

Some of the Suggestions made by the JCCII to the Government of India

As of 2014.5.26

1. TAX SYSTEM

IMPROVEMENT OF ADVANCE PRICING AGREEMENT SCHEME

1. SUGGESTION

Provisions for “roll back”, “firewall” and “timeline” should be introduced to the current Advance Pricing Agreement (“APA”) Scheme.

2. ISSUE / PROBLEM

- Introduction of the provision for “roll back”: There is no roll back provision in the current Indian APA. APA regulation in most countries has such provision whereby taxpayers are allowed to extend the APA effect to previous years provided that there is no substantive difference in the conditions.
- Introduction of the provision for “firewall”: The APA Scheme has not regulated any provision on firewalls among tax departments in India which would secure taxpayer information confidentiality.
- Introduction of the provision for “timeline”: The APA Scheme does not have any indicative timeline for Pre-Filing Consultation (10H), preparing a draft report (10L (5)) and other procedures by the concerned authorities. This creates uncertainty as to the timeframe envisaged for the completion of the procedure of APA.

3. BENEFIT / MERIT FOR INDIA

Introduction of the above provisions would enable foreign companies to embrace APA more effectively, which would encourage greater FDI in various industries.

4. INTERNATIONAL STANDARD / BEST PRACTICE

Most countries regulate provisions for “roll back”, “firewall” and “timeline”.

5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS AS OF MARCH 2013

- Ministry of Finance has indicated that they would study the JCCII proposal for “roll back”, “firewall” and “timeline” provisions.

TRANSFER PRICE TAXATION (SOGO SHOSHA)

1. SUGGESTION

Indian subsidiaries of “Sogo Shosha” should be recognized as service providers, not traders in the Transfer Price (“TP”) Taxation.

2. ISSUE / PROBLEM

- Indian subsidiaries of Sogo Shosha are characterized within the context of TP as service providers in terms of their functions, assets and risks.
- However, tax department has misunderstood the functional profile of the Indian subsidiary of Japanese Sogo Shosha, and has characterized them as traders.
- There is a lack of clarity in the criteria for measurement. Transparency and clear definition are lacking in the discourse of TP.

3. BENEFIT / MERIT FOR INDIA

Current system requires foreign companies to allocate huge amount of human resources and legal fees: this will cumulatively have an adverse effect on FDI inflow.

4. INTERNATIONAL STANDARD / BEST PRACTICE

Since Indian subsidiaries of Sogo Shosha have no intangibles, they should be regarded as service providers. Therefore, Berry Ratio, which is one of the profit level indicators and used globally, should be allowed for Sogo Shosha.

5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS AS OF MARCH 2013

The Department of Revenue (“DOR”) argues that the claim that Indian subsidiary be recognized as service provider and not trader would depend upon facts of each case and therefore there cannot be a general characterization of income as sought by the Chamber(Feedback to the Suggestion 2012). We, however, consider that such case-by-case application should be adopted only after the principle which is applicable to the business model of Japanese Sogo Shosha in terms of TP taxation (i.e., criteria to be recognized as a service provider or a trader) (the “Principle”) is made known in advance so as to ensure the predictable and sustainable taxation. Otherwise TP assessments would become highly arbitrary as has been the case lately. Pursuant to our discussion with Ministry of Finance in October 2012, we

would like to request DOR to share with the JCCII the ideas about the principal by which DOR assesses the operation of Sogo Shosha.

EARLY INTRODUCTION OF GOODS AND SERVICES TAX

1. SUGGESTION

- Goods and Services Tax (“GST”) should be introduced at the earliest. Detailed rules and guidelines should be announced 5 to 6 month prior to the commencement date of GST.
- The surcharge, education cess (3%), CST and other States taxes such as VAT, entry tax etc should be subsumed within GST.

2. ISSUE / PROBLEM

Due to the complexity of current indirect tax system in India, both domestic and foreign companies in India are obliged to bear unnecessary costs.

