India needs to gear up to tackle TPP

The Trans-Pacific Partnership (TPP) trade agreement between 12 Pacific Rim countries is not just another tariff-eliminating mega regional trade pact, but it is about developing a higher global standard for international trade – encompassing lower benchmarks for non-tariff barriers, more stringent labour and environment regulations, higher intellectual property rights (IPR) protection, greater transparency in government procurement and limiting advantages to SOE (state-owned enterprises). In this paper, we compare the TPP agreement with other mega regional trade agreements both existing and in the pipeline and examine the implications for India.

We find that it will be difficult for India to join the TPP at this stage even if it is invited because of the high standards for behind-the-border measures like labour, environment, etc. India is unlikely to experience any significant export diversification in the short-term but it cannot be denied that some trade and investment diversion will occur as a consequence of the TPP in the medium-term, thereby hurting the Indian economy. India needs a multi-pronged approach to mitigate this negative impact of which the most critical is to implement urgent reforms in India's domestic policies to close the gap with the 'new-normal' in global trade-related standards. Otherwise, India will get isolated from the global supply chain. The best option for India will be to finalise the ongoing trade negotiations while implementing necessary domestic reforms. The government should use the threat of isolation from major trade flows to bring the political opposition and domestic industry on board for implementing necessary institutional and structural reforms. Domestic industry and the government, working in partnership, could then look at these trade agreements as opportunities, which if exploited would give the much needed push to growth and employment generation.

SPOTLIGHT

RAJIV KUMAR AND GEETIMA DAS KRISHNA

Rajiv Kumar is Senior Fellow, and Geetima Das Krishna is Senior Researcher, Centre for Policy Research

ON 5 October 2015, 12 countries in the Pacific Rim struck a deal in Atlanta, USA called the Trans-Pacific Partnership (TPP) – a deal hyped as the most ambitious free trade agreement ever negotiated. It covers about $28 trillion of GDP (40 percent of global GDP), 870 million people and accounts for 60 percent of merchandise trade. This is about 1.5 times larger in economic size of the existing North American Free Trade Area (NAFTA) agreement and accounts for almost the same share of world trade as EU region.

Members of TPP are countries from four continents in different stages of developments – United States, Canada and Mexico in North America; Chile and Peru in South America; Brunei, Japan, Malaysia, Singapore and Vietnam in Asia; and Australia and New Zealand from Oceania. The agreement aims to lower cross-border barriers in trade of goods, services and investments, and enforce high standards of labour-environmental regulations, rules of origin criteria and intellectual property protection (refer to Appendix1 for Objective of TPP). Other countries are expected to join in later as long as they agree to maintain the high standards required by the TPP founding members. In a discussion paper on TPP, Harsha Vardhana Singh, former deputy director-general of the World Trade Organisation (WTO), said that the inclusion of two of the largest economic markets (the US and Japan) in this group implies these norms will effectively become global standards. The TPP is, therefore, a 'WTO-Plus' trade agreement.

Members of Trans-Pacific Partnership Agreement as in October 2015

However, it might be another year before the TPP agreement comes into effect after being ratified by each of the member-countries whose legislatures will analyse, argue and debate the deal threadbare to ensure that their vital interests are safeguarded. Given that in the past the US Congress has failed to ratify other global deals (the most noteworthy was the International Trade Agreement in 1948), TPP is certainly not a done deal as yet.

Other comparable mega regional trade agreements

With 161 members in WTO, it has been difficult to arrive at a consensus on trade liberalisation among all the members. This has led to countries opting for bilateral and multilateral trade agreements.

Three existing mega trade agreements are: i) NAFTA, North American Free Trade Agreement between USA, Canada and Mexico, ii) ASEAN, Association of Southeast

Asian Nations covering 10 countries in Asia, and iii) European Union (EU) covering 28 member-states located primarily in Europe. Other existing free trade agreements like the Andean Pact in South America or ECOWAS (Economic Community of West African States) and Southern African Development Community (SADC) in Africa are too small, covering only 1.5-2 percent of global trade, and cannot be labelled as mega trade agreements.

Some other mega regional negotiations, other than TPP, that are currently underway are RCEP and T-TIP. The Regional Comprehensive Economic Partnership (RCEP) is a trade agreement between the ten members of ASEAN and its free trade agreement partners (16 economies in East, South and Southeast Asia, including China) with an aim to liberalise trade and investment across large area of the Asia-Pacific.

However, unlike TPP, RCEP does not have stringent mandates in non-trade areas of environment, labour, government procurement and SOEs. The Transatlantic Trade and Investment Partnership (T-TIP) is the trade and investment agreement being negotiated between the European Union and the USA.

Table1 indicates the member-countries in various large trade agreements. RCEP has all the countries in ASEAN including six countries in addition to that.

There are seven countries in TPP which are also members of RCEP negotiation.

