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Rajesh Mehta

RIS-DP # 12/2001



**Research and Information System  
for the Non-Aligned and  
Other Developing Countries**

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**Recent Trends**

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May 2001

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# Indo-Japanese Trade: Recent Trends\*

by  
Rajesh Mehta\*\*

India is not an important market in global trade. Although it constitutes around 1.6 per cent of world output, it constitutes only 0.69 per cent of world exports, and 0.77 per cent of world imports.<sup>1</sup> On the other hand, Japan is one of the most important countries in the world market, accounting for around 7.4 per cent of the world exports and around 5.4 per cent of world imports. However, of late the market share of Japan in world trade has been steadily declining, whereas the India's share in world trade has risen consistently during last one and half decade.<sup>2</sup> This paper gives a brief account of recent trends and composition of Indo-Japanese trade.

## I International Trade: Recent Developments

The recent statistics of the world trade reveal a sharp swing in international trade flows over past few years. This is probably due to deep recession and then rapid recovery in a large number of markets. The sharp slow-down in world trade during 1997 and 1998 was accompanied by widespread decline in economic activity. Revival in the world trade in 1999 and 2000 is accompanied by economic recovery in East Asia. The improvement in trade growth was more evident in value than in volume. This trend could be noticed in almost all the regions except for transition economies. Japan has also experienced sharp swings in both exports and imports, during last few years. The volume of Japanese imports grew by 9.5 per cent in 1999, a sharp recovery over 1998 when it had declined by 5.5 per cent. Similarly, there was a surge in import value following a sharp decline in 1998.

Differential growth in trade volumes and values reflect changes in unit values. Both world imports and world exports show higher increase in value during 1999. In Japan, the growth in import value and export value was higher than the corresponding import volume and export volume,

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\* An earlier version of this paper was presented at National Seminar on "Indo-Japanese Relations: The Emerging Trends", organised by JNU, New Delhi. I am thankful to Prof. D.N.Rao, Prof. K.V. Kesavan and participants of seminar, for helpful comments.

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<sup>1</sup> During 1999.

<sup>2</sup> Except for exports of few years during mid-'90s.

respectively. In 2000<sup>3</sup>, Japanese export value increased at the rate of 25.0 per cent as compared to 8.0 per cent increase in 1999 and decline of 7.8 per cent in 1998. Similarly, Japanese import value increased at 11 per cent during 1999 and around 17.2 per cent during 2000<sup>4</sup> as compared to decline of 17.2 per cent in 1998.

## II. Japan's Trade with South Asian Region

South Asia is very small market in terms of Japan's total trade. In 1999, 0.8 per cent of Japan's global exports were destined toward South Asia, while 0.85 per cent of the former's global imports originated from South Asia (Table 1). It can be noticed from Table 1 that a major share of Japan's imports from South Asian region originates from India, while India and Pakistan are two major destination of Japanese exports in the region.

**Table 1: Japan's Exports and Imports with South Asian Countries**

	(Million US\$)			
	Exports		Imports	
	1990	1999	1990	1999
<b>World</b>	<b>287664</b>	<b>419231</b>	<b>235289</b>	<b>310734</b>
Bangladesh	378	326	71	107
Percentage	(0.13)	(0.08)	(0.03)	(0.03)
India	1711	2426	2075	2246
Percentage	(0.59)	(0.62)	(0.90)	(0.72)
Nepal	59	.33*	3	1*
Percentage	(0.02)	(0.001)	(0.001)	(0.0003)
Pakistan	1008	611	538	288
Percentage	(0.35)	(0.15)	(0.23)	(0.09)
Sri Lanka	316	412*	135	266*
Percentage	(0.11)	(0.10)	(0.06)	(0.08)
<b>South Asia</b>	<b>3482</b>	<b>3363</b>	<b>2826</b>	<b>2641</b>
<b>Percentage</b>	<b>(1.21)</b>	<b>(0.80)</b>	<b>(1.20)</b>	<b>(0.85)</b>

\*Data for the year 1997.

Figures in parentheses represent percentage of Japan's total export to (or import from) world.

*Source:* IMF, *Direction of Trade Statistics Yearbook*, various issues.

<sup>3</sup> For first three quarters of 2000.

<sup>4</sup> For first three quarters of 2000.

The trade statistics of Japan's exports/imports to South Asian countries (as proportion of Japan's total exports/imports) show a consistent decline during last ten years.<sup>5</sup> In fact, the actual amount also shows a decline in last four years. Japan's exports to South Asian countries declined from the level of US\$ 4.6 billion in 1995 to US\$ 3.4 billion in 1999. Similarly, the corresponding value of imports declined from US\$ 3.9 billion in 1995 to US\$ 2.6 in 1999. This decline of Japanese exports/imports with South Asian countries is a matter of great concern because these trends are being observed for trade with all countries. The only exception is Japanese export to India during 1995 to 1999, which has hovered around US \$ 2.4 million.

Looking at the trade figures from Japan's point of view, we find that the share of Japan's exports to India (as proportion of Japan's total exports) decreased from 0.59 per cent in 1990 to 0.43 in 1993, but increased to 0.58 in 1999. But the share of Japan's imports from India (in Japan's total imports) declined from 0.9 percent in 1990 to 0.72 percent in 1999.

### **III South Asia's Trade with Japan with special reference to India**

The countries of South Asia, including India, have been trading significantly with Japan, but the recent statistics show a declining trend during 1990s. In 1999, the total exports of South Asian countries to Japan was US \$2.6 billion as compared to total imports of US \$ 4.4 billion<sup>6</sup>, leading to trade deficit of US\$ 1.8 billion (Table 2).

The total import of the South Asian countries (from world) increased at the rate of 7.4 per cent per annum during early 1990s (1990-1999), but the growth of South Asia's imports from Japan was significantly lower, then grew at the rate of 2.9 per cent per annum during the same period. This has led to significant decline in the share of South Asia's imports from Japan as a proportion of South Asian countries' total imports. This share declined from the level of more than 9 per cent in early 1990s to 6.3 per cent in 1999. The trade statistics of South Asia's exports to Japan (as a proportion of South Asia total export) have also shown a consistent decline during 1990s<sup>7</sup>. This is in contrast to South Asian countries' increasing trade with markets of other countries of Asia.

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<sup>5</sup> See Annexure Table 1A for details.

<sup>6</sup> Based on the trade statistics of South Asian Countries.

<sup>7</sup> For details see Annexure Table 1.

