Current Structure of and Outlook for Japan-India Human Exchange
—How can/should Japan promote human exchange with India?—

Shotaro KUMAGAI
Economist, Economics Department
The Japan Research Institute
Ratul RANA
Vice President, Planning Department,
Asia Pacific Division
Sumitomo Mitsui Banking
Corporation (Singapore)

Summary

1. Although India is an important strategic partner for Japan, economic and human relationships are not strong compared with other countries. Both governments are trying to promote human exchange between the two countries by designating 2017 as the "Year of Japan-India Friendly Exchanges". In this article, we have taken the opportunity to examine the current status of and outlook for Japan-India human exchanges, and to consider how Japan can promote the inflow of Indian people to Japan.

2. In 2016, Indian visitors to Japan totaled 123,007, which was the lowest figure among the major Asian economies. However, the number is expected to grow to around one million in the 2030s, in step with population growth and rising income levels. To achieve sustainable growth in visitor numbers, Japan needs to develop a more Indian-friendly tourism environment, and to promote the attractiveness of Japan through the expansion of Japanese content, such as anime, TV dramas, and fashion. In particular, Japan needs to strengthen and deepen "Cool Japan Initiatives" in India.

3. Nor is Japan a major destination for expatriate Indians. However, this situation could change due to the development of the Japan-India economic relationship and a relative increase in Japan's attractiveness because of the anticipated tightening of EU/US immigration policies. To encourage highly skilled Indian professionals and Indian students to come to Japan, both Japanese companies and universities need to make further efforts toward globalization. It takes time to change working and social systems, and to develop human resources for globalization. In the meantime, Japan should strengthen supportive measures, such as advertisements about living in Japan, by further expanding Cool Japan initiatives and tourism promotions.

4. Since Japan does not currently accept unskilled foreign workers, the primary focus for the utilization of unskilled Indian workers should be the sound utilization and development of the Technical Intern Training Program (TITP). However, the development of migration policies for unskilled workers should be monitored carefully because of the need to reconsider policies in this area, due to Japan's predicted population shrinkage, and because of the widening gap between the original purpose of TITP and the reality.

Introduction: Why India, Why Now?

East Asian countries are major business partners for Japan. However, Japanese companies have also been aggressively expanding their business operations into Southeast and South Asia since the first half of the 2010s. Push factors include the prospect of a continuous growth slowdown in China due to aging, increasing corporate debt problems, labor cost increases, and rising political tension with Japan. Pull factors include progress toward regional integration in ASEAN, and higher economic growth resulting from progress on domestic economic reforms in countries such as India, Indonesia, and Myanmar.

As is apparent from various trade and investment data, Japanese companies are currently tending to leverage their relationships in ASEAN, and economic and human relationships with India are not strong. However, India has much greater business potential than ASEAN, and Japan therefore needs to deepen its economic relationship with India to benefit from India's medium- to long-term growth.

India's economic scale and population are obviously primary factors in relation to its business potential. India's GDP (USD2,256 billion in 2016) is larger than the sum of the major ASEAN countries, such as Indonesia (USD932 billion), Thailand (USD407 billion), the Philippines (USD 305 billion), Singapore (USD297 billion), and Malaysia (USD296 billion). India's population of 1.3 billion is more than double that of ASEAN (637 million in 2016). High growth resulting from progress on economic reforms and infrastructure development are expected to drive a continuing rise in India's international presence. Another important factor is the excellent government-level relationship between Japan and India. The Japanese and Indian prime ministers have been exchanging visits almost every year since 2005, and in 2015 the two governments agreed to adopt the "Japan-India Vision 2025" as a special strategic and global partnership toward 2025. In September 2017, during a visit to India by Japanese Prime Minister Shinzo Abe, the two leaders signed a Japan-India joint communiqué stating that the two countries would cooperate to elevate their relationship to the next level.

The attraction of Indian migrants is an important priority for Japan, which faces the prospect of population shrinkage. As examined later in this article, India could be a major source of migrants because of its huge population. To promote human exchanges between Japan and India, the two prime ministers agreed in November 2016 to designate 2017 as the "Year of Japan-India Friendly exchange".

In this article[1], the authors have taken the opportunity to examine the current structure of Japan-India human exchanges and consider how Japan can promote inflows of Indian people into Japan. Part 1 focuses on tourism. Part 2 examines the promotion of Japanese content as a way of encouraging people to visit. Part 3 examines the overall structure of the Indian resident community in Japan. This is followed in parts 4 and 5 by a detailed analysis of the entry of highly skilled Indian professionals and Indian students into Japan. The final part focuses on the utilization of unskilled Indian workers.

This article was written by the first author based on the "Japan-India Human Exchange Research Series" (Kumagai [2017]). The second author contributed through occasional discussions with the first author.

1. Indian Visitors to Japan

In this part, we will examine global tourism trends, patterns in international departures from India, and tourism structures in Japan.

(1) Global tourism trends

World international departures declined temporarily in 2003 and 2009 due to the global spread of Severe Acute Respiratory Syndrome (SARS), and the global economic recession triggered by the Global Financial Crisis (GFC). However, the me-

dium-term trend is following a continual growth track (Fig.1). Globalization, income and population growth, especially in emerging countries, and tourism promotion activities by host countries are all contributing to this structural increase. The number of world international departures rose from 967 million in 2005 to 1.36 billion[2] in 2015, and the Constant Annual Growth Rate (CAGR) after the GFC was 3.8%.

A breakdown of international departures and arrivals by region shows that the EU, Northeast Asia & Pacific, and North America were major regions of origin and destinations. Except for China and Hong Kong[3], Germany, the US, and the UK were the top three sources of visitors, while France, the US and Spain were the top 3 destinations in 2015.

(2)　Composition of Indian departures

According to the Ministry of Tourism [2015], over 98% of Indian people who went abroad in 2015 traveled by air. Mumbai and Delhi were the main ports of departure. Major destinations included Middle Eastern countries, such as Saudi Arabia, Bahrain, and Kuwait, developed countries whose official language is English, such as the US, Singapore, Hong Kong, and the UK, and se-

lected ASEAN countries. (Fig.2). The number of Indian visitors to Japan was quite small, not only from Japan's perspective, but also from an Indian perspective.

Indian people tend to visit countries that have a high percentage of Indian diaspora, including non-resident Indians (NRIs), persons of Indian origin (PIOs), and persons whose parents, grandparents or great-grandparents were born in India. In fact, there is a positive correlation between NRIs and Indian visitors (Fig.3).

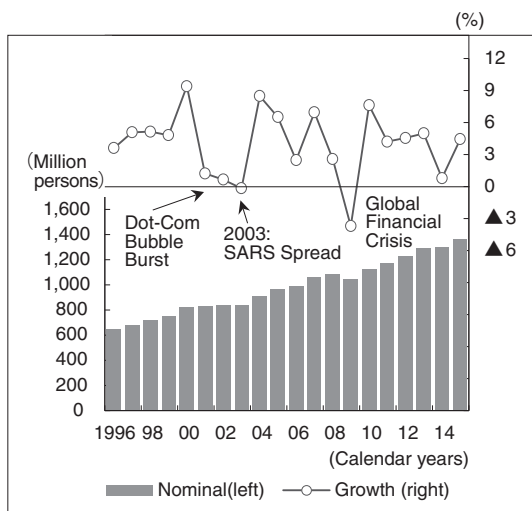### Fig. 2　International Departures from India (2014)
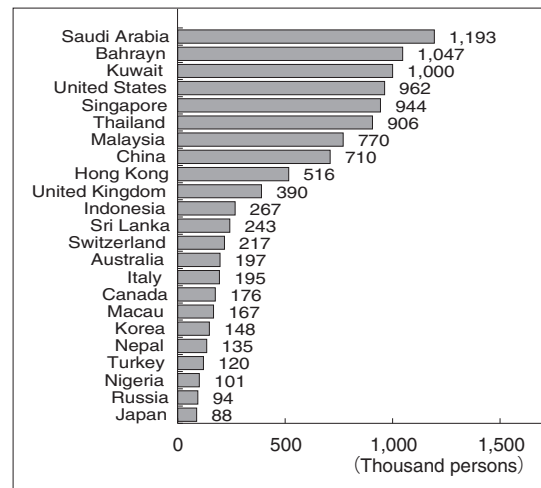
Source: Ministry of Tourism

Fig. 1　World International Departures

Source: World Bank

Fig. 3　Non-Resident Indians and Persons of Indian Origin

$$y = 0.3072x + 3.8684$$
$$R^2 = 0.3824$$
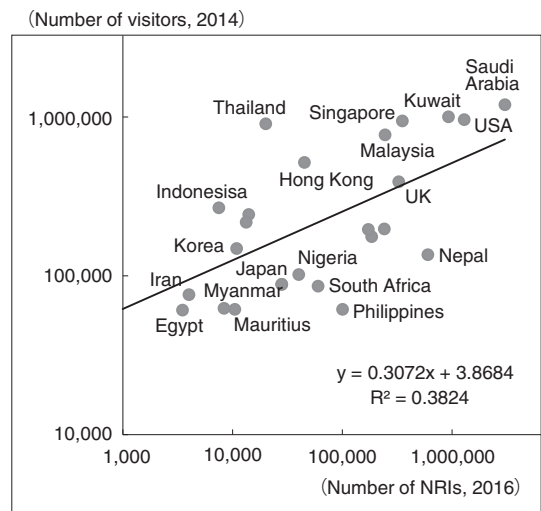
Source: Ministry of External Affairs, Ministry of Tourism

Recent statistics for Indian visitors to Asian countries show that travel to Thailand has shifted to a recovery/growth trend thanks to political stability after the 2014 coup. However, visits to Malaysia and Singapore have stagnated due to a shift from these countries to Thailand.

(3) Composition of tourist flows to Japan

The number of foreign visitors to Japan stagnated between 2008 and 2011 due to factors that included the global economic recession in 2008-2009, the 2011 Fukushima disaster, and the appreciation of the yen. However, the number has been increasing significantly since 2012 and reached 24 million in 2016 (Fig.4). The recent increase is mainly due to promotional campaigns, the relaxation of visa requirements for short-term stays, the depreciation of the yen associated with Abenomics, and economic growth in countries of origin.
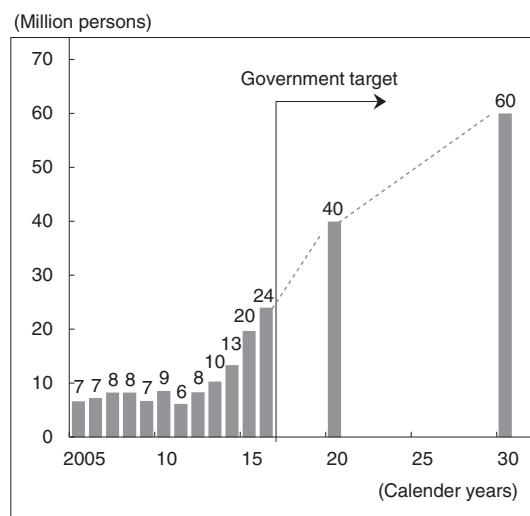
China, South Korea, Taiwan, Hong Kong, and Thailand are major sources of visitors to Japan, but there were only 123,000 Indian visitors in 2016 (Fig.5). This is the smallest number among major Asian countries.

The government aims to boost the number of visitors to Japan to 40 million people in 2020, and 60 million in 2030. To achieve this target, the Japan National Tourism Organization (JNTO) selected 20 major strategic target countries, including India, for the promotion of travel to Japan. Considering India's healthy demographic structure, and the prospect of sustained growth, India must be seen as a very important country among these target economies in terms of the potential for sustainable medium- to long-term growth.
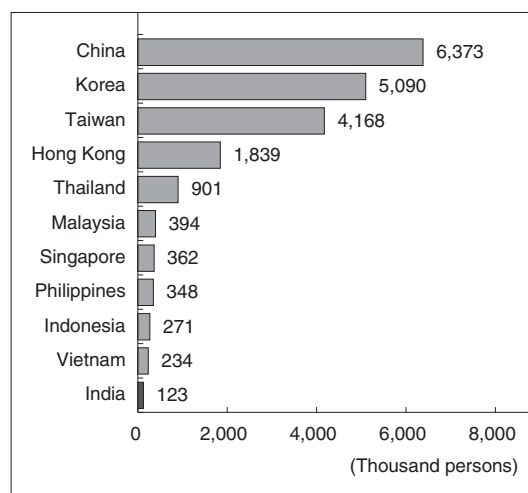
(4) Indian visitors to Japan

Although the absolute number of Indian visitors is still much smaller than the totals for other countries, the 2016 total of 123,000 is a major increase

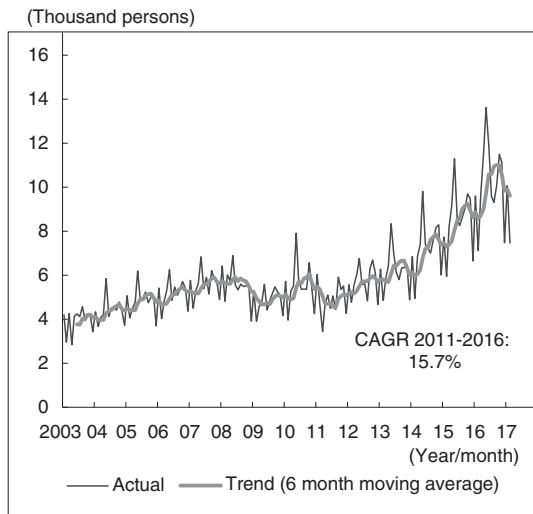**Fig. 4 Actual Number of Visitors to Japan, Government Target for 2030**

(Million persons)

Source: JNTO

Fig. 5 Foreign visitors to Japan

China	6,373
Korea	5,090
Taiwan	4,168
Hong Kong	1,839
Thailand	901
Malaysia	394
Singapore	362
Philippines	348
Indonesia	271
Vietnam	234
India	123

(Thousand persons)

Source: JNTO

from the 2011 figure of 59,000 in 2016 and represents a CAGR of 15.7% (Fig.6). Because of India's holiday structure, April-June and September-November are the peak seasons. Compared with the world total, visitors from India included higher percentages of a) business people, b) males, c) people aged 30-39, and d) first-time visitors. For example, tourists accounted for over 85% of the world total of visitors to Japan, but less than 25% of Indian visitors. Because of the higher percent-

Fig. 6 Indian visitors to Japan

(Thousand persons)

CAGR 2011-2016:
15.7%

2003 04 05 06 07 08 09 10 11 12 13 14 15 16 17
(Year/month)

—— Actual —— Trend (6 month moving average)

Source: JNTO

age of business visitors, there was a high concentration of visits to the Tokyo Metropolitan area.