3. BENEFIT / MERIT FOR INDIA

- The introduction of GST, simplified and uniformed indirect tax system in India will boost economic activity and ensure revenue stability.
- It will prevent the cascading effect in Indirect tax regime and result in cost competitiveness of goods and services in the global market.
- It will reduce transaction costs for taxpayers through simplified tax compliance.

4. INTERNATIONAL STANDARD / BEST PRACTICE

More than 140 countries have introduced GST in some form. It has been the norm in Europe for the past 50 years and is fast becoming the preferred form of indirect tax in the Asia Pacific region.

5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS AS OF MARCH 2013

We are being informed that the Indian government is consulting internally and with the State governments (*Feedback to the Suggestion 2011 and the Suggestion 2012*).

AFFIXING MAXIMUM RETAIL PRICE STICKERS **AT DOMESTIC TARIFF AREA WAREHOUSE**

1. SUGGESTION

Maximum Retail Price (“MRP”) sticker should be allowed to be affixed at Domestic Tariff Area warehouse after completion of import customs procedures.

2. ISSUE / PROBLEM

- The Standards of Weights and Measures Act, 1976 requires MRP stickers to be affixed on goods before landing at the custom ports; this requires importers to decide on the MRP several months before the actual sales.

<e.g.>

(Price Data Preparation: 1month) + (Production: 1month) + (Shipment: 1month) + (Stock:1month) = 4months

- Using bonded warehouses to affix MRP stickers is not a feasible option because of capacity, cost and inconvenience such as process of documentation etc.
- The current system does not allow for flexibility in determining the price by importers; it also demands high-cost operation on the importers.

3. BENEFIT / MERIT FOR INDIA

- As a result of the current operation, importers are facing unfair competition with domestic manufacturers. This issue is creating negative impressions about the Indian market such as inefficiency and cumbersome procedures.
- The fair competition between domestic manufacturers and importers ensure the realization of adequate market price and the protection of consumers in the Indian market.

4. INTERNATIONAL STANDARD / BEST PRACTICE

We are not aware of practice in other countries which obliges importers to put sales prices on goods before custom clearance.

5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS AS OF MARCH 2013

- Facility has been extended by permitting affixation of MRP on imported goods in bonded warehouses in 2011 (*Feedback to the Suggestion 2011*).
- Allowing charging of Countervailing Duty on imported goods on FOB basis would

put the domestic industry under undue disadvantage. This is done to ensure that the domestically produced goods do not suffer unfair competition from imported goods (Ditto).

- We, however, consider that, since the bonded warehouse has problems of capacity, cost, and documentation, importers may be forced to transfer such costs to consumers in India. We also consider that depriving the importers of the flexibility to determine sales price will put importers in an unfair position versus their domestic competitors.

ELIMINATION OF MINIMUM ALTERNATIVE TAX IN SPECIAL ECONOMIC ZONE

1. SUGGESTION

Minimum Alternative Tax ("MAT") should not be applicable to the Special Economic Zone ("SEZ").

2. ISSUE / PROBLEM

- 100% deduction of profits on export is allowed for SEZ companies as an incentive to enhance foreign investment, to promote employment and to obtain foreign currency through export.
- Due to significant depreciation cost, start-up companies tend to make loss in the initial phase. Levying MAT in these circumstances would redound to punish these start-up companies.
- Introduction of MAT could offset the various incentives provided by the SEZ and companies will not find merit in making investment in SEZs.

3. BENEFIT / MERIT FOR INDIA

The removal of MAT in SEZ will restore the value of SEZs for foreign companies considering business start-up in SEZ and encourages greater FDI in various industries (especially the manufacturing sector).