**Table 2: South Asia's Trade with Japan, 1991 and 1999**

(Million US\$)

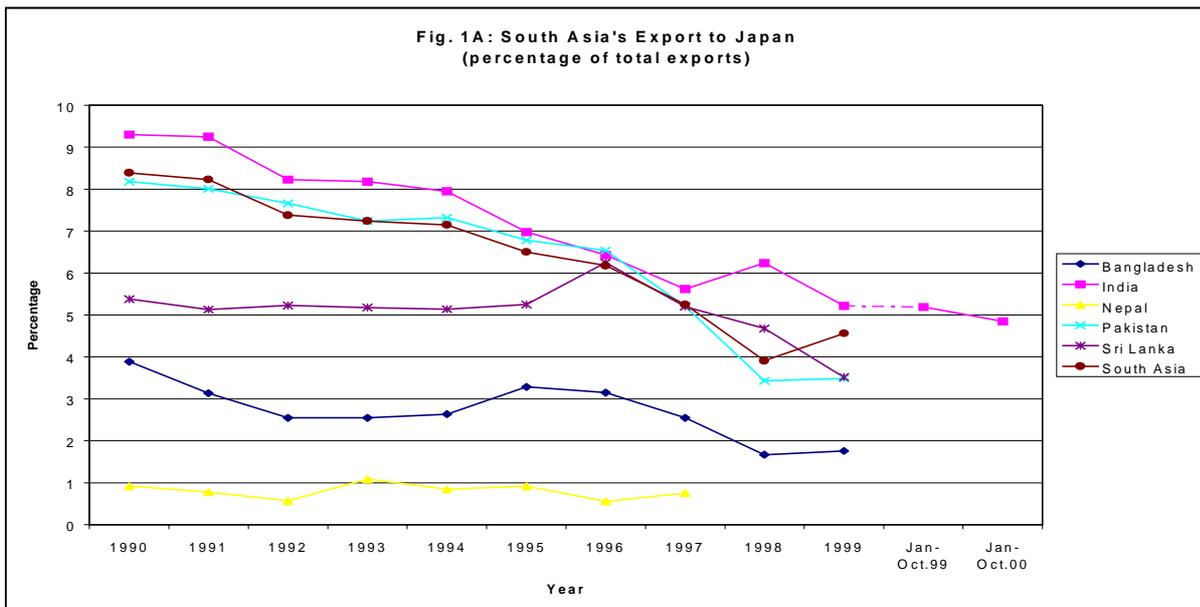
	Exports		Imports	
	1991	1999	1991	1999
<b>BANGLADESH</b>				
World	1687	4531	6754	8630
Japan	53	80	307	514
Percentage	(3.14)	(1.76)	(8.97)	(5.96)
<b>INDIA</b>				
World	17872	39077	19509	45423
Japan	1654	2042	1364	2669
Percentage	(9.25)	(5.22)	(6.99)	(5.87)
<b>NEPAL</b>				
World	257	394*	500	624*
Japan	2	3*	108	36*
Percentage	(0.78)	(0.76*)	(21.16)	(5.77*)
<b>PAKISTAN</b>				
World	6494	8331	8431	10012
Japan	520	291	1245	787
Percentage	(5.13)	(3.52)	(11.70)	(7.52)
<b>SRI LANKA</b>				
World	1987	4370	3061	6368
Japan	102	154	358	479
Percentage	(5.13)	(3.52)	(11.70)	(7.52)
<b>SOUTH ASIA</b>				
World	28351	56309	35084	70433
Japan	8333	2570	3389	4449
Percentage	(8.23)	(4.56)	(9.66)	(6.32)

\* For the year 1997.

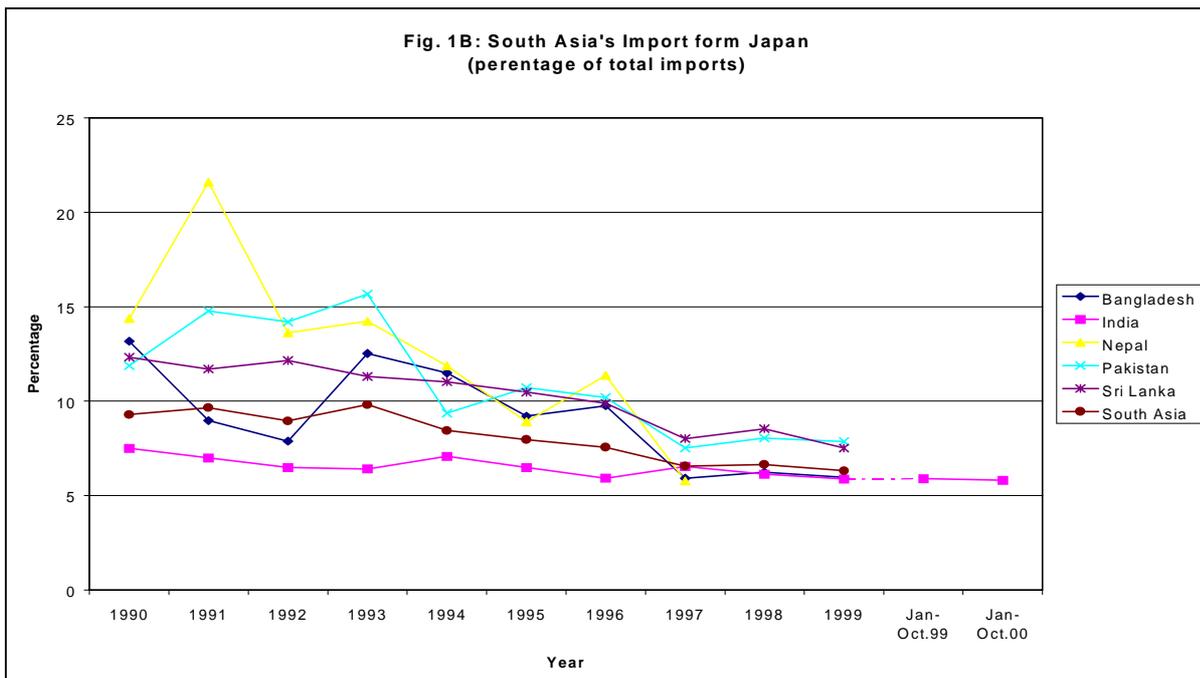
Figures in parentheses represent share of South Asian countries total exports/imports.

*Source:* IMF, *Direction of Trade Statistics Year book*, various issues.

The declining trend during 1990s has been observed not only for South Asia-Japan trade (as proportion of total trade of South Asia with World) but for all the countries of South Asia, as depicted in Figure 1A. The share of Bangladesh's imports from Japan, as proportion of its total imports, has declined from 9.0 per cent in 1991 to 6.0 per cent in 1999. The market share of Pakistan's imports from Japan has been declining since 1994, touching the level of 7.8 per cent (of its total import market) in 1999. The share of Sri Lankan imports from Japan (as proportion of its total import) has been consistently declining in the last ten years. This declining trend can also be noticed for the share of exports of South Asian countries to Japan (as a proportion of their total exports), as shown in Figure I.B.