Chart1 compares the mega trade agreements in terms of key economic indicators. It is seen that proposed mega trade deals are much larger in their coverage than existing mega trade agreements.

The developed TPP economies have high level of market openness even compared to OECD average. India has significant work to do to reach the level of openness that the TPP economies currently have (Appendix2).

TPP – Impact on India

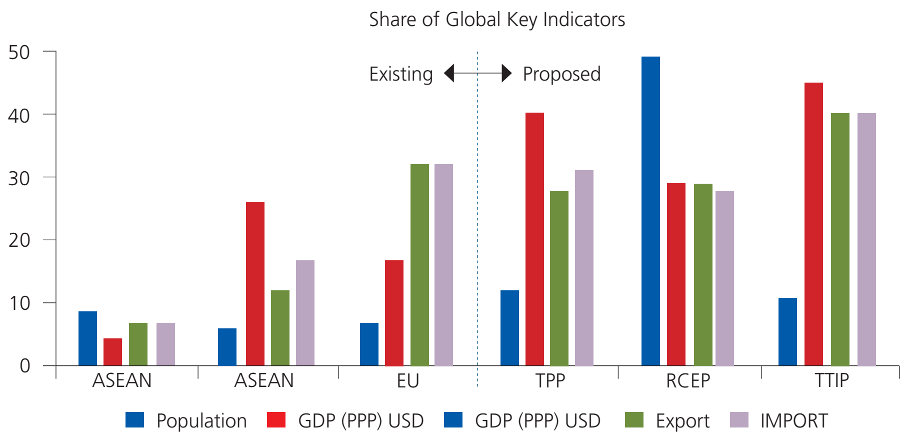
TPP is apparently a US initiative to expand its economic footprint in Asia and wean away

Table1: Partners in key regional trade agreements, existing and expected

Countries	NAFTA	TPP	ASEAN	RCEP	T-TIP
Australia		•		•	
Brunei		•	•	•	
Canada	•	•			
Chile		•			
China				•	
Combodia			•	•	
India				•	
Indonesia			•	•	
Japan		•		•	
Laos			•	•	
Malaysia		•	•	•	
Mexico	•	•			
Myanmar			•	•	
New Zealand		•		•	
Peru		•			
Philippines			•	•	
Singapore		•	•	•	
Southkorea				•	
Thailand			•	•	
United States	•	•			•
vietnam		•	•	•	
EU					•

Source: CPR Research

Chart1: Proposed mega-regional trade agreements cover more than existing regional agreements



Source: IMF, WTO, CPR Research

some key Asian economies from their current economic dependence on China. Japan's interest also converges with this US stance. TPP is expected to help achieve this by reducing barriers to trade and investment.

The TPP is expected to make around 11,000 tariff lines duty-free for its members. This extensive tariff elimination will definitely result in a loss of competitiveness of Indian exports in these markets. However, the actual impact of this mega trade deal on India is difficult to quantify although it is clear that India will get affected by diversion of trade and investment in favour of economies which are TPP members.

India's total trade with the 12 TPP countries stood at $155.3 billion in the fiscal year 2014-15 – exports at around $79.5 billion and imports at around $75.8 billion. India has maintained a positive balance of trade with the TPP countries for the last two years after seven consecutive years of trade deficit (Appendix3). Moreover, the cumulative inward inflow of FDI investment to India from TPP countries stood at $71.3 billion during April 2000 to June 2015 with the top three investing countries, Singapore, Japan and USA, accounting for 27 percent of overall FDI investment in India. These three countries contribute 97 percent of total investment by TPP countries in India even though India does not have any bilateral investment promotion and protection agreement (BPPA) with any of these three top investing countries. According to UNCTAD (United Nations Conference on Trade and Development) data, Singapore and USA also attracted highest FDI investment from India (Appendix4).

India's merchandise goods exports may not be impacted much immediately as the tariffs in most of the larger TPP markets are already low. However, India will face trade diversion due to lowering of non-tariff barriers among the regional trade agreement members. As India does not enjoy monopoly in any of the export products to TPP partners, trade diversion is a real possibility. This will erode India's export share from established traditional markets such as the US and the European Union (EU), benefiting the partners to these agreements.

Trade diversions are expected in some of the key sectors such as textiles and clothing industries. India exports about 30-35 percent of its total exports of readymade garments to the USA. India ranked third among the world exporters in the textile and clothing segment taken together in 2013, as reported in the latest WTO report. However, Vietnam has increased its share in world exports and became the sixth-largest exporter of textiles and clothing in 2013. TPP will impact the textile sectors in two ways. First, TPP member countries like Vietnam will get unfettered and zero-duty access to the US market as against exporters from India who will face high 14-32 percent US import duties on readymade garments which will make them uncompetitive. Secondly, the 'yarn forward rule,' a primary feature of the TPP agreement, makes is mandatory to source yarn, fabric and other inputs from TPP partner countries to avail duty preference. At present, India exports yarn and fabric to Vietnam which then exports the finished products to countries like the US. This provision will change the dynamics of the existing global supply chain in the textile and clothing sector.

