

Editorial of the Day – 02.10.2025

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1. India-Japan Partnership – Synergies, Challenges, and Future Prospects

GS Paper 2 – International Relations. **Topic** – Bilateral, regional and global groupings and agreements involving India and/or affecting India's interests.

Sub-topic – India-Japan Relations.

1. Introduction – A Partnership of Complementary Contrasts

The India-Japan "Special Strategic and Global Partnership" is set for a significant upgrade, underscored by Japan's target of investing 10 trillion yen (about ₹60,000 crore) in India over the next decade. Despite being studies in contrast—India being large, developing, and diverse, while Japan is small, developed, and homogenous—the two nations complement each other exceptionally well. The partnership is built on three key synergies – complementary demographics, a conflict-free history, and aligned geopolitical interests, particularly concerning the rise of China.

2. The Three Core Synergies Driving the Relationship

Diametrically Opposite Demographics – This is the primary economic synergy.

Japan – An aging economy (median age ~50 years) with a shrinking working-age population (59%). It is capital-rich and technology-intensive, with a high degree of automation (e.g., 1,531 robots per 10,000 employees in the auto industry).

India – A young nation (median age <30 years) with a stable and large working-age population (68%). It is labor-abundant and has vast land resources.

The Opportunity – This creates a perfect match where Japanese capital and technology can be combined with India's large workforce to create world-class manufacturing hubs.

A Harmonious History and Political Trust – The relationship is unburdened by any historical conflict or territorial disputes, making political negotiations smoother. Japanese brands like Sony and Mitsubishi are well-respected in India for their quality. The Maruti-Suzuki partnership stands as a landmark example of successful collaboration.

Geopolitical and Strategic Alignment –

The China Factor – A key driver is the shared goal of reducing economic and strategic dependence on China. Both nations run significant trade deficits with China (Japan – \$46.5 billion; India – \$99.2 billion in 2024-25).

The Quad – Both are active members of the Quadrilateral Security Dialogue (Quad) along with the US and Australia, working towards a peaceful and stable Indo-Pacific.

3. Challenges – Why Japanese FDI in India Underperforms

Despite the strong potential, Japanese Foreign Direct Investment (FDI) into India has stagnated and remains significantly lower than in other regions.

Underwhelming FDI Figures – In the post-pandemic years (2022-24), India received a fraction of the Japanese FDI that went to ASEAN nations. For example, in 2024, India received \$5.3 billion compared to the \$28.7 billion invested in ASEAN.

Supply Chain and Quality Issues – A 2025 JETRO survey revealed that 76.4% of Japanese firms in India cited the "absence of suppliers that meet the quality and technical capabilities requirement" as a major problem. These firms rely heavily on Chinese inputs, and India's anti-dumping investigations against Chinese imports create sourcing uncertainty and increase costs.

Regulatory Hurdles – The Press Note 3 regulation (April 2020), which mandates government approval for investments from countries sharing a land border with India, has inadvertently affected Japanese firms. Japanese companies with any Chinese equity holdings or beneficial interest (e.g., as sourcing partners)

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face delays and are less likely to receive regulatory clearance, pushing them towards more open economies like those in ASEAN.

Future Avenues for Deepening Cooperation

The current global situation offers a prime opportunity to overcome these challenges and expand collaboration into new, critical areas.

Critical and Emerging Technologies -

Semiconductors - This is a key area of collaboration. Japan is a leader in manufacturing equipment and materials, while India needs capital and technology. This partnership can address Japan's labor shortage with India's pool of engineers.

Examples - Tata Electronics is partnering with Tokyo Electron for equipment and training, while Japanese chipmaker Renesas Electronics is working with the Indian government to skill engineering students. Other areas include Artificial Intelligence (AI), digital public infrastructure, and cybersecurity.

Integration in the Banking and Financial Sector -

Japanese megabanks are looking to expand into high-growth markets like India.

The landmark deal allowing Sumitomo Mitsui Banking Corp. (SMBC) to acquire a stake in Yes Bank sets a major precedent for foreign investment in India's banking sector.

This can inject much-needed capital, fintech expertise, and global governance standards into Indian banking.

5. Conclusion - Translating Potential into Reality

The India-Japan relationship is at an inflection point, with complementary interests and aligned geopolitical goals creating a historic opportunity. While high-level assurances are promising, the real challenge lies in addressing the on-ground issues of supply chain quality and regulatory hurdles. If these can be effectively resolved, the partnership has the potential to translate into transformative investment, job creation, and strategic depth, significantly benefiting both nations and contributing to stability in the Indo-Pacific.

2. Tamil Nadu's Startup Revolution - A Case Study in Inclusive Innovation

GS Paper 3 - Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment. **Topic** - Government Policies and Interventions for Development in various sectors.

