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India-Japan Relations: Trends and Prospects

India-Japan Economic Relations

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Outline

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- 4 Bilateral Labor Flow between India and Japan
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Introduction

- 2011: CEPA
- 2012: 60th Anniversary of Japan-India diplomatic relations
- 2011 and 2012: Milestone years
- Aims of the presentation:

To give a small talk on the history of India-Japan economic relations **before 1991**.

To examine three dimensions, i.e. goods, capital and labor, of the current bilateral relations between India and Japan **after 1991**.

1 Historical Backgrounds of India- Japan Economic Relations

1-1 Before World War II

- With Japan's port opening at the end of Edo era, economic relations between India and Japan started.
- In Japan after port opening: Drastic increase in Import of cotton products → Decline of traditional cotton industries in Japan → Japanese textile industries imported **Indian cotton yarn**
- 1883: Osaka Boseki (spinning mill). Starting import substitution of cotton yarn.
- 1891: Domestically produced cotton Yarn > Imported cotton yarn
- 1897: Export of cotton yarn > Import of cotton yarn
→ Self-sufficiency of cotton yarn
- 1901: Export of cotton textile > Import of cotton textile
→ Complete import substitution of cotton products

- 1889: Starting direct procurement of Indian raw cotton
- 1892: Import of Indian raw cotton > Chinese one, **half of domestic consumption of raw cotton in Japan was from India.**
- 1893: Opening Bombay Shipping Lane. Increase in the Indian trading houses and Indian merchants in Kobe and Yokohama
- Huge bilateral trade deficit for Japan in the end of Meiji era. India as the third trade partner for Japan. 80% of Import from India was raw cotton.
- Since 1894: Import of Indian cotton yarn had been negligible. In Chinese market, Japanese cotton yarn competed with Indian cotton yarn.
- During the World War I: Japanese cotton yarn dominated the Chinese market.

- Summary: During the period from the end of Edo era to World War I, Japanese cotton industries had caught up with Indian cotton industries by utilizing the Indian raw cotton. Finally, Japanese cotton industries achieved the highest international competitiveness.
- Since World War I: Japanese cotton products started to penetrate in Indian domestic market.
- 1935-36: In Indian market, Japanese cotton textile > English cotton textile

- 1930: Law of Protection for Cotton Industry in India
- 1931: Japan stopped Gold Standard and devaluated Yen rate drastically.
- 1933: British Government charged prohibited level of Indian tariff to cotton textile imported from Japan. →Japan declared the ban of import of Indian raw cotton
- Since 1933: the Indo-Japanese Trade Negotiations
- 1941: Freezing assets of resident Japanese in India→The end of economic relation between British India and Japan

1-2 After World War II

- August 15, 1945: The end of World War II.
- August 15, 1947: India got independent from British Raj
- Until 1952: Occupied Japan under the Allies
- From Re-start of bilateral trade between India and Japan to high growth phase of Japanese economy: Pre-WWII Type of trade pattern re-emerged, such that Japan imported raw cotton from India and exported cotton products to India.
- Since late 1950s: Japan imported iron ore from India and exported machinery and metal products to India.

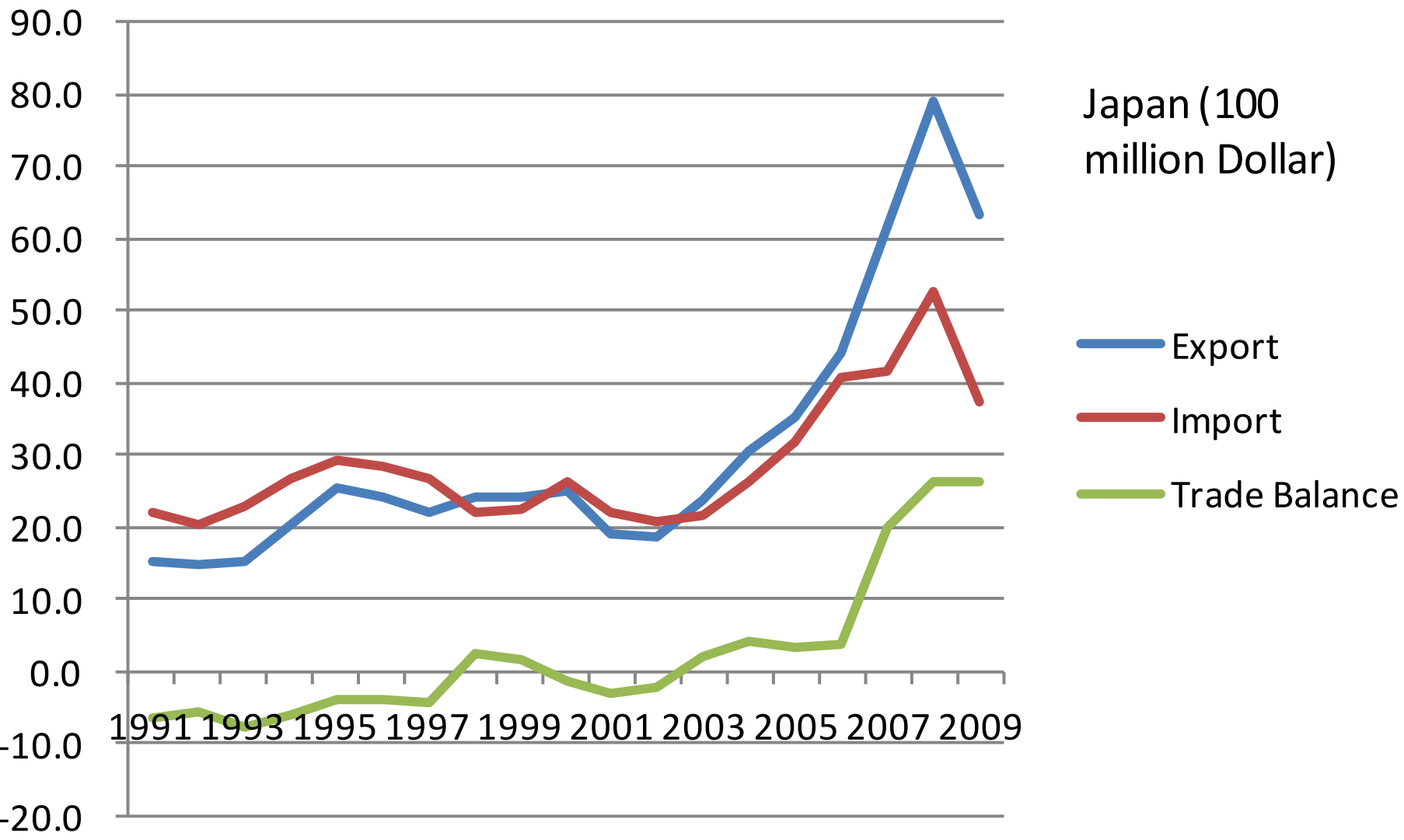
- ``Development Import'' of the Indian iron ore: Goa in 1951. Kiriburu (Bihar and Orissa) in 1958 as the first Yen loan projects. Bailadilla (Madhya Pradesh) in 1960→Development import contributed to overcome material shortage problems in Japanese steel industries.
→In the mid of 1960s, import of iron ore from India was No.1 for Japan.
- Japan's steel industries grew drastically by utilizing the Iron ore imported from India.
- India: Economic and Political Crisis in the mid 1960s. Strength of economic regulations in late 1960s and early 1970s. Until 1991, India adopted inward-looking development strategy.
- Japan: High economic growth. Becoming advanced country.

