

November 17, 2014

The 39th Joint Meeting
of the Japan-India Business Cooperation Committee

**“Priority Requests for the New Cabinet
Led by Prime Minister Narendra Modi”**

1. Further Improvement of the Business Environment

- “Japan Plus” initiatives
 - We welcome the establishment of the special “Japan Plus” team within the Indian Ministry of Commerce and Industry to create a business-friendly environment for Japanese companies in India. We look forward to steady and speedy responses to requests made by Japanese enterprises and the Japanese business community.

- Encouraging utilization of Japan-India Comprehensive Economic Partnership Agreement (CEPA)
 - The Japan-India CEPA is a vital part of institutional infrastructure for expanding and strengthening economic relations between India and Japan. We would like to make the following requests:
 - Standardization of rules of origin with Japan and ASEAN nations:
Switch from the current application of both the change in tariff classification (CTC) approach and the qualifying value content (QVC) approach to a system enabling the choice of either, to facilitate greater utilization of the Japan-India CEPA.
 - Improvements to special additional tariff procedures, and smoother, simpler, and faster procedures for payment of customs duties and taxes.
 - Regular meetings of Subcommittee on Improvement of Business Environment:
The first meeting of the Subcommittee on Improvement of Business

Environment established under the Japan-India CEPA framework was held in October 2012, and various improvements were seen, such as the granting of permission to open branches of Japanese mega-banks in urban districts in India and approval in both countries for a social security agreement. We would like this subcommittee to meet regularly to resolve ongoing issues.

➤ Priority Issues

- Tax systems:

We strongly request the swift introduction of Goods and Services Tax (GST) in order to facilitate business in India. In addition, we have learned that the tax authorities of both countries striving to resolve the transfer price problem have been continuing negotiations toward the conclusion of a bilateral Advance Pricing Agreement (APA) that can eliminate the risk of double taxation. We request that you make every effort to ensure the rapid conclusion of the agreement.

- Land acquisition:

Land acquisition is the first issue faced when establishing manufacturing facilities in India. We would like to request the revision of the 2013 amended law itself and the implementation of smoother procedures for compulsory land acquisition.

- Environmental regulations

Approvals under environmental regulations currently take some time, and we would like such permissions to be granted promptly.

- Financial regulations

To encourage Japanese enterprises to expand their operations into India, we would like to request further financial deregulation regarding the restrictions on lending to foreign businesses, such as permission for the use of operating capital and the easing of deadlines for repayment of the principal.

- Intellectual property rights

Since delays in screening have arisen due to the increase in the number of patent applications in recent years, we would like to request the shortening of the screening period.

- Retail business

We would like regulations restricting foreign investment in retail businesses handling multiple product brands to be eased.

2. Infrastructure Development

- Progress on cooperative projects including DMIC and CBIC
 - Infrastructure development is a crucial issue for India, and we would like to request the new cabinet to ease relevant regulations and make approval and authorization procedures quicker and more transparent in order to accelerate the completion of flagship Japan-India cooperative projects currently under way, including the Delhi-Mumbai Industrial Corridor (DMIC) and the Chennai-Bangalore Industrial Corridor (CBIC).

- Improvements to Power Producer (IPP) Frame work
 - We would also like to request improvements to the Independent Power Producer (IPP) Framework to enable the promotion of IPP business by Japanese companies that will lead to the elimination of the chronic electric power shortage. Specifically, we request the provision of state government guarantees and the introduction of an Energy Conversion Model, under which IPPs will not bear the fuel supply risk.

- Construction of industrial parks and rental factories for Japanese corporations
 - With a view to enhancing manufacturing technology and creating employment in India, we would like to request progress on the construction of industrial parks and rental factories for Japanese corporations eligible for sufficient investment incentives, such as the fixed-period corporate tax exemption measures (tax holidays).

3. Global Development

- Progress in Regional Comprehensive Economic Partnership (RCEP) negotiations
 - Japanese companies anticipate that, by unifying rules of origin in the region and standardizing preferential reduced tariffs based on the tariff schedules of concession, RCEP will promote a cumulative effect and will contribute to the expansion of manufacturing networks and enhancement of the supply chain. As India continues to increase the amount of Japanese investment it accepts, it will rank alongside the ASEAN nations and China as an export base for the global market, and we hope that it will take positive action to reach an agreement in RCEP negotiations.

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Progress on cooperative projects including DMIC and CBK
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Improvements to Power Producer (IPP) framework
We would also like to request improvements to the Independent Power Producer (IPP) framework to enable the promotion of IPP business by Japanese companies that will lead to the attainment of the atomic electric power strategy. Specifically, we request the provision of state government guarantees and the introduction of an Energy Conversion Model under which IPPs will not bear the full supply risk.

Construction of industrial parks and rental factories for Japanese companies
With a view to enhancing manufacturing technology and creating employment in India, we would like to request progress on the construction of industrial parks and rental factories for Japanese companies eligible for sufficient investment incentives, such as the fixed-period corporate tax reduction measure (tax holidays).

3. Global Development

Progress in Regional Comprehensive Economic Partnership (RCEP) negotiations
Japanese companies anticipate that by lowering rates of origin in the region and strengthening preferential trade based on the tariff reduction of cooperation, RCEP will promote a trade liberalization and will contribute to the expansion of the Japanese market and the strengthening of the supply chain. A trade liberalization in the region of Japan is essential to expand the Japanese market and to strengthen the supply chain. We would like to request the Japanese government to actively promote the RCEP negotiations and to support the active participation of Japanese companies in the RCEP negotiations.