There are five reasons for the low number of visitors to Japan from India compared with other countries. First, there is the relatively long geographical distance between Japan and India. The distance between Japan and India is over 5,000 kilometers, and travel to Japan inevitably incurs higher costs and greater travelling time, compared with travel from South Korea, China, Taiwan and other countries in South East Asia. Second, there is the low level of incomes in India. JNTO [2015] shows that the average Indian traveler to Japan spent a total of around 250,000 JPY on travel and accommodation. This is higher than the nominal per capita GDP (approx. 190,000 JPY) in India in FY 2015. Third, Japan-India economic ties are still weak. Japan's main trade and investment partners are China, Thailand, Taiwan, South Korea, and other countries in Northeast and Southeast Asia, so the number of business visitors from India is relatively low. Fourth, the procedures for obtaining a visa to travel to Japan are troublesome. Although steps have been taken to alleviate this situation, such as the issuance of multiple re-entry visas, most visitors still have to provide a range of documentation, including a travel itinerary, and proof of ability to meet expenses during their stay. Fifth, there are inadequacies in Japan's

infrastructure for foreign visitors. Among the factors that limit the number of visitors from India are the limited number of restaurants that can accommodate the dietary restrictions of Hindus and Muslims, and the inadequate English language abilities of workers in Japan's tourism industry.

(5) Outlook for Indian visitors to Japan

Given India's population growth, and the fact that international departures are expanding in step with rising income levels, the number of Indian visitors to Japan can be expected to remain on a growth trend, despite the aforementioned constraints. There is a clear positive correlation between the international departure ratio (the ratio of international departures to total population) and per capita GDP, which means that India's departure ratio can also be expected to rise as income levels rise (Fig.7). Simple estimates based on the United Nations *World Population Prospects* and departure ratio trends in selected Asian countries indicate that visitors from India are likely to reach about 1 million in the 2030s. This growth will be driven primarily by the following two factors (Fig.8).

The number of Indian visitors to Japan could be much larger than this projection because of aggressive promotional campaigns highlighting key historical cities (Hiroshima, Nagasaki), cultural and religious sites (Kyoto, Nara), marquee events (the 2020 Tokyo Olympics), and seasonal highlights such as *hanami* (cherry-blossom viewing) and *hanabi* (fireworks). It should be noted the Olympics have not been a major factor in attracting Indian visitors. There were no significant increases in Indian visitors to China and the UK during and after the Olympics in these countries. This implies that the development of a tourist-friendly environment is key factor for attracting Indian visitors.

Fig. 7 Ratios of Per Capita GDP and Number of International Departures to Total Population in Selected Asian Countries (2001-2015)

(International departure ratio, %)
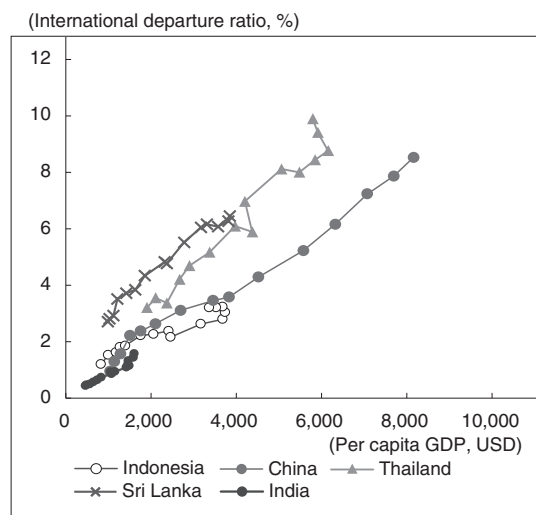
Source: Ministry of Tourism, World Bank

Fig. 8 Impact of Economic and Population Growth on the Number of Indian Visitors to Japan

(Thousand persons)
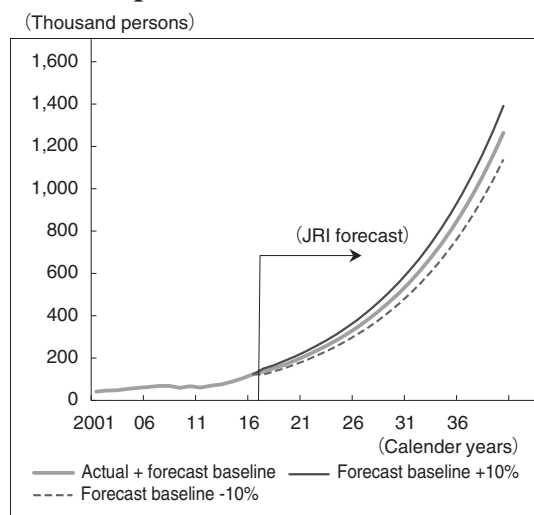
Notes: Population forecasts are based on UN data, and per capita GDP on IMF growth trends. International departure forecasts are JRI estimates based on data from selected Asian countries.
Source: JRI estimates based on IMF, World Bank, and Ministry of Tourism data

Fig. 9 Per Capita Net State Domestic Product (NSDP) and population (2014)

(NSDP FY 2014, trillion rupee)

Source: MOSPI

(6) Accelerating the growth of Indian visitor numbers
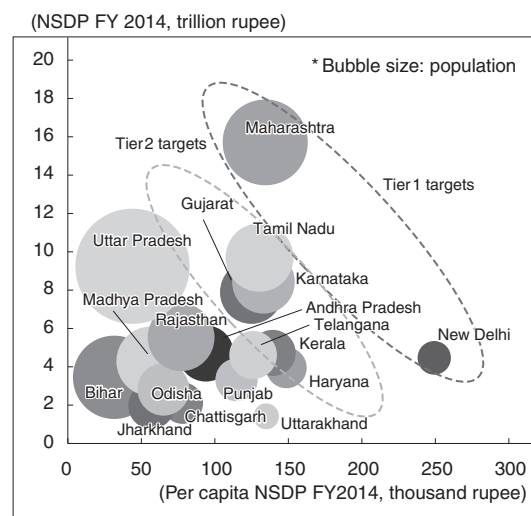
There are various ways to accelerate growth in the number of Indians visiting Japan.

JNTO campaigns to promote travel to Japan currently focus on high-income households in New Delhi and Mumbai. Given their rising levels of disposable income, other states, such as Tamil Nadu, Karnataka, Gujarat, Kerala, Telangana, and Haryana, could also be strategically targeted (Fig.9). Since destinations for Indian visitors are strongly influenced by media, especially Bollywood movies[4], the utilization of Japanese sightseeing locations for Bollywood/Tollywood film making should be encouraged. In 2017, Indian film writer-director Imtiaz Ali is collaborating with the Japanese movie company Shochiku on the production of a movie entitled "Love in Tokyo", which is being filmed in Japan. This is a very rare case, however, and these activities should continue to be promoted.
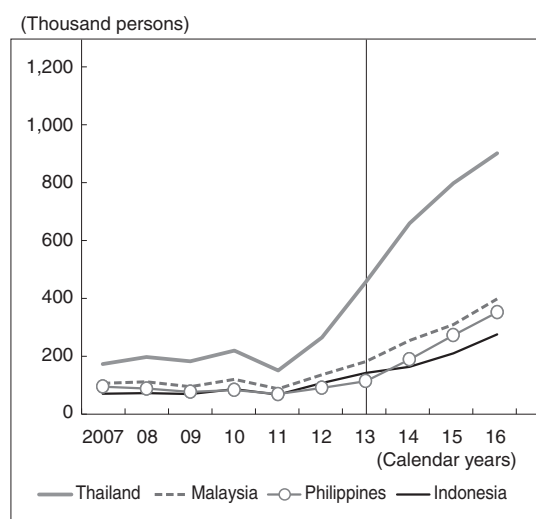
Promotion of investment from India is also essential to increase visitor flows, since business people form the majority of Indian visitors. The Japan External Trade Organization (JETRO) has been promoting Indian investment in areas relating to the Internet of Things (IoT) by organizing investment seminars and business matching events. In addition to the IoT field, the expansion of Indian investment in hotels and tourism-related

industries in Japan should also be encouraged, since this could enhance visitor confidence about the availability of suitable foods and English-speaking people in Japan.

Another important issue for visitor growth is the development of direct air flights. Currently, direct flights are available only from Tokyo (Narita) to Delhi/Mumbai, a situation that is resulting in a vicious cycle of limited numbers of Indian visitors and limited numbers of direct flights. Although there is a chicken-and-egg problem, accessibility between the two countries needs to be improved. To improve air flight connectivity, two countries signed an open sky agreement at a summit meeting held in September 2017.

Changes to regulations affecting the entry of Indian people into Japan, including further relaxation and simplification of visa requirements, could lead to significant growth in the number of Indian visitors to Japan. Visitor numbers from ASEAN countries increased significantly after the government relaxed visa conditions for short term stays in 2013 (Fig.10).

2. Promoting Visits to Japan through "Cool Japan"

Generally speaking, the media affect our perceptions about other countries and could influence our decisions about destinations for sightseeing and/or business expansion. The promotion of Japan's attractiveness through the media is therefore an essential part of tourism promotion. As noted in Hakuhodo [2015], however, social acceptance of Japanese content, such as movies, comics, animation, and drama, is quite low in India, compared with Northeast and Southeast Asian countries (Fig.11)

From this perspective, the first steps in encouraging travel to Japan in India could be the promotion of Japanese content, and the promotion of Indian film and TV production in Japan. This strategic approach is proposed in the context of the "Cool Japan Initiative", which is a public and private content export promotion initiative by Japan[5].

In this part, we will therefore focus on the development of Cool Japan initiatives, and the expansion of the Japanese content business in Asia/India.

Fig. 10 Visitors to Japan from selected ASEAN countries

(Thousand persons)

Notes: Easing of visa conditions for selected ASEAN countries (July 2013).
     Thailand, Malaysia: Visa exemption for short stays.
     Philippines: Multiple-entry visas for short stays.
     Indonesia: Extension of maximum stay for multiple-entry visas.
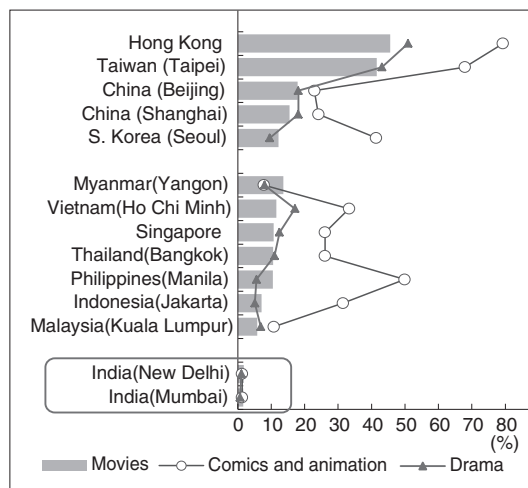Source: Reports from each country

Fig. 11 Acceptance/Preference of Japanese Entertainment

Source: Hakuhodo "Global Habit 2015"

(1) What is the Cool Japan Initiative?

The government of Japan has launched several initiatives to expand Japanese content exports since the second half of the 2000s. Anime & comics, movies, TV programs, music, spa facilities, fashion brands, cosmetic products, Japanese foods, and regional/traditional products are major targets for Cool Japan initiatives.

A brief survey of recent Cool Japan activities shows that the government established the "Cool Japan Promotion Council" in 2013 within the Prime Minister's office (Table 1). This was followed by the launch of the Cool Japan Public-Private Partnership Platform. The Cabinet Office coordinates collaboration between this platform and the relevant ministries. (Fig. 12).

There are many public/private initiatives to promote Japanese content exports (Table 2). For example, the purpose of the Cool Japan funds is to support companies' business expansion through equity investment, while J-LOP provides subsidies for localization and promotion of Japanese visual media. To support cross-content business development in Asia, Asia Content Business Summits have been held since 2008.

Although the government has launched various initiatives, as outlined above, there has not been a strong focus on India, except for Cool Japan Festivals there. Increased efforts to encourage Indian involvement will be needed in order to strengthen content exports to India.

