



Gateway

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President's Message



Dear Friends,

The comity of nations is always looking for something good to happen in the last days of 2020 and mercifully there is an element of positivism as a number of developed and developing countries are looking at the prospect of lifting their economies

in the first quarter of 2021. Although India and Japan are at different stages of development and growth, the leadership in the two countries are convinced that the gloom and doom of the past is behind and the two economies are looking at a lift.

Covid pandemic has deeply impacted Education, sparing neither the developed nor developing, the rich or the poor. At the peak of the pandemic crisis in April 2020 close to 1.6 billion children were out of schools in more than 180 countries; and with slight easing of the situation the World Bank estimates that still some 600 million or more kids are still affected. Schools/Colleges have been partially re-opened in India, Japan, the United States and Europe. Still with the third spike ravaging parts of America and Europe, the fear is that parts of the world may be looking at another lockdown of sorts.

To India and Japan, the problem of education during times of the pandemic is somewhat similar except perhaps to varying degrees of impact. The dropout rate in Japan of school and college/ university going students may be low, perhaps less than 1 per cent; but households are nevertheless feeling the pinch by way of loss of jobs and students unable to graduate and pay off their educational loans. In India internet connectivity to keep up with online education is only a part of the problem; the larger issues are availability of desktops and laptops in homes with work from home of parents making the situation even more difficult - a family of four having to share one laptop or one mobile phone. And add to this the cost of data on a daily or monthly basis for a five to six hour work or study schedule.

India and Japan have had a long history of good and stable relations across the board; but this Covid pandemic has emphasized the need to place cooperation beyond the economic, political and strategic aspects into the humanistic factors. After all the leadership in both countries are far sighted enough in not wanting to see sections of their disadvantaged populations left behind in the march to a better tomorrow for all of human kind. Let us be hopeful of the future!

My Prayers and Best Wishes to all for a wonderful 2021.

Regards,

T.P. Imbichammad

Strengthening cooperation between the Navies

Four largest democracies of Indo-Pacific participated in the Naval Exercise this year. The Indian Navy, The United States Navy, Japan Maritime Self Defence Force and the Royal Australian Navy participated in the Malabar Naval Exercise in November 2020. The participants of the Naval Exercise collective support a free, open and inclusive Indo-Pacific region.

Launched in 1992 the Malabar Exercise began as a bilateral exercise – Indian Navy and the US Navy Exercise. Australia participated in the exercise in 2007 and Japan joined the drill in 2015. After a gap of 13 years Australia participated this year. The exercise was conducted in two phases – in Bay of Bengal in the first week of November and in the Arabian Sea in mid-November.



In the Bay of Bengal – 1st phase



In the Arabian Sea – 2nd phase

Kozushima Island certified as International Dark Sky Place

The Kozushima village government announced that the entire area of the island in the Izu island chain of Tokyo has been certified as an International Dark Sky Place by the U.S. International Dark Sky Association. It is the second certification in Japan, (the first one in Okinawa Prefecture). Since 2017, the Kozushima Tourism Association has trained island residents as starry sky guides and organized tours for island visitors. With the support of the Tokyo metropolitan government and others, the village began preparations in 2019 to apply for the dark sky place status, and enforced an ordinance in January this year to control excessive lighting throughout the island. In order to meet the standards set by the association, the village asked Chuo Ward, Tokyo-based Iwasaki Electric Co. to make special streetlights that do not leak light into the sky. The village is in the process of replacing all of the about 580 street lamps on the island with the new type, and has already replaced about 80% of them. Mayor Hiroshi Maeda of Kozushima village said: "I was looking forward to the moment of the recognition. We will continue to improve our environment so that more people will visit us for starry sky tours and other programs."

Japan's Hayabusa2 completes 'perfect' 5.2 billion-km journey

Capping a six-year, virtually trouble-free mission, Japan's Hayabusa2 spacecraft successfully sent a capsule back to Earth said to contain rock and sand samples from asteroid Ryugu, which it landed on twice. The mission allowed Japan to show off its technological prowess in space exploration to the world, with aims now to further head to distant celestial bodies by using the technology and experience cultivated by the Hayabusa2 project. The capsule landed in an Australian desert early Sunday after detaching from Hayabusa2 about 220,000 kilometers away from Earth. "It hit the landing point precisely," said Yuichi Tsuda, the Japan Aerospace Exploration Agency (JAXA) project manager in charge of the operation of Hayabusa2. The capsule landed within an oval target area 150 kilometers by 100 kilometers. The project team set this area as the target on Nov. 26. To steer its course toward Australia, the team used the propulsion engine to slightly tilt its trajectory — just 0.0085 degrees. Hayabusa2 was about 3.6 million kilometers away from Earth, but through precise control, the target area came clearly into sight.