On comparing India's total exports to Japan in 1991 with that of the 1999, we find that India's



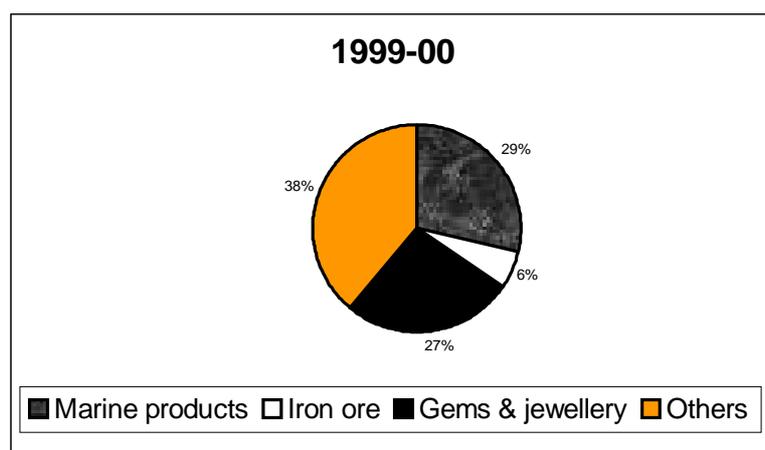
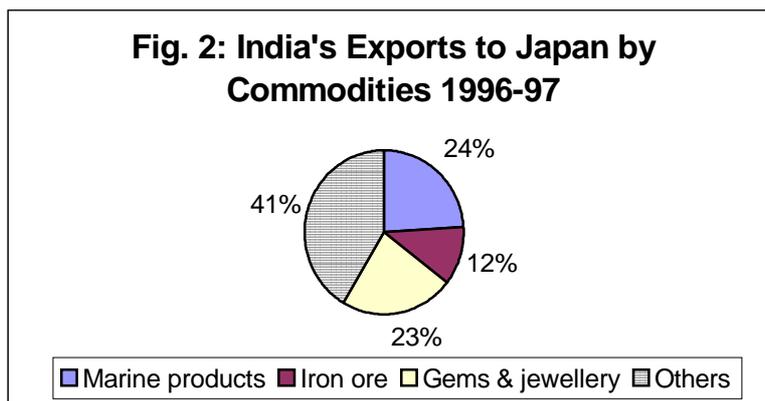
exports to Japan increased in absolute value terms - from US \$ 1654 million in 1991 to US \$ 2042 million in 1999. But its share in India's total exports declined from 9.25 per cent to 5.22 per cent over this period. The same is true for India's imports from Japan. India's imports from Japan increased from US \$ 1364 million in 1991 to US \$ 2669 million in 1999. But its share in India's total imports declined from 6.99 per cent to 5.87 per cent over this period. The recent statistics of 2000 also show the similar trend in India's import /export with Japan, as depicted in Fig. 1.A and Fig 1.B.

#### IV Composition of India's Trade with Japan

The composition of India's total exports has undergone a significant change in recent past. There has been a significant shift from the primary commodities to the manufactures. The ratio of manufacturing exports in total merchandise export has grown fast during last one and a half-decade. The share of the manufacturing in total merchandise exports was around 77.8 per cent during 1998-99, which increased to 80.8 per cent during April-Nov. 1999. At present, gems & jewellery, and textiles are major commodities of exports originating from India. In fact, these commodities account for a large share of its exports. In recent months<sup>8</sup> the most significant export growth has been noticed in transport equipment, gems & jewellery, metal manufacture,

and textile products<sup>9</sup>. The exports of India to Japanese market have been concentrated in gems and jewellery, marine products, iron ore, etc. (Figure 2). It has been noticed that more manufactured products are being covered in the export basket to Japan. A number of commodities have shown a significant growth of India's exports

to Japan during 1999-00. Some of the important commodities are: cashew (19.58 per cent), castor oil (53.34 per cent), cotton raw incl. waste (10.34 per cent), manufacture of metals (18.88 per cent), electronic goods (22.4 per cent), gems & jewellery (35.61 per cent), other manufactured goods (33.51 per cent), primary & semi-finished iron & steel (172.99 per cent), and textiles excl. readymade garments (22.61 per cent), and cotton yarn fabric made-ups, etc. (38.98 per cent). Annexure Table 2<sup>10</sup> presents change in export structure of India to Japan by different broad commodities groups (groups defined by different Sections of Harmonised System, commonly known as HS Sections).



<sup>8</sup> During April-Nov. 2000.

<sup>9</sup> G.O.I., *Economic Survey 1999-2000*.

<sup>10</sup> See also Annexure Table 2.

India's exports to Japan of different commodity groups (at section level of HS classification) show that there has been increase in the percentage share in India's total exports to Japan from 1990-91 to 1998-99 for the commodity groups Live animals; animal products (HS Section I), Vegetable products (II), Animal or veg. fats & oils (III), Prepared foodstuff; beverages (IV), Product of the chemical (VI), Plastics & articles thereof (VII), Pulp of wood or of other fibr. (X), Textile & textile articles (XI), Articles of stone plaster (XIII), Machinery & mechanical appliances (XVI), Vehicles, aircraft, vessels (XVII), Optical, photographs, cinematography (XVIII), Misc. manufactures articles (XX), and Works of art collector's pieces (XXI), During that period commodity groups defined by different HS Sections, i.e. Mineral products (V), Raw hides & skins, leather (VIII), Wood & articles of wood; wood (IX), Footwear, headgear, Umbrellas (XII), Natural or cultured pearls (XIV), Base metals & articles of base (XV), have experienced declining share in India's total exports to Japan. There has been notable increase in share of a commodity group, i.e. live animals and animal products (section I). Its share increased from 16.95 per cent in 1990-1991 to 30.81 per cent in 1998-99. There has been notable decrease in the share of two commodity groups: (i) mineral products (or HS Section V) from 27.26 per cent in 1990-1991 to 13.16 percent in 1998-99, and (ii) natural and cultured pearls etc. (or Section XIV) from 32.33 per cent in 1990-1991 to 20.85 per cent in 1998-99. In this context, it should be noticed that the share of Japan in India's total exports of three commodity sub-groups, i.e. fish and crustaceans, molluscs and other aquatic invertebrates (HS Chapter.3), products of animal origin, not elsewhere specified or included (chp.5), and ores, slag and ash (chp.26), is very large to the extent of more than 50 per cent.

The export basket of India to Japan is still not very diversified. In fact, only three commodities, i.e. shrimps and prawns, other non-industrial diamonds and non-agglomerated iron ore, constitute around 58 per cent of India's export to Japan in 1998-99 (Table 3), although the concentration of these commodities has decreased in recent years.

