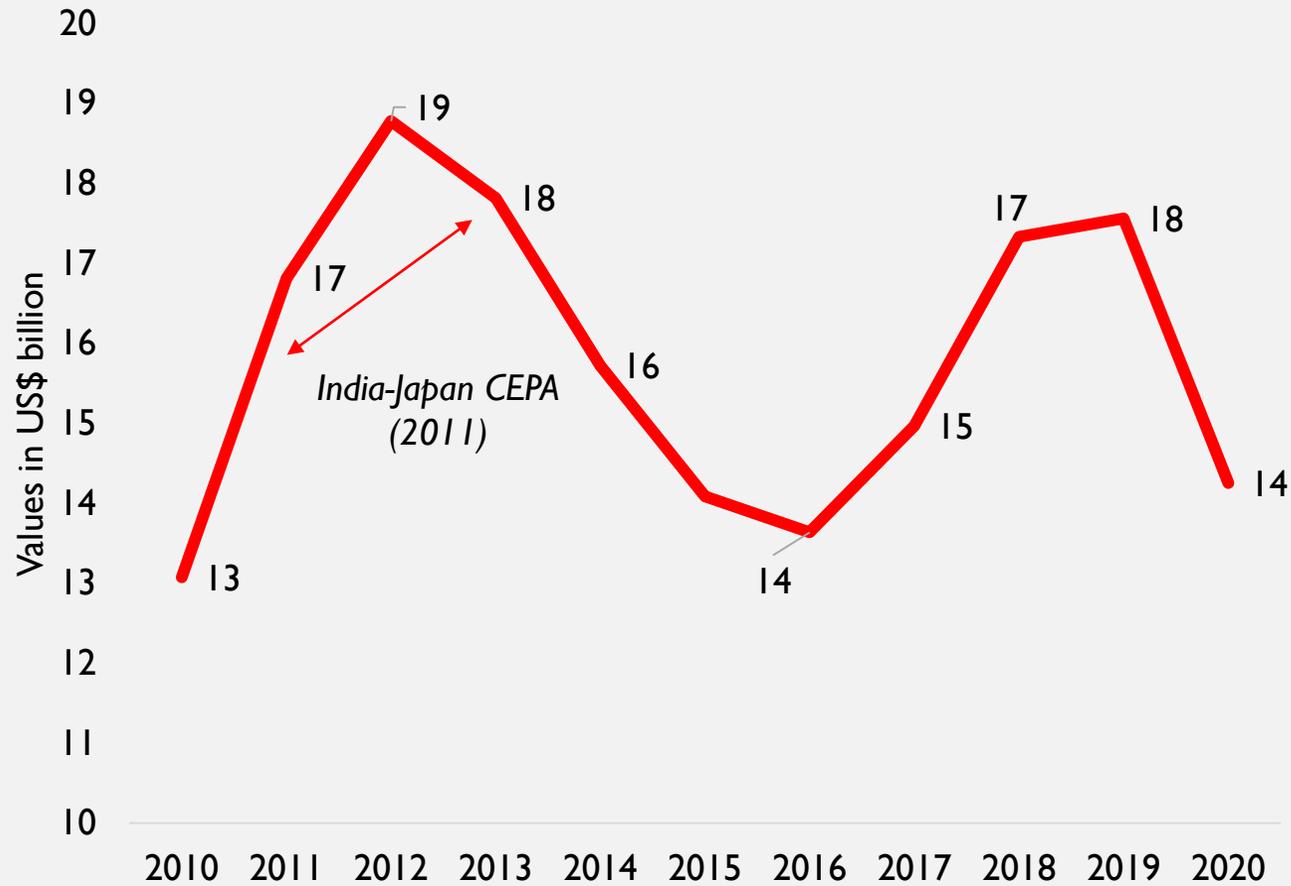


# INDIA-JAPAN TRADE & FDI

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