Table 1 Milestones in the Development of the Cool Japan Initiative

Year	Contents
2008-2010	The Ministry of Economy, Trade and Industry (METI) designated the three years from FY 2008 to FY 2010 as the "Kansei Value Creation Years", and intensively implemented measures to create "Kansei Value" and communicate it to people both in Japan and abroad.
2010 June-July	The METI established "Creative Industries Promotion Office"
2013 February	The Prime Minister's office established "Cool Japan Promotion Council"
2013 November	The government establishment "Cool Japan funds"
2015 December	The Cabinet Office established "The Cool Japan Public-Private Partnership Platform"

Source: METI, Cabinet Office

Fig. 12 Overall Framework of Cool Japan Initiatives
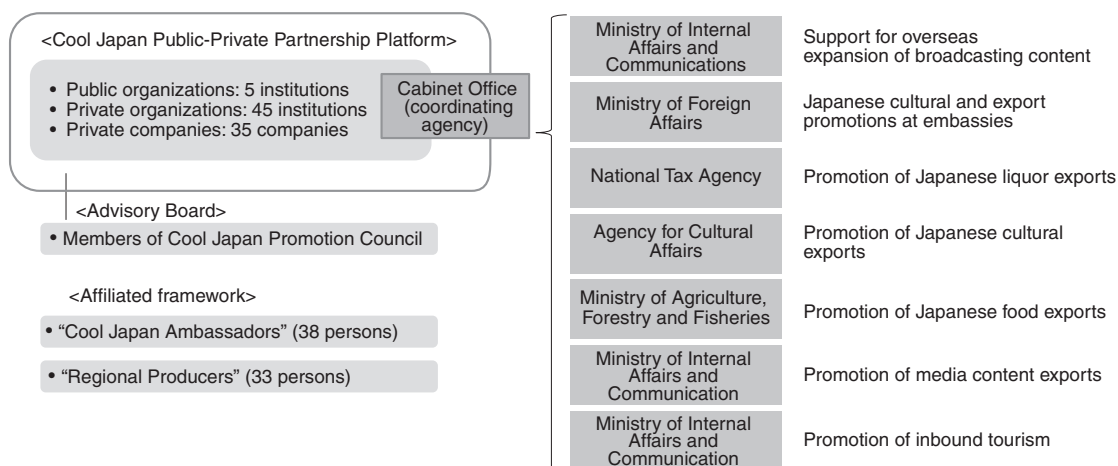
Source: METI, Cabinet Office

Table 2 Selected Cool Japan-Related Initiatives in India

Initiative/ organization name	Initiatives/role of organization	Current situation and India's involvement	
		<Situation>	<High/ Medium/ Low>
Cool Japan Funds	•Provision of risk capital for businesses across a variety of areas, including media & content, food & services, and fashion & lifestyle, to support/promote business development	•Although some global projects partly relate to India, there are no India-oriented business projects (as of June 2017).	•Low
J-LOP (Subsidy for localization & promotion)	•Provision of subsidies for the localization (translation, subtitling) & promotion of Japanese visual media	•Subsidies were provided for 3,815 projects between March 2013 and March 2015. •Detailed country breakdown data are not available, but the percentage of India-oriented projects seems to be low.	•Low
ACBS (Asia Content Business Summit)	•Nurturing and development of the content industry in Asia, networking of people from related public-private sector fields in Asian countries and regions	•India has never participated in ACBS. •China, Canada, Hong Kong, Indonesia, Japan, South Korea, Malaysia, Singapore, Thailand, and the USA participated in the 5th ACBS in 2016.	•Low
CoFesta (The Japan International Content Festival)	•Enhancement of promotional capabilities for events related to Japan's distinctive content industries, including gaming, anime, *manga*, characters, broadcasting, music, movies, and other content industries, as well as events in content-related industries such as fashion and design, so that these events can more effectively reach international audiences	•CoFesta-core events such as the "Tokyo Game Show", "Japan Content Showcase", "Tokyo International Music Market", "Tokyo International Anime Festival" were held in Japan. (Participating country data are not available.) •CoFesta-overseas partner events (Anime Expo, J-Pop Summit, Comic Exhibition) were held in Taiwan and the USA.	•Low
CODA (The Content Overseas Distribution Association)	•Reduction of piracy worldwide, active promotion of the international distribution of Japanese content, such as music, films, animation, TV programs, and video games.	•CODA has concluded MOUs with license associations in Northeast Asia and has been providing training seminars to Northeast & Southeast Asian countries. There have been no India-oriented initiatives.	•Low
Content research projects by ERIA (Economic Research Institute for ASEAN and East Asia)	•Analysis of content industry, assessment of strengths, weaknesses, opportunities, threats (SWOT) for each country, provision of policy recommendations	•Research activities focus on Northeast Asia (Japan, China, and South Korea) and Southeast Asia (Thailand, Indonesia, Singapore, Malaysia, the Philippines).	•Low
All Nippon Entertainment Works (ANEW)	•Co-production and adaptation of top-quality Japanese content for the global market in partnership with prominent creative people, major production companies, motion picture studios, and television networks	•The USA is a primary focus, since ANEW aims to expand the availability of Japanese content indirectly through Hollywood.	•Low
International Co-production Subsidy (Agency for Cultural Affairs, the government of Japan)	•Provision of subsidies (20% of qualifying expenditure) for co-production projects that have Japanese involvement	•28 projects have received subsidies since this initiative started in FY 2011. •In FY2017, a subsidy was provided for "Love in Tokyo", an India-Japan joint project. This is the first Indian film selected.	•Low
Cool Japan Festival in India (organized by private companies, supported by METI, JETRO)	•Introduction of the essence of Japanese entertainment and business through the organization of festivals in India	•Five Cool Japan Festivals have been held in Mumbai since 2012. •In 2017, festivals will be held in Mumbai and New Delhi.	•High

Source: METI, Cabinet Office, Cool Japan Funds, CODA, ERIA, ANEW

(2) Japan's content exports to Asia/ India

Japan's contents exports to India are difficult to track using official macro-economic data.

The results of a survey by the Ministry of Internal Affairs and Communications show that Japan's content exports increased from JPY6.6 billion to about JPY29 billion due to increases in TV & internet broadcasting royalties (Fig.13). Animation exports to Asia were the main growth driver, but anecdotal evidence suggests that most content exports go to Northeast & Southeast Asia, and that India's share is quite limited.

Balance of payments data show that Japan's receipts of royalties and license fees from India

have been increasing. However, more than 99% of this income comes from industrial property, and content-related license fee income is quite small (Fig.14).
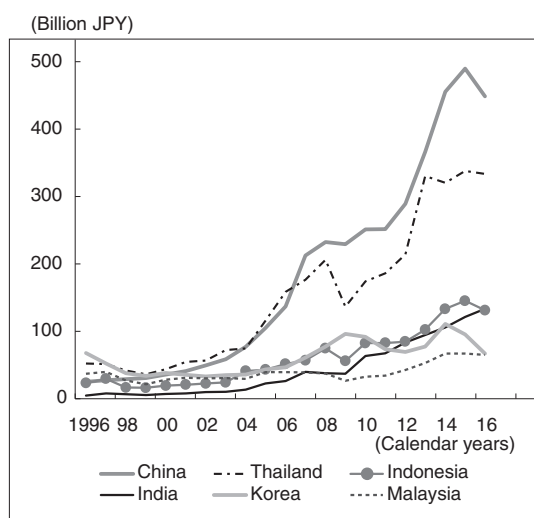
Agricultural products are also promoted through Cool Japan initiatives. However, there has been no significant increase in food exports to India.

Fig. 13 Japan's Media-Related Exports

(Billion JPY)
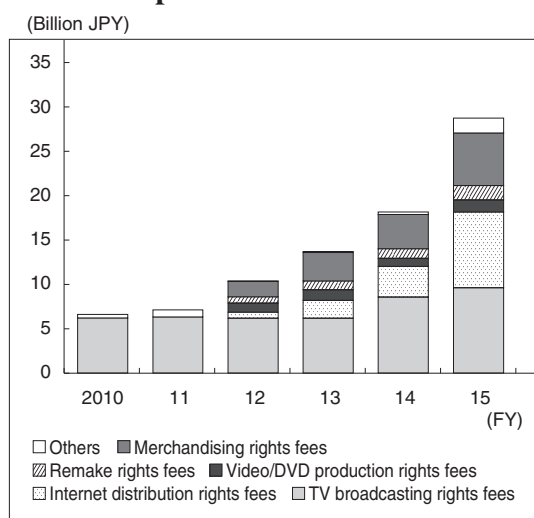
Source: Ministry of Internal Affairs and Communications

Fig. 14 Japan's Receipts of Royalties and License Fees from Selected Asian Countries

(Billion JPY)

Notes: BOP6 (new series) after 2014, BOP5 (old series) before 2013.
Source: Bank of Japan

(3) What is needed to accelerate content business expansion in India?

Despite these supportive measures for content business expansion abroad, India's involvement with those initiatives is relatively weak, with the result that content exports to India remain small. There is a possibility that content exporters prefer to expand their business in countries where social acceptance of Japanese content is high, resulting in a virtuous cycle of higher acceptance of Japanese content, and expansion of the content business in Northeast/Southeast Asia. On the other hand, India seems to be in a vicious cycle of lower social acceptance of Japanese content, and limited engagement in the content business.

Proactive government support will be needed while the content business is in its early stages, because of (1) the continuous development of India's media and entertainment market, (2) spillover effects from the expansion of the content business in India, and (3) the lack of a self-sustaining virtuous cycle for content business expansion. Given the regional diversity of the film industry, including languages, further localization efforts are essential to ensure the successful expansion of the Japanese content business in India (Fig.15).

Fig. 15 Indian Box Office Net Revenues by Language
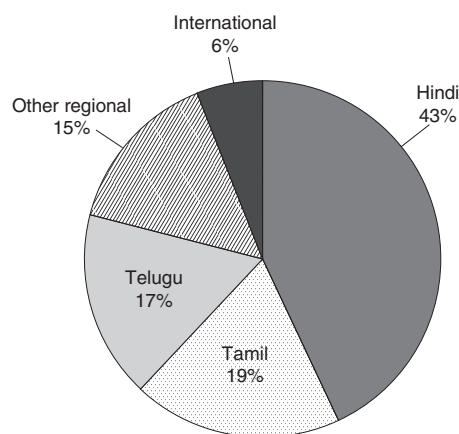
Source: Deloitte, "Economic Contribution of the Indian Motion Picture and Television Industry"

(4) Promotion of film/TV production in Japan

In addition to the expansion of the Japanese content business in India, efforts to promote film/TV making in Japan are also important from the viewpoint of advertising Japan's attractiveness. In fact, many papers, such as Bharath M. Josiam, Daniel Spears, Kirti Dutta, et al. [2014], Jose K. Antony and Rashmi R. [2015], show that the destinations of Indian tourists are significantly influenced by Bollywood movies. A correlation can be observed between the number of major Indian films shot abroad and the number of Indian visitors (Fig.16). Many films have been made in major Indian tourist destinations, such as Thailand, the USA, the UK, Malaysia, Switzerland and Italy.

The Japanese government is trying to promote film/TV production in Japan through the development of a location database and promotional activities. However, film-making in Japan is being hampered by the difficulty of obtaining approval for shooting in public spaces, the inadequate English skills of staff in film commissions and local governments, and a lack of financial incentives (Table 3). Ichigo Ichie Films [2017] proposes the

introduction of case rebates or tax credits amounting to at least 20% to compete with other film location countries which offer 15-40% cash rebates[6].

Fig. 16 Number of Films Shot Abroad (2012-2015) and the Number of Indian Visitors (2012-2014)

Source: India International Film Tourism Conclave,Ministry of Tourism

Table 3 Comparison of Film-Making Incentives and Business Environments

	Thailand	USA	UK	Switzerland	Malaysia	Japan
Number of major Indian films shot (2012-2015)	75	38	35	31	27	7
Financial incentives for film making (cash rebates/tax credits for qualified expenditure)	15-20% cash rebate	30% refundable tax credit	25% cash rebate	20-40% cash rebate	30% cash rebate	No general film incentives (Agency for Cultural Affairs provides subsidies for selected film making projects)
Cost of living ranking in 2016 (sample:133 cities)	51st (Bangkok)	9th (New York)	24th (London)	3rd (Zurich)	96th (Kuala Lumpur)	4th (Tokyo)
"Doing Business 2017" ranking (sample:190 countries)	46th	8th	7th	31st	23rd	34th
Distance from India (capital-to-capital)	2,852km	12,074km	6,523km	6,162km	3,847km	5,870km
Number of world heritage sites (including mixed sites)	5	23	30	12	4	21
Travel & tourism Competitiveness Index 2017 ranking (sample:136 countries)	34th	6th	5th	10th	26th	4th

Source: India International Film Tourism Conclave (IIFTC), World Bank, The Economist Intelligence Unit, UNESCO, World Economic Forum

3. Overall Statistics for Non-Resident Indians in Japan

In part 3-6, we will look at Indian residents in Japan. Before focusing on specific type of NRIs, we will first examine overall statistics concerning the world NRI population.

(1) Global NRI statistics

United Nations [2016] indicates that with 16 million Non-Resident Indians (NRIs) in the world in 2015, India has the largest diaspora. Other major diaspora sources include Mexico, Russia, China, and Bangladesh (Fig.17).

Middle East countries such as the UAE, Saudi Arabia, Kuwait, and Oman are the major destinations for relatively low-skilled Indians engaged in construction-related industries (Fig.18). Developed countries whose official language is English, such as the USA, the UK, Canada, Australia, and Singapore are major destinations for relatively high-skilled Indians. However, the percentage of NRIs in Japan is close to zero. The percentage of male NRIs tends to be higher, especially in Middle Eastern countries.
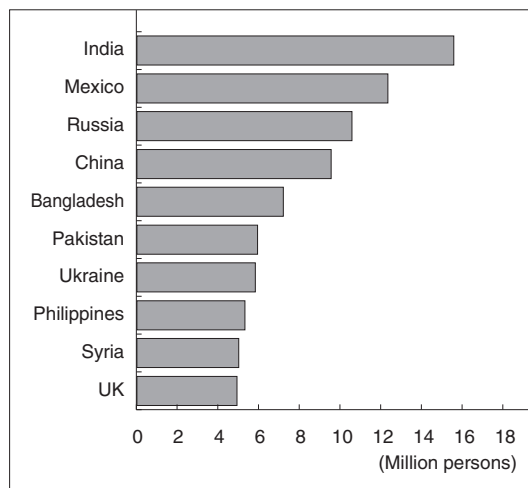
As the country with the biggest diaspora, India also receives the largest amount of remittances. In 2015, remittances totaled almost USD70 billion, or 3.3% of nominal GDP.

