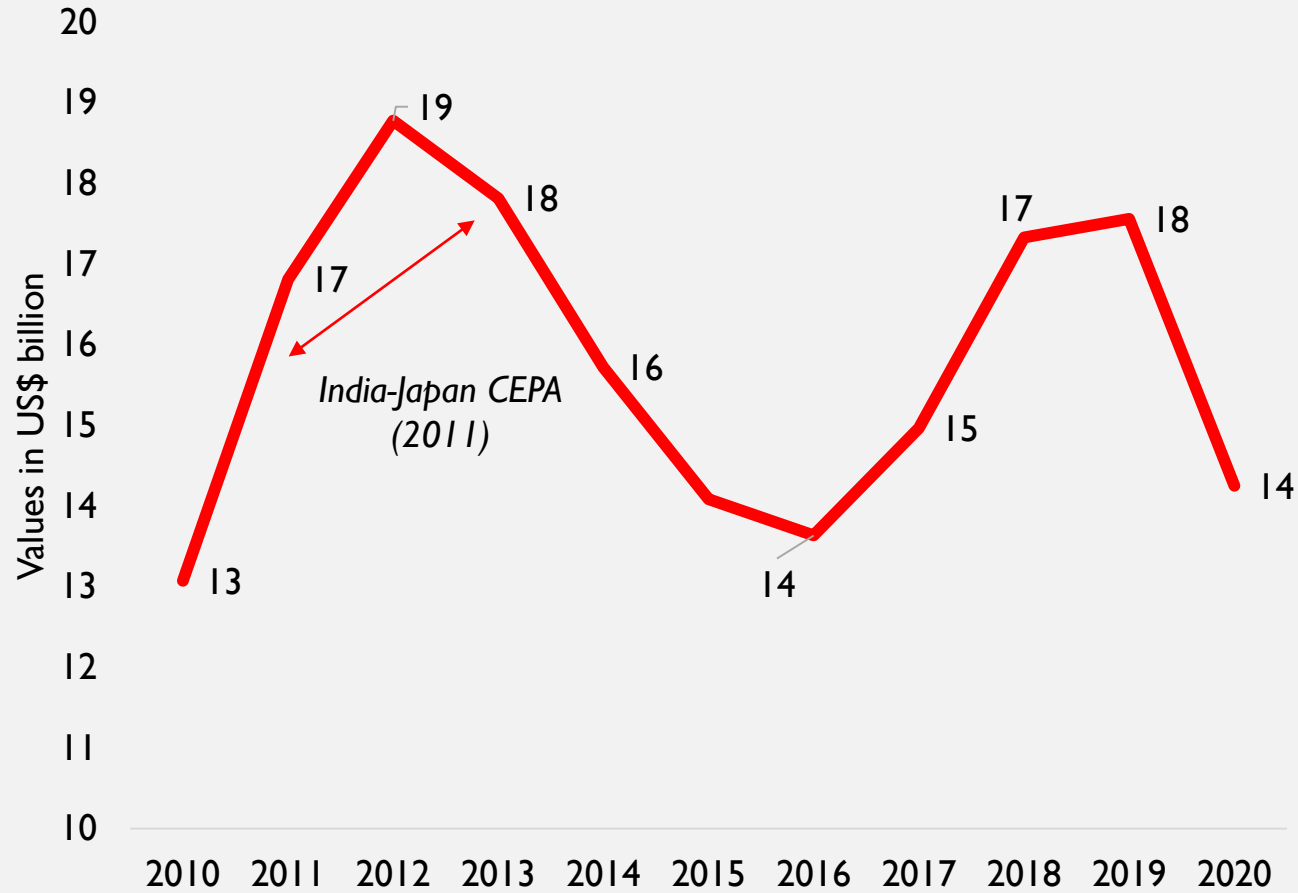


INDIA-JAPAN TRADE & FDI

NISHA TANEJA
SANJANA JOSHI
SANYA DUA

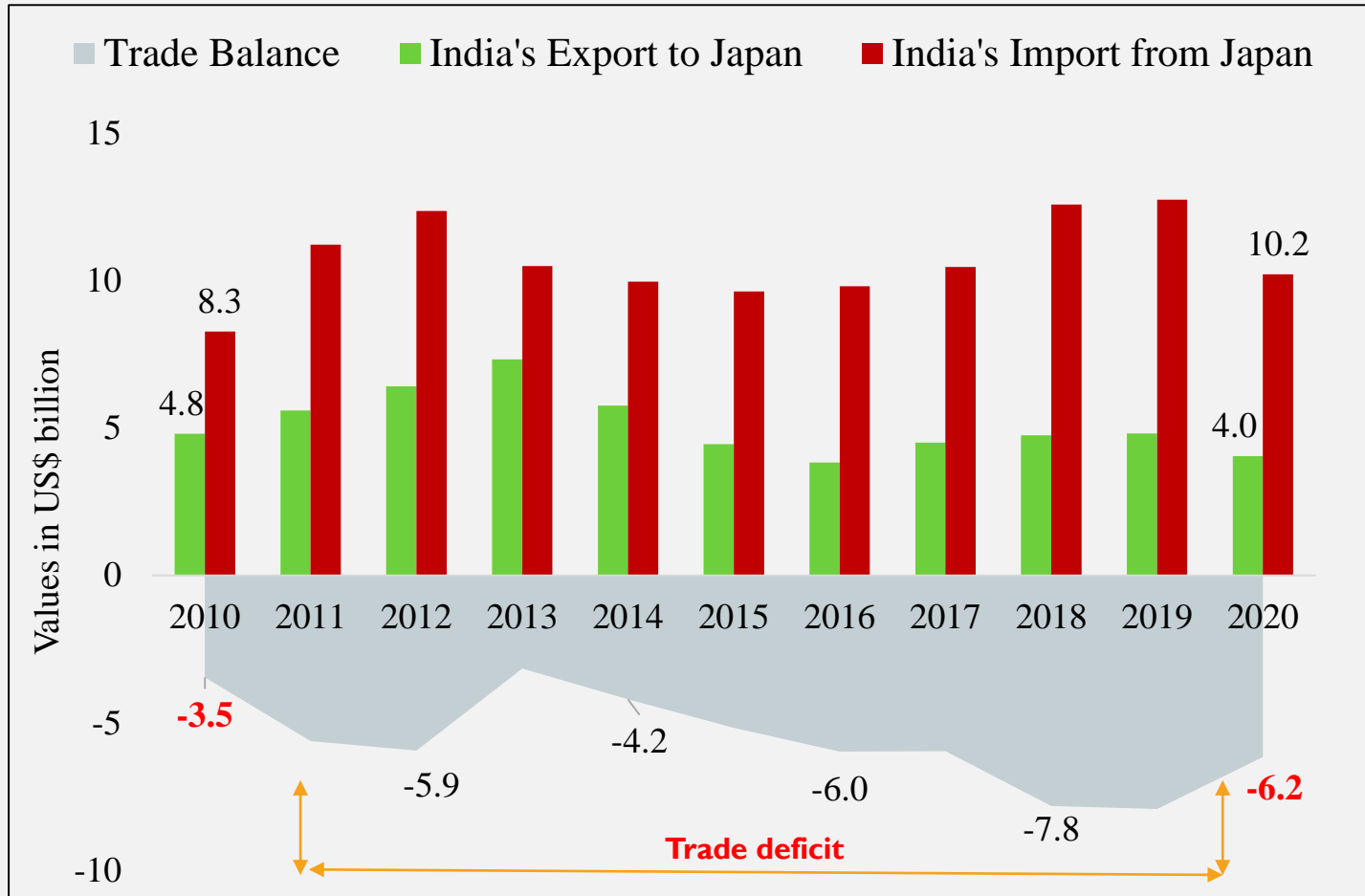
