

Roundtable with Amitabh Kant, Prof. Shujiro Urata, Prof. Yukiko Fukagawa & Masakazu Toyoda
(Jan. 18, 2024)

I ndia – the Future of a Powerful Country

By Japan SPOTLIGHT

Participants



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Introduction by Masakazu Toyoda, Chairman of JEF

According to estimates by the United Nations Economic Office, India's population reached 1.43 billion by the end of April last year, making it the most populous country in the world. On the economic front, India is expected to overtake Japan in terms of GDP in the late 2020s to become the third-largest country in the world. If the Chinese economy stalls and fails to overtake the United States, India could well become the second-largest economy in the world by 2050. On the management side, India has a wealth of human resources, and among GAFAM members, the CEOs of Microsoft and Google, as well as the chairman of Kameda Seika in Japan, are from India.

India also has a strong presence on the international political scene as a leading member of the Global South amid the deepening division between G7 countries and China and Russia. While holding the presidency of the G20, India surprised the world in September 2023 when it reached a summit declaration on the afternoon of the first day of the meeting, which was expected to be difficult to agree upon. India also made its presence felt at COP28 in 2023.

Furthermore, on the scientific front, India became the fourth country in the world to successfully land unmanned on the moon in August 2023, beating Japan, and is likely to become a significant player in the space business. On the cultural front, India is famous for its movie industry. Personally, I love Indian movies and often watch them on airplanes.

I have been wondering why India did not join the RCEP while

concluding free trade agreements with Australia and the UAE. It is unfortunate that India's complicated regulations and underdeveloped infrastructure are factors that make foreign companies, including Japanese companies, cautious about investing in India at the moment, even though it is one of the most promising investment destinations.

Today, three experts will gather to discuss the future of India, a great power full of contradictions. The first is Mr. Amitabh Kant, sherpa of the G20. Until recently, he was the CEO of NITI Aayog, a government think tank established at the initiative of Prime Minister Narendra Modi to promote structural economic reforms. The second is Shujiro Urata, professor emeritus of Waseda University, who is well versed in international economic issues. The third is Prof. Yukiko Fukagawa of the School of Political Science and Economics at Waseda University, who is an expert on Asian economies.

First, I would like to ask Mr. Kant. India's recent growth has been remarkable. Since 2014, the growth has been averaging around 6%. The latest World Bank report released in October last year projects a growth rate of 6.3% for both 2023 and 2024. This is the highest growth rate among the G20 countries, and 1-2% higher than that of China. The reasons for this are said to be population growth (demographic bonus), progress in deregulation, and digitalization. What do you think is the main reason?

Macroeconomic Development – Reforms to Encourage Growth

Kant: Thank you, Toyoda-san. Last year we grew at 7.3% and in the

current year we are projected to grow at 7.2% in 2023, and in 2024. This is far higher than any large economy in the world and higher than any estimates made by international organizations. This is the cumulative effect of a wide variety of steps taken by the government since 2014, firstly wide-ranging economic reforms. The goods and services tax was implemented all over the country – it's like having one tax across all of Europe; the corporate tax rate was reduced to international levels, and sectors for foreign direct investment were opened up – almost 98% of FDI now comes in through automatic routes. A new bankruptcy law, modern regulations for real estate, removal of retrospective taxation, commercial exploration and mining, and codification of labor laws are among the long list of economic reforms which India has undertaken. Production reforms have also been introduced to bring size and scale to manufacturing in India.

Secondly, digitization. Today more than 11 billion transactions take place digitally every month in India. We are transferring government benefits directly into the accounts of people and we do FAST payments which account for 46% of the real-time FAST payments in the world. Entire government processes and departments have gone fully online. India's digital public infrastructure has delivered ease of doing business and ease of living. Thirdly, innovation and entrepreneurship. The start-up movement in India has seen India become one of the largest start-up ecosystems in the world and in 2016 we were close to 400 start-ups, but today we have more than 110,000 and are creating new business models and disrupting traditional sectors.

