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Revisiting the India-South Korea Economic Relation to Ensure a Deeper Cooperation

In line with global trade dynamics, India's free trade landscape has changed, liberalising tariffs and adopting more comprehensive agreements. India and the Republic of Korea (RoK) signed a Comprehensive Economic Partnership (CEPA) in 2009, which was into effect in 2010. Both countries strive toward forging deeper economic ties and fostering multidimensional and transformative links, even though they have begun to reinvigorate their relationship.

This paper identifies the sectors in trade in goods and services, where India has comparative advantages. By pursuing the task of deepening cooperation in mutual interest and taking measures to provide more effective market access by removing substantial barriers to bilateral trade in goods and services, both countries can benefit by gaining a competitive advantage in the global supply chain.

Introduction

India and the Republic of Korea (South Korea) are the biggest economies in the Asian region, behind China and Japan. South Korea has continued to play a vital role for these nations as one of its major commercial and investment partners, even though the Asian growth story mostly centres on India and China.

With its first five-year economic development plan in 1962, South Korea pursued outward-looking economic policies that led to rapid economic growth and the integration of the Korean economy with the rest of the globe. South Korea eventually became one of the high-income economies in Asia due to strong and steady economic expansion. Compared to other developed countries, Korea continues to grow more quickly.

On the other hand, India followed an import-substitution policy till the early 1990s. India has changed its economic policies significantly since 1991 and is transitioning to a market-driven economy. India now takes pride in being one of the largest economies in the world due to its sustained, rapid economic expansion over the past three decades. India's economy is currently the fastest expanding in the world.[1] India and Korea are becoming more integrated into the global economy, strengthening their positions in the system.

Ever since the advent of their official diplomatic relations in 1973, India and South Korea have shared a close bonding. Over the past 35 years, numerous important agreements have been signed alongside high-level encounters that helped to continuously improve the economic ties between them (Sahoo, Rai, & Kumar, 2009). Subsequently, India and South Korea signed a Comprehensive Economic Partnership Agreement (CEPA) in 2009, with effect in 2010, to reduce and/or eliminate tariffs on goods.

Although both are trying to revive their existing relationship, they are currently fostering multidimensional and transformative links. Recently, there have been significant changes in the relationship between India and Korea. The relationship between the South Korean and Indian governments has undergone substantial changes since former President Moon Jae-in unveiled the "New Southern Policy (NSP)" in 2017.

The South Korean government has placed a high priority on relations with India, which is widely acknowledged as a significant force in South Asia, as part of a larger effort to close the gaps in its diplomatic, strategic, trade, and cultural connections with its neighbours. The governments of India and the Republic of Korea have established a solid, multifaceted collaboration covering various topics, from energy and terrorism to economy and security.

The growing reliance on maritime trade demonstrates a shared commitment to freedom of navigation and unhindered trade on the high seas. The mutual need for inclusive security and economic system in the Indo-Pacific region is underscored by the advocacy of our two nations for an open, inclusive, and free norms-based order.

Existing Scenario in CEPA between India and Korea

On August 07, 2009, the Republic of Korea and India signed a Comprehensive Economic Partnership Agreement (CEPA) in Seoul, ushering in a new era of increased economic ties between the two nations. CEPA became operative on January 01, 2010, after being negotiated over 12 rounds over three years.

Scenario on Merchandise Trade

There are provisions in the CEPA agreement between India and the Republic of Korea for significant reductions in tariff and non-tariff barriers. Phased implementation of these will be in place, and 93 per cent of Korea's tariff lines and 85 per cent of India's tariff lines will have their tariffs cut or removed (Appendix 1).

[1] https://www.worldbank.org/en/country/india/overview

Korea's FTAs with India, which had final tariff reduction percentages of 93 per cent, were on the lower end of the spectrum regarding pledges to the other Korea's other FTA. However, the implementation times in India's situations were shorter, lasting up to only eight years, and there were also much fewer staging choices. In turn, India's final tariff elimination rate for imports from Korea was even lower, at 69.7 per cent (Seshadri, 2019) (Appendix 2).

In addition, the CEPA would improve their attractiveness to capital and human resources and create larger and new markets to expand trade and investment between them and the region.