4. INTERNATIONAL STANDARD / BEST PRACTICE

- SEZ or similar incentivized geographical area is common all over the world to increase foreign direct investment.
- In order to incentivize foreign companies to start-up business in SEZ, fiscal incentives such as tax holiday benefits are often provided to Units in SEZ.
- Units operating in an SEZ are in most cases over the world eligible to claim 100% corporate tax holiday for the initial period, which is the most important incentive for companies aiming at export.

5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS AS OF MARCH 2013

There has been no feedback from Department of Revenue.

ABOLITION OF SPECIAL ADDITIONAL DUTY

1. SUGGESTION

- Special Additional Duty (“SAD”) should be abolished at the earliest.
- Refund of SAD should be executed promptly.

2. ISSUE / PROBLEM

- Japanese sales companies (importers) are put under an adverse situation. They are forced to make double payments (SAD on top of the related sales tax or value added tax), because SAD is not refunded adequately. For example, one Japanese company could obtain only 11 % of the entitled refund in two years. The refund mechanism is not working properly.
- Since the requirements for an application of the refund are strict and procedures required for each authority vary, administrative costs are burdensome for importers.

3. BENEFIT / MERIT FOR INDIA

- Confidence in the Indian market is seriously damaged by the complicated indirect tax scheme (i.e., payment and refund of SAD) should be recovered.
- Companies may have to raise the market price of imported products under the circumstance that SAD refund cannot be expected. If SAD is abolished, lower market price can be achieved.
- Simple and enforceable tax system can help create predictable and stable investment environment in India.

4. INTERNATIONAL STANDARD / BEST PRACTICE

No such practice exists in any other country.

5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS AS OF MARCH 2013

In 2009, the Government of India promised to take immediate actions toward the refund of SAD. However, the commitment has not been delivered yet. We request that the Government of India delivers its commitment in good faith.

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Present State of 1.TAX SYSTEM

Negotiated with Ministry of Finance but no any progress.

2. BANKING SECTOR

SIMPLIFICATION OF FIRC PROCESS

1. SUGGESTION

- Foreign Inward Remittance Certificate (“FIRC”) should be issued only by Beneficiary Bank (defined below).
- Receiving Banks (defined below) should be advised to provide Beneficiary Bank with (1) all the necessary details required in FIRC by Beneficiary Bank in the RTGS/NEFT message and (2) instruction to issue FIRC to a beneficiary if required in the case where funds represent proceeds of Foreign Inward Remittance.

2. ISSUE / PROBLEM

- When Foreign Inward Remittance is received by a Bank (“Receiving bank”) in India and beneficiary’s account is maintained with another Bank (“Beneficiary Bank”), the Receiving Bank transfers the funds to Beneficiary Bank through RTGS/NEFT.
- When FIRC is required against this remittance, the beneficiary submits a FIRC request to Beneficiary Bank who in turn submits the FIRC request to Receiving Bank. This process takes about 1 to 2 weeks time.
- In order to avoid inconvenience to customers, RBI vide letter No.FED.CO.FMD.4393/02.03107/2012-13 dated August 29, 2012 to FEDAI has permitted issuance of FIRC by Beneficiary Banks crediting the beneficiary's account maintained with them through remittances received from other banks in India, representing debits to Non-Resident Rupee Vostro accounts, subject to the related requirements including the following conditions:

- (i) No FIRCs should be issued by member banks, which receive inward remittances for credit to Non-Resident Rupee Vostro Accounts maintained with them but transfer those remittances by debiting such Non-Resident Rupee Vostro Accounts, to other member banks maintaining accounts of beneficiaries for ultimate payment.
- (ii) The member bank issuing FIRCs against credit to beneficiaries’ accounts maintained with it through Rupee remittances received by debit to

Non-Resident Rupee Vostro Accounts maintained with other member banks, should confirm that such remittances represent debits to Non-Resident Rupee Vostro accounts in India and FIRC's have not been issued against such remittances.

- However, the process for Receiving Bank and Beneficiary Bank to ensure (i) and (ii) above is complicated and time consuming.