Lastly, a trust in infrastructure investment is creating a world-class multimodal transport network in India, moving goods and people. Leveraging GIS, an overarching masterplan has been created to guide investments. Since 2014 government expenditure as a percentage of GDP has doubled from 1.7% to 3.4%. These investments are lowering the costs of logistics and enhancing our competitiveness. So, this is the broad perspective in response to your question.

Toyoda: Very impressive, thank you very much. Dr. Fukagawa, you are familiar with Asian economies such as India and China. What do you think are the characteristics of India's growth compared to China? What do you think are the advantages and disadvantages from the viewpoint of promoting investment by foreign companies, including Japanese companies?

Fukagawa: As one who has been observing Chinese economic development for decades, I think there are lots of differences, but the first one is that after all China remains the biggest so-called "East Asian economy" that has been committed to manufacturing and export-oriented developments. India is wholly different in this path. The second thing is that of course China and India are big geographic countries so there is always the relationship between the

city areas and their other regional areas. As far as I know, India has made big progress in utilizing GST, the tax that used to be very different between provinces and states, and that has resulted in huge progress in terms of transaction costs for businesses in India. China did not have this kind of problem because it is far more homogeneous in terms of structures. What is interesting about China's early development is that the Chinese provinces are competing with each other very fiercely, trying to improve their business climate and attract more FDI, and trying to boost exports desperately. At the same time, the provinces were learning from each other very rapidly. As a result, as a whole the Chinese investment climate had become more standardized, but in India there seems to be still lacking this sense of competition. Some states are doing very well like Mumbai or Gujarat, but some stagnating states still exist and so from a foreign investors point of view it is very hard to imagine India as an integrated whole big market and that's probably one of the big differences.

The other thing is the expectation of India's demographic bonus and that is very different from China which has already started to see the decline of its population. In order to enjoy a demographic bonus fully, I think we need three things. We need a young population, but also the labor participation ratio is important. Even though you have such a large number of young people, they are not guaranteed jobs. The third is labor productivity and in terms of the demographic dividend India should be more interested in investing heavily in education and also trying to be more focused on job creation, because China did enjoy this demographic dividend as its competitive advantage was in its labor-intensive manufacturing industries. So I think India is full of potential but we need some very clear priorities and sequencing of industrial policies.

Toyoda: Thank you for your interesting comparison between the two countries. Let me next ask Prof. Urata, who looks at the world economy as a whole. The challenge for India is said to be the large gap between the rich and the poor. The savings rate is low and there is no virtuous cycle of high savings and high investment. What should be done to overcome this problem?

Urata: Yes, the low savings rate is a problem for India and there are several reasons for this; one is, as you mentioned, income inequality. The savings rate is lower for low-income households compared to high-income households so the increasing income gap in the form of increasing low-income households will lead to lowering the savings rate. But I think there are other factors which also led to a decline in the savings rate. I understand that this is a very serious issue which India is now facing and I have read some articles about this issue. These other factors include pent-up demand from the Covid-19 pandemic. Pent-up demand led to active consumption not only by low-income households but also by high-income households. Inflation also encouraged households to spend before prices of

products went up and low interest rates encourage households to borrow from financial institutions to spend. All of these and maybe some other factors too contributed to increasing consumption and lowering the savings rate.

Also, active government spending, which resulted in a fiscal deficit, contributes to the low gross savings of the country. Investment plays an important role in promoting economic growth and domestic savings are a major source of funds for investment, and therefore a low gross savings rate is a problem in terms of achieving sustainable economic growth. To increase gross savings, it is important to deal with the problems I mentioned. Lowering the inflation rate is a big challenge and reducing the income gap or income inequality is another challenge. How can India reduce income inequality? I echo what Fukagawa-san mentioned – education or training should be given to people from low-income households as this could increase their income and in turn contribute to increasing the savings rate. Also, labor mobility. Mr. Kant talked about reforming the labor market and perhaps this has already been done, but I think it is very important to make a more flexible and mobile labor market so that people can switch their jobs from low-productivity ones to high-productivity ones. Finally, reducing the government deficit is important for India to increase its gross savings.