India-Japan Ties Ever-growing

Bilateral relations between India and Japan are ever-growing according to the top diplomat of the country in Tokyo, Mr. Sanjay Kumar Verma who had the opportunity to discuss the status of relationship with the President of the House of Councillors, Ms. Santo Akiko. On November 11 Mr. Verma was invited to a Japanese Sencha Tea Ceremony by Her Excellency Santo Akiko where the ever-growing relations between the two countries were discussed on the sidelines of the event.

¥10 trillion needed to set Japan on green path

The government of Japan has to set up a fund of up to ¥10 trillion (\$96 billion) to invest in the green and digital transformation of society. This, according to one of the Prime Minister's advisors. "Creating this will be a major part of the upcoming extra budget," said Mitsumaru Kumagai, chief economist at Daiwa Institute of Research Ltd, quoted in an interview. Mr. Kumagai has also said that the third additional budget this year will have a real spending outlay of about 15 Trillion Yen. "What's key for the Japanese economy now is whether we can strengthen our growth strategy and conduct reforms, and whether the economy can truly digitalize and become green," Mr. Kumagai has said.

Japan is bouncing back from recession

At a time when global economies are being hit hard as a result of the coronavirus pandemic indications are that some of the Asian economies like that of Japan are bouncing back from recession. Japan, it is said, is posting a growth of 5 per cent in the third quarter this year, an indication that the world's third largest economy is showing modest signs of recovery. But analysts are cautioning against reading too much into the economic recoveries of Asian economies fueled by what is seen as the "Zoom Boom", or the increased demand for screens and laptops as a result of work from home through using the zoom platform. Japan's third quarter GDP growth of 5 per cent has been compared to the previous quarter when the economy dipped by 8.2 per cent.



Avalon Technologies Pvt Ltd

Wishes the Readers

Seasons Greetings



Prosperous 2021

Signing of Mumbai-Ahmedabad High Speed Rail (MAHSR)



On 26th November, His Excellency Ambassador Suzuki attended the Contract Agreement Signing Ceremony for the longest civil work package (C-4) of Mumbai-Ahmedabad High Speed Rail (MAHSR) Corridor. The MAHSR Project is a flagship project, representing Japan-India friendship. This INR 25,000 crore package will be executed by Larsen & Toubro.



Man-made forest around Tokyo marked the 100th anniversary

Forests and mountains have long been objects of worship in Japan, and people have honored them as places where divine spirits dwell. The Jingu forest brings a sense of lushness to the concrete-covered city center, as deep green trees sway and sunlight shines through the branches, lighting the approach to the shrine, a place for people to relax, as well as a home for wild birds and insects.

“The forest has become exactly what we expected,” Expert Shinji quoted Uehara as saying 50 years ago. Uehara researched more than 80 shrine forests across Japan of varying ages. He believed that if different types of trees of various sizes were planted and the fallen leaves and trees were not removed, the artificial forest would gradually transform into a natural one. Trees were donated from all over the country. The movement spread as local governments and schools launched projects to collect trees. Fundraising campaigns to pay for the trees were actively held throughout Japan, and a total of 100,000 trees were collected. Some were planted from 1919 to 1922 by young volunteers, a total of 110,000 people labored to support the planting of trees and the construction of the approach to the shrine. A miracle that in less than 100 years [an artificial forest] has become like a naturally grown forest.

Glimpse of Foreign Direct Investment in India

Introduction

Foreign direct investment (FDI) in general parlance refers to the inflow of investment in a company operating in an economy other than that of the investor. Typically, it is seen to include executive involvement, joint partnership, technology transfer and skills to name a few. Foreign Direct Investments are investments done physically or by opening plants, purchasing machines; equipments etc. Foreign companies are seen to invest directly in the fast-growing Indian private companies to get the benefit of cheaper wages and changing environment of India. According to the United Nations Conference for Trade and Development (UNCTAD), FDI is ‘investment made to acquire lasting interest in enterprises operating outside of the economy of the investor.’ The “lasting interest” implies the existence of a long-term relationship between the direct investor and the direct investment enterprise and a significant degree of influence on the management of the latter. Direct investment involves both the initial transaction establishing the relationship between the investor and the enterprise and all subsequent capital transactions between them and among affiliated enterprises, both incorporated and unincorporated.

Foreign Direct investments in India can be done in two ways: Automatic route and Government approved route as detailed in the FDI Policy. The Automatic route/ Govt approval route, is tagged to the sectoral caps, as applicable, barring FDI in the following:

- a. Lottery Business including Government/private lottery, online lotteries, etc.
- b. Gambling and Betting including casinos etc.
- c. Chit funds
- d. Nidhi company
- e. Trading in Transferable Development Rights (TDRs)
- f. Real Estate Business or Construction of Farm Houses ‘Real estate business’ shall not include development of townships, construction of residential /commercial premises, roads or bridges and Real Estate Investment Trusts (REITs) registered and regulated under the SEBI (REITs) Regulations 2014.
- g. Manufacturing of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes
- h. Activities/sectors not open to private sector investment e.g.(I) Atomic Energy and (II) Railway operations (other than permitted activities mentioned in para 5.2).
- I. Foreign technology collaboration in any form including licensing for franchise, trademark, brand name, management contract is also prohibited for Lottery Business and Gambling and Betting activities.