Sub-topics - Startup Ecosystem, Inclusive Growth, Role of State Governments in Economic Development, Industrial Policy. **Relevance** - This article serves as an excellent case study on how a state government can systematically build a thriving, inclusive startup ecosystem.

1. Introduction - From Manufacturing Hub to Startup Leader

Tamil Nadu, traditionally known for its manufacturing excellence, has engineered a remarkable transformation into a leading startup hub in India. This success is not accidental but the result of a deliberate, systems-based strategy that has seen the state's DPIIT-registered startups grow six-fold in just four years (from 2,032 to over 12,100). This has propelled Tamil Nadu from an 'Emerging State' to a 'Best Performer' in the national States' Startup Ranking 2022. The state's vision is to nurture startups from being petitioners for opportunity to becoming partners in the state's growth, as exemplified by the journey of Torus Robotics.

2. The Three-Pillar Strategy for Building the Ecosystem

Tamil Nadu's success is anchored in a comprehensive three-pillar strategy implemented by its nodal agency, StartupTN.

Pillar 1 - State Capital as a Strategic Catalyst - The state uses its capital not just for funding but to strategically de-risk early-stage ventures and attract private investment.

Tamil Nadu Startup Seed Grant Fund (TANSEED) - Provides equity-free seed grants of ₹10 lakh to early-stage startups, with an enhanced grant of ₹15 lakh for women-led, green-tech, and rural ventures. This

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modest seed support has shown a 28X multiplier effect, with state funding of ₹18.79 crore attracting over ₹537 crore in further investments.

Frontier Sector Funds – Targeted funds like the Tamil Nadu Space Tech Fund (₹10 crore) offer milestone-based assistance to boost innovation in high-potential sectors.

Pillar 2 – Inclusion as a Core Strategy, Not Charity – Inclusion is woven into the architecture of the state's startup policy to ensure equitable growth.

Social Justice Initiatives – The Scheduled Castes and Scheduled Tribes (SC/ST) Startup Fund (corpus enhanced to ₹50 crore) provides equity investments to level the playing field. This is complemented by the Periyar Social Justice Venture Lab, an accelerator for social enterprises from these communities.

Gender Parity – Thozhili bootcamps are conducted across the state to equip and support women entrepreneurs. Notably, 50% of all registered startups in the state are women-led.

Support for Marginalized Groups – Special Seed Grant Funds and structured mentorship are provided for physically challenged and transgender founders.

Rural Innovation – The Gramam Thorum Puthozhil (Establishing Start-ups in Villages) scheme aims to establish 100 startups in 100 villages, promoting decentralised entrepreneurship.

Pillar 3 – Building a Decentralised and Connected Ecosystem – The state has built physical and digital infrastructure to ensure that opportunities are not confined to a single city.

Physical Infrastructure – Ten regional startup hubs (in cities like Madurai, Tirunelveli, Erode) and 100 Pre-Incubation Centres in Tier-II/III/IV institutions have been established to bring infrastructure, mentors, and markets closer to entrepreneurs across the state.

Digital Rails –

1. **MentorTN** – A digital platform with over 320 mentors that has facilitated more than 1,120 hours of mentoring.
2. **TANFUND** – A portal connecting startups to over 300 investors, which has facilitated the raising of **₹127.09 crore** so far.

Academia-Industry Connect – StartupTN partners with the state's flagship skilling program, Naan Mudhalvan, to guide student projects from hackathons into commercially viable startups.

3. Ecosystem Enablers and Support Tools

Beyond the three pillars, several tools have been introduced to reduce friction for early-stage founders.

StartupTN Smart Card – Offers subsidised access to essential software and services.

Bilingual Call Centre – Provides crucial information in both Tamil and English.

BrandLabs – A course to help founders build strong brands.

Corporate Innovation Initiative – An open innovation portal connecting startups with large corporations like Bosch, Hero MotoCorp, and Daimler to solve real-world industry challenges.

4. The Way Forward – Tamil Nadu Global Startup Summit (TNGSS) 2025

To cement its position as a global startup destination, the state is hosting the TNGSS 2025 in Coimbatore (October 9-10, 2025). This summit aims to bring together over 30,000 global and domestic stakeholders. Key features include a first-of-its-kind AI-enabled matchmaking app to facilitate connections and inclusive infrastructure like crèches and feeding rooms to ensure a welcoming environment for all participants.

5. Conclusion

Tamil Nadu's journey to becoming a top-performing startup state demonstrates the power of a systematic, mission-driven approach. The state did not inherit a thriving startup engine; it built one by revitalizing its nodal agency, expanding its reach statewide, and making inclusion the very architecture of its growth model. By creating accessible and interconnected "rails of mentors, markets, and money,"