Toyoda: Mr. Kant, could you please comment on Prof. Fukagawa's and Prof. Urata's comments, and if you have any objections or points you would like to add, please do so.

Kant: These are all very valid comments and I want to respond to some of them. One is that during the last eight or nine years the government has laid a lot of stress on infrastructure and it has focused on providing essential services to the citizens of India. It has built close to 40 million houses in the last nine years, and that's more than the population of Australia. It has also provided about 110 million toilets to its citizens. It has provided piped water connections to 53 million Indians, and also built about 88,000 kilometers of roads. It also came out with a new educational policy focusing on improving learning for children and it has focused on providing insurance to 500 million Indians, and all of it is cashless so you can move to any part of India and carry your insurance with you.

What will drive growth in the coming years in India will be the extent of digitization. Every Indian citizen has a digital identity and every Indian has a bank account. Between 2015 and 2023 we opened 500 million bank accounts. We then linked up bank accounts to digital identities and mobile numbers, and we have over a billion mobile phones, so everyone does digital transactions on mobiles and we do 46% of the real-time FAST payments in the world. We are using this model of digital public infrastructure to provide education to spread wealth in many other areas, so we are technologically leapfrogging in many of these areas, and we will rapidly grow and

expand.

My view is that, as the Bank of International Settlements has said, India has achieved in nine years what it would have normally taken 47 years to achieve. I really feel that this focus on infrastructure which the government has made the private sector investment in will accelerate in the coming months and investment rates will rise, and what you will see is the private debt to GDP ratio growing. The balance sheet of the private sector is in a very good condition. All the companies are making good profits and the bank balance sheets could not be better. They are in excellent health and my view is that private investment will accelerate in a very big way. The government has opened up the FDI regime in a very big way and you will see FDI growing and expanding in the coming years.

The issue about India being a large state is correct, and therefore growth with equity is important. It can't be that some states grow while other states do not, and it's very important that all states should accelerate the pace of growth. The southern part of India and the western part of India are growing but the eastern part of India needs to grow rapidly. And some states like Odisha have done very well in recent times and are a beacon of hope, and I am sure that in the coming years they will further accelerate the pace of growth.

India's Trade Policy Key to Further Success

Toyoda: I would now like to ask Mr. Kant about trade policy. India has decided not to join the RCEP, although it has been participating in negotiations with great enthusiasm. Bilateral free trade agreements have been concluded with Japan, Australia, the UAE, and other countries. Many people wonder why India did not join the RCEP. For India, too, people think the growing markets of the Asia-Pacific are important. Many may have been afraid of a flood of imports from China. In that case, the TPP without China may be a good thing for India. What do you think?

Kant: So my belief is that we have signed these bilateral free trade agreements because we found them to be mutually beneficial. This shows that India is not averse to free trade and on the contrary our goal is to better integrate ourselves in global value chains. We are strong believers in free trade, but the economic environment in which the RCEP negotiations started and then concluded are very different. We pulled out of the RCEP because Indians' concerns were not being fully addressed. This was a decision guided by pragmatism rather than idealism. Close to 43% of our labor force is still in agriculture and furthermore millions of enterprises are still micro enterprises with much room to grow. We wanted to safeguard the interests of the millions of our small and medium-sized enterprises (SMEs) and farmers, and any trade agreement with a bilateral regional or multilateral focus must ensure that the interests of all countries are being met. Each country has national priorities and those priorities cannot be compromised. We are great believers in

free trade and we strongly believe that free trade helps to lift people above the poverty line; free trade enables growth and poverty elimination but trade agreements must be mutually beneficial, and to our mind the RCEP was not beneficial to India. The CPTPP we are examining and we feel it can be a win-win for everyone, including India.

Toyoda: India did not join the RCEP because it is said to be concerned about agriculture and SMEs that would be affected by free trade. There was a time when Japan had similar concerns about agriculture and some SMEs. Prof. Urata, how do you think Japan overcame those concerns and is now leading the way to the CPTPP? Do you have any advice for India?

