



Gateway

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President's Message



My December newsletter is unfortunately written in a difficult situation which has to be overcome. The sad news of passing away of Chief Minister of Tamil Nadu Dr. J. Jayalithaa is unfortunate but has to be reckoned with. In addition, cyclone Vardah has caused great

hardships to the people of Tamil Nadu & Andhra Pradesh.

IJCCI hopes that the succession process which is underway, will be hastened and Tamil Nadu will continue to get leadership from this government which has another 4 years to go. The excellent relief measures undertaken by the Government in the wake of the cyclone, I am sure, will reduce the strains of the people in the days to come.

During this period, the Central Government also implemented the demonetisation policy. I believe it will, in the short run, be a dampener to the GDP growth. However, in the long run, due to digitalisation, India and Indian industry will be the beneficiaries. This combined with the GST should be a good way forward for a company with pan India operations.

The Chamber is continuing to work with the Consulate General of Japan in Chennai and we are happy that a new project has been initiated. This will help to assess, and more importantly, to propagate better relationship between the two countries.

On the Chamber's front, I wish to place on record the support I have received from members on my request for donations. I am happy to state that a sum of almost ₹25 lakhs has been received so far. I would like to appeal to other members as well through this message. It is the contribution of the members that will go a long way in sustaining the Chamber's future plans.

I take this opportunity to wish every one of you a grand festive season and more importantly, a very profitable and enjoyable 2017!

With warm regards,

N. Kumar

Long Live Emperor Akihito

His Majesty the Emperor of Japan Mr. Akihito was born on December 23, 1933. He is the 125th Emperor of Japan. The Emperor and the Empress, Madame Michiko visited Tamil Nadu in 2013. The



His Majesty the Emperor of Japan Mr. Akihito.

Birthday of the Emperor of Japan is celebrated by the Japanese Diplomatic Missions in December every year. In Chennai Consul-General of Japan Mr. Seiji Baba and Madame Atsuko Baba organised a nice function to celebrate the birthday of Emperor Akihito on December 1, 2016. A large number of Japan-India well wishers gathered at the function to wish the Emperor a Happy and Long Life. IJCCI wishes a long, happy and healthy life to the Emperor and the Empress and to strengthen Japan-India relations.



Consul-General of Japan Mr. Seiji Baba and Madame Atsuko Baba at the birthday celebration function in Chennai.



Three cheers to the Emperor.

Farewell to Former Chief Minister Dr. J. Jayalalithaa

Dr. J. Jayalalithaa was born on February 24, 1948 at Melukote, Pandavapura taluka, Mandya district, then in Mysore State (now Karnataka) to Jayaram and Vedavalli.

Her paternal grandfather, Narasimhan Rengachary, was in the service of the Mysore kingdom as a surgeon, and served as the court physician to Maharaja Krishna Raja Wadiyar IV of Mysore. Her maternal grandfather, Rangasamy Iyengar, moved to Mysore from Srirangam to work with Hindustan Aeronautics Limited. He had one son and three daughters – Ambujavalli, Vedavalli and Padmavalli.

Jayalalithaa was born to Vedavalli and Jayaram. Mr. Jayaram was a lawyer who passed away when Jayalalithaa was 2 years old. Jayalalithaa's mother Vedavalli relocated to Madras and stayed with her sister from 1952. Vedavalli began dabbling in acting from 1953 under the screen name Sandhya. Jayalalithaa remained under the care of her mother's sister Padmavalli and maternal grandparents from 1950 to 1958 in Mysore. While still in Bengaluru, Jayalalithaa attended Bishop Cotton Girls' School, visiting her mother during summer holidays.

After her aunt Padmavalli's marriage in 1958, Jayalalithaa moved to Madras and began to live with her mother. She completed her school education at Church Park Presentation Convent. She excelled at school and was offered a government scholarship to pursue further education. She won the State Gold Award for coming first in 10th standard in the state of Tamil Nadu. Her brother Jayakumar, his wife Vijayalakshmi and their daughter Deepa lived in T.Nagar Chennai. Her brother died in 1995 in an accident.

Trained in classical dance forms like Bharat Natyam, Mohini Attam, Kathak and Manipuri, Jayalalithaa gave hundreds of performances all over India. She also started learning Carnatic Music from the age of 4.

