

STRATEGIC PARTNERSHIP BETWEEN INDIA AND JAPAN

Forging a new era of
finance and economics in Asia



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Think Tank Office of Yasuyo Yamazaki

TODAY'S TOPICS

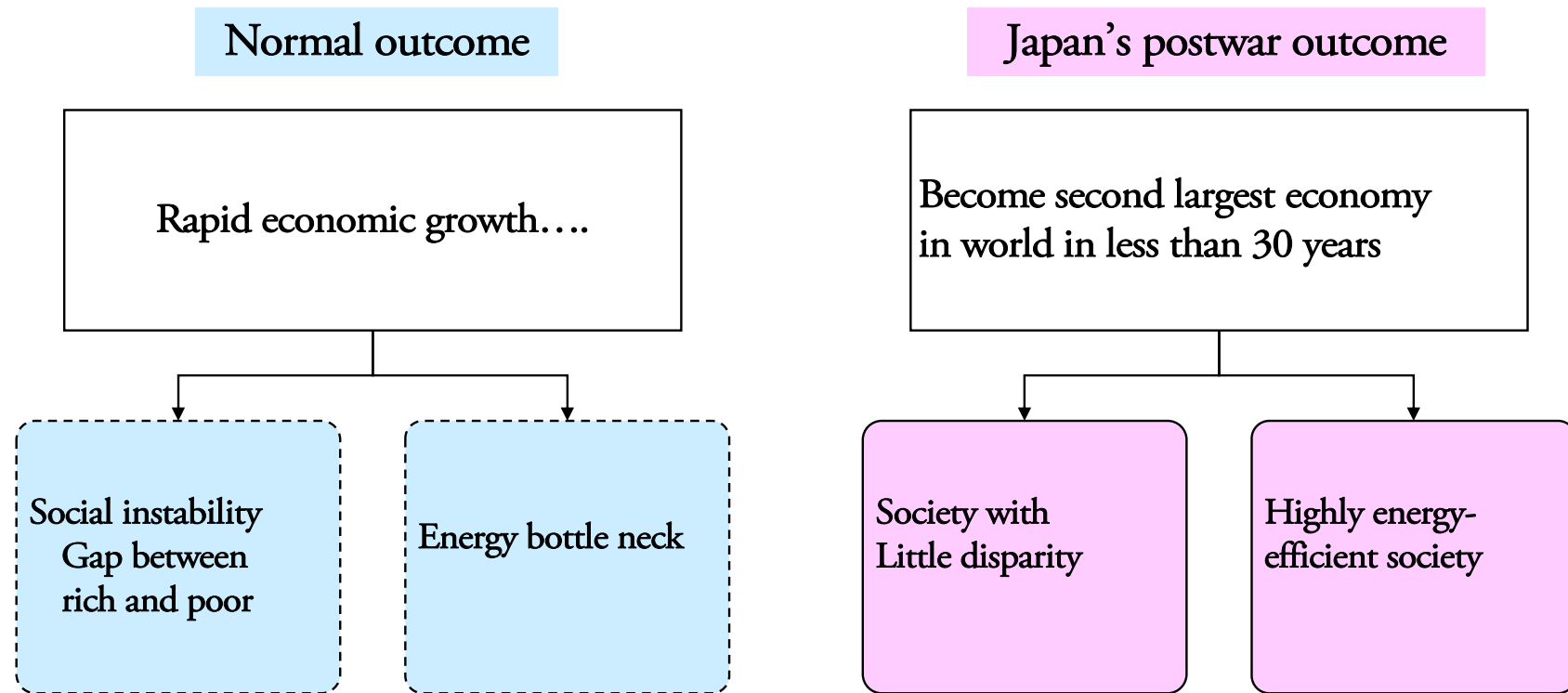
1. Japan's Experience

2. India's Opportunities

3. Proposals for Partnership