Urata: This is a difficult and sensitive question. Japan's policy for non-competitive sectors like agriculture and SMEs in my view has been a combination of protection and promotion. As for the agricultural sector, the five sacred agricultural products are rice, wheat, beef and pork, dairy products and sugar. These five agricultural products were excluded from liberalization in any ETA/ FTAs that Japan has concluded. As for negotiations in the RCEP and TPP, as you know Japan was able also to exclude these products from liberalization. That is how Japan "overcame" this difficult problem, but in my view, this is not a very good way to deal with the problem that these sectors are faced with.

What I think we should have done is to commit to trade liberalization on a gradual basis over time, but what Japan did was to exclude them and that means no liberalization at all for some time to come. But I think we should commit ourselves to liberalizing the trade regime in these sensitive sectors over time, while accepting that the government may provide some assistance to them to reduce adjustment costs in dealing with unemployment problems and problems which may be reflected in the loss of industry in some rural areas, and so on.

Turning to SMEs, the difference between government policy towards agriculture and SMEs is very clear. In my view, SMEs are not protected by high tariffs but they are given assistance in terms of getting low interest-rate loans from public institutions and some kinds of subsidies to improve their technology. These are so-called promotion policies and SMEs are not given protection by trade policies. Having said that, I would like to recommend India to commit to gradual trade liberalization, although I know it is very difficult, particularly politically, but I think it is important to liberalize over time and during this process reforms should be conducted and implemented so that in the future these sectors become more competitive.

Toyoda: Are you suggesting that India should have some exclusions?

Urata: No, exclusion is something that Japan should not have done. Japan should have committed itself to liberalizing the sectors over time, not right away but gradually.

Toyoda: Prof. Fukagawa, China is enthusiastic about the RCEP. Why is this a difference between India and China? I think India needs to increase the level of market openness in order to succeed in its "Make in India" policy. What do you think? Can India really become a superpower if it remains cautious about free trade or competition?

Fukagawa: That's another difficult question. There is a kind of impression in the last five years or so that India is rather going in the opposite direction, although as Mr. Kant emphasized, India is more for free trade but actually we have seen an import licensing system for automobile tires, color TVs, air-conditioners and many chemicals or even solar power generation facilities. So we can understand that India is behind China in regard to trade liberalization, even though the RCEP of which China is a leading member is not a very high standard of liberalization. Also, if you look at India's huge trade deficit with China in terms of goods traded, you will see that Indian industries are less competitive than Chinese ones. In light of this, I guess it would be very difficult to gain a trade surplus just with industrial policies that try to encourage exports with subsidies.

Japan used to be quite similar in terms of agriculture but as was pointed out, the CPTPP was a great opportunity for Japan to be more serious about agricultural reforms. We have been doing a lot of reforms about land expropriations of farm areas in Japan and we restructured the land and now have more younger people going into agricultural businesses. So we definitely need some market pressure if we are to make reforms, and that's one thing. The other thing I would like to counter with regard to India's integration policy is your initiative about the service sector. I know that after introducing the public identification system, India is pursuing a very interesting social experiment in trying to upgrade its huge public services, as partly pointed out by Mr. Kant. So if this is the situation, I think India has a huge comparative advantage in various services, including ICT, and so if the RCEP doesn't look very realistic, then why doesn't India participate in the DEPA Agreement first and try to participate in rule-making on data movement or data technologies, and then it may have a great opportunity to take the initiative based on its own experiences. This should be very much appreciated by latecomer Asian countries which are inferior in terms of competitiveness in the service industries, as opposed to their super competitive hardware manufacturing.

Toyoda: Maybe the key ideas here are gradual liberalization and government assistance if necessary, and thirdly service sector competitiveness. Mr. Kant, do you have some comments on this?

Kant: Some very relevant suggestions have been made and I greatly

appreciate them because I'm a great believer in free trade and I believe that it's not possible for any country to grow at a higher rate over a three-decade period without trade. Exports have to be the key driver of growth. The challenge with the RCEP was that there was very little giveaway on the services sector where India has its strength and no one wanted to compromise on the services sector, but they wanted India to compromise on every other sector, and this was becoming very difficult for India. But India is not closed to the RCEP at all and will at an appropriate time consider this proposal anew. I believe that as we move forward with many of our bilateral FTAs, India will look at this issue from a different perspective, but that will be a question of the agreement being mutually beneficial.