There are different estimates on the material impact on India not being part of the TPP. One estimate reports that Indian exports will face a trade diversion of about 1 percent. Another study has said India will lose $2.7 billion in exports, with additional billions being lost as more countries join TPP. The Peterson Institute for International Economics (PIIE) in a report released in September said that if China and the rest of the Asia-Pacific Economic Cooperation (APEC) forum join a second stage of the TPP that excludes India, India's annual export losses will approach $50 billion.

The working paper 'Trans Pacific Partnership Agreement (TPPA): Implications for India's Trade and Investments' by Rashmi Banga and Pritish Kumar Sahu indicates that *trade diversion from India post TPPA could amount to $190 million. In absolute value terms, the highest market loss would be in USA ($94 million) followed by Malaysia ($36 million). If India joins TPP, its exports would rise by around $5.3 billion annually, however, imports into India will rise by $10.4 billion leaving a net deficit in balance of trade of $5.1 billion. India will experience the highest trade deficit with Japan, followed by Australia, Singapore and Malaysia. Although, TPP may not offer India much gain in terms of rise in its exports and would have very limited trade diversion, it does offer huge investment opportunities for India.*

Secondly, India is most competitive in services trade and it is one of our biggest earners of foreign exchange. Reduction of trade barriers in services among TPP members will result in India's services export being replaced by services trade within TPP members. TPP also has stringent clauses on services, including intellectual property, internet regulation, etc. This will lead to TPP members such as Philippines (if it joins later) and Vietnam to eat into India's outsourcing exports.

Thirdly, more than trade, foreign investment in India will be affected going forward. The primary component of the 'Make in India' initiative by the Modi government is the attraction of foreign investment. If TPP members come together with stronger IPR regime, regulations on SOE and government procurement clauses, it will be difficult for India to attract foreign investment with its history of retrospective taxation. New investments will flow into TPP member countries. Many foreign firms had started manufacturing in India and using it as an exporting base, as seen in the automobile sector. After the TPP agreement, it will make sense for foreign firms to make new investments in TPP members to get unrestrained access to larger TPP markets.

From this discussion, we can conclude that India will face some merchandise trade diversion in the medium term along with a huge loss of investments in India if it chooses not join TPP. However, as has been pointed out earlier, extensive and urgent reforms are needed to bring the non-tradables sector in India (physical infrastructure, industrial estates, governance, etc) up to global standards. Unless this is completed, Indian companies will fail to take advantage of the opportunities that have opened up through bilateral free trade agreements already finalised and that may arise consequent to joining the TPP and other regional trade agreements. Public policy in India should, therefore, be focusing as sharply as possible on improving the physical infrastructure, business environment in the country and on lowering transactions costs.

Conclusion

It will be difficult for India to join TPP at this stage even if it is open for new members, as the standards being adopted are too high for India.[1]

But it cannot be denied that some trade and investment diversion will occur in the medium term, hurting the Indian economy. India might lose the preferential access to the US market after TPP comes into force – one of our biggest markets.

India needs to:

- First, push US for advancing negotiations on a bilateral investment treaty (BIT) which will make the US market accessible for Indian exporters.
- Second, finalise ongoing bilateral free trade agreements (FTA) with some of the TPP members to dilute the impact of trade-investment diversion due to TPP. FTAs are already underway with Australia, Canada and New Zealand.
- Lastly, go with a doable-concrete and relatively ambitious tariff-reduction plan for RCEP membership negotiations. India cannot afford to remain isolated from this mega regional trade agreement.

However, there is an overlap of members of RCEP and TPP which raises concerns that standards of RCEP will eventually converge to that of TPP. This calls for urgent reforms in India's domestic policies to close the gap with the new-normal global standards in non-tariff measures, IPR, patent rights, government procurement policies and SOE. Otherwise, India will get isolated from the global supply chain due to these multilateral trade agreements.[2] The government should use the threat of isolation from major trade flows to bring the political opposition and domestic industry on board for implementing necessary institutional and structural reforms.

Notes

1 Jagdish Bhagwati, professor (Economics, Law and International Affairs) at Columbia University, said, 'We are open to trade liberalisation in PTAs but we will not sign on to all the non-trade features built by US lobbies into the TPP under the pretence that these are the marks of a 'modern' trade agreement. Thus, if we want to join a golf club, we must know how to play golf; but we cannot be expected to go to Church and sing madrigals with the other members! We should, therefore, help design the kinds of PTAs that we will join. Let us put our own oar into the water without acting as a small, unimportant country that has no choice but to kneel and genuflect.'