3. BENEFIT / MERIT FOR INDIA

The proposed change will improve efficiency in the operation area, which is not limited to Japanese banks.

4. INTERNATIONAL STANDARD / BEST PRACTICE

To the best of our knowledge, no equivalent requirement is observed.

5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS AS OF MARCH 2013

We have submitted a document on 13 December, 2012 in response to an inquiry from DIPP regarding our specific proposal for changes in FIRC process.

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Present State of 2.BANKING SECTOR
No any progress

3. LOGISTICS AND DISTRIBUTION

IMPROVEMENT OF CUSTOMS CLEARANCE PROCEDURE

1. SUGGESTION

- (1) Electronic Data Interface (“EDI”) at customs named “ICE-Gate System” should be integrated with other related systems and achieve operational ratio of 99.9% to establish a high value added Single Window System (“SWS”). This will serve as a comprehensive international trade logistics information platform and as essential tool for risk management for quick and smooth customs clearance. Single Window with up-graded functions and features should be introduced such as: 1) 24hours-365days and 99.99% operating ratio service reliability; 2) less than one second response time; 3) interfacing with in-house system of the participating company and the other authorities; 4) complete cargo tracking, easily monitor the movement of a cargo in a real time basis; 5) avoidance of re-inputting data among the all related procedures; 6) immediate Release upon Arrival and immediate Release upon Carry-in.
- (2) The customs office should be open for 24 hours/7 days a week at major airports (the “24x7Customs Clearance”) for import of commercial and industrial cargos.

2. ISSUE / PROBLEM

- (1) Under the current system, importers need to obtain permissions from various authorities before filing a bill of entry while the related authorities cannot process the required documents simultaneously. The operation of ICE-Gate System is unstable and the system is sometimes not operational. Consequently, it takes a long time to complete customs clearance and to collect the cargos at a port.
- (2) Since the scope of emergency cargo facility is limited to fresh fruits, frozen foods, live animals, etc, almost Japanese manufacturing companies can not avail themselves of the 24x7 Customs Clearance although there is an increasing need to import commercial and industrial cargos urgently. In this context, although the 24x7 Customs Clearance was introduced on a pilot basis from September to December 2012, in general, they could not enjoy the benefit thereof because the 24x7 Customs Clearance is applied only to the Facilitated Bills of Entry where no examination and assessment is required: provided, however, that almost all of them do not have the Accredited Clients Programme (“ACP”) that enable

consignees to use the Facilitated Bills of Entry because of the uncertainty of penalties which may be imposed on ACP holders.

3. BENEFIT / MERIT FOR INDIA

- If SWS is introduced, consignees and Custom House Agents will be released from repeatedly having to provide or deal with the same information for different authorities. It will also be able to identify easily which authority's approvals or procedures are pending and to facilitate service delivery in a timely manner. As a result, Indian Customs can reduce their work load and time: consequently congestion at ports will be eased; and consignee can collect their containers quickly.
- This will facilitate procurement of manufacturing components at the earliest and on-time manufacturing of goods. This will help the export strategy that the Government of India has been promoting.

4. INTERNATIONAL STANDARD / BEST PRACTICE

- (1) Japanese EDI system called NACCS is the upgraded SWS. Japanese companies can obtain import permit, import approval for foods, animals/plant quarantine, and customs clearance by entering their information only once into NACCS.
- (2) Currently, some of Japanese hub ports, New York, Amsterdam, and Hong Kong airports are open for 24 hours.

5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS AS OF MARCH 2013

We have not received the feedback from Central Board of Excise and Customs(*Feedback to the Suggestion 2012*).

CLARIFICATION OF ACCREDITED CLIENTS PROGRAMME

1. SUGGESTION

The Accredited Clients Programme (“ACP”) should define what kinds of documents are required by the consignees and what penalty will apply to them in case errors are found in the Post Clearance Audit (“PCA”).