(2) Foreign residents in Japan

We first need to look at Japan's demographic situation and current migrant policy.
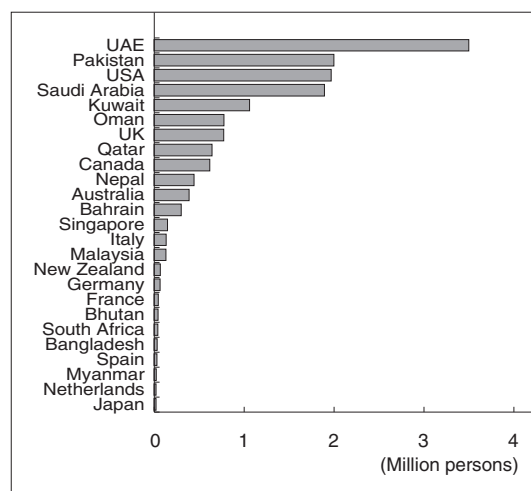
Japan's working age population is expected to decrease by about 30% over the next 30 years due to a low fertility rate and rapid aging (Fig.19). To counter the effects of a shrinking population and labor shortages, Japan needs to strengthen various initiatives, including (1) measures to increase the female labor force participation rate, (2) increased utilization of seniors, (3) productivity improvements, and (4) the utilization of foreigners.

Regarding the utilization of foreign labor, the government aims to promote the inflow of highly skilled professionals and international students, but it is reluctant to accept unskilled workers, except for technical trainees, due to expected adverse effects on the domestic labor market and government fiscal balance.

Looking next at recent trends in the number of

Fig. 17 Top 10 Countries of Origin of Foreign Residents in Japan (2015)

Source: United Nations

Fig. 18 Destinations of NRIs (2015)

Source: United Nations

foreign residents in Japan, we find that although the total number temporarily decreased between 2009 and 2012 due to economic stagnation after the global financial crisis and Fukushima disaster in 2011, there is still a medium/long-term growth trend (Fig.20). The number of foreigners living in Japan has doubled over the past 20 years to 2,382,822 as of the end of 2016. However, an analysis of openness to foreigners based on the ratio of foreign residents to total population shows that Japan is a closed country compared with other OECD members[7].

By nationality, the main groups of foreign residents in Japan are Chinese, South Koreans, Filipinos and Vietnamese (Fig.21). The numbers of Filipino and Vietnamese residents have increased significantly over the past five years, while the number of South Koreans has fallen due to a decline in the "Special Permanent Residents" category due to aging.
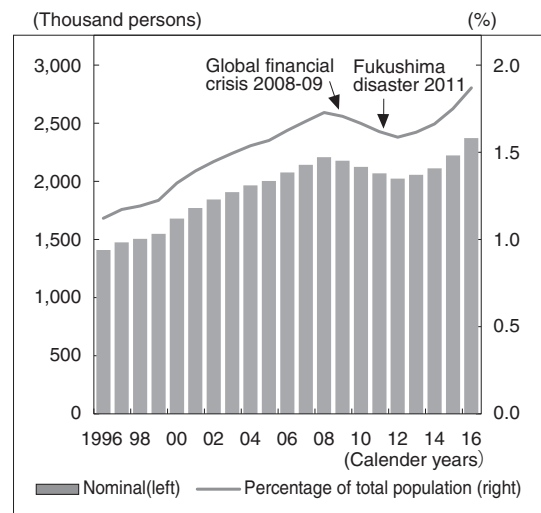
The main visa categories are permanent residents, long term residents, and dependents of people on those visas. However, those in other categories, such as international students and techni-
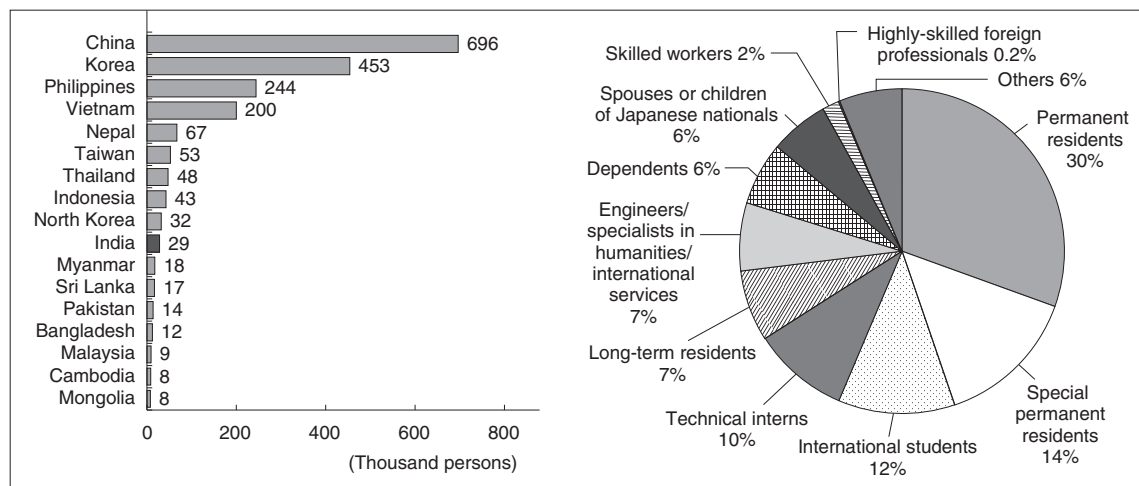
Fig. 19 Japan's Demography

(Million persons)
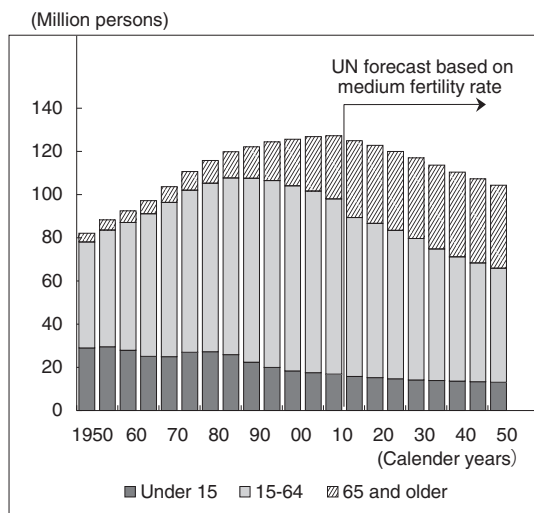
Source: United Nations

Fig. 20 Foreign Residents in Japan

(Thousand persons)   (%)

Source: Ministry of Justice, Statistics Japan

Fig. 21 Foreign residents in Japan by Economy and Visa Type (2016)

Source: Ministry of Justice

cal interns, have also contributed to recent growth in the number of foreign residents.

(3) Indian residents in Japan

Of the 28,677 Indians resident in Japan at the end of 2016, 40% are permanent residents or long-term residents and their dependents (Fig.22). Skilled workers make up 16% of this total. It should be noted that the definition of the "skilled worker" category is slightly different from general perceptions, since this category includes chefs, pilots, and sports instructors. Census results show that about 20% of Indian residents are engaged in industries relating to hotels and restaurants, while 13% are in information and communication industries.

About 40% of Indian residents in Japan live in Tokyo, Kanagawa, Chiba and Saitama. The concentration of Indian residents in the Tokyo Metropolitan Area is high compared with the percentages living in capital cities in other countries (Fig.23).
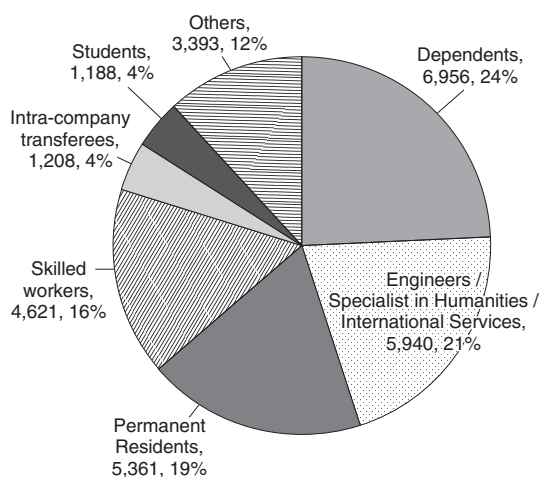
Although the number of Indian residents is still small, the inflow of Indians into Tokyo's Edogawa-ku and Koto-ku districts is contributing to the development of the "Nishi Kasai/Little India" community, which is encouraging further inflows of Indians. Reasons for these inflows include (1) increased demand for Indian IT engineers resulting from the development of India-Japan relationships in the IT sector[8], (2) proximity to Tokyo, Otemachi, Nihonbashi, and Kayabacho Stations (about 20 minutes by train), where there are concentrations of system facilities belonging to financial institutions, (3) low barriers to residence for non-Japanese to live, including the availability of many apartments that do not require deposit/guarantee fees.

(4) Change of viewpoint: Comparison between Indians and Nepalis
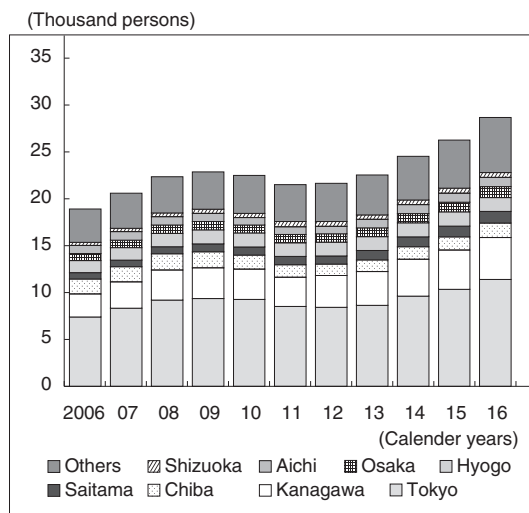
The limited number of Indian residents in Japan is often attributed to the geographical distance between Japan and India, and to food and language problems. However, a recent rapid increase in the number of Nepali residents in Japan suggests that the number of Indian residents could also increase, despite these constraints (Fig.24). Although Nepal has only 29 million people (about 2.2% of India's population), there are 67,470 Nepali residents in
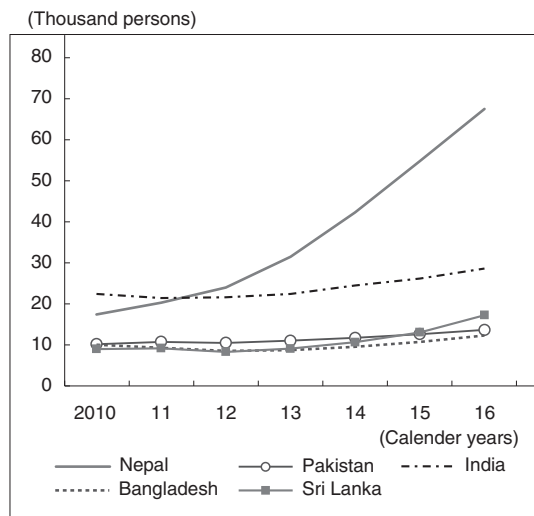
Fig. 22 Indian Residents in Japan (by Visa Type, 2016)

Students, 1,188, 4%
Others, 3,393, 12%
Intra-company transferees, 1,208, 4%
Dependents, 6,956, 24%
Skilled workers, 4,621, 16%
Engineers / Specialist in Humanities / International Services, 5,940, 21%
Permanent Residents, 5,361, 19%

Source: Ministry of Justice

Fig. 23 Indian Residents in Japan (by Prefecture)

(Thousand persons)

■ Others ▨ Shizuoka ▤ Aichi ▦ Osaka ▨ Hyogo
■ Saitama ▢ Chiba ▢ Kanagawa ▢ Tokyo

(Calender years)

Source: Ministry of Justice

Fig. 24 Foreign Residents in Japan (from South Asia)

(Thousand persons)

Source: Ministry of Justice

Fig. 25 Nepali Residents by Visa Type (2016)

Others, 6,335, 9%

Dependents, 17,471, 26%

Engineers / Specialist in Humanities / International Services, 3,278, 5%

Permanent Residents, 3,806, 6%

Skilled workers, 12,480, 18%

Business Managers, 1,133, 2%

Students, 22,967, 34%
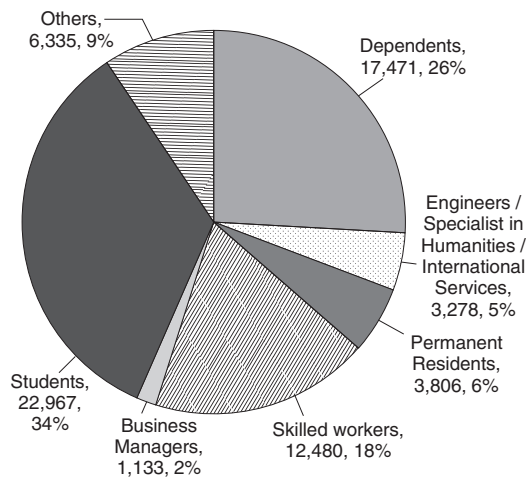
Source: Ministry of Justice

Japan, which is also twice the number of Indian residents. Anecdotal evidence suggests that the following factors have contributed to the recent increase. First, Japanese language schools aggressively expanded their marketing in Vietnam and Nepal in response to falling numbers of Chinese/Korean students after the Fukushima disaster in 2011. This is reflected in fact that more than 30% of Nepali residents in Japan are students (Fig.25).

Second, tougher visa requirements in other countries have enhanced Japan's attractiveness as a destination for Nepalis.

Third, the relaxation of rules for working on student visas is helping to attract Nepalis to Japan. People with Japanese student visas are allowed to work up to 28 hours per week, and many Nepalis are believed be using student visas to come to Japan to work.

As low-income Indians have the same financial incentives to come to Japan, the number of Indian people in this category could increase if Japanese language schools expand their marketing in India.

(5) Outlook for NRIs

There are both positive and negative factors for future growth in NRI population. When all of these factors are taken into account, the total number is expected to remain on an upward trend. However, the pace of expansion could be slower.