**Table 3: Top Twenty Commodities of India's Exports to Japan, 1998-99**

HS Code	Description	Value (Rs. Lakhs)	% share
30613	Shrimps and prawns frozen	188789.05	37.44
710239	Other non-industrial diamonds	134587.74	26.69
260111	Non-agglomerated	75133.79	14.90
230400	Oil-cake and other solid residues, whether or not ground or in the form of pellets,	17491.69	3.47
80132	Shelled cashew nuts	9986.35	1.98
50610	Ossein and bones treated with acid.	7937.74	1.57
630492	Other furnishing articles, not knitted or crocheted, of cotton	6822.46	1.35
720249	Other ferro-chromium	6585.6	1.31
620520	Of cotton	5557.86	1.10
90111	Coffee neither roasted nor decaffeinated	5392.68	1.07
261000	Chromium ores and concentrates	5262.44	1.04
848010	Moulding Boxes for Metal Foundry	4982.96	0.99
680223	Simply cut or sawn granite with a flat/even surface	4754.54	0.94
90240	Other black tea (fermented) and other partly fermented tea	4687.36	0.93
520521	Measuring 714.29 decitex or more (not exceeding 14 metric number)	4619.59	0.92
520710	Cotton Yarn containing Cotton >=85% by Wt Put Up for Retail Sale	4551.5	0.90
151530	Castor Oil and Its Fractions	4309.4	0.85
30379	Other frozen fish, excluding livers and roes	4273.83	0.85
711319	Articles of jewellery and parts thereof of other precious metal, whether or not plated or clad with	4262.1	0.85
710399	Otherwise worked other precious and semi-precious stone	4214.78	0.84
	<b>Total of above</b>	<b>504203.46</b>	
	<b>Total</b>	<b>692644.10</b>	

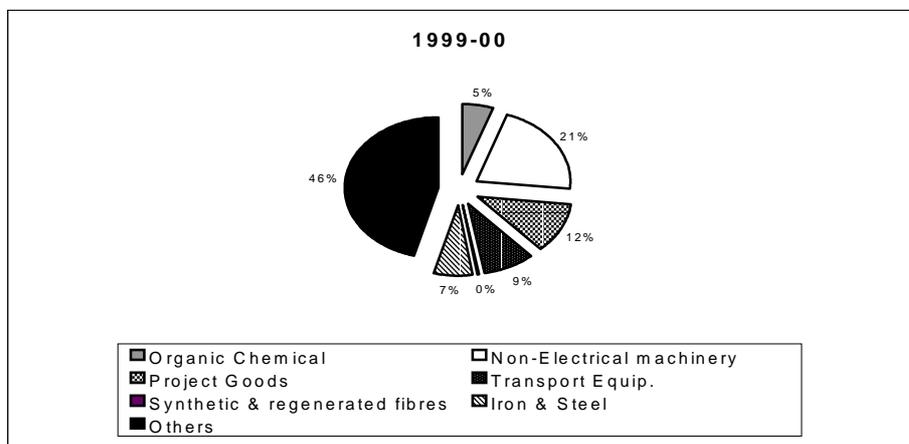
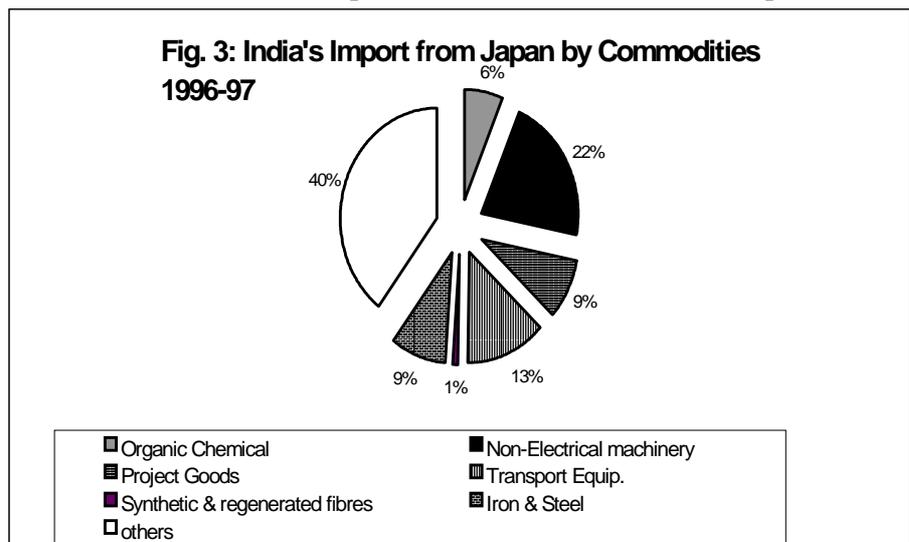
Source: G.O.I., DGCI, *Monthly Statistics of Foreign Trade of India, Exports*, March 1999.

India's total import basket (by commodities) show that food etc. (6.6 per cent), fuel (24.5 per cent), capital goods (16.6 per cent), and bulk items (35.9 per cent) continue to have major share<sup>11</sup>. Figure 3 shows a distribution of India's import from Japan by different commodities for 1996-97 and 1999-2000, and Annexure Table 3 gives a distribution by different commodity groups (HS sections), from 1990-91 to 1998-99. India's imports from Japan at commodity groups (i.e. section level of HS classification) show that for the group: Vegetable products (HS Section II), Prepared foodstuff; beverages (IV), Mineral products (V), Products of the chemical (VI), Plastics & articles thereof (VII), Wood & articles of wood; (IX), Pulp of wood or of other fibre. (X), Footwear, headgear, Umbrellas (XII), Natural or cultured pearls (XIV), Optical, photograph, cinemato (XVIII), Misc. manufacture articles (XX) and Works of art collectors' pieces (XXI), there has been increase in the percentage share in India's total imports from Japan from 1990-91 to 1998-99.

During that period sections have experienced declining share in India's total imports from Japan are: Live animals; animal products (HS Section I), Animals or veg. Fats & oils (III), Raw hides & skins, leather (VIII), Textile & textile articles (XI), Articles of stone plaster (XIII), Base metals & articles of base (XV), Machinery & mechanical appliances (XVI) and Vehicles, aircraft, vessels (XVII)

There has been notable increase in the share of a commodity group, i.e. works of art collector's pieces (Section XXI). Their share increased from 10.9 per cent in 1990-1991 to 18.7 per cent in 1998-99.

There has been notable decrease in the share of three commodity groups (of HS section). For section XV (or base metals and articles), the share declined from 17.75 per cent in 1990-1991 to 11.87 per cent in 1998-99; for section XVI (or machinery and mechanical appliances), the share declined from 32.42 per cent in 1990-1991 to 31.48 per cent in 1998-99; and for section XVII (or vehicles, aircraft and vessels), the share declined from 11.99 per cent in 1990-1991 to 6.29 per cent in 1998-99.



The composition of India's import from Japan by different commodity groups (HS Sections) has not changed significantly over time<sup>12</sup>. The contribution of import basket is not concentrated to a few commodities as is the case with India's export basket. However, one group, i.e. electricity machinery (Section XVI) accounts for almost 35 per cent of India's import basket. In case we

<sup>11</sup> During April-Nov. 2000.

<sup>12</sup> See Annexure Table 3. However, some changes have been noticed in the year 1998-99.

compare India's import by specific commodities, a one particular commodity, i.e. project imports, account for major share of India's imports from Japan (Table 4). However, a significant growth has been noticed in a number of other commodities during 1999-00. The important commodities that have shown maximum growth during 1999-00 are: textile yarn fabrics made-ups articles (20.6 per cent), precious pearls and semi-precious stones (32.6 per cent), and chemical material & products (20.1 per cent).

