

## **COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENT BETWEEN THE REPUBLIC OF INDIA AND JAPAN**

### **India-Japan CEPA**

The India-Japan Comprehensive Economic Partnership Agreement (CEPA), which was inked on February 16 in Tokyo to remove tariffs on 94% of goods over 10 years will come into effect from April 1 2011.

The major gains from CEPA will be reduction by 17.41 percent of all tariff lines which would go to zero duty immediately. Most of these are in the textiles sector (1800 lines in 8 digit), where India will benefit immensely by the immediate total bilateral elimination of duties in this sector.

However Japan will immediately place 87 percent lines and 93 percent volume under zero duty. The major items of India's export includes seafoods, spices, fruits such as mangoes, lemons, spirits and most textile products, chemicals, etc.

In fact, most auto parts and agricultural and other sensitive items have been kept out of the liberalization schedule. India's exclusion list covers 12.84% of all tariff lines and 9.9% of volume of trade.

As per the Agreement, about 94% of the tariffs between Japan and India will be eliminated within 10 years (about 97% by Japan and about 90% by India on trade value basis). Elimination on tariff has been scheduled in four stages A, B5, B7 and B10.

Above agreement between India and Japan is subject to submission of certificate of origin for the custom verification.

### **Important dates**

- Started in 2004 and concluded on 16<sup>th</sup> February 2011
- Agreement will be effective from 1<sup>st</sup> April 2011
- In the year 2019 94% tariff lines of Japan and 90% tariff lines of Indian will have duty free access from both side

### **FTA Highlights:**

- Under the agreement 94 percent of Japanese tariff line and 90 percent Indian tariff lines would be opened by the end of the year 2019.
- At the initial phase of agreement seafood's, spices, fruits such as mangoes, lemons, spirits and most textile products, chemicals, would be opened at 0 duty from Japan side while Indian has committed to open cement, Capital goods energy fuel, stationary, cotton, cotton yarn, cotton fabric jute and vegetable fibers and other machineries.
- Tariff scheduling has been done for 10 years with further opening after 5 years of agreement and subsequently rest of the sector will be opened 7 and 10<sup>th</sup> year.
- In the textile sector Japan has opened all category at HS 8 digit of 50 to 63 while India has agreed to open except for *synthetic fibers, yarn and fabric of synthetic*, categories of textile including RMG will be imported free.

### **India's RMG Export Prospect Japan after India-Japan CEPA**

- Japan is fourth largest importer of apparel products in World. Japan imported around US\$ 24 billion in 2009 which accounts almost 7 per cent share in total import. India is the sixth largest supplier of apparel to Japan. India's share in total import stood .8 per cent which is quite low in comparison to other competitors like china, Vietnam, Italy, Thailand and South Korea. Knitted garment accounted for 50 per cent share in total garment import from world in Japan's import. Major supplier of knitted garment to Japan are China, Vietnam and Italy and these countries accounted for more than 93 per cent share in total import. Total import market size of knitted apparel in Japan is about US\$ 11.9 billion in 2009 which has increased by 2 per cent from previous year. India is the 13<sup>th</sup> largest supplier of knitted apparel to Japan.

- Jersey pullover, T-Shirts, women/girls skirts shirts blouses and under garments of both men and women are the major product categories which are imported by Japan. For all these categories China Italy and Vietnam are the major suppliers, though India supplies these products to Japan but share is less than 1 percent.
- Major manufacturing clusters for these products are Tripur and Ludhiyana.
- Demand for knitted garments are comparatively higher than the knitted fabrics in Japan.
- Total import market size of knitted apparel in Japan is about US\$ 11.9 billion in 2009 which has increased by 2 per cent from previous year. India is the 13<sup>th</sup> largest supplier of knit apparel to Japan. India's share in knit supply to Japan compared to other suppliers is quite low. India's share in 2009 stood for 0.2 per cent. In Feb 2011 India-Japan CEPA has concluded under which Indian exporters can export knitted and woven apparel without any import duty in Japan. This agreement will help in boosting the knit apparel sourcing from India. Major competitors in Japanese market for Indian knit apparel are China, Italy, Vietnam, Thailand, South Korea, Turkey, Indonesia and Bangladesh. China alone accounts almost 88 per cent share in knit apparel. Though it is difficult to predict that in the coming 5 to 7 years India can compete with China in Japanese market however, recently concluded trade pact may help India to compete with other competitors from South Asia and South East Asian nations. India has potential to capture 10 percent share in Japanese knit import in coming 2 to 5 years from the present level of .2 percent of share.
- Indian exporters located in Tripur and Ludhiyana clusters by strategising their business plan for next two to five years may accrue the benefit of these trade agreements.