2 Amitendu Palit, a Senior Research Fellow and Research Lead for Trade and Economic Policy at the ISAS, a think tank at the National University of Singapore (NUS) wrote in a research paper on 'Trans-Pacific Partnership, India and South Asia': 'India's Foreign Trade Policy (2015-2020), while noting the advent and some of the implications of the TPP, does not spell out any clear strategies for addressing these. But it is essential for India to do so. Otherwise, Indian exports will face increasingly adverse prospects in the TPP markets, as well as in the markets of countries that are negotiating other mega-Regional Trade Agreements (RTAs), like the European Union. A lack of strategic vision for mega-RTAs like the TPP can gradually isolate India and South Asia from a significant part of the global trade space.'

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APPENDIX1

Objectives of TPP

In addition to tariff and non-tariff measures, TPP agreement includes a plethora of measures on issues like intellectual property rights to patents to labour and environment issues.

Some of these measures are included below:

• **Tariffs** – The TPP countries will eliminate tariffs with some exclusion for sensitive items that will have tariff phase out over time.

• **Non-tariff measures** – Often non-tariff obstacles like regulations, clearance procedure at the border and beyond the border increase trading cost. TPP objective is to identify these non-tariff barriers that restrict trade and reduce them.

• **Trade facilitation** – TPP aims to expedite release of goods through customs with procedures for express shipments, advance rulings on the handling of shipments, online document submission, lower sanitary or phytosanitary requirements and alignment of custom regulations and procedures that will improve transparency.

There will be strong and common rules of origin enforced to ensure that the benefits of TPP go to member-countries. Only goods that originate in the TPP region will receive preferential treatment under the Agreement. This clause is supposed to protect production and jobs in the USA and help link US firms into regional supply chains, reducing the incentive for companies to move production abroad in order to remain competitive. This will encourage sourcing of inputs (or intermediate goods) to be drawn from across the TPP region. Some non-TPP content may be permitted in some imports.

• **Increased market access for services** – The agreement would allow companies to conduct businesses and provide services like express delivery, financial services and insurance, etc in TPP markets from distance, sometimes removing the requirements to establish an office in the market. There would be other facilities: i) mutual recognition of professional qualifications for some fields (e.g. architecture or engineering); ii) temporary entry for employees of service providers; iii) non-discriminatory treatment of financial service suppliers; or iv) reductions in licensing constraints.

• **Investment** – Investments in the TPP markets will be liberalised with provisions like non-discriminatory treatment of foreign investments, limitation on special performance requirements and availability of dispute settlement between foreign investor and domestic government.

• **Disciplines on state-owned enterprises (SOEs)** – The state-owned enterprises usually enjoy several advantages in the domestic market that does not give a level playing field to other commercial entities. Although TPP economies acknowledge the role played by SOEs for public interest but there would be provisions to address competition in commercial markets with restrictions on the advantages conferred by the governments.

• **Government procurement** – TPP agreement seeks improved transparency of government procurements in TPP countries with provisions for non-discriminatory treatment of suppliers; creation of fair and predictable rules to a wider range of government activities.

• **Intellectual property rights (IPRs)** – There will be stronger enforcement of intellectual property rights, patents, trademarks, copyrights and trade secrets including cyber theft.

• **Environment and labour issues** – The rapid rise in global trade in recent years have increased concerns regarding the labour and environment issues. Even though WTO makes limited reference to it without any broad-based set of rules. It does, however, allow members to restrict import of products produced by prison or child labour, and the products that put animal, plant or human life or health at risk. TPP agreements are expected to include provision for addressing environmental and labour issues. It will uphold ILO's core labour standards. So, companies involved in trade will have to be aware of their environment and labour obligations.

APPENDIX2

Comparison of market openness of India with TPP countries

Table2 indicates market openness of the TPP countries and compares that against the benchmark of OECD average. It also captures the level of convergence needed by India if it decides to join TPP.

From this table we can summarise that:

• The tariffs, as indicated by simple average applied tariff rate for MFN (most favoured nation) show that TPP average is already lower than the OECD average. But the developing TPP members like Vietnam, Mexico, Malaysia and Chile still have relatively high rates. Tariffs are very low for some countries through existing trade treaties – like Mexico, USA and Canada under NAFTA. India, on the other hand, has significantly high tariff rate even compared to individual TPP members.

• The Services Trade Restrictions Index, published by the World Bank, considers market access of services (0 means completely open to 100 means completely closed). A score of above 25 indicates the existence of significant restrictions of services on entry. India's score is about two and half times higher than TPP average meaning there are huge restrictions on access of services in its market.