**Table 4: Top Twenty Commodities India's Imports from Japan, 1998-99**

HS Code	Description	Value (Rs. Lakhs)	% share
980100	Project goods	196838.36	50.85
870899	Other parts & accessories of vehicles of heading 8701-8705	41500.09	10.72
270400	Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated	17783.49	4.59
370310	Photopapr etc in Rolls Og Width Excdg 610Mm	13221.1	3.42
840999	Other	12344.46	3.19
720449	Other waste and scrap	9452.86	2.44
847989	Other	8436.29	2.18
370241	Other Flm without Prfratns Width >= 610 Mm &Length> 200 Mm for Clr Photography (Plycrm) for Colour P	8276.56	2.14
841590	Parts of the Air Conditioning Machines etc	8170.39	2.11
291736	Terephthalic Acid and Its Salts	7842.79	2.03
848180	Other appliances	7359.11	1.90
845710	Machining centres	7244.98	1.87
840991	Suitable for use solely or principally with spark-ignition internal combustion piston engines.	7213.79	1.86
722511	Flat-rolled products of silicon electrical steel, grain oriented, of a width of 600mm or more	6971.16	1.80
550330	Staple Fibres of Acrylic/Modacrlc not Crd/Cmbd	6378	1.65
840690	Parts of Turbines	6237.54	1.61
294200	Other organic compounds.	5682.52	1.47
844319	Other Offset Printing Machinery	5663.41	1.46
854219	Other incl. Circuits obtained by a combination of bipolar & MOS technologies (BIMOS technology)	5542.08	1.43
844790	Other	4934.37	1.27
	<b>Total of above</b>	<b>387093.35</b>	
	<b>Total</b>	<b>1027214.60</b>	

**Source:** G.O.I., DGCIS, *Monthly Statistics of Foreign Trade of India, Imports*, March 1999.

## V. Decline in Indo-Japanese Trade: Possible Factors

The significant decline in the share of India's exports and imports from Japan is a matter of concern because India has shown a consistent increase in its market shares to other countries of Asia. What are the different factors, which can explain this phenomenon? It requires an in-depth analysis. However, the following paragraphs outlines some of the factors, which seem to have affected the trade relations between Japan and India.

- I *Stagnation of Japanese Economy:* The Japanese economy has been in stagnation from the beginning of 1990s; it is probably not because of low level of productive power but by its strength of domestic demand. Even though exports are important strategic factor, the amount of domestic demand has played the decisive role in 1990s.
- II *High Protection of India for a long time:* India followed highly protectionist policy in the post-Independent era. The process of trade liberalisation began only in early 1990s. Average MFN tariff has declined from more than 80 per cent in pre-reform period to the level of around 30 per cent during late 1990s and early 2000. Similarly, India has removed all quantitative restrictions from April 2001.
- III *India's Trade with Japan is more elastic as compared to Japan's Trade with India:* The share of India-Japan trade as percentage of Japan's total trade has not significantly declined, as compared to corresponding share of Indo-Japan trade in India's total trade.
- IV *Nexus between Trade and Investment Policies of Japan:* It has been noticed that bilateral trade between two countries also depends upon investment and financial flows between those countries. Japan has relatively higher investment and financial flows with countries other than India.
- V *Changing Environment in the Post-Cold War Era:* In recent years China has become a very important country in the world market. China is becoming one of the major trading partners of Japan. It constitutes around 6 per cent of Japanese total exports and 14 per cent of total imports during 1999. The increasing share of Japan-China trade can be one of the reasons for declining trend in Indo-Japanese trade.
- VI *Emergence of Trading Blocs:* The growth of India's trade (particularly exports) was significantly higher with countries, which whom it has regional/bilateral free/preferential trading arrangements.
- VII *Possible affect of strategic issues and conflicts in multi-lateral trading system:* The declining trend in Indo-Japanese trade can be due to non-economic factors, e.g. amount of Japanese ODA in India has significantly reduced in recent years.

- VIII *Higher level of Protection in India as compared to other countries of the world:* Although the level of protection for India's imports has significantly declined during last one decade, India is still highly protective economy in world.
- IX *Peak tariff in Japan for Commodities in which India has export potential:* Although average MFN tariff of Japan imports is very low, problem of the peak tariffs is still prevalent in certain commodity groups for which India has export potential. Mehta and Mohanty<sup>13</sup> have shown that India's exports are facing peak tariffs even in industrial sector like leather & leather products, silk, footwear, clocks & watches, etc.
- X *A large number of non-tariff measures adopted by Japan like international standards, sanitary and phyto-sanitary measures:* UNCTAD<sup>14</sup> has identified around 36 types of non-tariff barriers that Japan is imposing on its imported goods. Most of these restrictions have been imposed for health, environment, social and other reasons in the form of technical standards. It is very difficult for developing countries like India to meet those standards and penetrate in Japanese market. At least one type of these NTBs has been imposed on 2742 commodities of the Japan's Industrial Sector<sup>15</sup>.
- XI *Distance, culture similarities and contiguity:* A large number of studies<sup>16</sup> have shown that geographical proximity, language and "old links" play an important role in bilateral trade between two countries.
- XII *Complementarity in commodity composition of India's exports/imports with Japan's imports/exports:* The composition of India's exports/imports (by different commodities) has been changing in post-liberalisation era. One should examine complementarity of India's exports (and imports) basket with Japan's imports (and exports) basket.
- At the end it should be remembered that both India and Japan prefer a strong multi-lateral trading arrangement. Unlike the most of developed countries of the world, Japan is not a member of any regional trading bloc. Although it is member of Asian Pacific Economic Co-operation (APEC), one cannot say that APEC is a trading bloc. India is a member of different regional associations like SAARC (South Asian Association of Regional Co-operation), BIMST-EC (Bangladesh, India, Myanmar, Sri Lanka and Thailand Economic Co-operation), and IOR-ARC (Indian Ocean Rim Association for Regional Co-operation). However, preferential tariffs have been granted to a few commodities in South Asian

<sup>13</sup> Mehta and S.K. Mohanty, *WTO and Industrial Tariff: An Empirical Analysis for India*, RIS, New Delhi, 1999.

<sup>14</sup> UNCTAD, *Trade Analysis and Information System (TRAINS)*.

<sup>15</sup> See, Mehta and Mohanty, *ibid*.

<sup>16</sup> See for example Frankel, J.A. and S. Wei, "Regionalism of World Trade and Currencies Economy and Policies" in Frankel J.A. (ed.), *The Regionalism of the World Economy*, NBER, University of Chicago Press, 1998, and Frankel, J.A., *Regional Trading Blocs in the World Economic System*, Institute for International Economics, Washington, DC, 1997.