India's Foreign Policy as a Leader of the Global South

Toyoda: Turning now to foreign policy. Against the background of rising geopolitical risks such as the US-China confrontation, the Ukraine crisis, and the Gaza crisis, India's role as a mediator between the G7 and China/Russia as a leading player in the Global South is coming under scrutiny. Will India take a different position from its traditional nonalignment policy? On the other hand, India is participating in the Quad and the Indo-Pacific Economic Framework (IPEF), which are being promoted from the perspective of economic security, but the concept of improved market access is not included. What is the attraction for India?

Kant: Our position on the various geopolitical risks has been quite clear and raised in the appropriate forum of the United Nations. We have taken a pragmatic stance in view of these crises and we have seen how the destruction of global value chains has impacted the global economy. Inflation disruption in industries was just one of the effects of the pandemic that showed us that supply chains need to be resilient and diversified.

The IPEF for prosperity provides members with flexibility and they are not required to be signatories to all four pillars of the IPEF. India has recently signed on to the supply chain resilience agreement of the IPEF. India is open to the world and wants to integrate itself into global value chains. Signing up for this pillar of the IPEF provides us with this opportunity. In the same way, India also signed on to the India-Middle East-Europe Economic Corridor during the G20 leaders' summit in New Delhi. We seek to establish ourselves as a reliable and trusted trading partner.

India's membership of multilateral forums also allows us to champion the concerns of the Global South. For instance, we have hosted the Global South Summit which informed the priorities of our G20 presidency. The inclusion of the African Union into the G20 and our ability to achieve a full consensus at the G20 on all issues is a testament to our commitment through membership of such groupings. We will continue to champion the needs of the Global

South. That is our perspective. We will continue to work in the interest of global economies and will continue to work in the interest of the Global South. The important thing to realize is that 80% of growth now is coming from emerging markets and two-thirds of the growth in the next three decades will come from emerging markets, and the Global South will continue to play a critical role in the global economy.

Toyoda: I would like to ask Prof. Fukugawa the same question. The Ukraine crisis is clearly a violation of the UN Charter by Russia. How would you evaluate India's refusal to participate in economic sanctions against Russia?

Fukagawa: India has been in a close relationship with Russia in terms of security and has been importing lots of weapons from Russia due to the potential tensions with China probably, so we can understand the position of India. However, we still expect India to be a country of the rule of law and a country of democracy and so in such terms I think one of the things we need to do is to make India a more efficient country in terms of energy, as well as food self-sufficiency. As Mr. Kant pointed out, India has been chronically pressured on inflation both by energy resource price hikes and food price hikes, and that is why India recently introduced controls on some exports. However, we all know that India has huge room to improve its efficiencies in these two sectors, so if we can cooperate it should create a very nice partnership with Japan. And since we are a resource-poor country, we have been making great efforts to make electricity transmission as efficient as possible, so this could be a good partnership between us while we try to enhance our ties in times of geopolitical insecurity.

Toyoda: Japan is emphasizing cooperation with the Quad, IPEF, and other organizations amid the intensifying US-China confrontation. To ensure economic security, I think it is important for Japan to be involved in the region. Prof. Urata, how would you evaluate India's participation with regard to ensuring economic security?

Urata: I think India's participation in the Quad and IPEF is very important in dealing with China's rapid rise in the international arena and its very aggressive regional foreign policy. India and Japan share common values such as democracy, human rights, freedom of speech, and so on. Because of that, I would like to see India play a constructive role as it has been playing in maintaining this position and protecting the international order which China is threatening to change. I would like to see India lead the group of developing countries in the so-called Global South to achieve this objective of maintaining and protecting the international order and I am very pleased to hear Mr. Kant talk about this. I think I echo what Mr. Kant was saying about the role that India has been playing on occasions such as the G20 in 2023. Considering the higher growth of the Indian

economy and its higher position in the world economy, I would reiterate that I would like to see India continue to play this very important role more actively.