• In the table, Patent Rights Index and Trade Secrets Protection Index represent the strength of intellectual property rights. Stronger enforcement of intellectual property rights is one of the provisions of reducing trade barriers as otherwise companies might not be interested in doing business in

Table2: Comparison of indicators of openness with TPP economies

	MFN Applied Traiff (%)	Services Trade Restrictions Index	Patent Rights Index	Trade Secrets Protection Index
TPP Countries				
Australia	2.7	20.2	4.17	4.05
Brunei			NA	
Canada	4.2	21.6	4.67	
Chile	6.0	23.4	4.28	
Japan	4.9	23.4	4.67	4.34
Malaysia	6.0	46.1	3.48	3.61
Mexico	7.9	29.5	3.88	
New Zealand	2.0	11.0	4.01	4.09
Peru	3.4	16.4	3.32	3.09
Singapore	0.2		4.21	4.07
United States	3.4	17.7	4.88	4.57
Vietnam	9.5	41.5	3.03	
TPP simple average	4.5	25.1		3.97
OECD simple average	5.7	19.5		3.97
India	13.5	65.7	3.76	2.95
Orientation of indicator Series reference year	Lower= Better 2013	Lower= Better 2008-2010	Higher= Stronger 2005	Higher= Stronger 2010

Source: MFN tariffs from WTO; Services Trade Restrictions Index from World Bank, Patent Rights Index from Park (2008) and Trade Secrets Protection Index from Lippoldt and Schultz (2014); 'Trading Up' by HSBC Research; CPR Research

a market that does not protect its intangible assets like trade secrets or patents. The TPP country average score is already below that of OECD score. India fares poorly in these two scores, too.

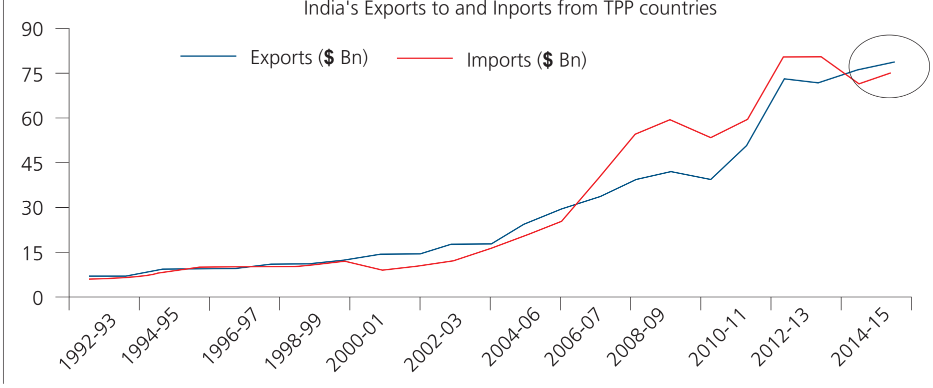
These indicators in the table highlight the area of improvement for some of the TPP economies with respect to market openness using OECD average as benchmark. It is expected that the developing TPP economies would improve their scores with some support from developed TPP partners. India has significant work to do to reach the level of openness that the TPP economies currently have.

APPENDIX3

India's trade with TPP countries

India's total trade with 12 TPP countries stood at $155.3 billion in the fiscal year 2014-15 – exports at around $79.5 billion and imports at around $75.8 billion. India has maintained a positive balance of trade with the TPP countries for last two years after seven consecutive years of trade deficit. The imports from the TPP countries had been growing at a much faster pace than that

Chart2: India's exports to and imports from TPP countries



of exports to these countries on average in last 10 to 12 years.

India's exports to and imports from TPP countries

India's exports to TPP countries have improved over the years but interestingly, its share of exports to developed TPP countries (like USA, Canada, Singapore, Australia etc) have reduced while that to developing TPP countries (like Vietnam, Malaysia, Mexico, Peru etc) have increased steadily since 2007-08. Export share to developing TPP countries jumped from 8.5 percent in 2005-06 to 20.5 percent in 2014-15. However, the exports to USA in value terms continue to be the highest with a share of more than 50 percent. Average growth of exports in last decade was more than 20 percent for Peru, Vietnam, Chile, Mexico and Malaysia.

Similarly imports from the TPP countries have been rising steadily, growing almost three times in a decade (from $26 billion in FY2005-06). Imports from US alone accounts for 28.5 percent of total imports from TPP economies , but its share has declined over the years from about 36 percent in FY2005-06. Overall share of imports from developed TPP countries have declined from about 88 percent in 2005-06 to 71 percent in 2014-15. On the other hand, share of imports from developing TPP countries increased from 12 percent to 30 percent during the same period.

India's domestic value-added exports

The traditional export data of a country can give a misleading picture as some primary and intermediate inputs for a final product might be imported. In other words, if import content of a country's export is high, then the domestic value added of the country will be relatively low. For example, India exports refined petroleum products but it imports crude oil and so there is large import content in its export of refined oil. It is important to understand the domestic value addition in a country's exports to get the real picture.