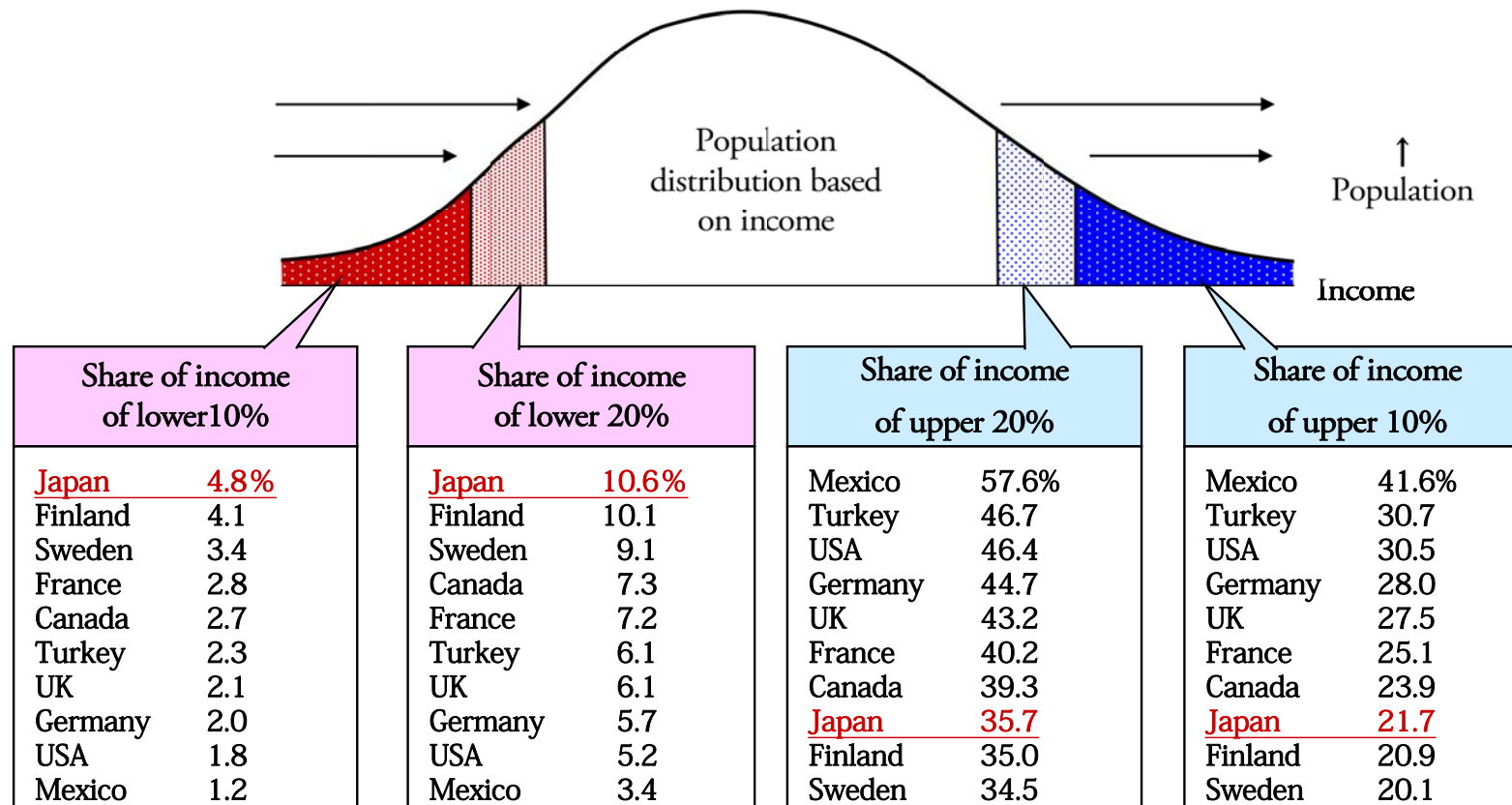
Appendix

Economic Achievements of Postwar Japan



Comparison of Social Disparities Within Countries

Japan's income distribution spread is the smallest of any developed country



Note: Figures for the decade of the 1990s, based on documents created in 2004 by the Tax Commission Subcommittee on Fundamental Issues.