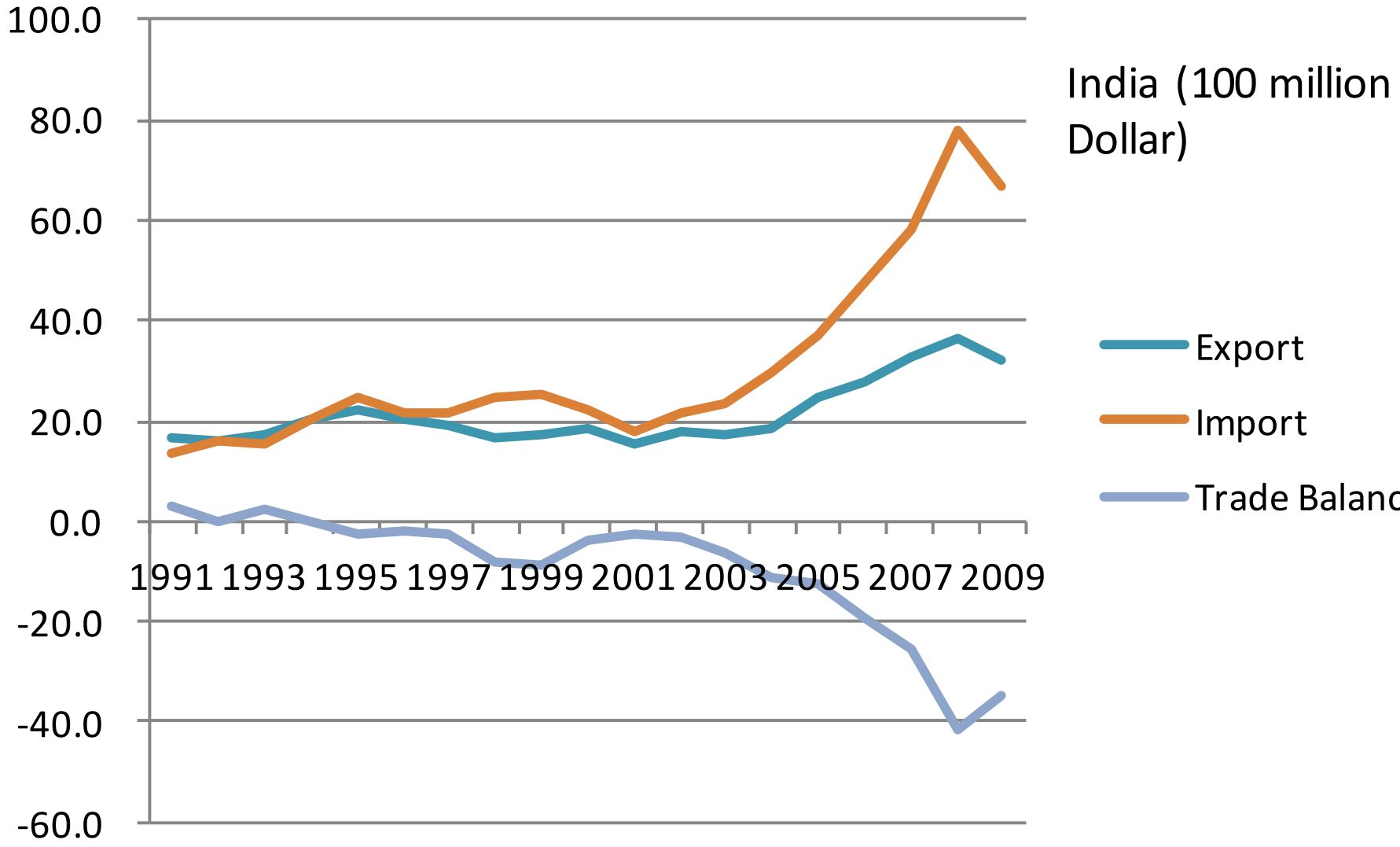
- Since late 1960s: Japan's ODA to India shifted from project aid to non-project aid such as commodity aid and debt rescheduling. Total volume of ODA also declined. Japan's ODA focused on South East Asia rather than India.
- Since late 1960s: Japan also shifted import destination from India to Brazil and Australia in case of Iron ore.
- Less dependence on India for Japan. But, more dependence on Japan for India. Stagnant and asymmetric bilateral relations.

