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Strategies for Japanese Companies in India

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Abstract

Despite growing appreciation for the potential of the Indian market, competitors often experience greater success penetrating it than do Japanese companies. This paper addresses possible reasons for Japanese reticence in addition to strategies that Japanese companies have started and would do well to continue to adopt. Among these are: 1) large-scale initial investment, 2) joint ventures, 3) central decision making, 4) adaptation of products to the Indian market, 5) large-scale advertisement campaigns, 6) alternative corporate culture models, and 7) human resource relations. In order to make suitable comparisons, the cases of Korean companies are often applied. Nevertheless, the long-term future of Japanese corporate interests in India may not remain at a disadvantage given the Comprehensive Economic Partnership Agreement (CEPA) between Japan and India, which only took effect in August 2011, and the considerable demand for infrastructure in India; an area where Japanese expertise might surpass that of South Korea.

Keywords: Emerging market, Strategy, India, Japan
JEL classifications: M1, M3, M5

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LIST OF ABBREVIATIONS

ASEAN	Association of South-East Asian Nations
EPA	Economic Partnership Agreement
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
JBIC	Japan Bank for International Cooperation
JETRO	Japan External Trade Organization
M&A	Mergers and Acquisitions
METI	Ministry of Economy, Trade and Industry

Introduction

Since India initiated significant economic reforms in the early 1990s, Japanese business have been increasing their interest in the fast-growing market. During much of the Cold War period, Japanese firms concentrated attention on South East Asian nations, largely ignoring the socialist-inspired economy of India. Yet especially since 2000 when India's economic growth reached sustained rates, efforts have multiplied. The possible volatility of Chinese market and limited domestic market have acted as further influences.

Nevertheless, a lingering belief that trade and investment figures stand behind potential prevails. Whilst Korean firms in particular have found success in penetrating the Indian market, Japanese companies remain slow to enter. According to the Japanese embassy in India, as of October 2011, 813 Japanese firms were active in the Indian market through 1422 separate investments; a growing figure but one that pales in comparison with other economic relationships in the region.[1]

This paper sets out to address, among other important questions, why Japanese investment has lagged behind both its potential and foreign competitors.

[1] The number of Japanese firms operating in China is thought to over 10,000.

For example, lack of infrastructure, bureaucratic red tape and high tariffs are seen as large problem areas for all investors, yet despite these barriers (and the signing of a CEPA in 2011, which eliminated many of these tariffs), Korean firms have gained envious levels of market share.

As will be made consistently evident, a number of the said obstacles to deeper economic ties between Japan and India are thrown into question by the success of South Korean firms. By taking an alternative approach to the Japanese model, Korean firms have made considerable head-way and now present a lesson for both METI, the Japanese government's Ministry of Economy, Trade and Industry, and private Japanese firms.

In part due historical consequence, firms such as Daewoo, Hyundai, LG and Samsung took the risk of expanding operations to East European and previously centrally-planned economies such as India whilst Japan concentrated on the US and Western European markets. For many years this served Japan well but as India's economic has grown and other markets become saturated, Japan is now competing directly with Korea. In order to compare the Japanese and Korean business models and their suitability to the Indian market, a number of examples will be provided to demonstrate each point made below, with the cases of LG and Samsung representing primary cases for comparison.

The purpose of this research paper is to identify some of the possible reasons for Japanese companies' reticence regarding the Indian market and consider some of the tactics competitors have taken. Several strategies are highlighted, namely; 1) Large-scale investment at the time of market entry, 2) Working through joint-ventures, 3) Central decision-making, 4) Adapting to the Indian market, 5) Large-scale advertisement campaigns, 6) Corporate culture and fostering understanding, 7) Human resource relations and 8) Chambers of Commerce. Finally the paper draws conclusions as to the current status of Japanese firms operating in India today.

Strategies for Japanese companies in India

1 – Market entry

In order to be successful in India, foreign firms have often begun with large-scale initial investments. The advantages of such allocation of funds include not only the quick attainment of brand image but also the ability to gain an upper hand in negotiations with local government bodies. With an established market presence, firms are also able to gradually increase their prices.

