India-Japan Bilateral Economic Linkages and the CEPA

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Introduction

Bilateral Economic Linkages: Present Status

Bilateral CEPA

Summing up
Bilateral Economic Linkages(I)

- Trade relations have strengthened

![India-Japan Trade Dynamics](chart.png)
Mutual Importance in Trade
- Present levels
- Change in importance over time

Implication: Overall trade dynamism hides some of the nuances at the disaggregated level data analysis in a time-series setting
### SHARE OF TOP INVESTING COUNTRIES FDI EQUITY INFLOWS:

<table>
<thead>
<tr>
<th>Ranks</th>
<th>Country</th>
<th>2009-10 (April-March)</th>
<th>2010-11 (April-March)</th>
<th>2011-12 (for April 2011)</th>
<th>Cumulative Inflows (April ’00 - April ’11)</th>
<th>%age to total Inflows</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>MAURITIUS</td>
<td>49633</td>
<td>31855</td>
<td>4332</td>
<td>247092</td>
<td>42</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(10376)</td>
<td>(6987)</td>
<td>(976)</td>
<td>(55203)</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>SINGAPORE</td>
<td>11295</td>
<td>7730</td>
<td>5214</td>
<td>58090</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2379)</td>
<td>(1705)</td>
<td>(1175)</td>
<td>(13070)</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>U.S.A.</td>
<td>9230</td>
<td>5353</td>
<td>356</td>
<td>42898</td>
<td>7</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(1943)</td>
<td>(1170)</td>
<td>(80)</td>
<td>(9529)</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>U.K.</td>
<td>3094</td>
<td>3434</td>
<td>19</td>
<td>29451</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(657)</td>
<td>(755)</td>
<td>(4)</td>
<td>(6643)</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>NETHERLANDS</td>
<td>4283</td>
<td>5501</td>
<td>172</td>
<td>25799</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(899)</td>
<td>(1213)</td>
<td>(39)</td>
<td>(5739)</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>JAPAN</td>
<td>5670</td>
<td>7063</td>
<td>1043</td>
<td>25001</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(1183)</td>
<td>(1562)</td>
<td>(235)</td>
<td>(5511)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>TOTAL FDI INFLOWS</td>
<td>123120</td>
<td>88520</td>
<td>13846</td>
<td>594569</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td></td>
<td>(25834)</td>
<td>(19427)</td>
<td>(3121)</td>
<td>(132837)</td>
<td></td>
</tr>
</tbody>
</table>

**Source**: Based on GOI, DIPP (2011)
### Major Japanese FDI Projects in India

<table>
<thead>
<tr>
<th>Project</th>
<th>Investment (US$ million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maruti-Suzuki</td>
<td>2564</td>
</tr>
<tr>
<td>Toyota Motor Corporation</td>
<td>385</td>
</tr>
<tr>
<td>MCC PTA</td>
<td>364</td>
</tr>
<tr>
<td>Nissan Motor</td>
<td>231</td>
</tr>
<tr>
<td>Honda Siel Cars</td>
<td>175</td>
</tr>
<tr>
<td>Asahi India Glass</td>
<td>111</td>
</tr>
</tbody>
</table>

**Source:** Embassy of Japan in India  [http://www.in.emb-japan.go.jp/Japan-India-Relations/JapanActiveEngagement2007.html](http://www.in.emb-japan.go.jp/Japan-India-Relations/JapanActiveEngagement2007.html)
Bilateral Economic Linkages (V)

Not limited to trade and investment cooperation alone

Currency swap arrangement to the tune of US$15 billion

Bilateral Loan, Grant Aid and Technical Cooperation assistance through JICA

- By 2010, fifty eight projects under implementation
- Loan amount USD 15 billion (i.e. Yen 1109.781 billion)
- Cumulative Japanese ODA loan commitment USD 41 billion (i.e. Yen 3118.42 billion (2010)).
- Priority sectors: Infrastructure sector like Power, Roads, Bridges, Water Supply and Sanitation, Urban Transport and Environment; and Forest
Bilateral CEPA (I)

JSG 2005-2006: August 2011

Trade in Goods

- Tariff Liberalization Commitments
  - India:
    - substantial trade coverage (85%)
    - 69% under category B10 (7081)
    - 10% under category B5 (469)
    - 6% under category A (2066)
    - Negative list 15 % (1473)
  - Japan:
    - substantial trade coverage (99.5%)
    - 95% under category A (1227)
    - 4% under category B10 (74)
    - Negative list 0.5% (120)
Bilateral CEPA (II)

ROO

- India’s exports
  - 62% covered by CTSH+35%
  - 20% covered by wholly obtained
  - 18% covered by PSRs

- Japan’s exports
  - 66% covered by CTSH+35%
  - 1% covered by wholly obtained
  - 33% covered by PSRs
Bilateral CEPA (III)

Trade in Services Concessions by Japan

- Contractual Service Suppliers (CSS)
- Independent Professionals (IPs): Accounting, R&D Services, Tourist Guide, Market Research; and Management Consultation
- Computer engineers /other engineering services: mechanical, electrical, construction, industrial, design engineers and various types of project engineers
- Additional category of “instructors” for Indian Yoga Practitioners, Indian Classical Music and Dance Practitioners, Indian Cuisine (Chefs) and English Language teachers to give on-shore services. Chefs mobility allowed in the category of skilled labour.
- Substantial market access under Mode1 (cross border supply): Negotiations for a Social Security Agreement in three years and also for creating opening for Indian nurses and caregivers (FICCI, 2011).
Bilateral CEPA (IV)

Investment commitments by India

- Telecom
- Financial
- Distribution
- Infrastructure
  - Western Dedicated Freight Corridor (DFC) which runs through the Delhi-Mumbai Industrial Corridor (DMIC): US $ 9 bn.
  - High speed railway system
  - Energy/ environment -friendly technology
  - CADP / ERIA
  - Literature: Determinants of Japanese FDI
Bilateral CEPA (V)

Investment Protection

- Article 88 Access to the Courts of Justice
- Article 89 Prohibition of Performance Requirements
- Article 90 Reservations and Exceptions
- Article 91 Special Formalities and Information Requirements
- Article 92 Expropriation and Compensation
- Article 93 Protection from Strife
- Article 94 Transfers
- Article 95 Subrogation
- Article 96 Settlement of Investment Disputes between a Party and an Investor of the Other Party
- Article 97 Temporary Safeguard Measures
- Article 98 Prudential Measures
- Article 99 Environmental Measures
Summing up

- CEPA has addressed the current levels of bilateral economic linkages
- Trade in goods: attempt to correct for the asymmetric relations
- ROO: easy to understand and implement
- Sensitivities safeguarded
- Trade in services: Japanese opening – India’s exports should grow / MRAs/ Social Security
- Investment: strong protection provisions, potential to scale up Japanese FDI
- Model Template for broader regional architecture
Thank You