

India-Japan Bilateral Economic Linkages and the CEPA

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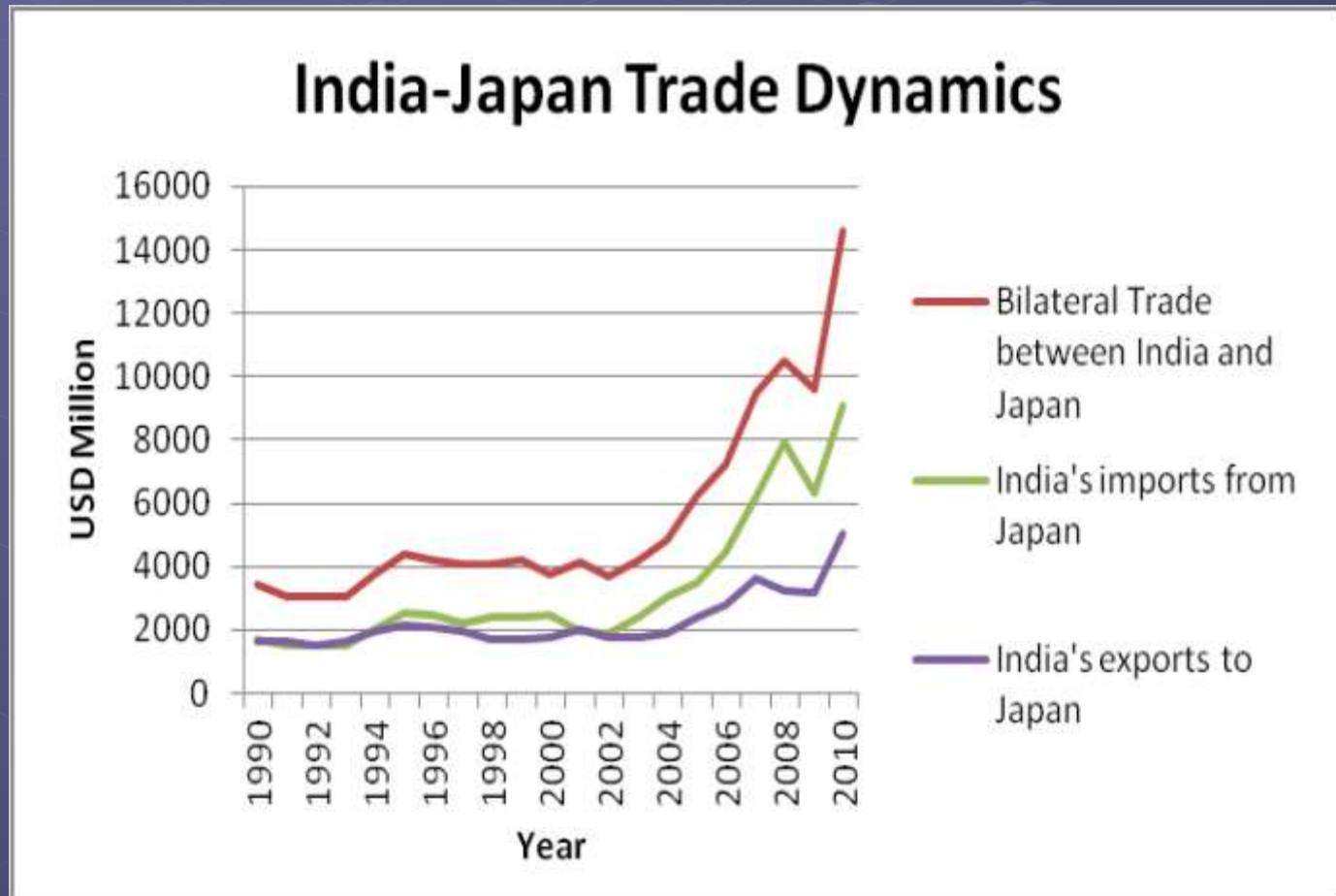
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Introduction

- Bilateral Economic Linkages:
Present Status
- Bilateral CEPA
- Summing up

Bilateral Economic Linkages(I)

- Trade relations have strengthened



Bilateral Economic Linkages(II)

- 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

● Japanese FDI in India

SHARE OF TOP INVESTING COUNTRIES FDI EQUITY INFLOWS:						
Amount Rupees in crores (US\$ in million)						
Ranks	Country	2009-10	2010-11	2011-12	Cumulative Inflows	%age to total Inflows
		(April-March)	(April-March)	(for April 2011)	(April '00 - April '11)	(US \$)
1	MAURITIUS	49633	31855	4332	247092	4.1
		(10376)	(6987)	(976)	(55203)	
2	SINGAPORE	11295	7730	5214	58090	10.1
		(2379)	(1705)	(1175)	(13070)	
3	U.S.A.	9230	5353	356	42898	7.1
		(1943)	(1170)	(80)	(9529)	
4	U.K.	3094	3434	19	29451	5.1
		(657)	(755)	(4)	(6643)	
5	NETHERLANDS	4283	5501	172	25799	4.1
		(899)	(1213)	(39)	(5739)	
6	JAPAN	5670	7063	1043	25001	4.1
		(1183)	(1562)	(235)	(5511)	
TOTAL	FDI INFLOWS	123120	88520	13846	594569	
		(25834)	(19427)	(3121)	(132837)	

Source : Based on GOI, DIPP (2011)

Bilateral Economic Linkages(IV)

● 27 FDI Projects

Major Japanese FDI Projects in India	
Maruti-Suzuki	US\$ 2564 million
Toyota Motor Corporation	US\$ 385 million
MCC PTA	US\$ 364 million
Nissan Motor	US\$ 231 million
Honda Sael Cars	US\$ 175 million
Asahi India Glass	US\$ 111 million
Source: Embassy of Japan in India (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 CTH+35 %
- 20% covered by wholly obtained
- 18% covered by PSRs

■ Japan's exports

- 66 % covered by CTH+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

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Thank You