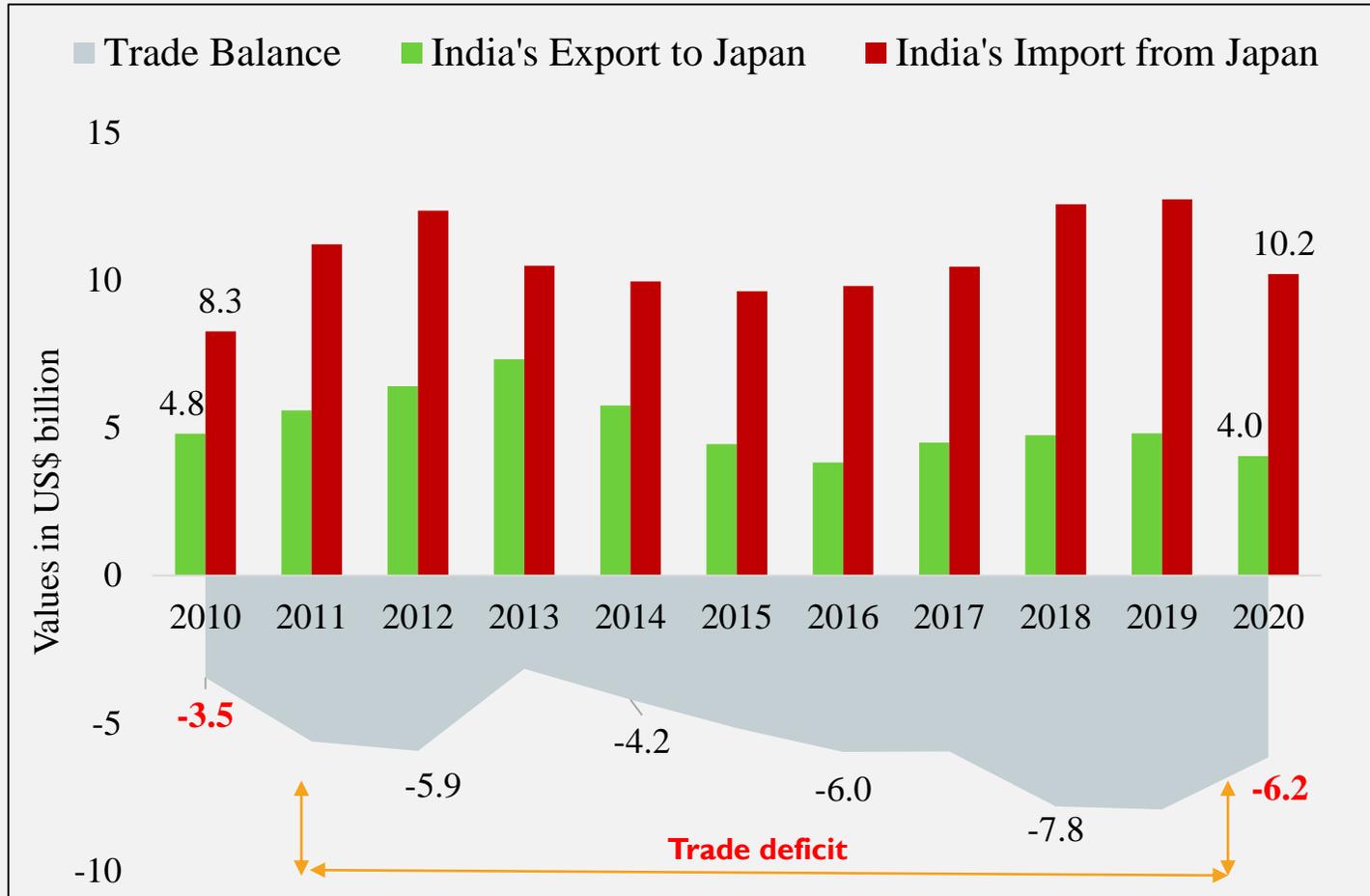
# INDIA & JAPAN'S TOTAL TRADE