INDIA & JAPAN'S TOTAL TRADE

India & Japan - Total Trade



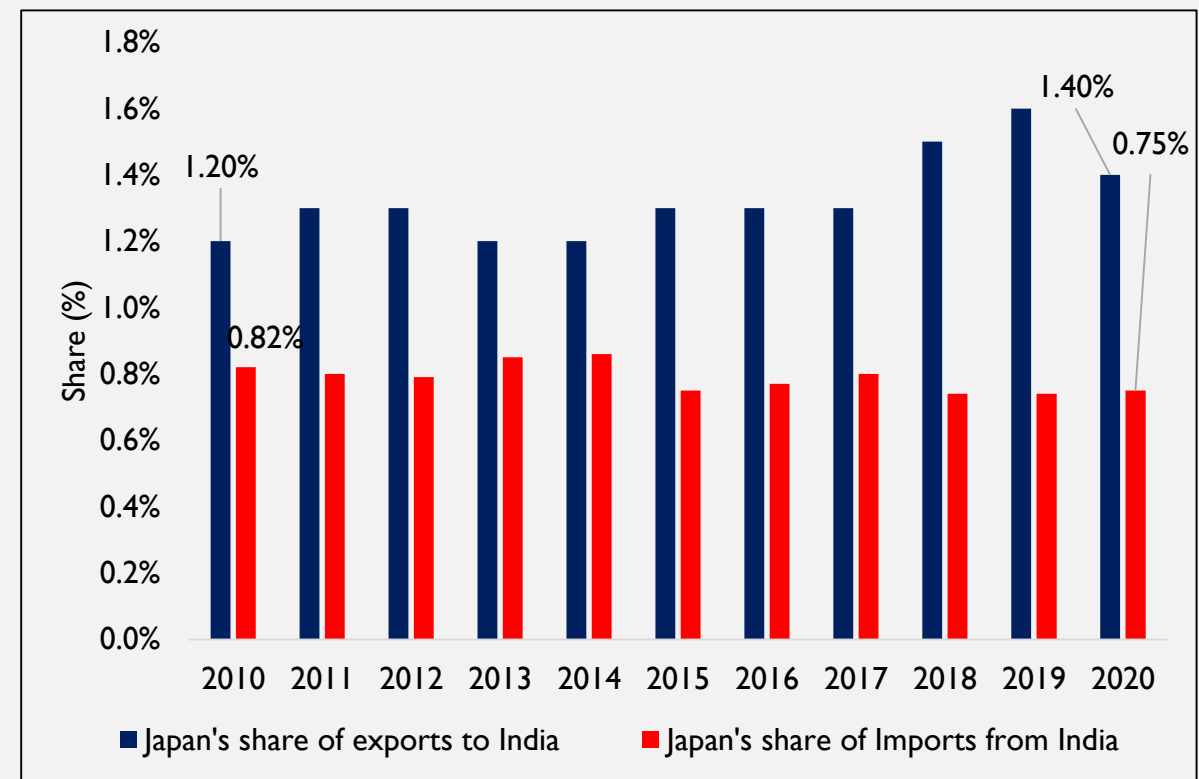
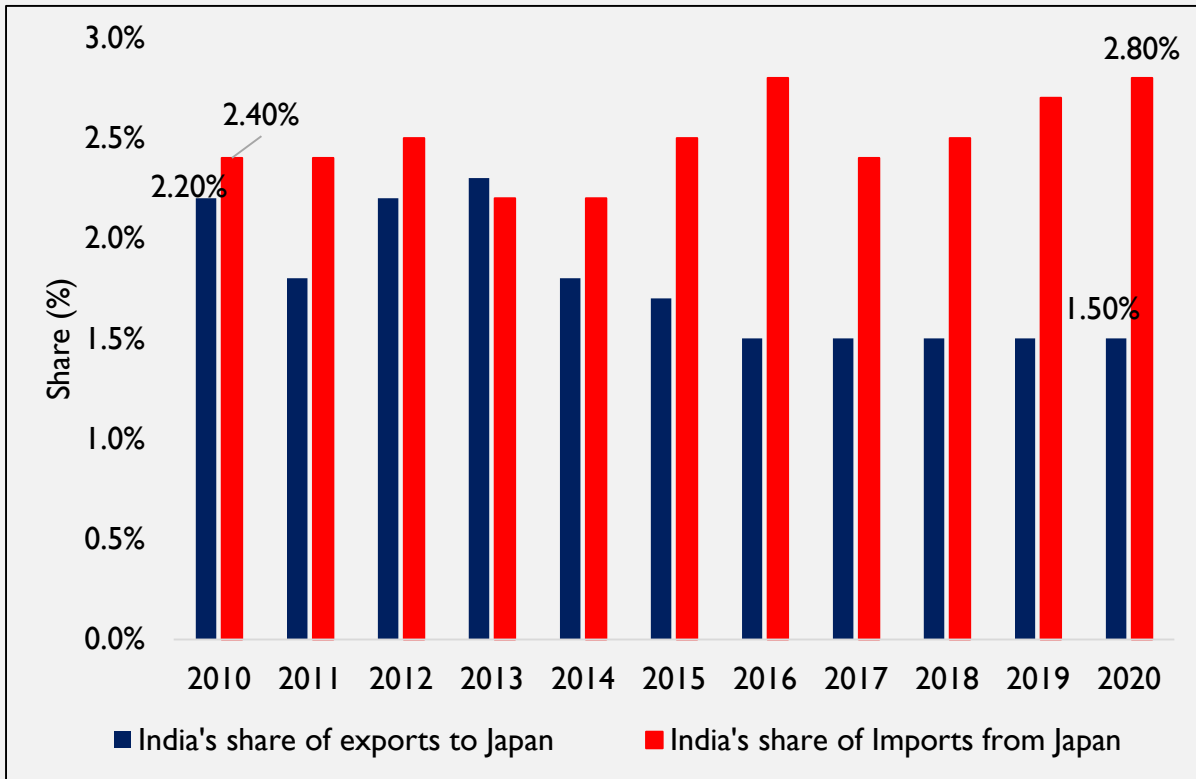
- Since India & Japan signed CEPA in 2011, the **total trade has shown a fluctuating pattern**
- Total trade peaked in 2012 at US\$19 billion and stood at US\$14 billion in 2020