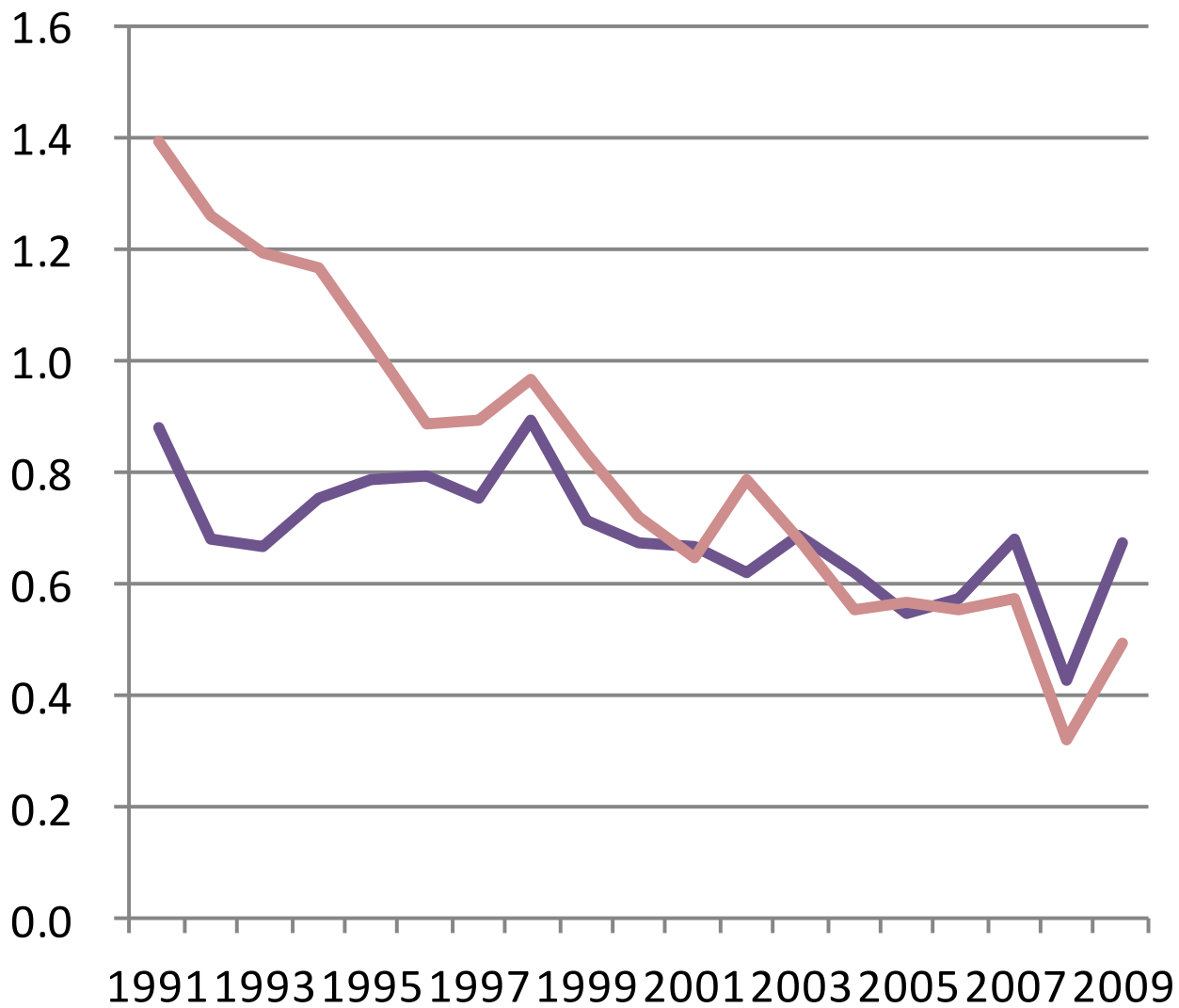
- 1981: India got 5 billion dollar as long-term loan from IMF. India started partial economic liberalization under IMF program.
- **India-Japan Economic Relations in 1980s :**
 - 1: Strength of Japan's ODA to India:** In 1984, Prime Minister Mr. Nakasone visited India. → 2 times increases in total amount of money of ODA. Also, Increase in number of project aids.
 - 2: Success of Maruti Udyog:** In 1983 Maruti started the production of passenger cars. **Introduction of Japanese management system to Indian business culture and agglomeration of auto Industries in Delhi-Gurgaon Area.**
- In 1980s Japan's main import products from India: Iron ore, diamond, prawn
- India in 1980s: High growth but large macro-economic imbalance → Economic crisis during 1990 to 1991.

- 1991: India faced the most serious economic crisis. External debt default problem.
- 1991: Government of Japan and Bank of Japan supported India by giving credit. 300 million dollar from Japan and Asian Development Bank, and 200 million dollar from Bank of Japan.
- Since July 1991: India started economic globalization→India has achieved sustainable high economic growth.

2 Bilateral Trade between India and Japan





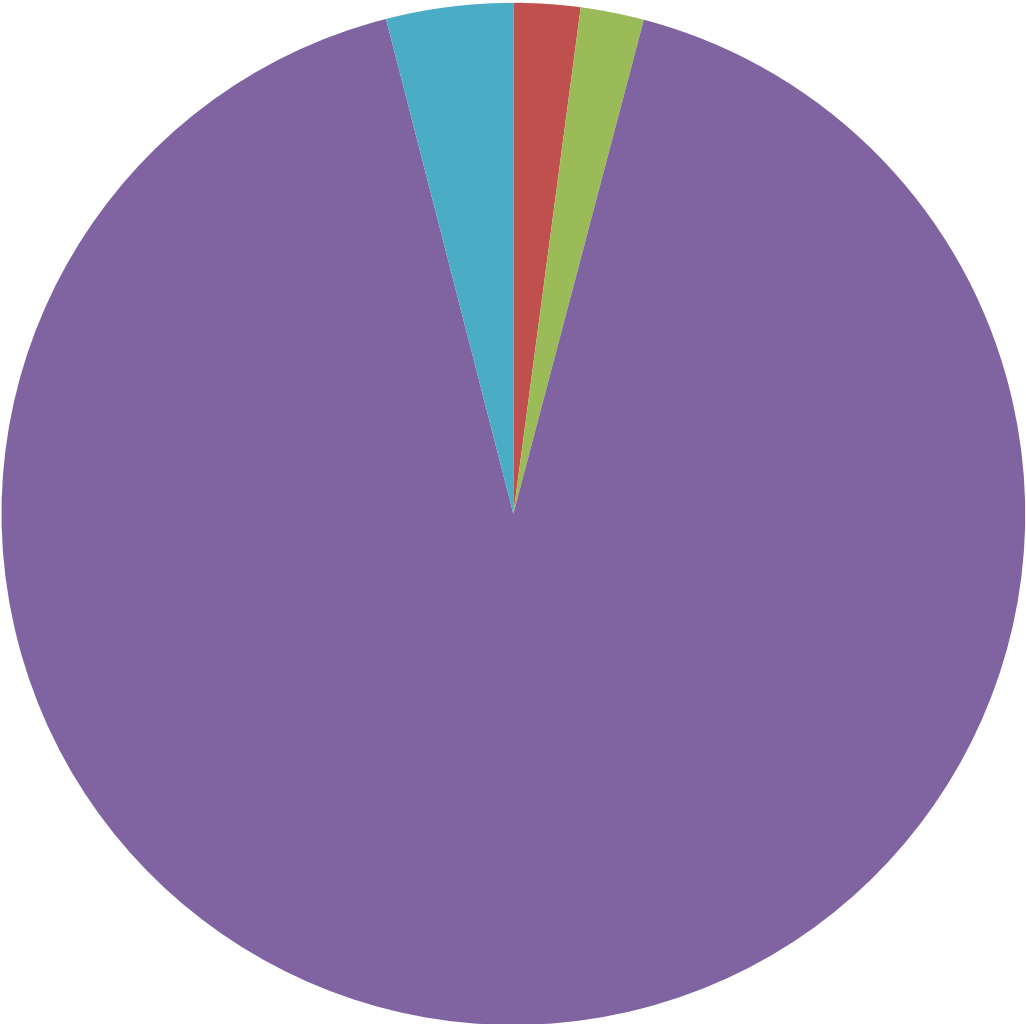


— Bilateral Export Intensity Index (1)
— Bilateral Export Intensity Index (2)

