

Japanese says Indian bureaucracy very "inflexible".By **Chaitanya Kalbag**

493 words

24 July 1997

Reuters News

English

(c) 1997 Reuters Limited

NEW DELHI, July 24 (Reuter) - Japan is keen on expanding investment in India but finds its bureaucracy extremely inflexible, a senior Japanese official said on Thursday.

Nobuaki Tanaka, deputy director-general in Japan's Foreign Ministry, said India accounts for a minuscule 0.25 percent of Japan's overseas direct investment.

"India still lags behind in infrastructure, and in bureaucratic procedure. There is bureaucratic red-tape everywhere," Tanaka told Reuters in an interview.

"India seems to have a very, very solid bureaucracy. They have entrenched interests and they find all kinds of excuses to demonstrate their existence by obligating the Japanese side to do this or that," he said.

Tanaka said Southeast Asian countries, which have drawn a huge proportion of Japan's overseas investment, were "more practical, more lenient, more flexible. In India the bureaucracy is not flexible, at all."

Despite these hurdles Japan saw "vast advantages" in India, Tanaka said -- cheap, skilled English-speaking labour, laws and regulations on the British model, raw materials, and a huge market.

"So all in all India looms very big for our business community," he said.

Japan is India's biggest donor, and Tanaka said that during a meeting earlier on Thursday Japan's visiting Foreign Minister Yukihiko Ikeda had offered Indian Finance Minister P. Chidambaram overseas development assistance (ODA), or aid, totalling \$1.1 billion in the 1997/98 fiscal year ending March 31.

But Japan is only the fourth largest investor in India, ranked behind the United States, Germany and Britain.

Japan also lags behind the United States and the European Union in bilateral trade with India. While eight percent of India's foreign trade is with Japan, India's share of Japan's exports and imports is less than one percent.

Tanaka said Japanese investment in India was slow because it was in the manufacturing sector and required long-term research and perspective.

"For that we have to go through a very thorough study of local conditions. We do not move our direction like a weather-vane by split seconds...we go to an area, invest in huge plants, employing people, using local materials, aiming at the local market."

He said Toyota Motor Corp's plans to open a huge plant in India were significant. Toyota plans to hold a 70 or 80 percent stake in a joint venture with the Kirloskar group to make sports utility vehicles in southern India.

He said Japan planned to send a high-powered economic delegation from the Kansai region to India next year to discuss. Despite the current currency and economic turmoil in Southeast Asia, Japan still sees a lot of potential in its traditional markets, Tanaka said. "That said, labour costs in Malaysia, Singapore and Thailand have become too expensive. So it's only natural that our attention is growing toward West Asia."

-- New Delhi newsroom +91 11 301 2024

(c) Reuters Limited 1997

Document lba0000020011002dt7o02525