Indeed the majority of successful foreign firms in India have been highly aggressive by putting forth a large amount of funds into the initial investment. Korea's LG and Samsung in particular have managed to quickly gain a huge share of the Indian market. As marketing professor, Abraham Koshy from IIM, Ahmadabad noted in late 2008, these two firms have a long-term interest and have made a "full commitment to India".[2] The recent investments of Mitsubishi Chemicals (an exception among Japanese companies as it chose India before China for investment)[3] and Nokia's investment in Tamil Nadu, further demonstrate this strategy.[4] When firms opt for modest, conservative investments in order to gradually

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[2] "Korean Conquest: How LG and Samsung Won Over the Indian Market," *Knowledge@Wharton, University of Pennsylvania,* 11 December, 2008, http://knowledge.wharton.upenn.edu/india/article.cfm?articleid=4338

[3] In June 2011, President and CEO of Mitsubishi Chemicals Holding Corporation (MCHC) Yoshimitsu Kobayashi voiced his interest in expanding the company's investment from the present level of $800 million since 1997. Nevertheless, this remains the only major investment by a Japanese firm in the east of India, particularly Bengal which has only received 2 percent of the total FDI India received in 2010. "Now, Bengal on Mitsubishi radar," *Times of India,* 29 June, 2011, http://articles.timesofindia.indiatimes.com/2011-06-29/kolkata/29716274_1_investment-plans-bengal-haldia

[4] Nokia has so far invested approximately Rs. 13 billion ($260 million) and according to a reports in January 2012, plans to invest a further Rs. 2.5 billion ($50 million) by 2014. "Nokia plans to invest Rs

understand the unique Indian market, they have soon faced challenges.

Despite some positive stories however, albeit rare instances of failure deter risk-conscious firms. Enron, Daewoo Motors[5] and Daiichi Sankyo for example,[6] all suffered losses after large opening investments. Toshiba also faced problems leaving the Indian market following heavy losses to a battery cell project in the 1990s.

2 – Working through joint ventures

Once established, MNCs seek exclusive market share or at least a dominant percentage of the market through the gaining of control of management operations

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2.5 billion to revamp India operations by 2014,", *Investment Contify,* 21 January 2012, http://investment.contify.com/story/nokia-plans-to-invest-rs-25-bln-to-revamp-india-operations-by-2014-264144

[5] The case of Daewoo Motors" failure in India has since become a key business lesson model. Daewoo was keen to enter the Indian market early and gain quick market share following India's economic liberalisation reforms. The South Korean firm entered with an investment of $1 billion and by July 1995 launched the Cielo Sedan. Initial demand soon fell as reforms faced delays and misjudgements were made as to which vehicles to launch. Ultimately the company's withdrew. Hyundai in contrast staggered investment in two phases and took advantage of 70 percent localisation of production.

[6] This investment has halved in just three and a half years. Malini Goyal, "What makes India a much bigger market for Japan Inc.", *Economic Times,* 29 January 2012, http://articles.economictimes.indiatimes.com/2012-01-29/news/30674040_1_dentsu-nikon-india-japanese-companies

through M&A. This has indeed been the preferred method of Japanese business. "M&A is one of the fastest ways to start a business," according to Akash Gupta, Executive Director at PwC, a consultancy firm.[7] As detailed above, in the last two years, deals have been struck in industries as diverse as advertising, auto parts, banking, chemicals and logistics.

However, it is also important to understand the risks in the M&A business. In India there remain many cases where the family of the founder holds much of the stock of the major corporations. Corporate governance problems, such as irrational transactions between family companies or the central positions being taken up by the same kinship group therefore continue. On the whole, owners of Indian businesses are closely-guarded of family stock and resist sale. To Japanese corporations, when engaging in business partnerships and starting joint ventures (JV) in India, not to mention M&As, it is thus necessary to perform prior studies, do due diligence, listen to the reputation of the owning family in a detailed manner, among other measures in conjunction with Indian staff members and experts.

