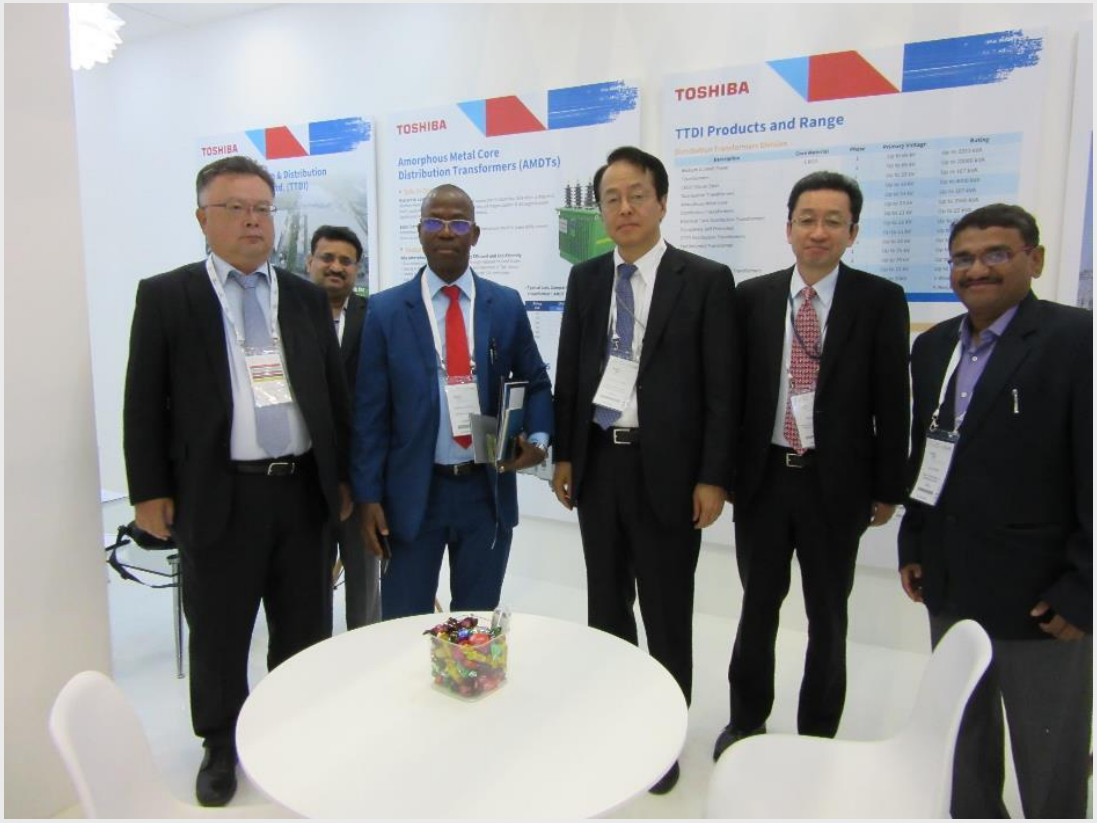
A Toshiba group company in India – Toshiba Transmission and Distribution Systems (India) Private Limited (TTDI) has footprint in over 20+ countries in Africa, supplying almost 60,000 units of Power and Distribution transformers to various electrical utilities in Africa. Energy efficient (low loss) transformers supplied by TTDI have significant energy savings to the customers. TTDI's biggest strength of having ultra-modern manufacturing facilities with end-to-end in-house manufacturing infrastructure enabled to offer its products to African customers with cost effective, high quality and also quick delivery. TTDI extends support to customers at every stage of asset management for distribution utilities.

Another Toshiba Group company – Toshiba Water Solutions (TWS), a leading water and

wastewater treatment firm with over 4 decades of experience in providing design, turnkey and O&M services – is also exploring to expand its business operations in African countries.



TTDI plant in Telangaga (India)



TTDI Indian team participating in African Utility Week

2.1.2 Honda

Honda is the world's largest manufacturer of two wheelers, recognized over the world as the symbol of Honda Two Wheelers, the 'Wings', arrived in India as Honda Motorcycle and Scooter India Pvt. Ltd. (HMSI), a 100% subsidiary of Honda Motor Company Ltd., Japan, in 1999.

HONDA



Since its establishment in 1999 at Manesar, District Gurgrum, Haryana, HMSI has lived up to its reputation of offering the highest quality products at the most reasonable price. Despite being one of the youngest players in the Indian two-wheelers market, HMSI has become the second largest two-wheelers company in India.

Honda started exports with scooter, Activa, in its debut year of 2001 itself. It took 14 years for Honda's cumulative two-wheeler exports to cross the first 1 million mark and the 2nd million exports have been achieved 3 times faster in just 3 years. Backed by strong domestic sales with Quantity and Quality, the models made in India are very competitive in the global market and HMSI is already the No. 1 contributor to Honda's global two-wheeler operations. Growing its exports across regions, Honda's diverse export portfolio has now expanded to include a total of 23 models and HMSI is now exporting to 22 diverse markets across Asia-Oceania, South America, Middle East and Europe from all four factories. For example, the FUNtastic NAVi is fast gaining popularity among youth in international markets especially in South America (Picture: NAVi promotion in Guatemala). In fiscal year 2018, HMSI has recorded the highest with 380 thousand units to the various countries.

In addition, as many Indian suppliers are approved by Honda R&D and are competitive in price due to the large domestic market volume, they also start to expand their business and have started to supply to many Honda two wheelers companies in other Asian countries.

Finally, since India will move to BS6 (Bharat Stage 6) emission norm from April 2020 and will become most advanced automotive emission norm in the world, HMSI, together with global Honda, will seek on the opportunities to expand its export business from India to the advanced countries in near future.

2.1.3 Nippon Steel India

India's crude steel production which overtook Japan in 2018 has been ranked second in the world (about 100 million tons), and a national vision has been set to reach 300 million

NIPPON STEEL



tons by 2030. Since the domestic demand for steel in India is mainly being met (about 90%) by domestic steel mills and the market is also such that it promotes domestic production, Nippon Steel group has already acquired14 companies in India. Nippon Steel Group in India has about 9,000 employees (including 60 plus Japanese employees) and it mainly focusses on developing the business around the automobile industries to meet their steel requirement. In order to capture the growing domestic market, further expansion of local productions will become absolutely necessary. Therefore, Nippon Steel has completed acquisition process of Essar Steel which is the fourth largest steel manufacturing company in India.

Nippon Steel is also working towards exporting some of the products manufactured by their Indian business entities to Asia. Specific examples have been given below.

- They are manufacturing crankshafts for automobiles at their group company SMI AMTEK (a joint venture with AMTEK India Ltd) in Haryana. While their products are sold mainly for Indian automobile companies, about 20% of their products are exported to Asia, mainly to Suzuki's Thailand and Indonesia plants.
- They are manufacturing refractories required in furnaces used for steel production at their group company TRL Krosaki (a joint venture with Tata Group) which is located in Odisha. TRL Krosaki is primarily producing for local Indian steel manufacturers, but taking advantage of India's cost competitiveness, they are also exporting about 20% of their products mainly to Asia, South America and Europe. As a unique example, they are procuring raw material (dolomite) from the neighbouring country Bhutan by goods train and processing it into dolomite bricks (these bricks are used in the ladle during the production of stainless steel or special steel) and some are exported to Asia.