India & Japan - Total Trade



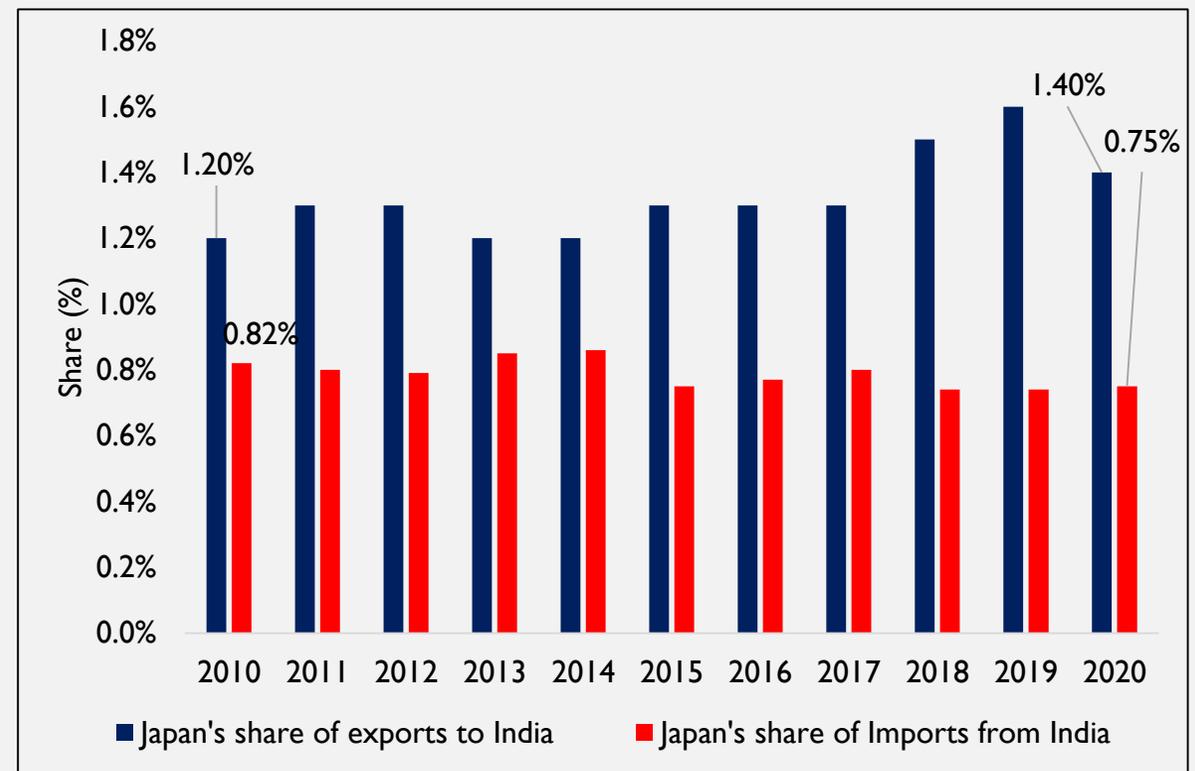
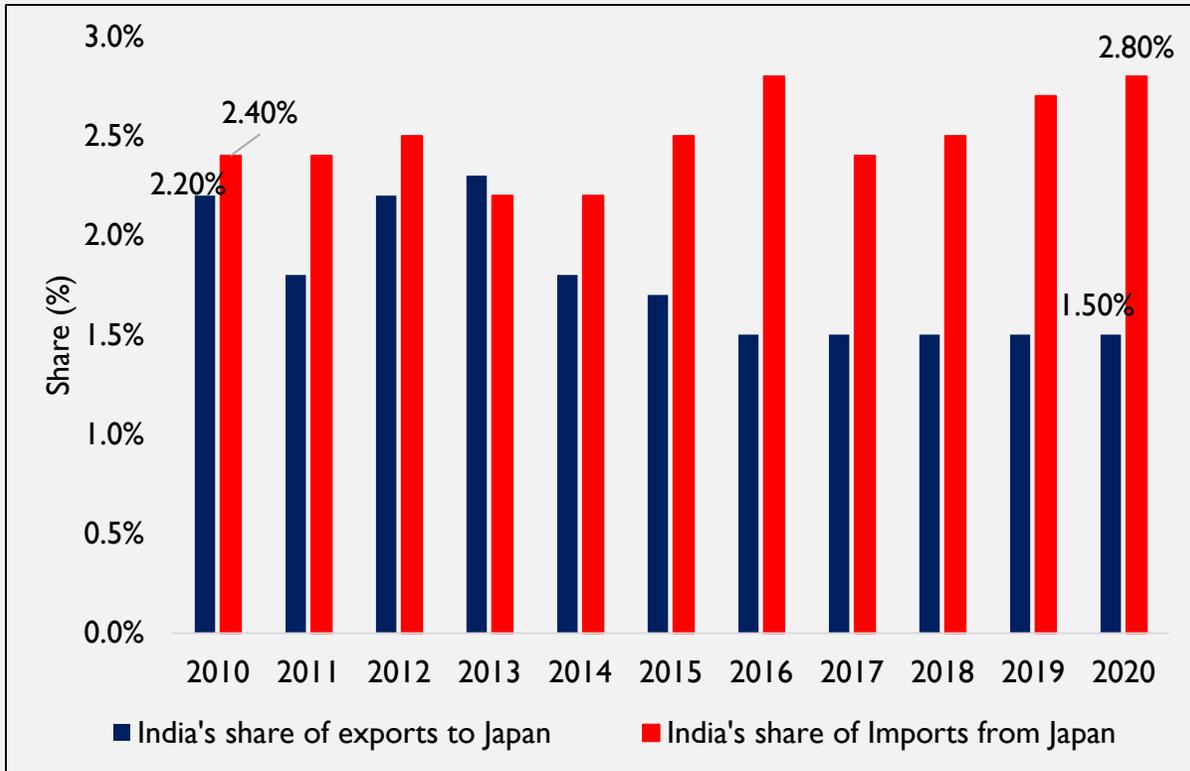
- Since India & Japan signed CEPA in 2011, the **total trade has shown a fluctuating pattern**
- Total trade peaked in 2012 at US\$19 billion and stood at US\$14 billion in 2020