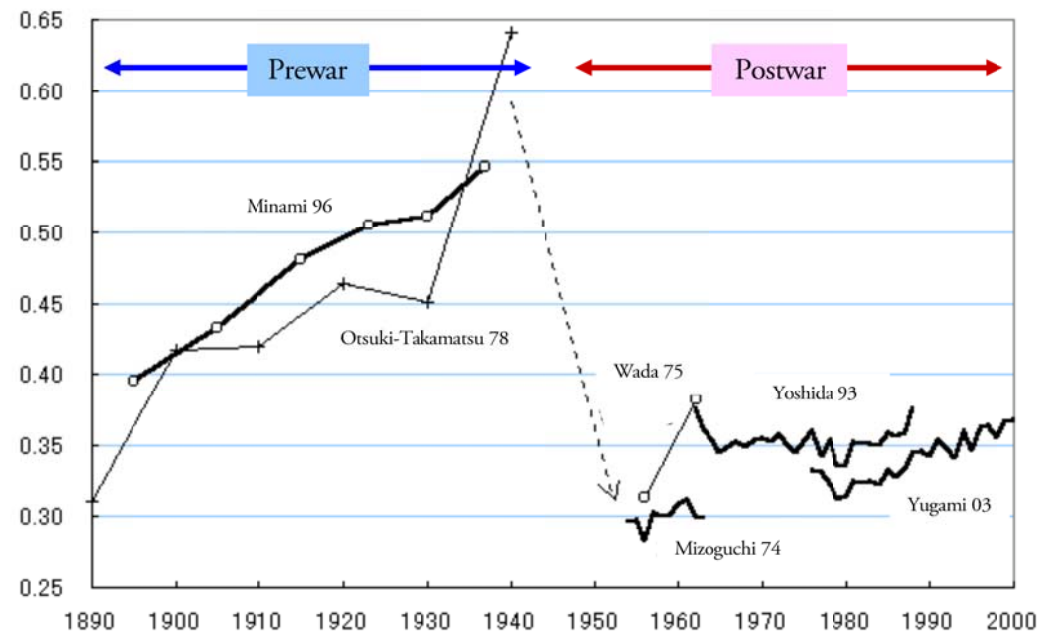
Source: UN Human Development Index (2003), OECD, Employment, Labor and Social Committee (2000)

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Long-term Trend in Income Disparity in Japan

Income disparity shrank in postwar Japanese society

Gini coefficient



Note: Gini coefficient measures changes in pretax household incomes. The data is based as follows:

Otsuki-Takamatsu 78: Long-term economic statistics for all households. **Minami 96:** Households in 210 cities, towns and villages.

Mizoguchi 74: Household survey of working families. **Yoshida 93:** Comprehensive Survey of Living Conditions data in 10 clusters. **Yugami 03:** Comprehensive Survey of Living Conditions data in four clusters.

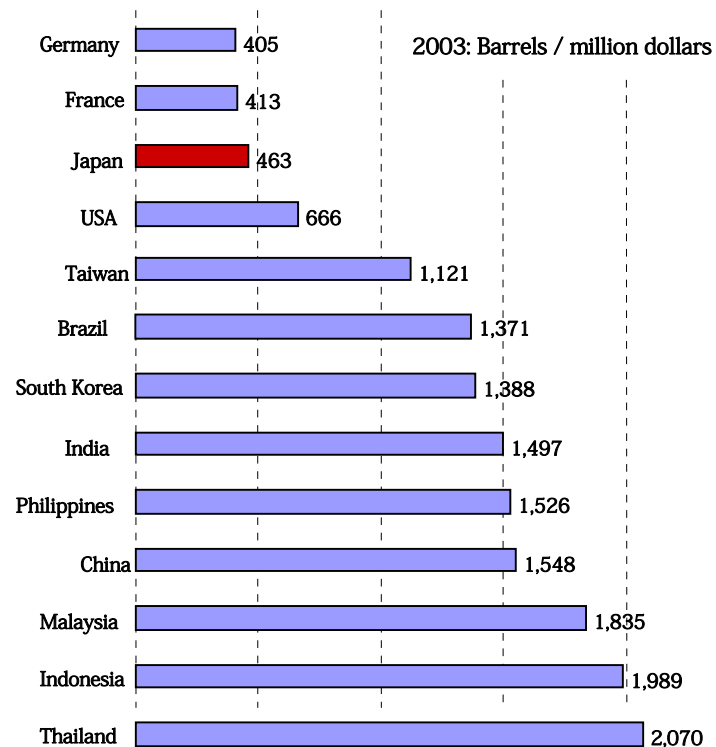
Sources: Kazufumi Yugami, "How you evaluate income disparities in Japan," JIL labor policy report (2003.3)

Toshiaki Tachibanaki, "Japan Economic Disparities," Iwanami Shinsho (1998) (Only used for Wada 75)

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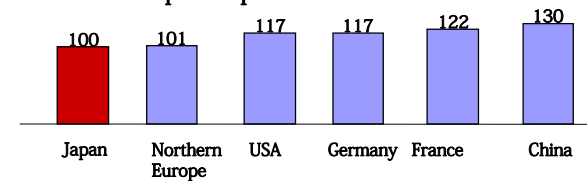
International Comparison of Energy Efficiency