Trade Matrix

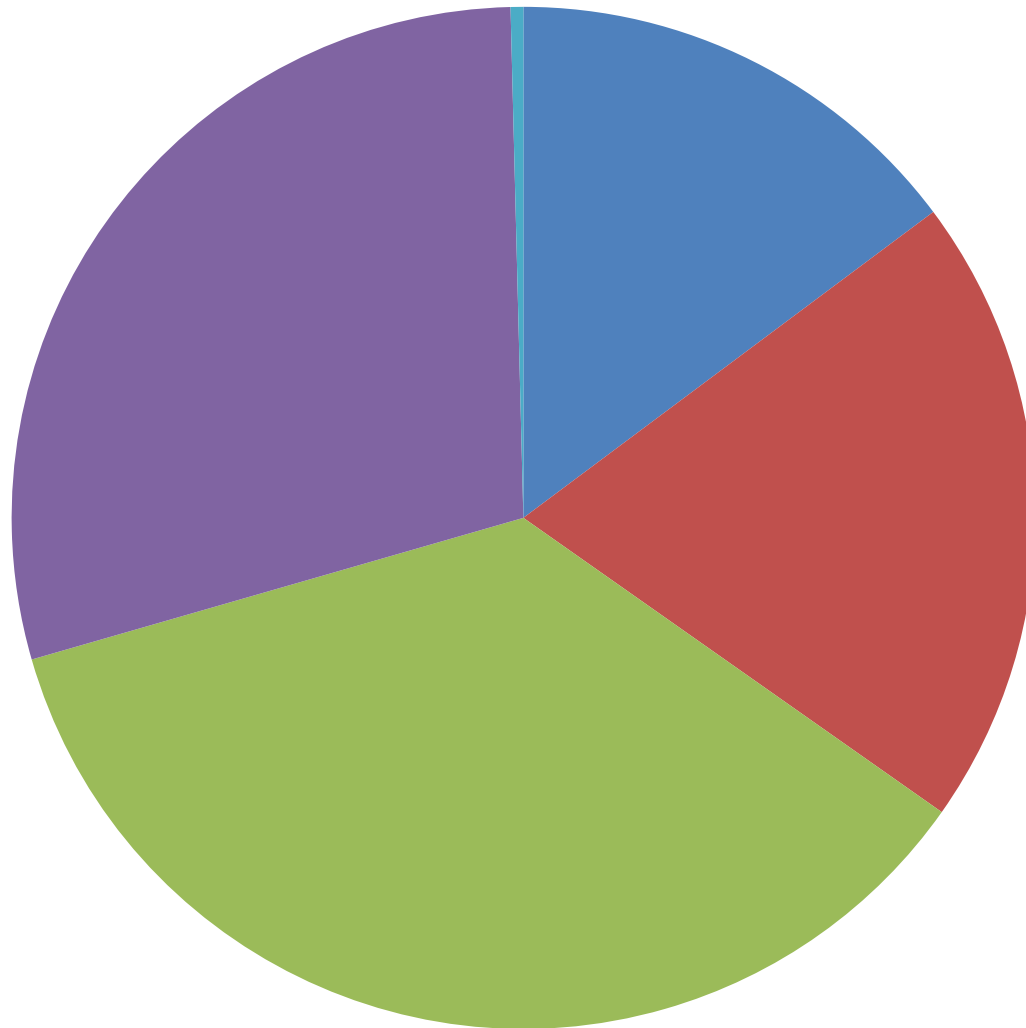
(A)							(B)						
	Export							Export					
Import	year	India	China	Japan	East Asia	World	Import	year	India	China	Japan	East Asia	World
India	1980		0.56	5.50	13.33	100.00	India	1980		0.45	0.65	0.81	0.77
	1990		0.13	7.51	15.79	100.00		1990		0.03	0.58	0.59	0.68
	2000		2.88	4.00	18.84	100.00		2000		0.36	0.39	0.61	0.76
	2005		7.10	2.76	21.44	100.00		2005		0.99	0.59	1.12	1.30
	2009		12.68	2.70	30.35	100.00		2009		2.21	1.08	2.33	2.00
China	1980	0.00		26.50	32.77	100.00	China	1980	0.00		4.13	2.64	1.02
	1990	0.18		14.23	47.36	100.00		1990	0.47		2.47	3.94	1.53
	2000	0.60		18.44	42.26	100.00		2000	2.83		8.10	6.09	3.41
	2005	1.48		15.22	39.61	100.00		2005	8.77		15.27	9.80	6.15
	2009	1.37		13.04	34.11	100.00		2009	7.66		20.26	10.20	7.79
Japan	1980	0.72	3.08		20.73	100.00	Japan	1980	13.28	23.22		12.08	7.36
	1990	0.88	5.12		22.96	100.00		1990	9.95	13.60		8.36	6.69
	2000	0.69	14.53		34.86	100.00		2000	5.52	13.84		8.47	5.76
	2005	0.62	21.05		38.79	100.00		2005	2.86	10.87		7.49	4.80
	2009	0.68	22.20		38.54	100.00		2009	2.08	8.31		6.34	4.28
East Asia	1980	0.58	3.90	11.16	30.47	100.00	East Asia	1980	20.24	55.91	23.97	33.74	13.99
	1990	0.73	7.77	12.70	38.09	100.00		1990	21.21	52.98	24.79	35.62	17.19
	2000	0.82	13.30	12.58	46.79	100.00		2000	22.72	44.25	32.52	39.69	20.10
	2005	1.21	14.77	11.38	47.39	100.00		2005	24.70	33.65	39.34	40.38	21.16
	2009	1.46	14.62	9.88	45.48	100.00		2009	24.05	29.20	45.03	39.93	22.86
World	1980	0.40	0.97	6.51	12.63	100.00	World	1980	100.00	100.00	100.00	100.00	100.00
	1990	0.59	2.52	8.81	18.38	100.00		1990	100.00	100.00	100.00	100.00	100.00
	2000	0.72	6.04	7.77	23.69	100.00		2000	100.00	100.00	100.00	100.00	100.00
	2005	1.04	9.29	6.12	24.84	100.00		2005	100.00	100.00	100.00	100.00	100.00
	2009	1.39	11.45	5.02	26.04	100.00		2009	100.00	100.00	100.00	100.00	100.00