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[7] Malini Goyal, "What makes India a much bigger market for Japan Inc.", *Economic Times,* 29 January 2012, http://articles.economictimes.indiatimes.com/2012-01-29/news/30674040_1_dentsu-nikon-india-japanese-companies

3 – Central decision-making

The nature of corporate decision-making also plays a part. When Osamu Suzuki, for example, decided to enter the Indian market in 1983 many considered his actions irrational and premature. By partnering with Maruti Udyog Ltd, founded by Indira Gandhi's son Sanjay, Suzuki not only understood the importance of elite government relationships but the opportunity the Indian market provided. A "Maruti Revolution" soon followed, resulting in Maruti-Suzuki holding approximately 50 percent of the market.[8] Suzuki made a personal commitment to India and his unique management style is often attributed to the auto firm's success.

Other examples include Jack Welch from General Electric (GE) and Larry Elson of Oracle. Welch for example, first went to India in 1989, laying the foundations for a relationship, which is said to have given Indian executives in the technology and business service sectors, "crucial credibility and cash when other companies still viewed the country as a risky backwater."[9] He is known to hold high

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[8] Society of Indian Automobile Manufacturers (SIAM) cited in "Maruti, Hyundai, Tata Motors lose market share to smaller firms in 2010-11," *Economic Times*, 10 April 2011, http://articles.economictimes.indiatimes.com/2011-04-10/news/29403269_1_market-share-car-segment-passenger-car

[9] Jay Solomon and Kathryn Kranhold, "In India's Outsourcing Boom, GE Played a Starring Role', *The Wall Street Journal*, 23 March, 2005, http://online.wsj.com/article/0,,SB111151806639186539,00.html

praise for Prime Minister Manmohan Singh and a personal interest in the country. Widespread opinion even credits Welch with kick-starting India's IT boom.

4 – Adapting to the Indian market

A common lament by Japanese executives and trade bureaucrats is the delayed realization that products which sold in previously established and developed markets such as the United States, Europe and even ASEAN, were unsuitable for India and needed to be adjusted.

Once again, this key commercial strategy was quickly appreciated by South Korean firms such as Samsung and LG who adapted their products to meet the varied and complex needs of Indian consumers, even during the early stages of entering the market. This was largely achieved through comprehensive market surveys which paid attention not only to the differences between India and other markets but also peculiarities within India. In 2008 Samsung spent $13 million establishing a R&D centre in Uttar Pradesh.[10]

[10] "Korean Conquest: How LG and Samsung Won Over the Indian Market," *Knowledge@Wharton, University of Pennsylvania,* 11 December, 2008, http://knowledge.wharton.upenn.edu/india/article.cfm?articleid=4338

Nuances in demand are difficult to identify without such studies. According to one Japanese journalist interviewed for example, Korean firms discovered that whilst in the north the preferred color of white for refrigerators, in the south it is red. Other examples include the fact that since air conditioners are on most of the day, especially during India's long summer, lowering the sound of the motor, even if this compromised an atheistic feature, was attractive to the Indian consumer. Dust-free keyboards were another idea, as were washing machines with a "sari cycle" option, calculators with results displayed in "lakh"[11] and food storage which gave extra space for vegetables; important given the prevalence of vegetarianism particularly in the south.[12]

Only by undertaking detailed studies of the market are these nuances visible. LG has conducted studies "to know more about our consumers and their preferences," discovering as a result that since many domestic workers do not speak English, instructions and advertising need to be in several Indian languages.[13]

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[11] Himanshu Kakkar, Kandula Subramaniam, "Japan Rising", *Outlook India,* 21 January, 2012, http://business.outlookindia.com/article.aspx?279667

[12] "Korean Conquest: How LG and Samsung Won Over the Indian Market," *Knowledge@Wharton, University of Pennsylvania,* 11 December, 2008, http://knowledge.wharton.upenn.edu/india/article.cfm?articleid=4338

[13] Ibid.