With the guidance of her mother and aunt, young Jayalalithaa soon forayed into films and began acting at the

age of 15. Jayalalithaa had a successful career in the Tamil film industry as an actress. She was proficient in many languages – she spoke English, Tamil, Telugu, Kannada and Hindi fluently. Jayalalithaa also sang several songs in her own films. She also acted in an English film titled *Epistle* that was released in 1961.

Jayalalithaa was a voracious reader and read practically everything. Her favourite authors were Charles Dickens, Jane Austen and, among others, Oscar Wilde, Bernard Shaw, Sidney Sheldon, Danielle Steel and Pearl S Buck.

Mr. M.G. Ramachandran (late), popularly known as MGR, former Chief Minister of Tamil Nadu initiated her in Tamil Nadu politics and deputed her to the Upper House of Indian Parliament – the Rajya Sabha



Dr. Jayalalithaa with Prime Minister Mr. Narendra Modi. (Courtesy: Indian Express.)

due to her proficiency in many languages and excellent communication skills.

After the death of MGR, Jayalalithaa took over the All India Anna Dravida Munnetra Kazhagam (AIADMK).

The DMK was the only dominant force in Tamil Nadu's politics at that time and Jayalalithaa ensured that she became a force to reckon with. Drawing on her massive popularity, in 1989, she won the elections to the Tamil Nadu Legislative Assembly – becoming the first woman to be elected Leader of the Opposition.



Dr. J. Jayalalithaa inaugurates Metro Rail service from Chennai Airport to Little Mount. Mr. Seiji Baba, Consul General of Japan looks on.

In 1991, following the assassination of Rajiv Gandhi in Tamil Nadu, her alliance with the Congress party propelled the coalition to a massive victory. She was re-elected to the Legislative Assembly and became the first elected woman Chief Minister of Tamil Nadu, serving the full tenure.

She lost power to the DMK in 1996. However, she returned to power with a huge majority in the 2001 elections defying many pre-poll predictions. She lost in the 2006 elections, only to return to power in 2011 and the subsequent term in 2016.



Amma Unavagam – one of the popular schemes where food is made available at subsidised rates.

Some highlights of Tamil Nadu-Japan Cooperation

IJCCI Salutes Dr. J. Jayalalithaa for all her efforts in strengthening Japan-Tamil Nadu cooperation.

- The Tamil Nadu Govt. supported the Indo-Japan Chamber of Commerce and Industry (IJCCI) in promoting Tamil Nadu-Japan economic cooperation
- A number of economic seminars organised by IJCCI received the full support of the Tamil Nadu Govt. during her tenure
- Dr. J. Jayalalithaa nominated two senior IAS officials to participate in the IJCCI maiden Industrial Delegation Mission to Japan in 2005
- Dr. J. Jayalalithaa nominated two senior Ministers from the Industry Department to actively involve themselves and participate in the Japan-India SME Conference organised by IJCCI in 2013 in Chennai
- Visit of the Governor of Hiroshima Prefecture to Chennai and the MoU between the Prefecture and Tamil Nadu (2010)
- MoU Between Tamil Nadu Guidance Bureau and Japan Chamber of Commerce and Industry to facilitate bilateral trade and investment (2011)
- Visit of Mr. Yuki Edano, Ministry of Economy, Trade and Industry, Govt. of Japan (2012) and the establishment JETRO (Japan External Trade Orgn.) to facilitate Tamil Nadu-Japan trade and investments.
- MoU between Tamil Nadu Guidance Bureau and JETRO (2012)
- Visit of His Majesty the Emperor of Japan Mr. Akihito and the Empress Madame Michiko to Tamil Nadu (2013)
- Visit of the Governor of Kanagawa Prefecture to Chennai and the MoU between the Prefecture and Tamil Nadu (2014)
- Invest Tamil Nadu Seminar in Tokyo (2015)
- Global Investors Meet – Japan's participation as a Partner Country (2015)
- Tamil Nadu Investment Programme TNIPP by JICA, Japan International Cooperation Agency (2015)
- A high-speed rail link Chennai-Bengaluru Industrial Corridor by JICA
- Japanese business establishments in Tamil Nadu as of October 2015 is 577 (from 286 in 2011)

A Yokohama based business enterprise is keen to establish business links in India for their Jet Recycle System – 'Oil Contaminants Treatment' – mobile type.

Visit IJCCI web page: <http://www.ijcci.com/business-opportunities.php> for details. Interested Indian companies can

email their interest with details of the company to indo-japan@ijcci.com for B2B facilitation service.