Toyoda: I think the keyword here is the stability of supply chains. Mr. Kant, please provide any objections or supplementary comments on this matter as well.

Kant: My only comment is that we are in the midst of geopolitical challenges such as the Ukraine crisis and the crisis in Syria and the Middle East, and it is very important that we try to steer developments. The challenge before the global economy is accelerating the pace of growth and if we don't, then sustainable development goals will be hindered. The world needs strong, inclusive, sustainable growth. Almost 75% of countries are facing a debt crisis, and almost one-third of the world is in recession: Germany has gone into a technical recession and so therefore in the midst of these crisis it is very important the countries like Japan and India, which share common values and work together on several platforms, need to promote sanity. We need to drive rationality and trade, we need to drive prosperity, and we need to work for the citizens of the world. And therefore it's very important that we should bring issues like SDGs and global growth and climate action to center stage, rather than getting caught in these present crises which are confronting the world.

India's Role in Climate Change

Toyoda: We should discuss such potential cooperation between Japan and India further, but before that let me turn to other issues such as climate change. At COP26 in Glasgow in 2021, there was agreement on "diminishing" rather than "abolishing" coal-fired power generation, as proposed by India. In response to this, some said it is a representation of the position of developing countries, while others are critical of India for delaying action on climate change. What do you think?

Urata: As you point out, I think there are two different views on India's position on this issue. One is to support India's position as it is a realistic approach considering the capability of developing countries in dealing with the reduction of coal-fired power generation while achieving economic growth. On the other hand, one can criticize India's position for a lack of interest or eagerness to deal with climate change issues or environmental problems, as priorities are given to economic growth. I understand both views but I am closer to the second view, and if I may say so, considering the environmental problems from a global perspective, India or any other country should accept lower economic growth to deal with the environmental problems. Such an approach would eventually enable the world to achieve high economic growth in the long run and it

would be productive if India could, for instance, identify the conditions which need to be satisfied in order to achieve carbon neutrality by 2050. And then India may come up with measures such as importing technology or borrowing funds from developed countries to achieve these objectives, and so I'm curious to know if such an exercise or such a view has been presented or not.

Toyoda: Prof. Fukugawa, the "bad guy" of climate change measures is "CO2 and methane emissions", and if fossil fuels are decarbonized, then it is fine to use them. How do you view the position of India and other Asian countries which support the position of India with regard to climate change?

Fukagawa: Regarding the point that Prof. Urata has made, India should be aware of the need for tackling climate change, including the threats to agriculture as well as air pollution. One thing India may be able to bargain with is a commitment to more ambitious CO2 reductions while at the same time trying to use leapfrogging technologies to attract ESG investment, including in energy-related business such as renewable energy or sophisticated power-generation technologies. These will probably require a better relationship with the US rather than with Russia or maybe perhaps with European nations. So, I still think India has a lot of room to maneuver and a huge scope to contribute to the future.

Toyoda: Mr. Kant, please give us your own views on India's position on climate change. At COP28, the "abolition" of fossil fuels was discussed and it was agreed to "transition away" from fossil fuels. What is your assessment of COP28? Also, India has set 2070 as the year for achieving carbon neutrality, but is it possible to accelerate the process?

Kant: First of all let me say that India's position has been absolutely clear. We are not responsible for climate change. It is the developed world that has contributed most to historical emissions. All of the carbon space has been occupied at 1.5° C and out of the 2,800 gigatons of CO2 emissions 2,400 has been occupied by the developed world. In terms of per capita emissions, India only accounts for 1.5%, where logically it should have been entitled to 17.5% of the carbon space.

The principle of common but shared responsibilities which was accepted in Paris at COP21 must be respected. Irrespective of that, India is the country which has taken the lead. It is the only G20 country which has achieved its targets nine years ahead of schedule. We achieved 174.53 gigawatts in February 2023 in total renewable energy facilities, the fourth-largest amount in the world. The link between energy security and development is well established and development necessitates prioritizing economic growth, poverty reduction and job creation.