Trade in Service

Both nations provided open pledges to trade in services under the CEPA. According to the MTN, they have made commitments in all sectors mentioned in the General Agreement on Trade in Services (GATS).GNS/W/120 document. The 12 categories covered by the pledges include national treatment, market access, domestic obligations, exclusions, definitions, and scope. However, safeguards, subsidies, and procurement were not addressed. In terms of sub-sectors, the South Korean schedule had 31 sub-sectors, compared to 28 on the Indian schedule. It also included distinct chapters on financial services, audio-visual services, and the movement of natural persons (mode 4), which included extra commitments and trade terms.

Mode 1: India pledged to provide full commitments under CEPA for research and development (R&D) in natural sciences and biotechnology, lodging facilities and other accommodation services, travel agencies and tour operators, and advertising services. On the other hand, Korea's updated offer (filed in 2003) had more lenient requirements for cross-border services than CEPA. Subsectors, including engineering, urban planning, advertising, environmental testing, audio-visual services, etc. were completely liberalised earlier.

Additionally, it provided limited obligations for services like courier, adult education, life insurance, non-life insurance, and reinsurance. However, as part of CEPA, South Korea included the need for "*local presence*" in these activities as a prerequisite for foreign individuals or legal entities looking for opportunities in services there. This stipulation was frequently made in the case of services that demanded close monitoring to ensure consumer protection.

Nevertheless, since it is likely to impose financial costs on overseas service providers, it may inhibit international trade. This provision rendered South Korea's duties under CEPA, as there was no comparable requirement of a local presence for foreign firms, making it more onerous.

Mode 2: Services related to education, travel and tourism, and healthcare made up a major part of trade through consumption conducted abroad. India made open pledges for the same type. But, only two of the three services — education, travel, and tourism — received liberal pledges from South Korea. The absence of healthcare services from both schedules suggested that market access was limited in this industry.

Mode 3: India offers a wide range of commercial obligations, including industries like engineering, computer and related services, rental and leasing, construction services, etc. Integrating commitments in all the above areas further liberalised trade under the agreement. Under CEPA, South Korea made lenient promises. Foreign investors were given restricted access in 18 sub-sectors and full access to the remaining. It still restricted stock investments to businesses listed on the Korea Exchange (the South Korean stock market), with a cap on individual foreign investment at 6 per cent of a company's total stock and 23 per cent of foreign investment in a company.

In comparison to the updated offer, it did provide more lenient commitments under the said agreement by including sub-sectors like construction, cleaning, technical, and services analysis of physical properties, along with sporting and other recreational services (only for national treatment). Furthermore, if partner country banks applied to open branches and met the criteria set by the sector, both nations agreed to give them preference.

Mode 4: Both Korea and India have detailed their obligations under the amended offer's clause on the movement of natural persons. Business visitors (BV), intra-corporate transferees (ICT), contractual service providers (CSS), and independent professionals were the four types of people India included in its amended offer (IP). It outlined a list of sub-sectors in the latter two categories where the individuals could receive a service contract. The updated South Korean offer prohibited CSS but allowed ICT, BV, and services salespeople (SS) who could temporarily enter Korea with a visa. However, CEPA has a distinct chapter that deals with the movement of natural persons.

The definition provided by the World Trade Organisation (WTO-GATS) covers four types of natural persons: ICT, BV, CSS, and IP. The two nations have created a list of 163 professions that professionals may practise as long as they abide by the relevant immigration regulations. India has also agreed to issue a temporary visa for a first-time stay of up to one year in the case of ICT, unlike South Korea, which has agreed to a visa of up to two years. India has assented to provide a temporary stay for BVs for a maximum of 180 days, whereas Korea has only agreed to a 90-days stay. The pledge included reservations, regulatory openness, problem-solving, spouse and dependant employment, and dispute resolution.

Overall, by including more sectors and sub-sectors in their respective schedules, India and South Korea have provided more lenient commitments under the bilateral agreement than the original offer. But the latter's insistence on local participation in Mode 1 is restrictive. Similar conditions exist in other FTAs, such as the one between South Korea and the European Union (EU), but not in the ones between South Korea and the United States of America (USA) or Singapore.