Localization of products is not enough, according to one executive at LG; “micro-localization” is required”. As Oike, Managing Director of Yakult Danone in India has stated, “It is important to Indianize a product and, at the same time, not let down on quality.”[14]

A select few Japanese companies were successful in this way. Toyota’s focus on minivans (a segment with very little competition) met the demands of large Indian families.[15] Toyota was thus able to control the top share of automobiles in this area and increase the variety of vehicles offered while carefully reading consumer responses and gaining the top spot in other consumer segments.

Panasonic and Daikin have been introducing low-cost televisions and air conditioners to counter Korean competition and in the latter’s case, pitching directly to local corporations, with the understanding that they operate with faster decision-making.

By other means, Panasonic has also drawn the attention of observers

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[14] Himanshu Kakkar, Kandula Subramaniam, "Japan Rising", *Outlook India,* 21 January, 2012, http://business.outlookindia.com/article.aspx?279667

[15] Ibid.

through renewed efforts to capitalize on India's growth. A late entrant into the market, Panasonic revealed in…a strategy which placed India at its core. According to Panasonic India President Ito, "India is not anymore a part of our emerging market business but has been carved out as the number one priority market globally".[16] The company plans to invest ¥20 billion in India and double sales over the next three years. A $200 million manufacturing plant in Haryana was announced in mid-2011, in addition to a R&D facility in Gurgaon.

Panasonic realizes the need for an Indian-specific strategy to win market share and is producing products with this in mind.[17] In the planning and development of home appliances, designs are being suited to the particular tastes of Indian customers. Locally stationed Japanese employees visit local Indian households to gain a greater appreciation of their consumers' needs. In the future, if the expansion of currently weak sales networks continues, Japanese firms may well present a substantial rival to established Korean firms. In terms of market share for flat-screen televisions, Sony has already passed South Korean corporations to take the lead.

[16] Writankar Mukherjee, "Panasonic gears up its India growth," *Economic Times*, 17 June, 2011, http://articles.economictimes.indiatimes.com/2011-06-17/news/29670044_1_national-panasonic-indian-consumer-electronics-market-korea-and-india

[17] Ibid.

Inch by inch, Japanese companies are slowly catching up. [18]

5 – Large scale advertisement campaigns

Next to creating products that meet the demands of Indian consumers, a related technique for success is the implementation of aggressive and large-scale advertisement campaigns. Since India's liberalization of the advertisement industry in 1991, this field has ranked along with mass communication/media as one of India's highest level industries. LG and Samsung have put forward significant funds to implement campaigns that appeal to Indians. For example in April 2010, LG announced they would spend $5 million on a marketing campaign[19] and use such techniques as sponsorship of cricket events and film to promote the brand.[20] The cost for these campaigns were carried by the corporate headquarters in Seoul, not by the increasing the price for products in India. The end result of this strategy paid dividends for both firms.

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[18] M. Kondo "Growing Economic Relationship between Japan and India", *Contemporary India Forum Quarterly Review*, No.5, 2010

[19] Amit Sharma, "India as export hub; to spend $5 million on marketing: LG India," *Economic Times,* 5 April, 2010, http://articles.economictimes.indiatimes.com/2010-04-05/news/27612021_1_lg-india-home-appliances-market-lg-plan

[20] "Korean Conquest: How LG and Samsung Won Over the Indian Market," *Knowledge@Wharton, University of Pennsylvania,* 11 December, 2008, http://knowledge.wharton.upenn.edu/india/article.cfm?articleid=4338

Japanese companies are slowing coming to the realization that their own inactivity and outdated approach to the Indian market has lost them time. For a time it was believed by some firms that since movements toward FTAs in Asia were advancing, manufacturing in a country like Thailand and Malaysia removed the need to have local production in India. The need to cater for Indian demands, however, demonstrates the requirement for dual production hubs which produce goods suitable for different markets. As Ito from Panasonic India stated in late 2011, "Localization has been the key to our success for penetration in the Indian market place".[21]

6 – Corporate culture and fostering understanding

The relationship between the corporate office and its local subsidiary in India are also crucially important. In the instance of LG and Samsung, there was a great deal of support in various levels from the corporate office in order to aid the Indian venture. Examples include the burden of advertisement campaign funding taken up by the corporate headquarters and supply of inexpensive components and parts

[21] Anand Adhikari, "We have focused on localization of products: Panasonic India's Daizo Ito," *Business Today,* 6 December, 2011, http://businesstoday.intoday.in/story/panasonic-daizo/1/20597.html

attained by price intervention from the corporate office in the home country. This continued until the local venture was able to evolve to take a greater command of its own operations.