At the same time, we have set ambitious climate goals and we are

not abdicating our responsibility. As I said, we achieved our first targets under the Paris Accord nine years ahead of schedule and now we have even more ambitious targets, so that 50% of our electric and storage capacity will be from renewable resources by 2030. We're also making a huge push towards green hydrogen to decarbonize. My own view on COP28 is that it recognizes the phasing out of inefficient fossil fuel subsidies and a phase down of coal power. The language keeps the 1.5° C goal intact while allowing developing countries the space they need to develop.

It's important that without increased ambition on climate finance and technology transfer, the world's collective goals face a very real risk of failure and the developed world will need to provide increased allocations to the developing world. Assuming that the developed nations cannot have much room for carbon emissions, they should be willing to transfer technology, or provide finances for developing countries to develop technology for environmental protection. Yet they continue to use fossil fuels and try to impose sanctions on developing countries for doing the same.

Therefore, our stance has been that these ambitious goals are contingent on climate finance flows and technology transfer – from billions to trillions was one of the key outcomes of the G20 summit. I think it is possible to be more ambitious but the developed world must advance its net zero goals before ensuring that other developing countries advance their goals. Without developed countries taking the lead in advancing, then zero goals will not be possible. And greater ambition among developing countries has to be matched with greater action by developed countries in the realm of both finance and technology transfer. Developing countries must be supported in this transition.

India's Contribution to Science & Culture

Toyoda: That's very clear. I think developed countries are asking India to accelerate the process of carbon neutrality. In that case, they may have to accelerate their own efforts to make it possible to achieve that, for instance by 2040.

The last issue I would like to look at is science and culture. Dr. Fukagawa, as mentioned at the beginning of this roundtable discussion, India has excellent scientific knowledge and an outstanding cultural heritage. How would you evaluate India's activities and contributions in terms of science and culture?

Fukagawa: One day when I was walking in Cambridge, a scientist from India said to me that India is idealizing Japan and I wondered what he was talking about. But he said that Japan is the only country that has been producing Nobel Prize winners based on their own language, and that is what India wishes to do. So maybe we will have a Hindi-based Nobel Prize winner in the future. We have a large interface with Western cultures and Western intellectual assets, but nevertheless we wish to have some alternative approach towards

humanity's problems. So I think that Indian education is going to be contributing a lot, especially in basic research, which is supposed to provide a public good not only in Asia but also globally. So that's why I was emphasizing the roles of digital-based technologies. Of course, India needs to make some progress in terms of hardware but one of the basic strengths of India is to provide excellent human resources to lead in software, rather than hardware based on hardware manufacturing.

Toyoda: Dr. Urata, until now, I feel that the world has been driven by Western-centric values. In addition to China, I feel that India's activities are changing the world's view of Asia. What is your evaluation of India, which is said to be the world's largest democracy?

Urata: Yes, both India and China recognize that they have so-called major civilizations, in addition to, say, Egypt. Given that India and China had these major civilizations, what we are observing now is a renaissance. This is not so surprising and it is quite natural that the rise of these countries has a huge impact on the world in many respects, including economics and politics. They both have big populations, high economic growth, and importance in regional and global affairs, but there are some differences. One big difference is the one that Toyoda-san mentioned, namely political systems – democracy in India and authoritarianism in China. Japan, being a democratic country would like India to maintain democracy and lead other countries towards democracy. According to some studies by research institutes in Sweden or Finland, the number of democratic countries is declining, and I would like to see India and of course Japan play an important role in maintaining democracy in the world.

Toyoda: In addition to India's success in scientific and cultural fields, there are many people of Indian origin serving as CEOs of world-renowned companies. Yet while India has cutting-edge science and a fascinating culture, discrimination based on gender and status seem to remain. Mr. Kant, what are your thoughts on these issues? Are you trying to change such social constraints?

Kant: More than half of India's population is now composed of women and the prime minister has focused on this in a very big way himself. We have opened hundreds of millions of bank accounts to ensure financial inclusion and between 2015 and 2023 we opened over 500 million bank accounts, over half in the name of women, and over 69% of all micro loans have been to women entrepreneurs, numbering approximately 35 million. We are creating an ecosystem where women are not just seen as the beneficiaries of government schemes but seen as leading development. The focus of the government has been to ensure that everybody has equal access to the benefits of development. Through a combination of governance reforms and leveraging technology we have been able to better target

beneficiaries for government schemes. By ensuring better access, we are empowering the marginalized to chart their own destinies and the focus is clearly on youth and on women in a very big way.