2.1.4 Toyota Tsusho India

(1) Toyota Tsusho's activities in India

Toyota Tsusho India (TTIPL) is the core foundation of Toyota Tsusho Corporation (TTC) Biz's in India. TTC's Group relationship with India started in 1920. As of today, there are 36 affiliate companies and 8 TTIPL Branch offices across the country. Their main Business activities are

spread over 3 fields - Mobility, Life & Community, and Resources & Environment.

In the Mobility field, they support Steel Blanking, Logistics & Warehouse Management, Air Bag Component Manufacturing etc., stationed nearer to Automobile Manufacturers (OEMs). They are operating Plug and Play Industrial park in Gujarat which offers Ready-Built and Built-to-Suit factories with common facilities and services as a package, to support and attract Japanese companies. Further, through "Learn and Earn" scheme, Their JIM training Centre provides "Japanese Manufacturing Practice"- focused training, to the local youth and deploys them to nearby Japanese Industries. Thus they contribute to Industry and society. TTIPL's current activities in the Mobility field is to collaborate with Start-ups, especially in the Mobility As A Service (MaaS) area.

In the Life & Community field, they are operating Medical Health Care Business (The Sakra World Hospital) through a Joint Venture with Japanese partner in Bangalore. They provide first medical service to patient by introducing Japanese high quality standards and will benchmark it to be a leader amongst hospitals in India. They also provide advanced quality medical care through highly efficient services by utilising the latest medical technologies through advanced methods and developing protocols, to work towards improving good health of our community.

In the Resources & Environment field, they are operating Toyotsu Rare Earths India Pvt. Ltd. (TREI) in Vishakhapatnam which produces Rare Earth oxide from mixed rare earth chlorides. This product is mainly exported to Japan in order to contribute and secure the Rare Earth Resources. Further, they have the Metal Scrap Recycling factories at both Bangalore and Gujarat. In OCT 2019, a joint venture with Maruti Suzuki India Pvt Ltd. "Maruti Suzuki Toyotsu India Pvt Ltd" (MSTI) was incorporated to dismantle End of Life Vehicles in environmentally friendly way. The aim is to contribute to Indian society through MSTI's resource optimization and environmentally friendly system and process.

(2) Toyota Tsusho's activities in Africa

With a focus on the potential growth of the African market, Toyota Tsusho Corporation acquired a capital stake in French company CFAO in 2016 and made CFAO a wholly owned subsidiary with the aim of accelerating its business initiatives in Africa. In 2017 "Africa Division" was established in TTC to consolidate and unify the investment and strategy with CFAO.

They are working on four priority business areas. **"Automotive sales,** utilizing sales networks across Africa", **"Healthcare business** based on pharmaceutical wholesale", **"Retail business** such as local production of alcoholic beverages and the development of shopping malls known as Carrefour" and "Renewable Energy and infrastructure projects.

(3) From India to Africa

Through their activities They are focusing to connect between India & Africa and create business synergy.

In the automotive field, the small cars' segment has been greatly strengthened due to the alliance between Toyota and Suzuki. Their focus is to sell Indian-made Toyota & Suzuki cars thorough their sales network in Africa.

In Renewable Energy and infrastructure projects

Feasibility study for constructing LPG terminal in Mombasa SEZ Kenya is being conducted which includes operational responsibility and joint investment opportunity with Indian companies. Another feasibility study to form a solar power generation project in Zambia is also being conducted to set a business model that could utilize Indian solar panels and Japanese storage batteries.

2.1.5 Toyota Kirloskar Motor

(1) Toyota Kirloskar Motor's <TKM> business history in India:

In India, Toyota Motor Corporation started its inception in October 1997 through a joint venture with the Kirloskar Group, setting up car manufacturing unit by the name of Toyota Kirloskar Motor Private Limited. With its headquarters located in Bangalore, Karnataka, Toyota India is responsible for handling manufacture and sales of **Toyota cars in India,**

Table 8

SL No	Particulars	Details
1	Company Name	Toyota Kirloskar Motor Pvt. Ltd.
2	Equity Participation	Toyota Motor Corporation (TMC): 89%, Kirloskar Systems Limited (Mr. Vikram S. Kirloskar): 11%
3	Date of Inception	6th October 1997
4	Company Address/ Head Quarters	Bidadi Industrial Area, Ramanagara District, Karnataka, India
5	Total Installed Production capacity	Up to 3,100,00 units
6	Market	India, South Africa, Mauritius, Bhutan, Nepal and Brunei

Toyota products in India:

Toyota Kirloskar Motor<TKM> is one of the leading multinational companies in the automotive industry. The Company's business activities comprise of the Automotive manufacturing and services divisions. The business activities focus on developing, producing and selling passenger cars. The product portfolio of the passenger cars business area ranges fuel-efficient small cars and luxury vehicles.

Presently, Toyota products line up are: - Innova Crysta, Innova Touring Sport, Fortuner, Corolla Altis, New Camry Hybrid Electric vehicle, Etios, Etios Liva, Etios Cross, Yaris and Glanza.

(2) Outline of Toyota's business operation in Africa

Toyota's recent sales and production of vehicles in Africa are as follows:

Table 9

Year	2016	2017	2018	2019(As on Sep)
Sales	180,994	184,031	191,597	147,450
Production	112,216	113,414	122,186	97,876

(3) Toyota-India <TKM> contribution to South Africa Operation:

Toyota Kirloskar Motor has started exporting the Etios series of cars from India to South Africa from Y'2012 onwards, TKM has exported **121,851** units till Oct'2019.

The models for export will be based on the Etios platform currently sold in India but will be developed and produced to fit the lifestyles, consumer preferences, climate, road conditions in South Africa.

The Etios is manufactured at Toyota Kirloskar's second plant in Bidadi industrial area on the outskirts of Bangalore. The export model will also be manufactured in the same plant.

TOYOTA KIRLOSKAR





The detailed year wise export units are as shown below: -

Table 10:

Year	Y'2012	Y'2013	Y'2014	Y'2015	Y'2016	Y'2017	Y'2018	Y'2019 (As on Oct'19)	Total Units
No of Units	19,127	25,708	16,415	16,183	13,078	13,504	9,214	8,622	121,851

2.1.6 Daikin Airconditioning India Pvt. Ltd.

Daikin Airconditioning India Pvt. Ltd. (DAIPL) is a wholly-owned subsidiary of Daikin Industries Ltd., Japan (DIL), and a global leader in commercial and residential air conditioning systems. Backed by superior technology, DAIPL offers a wide range of energy efficient air conditioning solutions to the Indian customers. It has been successfully offering premium air conditioning solutions in the Indian market. DAIPL has reached the pinnacle of the Indian HVAC (Heating, Ventilation, and Air Conditioning) market with continuous and undaunted growth in the last 10 years.

Foreseeing robust growth in India's air-conditioning market Daikin intends to further increase its market share and expand its product portfolio.