Preferential Trading Arrangement. At present both India and Japan are pursuing trade policies towards formation of bilateral trading arrangements with other countries of the world. India has recently signed bilateral free trade agreement with Sri Lanka, and is exploring bilateral free trade arrangements with a large number of major trading partners. Similarly, Japan is also exploring the possibility of bilateral free trade agreements with different countries in different regions of the world. Japan will be signing a bilateral free trade agreement with Singapore, in near future. India and Japan should think of exploring the possibility of bilateral free trade agreement. Apart from enhancing the trade co-operation between them, Japan and India should work together to strengthen the multilateral trading system. Although, Japan and India have different agendas for multilateral trading system, they can prove to be major leaders in launching of new opportunities for trade, development and economic prosperity.

## VI. Concluding Observations

- There is a surge in Japanese trade following decline in 1997 and 1998. In 2000, Japanese global exports increased at the rate of 20 per cent as compared to 8 per cent increase in 1999 and decline of 7.8 per cent during 1998. Similarly, Japanese global imports increased at the rate of around 17.2 per cent in 2000 as compared to decline of 17.2 per cent in 1998.
- During 1998-99, India's total exports declined by 3.9 per cent in terms of US \$ as compared to increase of 4.6 per cent in 1997-98. India's global exports during 1999-2000 have witnessed a significant turn-round with a growth rate of 13.4 per cent in US \$ terms. In 2000-01, there has been further acceleration to its growth, - than 17 per cent. India's imports (US \$) had also witnessed a turn-round in 1998-99. The growth of imports during 1998-99 was 0.9 per cent as against 6 per cent in 1997-98. The declining trend in 1998-99 can be contributed mainly to decline of oil imports, capital goods and some intermediate inputs. During 1999-2000, India's imports increased by 11.5 per cent, while there was almost no change in India's imports during 2000-01.
- India is not an important country in world trade. However, its imports/exports have shown a significant increase in 1990s as compared to most of the countries of the world.
- Japan is one of the most important India's trading partners, in terms of both imports/exports. However, trade flows between both the two countries have been showing a consistent and significant decline during 1990s. Total imports of Japan from India have witnessed a sharp decline from US \$ 2.9 billion in 1995 to 2.2 billion in 1999. Similar trend has been noticed in Japanese exports to India. This has led to significant decline in the share of India's imports and India's export to Japan as a proportion of India's global imports and exports respectively. This declining trend has been observed consistently during all years of 1990s. It is a matter of great concern and requires detailed analysis.
- There is a need of in-depth analysis to examine the declining trend in Indo-Japanese trade. The analysis should take into consideration both economic and non-economic factors.
- India's exports to Japan are vulnerable because only three commodities constitute a major share of India's exports to Japan. India's export basket should be diversified in the changing world environment.
- Non-tariff barriers continue to be one of the most important hurdles for Indo-Japanese trade. India has removed quantitative restrictions on imports of all products from April 2001. However, Indian exports are facing around twelve different types of non-tariff barriers in Japanese market for industrial sector. The hard-core non-tariff barriers have been noticed in

sectors like leather and leather products, textiles, wood and wood products, in which India has significant export potential. In addition, India is facing high level of effective rate of protection in sectors like footwear, etc.

- India and Japan should explore the possibility of preferential trading arrangement keeping in view the short- and medium-term objectives. It should preferably be on the pattern of open regionalism.

**Annexure Table 1A: Japan's Trade with South Asia, 1990-1999**

(Mill. US\$)

Year		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999
Country											
Global	X:	287644	314845	395201	3362583	395201	443005	411242	421067	387995	419231
	M:	235289	236612	274123	241604	274123	335937	349508	338646	281243	310734
Bangladesh	X:	378 (0.13)	292 (0.08)	240 (0.07)	327 (0.09)	335 (0.08)	348 (0.08)	347 (0.08)	317 (0.08)	324 (0.08)	326 (0.03)
	M:	71 (0.003)	67 (0.03)	62 (0.03)	74 (0.03)	91 (0.03)	146 (0.04)	143 (0.04)	130 (0.04)	114 (0.04)	107 (0.03)
India	X:	1711 (0.59)	1525 (0.48)	1488 (0.44)	1536 (0.42)	2048 (0.52)	2543 (0.57)	2436 (0.59)	2208 (0.52)	2409 (0.62)	2426 (0.58)
	M:	2075 (0.90)	2156 (0.92)	2035 (0.87)	2287 (0.95)	2650 (0.97)	2917 (0.87)	2852 (0.82)	2658 (0.78)	2177 (0.77)	2246 (0.72)
Nepal	X:	59 (0.02)	98 (0.03)	60 (0.02)	68 (0.02)	66 (0.02)	60 (0.01)	65 (0.02)	33 (0.01)	-	-
	M:	3 (0.001)	2 (0.001)	2 (0.002)	4 (0.002)	3 (0.001)	2 (0.001)	2 (0.001)	1 (0.0003)	-	-
Pakistan	X:	1008 (0.25)	1362 (0.43)	1300 (0.38)	1372 (0.38)	856 (0.22)	1240 (0.28)	1157 (0.28)	760 (0.18)	658 (0.17)	611 (0.15)
	M:	538 (0.23)	650 (0.27)	528 (0.23)	503 (0.21)	545 (0.20)	600 (0.18)	578 (0.17)	488 (0.14)	309 (0.11)	288 (0.09)
Sri Lanka	X:	316 (0.11)	292 (0.09)	359 (0.11)	391 (0.11)	455 (0.12)	429 (0.10)	401 (0.10)	412 (0.10)	-	-
	M:	135 (0.06)	132 (0.06)	151 (0.06)	170 (0.07)	189 (0.07)	232 (0.07)	273 (0.08)	266 (0.08)	-	-
South Asia	X:	3482 (1.21)	3531 (1.12)	3456 (1.02)	3703 (1.02)	3771 (0.95)	4628 (1.04)	4413 (1.07)	3738 (0.89)	3391 (0.87)	3363 (0.80)
	M:	2826 (1.20)	3042 (1.28)	2780 (1.19)	3039 (1.26)	3482 (1.27)	3901 (1.16)	3858 (1.10)	3565 (1.05)	2600 (0.92)	2641 (0.85)

Figures in parentheses represent percentage share of Global trade. X= Exports, M= Imports.

Source: IMF, *Direction of Trade Statistics*, various issues.