# INDIA'S TRADE BALANCE WITH JAPAN



- Over the last 10 years India's trade deficit with Japan has been high and peaked in 2018 at US\$ 7.8 billion.
- However, during this time period (2010-2020), India's exports to Japan averaged US\$ 5 billion and imports averaged US\$ 11 billion.

# IMPORTANCE OF INDIA-JAPAN BILATERAL TRADE IN THEIR WORLD TRADE



- **Share of bilateral exports and imports in each countries' export/import trade with the world was higher for India than for Japan.**

The remaining presentation will focus on the following issues:

- How can India increase its market access into Japan?
- How can Japan increase its FDI inflows to strengthen the trade-FDI linkage?
- How can new supply chains be forged for greater supply chain resilience?

# INDIA'S TOP EXPORT PRODUCTS TO JAPAN

| HS 2-digit | Product Name                                | Exports in 2020 (US\$ million) | Share in 2020 (%) | Exports in 2015 (US\$ million) | Share in 2015 (%) |
|------------|---|--------------------------------|-------------------|--------------------------------|-------------------|
| 29         | Organic chemicals                           | 566                            | 14.0%             | 366                            | 8.2%              |
| 3          | Fish and crustaceans                        | 380                            | 9.4%              | 387                            | 8.7%              |
| 27         | Mineral fuels etc                           | 349                            | 8.6%              | 967                            | 21.7%             |
| 71         | Precious/ semi-precious stones/metals       | 340                            | 8.4%              | 248                            | 5.6%              |
| 84         | Machinery, nuclear reactors, boilers; parts | 284                            | 7.0%              | 215                            | 4.8%              |
|            |   |                                |                   |                                |                   |

# TOP 10 EXPORT PRODUCTS AT HS 6-DIGIT

| HS 6-digit | India's Exports to Japan in 2020                                 | Share in Total Exports to Japan (%) |
|------------|--|-------------------------------------|
| 271012     | Light oils and preparations, of petroleum or bituminous minerals | <b>8.6%</b>                         |
| 30617      | Frozen shrimps and prawns, even smoked                           | <b>7.6%</b>                         |
| 710239     | Diamonds, worked, but not mounted or set                         | <b>6.3%</b>                         |
| 260111     | Non-agglomerated iron ores and concentrates                      | <b>4.4%</b>                         |
| 380893     | Herbicides, anti-sprouting products and plant-growth regulators  | <b>2.2%</b>                         |
| 720230     | Ferro-silico-manganese   | <b>2.0%</b>                         |
| 760110     | Aluminium, not alloyed, unwrought                                | <b>1.9%</b>                         |
| 30499      | Frozen fish meat n.e.s. (excluding fillets)                      | <b>1.6%</b>                         |
| 300490     | Medicaments consisting of mixed or unmixed products              | <b>1.6%</b>                         |
| 840681     | Steam and other vapor turbines                                   | <b>1.4%</b>                         |