DAIPL's manufacturing plant, their engine of growth is situated in Neemrana, Rajasthan. This is the biggest HVAC factory in India, spread over 40 acres housing 2 Factory units, R&D Center, Training Center and a 2,00,000 sq.ft. warehouse. We have a capacity of 1.5 Million Residential units; 50,000 Variable Refrigerant Volume (VRV) units; 150,000 Cassette units, 20,000 Duct units and 1,000 Chillers. On the sales front, DAIPL has widest reach in the market with 8,000 sale points and 600+ authorized service centers.

Skill development and vocational training has played a pivotal role in DAIPL's success in the Indian market. With a view towards spreading knowledge and impart training about HVAC products, DAIPL opened 18 Air-conditioning Labs, known as Daikin Center of Excellence (COE), in various academic institutions all over the country and one in Sri Lanka.

This COE initiative was well recognized by Govt. of India and Japan, and DAIPL was the first HVAC company in India to receive the mandate for establishing Japan India Institute of Manufacturing (JIM) in 2017. The Daikin Japanese Institute of Manufacturing Excellence started its maiden batch with women only students; this was done with an eye to help improve gender diversity in the manufacturing sector.

Recently, DAIPL has released its expansion plans with a view on increasing Airconditioning levels in India and making India an export hub for new and emerging markets such as Africa and Latin America. This fortifies DAIPL's commitment to Indian market and investing to "Make in India" – "Make for India" and "Make for Exports".

In Africa, DAIPL shall utilize its knowledge, experience and skill to replicate its India success story. As part of its expansion plans, DAIPL has taken operational control of East African countries and export to Middle East region. Such plans would include fortifying the Sales Channel and offering Customized products.

Recently after establishing our Branch office in Nairobi, Kenya, we have plans to open a COE in Kenya which would help impart HVAC skills to the local youth.

Below are some photos for reference.



THE REPUBLIC OF KENYA

CERTIFICATE OF COMPLIANCE

The Companies Act, 2015

I hereby CERTIFY, that

DAIKIN AIRCONDITIONING INDIA PRIVATE

a branch company incorporated in INDIA, has this day delivered to me for registration the documents in particulars specified in the Companies Act 2015

GIVEN under my hand at Nairobi this 18 JUN 2019

Nairobi branch office certification



DAIPL JIM: Graduation ceremony with JETRO and Local Indian govt. officials





Daikin Training initiatives in East Africa



Daikin COE: Ongoing consultation with University of Nairobi.

2.1.7 Suzuki Motor Corporation

1. Overview of four-wheeler vehicle business development in India

In 1982, Suzuki Motor Corporation (Suzuki) started business in India by setting up of a joint venture agreement with Maruti Udyog, which was a public sector entity at the time. The following year in 1983, the company started production and sales of the Maruti-800 compact car, and the scale of operations expanded in line with the economic growth witnessed in India. In2002, Suzuki made its subsidiary, Maruti Udyog, and in 2007 the company name changed to Maruti Suzuki India Ltd. (Maruti Suzuki).

In addition to Maruti Suzuki, production of four-wheelers was started in Suzuki Motor Gujarat in February 2017. This is a wholly-owned subsidiary of Suzuki. By March 2020 Suzuki's cumulative production volume for four-wheelers in India reached 23 million. The most recent numbers for car production in India was 1.58 million in FY 2019-20, accounting for more than 50% of Suzuki Group's total four-wheeler production in the

same year globally.

2. Overview of four-wheeler vehicle business development in Africa

In recent years, Suzuki sales of four-wheelers in the African market has been quite steady growing. In FY2019-20, around 30,000 vehicles were sold, observing a 16% increase from the previous fiscal year while the total industry decreased (this includes locally produced vehicles). For the African market, Suzuki has opened distributors in about 52 countries, including Suzuki Auto South Africa, its 100% subsidiary in South Africa.

In South Africa, Suzuki recorded the highest sales in 3 consecutive years with around 17,000 vehicles in FY2019-20, 38% increase from the previous fiscal year. Furthermore, Suzuki Egypt (Suzuki's joint venture in Egypt) conducts knockdown production of commercial vehicles.

3. Collaboration between Indian and African businesses

Suzuki sold around 30,000 cars in Africa in FY2019-20, of which approximately 23,000 units were manufactured in India. Suzuki compact vehicles made in India are becoming more popular with emergence of middle class in Africa. Export from India to Africa has increased in 3 consecutive years.

As is evident from these figures, India will play a very important role in the future as an export hub of vehicles and spare parts to the growing African market. This is largely due to the fact that India has an advantage geopolitically as compared to Japan and Southeast Asia in terms of relations with Africa, and also the other major factor is that there is a high similarity between India and Africa in terms of products targeting.

Maruti Suzuki also goes to African countries to conduct after-sales service trainer's training for local distributors, and also invites African trainees for similar opportunities in India. Maruti Suzuki also holds an annual distributor conference in India that includes distributors from Africa. Last year Suzuki held distributor conference in Delhi, and the participants included Suzuki distributors from 44 countries in Africa. Human interaction between India and Africa is indispensable for promoting smooth collaboration.

The above-mentioned initiatives in the automotive business are expected to accelerate in the future, and it is hoped that this will further deepen the collaboration between India and Africa.

MARUTI SUZUKI



2.1.8 Japan-India Mitsui & Co. Ltd.

1) Overview of business activity in India

The former Mitsui & Co., Ltd.("The former Mitsui"), which was dissolved in 1947 and has no continuing with the current Mitsui & Co., Ltd.("Mitsui"), opened its first office in India in 1893 in Bombay. The former Mitsui started off with cotton trade, and around 1900 they were importing the rickshaw (Jinrikisha) from Japan. In the 1950s, Mitsui began exporting iron ore from India and around the latter half of 1900s Mitsui was participating in various large projects in India. Currently Mitsui is involved in domestic and import/export trading of iron & steel, chemicals, mineral metal resources, etc. and has 31 companies in India which is included both direct and indirect investments. This year, Mitsui has announced investments in the solar energy business, the E-rickshaw business, and the Japanese-style curry business (Coco Ichiban-ya). In addition to having the head office in Delhi, Mitsui & Co. India Pvt. Ltd. ("Mitsui India") has branches in Mumbai, Chennai, Kolkata and Hyderabad.

Mitsui India has about 150 full-time employees (of which 35 are Japanese).

(2) Overview of business activity in Africa

Presently Mitsui has 6 offices in Africa: Johannesburg (South Africa), Maputo (Mozambique), Nairobi (Kenya), Casablanca (Morocco), Accra (Ghana), and Cairo (Egypt). The main areas of business being mineral metal resources, energy, iron & steel, infrastructure projects, transportation projects, and agriculture. Particularly in Mozambique, where Mitsui has been actively doing large-scale investments in the form of project financing for coal mines, railway and port infrastructure, power, and energy (LNG) since 2014. In May 2018, Mitsui invested approximately 30 billion yen in ETC Group Ltd.("ETG") which is based in Dubai (UAE) and

Johannesburg (South Africa). ETG has established a farmer's network of more than 2 million households mainly in East African countries, and ETG promote efforts that contribute to farmer growth. By joining hands in business with ETG and by leveraging their international network and large business territory, Mitsui not only wants to contribute to solving social issues of "food and agriculture" in Africa and the region around the Indian Ocean but also aim to develop new businesses in that region.