Export from Japan to India



- Food
- Material
- Mineral Fuel
- Manufactured Goods
- Others

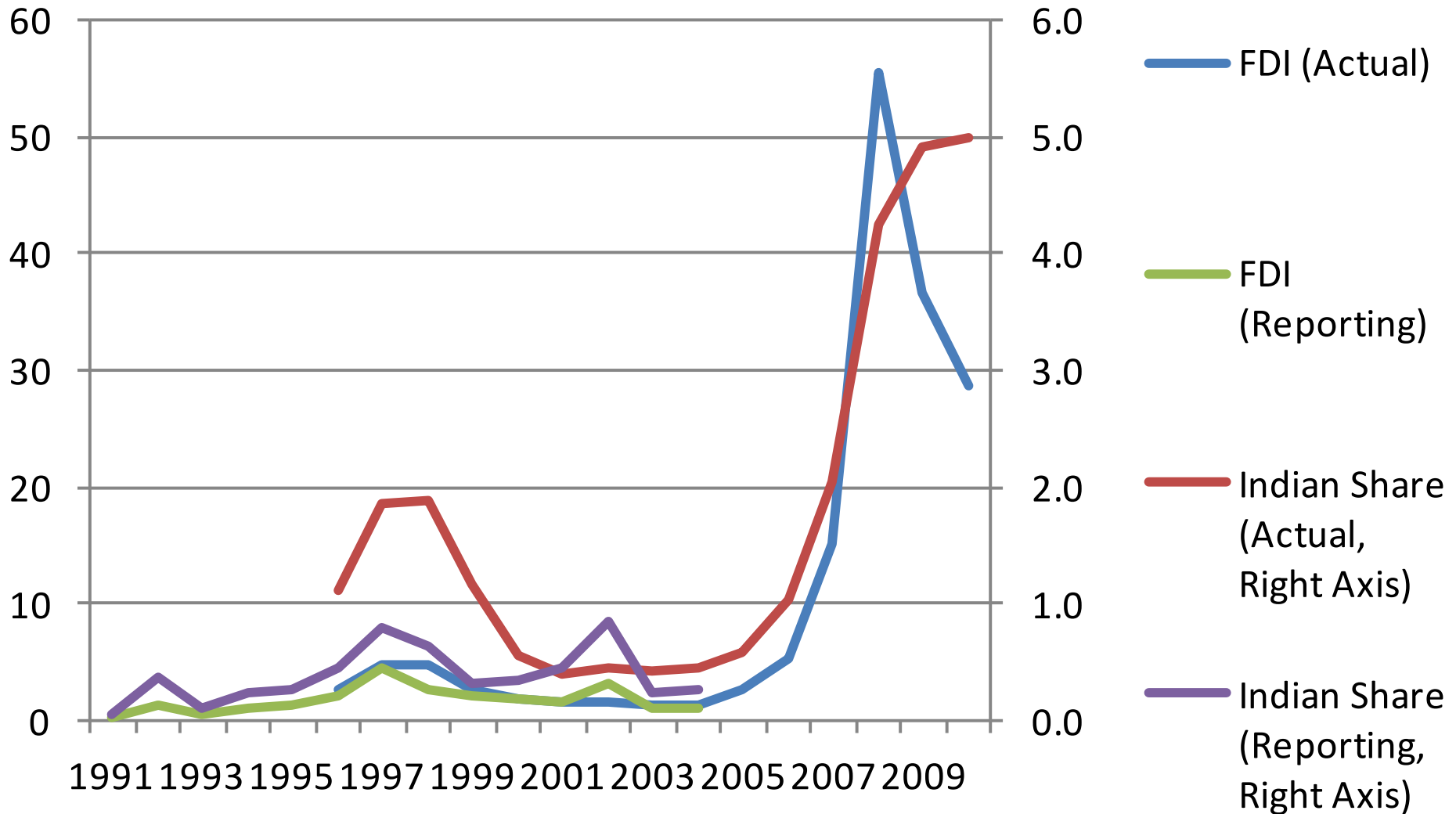
Export from India to Japan



- Food
- Material
- Mineral Fuel
- Manufactured Goods
- Others

3 Bilateral Capital Flow between India and Japan

FDI Flow from Japan to India (100 million dollar)



FDI in India (April 2000 to April 2011, 100 million dollar)

Rank	Country	2010	April 2000 to April 2011	Share (%)
1	MAURITIUS ▪	70	552	41.6
2	SINGAPORE ▪	17	131	9.8
3	U.S.A. ▪	12	95	7.2
4	U.K. ▪	8	66	5.0
5	NETHERLANDS ▪	12	57	4.3
6	JAPAN ▪	16	55	4.1
7	CYPRUS ▪	9	50	3.8
8	GERMANY ▪	2	31	2.3
9	FRANCE ▪	7	25	1.9
10	U.A.E. ▪	3	19	1.4
	Total	194	1328	100.0

Japan's FDI in India (April 2000 to January 2011, 100 million dollar)

Rank	Sector	FD I	Share (%)
1	Automobile industry ■	13.6	40.4
2	Services sector ■	7.3	21.7
3	Electrical equipments	5.8	17.3
4	Industrial machinery ■	3.6	10.8
5	Trading ■	3.3	9.8
	合計	33.8	100.0

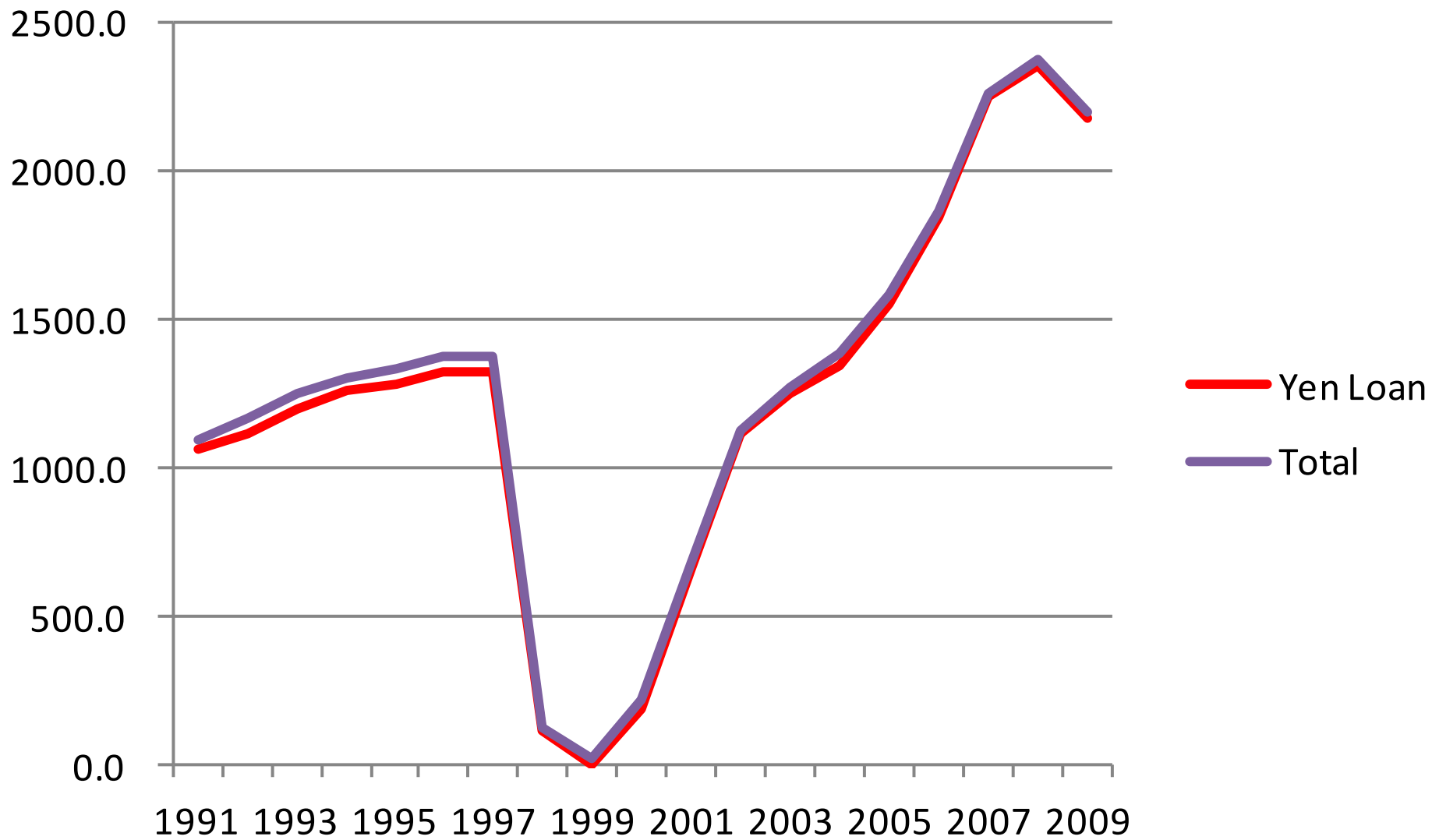
Foreign Technological Collaboration in India (August 1991 to December 2009)