There are three factors that could cause major growth in the NRI population. First, there is a continuing income gap between India and developed countries. India's per capita purchasing power parity (PPP) based on GDP was USD8,662 in 2016, compared with the G7 figure of USD48,978 (Fig.26). It could take several decades to narrow this gap.

The second factor is progress toward regional integration in Asia. Since 2012, India, ASEAN, Japan, China, South Korea, Australia, and New Zealand have been negotiating about the Regional Comprehensive Economic Partnership (RCEP). In addition to this initiative, efforts toward regional integration also include the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC, India, Bangladesh, Sri Lanka, Nepal, Bhutan, Thailand, and Myanmar), and the South Asia Association for Regional Cooperation (SAARC, India, Pakistan, Bangladesh, Sri Lanka, Nepal, Bhutan, the Maldives, and Afghanistan). Negotiations and actions toward economic integration could take a long time, but there is likely to be a gradual easing of restrictions on international labor movement as regional integration progresses.

Fig. 26 Per Capita Gross Domestic Product Based on Purchasing Power Parity (PPP)

(Thousand USD)

Forecast

- G7
- India
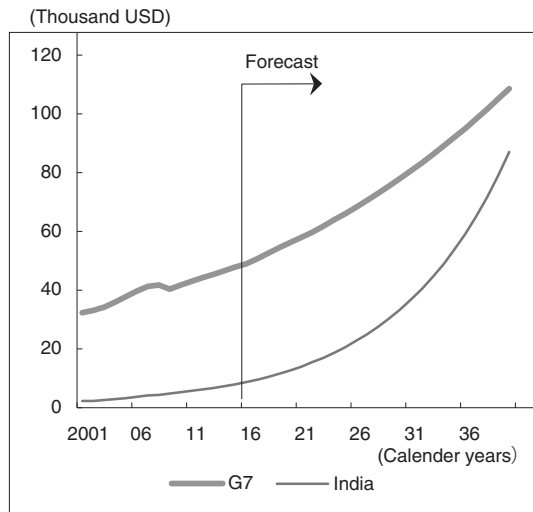
Notes: IMF forecasts used for 2016-2022, forecasts for
2023 onwards extrapolated from 2016-2022 CAGR
and 2022
Source: IMF

Fig. 27 Crude Oil Price and Nominal GDP of Middle Eastern & North African Countries

(USD/Bbl.)   (Billion USD)

IMF forecast
as of
May 2017

- Crude oil price (left)
- Middle East & North Africa; Nominal GDP (right)
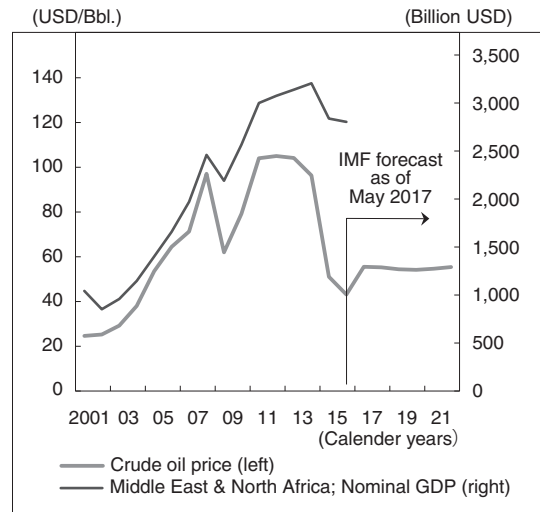
Source: IMF

The third factor is the internationalization of Indian corporations. Overseas business expansion by Indian corporations is reflected in the balance of India's outward foreign direct investment (FDI), which has increased from USD27 billion (2.8% of GDP) in 2006, to USD144 billion (6.4% of GDP) in 2016. This trend is expected to continue, supported by the progress toward regional integration.

There are also factors that could impede the expansion of the NRI population, including (1) a gradual narrowing of the income gap due to India's higher economic growth, (2) changes in US and EU immigration policies, and their reluctance to accept immigrants, and (3) lower growth in oil-exporting countries due to oil price stagnation (Fig.27).

Despite the slower expansion of the world NRI population, the inflow of Indian residents into Japan could accelerate because of the development of the India-Japan economic relationship, and a relative increase in Japan's attractiveness due to the anticipated tightening of immigration policies in EU/US.

4. Highly-Skilled Indian Professionals

The government of Japan has been trying to encourage the migration of highly skilled foreign professionals to Japan in order to bring innovation and to promote the development of a market for specialized/technical professionals.

In this part we will examine India's potential as a source of highly skilled professionals, the migration behavior of Indian professionals, and ways to attract Indian professionals to Japan.

(1) India's potential as a source of highly skilled professionals

It is difficult to make quantitative international comparisons concerning the pool for highly skilled professionals, since there is no unique or consistent global definition. However, various data show that India has substantial potential and is globally competitive.

For example, while India's educational attain-

ment level is relatively low, the large size of its population is reflected in the fact that are 61 million Indian people aged 25-64 who have completed tertiary education (Fig.28). This is the second largest number in the world after China.

The sub-category index of the "Global Service Location Index" compiled by AT Kearney [2016] shows that Indian professionals are competitive in the areas of IT and Business Process Outsourcing (BPO), based on the quality and skills of professionals, and labor force availability.

The global competitiveness of Indian professionals is also underscored by the fact that Indians hold a large share of US "H1-B" visas for specialized occupations requiring highly specialized knowledge. In 2016, about 70 % of these visas were issued to Indians.

Demand for IT engineers is expected to increase with the advent of "Society 5.0[9]". The domestic supply of these workers will be limited by demographic factors, and by India's potential and competitiveness. For these reasons, Japan needs to consider how to encourage the migration of highly skilled Indian professionals to Japan.

(2) Destination of highly skilled Indian professionals

While the Gulf Cooperation Council Countries (the UAE, Saudi Arabia, Kuwait, Oman, Qatar, and Bahrain) attract the majority of the low-skilled workers from India, the US, UK, Canada, Australia and Singapore have been the preferred destinations for highly-skilled Indian professionals.

Prospects and opportunities for a better quality of life, including higher incomes in host countries, are the main factors driving migration. Various data, such as per capita GDP and global livability rankings, show that incomes and the quality of life in major destinations are much better than in India (Fig.29).

R&D expenditure and researcher salaries are high in the US. This is reflected in the high concentration of professionals migrating to the US over the past 20 years (Fig.30). However, this trend could change, since the Trump administration is considering tightening its immigration policy.

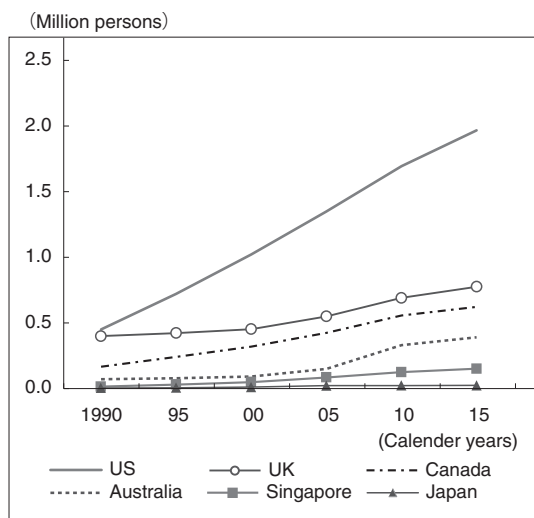**Fig. 28 Population Aged 25-64 with Tertiary Education (2015)**
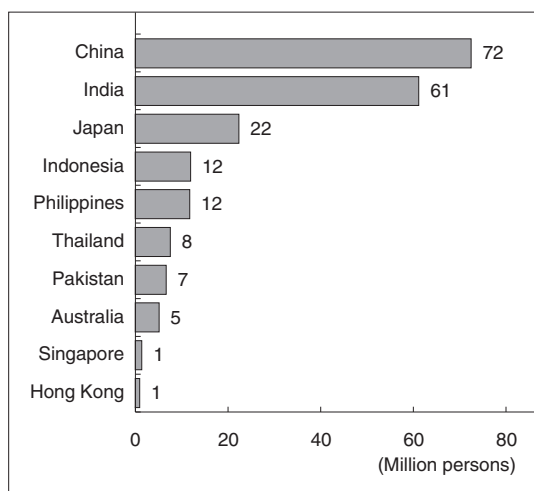
Source: JRI estimates based on United Nations educational attainment and population data
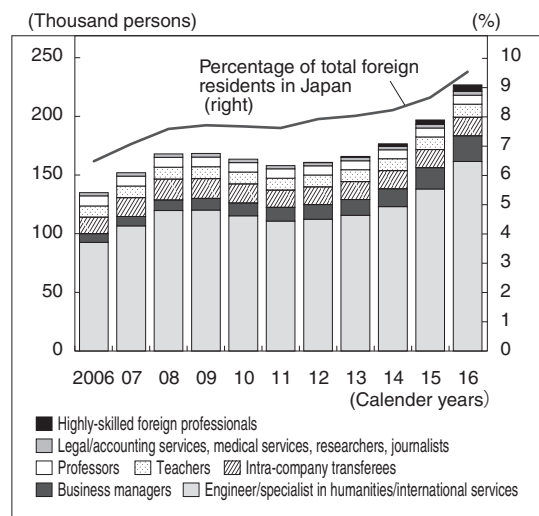
Fig. 29 Global Livability Rankings (2015)
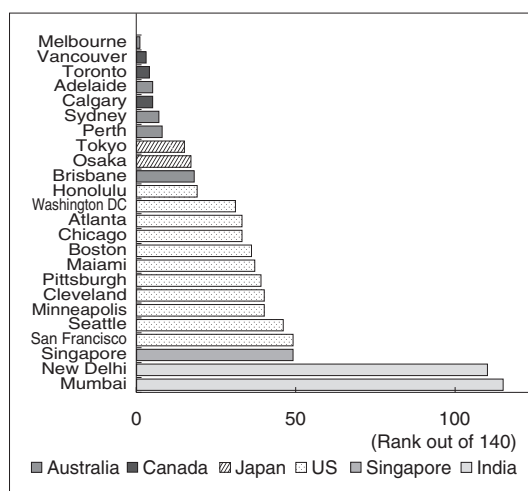
Source: Economist Intelligence Unit, "Liveability Ranking (2015)"

Fig. 30 NRIs in Selected Developed Countries

（Million persons）

Source: United Nations

Fig. 31 Highly-Skilled Foreign Professionals in Japan by Visa Type

（Thousand persons）　　　　　（%）

Percentage of total foreign residents in Japan (right)

- ■ Highly-skilled foreign professionals
- Legal/accounting services, medical services, researchers, journalists
- □ Professors　▨ Teachers　▨ Intra-company transferees
- Business managers　Engineer/specialist in humanities/international services

Source: Ministry of Justice

(3) Highly skilled foreign professionals in Japan

After declines during the global financial crisis in 2008-2009, and after the Fukushima disaster in 2011, the number of highly-skilled foreign professionals[10] in Japan is now increasing (Fig.31). Chinese specialists in the fields of engineering, humanities, and international services are the main growth drivers.

The number is still very small. However, the government introduced a point-based system in 2012 to facilitate the entry of highly-skilled foreign professionals. At the conceptual level the government of Japan defines "highly-skilled professionals" as people who complement domestic capital/labor resources and bring innovations to Japan. In practice, the activities of the highly skilled foreign professionals are classified into three categories: (1) advanced academic research activities, (2) advanced specialized/technical activities, and (3) advanced business management activities.

Points are awarded for various criteria, such as academic background, professional career, and annual salary. If the total number of points reaches 70, applicants become eligible for prefer-

ential immigration treatment, such as permission to bring parents to Japan, and the relaxation of requirements for permanent residence. As of 2016, this status has been granted to only about 5,500 people, of whom about 65% are from China. India is the third largest source country after China and the US. The government aims to increase this number to 10,000 by 2020.