(3) Overview of collaboration with Indian companies for business activity in Africa

ETG also has a processing plant in India for pulses, a plant-based source of protein for Indians. By leveraging this, they intend to expand the pulse business in India with Mitsui's Indian business partners and build a value chain for plant-based protein sources. Also, not only in food and agriculture, they also aim to leverage the ETG to strengthen the collaboration between India and Africa. In addition to that, in August 2017, Mitsui invested in OMC Power which is an Indian power company engaged in distributed energy. Currently Mitsui are developing projects to expand OMC Power's business model across the African continent where there are many non-electrified areas. Also, Mitsui invested in LNG Development Project in Mozambique with Indian companies such as ONGC Videsh, Bharat Petroleum, and Oil India.

2.1.9 DENSO INTERNATIONAL INDIA PVT. LTD.

1. Overview of primary business development in India

In the year **1984:** Established SRF Nippondenso LTD. in Noida, UP and started a local manufacturing business of engine electric components in India

1985: Established Subros LTD. as a joint venture with Suri family and Suzuki and started production of thermal products

1999: Established a manufacturing company (DENSO Haryana PVT. LTD., DENSO Kirloskar Industries PVT. LTD.) for powertrain, electronic and thermal products in the wake of need for electronic control of engines to meet exhaust gas regulations

2010: Reorganized the sales company and established its Indian regional headquarters (DENSO International India PVT. LTD.)

2018: Established a joint venture company (Automotive Electronics Power PVT. LTD.) for automotive lithium-ion batteries in the state of Gujarat in collaboration with Suzuki and Toshiba

2. Asian and African trends

(a) Impact of Asian trends

If there is a slump in the growth of the Chinese economy due to the impact of US-China trade dispute, it is expected that the Chinese automakers will enter into the ASEAN/India market more aggressively. This will cause a major impact on the Japanese automakers that hold a high market share in these countries. It is imperative for India to strengthen its competitiveness in auto-parts industries to be more part of global supply chain.

(b) Impact of African trends

As of now, new car sales are concentrated in North Africa and South Africa. In other regions, the market is mainly for imported used cars. In expectation of the future expansion of markets, automakers have already begun local production. But except in South Africa, the vehicles are assembled with outsourced parts (parts are imported as KD parts) in other regions.

Because of this, high demands for repair services and spare parts for used cars are being observed. As there are a large number of Japanese cars registered, Japanese manufacturers have a good opportunity to broaden their businesses in Africa.

3. DENSO's counteraction

(a) Relations with China and Asia

Since the trend of the inundation of Chinese and Korean products into Indian and ASEAN markets, and the rapid expansion of shares of Chinese and Korean EVs in the near future will have a huge impact on the industry, it is important for us to work with the Japanese OEMs who are customers for auto-parts manufacturers.

On the production side, while expanding local production, and complying with stricter regulations including BS6 and CAFE3, DENSO will promote exports of finished products and parts to Asia, North America, and other regions, which will strengthen and stabilize Indian business as a domestic manufacturing and as an export hub.

(b) Relations with Africa

In 2010, DENSO established a sales company (DENSO Sales Middle East & North Africa) in Dubai, UAE, to expand sales and service networks in the Middle East and North Africa. In 2019, DENSO split the marketing and service division of a South African company where DENSO had minority shares; and established a sales company in South Africa (DENSO Sales South Africa). Thus, DENSO is making efforts to expand the aftermarket and service network.

As is seen in the other industries, we would like to consider expanding exports of our products from India to Africa.

4. [Further Analysis and Proposals] Issues in promoting exports from India

In the course of trying to broaden exports from Indian factories as mentioned above, they found some issues or hurdles that need to be improved.

(a) Import of exported returnable packages

In India, as the packages that are returning from export destinations are considered to be different from the original packaging, the procedure is very complicated. They propose to simplify the definition or categorisation of returnable packages.

(b) Logistics lead time

Because constructions of double-track railroads are delayed, and we observe a huge delay in cargo transportations. While the imports have been relatively faster, the export logistics have not been developed so well.

(c) Consolidation of export containers

While DENSO has multiple manufacturing companies, each company exports using its own containers. This is why the transportation is inefficient. They are considering to consolidate loadings among DENSO Group to save logistics costs.

2.1.10 Unicharm India Pvt. Ltd.

(1) Overview of business development in India

a. Unicharm Corporation is a Japanese company which was founded in 1961. Presently, it is manufacturing and selling disposable diapers and sanitary products in over 80 countries around the world through overseas manufacturing and sales subsidiaries, affiliated companies, and sales agencies.

b. Unicharm India which is a wholly owned subsidiary of Unicharm Corporation, was established in 2008. It manufactures and sells disposable baby diapers and sanitary napkins for women, and also disposable adult diapers.

c. As for sales, they have a sales network all over India and they are selling through approximately 2 million retail stores in all the states.

d. Unicharm's strength is its high product appeal, especially its pants-style disposable diapers have a strong product appeal. In India, there were no pants-style diapers before Unicharm introduced them and now 95% of baby diapers in the market are pants-style.

e. Currently, Unicharm India has expanded its sales considerably and has a sales turnover of approximately 25 billion INR. It is in second place in the disposable baby diaper market and holds a market share of a little less than 40%. And is in third position in the sanitary napkin market and holds a market share of a little less than 10%.

(2) Overview of business development in Africa

a. Unicharm established Unicharm Middle East & North Africa Industries Company SAE (UC MENA) in 2010 in Egypt and started production and sales of baby diapers and sanitary products. Currently, it has sales of about 3 billion INR.



b. UC MENA is actively expanding its exports to countries around Egypt, mainly to the Arab countries in North Africa.

c. In 2015, Unicharm Corporation started sales of disposable diapers in South Africa by importing from Thailand and selling them through sales agencies there. From 2019 onwards, they are partly importing the products from India.

d. For other Sub-Saharan countries, they are mainly using the local Indian diaspora network and they are currently exporting from Unicharm India. Unicharm India have sales agencies in the Democratic Republic of the Congo and Cameroon, but they have plans to expand our business in future to other countries through Make in India.

(3) Overview of collaboration with Indian companies for business development in Africa

a. At present, there is no direct collaboration with Indian companies, but in some countries, the owner of the sales agency is of Indian origin.

b. In the future, they hope to have opportunities to collaborate with Indian companies in the countries where they plan to open shop, for information sharing on FS, sharing of sales agencies, joint logistics, risk management, etc.

2.2 Indian Cases

2.2.1 Bharti Airtel

Bharti Airtel is one of India's leading telecom companies with a worldwide presence. It is present in a total of 15 countries in Africa. Airtel ranked amongst the top 10 companies (out of 100) in the Indian Corporate Governance Scorecard, an independent report jointly developed by Bombay Stock Exchange, International Finance Corporation and Institutional Investor Advisory Services (IIAS) with support

from the Government of Japan. Bharti Airtel was the only telecom company to make it to the top 10. It has also declared plans for an IPO on the London as well as Nigerian Stick Exchange.

According to its Annual Report filing of 2018-19, the company saw a 12% growth in revenue for this time period in Africa. It has started diversifying its Africa presence by entering partnerships like one for global submarine and cable systems with Telecom Egypt. The group has also entered the digital payments and streaming services space. Airtel Africa had a robust year on all parameters. With the addition of 10 million new customers, the count reached 99 million. Total revenues witnessed strong growth aided by significant expansion in data revenue (31%) and Airtel Money (60%).