Table3: India's export-import with TPP countries (FY 2014-15)

India's Trade with TPP Countries						
2014-15	Exports ($ Bn)	% Share	Imports ($ Bn)	% Share	Total Trade ($ Bn)	% Share
USA	42.4	53.4	21.6	28.5	64.0	41.2
Singapore	10.0	12.6	7.1	9.4	17.1	11.0
Malaysia	5.8	7.3	11.1	14.7	16.9	10.5
Japan	5.3	6.7	10.5	13.8	15.8	10.2
Australia	2.8	3.5	10.3	13.5	13.0	8.4
Viet Nam	6.2	7.9	3.0	4.0	9.2	6.0
Mexico	2.9	3.6	3.4	4.5	6.3	4.0
Canada	2.2	2.8	3.7	4.9	5.9	3.8
Chile	0.6	0.7	3.1	4.1	3.6	2.3
Peru	0.8	1.0	0.6	0.8	1.4	0.9
New Zealand	0.5	0.6	0.6	0.8	1.1	0.7
Brunei	NA	NA	0.8	1.1	0.8	0.5
Total	**79.5**	**100**	**75.8**	**100**	**155.3**	**100**

Source: Share as a..... of total export import to TPP Countries

Table4: Value-added components in exports for TPP countries and India

Value added content of exports						
	Domestic					
	Direct	To third Countries	Re-imported	Total	Foreign	Total
Australia	56.0	31.3	0.1	87.5	12.5	100.0
Brunei Darussalam	56.5	32.2	0.0	88.7	11.3	100.0
Canada	65.0	15.2	0.2	80.5	19.5	100.0
Chile	47.7	33.8	0.0	81.5	18.5	100.0
India	57.6	20.4	0.1	78.1	21.9	100.0
Japan	51.9	33.0	0.4	85.2	14.8	100.0
Malaysia	34.0	27.7	0.4	62.1	37.9	100.0
Mexico	58.0	11.5	0.2	69.7	30.3	100.0
New Zealand	65.9	15.7	0.0	81.6	18.4	100.0
Singapore	29.0	20.8	0.3	50.1	49.9	100.0
United States	59.6	28.6	0.6	88.7	11.3	100.0
Vietnam	48.6	14.7	0.1	63.4	36.6	100.0

Source: World Trade Organisation; CPR Research

The trade in value added (TiVA) database of OECD-WTO gives data of domestic value added trade (DVA).

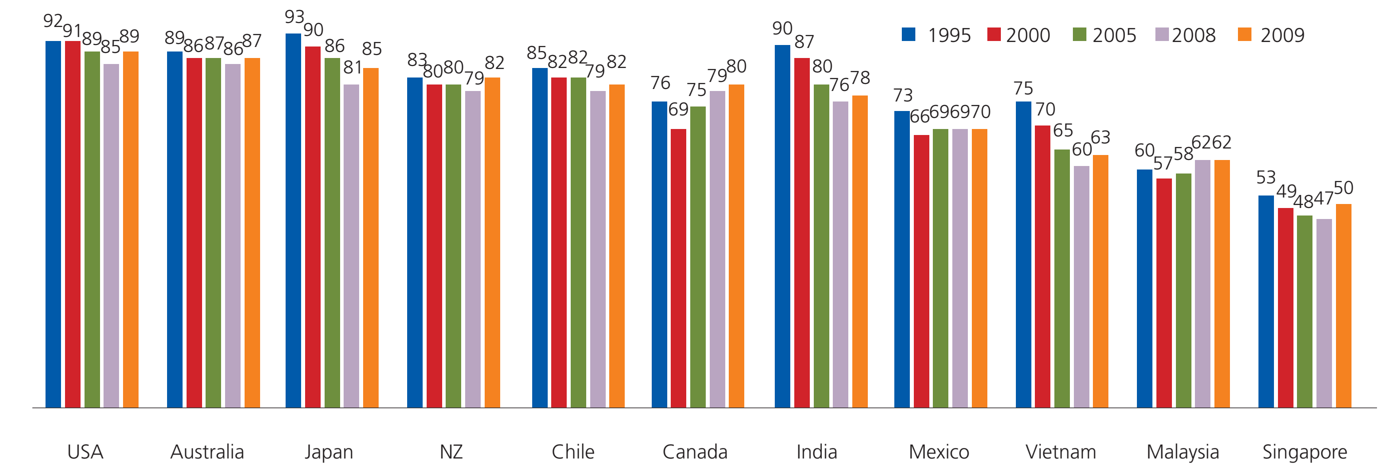
The trend in DVA content in exports for the four years is shown in **Chart3**. India's DVA content steadily declined from 90 percent in 1995 to 78 percent in 2011. USA, Australia, New Zealand and Chile maintained their DVA content in exports while Canada improved its score. India's DVA content is still higher than Mexico, Vietnam, Malaysia and Singapore.