Scenario of Trade and Investment between India and South Korea-Post CEPA

Trade Scenario

Scenario of Merchandise Trade

India and South Korea have a strong and rapidly expanding economic partnership. Bilateral trade in goods between the two countries reached US$24.18bn in 2021, where the export recorded was US$7.10bn, and the import was 17.10bn. Interestingly, a more than two-fold rise in merchandise trade was noticed in both directions between 2005 and 2011. South Korea, however, maintained a significant trade surplus on the overall services trade account (Table 1).

Table 1: India's Merchandise Trade with Republic of Korea (Value in US$bn)

Year	India's export to Korea	Korea's export to India	Balance of Trade
2009	3.77	8.23	-4.46
2010	3.63	9.92	-6.29
2011	4.55	12.36	-7.81
2012	4.08	13.68	-9.6
2013	4.5	12.43	-7.93
2014	4.79	13.44	-8.65
2015	3.61	13.09	-9.48
2016	3.47	12.21	-8.74
2017	4.38	16.09	-11.71
2018	4.8	19.67	-14.87
2019	4.65	16.11	-11.46
2020	4.52	12.17	-7.65
2021	7.1	17.08	-9.98

Source: World Integrated Trade Solutions (WITS) database

The majority of India's exports to Korea come from light oils and preparations/oil distillates (mostly naphtha), cereals, iron, and steel (Table 2).

Table 2: India's Export to South Korea

HS Code	Description	2016	2017	2018	2019	2020
26	Ores, Slag And Ash	1.12	105.16	119.02	128.90	67.61
27	Mineral Fuels, Mineral Oils And Pro	626.12	779.41	992.19	793.13	771.82
72	Iron And Steel	272.21	369.44	443.94	313.80	225.14
76	Aluminum And Articles Thereof	536.67	754.65	514.36	834.04	1089.83
78	Lead And Articles Thereof	37.39	81.63	166.71	123.01	111.65

Source: WITS database

On the other hand, automobile components, telecommunications gear, hot-rolled iron products, petroleum-refined goods, base lubricating oils, nuclear reactors, mechanical appliances, electrical machinery & parts, and iron & steel products are among Korea's top exports to India (Table 3).

Table 3: South Korea's Export to India

HS Code	Description	2016	2017	2018	2019	2020
27	Mineral Fuels, Mineral Oils And Pro	473.3441	649.8524	814.3906	718.6926	589.2196
39	Plastics and Articles Thereof	1158.367	1395.776	1740.109	1585.976	1295.753
72	Iron And Steel	1486.726	2022.696	2504.607	2347.428	1454.479
85	Electrical Machinery And Equipment	2477.932	3089.545	2572.088	2735.41	2188.295

Source: WITS database

Scenario of Service Trade

Due to the lack of statistics broken down by country, trade in services is typically much harder to track than trade in goods. Only the OECD website, which only provides data up to 2011, could be discovered to provide disaggregated statistics on bilateral trade in services. In 2011, South Korea exported US$1579mn worth of services to India, including US$651mn in transportation, US$292mn in travel, US$150mn in royalties and licencing, and US$200 million in other business services.

India exported US$1024.2mn worth of goods and services to South Korea, including travel (US$131.7mn), information and technology (IT) and business process outsourcing (BPO) services (US$546.3mn), and transportation (US$252.7mn). It is noteworthy that trade increased threefold between 2005 and 2011. On the total services trade account, South Korea, however, had a sizeable trade surplus.

Table 4: India's Services Trade with South Korea (in US$mn)

Year	Korea's export of services to India	India's export of services to South Korea	Balance of trade
2005	508	327	181
2006	606	392	214
2007	1167	483	684
2008	1155	663	492
2009	1307	717	590
2010	1649	826	823
2011	1579	1024	555

Source: Organisation for Economic Co-operation and Development (OECD) database

Investment Scenario between Two Countries

Indian Investments in South Korea

India has been increasing its investments in Korea since 2013, but in 2019 it increased those investments significantly from US$2mn in 2018 to US$96.66mn. It again fell to US$1.43mn in 2020. Significant Indian ventures in South Korea include **Novelis Inc**., a division of Hindalco Industries Ltd., **Tata Motors Limited, Mahindra & Mahindra, Nakhoda Ltd**., and others. Daewoo Commercial Vehicle, which has its corporate headquarters in Gunsan, South Korea, was acquired by Tata Motors Limited in 2004. The business, by far, has invested more than US$400mn in South Korea (Table 3).