2. ISSUE / PROBLEM

Many consignees do not apply ACP because of the fear that they may be charged with unexpected huge penalties by officers in case unintentional or minor errors are found in the documents for PCA. There are only around 20 Japanese ACP holders because many consignees cannot understand the benefit or value of ACP.

3. BENEFIT / MERIT FOR INDIA

- If ACP is recognized and utilized among consignees widely, Indian Customs can reduce their work load and time for customs clearance; consequently, congestion at a port will be eased and consignees can collect their containers quickly.
- This will also facilitate procurement of manufacturing components at the earliest and on-time manufacturing of goods. As a result, local production will be boosted and goods can be exported in a timely manner. Thus the improvement of ACP will help the Government of India export strategy.

4. INTERNATIONAL STANDARD / BEST PRACTICE

- In Japan, importers can collect their containers on the same or next day after the vessel arrives at port. This will allow port terminals to reduce containers in their stock yards. Furthermore, all interested parties will be able to know when they can get their cargos and therefore arrange their schedule precisely to produce or sell (or purchase) their goods.
- In Singapore, importers can avail themselves of the one-day customs clearance system.

5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS AS OF MARCH 2013

N/A

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Present State of 3.LOGISTICS AND DISTRIBUTION
No any progress

4. VISA/RESIDENTIAL PERMIT

IMPROVEMENT OF VISA GRANTING PROCESS

1. SUGGESTION

- Processing of Indian visa application (e.g., Employment Visa, Business Visa, and Tourist Visa) in Embassy of India and its Indian Visa Application Center (“IVAC”) should be same and swift in Tokyo and Osaka.
- Processing time of visa application should be shortened; especially, processing time for Business Visa should be no longer than 3 working days.
- Validity of Business Visa, which is 3 years, should be announced in the public domain.
- Documents that are required for visa application should be specified clearly.

2. ISSUE / PROBLEM

- IVAC in Osaka grants Employment Visa to engineers, but not to sales representatives, while IVAC in Tokyo allows it to both the categories. Since this results in losing business opportunities, IVAC in Osaka should also follow the same practice as adopted in Tokyo.
- After introduction of the Online Indian Visa Application System in April 2012, the visa process for Business Visa takes 2-3 weeks, although it used to be 3 working days. As for Employment Visa, it takes 3-4 weeks. During this 2-4 weeks, since the passports of the applicants have been deposited in IVAC and applicants are kept uninformed of the expected delivery date of visa, applicants cannot go abroad on business and lose important business opportunities during this period.
- Validity of Business Visa has been extended to 3 years from 1 year, in practice. This practice should be informed to the public so as to ensure the predictability.
- Applicants are required to submit different documents each time, based on varying instructions by the IVAC officers, and are required to visit IVAC repeatedly due to lack of coherent implementation. As a result of such operations, a large number of Japanese people miss the appropriate time to visit India.

3. BENEFIT / MERIT FOR INDIA

Smooth travel of expatriate Japanese business persons stationed in India, or business travelers to India, will promote economic activities of Japanese companies

operating in India and prospects of investment in India.

4. INTERNATIONAL STANDARD / BEST PRACTICE

The Embassy of Japan in India (the Japan Visa Application Centre), under normal circumstances, processes visa applications within 3 working days, including the date of submission.

**5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER
COMMENTS AS OF MARCH 2013**

N/A

IMPROVEMENT OF VARIOUS ISSUES REGARDING RESIDENTIAL PERMIT AND EMPLOYMENT VISA

1. SUGGESTION

- (1) The validity period of Residential Permit (the “Permit”) should be the same as that of Employment Visa (“E-Visa”) (especially, at the Foreigners Registration Office (“FRO”) in Gurgaon).
- (2) The processing of renewal of E-Visas and Permits should be quick and smooth. The State governments (especially of Haryana and Maharashtra) should delegate the necessary authority to the competent FROs.
- (3) The procedures for the Permit/E-Visa application in each State should be the same as that in Delhi.

