

**The Engine of Growth
- Alliance between SIAM and JAMA -**

**Fumihiko Ike, Chairman
Japan Automobile Manufacturers Association
SIAM Annual Convention, New Delhi, September 12, 2014**

Thank you very much for the generous introduction.

It is quite an honor to be able to take part in this year's SIAM Annual Convention. I am especially pleased and thankful to be the very first JAMA chairman to attend this convention, in its 54-year history. This is a great opportunity to address the significance of the automotive industry to a nation, and to re-affirm the co-operative bond between the auto industry organizations of India and Japan, namely, SIAM and JAMA.

I have to say, if the Indian automotive industry growth is a major driving force behind India's economic success, then SIAM is the driver behind the wheel. It is for leaders like President Kirloskar and his predecessors and peers that this robust progress has been possible in this energetic country.

As I just mentioned, I come here with a clear objective of underlining the importance of the auto industry to a country's economy, in this case for India, and why a stronger tie between SIAM and JAMA can reinforce this significance.

But before I go on, please allow me a minute or two to briefly explain about JAMA.

JAMA, or Japan Automobile Manufacturers Association in full, was established in 1967—several years behind the formation of SIAM. It was founded with an objective to promote the sound development of Japan's auto industry, both domestic and abroad, thereby contributing to the economic growth and improving people's lives in Japan. As a non-profit industry association, JAMA comprises Japan's fourteen manufacturers of passenger vehicles, trucks, buses, and two-wheelers.

As Japan's leading industry, the automobile sector has played a huge role in advancing the nation's economic growth, amassing input from other industries that span a broad spectrum. There are various indicators that illustrate the central position the auto industry occupies in the Japanese economy. It is responsible for approximately 9% of Japan's workforce through direct and indirect employment. Automotive shipments, in value terms, represent over 17% of the total shipments from Japan's manufacturing industries.

The auto industry also contributed to enhance the lives of Japanese citizens by bringing to the masses motorized four- and two-wheeled vehicles. With the arrival of motorization in the early 1970s, Japanese people were empowered with the means of personal mobility and they embraced them with open arms, leading to huge sales growth in passenger cars. As a result, Japan's motor vehicle ownership per capita increased from 179 vehicles for every 1000 people in 1970, to 596 vehicles per 1000 people in 2013. This figure is on par with the same 2013 statistics for the United Kingdom, with 565 vehicles; Germany, with 568 vehicles; and France, with 600 vehicles.

JAMA takes pride in being able to play a key role in these essential developments in Japan's automotive industry.

Turning to India, Japanese automakers have been manufacturing locally for over half a century. Two-wheeler production began as early as in 1963, with four-wheelers, trailing by some 20 years, in 1983. When the liberalization of economy began in the 1990s and India set about to transform itself into one of the world's fastest-growing economies, Japanese manufacturers stepped up their pace of expansion in India and steadily increased their presence in the auto industry.

Last year, two-wheelers built by Japanese manufacturers accounted for 4.3 million units, or over 25%, of the total 16.4 million units produced in all of India. That number for four-wheelers was 1.6 million units, or 40%, of the 3.9 million units in total. Including factories being planned, manufacturing activities by Japanese companies total 18 sites: eight for two-wheelers and ten for four-wheelers. Also, Japanese manufacturers are strengthening their research and development capabilities here, establishing a total of three R&D facilities so that they can offer products that are more desirable to Indian customers. As you can see, the Japanese manufacturers collectively play a vital role in India's auto industry.

As is the case in Japan, the auto industry underpins extensive economic activity in both the industry-related fields—including sales and marketing, vehicle servicing, aftersales market—as well as to other industries. It is, therefore, safe to assume that Japanese manufacturers are making a sizable contribution to employment in India.

But Japanese automakers have done a lot more than just invest in new facilities and equipment; they have invested in the Indian people. The cornerstone of every manufacturing activity is the people who work in it. The development of skilled workforce is essential to the expansion of the manufacturing industry. For this reason, JAMA member companies have taken the initiative to develop human resources in India by establishing institutions that train the inexperienced to become skilled workers. Of course, these efforts will benefit not just the Japanese companies, but the Indian manufacturing industry as a whole.

In addition to these domestic activities, Japanese manufacturers are contributing to Indian economy by exporting from India.

For example, of the 1.6 million Japanese-brand automobiles produced last year, 250,000 units, or 15%, were exported to other markets. Although the ratio is lower, a total of 350,000 units, or 8%, of the 4.3 million Japanese-brand two-wheelers produced were for export. Destinations included Europe, Africa, the Middle East, and other markets.

Because of the steady growth in motor vehicle manufacturing in India, JAMA is confident that India will become an even greater hub for production and export in Asia.

Having said that, for this to become a reality, there are a number of challenges confronting automakers doing business here that need to be addressed. I'd like to discuss some of those challenges.

I am sure everyone will agree that a successful automaker has to produce, sell, and service safe and environmentally responsible vehicles that meet the needs of the customer.