India's bilateral domestic value added exports with TPP member countries is shown in **Charts4&5**. In **Chart4**, it is observed that India's DVA content of exports has declined significantly since 1995 to 2011 with TPP countries – 91 percent to 77 percent. This decline is sharper in exports to developed economies compared to that to developing TPP countries.

Chart5 shows the DVA content of TPP economies' exports to India. Unlike India, DVA content of these economies remained almost the same with Vietnam being the only exception. Brunei actually improved its DVA content since 1995.

Chart3: Trend in value added components in exports for TPP countries and India

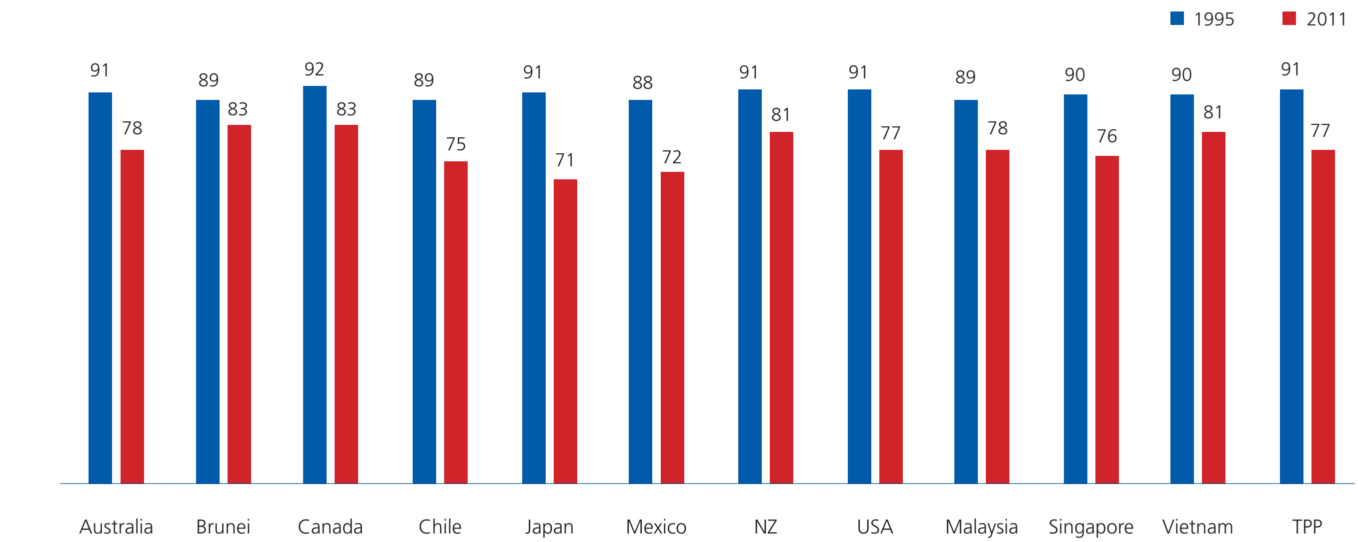
Trends in Domestic Value Added Content in Gross Exports of TPP Countries and India (%)



Source: WTO, Trade in Value Added (TiVA) Database, OECD; CPR Research

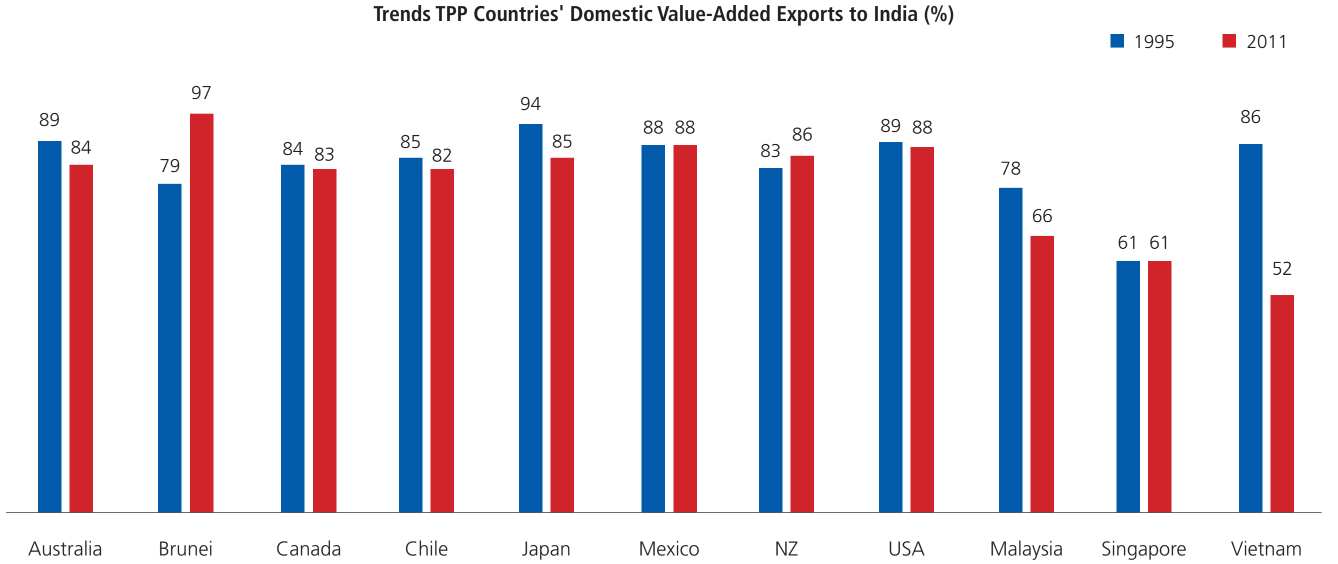
Chart4: India's domestic value added content in exports to TPP countries