**Annexure Table 1B: South Asia's Trade with Japan, 1990-1999**

(Mill. US\$)

Year		1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	
Country												
Bangladesh	X:	Japan	65 (3.89)	53 (3.14)	52 (2.55)	58 (2.55)	70 (2.64)	103 (3.29)	104 (3.15)	104 (2.55)	64 (1.67)	80 (1.76)
		Global	1672	1687	2037	2277	2650	3129	3297	4076	3822	4531
	M:	Japan	482 (13.18)	307 (8.97)	294 (7.88)	503 (12.53)	527 (11.50)	598 (9.21)	673 (9.76)	405 (5.91)	456 (6.24)	514 (5.96)
		Global	3656	3421	3731	4015	4584	6496	6899	6857	7313	8630
India	X:	Japan	1656 (9.30)	1654 (9.25)	1523 (8.23)	1657 (8.18)	1924 (7.95)	2130 (6.98)	2078 (6.43)	1870 (5.62)	1888 (6.24)	2042 (5.22)
		Global	17813	17872	18498	20258	24195	30537	32325	33289	36674	39077
	M:	Japan	1801 (7.50)	1364 (6.99)	1504 (6.48)	1376 (6.41)	1840 (7.08)	2234 (6.48)	2134 (5.92)	2429 (6.24)	2659 (6.13)	2669 (5.87)
		Global	23990	19509	23227	21482	25981	34456	36055	41977	43409	45423
Nepal	X:	Japan	2 (0.92)	2 (0.78)	2 (0.57)	4 (1.09)	3 (0.85)	2 (0.62)	2 (0.56)	3 (0.76)	-	-
		Global	216	257	352	367	351	324	358	394	-	-
	M:	Japan	65 (14.38)	108 (21.6)	65 (13.63)	75 (14.23)	73 (11.87)	67 (8.91)	72 (11.36)	36 (5.77)	-	-
		Global	452	500	477	527	615	752	634	624	-	-
Pakistan	X:	Japan	457 (8.18)	520 (8.01)	557 (7.66)	485 (7.24)	537 (7.32)	542 (6.78)	608 (6.54)	450 (5.21)	289 (3.43)	291 (3.49)
		Global	5587	6494	7269	6701	7332	7991	9299	8632	8433	8331
	M:	Japan	877 (11.88)	1245 (14.77)	1331 (14.20)	1487 (15.67)	832 (9.37)	1229 (10.72)	1239 (10.20)	872 (7.52)	749 (8.05)	787 (7.86)
		Global	7383	8431	9375	9492	8884	11460	12150	11595	9308	10012
Sri Lanka	X:	Japan	102 (5.38)	102 (5.13)	130 (5.23)	148 (5.18)	165 (5.14)	200 (5.25)	256 (6.25)	242 (5.20)	206 (4.68)	154 (3.52)
		Global	1895	1987	2488	2859	3210	3210	4097	4652	4399	4370
	M:	Japan	325 (12.33)	358 (11.70)	422 (12.15)	453 (11.31)	526 (11.03)	499 (10.47)	497 (9.88)	453 (8.01)	541 (8.54)	479 (7.52)
		Global	2636	3061	3473	4005	4767	4767	5028	5654	6338	6368
South Asia	X:	Japan	2286 (8.39)	2333 (8.23)	2265 (7.38)	2353 (7.24)	2702 (7.15)	2980 (6.50)	3057 (6.18)	2686 (5.25)	2447 (3.91)	2570 (4.56)
		Global	27235	28351	30684	32497	37786	45841	49481	51136	62510	56309
	M:	Japan	3554 (9.29)	3389 (9.66)	3623 (8.95)	3901 (9.82)	3805 (8.45)	4641 (7.96)	4623 (7.55)	4203 (6.56)	4405 (6.64)	4449 (6.32)
		Global	38255	35084	40475	39714	45053	58288	61239	64074	66368	70433

Figures in parentheses represent percentage share of Global trade. X= Exports, M= Imports.

Source: IMF, Direction of Trade Statistics, Yearbook, various issues.

**Annexure Table 2: Export of India to Japan by Commodity Groups (HS Sections), 1988-89 to 1998-99**

(Rs. Lakhs)

Section No.	Description	1988-89	1990-91	1991-92	1992-93	1993-94	1994-95	1996-97	1997-98	1998-99
I	Live Animals: Animal products	39727 (18.46)	51493 (16.95)	69063 (16.97)	81255 (19.53)	121697 (22.29)	161626 (25.41)	178763 (25.11)	219218 (29.01)	214101 (30.81)
II	Vegetable Products	7899 (3.6)	9962 (3.28)	13264 (3.25)	14671 (3.52)	17276 (3.16)	26128 (4.10)	29353 (4.12)	39951 (5.29)	42868 (6.17)
III	Animal or veg fats & oils	518 (0.24)	1000 (0.32)	1666 (0.40)	2579 (0.62)	885 (0.16)	4390 (0.69)	8436 (1.19)	5919 (6.78)	5607 (0.81)
IV	Prepared foodstuff; Beverages	879 (0.40)	1698 (0.55)	3122 (0.76)	4448 (1.06)	6272 (1.14)	4375 (0.68)	27158 (3.82)	16472 (2.18)	20883 (3.00)
V	Mineral Products	52323 (24.31)	82821 (27.26)	10502 (25.80)	80010 (19.24)	91098 (16.68)	90448 (14.22)	102366 (14.38)	100182 (13.26)	91450 (13.16)
VI	Product of the Chemical	3850 (1.78)	5027 (1.65)	9603 (2.35)	10075 (2.42)	11799 (2.16)	1795 (2.78)	26641 (3.74)	28547 (3.78)	32016 (4.61)
VII	Plastics & Articles thereof;	43 (0.02)	66 (0.02)	78 (0.01)	285 (0.06)	400 (0.07)	475 (0.07)	906 (0.13)	3571 (0.47)	1772 (0.25)
VIII	Raw Hides & Skins, Leather	3367 (1.56)	4251 (1.39)	3431 (0.04)	5688 (1.36)	4117 (0.75)	5681 (0.89)	3441 (0.48)	4783 (0.63)	2903 (0.41)
IX	Wood & articles of wood; Wood	286 (0.13)	279 (0.09)	414 (12.21)	152 (0.03)	514 (0.09)	905 (0.14)	747 (0.10)	435 (0.06)	303 (0.04)
X	Pulp of wood or of other Fibr.	23 (0.01)	21 (0.00)	170 (0.42)	377 (0.09)	424 (0.07)	652 (0.10)	647 (0.09)	913 (0.12)	690 (0.10)
XI	Textile & Textile Articles	17968 (8.35)	31432 (10.34)	49703 (1.04)	52926 (12.72)	73261 (13.42)	87763 (13.79)	101612 (14.28)	104864 (13.88)	83566 (12.02)
XII	Footwear, headgear, Umbrellas	428 (0.19)	1079 (0.35)	1721 (27.97)	135 (0.32)	1099 (0.20)	1594 (0.25)	1781 (0.25)	957 (0.13)	926 (0.13)
XIII	Articles of Stone Plaster	906 (0.42)	1720 (0.56)	4250 (6.84)	4557 (1.09)	5774 (1.05)	7152 (1.12)	10403 (1.46)	7178 (0.95)	5677 (0.82)
XIV	Natural or cultured pearls	77137 (35.84)	98194 (32.33)	113834 (0.17)	125226 (30.11)	171620 (31.43)	182132 (28.63)	164613 (23.13)	171456 (22.69)	144923 (20.85)
XV	Base Metals & Articles of base	8692 (3.57)	11928 (3.927)	27860 (0.07)	26337 (6.33)	32720 (5.99)	36291 (5.70)	39471 (5.55)	31675 (4.19)	12417 (1.79)
XVI	Machinery & Mechanical Applian	522 (0.24)	403 (0.13)	700 (0.10)	1905 (0.45)	1535 (0.28)	2106 (0.33)	8883 (1.25)	13240 (1.75)	24981 (3.59)
XVII	Vehicles, Aircraft, Vessels	67 (0.03)	53 (0.01)	293 (0.07)	382 (0.09)	1153 (0.21)	1034 (0.16)	945 (0.13)	1398 (0.18)	2836 (0.41)
XVIII	Optical, Photograph, cinemato	449 (0.20)	562 (0.01)	414 (0.10)	369 (0.08)	535 (0.09)	523 (0.08)	1197 (0.17)	1398 (0.18)	1494 (0.21)
XX	Misc manufactured Articles	132 (0.06)	262 (0.18)	296 (0.07)	475 (0.11)	585 (0.10)	778 (0.12)	7298 (0.10)	535 (0.07)	812 (0.12)
XXI	Works of Art Collectors' Pieces	961 (0.44)	1462 (0.08)	2034 (0.50)	2773 (0.66)	3096 (0.56)	4292 (0.67)	3697 (0.52)	3153 (0.42)	4767 (0.69)
	<b>TOTAL</b>	<b>215184</b>	<b>303724</b>	<b>406949</b>	<b>415851</b>	<b>545868</b>	<b>636052</b>	<b>711789</b>	<b>755758</b>	<b>694992</b>