Rank	Country	Number	Share (%)
1	USA	1841	22.7
2	Germany	1116	13.8
3	Japan	880	10.9
4	UK	876	10.8
5	Italy	489	6.0
6	Others	2904	35.8
	Total	8106	100.0

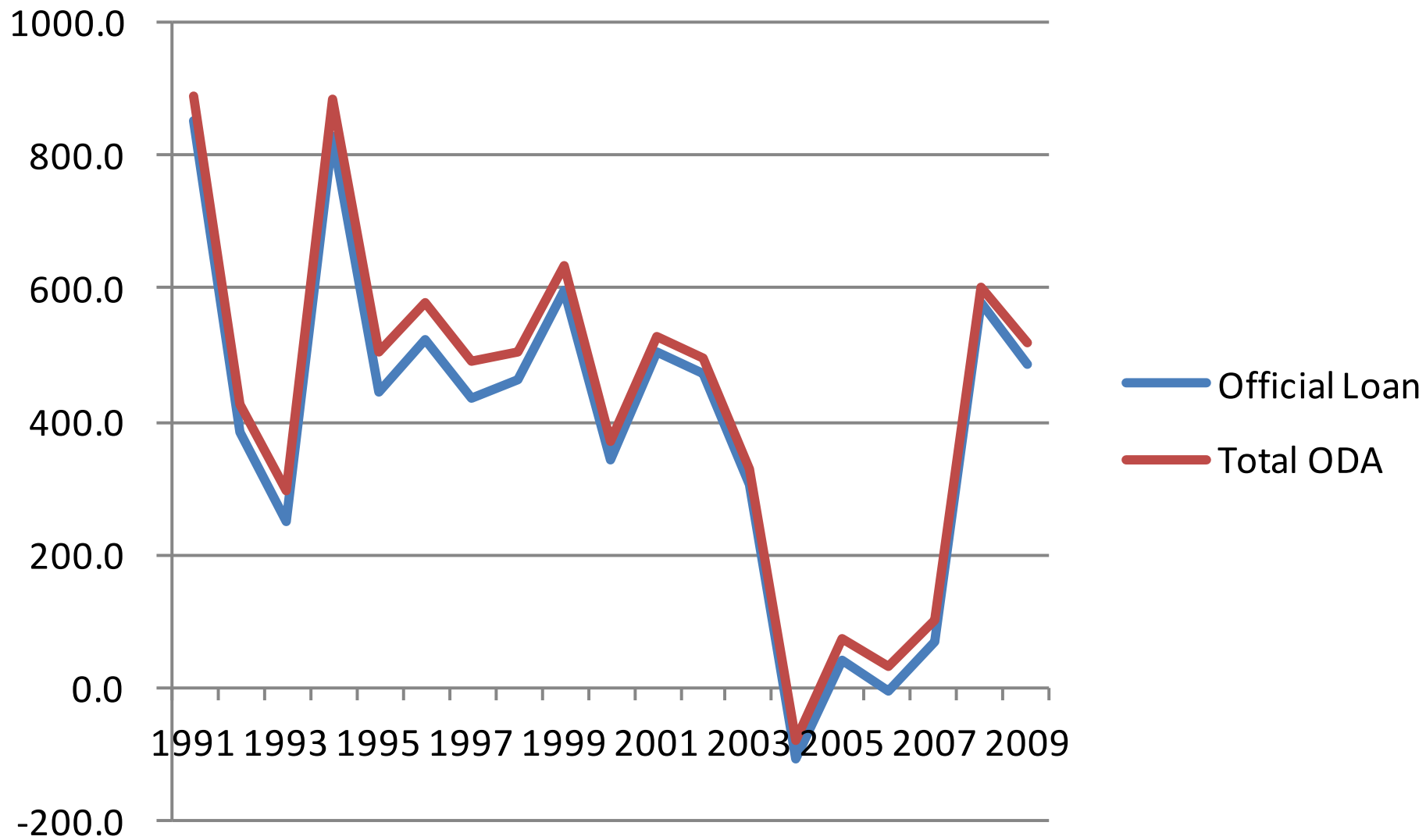
表 10 インド進出日系企業の産業別・地域別分布

		自動車	全産業	シェア① (%)	シェア② (%)	シェア③ (%)
北部	ウッタルカンド	5	8	62.5	2.0	0.6
	ウッタル・プラデーシ	16	50	32.0	6.5	4.0
	チャンディガール	1	2	50.0	0.4	0.2
	パンジャブ	1	2	50.0	0.4	0.2
	ハリヤナ	58	193	30.1	23.7	15.6
	デリー	15	135	11.1	6.1	10.9
	ラジャスタン	10	21	47.6	4.1	1.7
	マディア・プラデーシ	3	7	42.9	1.2	0.6
	小計	109	418	26.1	44.5	33.8
西部	グジャラート	4	29	13.8	1.6	2.3
	ダマン・ドゥー	0	4	0.0	0.0	0.3
	マハラシトラ	29	198	14.6	11.8	16.0
	ゴア	0	7	0.0	0.0	0.6
	小計	33	238	13.9	13.5	19.3
東部	ジャルカンド	2	10	20.0	0.8	0.8
	ビハール	1	5	20.0	0.4	0.4
	西ベンガル	7	67	10.4	2.9	5.4
	オリッサ	2	11	18.2	0.8	0.9
	小計	12	93	12.9	4.9	7.5
南部	アンドラ・プラデーシ	5	53	9.4	2.0	4.3
	タミル・ナード	45	240	18.8	18.4	19.4
	ポンディッシャー	1	2	50.0	0.4	0.2
	カルナタカ	36	155	23.2	14.7	12.5
	ケララ	4	37	10.8	1.6	3.0
	小計	91	487	18.7	37.1	39.4
合計		245	1236	19.8	100.0	100.0

