

**Address by H.E. Ambassador Sibi George at the Daiwa Executives
Seminar in Tokyo
(February 20, 2024)**

**India's rise as a global economic powerhouse :
Exploring the future of India in its golden age**

Mr Mikita Komatsu President, Daiwa Asset Management Co. Ltd.

Mr. Shojiro Fukano,

Mr. Yusuke Satono,

Distinguished Guests,

Ladies and Gentlemen,

I am delighted to address the executives of Daiwa asset management company today. I had a good interaction with Mr Mikita Komatsu, President of Daiwa Asset Management who came to meet me at the Embassy and expressed his excitement to learn more about opportunities that India can offer to Japan and the World at large.

I thought of doing a PowerPoint presentation today. I decided against it. If your points are powerful, you do not need a PowerPoint presentation.

Friends

There are many definitions for an Ambassador, many attributes. But one that interested me most is that an Ambassador is a salesman. A master salesman. He has to go around the country and showcase his product. Compared to many salesmen today stationed in Japan, I am a very lucky salesman. I have a great product to sell. The India story is a great product. India - Japan partnership story is a great

story. A great story spanning over several thousands of years. Today, we have what we call a special strategic and global partnership. Why is it special. It is special because it has no history of conflicts. It has only history of friendship.

Bilateral relationship between India and Japan has grown exponentially over the years, transforming into a wide-ranging Partnership encompassing various domains, including trade, investment, technology, defense and security, culture and people-to-people ties. The longstanding cooperation and our shared values of democracy, freedom, and respect for rule of law have laid a strong foundation for our strategic partnership. India-Japan partnership is a partnership of immense importance for fostering peace, prosperity, and stability in the Indo-Pacific region and beyond.

Friends,

During the last over a year, I have been able to travel the length and breadth of Japan, covering several prefectures and major cities. Over forty prefectures and interact with Governors, Assembly Speakers, Business Chambers, Universities, Media Houses and a large number of people from all sections of society. What I have witnessed during these interactions is a real momentum, an overwhelming enthusiasm, a spirit of partnership towards building a relationship with India. Wherever I went, I came across a large number of stakeholders, companies, big, medium and small eager to look at India. Today there are 1500 Japanese companies in India, these are 1500 success stories, but my target is to make it 15000 in the next three years, a quantum leap, not an incremental progress. We can achieve it, including by focussing on SMEs.

Today, in Japan one could see an overwhelming appreciation for India's economic growth story. India's emergence as the fifth largest economy overtaking the United Kingdom last year received a lot of

local attention. Its growth rate of over 7% and its march to become the fourth largest economy is watched with keen interest. Similarly, India's emergence as the largest populated country has been noted. The fact that over 60 percent of its population is less than 30 years of age and the contributions this talent pool can make for India's growth is well appreciated. India's steady progress it makes in infrastructure, digital transformation, skill development, all have been welcomed and appreciated. I was so happy to see scientists and businessmen talk about India's scientific achievements. Its digital transformation, its space program. Last year India launched Chandrayan 3, a mission to Moon, I received so many congratulatory messages from our Japanese friends, particularly business and scientists.

India's effective handling of G 20 presidency with over 200 events spread across India, with its One Family, One Earth, One World message indeed has an impact. Each one of Japanese friends who attended the G 20 meetings in India, whether it is G to G or B to B they all returned with a great appreciation of India's growth story and its cultural diversity. India has transformed. And in this transformation journey Japan is a major partner. Mumbai-Ahmedabad Shinkansen High-Speed Rail project is a symbol of our partnership. Once completed it will revolutionize the way people travel in India, fostering greater economic growth and regional connectivity. Speaking about connectivity, I need to mention the North East, which is an important area of engagement between India and Japan.

Dear Friends,

Now let me do a bit more of sales pitching.

India is the largest democratic country with a GDP growth of more than 7.2%. On the back of solid structural reforms and macroeconomic stability, India's growth story has just begun. We are currently a **USD 3.7 Tn** economy, ambitiously aiming to be **USD 5**

Tn economy by **2025**. India is the fifth largest economy having jumped five positions since 2014. **India is expected to become the 3rd largest economy by 2030**. An average Indian would have increased his per capita income by **13x** to reach USD 26,000.

Its 1.4 billion people are its biggest dividend. India has one of the youngest populations in the world, with about 70% falling in the working age group (15-65 years) and is expected to account for **20% of the total global work force in the next ten years**. The median age of India is 28 years . The country also produces the highest number of science and engineering graduates annually. This, coupled with growing technology adoption and digital penetration, is one of the reasons for the country emerging as a **global outsourcing hub and R&D powerhouse of the world, accounting for almost (51%) of the total global outsourcing market**.