Airtel Africa's CSR initiatives are oriented towards local priorities in the countries we operate in. The initiatives in Africa are largely in the areas of spreading digital awareness among youth and children, healthcare, and youth empowerment.

2.2.2 TATA Group

TATA Group is a well-respected Indian conglomerate with diversified presence in the African market. According to their submissions to the CII Report "Project Implementation by Indian Companies in Africa" in 2018, they have major presence through their consultancy arm, TATA consultancy services (TCS) and in the automotive sector through both TATA motors Ltd and TATA Motors (SA) PTY. LTD.

Tata Consultancy Services (TCS) is an IT services, consulting and business solutions provider that has been partnering with the world's largest businesses in their transformation journeys for the last fifty years. TCS offers a consulting-led, cognitive powered, integrated portfolio of business, technology and engineering services and solutions. This is delivered through its unique, location-independent agile delivery model, a benchmark of excellence in software development. TCS has been working in the African Continent for implementation of IT Solutions for over 10 years. It has delivered successful transformational engagements for the Revenue Authorities of the Governments of Kenya, Rwanda, Uganda and Zambia, and Customs Information System for the East African Community.

TCS is also present in Japan as a JV between TCS, IT Frontier Corporation of Mitsubishi and Nippon TCS Solutions Centre with TCS having 51% equity and Mitsubishi having 49% equity.

TCS Japan has been described as a "hybrid company," that has combined the strength of the Japanese subsidiary of TCS, with its international knowhow, and the IT subsidiary of Mitsubishi Corporation, with its extensive domestic business expertise. TCS Japan is currently focusing on business that utilizes IoT and AI technologies in this digital era of the Fourth Industrial Revolution. In the Japanese market, interest in digital technologies, such as IoT and

AI, increased sharply in 2016, and business opportunities have been increasing. The Ministry of Internal Affairs and Communications estimates that IoT and AI technologies will contribute to an increase in Japan's real GDP of 132 trillion yen by 2030 (2017 White Paper on Information and Communications in Japan), and TCS Japan will play a certain role in this growth.

As a pioneer in the digital era, TCS Japan is working on developing new business models in collaboration with Japanese companies. One of the models is the use of IoT and AI technologies in the operation of thermal power plants. By introducing AI and IT, the operation of thermal power plants can be optimized and the associated nitrogen dioxide (NOx) emissions controlled, which would result in a reduction of the environmental impacts.

TCS has developed a system that enables the application of IoT and AI technologies across all industries. The system is the world's first neural automation system with AI for enterprises and was named "ignio™". The system makes accurate operational predictions and can take prompt and autonomous actions by collecting information and learning like a human brain. This makes it applicable to various operations within a company where it can improve efficiency by identifying the root causes of system failures.[1]

Besides TCS, Tata motors ltd, has been working closely with African countries to enable public transport. A case in point is their delivery of busses for the 'Grand Abidjan' initiative in Cote D'Ivorie. Tata Motors (SA) has a manufacturing and assembly plant in South Africa. There are some nascent plans for expansion given African efforts towards greater integration.[2]

2.2.3 Mahindra & Mahindra

The Mahindra Group is a USD 20.7 billion federation of companies that is providing innovative mobility solutions, driving rural prosperity, enhancing urban living, nurturing new businesses and fostering communities. It enjoys a leadership position in utility vehicles, information technology, financial services and vacation ownership in India. It is the world's largest tractor company, by volume. It also enjoys a strong presence in agribusiness, aerospace, commercial vehicles, components, defence, logistics, real estate, renewable energy, speedboats and steel, among other businesses.

The company has 12 manufacturing facilities in Africa according to its Annual Report filing of 2018-19. This includes facilities for tractors and farm machinery, two wheelers, automotive and others. Powerol diesel generator sets are delivering reliable power supply to businesses and homes, raising economic vitality and living standards. Mahindra tractors are helping raise agricultural efficiency and productivity. Their vehicles and airplanes are bringing affordable mobility to people and our operations provide employment to thousands. As the region develops, they have committed to be responsible partners, employers, and providers of essential products and services, empowering people.[3]

2.2.4 Kirloskar Brothers

Kirloskar Brothers Limited (KBL) is a world class pump manufacturing company with expertise in engineering and manufacture of systems for fluid management. Established in 1888 and

1 *https://www.jetro.go.jp/en/invest/success_stories/tcs.html*
2 *https://economictimes.indiatimes.com/industry/auto/auto-news/tata-motors-looks-to-grow-footprint-in-africa/article-show/71220472.cms?from=mdr*
3 *https://www.mahindra.com/global/middle-east-and-africa*

incorporated in 1920, KBL is the flagship company of the $ 2.1 billion Kirloskar Group. KBL, a market leader, provides complete fluid management solutions for large infrastructure projects in the areas of water supply, power plants, irrigation, oil & gas and marine & defence. We engineer and manufacture industrial, agriculture and domestic pumps, valves and hydro turbines. The company has made significant investments in Ethiopia, Sudan, Djibouti, Uganda, and Malawi.

The company has followed a policy of what has been termed the 'three A's approach - "Appropriate, Adaptable, and Affordable technologies." (CII-EXIM Bank, 2017) The company has a significant presence in Egypt, Sudan, Senegal, and Ghana. It also has two manufacturing facilities in South Africa. There are areas where the name has become synonymous with pumps proving the significant impact they have had. They also have multiple wholly owned subsidiaries in Africa. (Mevel & Tripathi, 2018)

Toyota and Kirloskar have had successful collaboration both in India and in Africa as discussed above.

2.2.5 Larsen and Toubro

Larsen & Toubro (L&T) is an US$ 17 billion engineering, technology, construction, manufacturing and financial services conglomerate. Recognized by Forbes as one of the most innovative companies in the world, L&T is also ranked 4th in the global list of Green Companies in the industrial sector by the Newsweek magazine. A strong customer-focused approach coupled with strict adherence to global HSE standards and a constant quest for top-class quality has enabled L&T to sustain its leadership position for over 75 years. L&T Construction is the construction arm of L&T. Ranked 25th among the top 250 global contractors by Engineering News Record in 2016; L&T Construction is India's largest construction organization offering EPC solutions with single source responsibility for executing large industrial and infrastructure projects from concept to commissioning. L&T Construction straddles eight related businesses – Buildings & Factories, Metallurgical & Material Handling, Transport Infrastructure, Heavy Civil Infrastructure, Power Transmission & Distribution, Water & Effluent Treatment, Smart World & Communications with proven capability for executing all types of mega projects on a turnkey basis involving innovative designs, comprehensive construction services that include procurement, supply, installation, testing and commissioning.

L&T has a diversified presence in Africa with major power, light rail, and water transmission, projects in the works. Under the power transmission and distribution branch of their business, the company is concentrating on key African economies that have a clear road map to build a transmission and distribution network to meet increasing demand. Grid strengthening, regional interconnection and rural electrification opportunities are being pursued in select countries. Renewable generation is another area that holds potential. The footholds gained in Algeria, Morocco and Egypt have grown stronger and the T&D space in these economies is vibrant with many opportunities. (L&T, 2019)

L&T has the following JV's with Japanese companies in the Power sector:

1. **L&T-MHPS Boilers Pvt. Ltd.,** a joint venture with Mitsubishi Hitachi Power Systems Limited (MHPS) Japan, for the engineering, design, manufacture, erection and commissioning of ultra-supercritical/ supercritical boilers in India up to a single unit of 1000 MW.