# INCREASING INDIA'S MARKET ACCESS INTO JAPAN: AN APPROACH

- There is a large untapped export potential
- Addressing barriers to trade in items that have a large export potential can help India improve its market access into the Japan.
- Method for calculating trade potential for each item at a 6 digit level of disaggregation
- ***Trade Potential = Minimum of (Value of India's Exports to World, Value of Japan's Imports from World) – India's Current Exports to Japan***
- Identify those items which are globally competitive i.e which have a Revealed Comparative Advantage (RCA)  $> 1$
- Data Sources: *World Integrated Trade Solutions (WITS), UNCTAD TRAINS Database on NTMs*

# INDIA'S MARKET ACCESS IN JAPAN

| HS 6-digit | Product Description   | Potential Export to Japan (US\$ million) in 2020 | India's X Japan (US\$ million) in 2020 | Japan's Tariff %(CEPA) | Non-Tariff Barrier/Regulation Title  |
|------------|---|--|--|------------------------|--|
| 300490     | Medicaments; consisting of mixed or unmixed products  | 1,3996   | 63                                     | 0                      | <b>TBT:</b> Pharmaceutical and Medical Device (PMD) Act  |
| 271012     | Petroleum oils and oils from bituminous minerals, not containing biodiesel, not crude, not waste oils (light oil)                   | 8,106  | 348                                    | 0.2                    | <b>TBT:</b> Ordinance on the Act on the Quality Control of Gasoline and Other Fuels  |
| 260111     | Iron ores and concentrates; non-agglomerated  | 2,215  | 176                                    | 0                      | NA   |
| 760110     | Aluminium; unwrought, (not alloyed)   | 2,011  | 78                                     | 0                      | NA   |
| 271019     | Petroleum oils and oils from bituminous minerals, not containing biodiesel, not crude, not waste oils (non-light oil)               | 1,897  | 1                                      | 0.3                    | <b>TBT:</b> Civil Aeronautics Act<br><b>Tax Charges:</b> Act on Collection, etc. of Domestic Consumption Tax on Imported Goods                           |
| 711319     | Jewellery; of precious metal (excluding silver) with precious metal, and parts thereof  | 1,412  | 11                                     | 0.4                    | NA   |
| 841112     | Turbo-jets; of a thrust exceeding 25kN  | 1,378  | 31                                     |                        | <b>TBT:</b> Law for the Control of Export, Import, & Others of Specified Hazardous Wastes and Other Wastes, Act No. 108 of December 16, 1992             |
| 20230      | Meat; of bovine animals, boneless cuts, frozen  | 1,375  |  |                        | <b>SPS:</b> Standards of food, additives etc.  |
| 610910     | T-shirts, singlets and other vests; of cotton, knitted or crocheted   | 1,201  | 18                                     | 0                      | NA   |
| 870322     | Vehicles; with only spark-ignition internal combustion reciprocating piston engine, cylinder capacity over 1000 but not over 1500cc | 1,180  | 3                                      | 0                      | <b>TBT:</b> Ordinance to establish standards for passenger facilities, and vehicle structure and equipment that are necessary to facilitate the movement |

Source: UNCTAD TRAINS Database on NTMs; Potential Calculation: ICRIER Staff

# INDIA-JAPAN FDI FLOWS

# INDIA'S FDI INFLOWS FROM JAPAN

| Year                       | Total FDI equity inflows<br>(US\$ million) |
|----------------------------|--|
| 2010                       | 1,295                                      |
| 2011                       | 3,058                                      |
| 2012                       | 1,909                                      |
| 2013                       | 1,420                                      |
| 2014                       | 2,335                                      |
| 2015                       | 1,739                                      |
| <b>2016</b>                | <b>5,781</b>                               |
| 2017                       | 1,745                                      |
| 2018                       | 2,558                                      |
| 2019                       | 3,561                                      |
| 2020                       | 1,445                                      |
| 2021 (till September 2021) | 1,726                                      |

- The foreign direct investment (FDI) inflows increased from US\$1,295 million in 2010 and stood at US\$1,445 million in 2020.
- In the year 2021 (till September 2021), the FDI inflow was US\$1,726 million.
- During the time period under consideration, the highest FDI inflow, US\$5,781.17 million, from Japan was recorded in 2016.