Trends in Domestic Value Added Content in Gross Exports of TPP Countries and India (%)



Source: Paper by Rashmi Banga and Pritish Kumar Sahu; Trade in Value Added (TiVA) Database, OECD; CPR Research

Chart5: Domestic value added content in exports of TPP countries to India



Source: Paper by Rashmi Banga and Pritish Kumar Sahu; Trade in Value Added (TiVA) Database, OECD; CPR Research

APPENDIX4

India's inward and outward investments from/to TPP countries

The cumulative inward FDI investment to India from the TPP countries stood at $71.3 billion for the period April 2000 to June 2015 with top three investing countries, Singapore, Japan and USA, accounting for 27 percent of overall FDI investment in India. These three countries contribute 97 percent of total investment by TPP countries in India (**Chart6**). However, India does not have any bilateral investment promotion and protection agreement (BPPA) with any of these three top investing countries. It has BPPA with five TPP partners – Malaysia, Australia, Mexico, Vietnam and Brunei – which account for mere 0.6 percent of cumulative FDI investment in India during the same period.

Indian corporates have been investing abroad in various sectors. The Department of Industrial Policy and Promotion, Ministry of Commerce, does not publish country-wise breakup of outward investment from India. UNCTAD uploads bilateral FDI statistics with latest data available till 2012. **Chart7** shows the cumulative outward FDI investments from India in TPP countries.

It is seen that Singapore and USA attracted highest FDI investment from India till 2012 with Singapore alone receiving 27 percent of total outward FDI. The 12 TPP countries received 39 percent of total outward FDI from India – making the TPP block an important investing destination from India.

Chart6: Cummulative FDI Investments in India during April 2000 to June 2015 ($ Million)

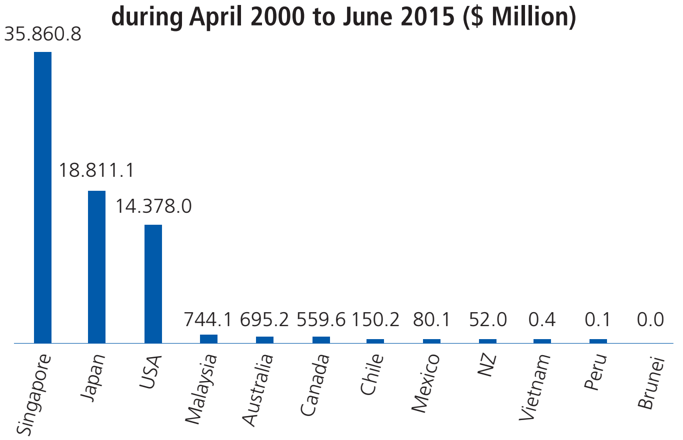
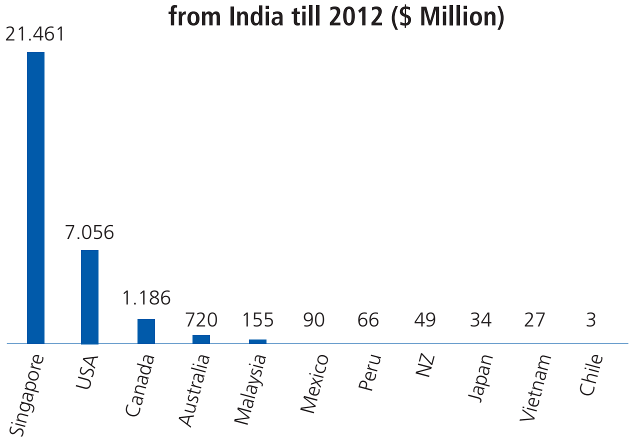


Chart7: Cummulative Outward FDI Investments from India till 2012 ($ Million)



Source: DIPP, Ministry of Commerce; UNCTAD FDI/TNC database; CPR Research