One pathway to achieving this safer and cleaner vehicle is through the adoption of internationally harmonized technical standards, in line with conditions in the Indian market.

Currently, there are ongoing discussions in India concerning the establishment, implementation, and/or amendment of government policy in several key areas. These include India's Automotive Mission Plan, National Electric Mobility Mission Plan, fuel efficiency standards, and vehicle safety requirements.

I believe that India already benefits from constructive collaboration and cooperation between government and industry. I hope that such positive efforts will continue to be made in future discussions of these issues.

On the other hand, there are a considerable number of obstacles to doing business in this country. It is hoped that such obstacles will be cleared away under the new leadership of Prime Minister Modi.

To be more specific, there is an urgent need to improve the general infrastructure, spanning from road, harbors, railways, to electric power and water supply.

Regarding roads, automakers have pretty much relied on road transport for vehicle distribution nationwide, due in part to the absence of an efficient railway network. But the road conditions, coupled with traffic accidents and transport vehicle breakdowns, have led to losses for manufacturers. This is why both the Japanese government and Japanese industry endorse the Delhi-Mumbai and

Chennai-Bangalore Industrial Corridor construction projects, and look forward to the earliest possible start of these initiatives.

Another major challenge is to improve the business environment for investing into India. Many Japanese auto parts suppliers are anxious to establish operations in this country; however, those suppliers as well as auto manufacturers often encounter problems in obtaining business permits and completing paperwork required for acquisition of business property. The complicated process of obtaining a plant construction permit, in some cases, has seriously hindered business plans.

These problems are further compounded by India's complex domestic taxation system, which varies from one state to the other. These taxes, which are far more burdensome than international tax standards, are also impeding investment in India.

JAMA, therefore, would like to see the earliest possible introduction of a single, uniform national Goods and Services Tax system, and our industry continue to call for improvements in the Permanent Establishment tax and other surcharge taxes. I am certain that other industry groups in Japan share these views. The investment environment in India for Japanese companies should greatly improve once these complicated taxation problems are resolved.

Regarding the issues I have just discussed, we—JAMA and its member companies—hope that the Modi Cabinet will address them and will also actively involve itself in the current negotiations on the Regional Comprehensive Economic Partnership, or “RCEP.” We believe that, by achieving RCEP in a way which is beneficial to the automotive industry, it will help India to become an automobile production hub for Asia, thereby attracting more foreign investment.

In addition, regional trade integration through RCEP is expected to promote competition and industry vitality, as well as provide greater opportunities for India to become a major exporter of motorized vehicles. In this way, I believe the automotive industry will serve as the engine of growth for economic development in India, just as it has done for Japan.

From a higher perspective, we can now expect to receive stronger government input in areas that affect our industry. I understand that the Indian government's economic management has become speedier since the inauguration of the Modi Cabinet this past May. In fact, Prime Minister Modi has been inviting foreign investors by sharing his vision of “Make in India.” And on his visit to Japan last week for a meeting with our Prime Minister Abe, Prime Minister Modi had very encouraging words for the business community, stating that “the era of red tape has been replaced by red carpet to make it easier to do business in India.” This leads me to join many business leaders in Japan, who now have more optimistic outlook on investing into India.

It is also quite encouraging and reassuring to witness the issuing of a Joint Statement on Special Strategic and Global Partnership by the two leaders. Designed to “advance peace, stability and prosperity in Asian and the world,” the joint statement signed by Prime Ministers Modi and Abe covers a broad range of areas and issues, paving the way to strategic partnership between India and Japan, bringing in “a new era in Japan-India relations.”

On a ministerial level, a Framework of Cooperation was signed by India’s Ministry of Road Transport and Highways and Japan’s counterpart, Ministry of Land, Infrastructure, Transport and Tourism. The framework, which was concluded just prior to the declaration of the Joint Statement that I just mentioned, allows for senior-official level involvement with the establishment of the Japan-Indo Joint Working Group with regards to the roads and road transportation. This is a promising step towards improving roads and road systems in India.

And, finally, on an industry level, I am happy to state that SIAM and JAMA have together reached an important milestone today.

Later today, SIAM President Kirloskar and I are going to sign a Memorandum of Understanding, which will strengthen the collaborative relationship between SIAM and JAMA.

Just as our two nations have announced a Joint Statement on Special Strategic and Global Partnership last week, the two industry organizations have decided to recognize, in writing, our support for each other in attaining our common goals, namely, promoting a sustainable, safe, clean, affordable and efficient automobile industry. Furthermore, this memorandum will reinforce the close and affable relationship between SIAM and JAMA by maintaining high-level dialogue. I feel privileged to be able to take part in such a historic event between the two organizations.

In closing, I would like to re-affirm Japanese automobile industry’s commitment to work together with the Indian automobile industry for the steady and sustainable development, and for our mutual advancement.

Again, I would like to express my gratitude for this opportunity to address all of you today.

Thank you very much.