A challenge faced by any employee sent overseas is adjusting to a change in lifestyle. India, as an emerging economy, presents several potential adjustments but the means through which these are tackled, depends as much on the corporate culture from which they were sent, as the host country.

When Japanese companies come to India, the expatriate staff members often have a difficult time adjusting to India's temperature, food and other living conditions, which contrast with those found in ASEAN countries and particularly in Japan. As a result, training and equipping the Japanese staff to adapt to their new environment becomes important. When Japanese staffers have no desire to come to India but are forced, their low morale has a negative impact not only on their productivity, but also the productivity of their Indian colleagues. This makes the burden on the headquarters back home even greater and becomes a vicious cycle of poor performance.

In the case of Samsung, several employees participate in activities such as home stays with Indian families in order to develop enthusiasm as well as cultural know-how to succeed at the Indian branch. Another unique strategy undertaken by Korean firms has been to provide the highest level of comfort to its expatriates living in India. Through the creation of “Korean Villages,” special services such as Korean speaking maids who can cook Korean food have been also dispatched to make life easier for expatriate employees. This allowed employees to adapt quicker to life in India and improved motivation and productivity.

Such support from the corporate headquarters was made possible by the decisive large scale commitment to the Indian market. This support was not limited just to the supply of funds but a multi-headed strategy to develop the local venture into a profitable investment.

7 – Human resource relations

The next important factor for success in India is the ability to maintain a high level of quality in human resources. Because of the time needed to establish local operations and demand for high level English negotiation skills in India, finding the right personnel for the Indian venture can be much more difficult than for many other countries. For Samsung and LG's Indian operations, the director of the local office is at the executive-level and the expatriate employees sent from Korea stay in India on average twice as long as their Japanese counterparts.

For medium and small sized Japanese companies, finding the right personnel for such ventures is a challenge. A small number of Japanese firms of this size have made inroads into the Indian market, namely Toyo Engineering, Kansai Paint, Igarashi Electronics, and Yuken by adopting a "Shock Corps" strategy. This involves investing in a few key individuals who know India well and who can make quick decisions and know how to read changes in the Indian market. Okura Trading Company's late Toshio Yamauchi, who spent 25 years guiding the Indian venture, is one such example.

These talented individuals guide the venture, slowly giving more and more responsibilities to the local staff while learning how to adjust operations to meet the unique needs of local consumers. Eisai, a successful Japanese pharmaceutical company in India, owes much of its success in India to hiring skilled Indian staff at the corporate home office who had study abroad experience in Japan and Mitsubishi and Hitachi have also taken this approach with the appointment of a small number of their staff in Delhi. This strategy of personal commitment can often be more important than strategies involving international brand image or quality control.

Toyota trains the majority of its local factory staff through the use of long term training programs that take place inside Japan. Using well developed surveys to determine appropriate subcontractors with a strong emphasis on human resource development has also proven profitable. Using Japanese manufacturing techniques and local marketing techniques can been seen to be the best model for Indian operations. In automobile manufacturing, Japanese companies' production rates are still only 70-80 percent of the average for foreign automotive firms, but Suzuki's commitment to the human resource development of its Indian subcontractors is proving to be very valuable. While Toyota spent one or two full years to select its Indian automotive parts subcontractor, their commitment is starting to pay off as they are in position to once again take advantage of higher quality parts than its competitors.