The number of highly-skilled Indian professionals in Japan has been increasing since 2012, in step with the overall trend (Fig.32). Compared with inflows of highly-skilled professionals from the rest of the world, intra-company transferees from India to Japan account for a large percentage of migrants. Highly-skilled professionals from India are mostly engaged in the Information and Communication Technology (ICT) industries(Fig.33). Competitiveness in the ICT sector, and the higher concentration of Indian migrants in this industry, there is a general perception that there is a strong Indian presence in Japan's ICT sector. However, Indians' share of jobs in the Japanese ICT sector is actually much lower than that the percentages for Chinese, South Koreans, and Americans.
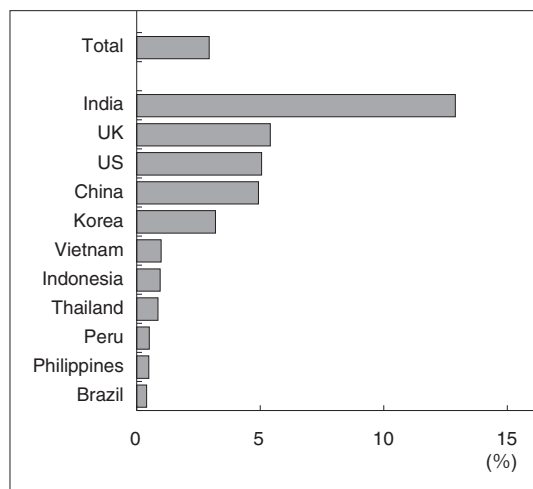
The Japanese government aims to enhance productivity in the ICT sector by attracting talented professionals form India. In December 2015 it

Fig. 32 Highly Skilled Indian Professionals in Japan
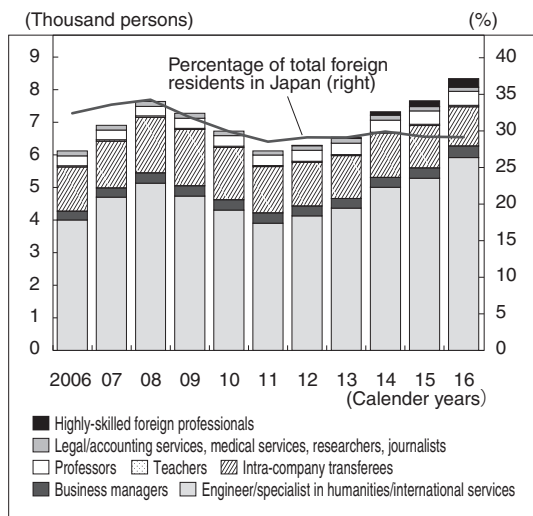
Source: Ministry of Justice

Fig. 33 Percentage of Workers Employed in Information and Communication Industry (2015)

Source: Ministry of Internal Affairs and Communication, "Census 2015"

launched the "Japan-India IoT (Internet of Things) Investment Initiative", which is designed to encourage Indian investment in this sector. In February 2017, the "IoT Acceleration Consortium", a framework for IoT-related government/industry/ academic collaboration in Japan, and the National Association of Software and Service Companies (NASSCOM) of India signed a memorandum of understanding about efforts to discover opportunities for business collaboration.
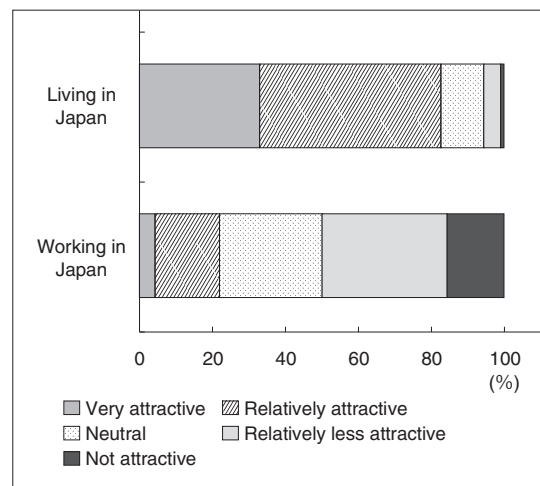
(4) Difficulty of working in Japan

Despite these efforts to encourage the migration of foreign professionals to Japan, and despite the fact that many foreigners regard Japan as a good country to live in, they don't find Japan an attractive place work (Fig.34).

Findings from a survey conducted by the Japan Association for the Promotion of Internationalization, show that long working hours, Japan's unique communication style, an opaque promotion system, slow promotion, and the need for advanced Japanese language skills, are the major difficulties for those working in Japan (Fig.35). Many companies require at least intermediate-level business Japanese skills, even for foreigners who have graduated from overseas universities. According to the survey results, Japanese corporations see the lack of Japanese managers who can utilize foreign staff as a crucial issue.

In addition to these general challenges for non-Japanese people, anecdotal evidence shows Indian people are very particular about schooling for their children, with the result that many people are reluctant to move to Japan because of the limited capacity of Indian schools, and high tuition fees for international schools.

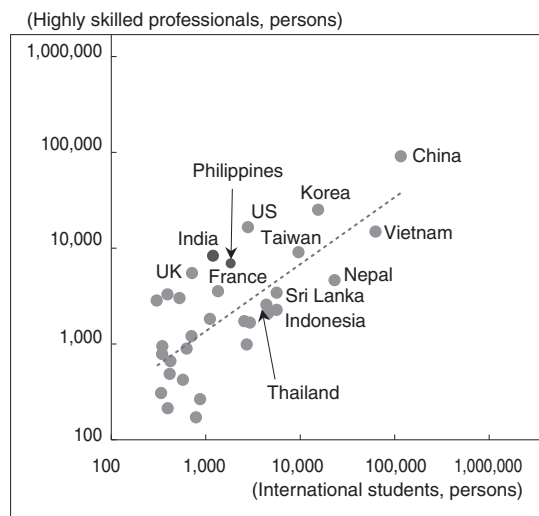## Fig. 34 Foreigner's Perceptions about Living/Working in Japan (2016)

Source: Ministry of Economy, Trade and Industry

Fig. 35 Difficulties and Challenges of Working in Japanese Companies (2015)
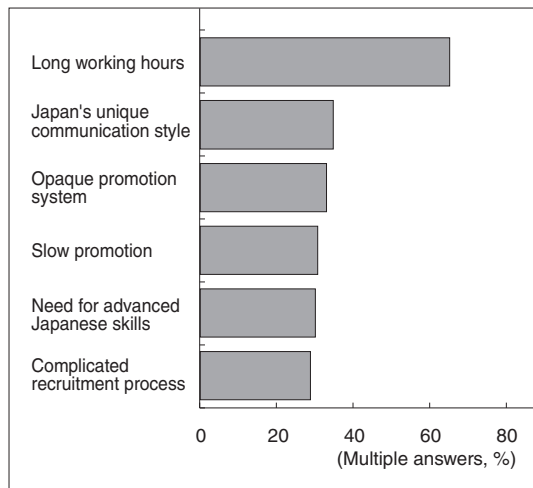
Source: Association for Promotion of Internationalization

Fig. 36 International Students and Highly Skilled Professionals in Japan (2016)

Source: Ministry of Justice

(5) Attracting highly skilled Indian professionals to Japan

Owing to wide differences between work and social systems in Japan and India, it may seem difficult to attract highly-skilled and talented professionals from India. However, with concerted and supportive efforts in such as schooling, language, visa systems, and taxation, it should be possible to narrow the gap between Japan and other destinations preferred by highly skilled professionals from India.

The modification of work and social systems/structures to accommodate highly-skilled foreign professionals will be a slow and lengthy process. Another strategic approach would be to attract highly skilled professionals from India by advertising and promoting the attractiveness of life in Japan. For example, Indian people might be attracted to Japan by advertisements focusing on Japan's peaceful living environment, and the attractiveness of its culture and human attributes, such as politeness, kindness, and sincerity. The first step in helping Indians to appreciate Japan's attractive qualities is the creation of opportunities for them to experience Japan and encounter Japanese people. The promotion of tourism and con-

tent exports is vital from this perspective. Another important initiative is to promote Indian international student exchanges with Japan. There is a positive correlation between the numbers of international students and highly-skilled professionals in Japan (Fig.36)

5. Indian International Students

As discussed in the previous part, Japan faces various challenges in its efforts to attract highly-skilled Indian professionals, including the time required to modify work and social systems. For these reasons, Japan should also undertake various supplementary initiatives. One approach to bridging these gaps is to attract Indian students to Japan so that they can experience the Japanese way of life, culture, food, language, and other positive aspects of life in Japan. This part focuses on the current situation of Indian international students, and on ways to encourage them to study in Japan.

(1) Global international study trends

Looking first at the global international student population, we find that the number of international students increased from 3.0 million in 2005 to about 4.5 million in 2012, reflecting globalization and host countries' efforts to attract potential highly-skilled professionals. Asia is a major source of international students, and India is the second biggest country of origin after China (Fig.37). Among OECD countries, the most popular destinations for foreign students are the US, the UK, France, and Germany. Japan's share is about 3%.

(2) Destinations for Indian students

According to UNESCO data, the US, Australia, the UK, New Zealand, and Canada are major destinations for Indian students (Fig.38). Like highly-skilled Indian professionals, Indian students have a tendency to prefer countries whose official language is English.
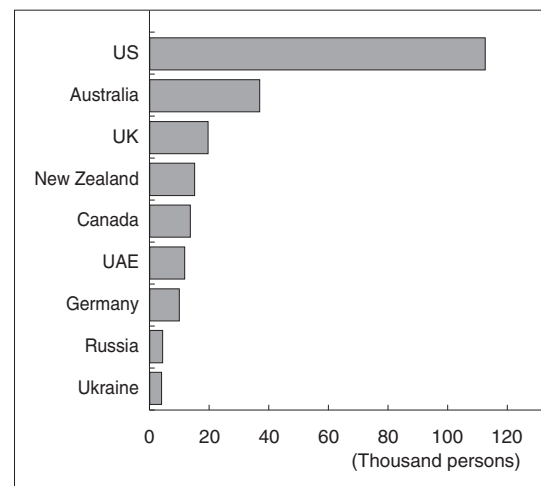
The US attracts a large share of Indian students, reflecting the global competitiveness of US universities, and students' expectations for better job opportunities after graduation. Based on the World University Rankings compiled by Times Higher Education, 25 US universities are in the top 50 universities (Table 4). Because of the benefits provided by study in the US, international student agencies also recommend US universities. The number of Indian students is the second largest after Chinese students.

(3) Foreign/Indian students in Japan

A survey conducted by the Japan Student Services Organization (JASSO) shows that the major reasons for choosing Japan as a study destination are interest in Japan's society, language and culture, rather than job opportunities after graduation (Fig.39).

After stagnating in 2011-2012 following the 2011 Fukushima disaster, the number of international students in Japan is now rising. This growth is being driven mainly by a high influx of students into Japanese language schools (Fig.40). In 2016, international students, including students at Japa-

Fig. 37 Tertiary-Level International Students in OECD Countries from Major Asian Countries (2015)
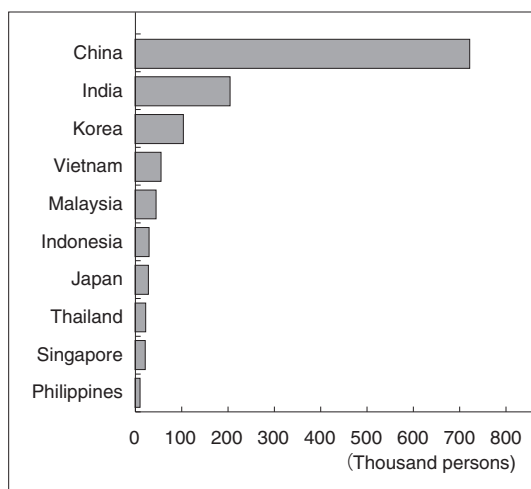
Notes: Students in US, UK, France, Germany, Australia, Canada, Japan, Italy, Austria, Belgium, Netherland, and Korea.
Source: UNESCO Institute for Statistics

Fig. 38 Outflow of Tertiary-Level Students from India to Abroad (2015)

Source: UNESCO Institute for Statistics

Table 4 World University Rankings 2017-18
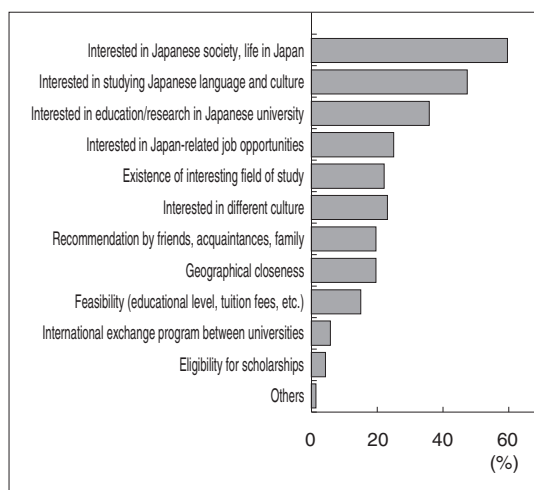
Rank	University name	Country	Score
1	University of Oxford	United Kingdom	94.3
2	University of Cambridge	United Kingdom	93.2
3	California Institute of Technology	United States	93.0
3	Stanford University	United States	93.0
5	Massachusetts Institute of Technology	United States	92.5
6	Harvard University	United States	91.8
7	Princeton University	United States	91.1
8	Imperial College London	United Kingdom	89.2
9	University of Chicago	United States	88.6
10	ETH Zurich	Switzerland	87.7
10	University of Pennsylvania	United States	87.7
12	Yale University	United States	87.6
13	Johns Hopkins University	United States	86.5
14	Columbia University	United States	86.0
15	University of California, Los Angeles	United States	85.7
16	University College London	United Kingdom	85.3
17	Duke University	United States	85.1
18	University of California, Berkeley	United States	84.3
19	Cornell University	United States	84.2
20	Northwestern University	United States	83.3
21	University of Michigan	United States	83.1
22	National University of Singapore	Singapore	82.8
22	University of Toronto	Canada	82.8
24	Carnegie Mellon University	United States	81.9
25	London School of Economics and Political Science	United Kingdom	79.4
25	University of Washington	United States	79.4
27	University of Edinburgh	United Kingdom	79.2
27	New York University	United States	79.2
27	Peking University	China	79.2
30	Tsinghua University	China	79.0
31	University of California, San Diego	United States	78.7
32	University of Melbourne	Australia	77.5
33	Georgia Institute of Technology	United States	77.0
34	University of British Columbia	Canada	76.2
34	LMU Munich	Germany	76.2
36	King's College London	United Kingdom	75.6
37	University of Illinois at Urbana-Champaign	United States	75.4
38	École Polytechnique Fédérale de Lausanne	Switzerland	75.3
38	Karolinska Institute	Sweden	75.3
40	University of Hong Kong	Hong Kong	75.1
41	Technical University of Munich	Germany	73.5
42	McGill University	Canada	73.2
43	University of Wisconsin-Madison	United States	73.1
44	Hong Kong University of Science and Technology	Hong Kong	72.7
45	Heidelberg University	Germany	72.3
46	University of Tokyo	Japan	72.2
47	KU Leuven	Belgium	71.8
48	Australian National University	Australia	71.6
49	University of Texas at Austin	United States	71.4
50	Brown University	United States	70.8

Source: Times Higher Education. "World University Rankings 2017-2018"

nese language schools, reached about 240,000. The number of Japanese language students from Nepal and Vietnam has increased significantly over the past several years. This can be attributed to the relaxation of the rules for working on a student visa, with the result that students can now work up to 28 hours a week. University data show that Waseda University and the University of Tokyo have more than 3,000 international students.

In step with trends in the number of international students in Japan from the rest of world, the number of Indian students has also increased since 2013 (Fig.41). As of May 2016, there were 1,015 Indian students in Japan. The number is still small but several universities have opened offices in India to support research in India and attract international students from India.