The country's talented workforce, entrepreneurial and innovation spirit, and digital transformation has made it the third largest start-up ecosystem in the world, with an astounding 80 start-ups recognised daily. It has also risen as the third largest unicorn nation globally, with **112 unicorns boasting a total valuation of US\$ 350 Bn**. These unicorns are transforming every aspect of the lives of India's citizens from retail/ecommerce (**Nykaa**), food delivery (**Swiggy and Zomato**), Education (**Eruditas and upGrad**), transportation and electric vehicles (**OLA**), financial services and insurance (**CRED and Digit Insurance**) and hospitality (**OYO**). **GIFT City, India's first operational smart city and international financial services center has signed an MoU with the Fintech association of Japan to strengthen Fintech ecosystem in GIFT City**.

Global Capability Centers(GCC) in India over the last decade-and-a-half have scripted a story of success—moving from a 'proof of concept' to Centers of strategic importance. Mirroring the growing maturity of the Indian IT-BPM industry, GCCs today have moved past

the “cost center” stage. **The total number of operational global capability centers (GCCs) in India is expected to jump over 20% from 1,580 currently to 1,900 by 2025.** Interestingly, 1 out of 5 new GCCs in India established a base in a Tier II city.

India is also increasingly becoming the **Factory of the World**, driven by a rise in manufacturing capex helped by government policies, diversification strategies and localization of supply chains. The government’s Make in India program, focused on import substitution in manufacturing to enhance domestic capacity, has been a key measure resulting in annual **FDI inflows almost doubling to US\$ 83.57 Bn in 2021-22 from US\$45.15 Bn (2014-15).** Japan is the only country that has dedicated Industrial townships in India. Today there are 11 industrial townships located in 8 states of India offering ready made infrastructure, simplified regulatory processes, skilled work force and favourable environment for investment for Japanese companies. Today, JITs are home to 111 major Japanese companies like Daikin, Isuzu, Kobelco, Panasonic, Nippon Steel, Suzuki, Toyota, Hitachi, etc.

The country has gone from an **importer of mobile phones to an exporter in a time frame of seven years, with world leaders such as Samsung and Apple assembling their phones in India.** As a result, various multi-national corporations have also made India their second home - **Samsung has opened the world’s largest mobile manufacturing facility in the country,** while car maker **Hyundai has become India’s leading car exporter,** exporting more than 1 lakh vehicles a year across the globe.

To further incentivize manufacturing, the government launched the **Production Linked Incentive Scheme** with an outlay of US\$ 33 Bn for 14 sectors, offering cash incentives for locally made

goods, with the objective of making India' domestic manufacturing globally competitive. The sectors encompass strategic growth areas for the country such as auto, solar and renewable energy, mobile phones, textiles, specialty steel, food, pharma, etc. where the country is focusing on developing core competency and cutting-edge technology. The scheme could also provide **a fillip to the Micro, Small & Medium Enterprises (MSMEs) in the country by boosting the supplier ecosystem for such products. Consumption Driving Growth enabled by digital revolution and financial inclusion.**

India is the third largest oil consumer (236.9 Million metric tonnes), 4th largest LNG importer ie 47.5 Million MTPA, 4th largest oil refiner, 3rd largest LPG consumer with 314 million domestic LPG consumers. We have a goal of 20% ethanol blending by 2025 and 5% compressed biogas obligation by 2028-29.

India is also undergoing digital transformation at population scale which is transforming lives across the regional and economic strata and bridging the digital divide: **In the last 7 years alone, India has become the largest mobile data consumer and 2nd largest smartphone market in the world. Enabled by 510 Mn Pradhan Mantri Jan Dhan account beneficiaries, AADHAR & Mobile interlinking (JAM Trinity) the country has created unique digital identities for 1.38billion people (97% of the population), transforming the way the nation processes documents, invests, and makes payments.**

India's semiconductor industry is a pivotal component of its electronics landscape, with demand surging to US\$ 34 billion in FY23. Projections indicate a rise to US\$ 110 billion by 2030, constituting 10% of the global semiconductor demand.

India is also proving its position as a pioneer for R&D with cost efficiency. With the **launch of Chandrayaan-3 on July 14, 2023**, India again made history by becoming the first country to land a craft on the South Pole of the Moon, which has remained unexplored. While movies such as 'The Martian' cost US\$ 108 Mn and 'The Interstellar' cost US\$145 Mn – **Chandrayaan was executed at US\$ 74Mn.**

In the wake of recent political tensions and the aftermath of the pandemic, many companies, as part of their global de-risking strategy, wish to diversify their manufacturing capacity out of the main countries they are presently concentrated in while also nearshoring and expanding their raw material / supply base.

Hon'ble Prime Minister launched '*Atmanirbhar Bharat Abhiyaan*' or *Self-Reliant India* campaign with the aim to make the country and its citizens independent and self-reliant across 5 key pillars - Economy, Infrastructure, System, Vibrant Demography and Demand.