Source: FDI Synopsis on Country Japan (As on 31.12.2020), Department for Promotion of Industry and Internal Trade (DPIIT); FDI Newsletter VOL. XXX No. 2 - October, 2021, Department for Promotion of Industry and Internal Trade (DPIIT)

## INDIA'S INDUSTRY-WISE FDI INFLOWS FROM JAPAN (FROM JANUARY 2000 TO DECEMBER 2020)

| Sector                    | Industry-wise FDI Equity Inflows (US\$ million) | Share in FDI equity inflows from Japan (%) |
|---------------------------|---|--|
| Automobile Industry       | 6,736   | 19.5                                       |
| Services Sector*          | 5,177   | 15.0                                       |
| Drugs and Pharmaceuticals | 4,470   | 12.9                                       |
| Metallurgical Industries  | 2,707   | 7.8  |
| Telecommunications        | 2,286   | 6.6  |
| <b>Aggregate</b>          | <b>21,378</b>                                   | <b>61.9</b>                                |

Source: FDI Synopsis on Country Japan (As on 31.12.2020), Department for Promotion of Industry and Internal Trade (DPIIT)

\*Services sector includes Financial, Banking, Insurance, Non-Financial / Business, Outsourcing, R&D, Courier, Tech. Testing and Analysis

- During the time period under consideration, the automobile industry accounted for the highest share, 19.47 per cent, in FDI equity inflows from Japan.
- The five sectors, Automobile Industry, Services Sector, Drugs and Pharmaceuticals, Metallurgical Industries, and Telecommunications, accounted for 61.9 per cent of the FDI equity inflows from Japan.

# INCENTIVISING FDI: PLI SCHEME IN INDIA

## 13 Sectors covered under the PLI scheme

Mobile Manufacturing and Specified Electronic Components (Large Scale Electronics Manufacturing)

Active Pharmaceutical Ingredients

Manufacturing of Medical Devices

Advance Chemistry Cell (ACC) Battery Manufacturing

Electronic/Technology Products

Automobile and Auto Components

Pharmaceuticals

Telecom Products

Textiles

Food Processing

Solar PV manufacturing

White Goods

Steel Products

The ***Production-Linked Incentive (PLI) scheme*** aims to provide incentives to companies on incremental sales over the base year, FY 2020-21, of products manufactured in domestic units

➤ ***Outlay of 1.97 Lakh Crores:***

A total of ***13 sectors*** are currently covered under the scheme with an outlay of ***INR 1.97 Lakh Crores***

➤ ***4-6 percent incentive:***

The scheme shall extend an incentive of ***4 percent to 6 percent on incremental sales*** (over base year) of goods manufactured in India.

➤ ***Inviting foreign companies to invest:***

The objective of the scheme is ***also to invite foreign companies to set up units in India*** and encourage the local companies to set up or expand existing manufacturing units