2. ISSUE / PROBLEM

- (1) According to JCCII research, among of ninety five (95) Japanese people with multi-year E-Visa who had filed applications for the Permit at FRO in Gurgaon from April to October 2012, eighty five (85) people were given only a one-year Permit (nearly 90% of the applicants could not obtain the Permit whose validity period matches that of the E-Visa). FRRO in Chennai also has the same problems. Because of short validity period, applicants are required to frequently visit Foreigners Regional Registration Office (“FRRO”)/FRO. This is creating a huge waste in their time and resource.
- (2) Since FROs in Gurgaon and Pune issue only temporary permits regarding the renewal procedures of E-Visa and/or the Permit for 3 months, and thereafter 6 months, applicants have to visit FRO, every 3 to 6 months. According to JCCII enquiry to its members, although some signs of improvement are visible, problems still persist (more than 50% of applicants receive only short-term temporary permit for the renewal).

Findings of JCCII enquiry

Number of Temporary Renewal Permit	April – July, 2012	August - October, 2012
E-Visa	21 (out of 29 filings)	10 (out of 26 filings)
Residential Permit	47 (out of 61 filings)	22 (out of 42 filings)

- (3) Japanese companies suffer from irregularities of granting or renewing of the Permit/E-Visa, since they are different and inconsistent from one state to another; for example, FRRO in Chennai grants/renews Permit for only 3 months and does

not allow foreign applicants to enter its office with support staff or adviser. The practice at FRRO/FRO in each State should be the same as that in Delhi.

3. BENEFIT / MERIT FOR INDIA

FRRO/FROs can save time by cutting down the number of unnecessary reissuance of Permits. Saved time could be used for processing Visas for new applicants.

4. INTERNATIONAL STANDARD / BEST PRACTICE

N/A

5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS AS OF MARCH 2013

We appreciate that the FRRO in Delhi has started to issue Permits having the same validity period as that of E-Visas lately, and the renewal of E-Visas and Permits is processed smoothly. However, as stated above, FROs in Gurgaon, Pune and Chennai have problems, which should be corrected immediately.

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Present State of 4.VISA/RESIDENTIAL PERMIT

National government assess the situation . No any progress interms of 4-2

5. INFRASTRUCTURE

STABLE POWER SUPPLY

1. SUGGESTION

- The proposed construction of power plants such as the Ultra Mega Power Projects shall be implemented in a timely manner and facilitated by the smooth and immediate land acquisition, issuance of the related environmental permission, etc with the appropriate support of the Government of India.
- Efficiency in the operation of the State Electricity Board or State Electricity Corporation shall be improved by further investing in facilities or equipments, minimizing power loss and implementing:
 - to ensure implementation of the plan to construct the current power plant;
 - to establish a supply system with surplus supply to meet the anticipated demand;
 - to maintain a network of power supply which is not affected by the weather conditions;
 - to maintain a system in which the incidents of electrical line breakage are prevented and are promptly restored in case of the breakage;
 - to properly furnish information regarding planned power outage to users;
 - to improve the accuracy of timings for planned power outage; and
 - to provide timely information regarding the cause of the power failure and the estimated restoration time.
- Expedition of the proposed construction and effective operation of State Electricity or State Electricity Corporation are essential as power supply is the major factor to promote large number of investments which could guarantee certain employment in India.

2. ISSUE / PROBLEM

There is a large number of Japanese manufacturing companies that can not operate its factories with maximum efficient due to power shortage. This has given negative impression on them that hesitate to make investment in India further.

3. BENEFIT / MERIT FOR INDIA

The improvement of power supply amounts to a large number of investments and can guarantee employment generation, which is a huge opportunity for development.

4. INTERNATIONAL STANDARD / BEST PRACTICE

In south east Asia such as Thailand and Vietnam, electricity is supplied sufficiently so that Japanese manufactures can concentrate on their operation.