Ensuring positive human resource relations within companies is also important for the reputation of firms among their employees. According to a 2011 survey conducted by Aon Hewitt and HR consultancy firm, two Japan-related firms were ranked among those ‘Best Employers in India’; Canon [22]India Private Ltd and Maruti-Suzuki. [23] The majority recognized were Indian or US-affiliated firms, predominantly in the IT, outsourcing and business industries but the addition of two Japanese firms demonstrates some progress in Japan’s business model strategy. LG nevertheless took the high rank of 3rd

Delegating to Local Staff and Quick Decision Making

Senior-level Indian elites are widely admired for their strong technical and management skills. As a result, within American and European companies, there has been a strong trend of delegating greater authority to local Indian managers. For many companies with a staff of over 1000, there is usually only one staff sent from the home country and sometimes none at all.

Japanese firms might claim that due to the high volume of non-resident

[22] Canon India currently operates in seven cities across India with plans to hold 300 stores by 2013. In 2009, Canon India was also ranked among the top 10 employers in India by ‘Business Today’. ‘About Canon India’, *Canon,* http://www.canon.co.in/personal/web/company/about

[23] The study was conducted in August 20120 by surveying more than 200 companies in several industries. For further details see, “Best Employers in Asia 2011”, *Aon Hewitt,* https://ceplb03.hewitt.com/bestemployers/apac/english/pages/results2011_india.htm

Indians working in Europe and America, it is these employees who are sent to Indian branches, however, research suggests otherwise. For instance at P&G's Indian operation there are currently no employees sent over from the corporate office in the US. Instead employees are sourced from the graduates of elite schools such as the Indian Institute of Technology (IIT) and the Indian Institute of Management (IIM).

Local business acumen aside, hiring from India's pool of highly trained graduates is also cost effective. For example whilst one Japanese manager might cost up to $300 000 per annum, several Indian staff could be employed for this cost. In the early stages of investment, this saving is particularly welcome. Furthermore, as Japan's working population continues to age and wages see little sign of falling domestically, as a long-term strategy, Japanese firms could benefit significantly from investing in the Indian labor force for not just blue, but white-collar roles.

This leads to the topic of transferring quick decision making authority to local employees. According to several business leaders interviewed for this study, a key difference between Japanese and Korean companies operating in India originates in the speed of decision making and willingness to take risks. Slow decision making processes regarding which products to launch have resulted in stalled acquisition of market share. Those firms with local knowledge are far more able to respond quickly to changes in demand trends.

Merely transferring greater authority to the branch office is not enough. In addition, a strong system of support from the corporate headquarters is required. Successful companies in India often have head managers come back to headquarters for a short period of time, where they can give progress reports to the upper management. This is much more cost effective then sending high level employees to the branch.

India’s demographic dividend has been identified as one of the driving forces behind Japanese firms’ interest in India. Yet not only does India’s growing, young population offer a potentially lucrative consumer market, Japanese companies can also learn from other MNC operating in India by sourcing Indian managers and technical experts for other regional hubs. For instance, City Bank and LG have sent talented employees hired in India to their African operations and P&G has even sent its Indian staff to locations including Kobe, Japan. For Japanese companies who dispatch many unmotivated managers from the corporate office, their trend is the direct opposite.

Labor relations

Concerning labor relations (especially with Indian unions), there is much to be learned from non-Japanese companies operating in India. Most American and European companies deal with much fewer strikes than their Japanese counterparts, though the reasons for this are unclear. One possible cause could result from the issue identified above whereby decision-making is concentrated in Japanese employees rather than local staff. The more skilled local management staff a company has the easier labor disputes might be to resolve. If one can create a positive image of the company in the local labor market, it alleviates this burden. Japanese firms have been increasingly stung by strikes in Chinese factories, such as that at Honda's Fushan plant in May 2010 and should be wary to avoid similar disruptions to production in India.

8 – Chambers of Commerce

Finally, local chambers of commerce and industry play a large role promoting business by western SMEs. The best example is that of Germany's Indo–German

Chamber of Commerce. Disposition and budget size differences exist for chambers of commerce and industry depending on the country but since the US, UK, Germany and France have all established offices, the lack of a Japanese equivalent is unexpected.

