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HARYANA, INDIA ON 7TH SEPTEMBER, 2011 AT INDIA-JAPAN
GLOBAL PARTNERSHIP SUMMIT, 2011, TOKYO, JAPAN.**

Implementating the CEPA – Next Steps and Priorities

Ladies & Gentlemen,

Our friendship, India's and Japan's, doesn't have a date. This infinite chain of mutual bonds has come a long way. Each link in this chain is a part of a history of sorts, whether it was the winding ways in which Buddhism traveled all the way from India to Japan in the distant epochs or the legacy of trust built on the foundation of support of the Japanese Imperial army to Netaji Subhash Chandra Bose during our Independence movement.

In more recent times, the affinity has a glowing depth as the ambit of exchange, cultural and economic, has widened and heightened. We look back with nostalgia and, forward, in anticipation. And, when we look around, I find ourselves so akin---the commonality of tradition manifests itself in strong family bonding, simple living and conserving to save for a rainy day. Everything about us is connected. Everything is osmosis.

That's probably why, despite America being an important hub and in spite of the European Union's strengths, our seeped-in-historical roots keep us connected in a web of friendship where we are very the strands that make it.

In the backdrop of such infinitely porous cultures which absorb and assimilate from each other, we continue to stand by each other, through

thick and thin through ever-rising trade and through forging new partnerships. That's why the '**Delhi-Mumbai Industrial Corridor**' has become a reality. So did the now common man's favourite mode of transport – 'Metro'.

At a time when the Japanese business circle is experiencing an "Indian boom" with a high expectation for business opportunities, I am privileged to be addressing such an esteemed gathering on a subject--- India-Japan Comprehensive Economic Partnership Agreement (CEPA)---that has generated a lot of enthusiasm on both sides.

A BRAVE NEW START OF MUTUALLY COPATIBLE SYNERGIES

Our Prime Ministers signed the India-Japan Comprehensive Economic Partnership Agreement (CEPA) covering trade, investment and intellectual property rights in 2010, effective from 1st August 2011.

The CEPA is expected to bode well for both the countries – eliminate over 94% of all tariffs in 10 years on goods and boost further trade, which is expected to double from the current USD 12.6 billion. We recognize it as a strategic shift to overcome dependence of Japan on China for trade in goods and rising costs of production in China. This, then, makes a perfect case for Japanese exporters and investors to test the waters in the Indian markets, for export and as production hub, bringing the Japanese investors and traders on an equal footing with their South Korean counterparts, who too have signed a 'comprehensive economic partnership' with India which became operational from January this year.

There cannot be any circumspection about the pressing need for the Agreement for providing a boost to the bilateral trade and investment.

Apart from complementing trade and investment, the India-Japan CEPA will also provide an opportunity of human resource exchange given the opposite demographic trends in both the countries.

In light of the above, CEPA is a welcome step for the two largest democratic market economies in Asia which would serve as [a catalyst for future understanding](#) at multilateral organisations on important issues such as environment, climate change etc. Indian Prime Minister, Dr. Manmohan Singh had once remarked 'Japanese technology and Indian market, if combined, can bring mutually beneficial growth for both the countries'. That's because the meeting of two like-minded nations is like coming together of two chemical substances—if there is any reaction, both are transformed.

CEPA is an important landmark for India-Japan when the western world is turning towards protectionism, to protect domestic industries and employment. With rationalization of tariffs, Indian exports would become more competitive than before. Further, Indian exports which were subject to rigid standards, technical regulations and conformity assessment procedures, particularly in drugs, food, cosmetics, agricultural and fishery products etc. will find it easier to enter Japanese markets particularly the pharmaceuticals. I fore-see a great opportunity for the Indian companies to access Japanese market for textile, pharmaceutical and agricultural products with the substantial reduction of tariffs and non-tariff barriers.

On the other hand, Japanese Auto Industry, high quality steel and home appliances manufacturers, high technology products, especially those in the Telecommunication Sector, will get to expand their operations and

exploit the growing Indian market and also use India as a production hub in future.

OPPORTUNITIES AND POSSIBILITIES

Coming to investment, it's an opportunity for Japanese investors to look beyond China and Vietnam for "newer greener pastures". India offers itself as an attractive alternative in Asia, particularly in labour intensive manufacturing. Post CEPA, the major concerns of Japanese investors relating to transparency, delays, intellectual property rights and clearances would get appropriately addressed. While India is already a favored destination for long-term Japanese investment, further reduction of specific barriers to Japanese investment across sectors would facilitate and should encourage [higher investment flows to India](#). There would be ample opportunities for Indian SMEs to synergise with strong Japanese SMEs in sectors such as food processing, textiles, garments, chemicals, metals and electronic goods due to reduction in tariffs. Human resource exchange will also get a boost allowing access to Japanese specialists in critical sectors, besides providing good opportunity for Indian professionals in service sector such as IT workers, engineers, and teachers to visit Japan.

Friends, India-Japan CEPA is a major step for higher bilateral relations and also for harmonious economic rise of Asia. While India is likely to gain a lot in trade, Japan would find it easier to invest in India and cater to the 'huge domestic market' as well as use it as a 'manufacturing hub'. Further, mutual collaboration in many important sectors such as energy, research and development of precision industry etc. would be beneficial to both the economies. It would also help to conclude agreement on 'civil nuclear technology' between the two countries.

I am sure that the CEPA-enabled improved co-operation would bring the two countries closer and throw up new opportunities in every sphere which is essential for their growth. The road ahead of us leads to prosperity and I am hopeful that the two sides will continue to co-operate in mutual interest.

I would once again thank you for granting me an opportunity to share my views.

Thank you and Jai Hind !