5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS AS OF MARCH 2013

N/A

PUBLIC INDUSTRIAL PARK

1. SUGGESTION

The industrial parks which have the following features/function as per the international standard should be set up at the earliest:

- (i) completion of proper land acquisition process so as to ensure the valid ownership/leasehold with little risk of liability or claim from any third parties;
- (ii) equipment with “ready-to-use” infrastructure, e.g. all-weather road, adequate supply of energy(gas/electricity), water and good connectivity (plug and play);
- (iii) consideration for business stability therein such as elimination of enhanced compensation clause/specification of allotment area at down payment ; and
- (iv) a problem solving window/continuous information disclosure mechanism.

2. ISSUE / PROBLEM

- Lack of the industrial park is one of the biggest bottlenecks for growth of manufacturing in India. In addition, there are a large number of industrial parks in which basic infrastructure such as electricity, water, road, etc. is insufficient, or in which the mechanism for processing industrial waste disposal is not organized yet.
- These issues are getting worse due to the absence of a clear window for Japanese companies.
- In several states, business stability/development is not considered well. For example, at the occasion of down-payment, companies cannot choose allocated area in Karnataka States. As a result, companies face difficulty to foresee their business plan till States’ Government decision on allocation.
- In addition, States Government insists to include enhanced compensation clause. Such clauses create huge business risk for Japanese manufactures so that some of them give up their investment. For example Haryana State Industrial and Infrastructure Development Corporation Ltd. (“HSIIDC”) issued demand notices to the industry / allottees in Phase-1 HSIIDC Growth Centre Bawal and it demanded the huge arbitrary amount as enhanced compensation amount.

3. BENEFIT / MERIT FOR INDIA

Creating many industrial parks with improved quality of infrastructure can guarantee huge investment from Japan and employment generation for Indians,

which is a huge opportunity for development.

4. INTERNATIONAL STANDARD / BEST PRACTICE

In south east Asia such as Thailand and Vietnam, industrial parks are equipped with necessary infrastructure in advance so that Japanese manufactures can concentrate on their operation.

5. REACTION FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER COMMENTS AS OF MARCH 2013

N/A

FACILITATION OF DEVELOPMENT OF PRIVATE INDUSTRIAL PARK

1. SUGGESTION

- The procedures to obtain necessary permission of the master plans and environment assessments, etc. for early materialization of industrial park development projects by private companies should be accelerated by the Central government and States governments.
- State Government should commit stable water and electricity supply to industrial park operated by private companies.

2. ISSUE / PROBLEM

- Lack of industrial parks is one of the biggest bottlenecks for growth of manufacturing in India. Facilitating development of private industrial parks could be a solution. However, uncertainty/delay of land acquisition, environmental clearance and related permission impedes smooth development of private industrial park. With such a huge uncertainty, it is difficult for private developers to commit to their customers about the specification of their parks; thus the Japanese companies considering to set up their bases can hardly draw a plan, such as which industrial park to choose, when to enter, and start production, etc.
- Stable supply of water and power is imperative to the development of an infrastructure project. However, often it is very difficult to get a commitment from the State Government bodies assuring stable supply of these resources. This attributes to the less number of companies willing to develop and operate industrial parks.

3. BENEFIT / MERIT FOR INDIA

Making these private industrial parks quickly available can significantly lower the hurdles for Japanese companies to establish in India, and as a result there would be greater chances for them to choose India as their destination country.

4. INTERNATIONAL STANDARD / BEST PRACTICE

In south east Asia such as Thailand and Vietnam, Japanese companies can establish private industrial parks with the strong backup by governments. Most of these private industrial parks are bought up by Japanese manufactures.

5. REACTIOIN FROM THE INDIAN GOVERNMENT AND/OR OUR FURTHER
COMMENTS AS OF MARCH 2013

N/A

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Present State of 5.INFRASTRUCTURE
No any progress