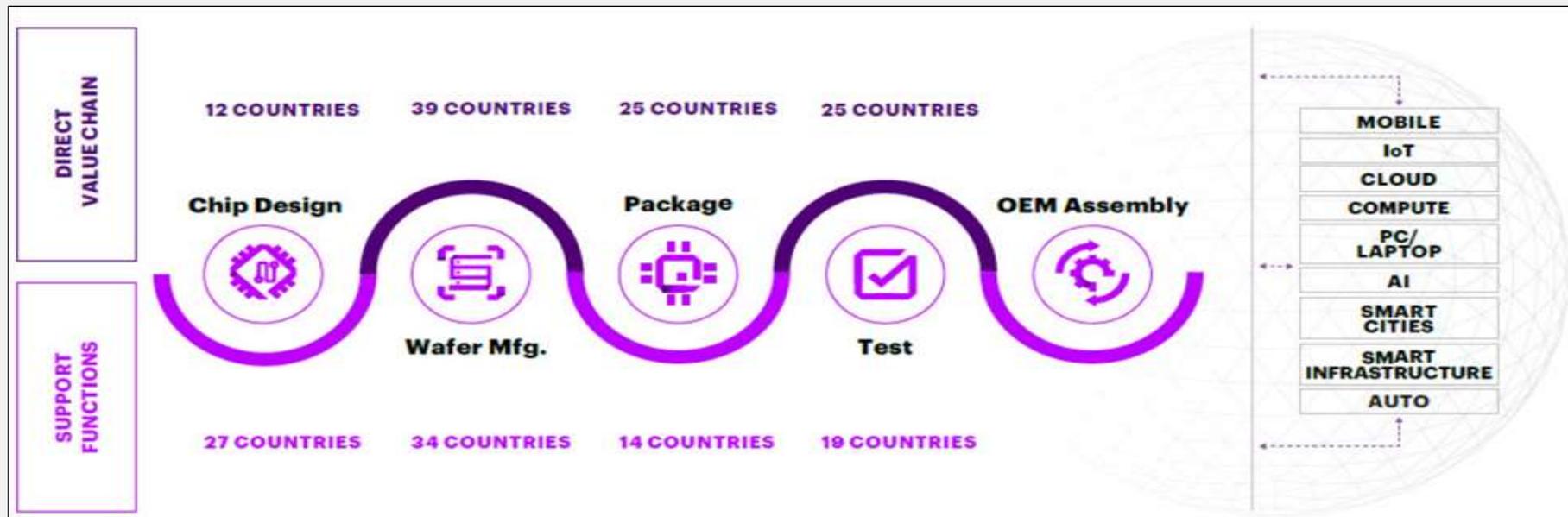
## ITEMS WITH HIGH EXPORT POTENTIAL COVERED UNDER PLI SCHEME

| HS 6-digit | Product Description   | Potential Export to Japan (US\$ million) in 2020 | India's X Japan (US\$ million) in 2020 |
|------------|---|--|--|
| 300490     | Medicaments; consisting of mixed or unmixed products  | 13996  | 63                                     |
| 841112     | Turbo-jets engines; of a thrust exceeding 25kN  | 1378   | 31                                     |
| 870322     | Vehicles; with only spark-ignition internal combustion reciprocating piston engine, cylinder capacity over 1000 but not over 1500cc | 1180   | 3                                      |
| 630532     | Sacks and bags; of a kind used for the packing of goods, of man-made textile materials, flexible intermediate bulk containers       | 451  | 6                                      |
| 30389      | Fish; frozen, n.e.c. in heading 0303, excluding fillets, fish meat of 0304, and edible fish offal of subheadings 0303.91 to 0303.99 | 265  |  |
| 732393     | Steel, stainless; table, kitchen and other household articles and parts thereof   | 207  | 1                                      |

# SUPPLY CHAIN RESILIENCE

- Global Supply Chain Resilience the new buzz word.
- *Supply Chain Resilience Initiative (SCRI)*, launched in April 2021 by the three Indo-Pacific economies – India, Japan and Australia.
- Bilateral cooperation in this regard once again underlined at the Annual Summit meeting between PM Modi and PM Kishida over the weekend.
- But India has opted out of RCEP for the moment.
- Without economic efficiency the attempts to build new supply chains will be frustrating.
- Need of the hour – broaden the bilateral dialogue starting with India-Japan-ASEAN Dialogue.

## Number of Countries Participating in Various Phases of Semiconductor Manufacturing Activity



Source: *Globality and Complexity of the Semiconductor Ecosystem* [https://www.accenture.com/\\_acnmedia/PDF-1/19/Accenture-Globality-and-Complexity-Semiconductor-POV.pdf](https://www.accenture.com/_acnmedia/PDF-1/19/Accenture-Globality-and-Complexity-Semiconductor-POV.pdf)

THANK YOU!!!