1. Volume of crude oil consumption per unit of GDP

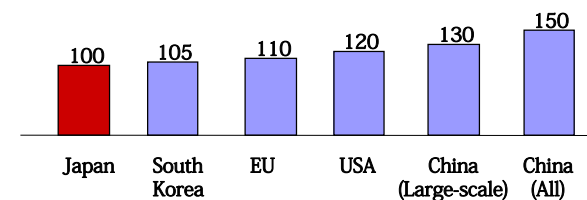


2. Energy efficiency of different industrial sectors

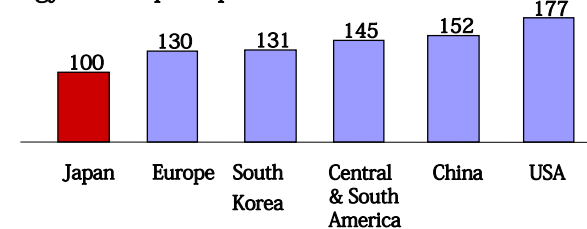
Electric power - Calorific input per unit of electricity generated by thermal power plant



Steel - Unit energy consumption of integrated steelworks

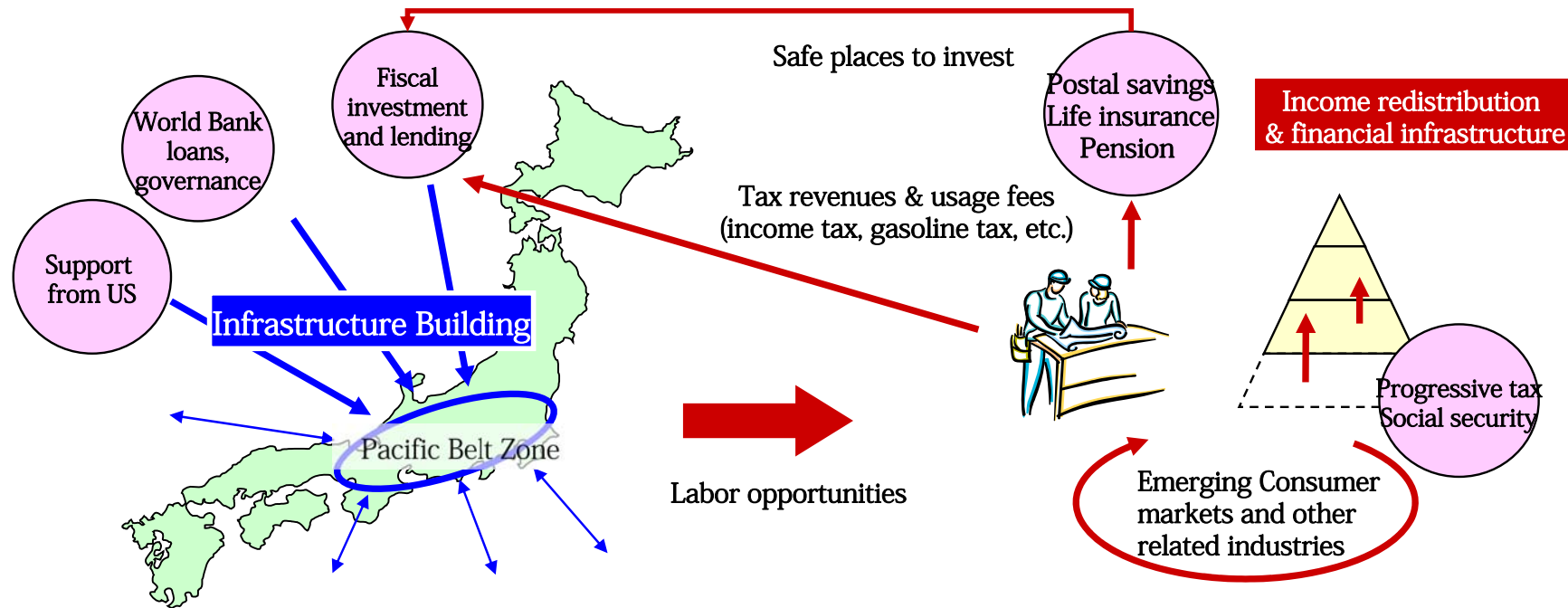


Cement - Energy consumption per clinker



Sources: Nomura Asset Management Co. Sept. 2004 report on investment environment; BP Statistical Review; IMF statistics; Keidanren 2005