'PM GatiShakti'– National Master Plan for Multi-Modal Connectivity' will leverage technology to improve planning and execution of infrastructure projects. This can bring down India's logistics cost to 7-8%, one of the lowest in the world. **Multi Modal Logistics Parks** are to be set up at 35 strategic locations in India which will enable seamless freight movement across multiple modes. **National Industrial Corridor Program** is a pan India initiative for creation of futuristic industrial cities built in with multi-modal connectivity and world class plug & play infrastructure.

Domestic air traffic in 2023 is estimated at an all-time high of 152 million passengers, beating the previous record of 144 million passengers in 2019. The **two largest aircraft orders in the history of aviation were placed by Indian carriers – Air India and Indigo with**

470 and 500 aircrafts respectively. On an average Air India will be receiving **one brand new aircraft every 6 days** (starting from Oct 2023 till end of 2024).

India has removed 32,000+ redundant compliances for Industries across Center and States; Merged 44 labour under 4 codes to further ease processes and regulation for domestic and foreign businesses

GIS-enabled India Industrial Land Bank has been launched to help investors identify their preferred location for investment across Government owned and private industrial land.

Investor confidence in the Indian stock markets also boomed during this time – the total market capitalization of BSE stock exchange crossed the US\$4Tn mark making India the 5th country in the world with an equity market cap of this size (top 4 are USA, China, Japan, Hong Kong). *The BSE-listed firms achieved a \$1-trillion m-cap milestone in May 2007. The market cap surpassed \$2 trillion in July 2017 and \$3 trillion in May 2021.*

In FY23, India's merchandise and services exports rose 6.7% and 27 % to **USD 447 Bn** and **USD 323 Bn**, respectively. India's overall export (merchandise plus services) was **US\$ 776 Bn in FY23** which is the highest in terms of overall exports until now. Growth in manufacturing would be key to achieving **India's target of more than doubling its merchandise exports to US\$ 1 Tn by 2030.**

India's Climate Change Commitments: India set a target of 2070 to achieve net zero and reduce carbon emissions to a level of 45% by 2030 (of 2010 levels). At COP 26, India committed itself to become an energy-independent nation by 2047. Further India has set a target of 500 GW of non-fossil fuel installed capacity and reduce 1 Bn tons of carbon emission by 2030. India has installed

renewable capacity of 178 GW (including large hydro). India has the 4th largest installed capacity for Renewable Energy, 4th largest for Wind Energy and 4th largest for Solar Energy. India has also achieved 40% of electric installed capacity through non fossil fuel sources in 2021, nine years ahead of the target for 2030 (currently this percentage is ~42%).

Ministry of New & Renewable Energy has launched the National Green Hydrogen Mission with an outlay of ~USD 2.4 Bn from FY 2024 to FY 2030 to make India a global hub for production, usage and export of Green Hydrogen and its derivatives by supporting creation of electrolyzer manufacturing units, production of hydrogen, pilot projects and R&D. Additionally a PLI for Solar and Renewable have also been created to promote faster adoption and boost domestic capability. This energy transition will positively impact India's terms of trade, entail large investments as capex, eventually reduce headline inflation volatility as the imported energy share of GDP declines, improve living conditions, and create new demand for solutions such as electric vehicles, cold-storage chains, and green hydrogen-powered trucks and buses.

In the last ten years, India has invested over US\$ 1.3Tn in building world class infrastructure aimed at turning India into an economic powerhouse, improving ease of doing business and quality of life of the people - through universal uninterrupted power supply, stitching the country into a digital web through mobile connections and high-speed internet, and enhancing logistical connectivity. To set forth the next phase of India's infrastructure growth story, the government launched the **US\$ 1.4 Tn (2020-2025) National Infrastructure Pipeline**. In the current budget, India has earmarked US\$134 Bn for capital expenditure in tune with the growth story.

India's achievements in pharmaceuticals and healthcare, including being the 'Pharmacy of the World' and a major supplier of generic medicines and vaccines, underscore our commitment to global health and well-being.

Dear Friends,

I can go on and on. But I will stop here. With stable macroeconomic fundamentals, and a visionary global outlook, India is focused on creating a sustainable, digitally driven, innovation centric economy. India is a land of billion opportunities today. Japan should not miss this opportunity. Japanese companies should focus on manufacturing in India, make in India and Make for the World. We must explore new areas of cooperation, and we are already working with Japan on some of these, such as green and sustainable technologies, including renewable energy, electric mobility, energy storage, semiconductors, defence technology, pharma sector etc.

What we need is a last mile connectivity to convert the momentum into concrete outcome. Looking ahead I am confident that we will be able to achieve our set targets in coming months. Let me repeat, what we need is a quantum leap.

Once again I thank Daiwa Asset Management Co. Ltd for this initiative. I look forward to working closely with each one of you to make India - Japan partnership a greater story.

Thank you.
