

Examrace

Background, Civil Nuclear Cooperation, PM Singh Visited Japan in October 2010 and Meeting in Dec 2011

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Background

- Till 1990, the Cold War had created a strategic-political void between the two countries
- After the Cold War, the two countries have been forging greater cooperation
- Also, with an outward looking approach of Indian Economy and Look East Policy, cooperation with an economic power like Japan is bound to be fruitful for India
- 2007 was declared as the Indo-Japan Friendship Year
- 60th anniversary of establishment of diplomatic relations between the two countries in 2012
- Japan is the third largest economy in the world

Civil Nuclear Cooperation

- Japan initiated the talks
- Japan is trying to push forward to include India under the CTBT fold before signing the agreement.

PM Singh Visited Japan in October 2010

- India-Japan to extend cooperation to areas such as joint ventures in rare earth minerals, defence. Two mega infrastructure projects in north-western India.
- to accelerate discussions on UNSC reforms.
- CEPA signed.
- CEPA can help catalyse the advantages of Japanese technology and India's labour cost advantage to emerge as major partners in a slew of sectors such as auto, healthcare, farm products and allied machinery.
- The real stumbling block is India's lack of quality infrastructure across the country.
- For this Japan has been channelling its Overseas Development Assistance (ODA) to development of infrastructure in a major way.
- India and Japan have already been cooperating on the Delhi Mumbai Industrial Corridor (DMIC) project

- Bilateral trade target of \$ 25 bn by 2014, a doubling of the pre-CEPA level

Meeting in Dec 2011

- Japan pledged \$ 4.5 bn over next five years for the development of the Delhi-Mumbai industrial corridor
- Commitment for two more infrastructure projects
 - Phase 3 of the Delhi Metro
 - Biodiversity conservation project in West Bengal

Cepa

- The agreement is most comprehensive of all the agreements concluded by India so far as it covers more than 90 per cent of trade, a vast gamut of services, investment, IPR, customs and other trade-related issues.
- Bilateral Trade expected to touch \$ 25b by 2014
- Effective from Aug 1,2011
- This is India's third CEPA after Singapore and South Korea.
- Benefits for India:
- Equal treatment to Indian pharmaceutical companies in drug registration in Japan
- India is likely to gain greater market access in Japan for various sectors including textiles and garments, pharmaceuticals, marine products, tea, Jewellerys and organic and inorganic chemicals. Currently India accounts for just over one percent of Japan's textiles and garments imports worth \$ 33 bn, while pharmaceuticals from India constitute a miniscule 0.09 percent of Japan's \$ 16 bn-plus import market,
- India will be benefited by Japanese investments, technology and world-class management practices that come with it. The major benefits of the agreement would go to the sectors like telecom, finance, automobiles and pharmaceuticals. Foreign investments from Japan could be the most attractive aspect of the trade deal, especially at the backdrop of dipping FDI inflows into the country
- Japan has scrapped import duties on 87 percent of goods that it imports from India with immediate effected: pepper and tea
- 'commercial presence' of working professionals to set shop in Japan. This would give a big boost to Indian professionals like musicians, accountants, architects and business consultants.
- Lowering of prices of imported products in both the countries that will ultimately benefit consumers.

- India is set to lose revenues on goods since Japan's tariffs on industrial goods are already as low as 2 % . "It is unlikely that India will have a big advantage even in services because of the language barrier"
- MFN clause in investment treaty obligations unduly affects its sovereign ability to adopt regulatory measures.

Benefits for Japan

- Japan can take advantage of India's huge and growing market and resources, especially its human resources
- Under the India- Japan CEPA only 17.4 per cent of the tariff-lines have been offered for immediate reduction of tariff to zero per cent by India. Tariffs will be brought to zero in 10 years on 66.32 per cent of tariff lines like auto parts, steel imports, electronics and machinery products gradually

Civil Nuclear Pact

- Gives Japanese firms access to the rapidly growing market (\$ 150b) amid rising global competition.
- However, Japanese companies currently cannot access the Indian market due to the lack of legal framework. "There are projects that suppliers of other countries are involved in (in India) that require Japanese technologies" . Hence , US and France have big expectations for a pact.
- Essential for India's Energy security

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