2. **L&T-MHPS Turbine Generators Pvt Ltd.,** a joint venture with Mitsubishi Hitachi Power Systems Limited (MHPS), Japan and Mitsubishi Electric Corp. (MELCO), for manufacture of STG equipment of capacity ranging from 500 MW to 1,000 MW. The company is engaged in the engineering, design, manufacture, erection and commissioning of ultrasupercritical/supercritical turbines and generators in India.

   In addition to this, collaboration with Japan is also happening in the technology and Medical Devices space. They also have a JV with Kobe Steel in the construction equipment space.

2.2.6 Shapoorji Pallonji and Company

The Shapoorji Pallonji Group has grown from a general contracting company, into a diversified business conglomerate which prides itself in having partnered the growth of its clients, who time and again have vested their trust and faith in the Group and the values that it stands for.

Together, the Shapoorji Pallonji Group offers its clients complete solutions in all the businesses it is into

1. Engineering & Construction – Industrial, Commercial, IT Parks, Automobile, Residential, Hospitality, Healthcare and Stadia
2. Infrastructure – Rail, Ports, Marine – Offshore & Onshore, Oil & gas, Power, Transportation.
3. Real Estate – Commercial, Luxury Apartments, Affordable Housing, IT, ITes, SEZ
4. Water – Water Purifiers, Waste water management, Industrial Water treatment
5. Power & Electricals – MEP, HVAC, Data Centre, Solar EPC, Transmission lines, DG sets, LT/HT Panels, Co-gen.

The company has successfully completed multiple large infrastructure projects in Africa both as the parent company as well as through its EPC construction arm Afcons Infrastructure Limited. Focussing on heavy infrastructure, AFCONS has diverse experience with a record of completing over 350 infrastructure projects in last 6 decades. The company has consistently earned accolades from demanding clients for successful execution of complex projects in areas of Marine, Highways, Railways, Bridges, Metro, Tunnels, Water and Oil & Gas. With a turnover of $ 1bn, and an order book upwards of $3bn AFCONS is a leader in Infrastructure EPC in India.

AFCONS is the only Indian company to have delivered more than 40+ infrastructure projects overseas, on time or ahead of schedule. These projects are in AFRICA (Guinea, Gabon, Liberia, Ghana, Zambia, Tanzania, Madagascar and Mauritius), Middle East, CIS and South Asia. Having delivered 140+ bridges, 9 tunnels (30+Km) and 4500+ lane KM of roads, AFCONS has been involved in some of the most complex projects in India including World's tallest Railway Arch bridge, India's longest railway bridge, world's longest road tunnel above 3,000m etc. It is the first private Indian company executing turnkey railway project outside India – 84 KM Railway in Ghana.

AFCONS received the ASIA MAKE Award 2017 at Beijing. Mr Giridhar, Executive Director – (Technical), Mr K Vishwamurthy, Project Manager – Chenab Project and Mr Rudolf D'Souza – Chief Knowledge Officer received the Award from Mr I Nonaka, of Japan. (AFCONS, 2018)

CHAPTER 3

METHODS FOR COLLABORATION BETWEEN INDIA AND JAPAN

As is seen in the Chapter 2, many joint projects between Japan and India are already observed. This Chapter will categorize those examples and potential business areas into four types. Also, several risks are often pointed out, which accompany African business. So, the supports from Indian and Japanese government is necessary.

3.1 Four Categories of India-Japan Business Collaboration

There are multiple ways in which trilateral partnerships may be imagined which also feed into larger value chains and create economies of scale even as they increase productivity. These include:

Category 1: Exports to Asia and Africa by Japanese companies in India

Category 2: Implementing projects in Asia and Africa with Indo-Japan business collaboration

Category 3: Joint investments in Asia and Africa by Indian and Japanese companies

Category 4: Collaborations in start-ups and digital sectors

3.1.1 Category 1: Exports to Asia and Africa by Japanese companies in India

Most Japanese companies in India are originally targeting a domestic market in India, however these days some companies including in automotive industry started to, or plan to export their products to Asia and Africa. Some of these who are planning to export or have succeeded in exporting are based on direct green filed investments, while others are through investments or M&As to Indian companies, followed by upgrading their products by utilizing Japanese technology. This movement represents a wider role of manufacturing bases/units in India. Now India is not only for the Indian market, but also work as an export hub.

Examples of Business Collaborations

Automotive sectors

- Maruti-Suzuki: In fy2018, they exported 18,000 units of cars from India to African countries. They conduct knockdown production of commercial vehicles in Egypt. Preparations are underway to start production of passenger cars in Algeria as well as local production of commercial vehicles in Nigeria. Major production parts will be exported from India in Algeria and Nigeria. They go to African countries to conduct after-sales service trainers' training for local distributors, and also invites African trainees for similar opportunities in India.

- Toyota Kirloskar Motor: They started exporting the Etios series of cars from India to South Africa from Y'2012 onwards, TKM has exported 121,851 units till Oct'2019.
- Honda Motorcycle and Scooter India Pvt. Ltd. (HMSI): They are now exporting to 22 diverse markets across Asia-Oceania, South America, Middle East and Europe from all four factories in India. In fiscal year 2018, HMSI has recorded the highest with 380 thousand units to the various countries.
- DENSO: They points out high demands for repair parts and spare parts for used cars in Africa. DENSO will promote exports of auto-parts to Asia, North America, and other regions, which will strengthen and stabilize Indian business as a domestic manufacturing and as an export hub.
- Nippon Steel India: Their subsidiary, a joint venture with AMTEK India Ltd exports about 20% of their products (crankshafts for automobiles) to Asia, mainly to Suzuki's Thailand and Indonesia plants. Their subsidiary TRL Krosaki (a jointventure with Tata Group), located in Odisha, exports about 20% of their products (refractories required in furnaces) mainly to Asia, South America and Europe.
- Other auto-parts manufacturers: We observe several auto-parts manufactures who export automotive brake parts or motors to ASEAN, Europe and other regions.

Other sectors

- Daikin Air-conditioning India Pvt. Ltd. (DAIPL): Recently, DAIPL has released its expansion plans with a view on increasing air-conditioning markets in India and on making India an export hub for new and emerging markets such as Africa and Latin America. East Africa and Middle East business control was shifted to India. They set up a sales entity in Kenya under Indian operation and executing marketing activities rooted in the region. Daikin is focusing on training air-conditioning service engineers of Africa. From February 2019, in collaboration with Ministry of Economy, Trade and Industry of Japan (METI), Daikin invited a total of 31 engineers to India from 6 African countries for training and technical up-skilling/development. They have plans to open a Centre for Excellence (COE) in Kenya which would help provide HVAC (Heating, Ventilation, and Air Conditioning) skills to the local youth.
- Toshiba: They established Toshiba Transmission & Distribution Systems (India) Pvt. Ltd (TTDI) in 2013 by acquiring Vijai Electricals Ltd Hyderabad, and TTDI produces and already exported 60,000 power transmissions and distribution equipment to various African countries.
- Unicharm: They started exporting their disposable diapers from India to South Africa from 2019. For other Sub-Saharan countries, they are mainly using the local Indian diaspora network and they are currently exporting from Unicharm India. Unicharm India have sales agencies in the Democratic Republic of the Congo and Cameroon, and they have plans to expand their business in future to Ghana, Cote d'ivoire (Ivory Coast), Tanzania and other countries through Make in India.
- Other companies: We observe several other companies who are planning to export their products in Agricultural products, parts for energy facilities and industrial devices

which are manufactured in India or which are developed through variety of selection in Research & Development in India, to Africa and European markets.