Basic Scheme of Support Underpinning Japan's Growth



1 Infrastructure building

- Accelerate the recovery by building of bullet trains, highways and other infrastructure
- Economic expansion by added-profit trade in Pacific Belt Zone.
- Also energized domestic economy by movements of goods and people

2 Social infrastructure building

- At same time, built savings, pensions, healthcare and life insurance
- Personal savings could be used for next investments on infrastructure
- Redistributed income stabilized society and reduced regional disparities, and energized consumer markets

Complementary Relationship of India and Japan



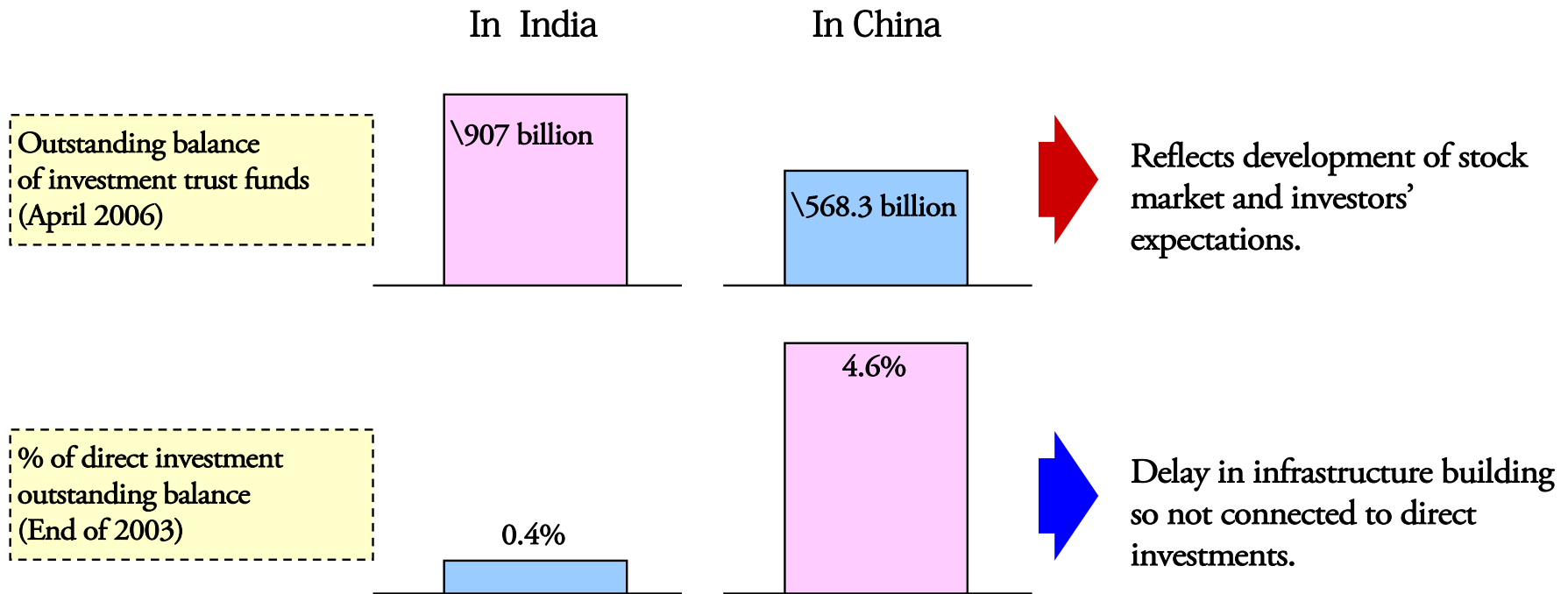
India



Japan

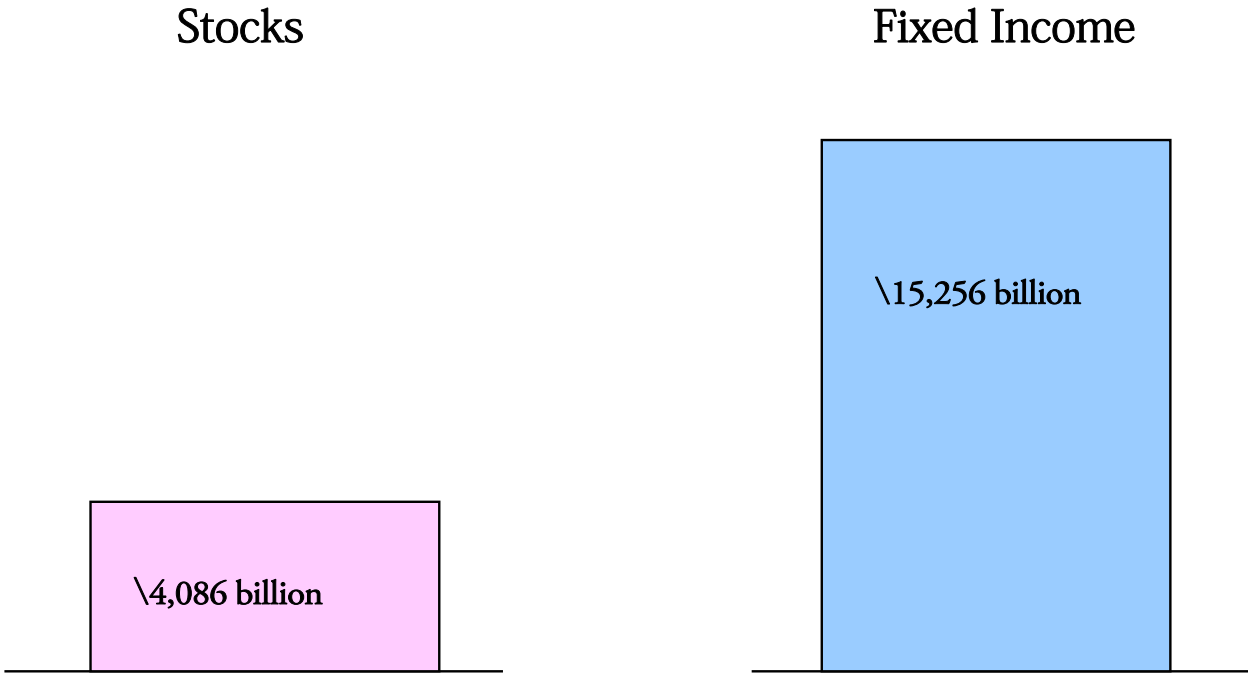
	India	Japan
Land & Resources	Vast land and abundant resources	Small landmass and poor in resources
Business & Technologies	<p>Second largest number of listed firms.</p> <ul style="list-style-type: none">● Growth in agriculture, mining, manufacturing, IT and also bio and pharmaceuticals.	<p>High level manufacturing and service sectors and funding environment</p> <ul style="list-style-type: none">● as well as construction, environmental and agricultural technologies.
Consumer & Human Resources	<p>Abundant, high-quality labor pool.</p> <p>Rich human resources in IT sector, but</p> <ul style="list-style-type: none">● still large number of farmers● 25% are poverty group	<p>Large consumer market and greatly experienced people</p> <ul style="list-style-type: none">● On other hand, costs are high
Money & Finance	<p>Nation's financial assets are growing and pension, insurance and savings systems have room to develop.</p> <ul style="list-style-type: none">● Huge financial need for infrastructure investments.	<p>World's highest net external assets. Personal financial assets of \1,500 trillion. Developed financial market.</p> <ul style="list-style-type: none">● Fiscal & social security schemes in times of high growth.