Demonetisation in India

Demonetisation is an act of stripping a currency unit of its status as legal tender. On November 8, 2016, the Hon'ble Prime Minister of India, Mr. Narendra Modi announced the demonetisation of ₹500 and ₹1,000 notes. Though public opinion on this action has been sharply divided, curbing black money and choking terrorist financing channels seem to be the reason for this action.

Causes

In 1999, the Cash to GDP ratio was 9.4% in India. With more number of people having access to the banking system today, with credit cards, debit cards and digital payment, there should have been a reduction in this Cash to GDP ratio. But on the contrary, it has increased to 12% today. In 2004, 34% of cash in hand was in the form of ₹500 and ₹1000 notes, and it has risen to 87% today. Only 1/3rd of Rs 1000 notes and 2/3rd of the Rs 500 notes come back to the banks, resulting in reduced circulation of notes and rising demand for organised funds.

GDP growth between 1999 and 2004 was 5.5%, inflation was at 4.6%, interest rates were lower and 60 million jobs were created. GDP growth between 2004 and 2010 was 8.9% but only 2.7 million jobs were created. The Current Account deficit increased to \$101B. There was a surge in unmonitored cash leading to higher gold and property prices. India, which is the driver of world gold prices, saw a surge in gold prices by more than 300%. Between 1999 and 2004 in Chennai, property prices just rose by 33%, lower than the rise of GDP by 40%. Later, property prices shot up by 400%, stock market rose by 400% due to Inflow of funds through hawala route and through participatory notes, leading to asset inflation causing a wealth effect reflecting in the GDP growth – this was not people-oriented. The quality of life was reduced with a rise in rural poverty and the government had to make handouts to people for survival. Earlier, the

quality of economy took care of people by creating jobs but today after 5 years it may not be possible leading to internal meltdown and anarchy

A surge of imports between 2004 and 2014, the highest import being of capital goods and this was more than oil, leading to destruction of local capital goods. Zero-rated import duty was allowed in power projects and steel projects, leading to a trade deficit with China of \$175B, equalling 3 years of their defence budget. Govt had to buy dollars to pay people such a huge amount of money, leading to inflation. Large outflow of money was allowed to buy capital goods and local capital goods remained idle.

Concerns

In spite of short term challenges, long term growth is inevitable. Most people standing in queue agree that it is good for the country because India is being transformed with the right appeal. The system is rebooting and settling down. Managing the economy through NBFC in addition to Banks is required. Financial intermediation is needed to reach the segment which the bank cannot reach in remote areas. Fall in interest rate without fall in inflation will hit the middle class. Now 8% is the interest rate with 5.5% as inflation rate. Inflation will reduce once black money is eradicated.

Contract-based societies like construction sectors will be affected. The biggest challenge will be to fund SMEs (hitherto in cash) which can be done only by co-opting NBFCs. Liquidity will dog the economy. Slower growth rate will occur but it will be real growth rate and not artificial growth.

Consequences

Once cash is recorded and ownership is known, money will become traceable. Cash economy is being organised now. Banking system is Fractional Resource System with deposits of 96 lakh crores

from 0.25 lakh crores in Banking System vs 16 lakh crores as cash in circulation.

Contraction in gold, stock and real estate market will be effected.

Contraction will happen in various sectors. Cement Industries used to reduce production to increase price. Now they will have to increase production to remain competitive. Correction was done after crisis in 1991 and 2008, but now correction is being done ahead of the crisis, because after 5 years it will be unmanageable. Gold price will moderate in the world because India is the buyer of 1/3rd of the World's gold production.

Terrorist funding will be eliminated. Bribery and corruption will be eliminated.

It is expected that flight of capital through *hawala* will be stopped. Anti-dumping duty has been imposed on Steel from China and in the last 8 months, 2 lakh crores NPA had turned into good debt now.

One method of handling excess cash is suspension which is demonetisation.

On the one side, it is debated that demonetisation is a bold and a welcome measure needed for a big democracy grabbing all the attention and on the other hand the national security measures and policy changes needed for a strong India is being taken easy.

It is also felt that economic difficulties clearly have to be resolved before the government could think of pursuing other objectives. It is of utmost importance to evolve strategies to combat security challenges and without giving greater care and attention to the latter, the former's result will not be able to bear fruit.

Demonetisation may be a part of the process of combating the financing of terrorism but is not an encompassing end in itself. The time has come for crucial introspection of transparency of decision making at the highest level of policy to the lowest level in the execution process.

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