Future of India-Japan Cooperation

Toyoda: That is very interesting. Finally, I'd like to turn to the cooperation between India and Japan. The relationship between Japan and India is very close and friendly. How do you evaluate the current situation and what kind of cooperation do you think should be promoted in the future? Please give your frank opinions on economics, trade, diplomacy, climate change, and so forth.

Kant: Japan and India are natural partners. We have seen success in the automobile sector through the partnership between Maruti and Suzuki, and the role of JICA in building India's Metro systems, along with our country's partnership in the Mumbai high-speed rail project. Many of the Delhi/Mumbai industrial corridor development projects also reflect our close ties. Also in the dedicated free trade corridor, Japan is one of the largest foreign investors in India and ties have only gotten stronger.

India's presidency of the G20 coincided with Japan's presidency of the G7 and I worked very closely with my counterparts in Japan during this time, as India was an invitee to the G7 as well. The two prime ministers have met on several occasions in India and Japan, both bilaterally and as part of multilateral summits. They both want to see the relationship grow. Firstly, bilateral trade between the two countries totals about \$21 billion per annum, being the third-largest and the fifth-largest economies in the world. This level of trading is not reflective of our positions in the global economy. We must both leverage our strengths to build a mutually beneficial and balanced trade relationship. India's potential in food processing, pharmaceuticals and garments sectors can be further utilized, and we cooperate on sanitary and other non-tariff barriers in the food-processing field.

We have a lot that we can learn from Japan in these areas. In return, India can serve as a reliable trading partner and we must also continue our cooperation on climate change and energy transition. With an aging workforce in Japan and a demographic dividend in India, there is room for cooperation between the two nations on labor and orderly migration. Indian students are keen to study in Japan and Japan must encourage them and allow them to work for a few years, given the language requirements. You must become more of an open economy for Indians in both countries, who need to work together to grow and advance together. Thank you very much.

Fukagawa: Of course, I think we have a great potential for further cooperation in various projects and business activities, and as was mentioned we already have the good example of automobiles and subways. But probably in the next phase we are going to share

something that should benefit our societies; we have been suffering, for instance, recently from a huge shortage of pharmaceutical supplies because of our broken supply chain system, but India has a huge capability to complement it. So if we can work on basic research for mass production of pharmaceutical supplies, that will be a great improvement and may also contribute to the Indian medical care industry, which should in the meantime be very much covered by national insurance. So these could be common projects. Also, India seems to have very good evidence-based policy making and we have relatively good quality of data in terms of old-age medical care, so we could develop a complementary relationship with our healthcare industries, and many others. Thus, evidence-based policy making should be one of the positive common strategies for us to share.

Urata: The two previous speakers have made all the points that I agree with, so I will add just one more point. I would like to see more human exchanges involving tourists, students, researchers and businessmen. I especially think student exchanges should be more active. There is the potential for more Indian students in Japan and I would like to see this number increase. I think there are approximately 1,500 students from India currently in Japan, compared to approximately 25,000 students from Nepal. Of course, there are some reasons for this, but the sheer numbers tell us that our relationship with India in terms of personnel exchanges is not very developed and there is a huge potential there. Exchanges between people would increase mutual understanding of their societies and culture, which in turn would expand economic relations.

Toyoda: Recently I have been trying to promote collaboration between Indian and Japanese start-ups. Actually, 50 start-up companies from India are coming to Japan in March or April, so I am excited about that and there will be some new associations between Japan and India in this area. I hope that India, in cooperation with Japan, will lead the world as a great power with an Asian worldview and contribute to building a more peaceful and prosperous world. Thank you very much for your time today.

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Written with the cooperation of Joel Challender who is a translator, interpreter, researcher and writer specializing in Japanese disaster preparedness.