Figures in parentheses represent percentage share of India's total export to Japan.

Source: G.O.I., *Monthly Statistics of Foreign Trade of India, Exports*, D.G.C.I.S.

**Annexure Table 3: Import of India from Japan by Commodity Groups (HS Sections), 1988-89 to 1998-99**

(Rs. lakhs)

Section No.	Description	1988-89	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
I	Live Animals: Animal Products	-	26 (0.00)	4 (0.00)	16 (0.00)	1 (0.00)	29 (0.00)	-	1 (0.00)	1 (0.0001)	0.08 (0.00)
II	Vegetable Products	123 (0.04)	535 (0.16)	213 (0.06)	592 (0.14)	977 (0.20)	832 (0.13)	715 (0.08)	299 (0.03)	665 (0.08)	1126 (0.11)
III	Animal or veg fats & oils	188 (0.07)	15 (0.00)	64 (0.01)	37 (0.09)	16 (0.00)	46 (0.00)	19 (0.00)	1248 (0.16)	31 (0.000)	5 (0.0005)
IV	Prepared foodstuff; Beverages	8 (0.00)	14 (0.00)	10 (0.00)	41 (0.01)	141 (0.02)	258 (0.04)	246 (0.02)	287 (0.03)	444 (0.06)	554 (0.05)
V	Mineral Products	3726 (1.42)	4796 (1.47)	3775 (1.12)	5552 (1.34)	5512 (1.15)	7760 (1.21)	11702 (1.41)	10489 (1.35)	13130 (1.65)	4991 (4.26)
VI	Product of the Chemical	23590 (9.00)	35700 (11.01)	37221 (11.12)	53843 (13.08)	62005 (13.02)	81222 (12.70)	98722 (11.96)	99311 (12.78)	114278 (14.34)	126223 (11.96)
VII	Plastics & Articles thereof;	9354 (3.57)	14790 (4.56)	16778 (5.01)	19296 (4.68)	26946 (5.65)	34279 (5.36)	55976 (6.78)	53743 (6.92)	47693 (5.98)	57961 (5.49)
VIII	Raw Hides & Skins, Leather	104 (0.04)	164 (0.05)	1012 (0.03)	196 (0.04)	223 (0.04)	111 (0.01)	191 (0.02)	88 (0.01)	146 (0.02)	264 (0.03)
IX	Wood & articles of wood; Wood	51 (0.01)	23 (0.00)	61 (0.01)	91 (0.02)	4 (0.00)	67 (0.01)	129 (0.01)	99 (0.12)	63 (0.01)	139 (0.01)
X	Pulp of wood or of other Fibr.	2144 (0.81)	2153 (0.66)	3852 (1.15)	2553 (0.62)	2212 (0.46)	2586 (0.40)	4472 (0.54)	4126 (0.53)	4994 (0.63)	9719 (0.92)
XI	Textile & Textile Articles	10175 (3.88)	11978 (3.69)	8589 (2.56)	11074 (2.69)	15112 (3.17)	16627 (2.60)	16689 (2.02)	11875 (1.52)	16464 (2.06)	18885 (1.79)
XII	Footwear, headgear, Umbrellas	7 (0.00)	4 (0.00)	12 (0.00)	39 (0.00)	6 (0.00)	21 (0.03)	70 (0.00)	77 (0.01)	26 (0.0003)	10 (0.001)
XIII	Articles of Stone Plaster	5875 (2.24)	3646 (1.12)	3847 (1.14)	5156 (1.25)	6026 (1.26)	7872 (1.23)	9008 (1.09)	7999 (1.03)	6438 (0.81)	9497 (0.90)
XIV	Natural or cultured pearls	232 (0.08)	264 (0.08)	312 (0.09)	422 (0.10)	479 (0.10)	1025 (0.16)	2504 (0.30)	1366 (0.17)	1328 (0.17)	2786 (0.26)
XV	Base Metals & Articles of base	46494 (17.75)	50449 (15.56)	37461 (11.19)	48448 (11.77)	42428 (8.91)	58214 (9.10)	94816 (11.48)	107345 (13.82)	96030 (12.05)	125242 (11.87)
XVI	Machinery & Mechanical Applian	84896 (32.42)	98020 (30.24)	9162 (27.38)	135871 (33.02)	16172 (33.96)	192917 (30.16)	266623 (32.30)	264847 (34.10)	280131 (35.14)	332185 (31.48)
XVII	Vehicles, Aircraft, Vessels	31400 (11.99)	49036 (15.12)	41146 (12.29)	47682 (11.58)	46756 (9.82)	70224 (10.98)	89647 (10.86)	104207 (13.41)	84402 (10.59)	66340 (6.29)
XVIII	Optical, Photograph, cinemato	14256 (5.44)	21339 (6.58)	16335 (4.88)	25402 (6.17)	26426 (5.55)	27984 (4.37)	47487 (5.75)	38480 (4.95)	45684 (5.73)	58225 (5.52)
XX	Misc manufactured Articles	638 (0.24)	627 (1.19)	574 (0.17)	830 (0.20)	1242 (0.26)	1661 (0.25)	2497 (0.30)	1449 (0.18)	4241 (0.53)	3716 (0.35)
XXI	Works of Art Collectors' Pieces	28553 (10.90)	30568 (9.43)	72598 (21.69)	53964 (13.11)	77870 (16.35)	135687 (21.21)	123877 (15.00)	69196 (8.91)	81002 (10.16)	197361 (18.70)

Figures in parentheses represent percentage share of India's total import from Japan.

Source: G.O.I., *Monthly Statistics of Foreign Trade of India, Imports*, D.G.C.I.S.