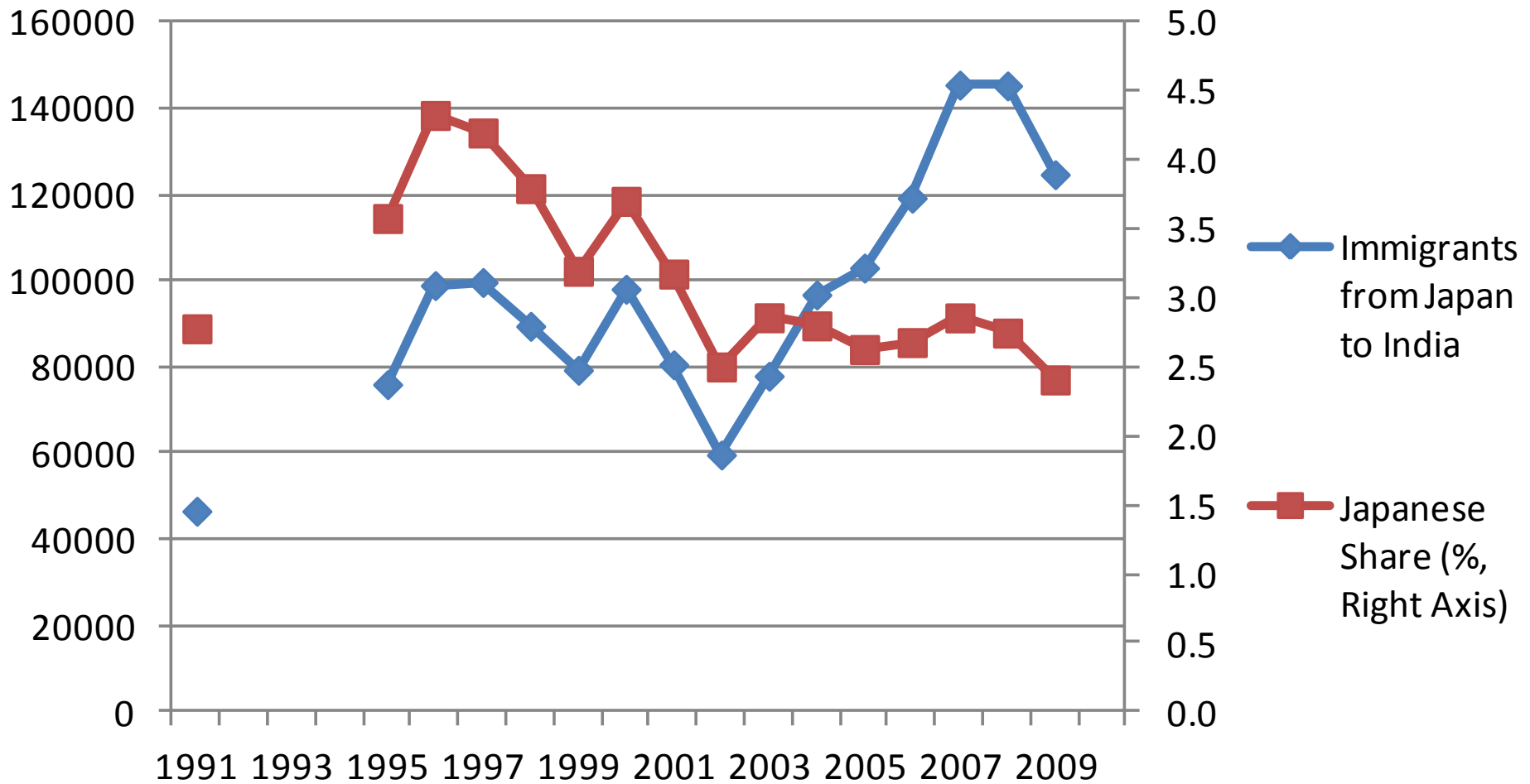
ODA (Commitment Base, 100 million Yen)