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	8.6%
30617	Frozen shrimps and prawns, even smoked	7.6%
710239	Diamonds, worked, but not mounted or set	6.3%
260111	Non-agglomerated iron ores and concentrates	4.4%
380893	Herbicides, anti-sprouting products and plant-growth regulators	2.2%
720230	Ferro-silico-manganese	2.0%
760110	Aluminium, not alloyed, unwrought	1.9%
30499	Frozen fish meat n.e.s. (excluding fillets)	1.6%
300490	Medicaments consisting of mixed or unmixed products	1.6%
840681	Steam and other vapor turbines	1.4%

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	TBT: 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	TBT: 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	TBT: Civil Aeronautics Act Tax Charges: 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		TBT: 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			SPS: 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	TBT: 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 (US\$ million)
2010	1,295
2011	3,058
2012	1,909
2013	1,420
2014	2,335
2015	1,739
2016	5,781
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
Aggregate	21,378	61.9

- 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.

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

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

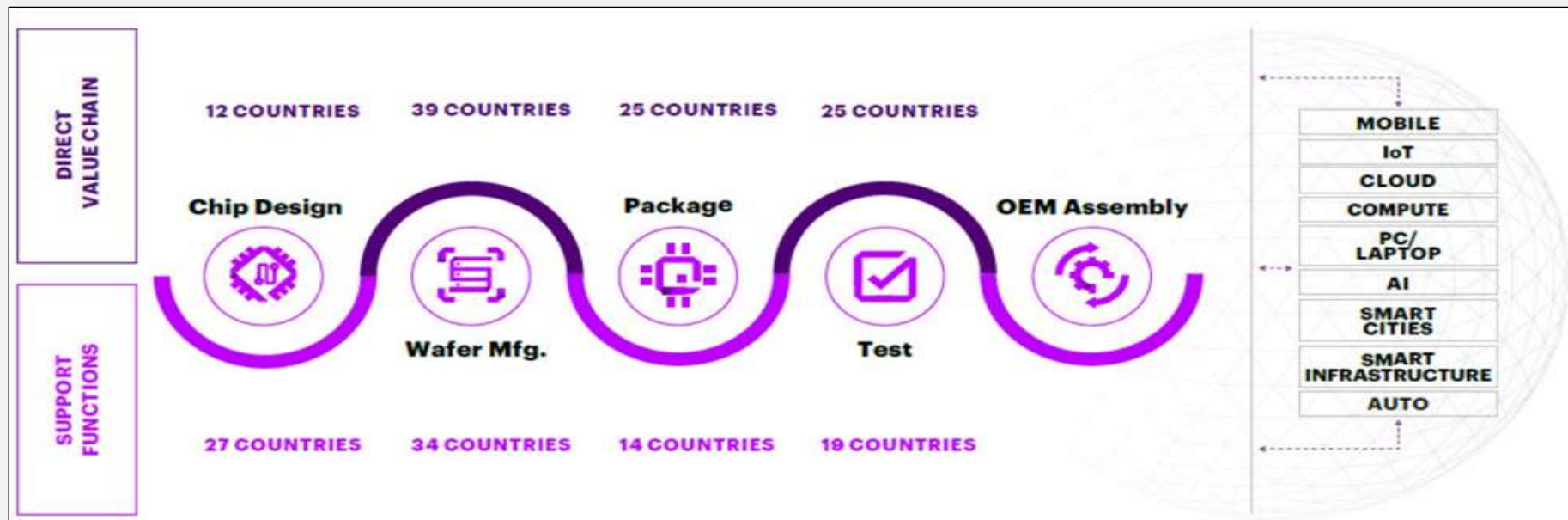
ITEMS WITH HIGH EXPORT POTENTIAL COVERED UNDER PLI SCHEME

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

THANK YOU!!!