The Ministry of Education, Culture, Sports, Science and Technology (MEXT) has appointed the University of Tokyo to handle several initiatives to promote international students from India. In FY 2014, the University of Tokyo established an overseas study coordinator committee to develop action plans to attract Indian students. Based on deliberations by this committee, the University of Tokyo and several other universities have been organizing "Study in Japan" fairs at various institutions, including the Indian Institute of Technology Bombay (IIT-B).

In addition to these initiatives, Japan aims to develop government/industry/academic networks and scholarships to attract students from India. The Japan International Corporation Agency (JICA) has been supporting facility development, research collaboration, and staff training at IIT-Hyderabad[11].

Fig. 39 Major Reasons for Choosing Japan as a Study Destination (FY 2015)
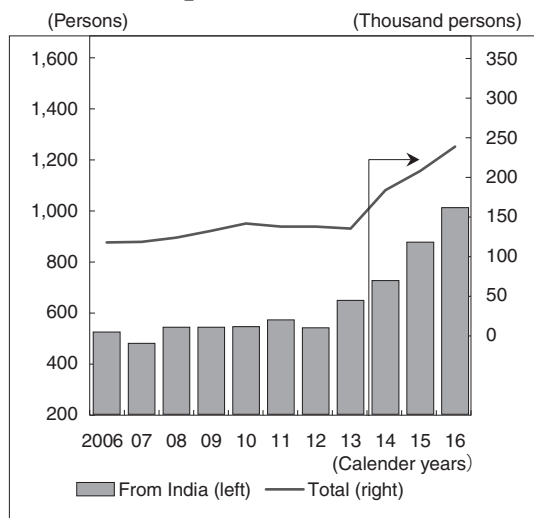

Source: JASSO

Fig. 40 International Students in Japan
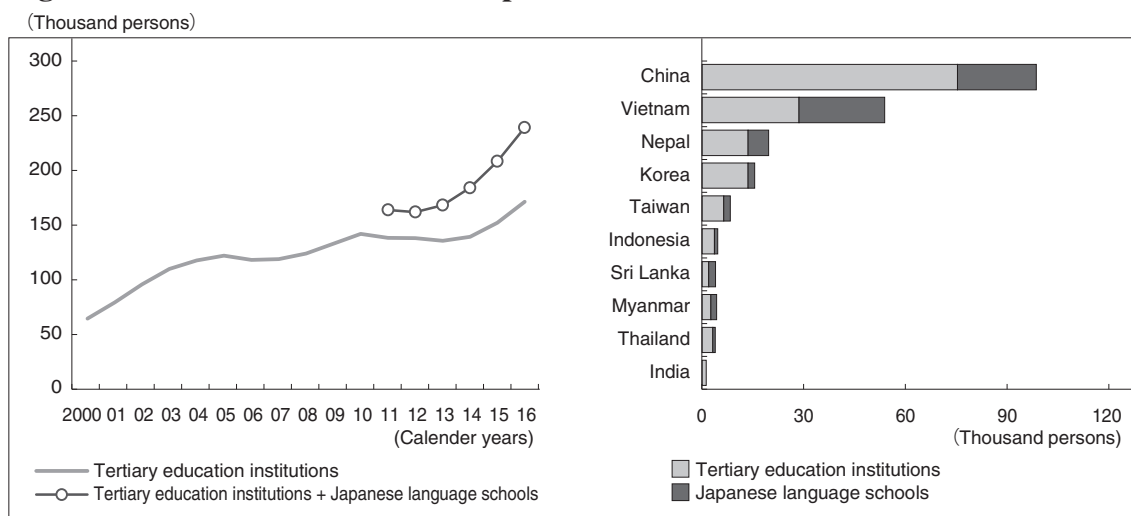
Source: JASSO

Notes: The totals for India are based on alien registration statistics.
Source: JASSO, Ministry of Justice

Fig. 41 Indian International Students in Japan

(Persons)   (Thousand persons)

From India (left)   Total (right)

(Calender years)

Notes: Due to a visa classification change, data for 2014 onwards include students in Japanese language schools.

Source: JASSO

(4) Difficulty of studying in Japan

Promotional activities have brought a gradual increase in the number of Indian students in Japan. However, the absolute number of Indian students in Japan remains quite small compared with numbers of Indian students in other countries, and numbers of international students in Japan from other countries. This is because study in Japan involves many difficulties.

Firstly, there are language problems. Although universities have been making efforts toward globalization, it is still difficult for foreigners to study in Japan without using Japanese. Based on the results of a survey conducted by MEXT, less than 40% of universities provide any classes in English, and only 3.3% (24 of 781 universities) provide full English programs in some of the departments of their undergraduate schools.

Other indicators, such as the introduction of double degree programs, and the flexibility of enrollment periods, also show that despite globalization in recent years, further efforts are needed to encourage international students. Considering the time required for human resource development in universities, progress toward globalization is likely to be gradual.

It should be noted that there also a challenge in the business sector. Since the majority of companies require at least business-level Japanese skills, growth in the number of international students in English programs due to globalization will not contribute to growth in the number of highly-skilled Indian professionals in Japan.

## (5) What is needed to encourage Indian students?

Efforts to encourage international students from India to study in Japan and eventually work in Japan after graduation are time-bound activities, since they depend on the pace of globalization in both universities and companies. As with policies recommended to encourage the migration of highly-skilled Indian professionals to Japan, here, too, there is a need for supportive measures, such as promotional initiatives focusing on the attractiveness of life in Japan, including the promotion of tourism and content exports.

In a related move, the Japanese government recently relaxed visa requirements for Indian students to enhance their visit to Japan. Until three years after graduation, students and alumni of universities in India are allowed to use their student certificates instead of documents confirming their financial capability when applying for single-entry visas for short-term stays.

Considering the current limited capacity for accepting international students, a strategic way to foster interest in study in Japan among Indian students would be to promote short-term student exchange programs at both the university and high school levels under student exchange agreements. There is a positive correlation between formal international students and students under short-term exchange programs (Fig.42). About 80% of students under short-term exchange programs use the exchange programs under university agreements.

As for high school student exchanges, Japanese high schools have a tendency to send and accept students to and from countries where there are sister school agreements. Presently, Australia, the

Fig. 42 International Students at Japanese Tertiary Education Institutions under Short-Term Exchange Programs in Japan (FY 2015)
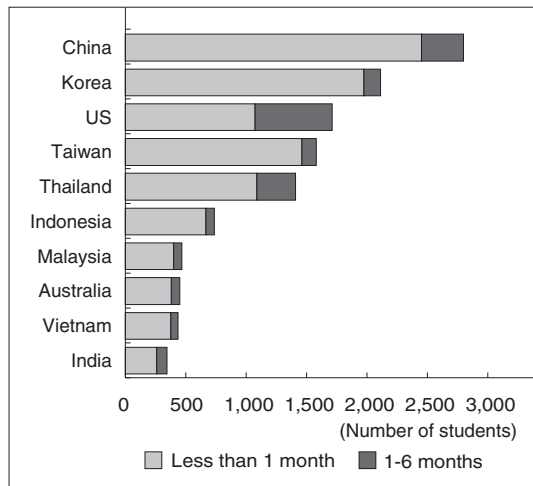
Source: JASSO

US, the UK, Canada, and New Zealand are major destinations for Japanese high school student exchanges, and there are few sister school agreements with Indian high schools. However, considering the fact English is an official language of India, and the fact that study/living costs in India are much lower than in developed countries, Japanese high schools could start to consider sister agreements with Indian schools, provided that sanitary conditions and security for students can be ensured so that teachers and parents will be confident about sending students to India.

6. Unskilled workers from India

In the final part, we will consider what Japan can and should do concerning the utilization of unskilled Indian workers. This may be a controversial issue, because currently Japan does not accept unskilled foreign workers except for trainees, and because the government is very cautious about relaxation of the entry rules for unskilled workers.

(1) Why Japan needs to consider the utilization of unskilled workers from India

To avoid the adverse impact of a predicted decline in its working-age population, Japan needs to increase utilization of foreign workers. In this context, reconsideration of Japan's current immigration policy, especially in relation to unskilled workers, will be an increasingly important priority. Once Japan has changed its current policy direction to accept unskilled foreign workers, it will also need to consider the development of strategic partnerships. This is because it may become difficult to secure reliable supplies of foreign workers as other countries, such as China, South Korea, and Singapore, also launch initiatives to accept unskilled workers in response to population declines (Fig. 43).
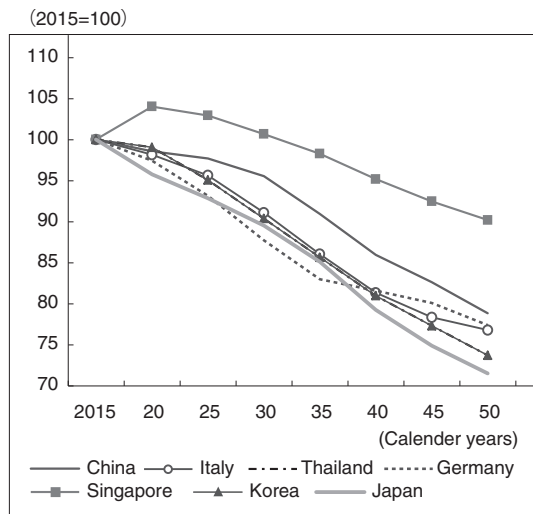
Given India's huge population, the slow pace of demographic aging, the income gap with Japan, and the Japan-friendly attitudes of its people, India could be an important strategic partner for the procurement of unskilled workers.

(2) Destinations for unskilled Indian workers

Oil-exporting countries, such as the UAE, Saudi Arabia, Kuwait, Oman, Qatar and Bahrain, are the major destinations for unskilled Indian workers. The number of NRIs working in construction-related industries in these countries increased significantly between the second half of 2000s and the first half of 2010s, reflecting the strong construction demand associated with a higher oil price (Fig. 44).
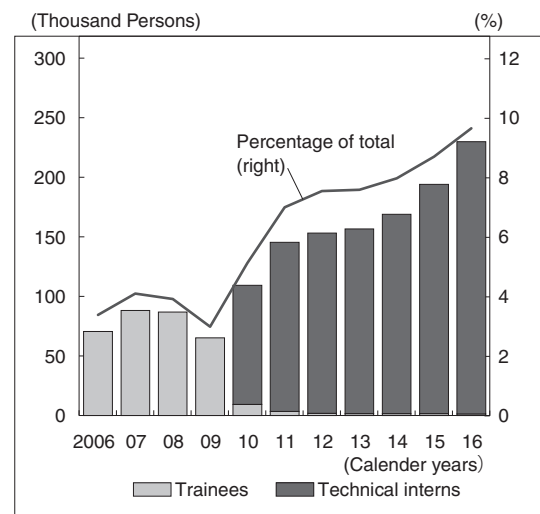
However, the rate of NRI migration to these countries has changed since 2015 due to the dramatic oil price decline in 2014-2015, and the stagnation of the price since then. These oil-exporting countries rely heavily on oil revenues, and their fiscal balances have deteriorated recently. Continuing oil price stagnation could result in slower
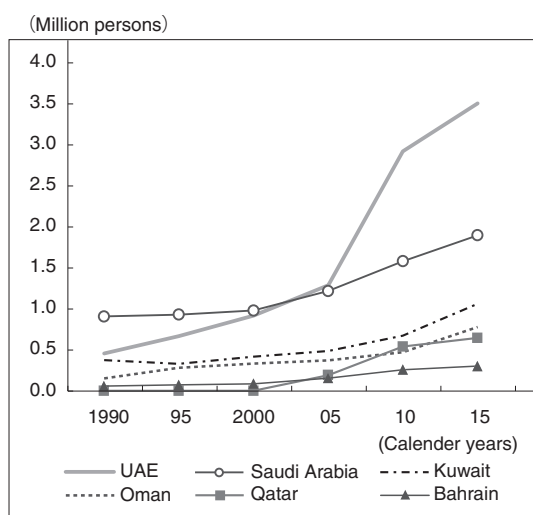
Fig. 43 Working-Age Population

(2015=100)

China ── Italy ─○─ Thailand ─·─·─ Germany ·······
Singapore ─■─ Korea ─▲─ Japan ──

Source: United Nations

Fig. 44 International Departures from India

(Million persons)

UAE ── Saudi Arabia ─○─ Kuwait ─·─·─
Oman ······· Qatar ─■─ Bahrain ─▲─

Source: United Nations

Fig. 45 Foreign Trainees in Japan

(Thousand Persons)　　　　　　　　(%)

Percentage of total (right)

□ Trainees　■ Technical interns

Source: Ministry of Justice

Fig. 46 Foreign Trainees by Country

(Thousand persons)

Vietnam ── China ─○─ Philippines ──
Indonesia ─·─·─ Thailand ─■─ India ·······
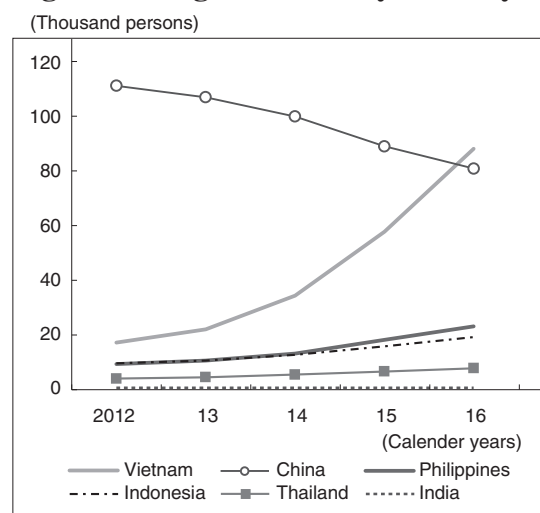
Source: Ministry of Justice

inflows of NRIs into these countries.