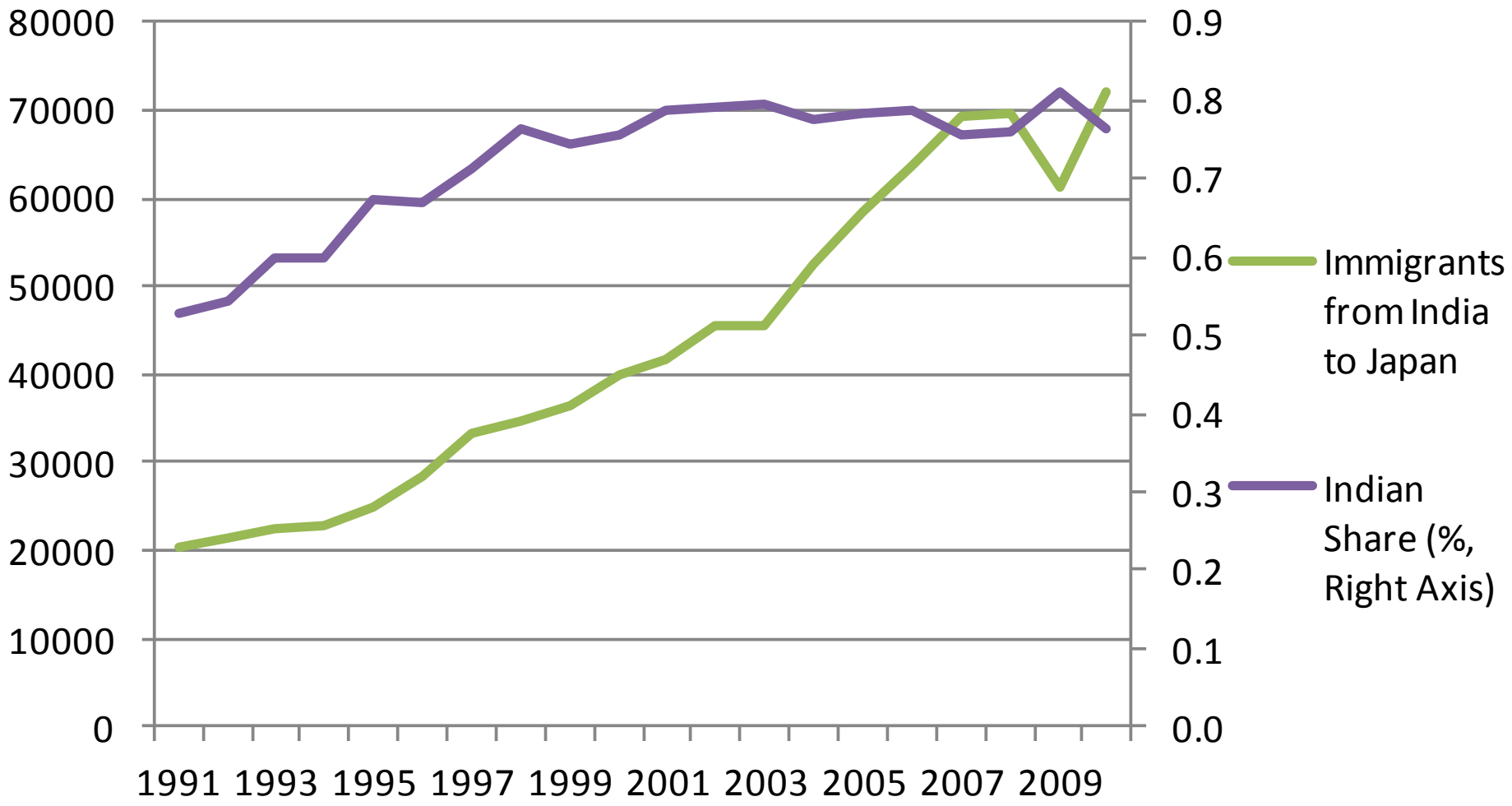


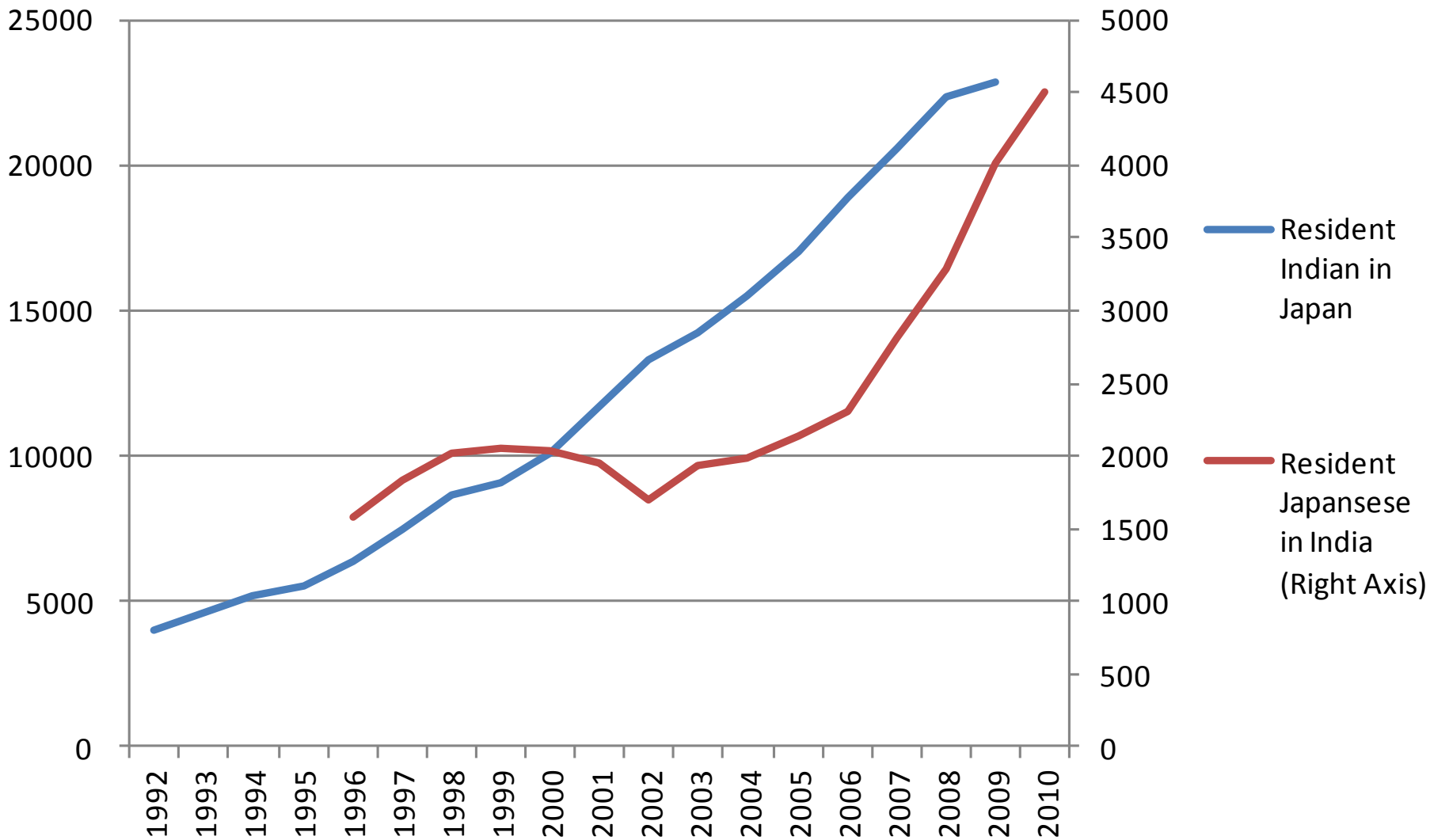
ODA (Actual Base, 100 million Yen)



4 Bilateral Labor Flow between India and Japan







- From 1923 (Great Kanto Earthquake) to 1980s: Kobe was the most populated area in terms of resident Indians.
- From 1980s to 2000: Indian Population in Tokyo > Hyogo (Kobe). Male workers without Family were common.
- Since 2000: Increase in IT workers and their family. But, Indian students are still only 700 while Bangladeshi students are 1700.

5 Closing Remarks

- India disagreed San Francisco Peace Treaty. Reasons: (1) Allied force remains, (2) Allies still occupies Okinawa and Ogasawara, (3) USSR and China do not participate in the Treaty. India regarded the Treaty not to contribute to the complete Independence of Japan.
- But, on the day when San Francisco Peace Treaty started to be implemented in 1952, India declared the end of war against Japan. Indian liaison office in Tokyo was promoted as Embassy of India.
- 1952: Treaty of Peace Between Japan and India. Signed in June and Implemented in August.

- “There shall be firm and perpetual peace and amity between Japan and India and their peoples” (Article 1)
- Peace Treaty between Japan and India: (1) India waives all reparations claims against Japan. (2) India will return frozen Japanese property in India.
- San Francisco Peace Treaty: (1) Confirming reparations claims against Japan, (2) Allies' Right to dispose Japan overseas assets.
- Background of Peace Treaty between Japan and India: Justice Pal 's Judgment in Tokyo War Crimes Tribunal and Prime Minister J. Nehru's serious interest on construction of India-Japan relations.
- Japan's financial aid to India under the balance of payment crisis in 1991: The Current Prime Minister Manmohan Singh appreciates.

- I expect the success of CEPA and large technological and financial aid such as DMIC for enhancing the deeper economic relations between India and Japan.

Thank you.

Welcome your comments:
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