The Eligible investee entities allowed for FDI comprises of Indian company, Partnership Firm/Proprietary concern, Trust, Limited Liability partnerships (LLPs), Investment Vehicle and Start up Companies. FDI is not allowed in resident entities other than those listed above.

Investments can be made by non-residents via Automatic Route or the Government Route in equity shares/fully, compulsorily and mandatorily convertible debentures/fully, compulsorily and mandatorily convertible preference shares of an Indian company. Under the Automatic Route, no approval is needed from the Government for an investment by a non-resident investor or the Indian company. Under the Government route, prior approval of the Government is necessary.

Investments may be made in the capital of the resident entity by a person resident outside India only to the extent of the percentage of total capital as defined in the FDI Policy. Investments by non-residents in the capital of a resident entity may be allowed in some sectors/activity with entry conditions. These conditions can include minimum capitalisation, lock-in period, etc.

In addition to the entry requirements for foreign investment, all applicable sectoral laws, legislation, guidelines, security conditions and state/local laws/regulations are required for investors/investments to comply. Foreign Exchange Management (Establishment in India of a branch office or liaison office or project office or any other place of business) Regulations 2016 regulates the establishment of a branch office, liaison office or project office or any other place of business in India.

In specified rail infrastructure projects, manufacturing of medical equipment, White Label ATM Operations and projects for the operation and management of townships, malls/shopping complexes and business centres, 100 percent FDI was authorized under the automatic route.

Under the Foreign Exchange Management (Non-Debt Instruments) Regulations, 2019, the reporting requirements for any investment in India by a person residing in India are specified by the Reserve Bank of India (RBI). The RBI's 2019 Foreign Exchange Management Regulation (Mode of Payment and Monitoring of Non-Debt Instruments) stipulates the reporting requirement for any investment in India by a person residing outside India. Global flows of foreign direct investment (FDI) has been enduring severe pressure this year as a result of the COVID-19 pandemic. FDI flows to developing countries are seen to be hit hard, and export-oriented and commodity-linked investments are among the most seriously affected. FDI is projected to decrease by a further 5 to 10 per cent in 2021 and to initiate a recovery in 2022.

Statistical Data: TOTAL FDI INFLOWS (from April 2000 to September 2020):

1.	CUMULATIVE AMOUNT OF FDI INFLOWS (Equity inflows + 'Re-invested earnings' + 'Other capital')	-	US\$ 721,783 Million
2.	CUMULATIVE AMOUNT OF FDI EQUITY INFLOWS (excluding, amount remitted through RBI's NRI Schemes)	Rs. 2,956,524 Crore	US\$ 500,001 Million

SHARE OF TOP INVESTING COUNTRIES FDI EQUITY INFLOWS (Financial years):

The Top Investing countries in FDI Equity inflows are Mauritius, Singapore, U.S.A, Netherlands, Japan, U.K, Germany, Cyprus, France and Cayman Islands. Among these countries Mauritius holds the highest percentage of 29% of total inflows in the last three years (2018 - 2021). Cayman Islands, France and Germany hold the least percentage of 2% of total inflows in the last three years.

Recent Investments and developments of Foreign Direct Investments are as follows:

- i. From January 2020 to July 2020, US FDI in India crossed US\$ 40 billion, reflecting the high level of confidence of American corporations in the country. India witnessed an 18% increase in FDI from April 2020 to June 2020 (during COVID-19 pandemic). In mid-July 2020, FDI by the technology firms amounted to ~US\$ 17 billion, driven by Google's investments worth US\$ 10 billion and the other key investors included firms such as Foxconn, Amazon and Facebook.
- ii. India Inc's outward foreign direct investment (OFDI) dropped to US\$ 5.724 billion in the first four months (April 2020–July 2020) of 2020–2021 against US\$ 11.130 billion for the corresponding period in 2019–2020.

Conclusion:

A rise in FDI is positively correlated with an increase in a specific area's growth rate. Well-developed financial and institutional sectors are the major sources of GDP growth and FDI inflows. Foreign direct investment can be used by international investors at both macro and microeconomic levels. With the robust regulatory regime as the backbone for FDI transactions in India, it facilitates ease of doing business and helps the foreign investors to have an informed entry into the Indian business environment.

- A.K. Mysamy & Associates LLP.

- References:**
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