3.1.2. Category 2: Implementing projects in Asia and Africa with Indo-Japan business collaboration

The second pattern is an implementation of a project in Asia and Africa, complementing each other in products, services, technologies, and know-how between Indian and Japanese companies. On the one hand, Japanese companies contribute in exporting products from India or from other countries, or in project planning and coordination; on the other hand, Indian companies will contribute in exporting products or in EPC (engineering, procurement, and construction) management, or in providing machineries and technologies which is suitable to deploy in developing countries. Combining these strengths from each side is effective to implement projects in Asia and Africa region including building and running a power generation plants or operating and distributing power using renewable energy.

Examples of Business Collaborations

- Mitsui & Co. ltd.: Mitsui invested in OMC Power which is an Indian power company engaged in distributed energy in August 2017. Currently Mitsui are developing projects to expand OMC Power's business model across the African continent where there are many non-electrified areas.
- Toshiba: Toshiba group company, Toshiba Water Solutions (TWS), a leading water and wastewater treatment firm is exploring to expand its business operations in African countries.
- Toyota Tsusho: They are conducting a feasibility study to form a solar power generation project in Zambia which utilize Indian solar panels and Japanese storage batteries.
- Others: We observe some EPC projects, where Japanese heavy electronics manufacturers supplied high performance boilers and turbines and Indian players undertake EPC management. Other project includes auto-related services partnered with an Indian company in Africa.

3.1.3. Category 3: Joint investments in Asia and Africa by Indian and Japanese companies

The third pattern is a joint-investments and/or a joint O&M (Operations and Maintenances) projects in collaboration between Indian and Japanese companies.

(Examples of Business Collaborations)

- Mitsui & Co., Ltd.: Mitsui & Co., Ltd. invests in LNG Development Project in Mozambique with Indian Companies such as ONGC Videsh, Bharat Petroleum, and Oil India.
- Toyota Tsusho: They are conducting a feasibility study for the construction and operation of the LPG terminal in Mombasa SEZ Kenya. This includes operational responsibility and joint investment opportunity with Indian companies.

3.1.4 Category 4: Collaboration in start-ups or digital sectors

In addition to the manufacturing sector, there are also potential to expand collaborations in startups and in digital fields. While infrastructures such as roads are underdeveloped in Africa, the emergence of digitally driven social solutions and leapfrog development are observed. There is a lot of room for startups of India replicate their successes in Africa. We would like to consider deepening Indo-Japan cooperation in this domain by promoting collaborations with Indo-Japan start-ups and venture capitalists.

Facilitation of B to B collaboration on digital platform network

Many African countries are keen to develop digital platform similar to India Stack which achieved financial inclusion and boosted startups in India. This movement is aligned with the concept of Data Free Flow with Trust, and governance innovation which is shared in the G20 Osaka Summit this June.

Japanese private companies and their technology can contribute to this movement. As the Direct Benefit Transfer Scheme expedited the penetration of India Stack to more than 1 Billion people in India, finding a useful solution or services for people in those countries as a use case will help penetration of the digital infrastructure.

iSPIRT, IPA and JETRO will share information on digital infrastructures to find out complementarities between both countries technologies. iSPIRT will share know-how on how to design the whole architecture of those digital infrastructure and to implement those software while ensuring Indian IPs. IPA and JETRO will consider finding out how Japanese technologies can supplement India's technologies in the areas including hardware infrastructures, cyber securities, some use cases to help penetration of digital infrastructures (such as health, education, SME training etc.).

3.2 Key Features of Japan-India collaborations

There are several unique and prominent features in the aforementioned business examples. First, Japan and India not only export into Asia-African market, but they provide soft elements like skill development and capacity building programs. This leads to improve the broadening of local jobs and improvement of value addition locally in Asia and Africa. This will enable win-win-win situations between Japan-India-Asia and Africa. We can also expect some potential of synergies with both governments' schemes including Technical and Economic Cooperation (ITEC) programme and JICA's similar programs.

Second, Japan and India complement each other, taking advantage of each other's strength. While Japan is strong in hardware, manufacturing sectors, they are not good at providing those products in an affordable ways. Some Japanese companies pointed out the benefit of Indian diaspora network in East Africa, high quality, and cost competitive EPCs in infrastructure projects. In ASEAN countries, there are huge networks of Japanese manufacturers, and this can be a huge potential for Indian manufacturing base for further exporting to ASEAN countries, and being involved in Global Value Chain. In joint projects, they can share the financial burden for the projects. The cost of finance is much lower in Japan than that in India.

Third, similarities exist between Indian market and African market. In African developing countries, we have to adjust our products into affordable ones. On the flip side, India can be an export hub for both India and Japan. India is a very competitive market, and price-sensitive market as well, compared to Japan and other areas. Japanese companies in India can adjust their products and services into more affordable ones by partnering with Indian companies. The size of market in India also helps Indian companies to make their products cheaper by taking advantage of scale economy. Also, India can be a role model for African countries who realized inclusive growth and boosted startups by developing digital public goods which is called "India Stack". Many African countries showed interest in introducing the similar digital infrastructure, and replicate the success narrative in India. India and Japan can jointly contribute to their ambitions, because India is strong in software, and Japan is strong in hardware.

3.3 Expected supports from both governments

Basically this Platform will be managed by CII and JETRO, however, the supports from Indian and Japanese Government is necessary, because this is a new initiative on businesses in Africa which has high risks which often cannot be taken only by private companies, and because it will have a huge positive effects on development of manufacturing and improving employment in India.

First, we already observe several export promotion schemes by Indian governments including (i) Merchandise Exports from India Scheme (MEIS), (ii) Duty Drawback of Service Tax, (iii) Export Promotion Capital Goods (EPCG) scheme. (We also want to point out that some of these scheme are under discussion to align with WTO rules.) Second, ECGC and EXIM Bank schemes (Export credit guarantee and Export finance) can be useful not only in export from India (category 1), but also in implementing infrastructure projects (category 2 or 3). Third, METI(Ministry of Economy, Trade and Industry, Japan) has a funding scheme for feasibility studies (F/S) for project finding, and we observe several projects which utilize this scheme (category 2, and 3). Fourth, the Association for Overseas Technical Cooperation and Sustainable Partnerships (AOTS) provide a training assistance scheme, and we can see some example that Japanese companies in India utilized that scheme and trains its service and maintenance staff for sales and marketing offices in Africa, inviting those staffs to their Indian facilities.