JETRO does similar work to chamber of commerce and industry and has been evaluated highly in India. In July 2006 JETRO opened a business support center and provides office services to Japanese SMEs as well as consulting services through resident advisors. Almost as soon as the support office was opened, interested corporations included Hirohama, Yamaha, Yamato Logistics, and Nissan. Whilst JETRO has established similar office spaces in Bangkok, Singapore, and Manila none have proved as popular as those in New Delhi.[24]

Yet without the credentials of a public body there is an institutional limit to JETRO's activity. JETRO cannot for example, evaluate individual companies so efforts in the private sector needed in conjunction with government. The need for building a base in India for a Japan–India chamber of commerce and industry has been often pointed out by Mr. Arjun Asrani, former ambassador to Japan but little

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[24] "India's Financial Economy" ("Indo Keizai Tanshin"), JETRO, No. 264, 31 July, 2006, http://asiabiz.city.fukuoka.jp/topic/pdf/20060802_175641.pdf

progress has been made. Issues over cost and sponsorship prevail yet should only Indian staff be employed, costs would be significantly reduced.

Looking ahead

The above discussion has demonstrated the difficulties and opportunities present in India for Japanese companies, should certain commercial strategies be adopted. Korean firms have demonstrated a competitive and technological edge in recent years, compounded by Japan's high corporate tax rate and strong yen.[25] Since a financial crisis hit economies across the globe, the Korean won has lost approximately half of its value against the yen, giving South Korean firms further advantage in price wars.[26]

Albeit slowly, Japan is moving away from purely relying on established markets to markets such as India. In early 2012 with the appreciation of the yen and weaker rupee, the timing is favorable towards gaining stakes in Indian firms. "Japan is the second most acquisitive nation after the US" according to a senior partner at

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[25] "Corporate euthanasia," *A special report on Japan, The Economist,* 18 November, 2010, http://www.economist.com/node/17492760. Japan's government is, however, gradually reducing the rate.

[26] "Japan's currency: Wonupmanship," *The Economist,* 3 March 2012, http://www.economist.com/node/21548968

Grant Thornton India, a consultancy firm. Following the tsunami of March 2011 and flooding in Thailand soon after, firms are even more keen to avoid disruptions to the supply chain and minimize risk.

Integrated knowledge fields such as biotechnology, pharmaceuticals and IT are far easier for late entrants than labor-intensive or capital-intensive fields. Until now, most Japanese investment in India has focused on machinery components and chemicals but there remain opportunities. While India is seen as a growing stronghold for American and European companies, Japan is seen as making gains only in capital-intensive markets. However with the further opening up of the Indian market, especially in the finance, retail, and applied-research industries, Japanese companies are likely to start looking for more chances in India's growing tertiary industries and as a consequence, improve their business image.

Unofficially Indian diplomats have voiced long-term goals of providing Japan with a platform for exports further afield, recreating the success which many Japanese found in previous decades in ASEAN countries. India appreciates that domestic infrastructure is not yet suitable to offer an "export-hub" but the future opportunity should be well kept-in-mind by firms seeking a long-term presence in

India.

Furthermore, where Japanese firms can excel is exactly the sectors most desperate for attention: infrastructure. Whilst the entertainment and leisure markets offer near-term returns, India's infrastructural needs require long-term commitment and maintenance. Japanese firms are seeking opportunities for example in India's steel industry. By 2010 all four major Japanese steel companies; JFE, Kobe Nippon and Sumitomo Metals had tied up with Indian firms.[27]

The sustainability of Korea's competitive advantage is furthermore, not assured since Japan and India's own EPA came into effect in August 2011. Seoul and New Delhi's own agreement was enacted in January 2010. Whilst opinion on its utility remains mixed with some questioning the overall benefits given Japan's strong yen, overall business opinion is favorable.

[27] Prince Mathews Thomas, "Why Japanese Steel Companies Are In India," *Forbes India,* 21 February 2011, http://forbesindia.com/article/breakpoint/why-japanese-steel-companies-are-in-india/22432/1#ixzz1p64mLi7c

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