

# JAPAN TO OFFER INCENTIVES TO COMPANIES SHIFTING BASE FROM CHINA TO INDIA: REPORT

Relevant for: International Relations | Topic: India - Japan

The government has allocated 23.5 billion yen in 2020 supplemental budget for the subsidy to encourage companies to disperse their manufacturing sites across ASEAN region.

Japanese manufacturers will now be eligible for subsidies if they shift production out of China to India or Bangladesh, in an expansion of a government program aimed at diversifying the country's supply chains.

By expanding the scope of the subsidy programme, Japan aims to reduce its dependence on a particular region and to build a system which is able to provide a stable supply of medical materials and electronic components even in an emergency, reports Nikkei Asian Review.

The government has allocated 23.5 billion yen (\$221 million) in 2020 supplemental budget for the subsidy to encourage companies to disperse their manufacturing sites across ASEAN region.

In conjunction with the second round of applications which began on September 3, projects that will contribute to the resilience of the ASEAN-Japan supply chain were added to the list, assuming relocation plans to India and Bangladesh.

The second round of application targets feasibility studies on decentralising manufacturing sites, the experimental introduction of facilities and implementation of model projects. The total amount of subsidies which will be provided is reported to reach several billion yen, said Nikkei.

The supply chain of Japanese companies currently heavily relies on China. During the COVID-19 pandemic, the supplies were cut off.

In the first round of application which closed in June, the Japanese government approved 30 manufacturing projects, including Hoya's manufacturing of electronic components project in Vietnam and Laos, and provided subsidies of 10 billion yen.

*Inputs from agencies*

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