Additionally, it is expected as a development of favourable environment and momentum to expand India-Japan collaboration in the Asian and African region to facilitate free and smooth trade by introducing FTAs between India and African countries and with those countries which are involved in the global supply chain for sourcing materials and components, and policies to further promote usage of ECGC or Exim bank in a more flexible manner, are.

CHAPTER 4

ACTIONS TO TAKE

4.1 Establishing the Platform and initial actions to take

In October 2018, both Japanese and Indian Prime ministers welcomed the discussions for establishing the "Platform for Japan-India Business Cooperation in Asia-Africa Region" to further enhance the exchanges between Japanese and Indian businesses toward developing industrial corridors and industrial network in the region.

JETRO and CII signed a Memorandum of Cooperation and launched the Business to Business platform, called the "Platform for Japan-India Business Cooperation in Asia-Africa" (hereinafter, platform) on 10th December, 2019. This will contribute to the expansion of business cooperation under the "Free and Open Indo-Pacific Strategy".

Image 2



The purpose of the platform is to further enhance exchanges between Japanese and Indian companies toward developing Japan-India business cooperation in Asia Africa region. It will enable regular exchanges by sharing information to these companies, offering business matching opportunities, supporting the formation of Japan-India business cooperation projects, and providing other supports. It will be participated by companies, governments and other organizations of both countries. This paper is trying to summarize the economic rationales to promote the triangle partnership, to showcase several precedent business collaborations in Africa, and to categorise promising collaborations between India and Japan.

Initial activities of the Platform are as follows:

i) Holding and participating to business seminars including the CII-EXIM Bank Conclave on India-Africa Project Partnership and other African business seminars hosted by both governments, or by private sectors of India and Japan

ii) Sharing information on policy measures or schemes provided by Indian or Japanese Government, and on market information of Asia and African region

iii) Matching for enhancing India-Japan business collaboration

These seminars and matchmaking events should be conducted along with execution of aforementioned suggested policy measures to support individual business projects.

Japan side will advocate our activities to Japanese companies through "Japan Business Council for Africa". JBCA is Japanese public-private platform of business in Africa. JBCA was established on June 6th, with participation of METI Minister Hiroshige Seko and Foreign Minister Taro Kono as joint public-private commissioners. JBCA has approx. 200 members, including private sector, government ministries and institutions, and international organizations, and strengthens public-private partnership. JBCA members share information and exchange views of business in Africa, which develop business promotion policy. JBCA plans and organizes (i) networking and matching opportunity with African government and companies, (ii) business environment improvement in Africa with each government and (iii) cross-cutting support for individual business plan. As of August, JBCA has four WGs; infrastructure, SME and startup, agriculture, and healthcare.

4.2 Activities by JETRO to make India more attractive as an export hub

Further implementation of industrial policies and investment promotion in India is important, and these measures will also contribute to expand India-Japan business collaboration in Asian and African region. Strengthening India's manufacturing sector, promoting direct investment from Japan, facilitating industrial infrastructure in India, improving the business environment by achieving ease of doing business and reforming administrative procedures, further integrating India's industry into the global supply chain, and further development of supporting industries, will greatly contribute towards Indo-Japan business cooperation.

JETRO would also like to examine to extend technical cooperation schemes for promoting Indian exports and other type of expansion of Indo-Japan businesses in third countries. JETRO is examining whether it can dispatch some senior advisors for this to India.

While Indian industry has got international competitiveness in terms of its cost advantage and engineering capability, India could capture a larger market share in the global arena and attain leading quality standards that withstand global competition once they achieved in creating partnerships with Japanese companies. Especially, the automotive parts needs to be manufactured under close communication and adjustments between relevant companies involved, and hence, it is necessary to upgrade the ability of the Indian materials and components suppliers for Japanese manufactures to comply with global quality and delivery standards. The focusing sub-sector could be metal processing (forging casting and machining) and plastic molding industries. They need to improve their capability for meeting

competitiveness in global market. Identifying potential suppliers and upgrade their capacity would be an effective measure to fulfill the agenda. JETRO examines to propose dispatching experts with Japanese automotive and tier1 manufactures for identifying and examining potential auto-parts suppliers. It will be also effective for JETRO to dispatch experts to selected Indian suppliers to upgrade capabilities.

4.3 Past Activities

JETRO and CII have been organizing business seminars and in India, Japan and Africa Support Biz match between Indian and Japanese companies.

- March 8th, 2017: Africa business seminar in New Delhi
- May 24th, 2017: Business Session in the seminar at the general conference of the African Development Bank(AfDB) in Gandhinagari
- November 20th-21st, 2017: CII-EXIM Bank regional Conclave on India – East Africa in in Kampala, Uganda, Along with around 10 Japanese companies.
- July 31th, 2017: Conference for Japan-India Collaboration in Africa Business in Tokyo (About 33 Japanese companies and 11 Indian companies attended)
- March 27th, 2018: Business Networking in CII-EXIM Bank Conclave on India Africa Project Partnership In New Delhi (Around 10 Japanese companies attended)
- October 8th-9th, 2018: CII-EXIM Bank regional Conclave on India – West Africa in Abuja, Nigeria, Along with around 10 Japanese companies
- March XXth, 2019: Africa business seminar in New Delhi
- August 28th-29th, 2019: TICAD VII
- October , 2019: Regional Conclave in Africa in Zambia



March 8th, 2017:
Africa business seminar in New Delhi



May 24th, 2017:
Business Session in the seminar at the general conference of the African Developanent Bank(AfDB) in Gandhinagar



November 20th-21st, 2017:
Participating **CII-EXIM Bank regional Conclave on India – East Africa in in Kampala, Uganda, Along with around 10 Japanese companies.**



July 31th, 2017:
Conference for Japan-India Collaboration in Africa Business in Tokyo
About 33 Japanese companies and 11 Indian companies attended



March 27th, 2018:
Business Networking in CII-EXIM Bank Conclave on India Africa Project Partnership In New Delhi
Around 10 Japanese companies attended



October 8th-9th, 2018:
Participating **CII-EXIM Bank regional Conclave on India – West Africa in Abuja, Nigeria,**
Along with around 10 Japanese companies

4.4 Upcoming Events

Table 11:

Timing	Venue	Events
September 2020	India	**15th CII – Exim Bank Digital Conclave on India Africa Project Partnership** JETRO and CII announce the launch of the website and publish an analysis report
TBD	India	**Seminars on export incentives and finance (credit and insurance)** Seminars of above topic targeted to interested party of Japanese business community in India can be considered.
TBD	India	**Seminars on business environment in Africa** Seminars by JETRO representatives in African region can be considered, depending on budget availability.
Throughout The year	N/A	**Operation of dedicated website** - CII and JETRO to jointly maintain and operate the website - JETRO to support the website year on year (financially). - MoU between CII and JETRO

Confederation of Indian Industry
The Mantosh Sondhi Centre
23, Institutional Area, Lodi Road,
New Delhi – 110 003 (India)
T: 91 11 45771000 / 24629994-7
F: 91 11 24626149
E: info@cii.in • W: www.cii.in

Japan External Trade Organization (JETRO), New Delhi
4th Floor, Eros Corporate Tower
Nehru Place, New Delhi,
Delhi 110019 (India)
T: 91 11 4000 6900 • F: 91 11 4168 3003
W: http://www.jetro.go.jp/en/