(3) Unskilled foreign workers in Japan

As mentioned earlier, Japan currently does not accept unskilled foreign workers, except for trainees under the Technical Intern Training Program (TITP).

The number of trainees has been increasing rapidly since 2010 and reached 228,588 in 2016.

This is equivalent to about 10% of all foreign residents in Japan (Fig. 45). The number of Chinese trainees has fallen due to wage increases at home, but the number of Vietnamese trainees has risen rapidly and overtook the Chinese total in 2016 (Fig. 46). Because of the under-developed TITP framework, as described in the next section, there are few Indian trainees.

The main industries employing trainees in 2016 were agriculture, construction, food manufacturing, textiles and garment manufacturing, and the machinery and metals industries. According to

a survey conducted by the Japan International Training Cooperation Organization (JITCO), trainees felt that they benefited not only from the opportunity to learn skills, but also in other ways, including life experiences in Japan, financial savings, and Japanese language skills.

## (4) The TITP Framework and Indian trainees

There are two types of training programs. The first is based on direct labor contracts between the Japanese companies that accept trainees, and the overseas companies that supply them. The second type of program is arranged by trainee supervision organizations in Japan and overseas providers. Presently, the second type of program is in the majority.

According to foreign trainee registration statistics, there were only 25 Indian trainees in Japan at the end of 2016, all of whom were enrolled in individual companies' training programs. None were enrolled in training programs established by supervising organizations. The limited scale of business expansion by Japanese companies could be one reason for the small number of training programs run by individual companies. The limited use of the TITP under supervision organizations was primarily attributable to a lack of provider organizations due to an under-developed legal framework (Fig. 47).

However, the Japanese and Indian governments are now trying to promote the TITP. In November 2015, the JITCO entered into a record of discussion (R/D) with the Indian Ministry of Skill Development and Entrepreneurship (MSDE), with the aim of promoting the TITP. The MSDE has officially authorized five provider organizations to prepare the first trainees.

According to a media report[12], the first trainees under the training program arranged by supervising organizations are scheduled to arrive in Japan in September. A total of 15 trainees with at least six months of work experience in factories in India were chosen by the Confederation of Indian

Fig. 47 Number of Authorized Trainee Sending Organizations (2016)

(Number of technical internship trainees)
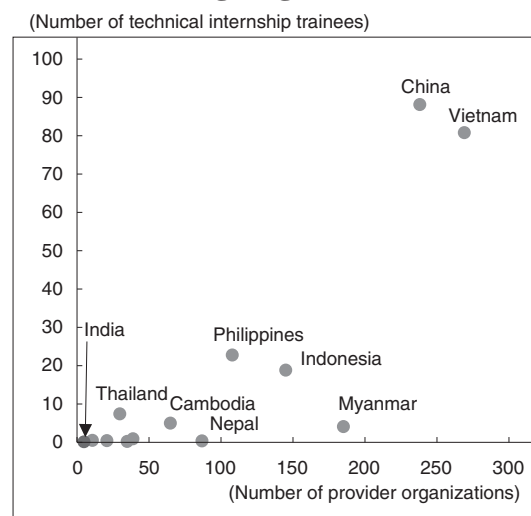
Source: Ministry of Justice, Japan International Training Cooperation Organization

Industry (CII).

They are receiving about 10,000-15,000 rupees per month in India, but they can earn more than four times that much in Japan if they are paid at least the minimum wage. The CII aims to increase the number of trainees to 10,000 in the future, but the CEO of the CII as expressed doubt about that goal, since Japanese companies are not ready to accept that number of Indian trainees.

(5) Ensuring healthy utilization of the TITP

Many issues have been reported that run counter to the original aims of the TITP, and both Japan and India need to take steps to ensure the sound development of the scheme in India.
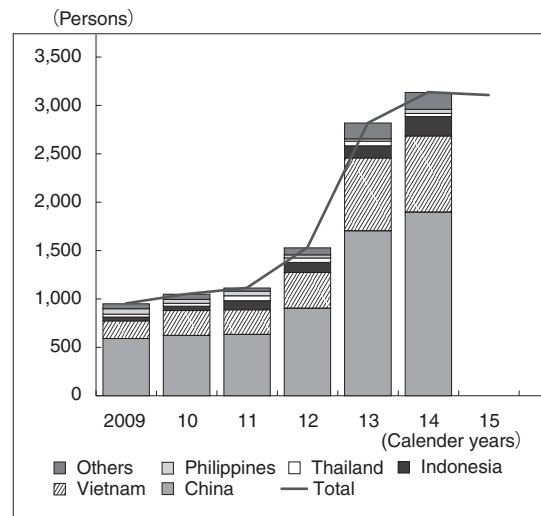
There has been an upward trend in TITP rule violations (Fig. 48). In 2016, more than 200 companies were reported for rule violations, including non-payment of appropriate wages, forgery of documents, and inappropriate use of nominees (Fig. 49). The industries with the highest incidence of issues are agriculture, fisheries, textiles and garment manufacturing, and construction. JITCO member companies reported that 3,110 trainees disappeared in 2015 (Fig. 50).

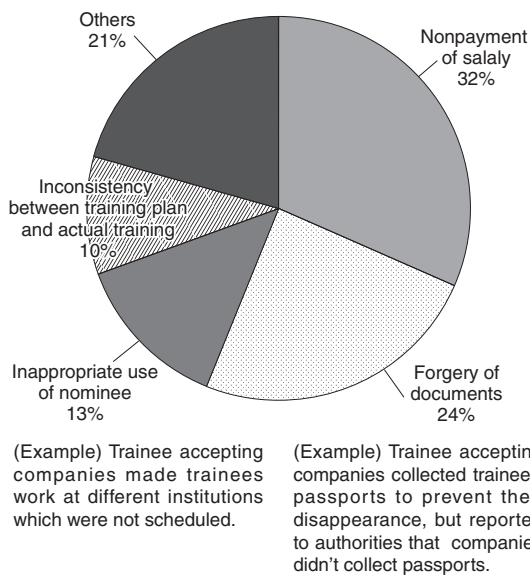## Fig. 48 Number of Organizations that Violated Rules

（Number of organizations）

Companies that directly accept trainees
Supervising organizations
Companies that accept trainees through supervising organizations

Source: Ministry of Justice

Fig. 49 Type of violation of rule in 2016

Others 21%

Nonpayment of salaly 32%

Inconsistency between training plan and actual training 10%

Inappropriate use of nominee 13%

Forgery of documents 24%

(Example) Trainee accepting companies made trainees work at different institutions which were not scheduled.

(Example) Trainee accepting companies collected trainees' passports to prevent their disappearance, but reported to authorities that companies didn't collect passports.

Source: Ministry of Justice

Japan's poor training environment for unskilled foreign trainees has been criticized by many foreign and multinational organizations, including the US in its "Trafficking in Persons Report". The number of TITP-related problems could continue to rise as the number of trainees increases under the new TITP, which will start next November. To deal with these issues, the government of Japan

Fig. 50 Number of Disappeared Trainees Reported to JITCO

（Persons）

Others   Philippines   Thailand   Indonesia
Vietnam   China   Total

Source: JITCO

passed a new law about the TITP in November 2016 and established the Organization for Technical Intern Training in January 2017.

To prevent TITP-related problems, Japan needs to strengthen its monitoring of both provider organizations in India and supervising organizations in Japan.

(6) Beyond TITP utilization

The recent increase in foreign trainees in Japan is evidence of a widening gap between the original aims of the TITP and the reality.

In principle, the aim of TITP is to contribute to economic development in developing countries through human resource development. The scheme is not intended as a mechanism for adjusting supply and demand in the domestic labor market. To achieve the original purpose of the scheme, trainees must return to their home countries after the completion of their TITP programs. In reality, however, many SMEs depend on the TITP as a source of cheap labor and expect foreign trainees to remain in Japan after their TITP programs.

To meet the labor needs of employers without changing the principles of the TITP, the govern-

ment is going to extend the maximum length of stay and expand the range of eligible industries under the new TITP. However, these policy moves will further widen the gap between the principles and reality. To narrow the gap, the current migration policy for unskilled workers and the TITP need to be reformed. One approach might be to relax the current regulations so that trainees working in specified industries that are suffering from labor shortages can stay in Japan for several years after they have completed their programs.

For example, to deal with temporary construction demand associated with the 2020 Olympics, the government is temporarily allowing trainees in the construction industry to stay in Japan under the "designated activities" visa category. Although the government is trying to deal with the labor shortage by utilizing domestic workers and increasing productivity, similar programs could be considered in response to continuing serious labor shortages in some job categories, such as security workers and care workers (Fig. 51).

Another approach would be to accept foreign workers in selected industries from selected countries under Economic Partnership Agreements (EPAs). At present Japan accepts foreign labor in the care sector under EPAs with Indonesia, the Philippines, and Vietnam. In relation to this issue, the Comprehensive Economic Partnership Agree-

ment (CEPA) signed by Japan and India in 2011 provides for negotiations between the two countries regarding the acceptance of qualified Indian nurses and certified care workers by Japan.

It should be noted that the impact on the government's fiscal balance and other non-economic aspects also needs to be taken into account when migration policy is discussed.

Concluding Remarks

A variety of specific challenges and policy recommendations were discussed in this article. The following should be highlighted again as key issues for the promotion of human exchange.

First, Japan's attractiveness should be promoted more through Cool Japan initiatives, since such efforts will help to boost the numbers of tourists, professionals, and students coming to Japan.

Second, there is a need for steady progress toward globalization by Japanese companies, universities, and tourism-related industries. English abilities will also need to be improved, since the language barrier is hampering the migration of talented Indian people to Japan.

Third, appropriate steps should be taken to ease entry regulations for Indian people, since visa requirements significantly impact on the choice of destinations for tourists, professionals, and stu-

Fig. 51 New Job Opening to New Application Ratios
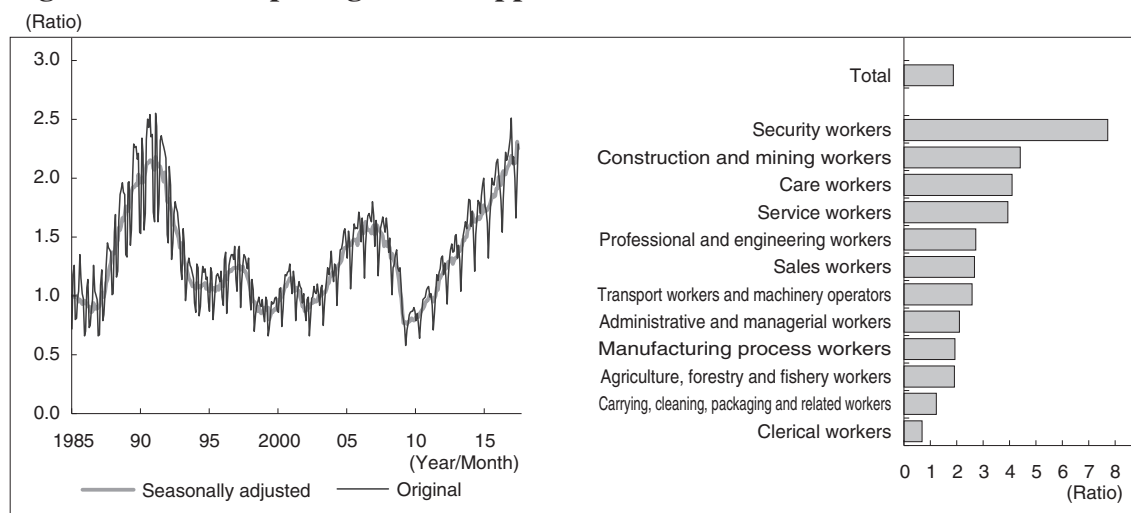
Source: Ministry of Health, Labor and Welfare

dents.

In addition to these factors, the Indian government needs to understand and support Japan's human exchange promotion initiatives in India.

This article focused mainly on human inflows from India to Japan, but flows in the opposite direction (from Japan to India) also need to be encouraged through the development of a more business/tourism/study-friendly environment in India.

End Notes

1. This research project was registered by the Ministry of Foreign Affairs as an initiative commemorating the "Year of Japan-India Friendly Exchange".

2. There is a statistical discrepancy between world international departures and world international arrivals. World international arrivals totaled 1.2 billion in 2015.

3. Although China and Hong Kong were the largest sources of international visitors, it should be noted that movements between these economies were counted as international departures and arrivals.

4. For example, despite the geographical distance and higher cost of visits, Switzerland is major destination for Indian tourists because many locations there have been used in Bollywood movies.

5. METI [2014] shows three targets for Cool Japan: overseas expansion of Japanese content, expansion of overseas bases for launching businesses, and attracting more foreign tourists.

6. Although some regional film commissions provide financial incentives, there are no nationwide general financial incentives.

7. Foreign residents made up 1.61% of Japan's total population in Japan 2015, compared with the OECD average of 10.04%

8. In August 2000, then Prime Minister Mori launched the "Japan-India IT cooperation plan" during his visit to India.

9. Cabinet Office [2015] defines a new society created by transformations led by scientific and technological innovations as "Society 5.0~, after (1) the hunter–gatherer society, (2) the agricultural society, the~ (3) industrial society, and (4) the information society. Key enablers include the development of IoT and AI, and the utilization of big data.

10. This article categorizes registered foreign residents with selected visa categories as highly-skilled foreign professionals. This may not be the best estimate, as foreign residents holding other categories of visas (such as permanent resident/long-term stay) could also be engaged in industries requiring very high levels of skills and expertise.

11. IIT Hyderabad is one of eight new IITs established under the Institute of Technology Act 2011. JICA has been supporting the development of IIT-Hs and research networking between Japan and India.

12. NNA 6th July 2016, *In kara nihon he hatsu no ginou jisshuusei 9 gatsu nimo 15 nin, ukeiresaki sentei isogu* [The first Technical Intern Trainees from India to Japan, 15 Trainees in September]

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