Japan's Investments in India and China



Source: Reuters, Development Bank of Japan

Japan's Foreign Investments through Mutual funds



Source: The Investment Trusts Association

Summary of Proposals for Japan-India Strategic Partnership

3. Proposals

1 Joint development of “hard” infrastructure and investment schemes

- Invest up-front to ignite economic expansion
- Paint financial picture that makes allies of investors

2 Promote bilateral investing in private sector

- Expand opportunities to invest in Indian corporations
- Expand contributions from Japan in agricultural and environmental technologies in addition to manufacturing.

3 Joint planning of social infrastructure

- The “other wheel” balancing out building of hard infrastructure
- Stable growth is essential in both economic and social terms

4 Advice on financial reform & globalization

- Anticipate needs for financial reform that will arise with economic expansion.
- Utilize Japan’s experience

See
appendix

1

“Hard” Infrastructure and Investment Scheme

The two countries cooperate to build “hard” infrastructure like rail, airports, harbors, and roads and infrastructure for transport and distribution

Project planning and operation

- Jointly plan projects with high economic impact and profitability
- Operating by India with technology and funds from Japan
 - Set up Infrastructure Investment Company (IIC)

Funding

- Utilize India’s rapidly rising creditworthiness
- Creditworthiness of public sector, project finance, real estate profits
 - These investments ignite funding from Japan