Republic of Korea's (South Korea) Investment in India

India received investments from South Korea totalling US$396mn in 2020. Korea's investment in India was US$51.9bn in 2020, a 16 per cent increase from the US$44.7bn invested the year before. This investment amount might be related to the Production Linked Incentive (PLI) programmes the Indian government has established for several sectors (Table 4).

Table 5: Indian Foreign Direct Investment (FDI) in the Republic of Korea (South Korea)

Year	2013	2014	2015	2016	2017	2018	2019	2020	Total (since 1980)
No. of Registration	23	9	10	6	11	13	16	12	696
Investment	US$98.7 mn	US$1.6 mn	US$2.5 mn	US$1.4 mn	US$1.7 mn	US$2.0 mn	US$96.6 mn	US$1.4 3mn	US$677 mn

Source: https://www.india-briefing.com/news/india-south-korea-trade-and-investment-trends-and-opportunities-23900.html/

Table 6: Republic of Korea (South Korea) Foreign Direct Investment (FDI) in India

Year	2013	2014	2015	2016	2017	2018	2019	2020	Total (since 1980)
No. of Registration	190	160	264	268	308	408	451	220	4133
No. of Companies	41	39	55	55	113	119	131	66	1292
Investment (Registered)	US$57 3 mn	US$38 7mn	US$390 bn	US$38 2 mn	US$949 bn	US$827 mn	US$685 mn	US$396 mn	US$8,802 mn
Actual Investment	US$34 7 mn	US$33 7mn	US$365 mn	US$33 7 mn	US$516 mn	US$1,07 2 mn	US$447 mn	US$519 mn	US$6,943 mn

Source: https://www.india-briefing.com/news/india-south-korea-trade-and-investment-trends-and-opportunities-23900.html/

Learning from other FTAs of India and the Republic of Korea

Market access is typically negotiated in a free trade agreement (FTA) with the offensive interests of a country, as well as industries that must be domestically safeguarded regardless of the trade partner in question and industries or goods that need protection against some more competitive suppliers. Keeping in this mind, this study also seeks to understand the current dynamics of trade in goods and services of India and South Korea with other countries.

Key Learning from Other FTAs of India

i. <u>India-Australia FTA</u>

The Economic Cooperation and Trade Agreement (ECTA), dubbed an "early harvest agreement" and meant to be the first step toward a Comprehensive Economic Cooperation Agreement (CECA), was signed by Australia and India in April 2022. It has taken a while for the two nations to agree on a trade agreement; talks have stagnated since 2015.

Under this agreement, Australia has committed to removing tariffs on 98 per cent of its tariff lines and the remaining four per cent within five years. While nearly 30 per cent of India's tariff lines are on the exclusion list, 69 per cent of its tariff lines would be exempt from tariffs. When ECTA is fully implemented, these pledges will cause India to lower its average tariff rate on Australian imports from 14 per cent to roughly six per cent. India has promised extensive market access by quickly removing tariffs on 85 per cent of its imports from Australia, even if its tariff offers appear cautious. Australia's over US$15bn in exports to India in 2021 is significant from a business perspective (Dhar, 2022).

The Australia-India Free Trade Agreement (AIFTA) contains a provision guaranteeing that Australian service providers in a wide range of industries will be treated equally when they enter the Indian market. The Trade in Services Chapter also offers service providers clarity and predictability regarding the home rules they can anticipate encountering when entering the Indian or Australian markets.

The Trade in Services under this FTA created the regulations for the provision of services between the Parties, including the MFN discipline, the market access discipline, and the local presence discipline. By validating the conditions that permit cross-border service commerce, these disciplines are intended to liberalise the service industries.

In the Interim Agreement, India agreed to implement the MFN discipline in 31 commercially significant services sectors and subsectors. This "future-proofs" the FTA by ensuring that Australian service providers would be treated the same way India treats similar services and service suppliers of a future FTA partner of India in those 31 sectors and subsectors. Australia pledges that it will treat India the same as how it treats a potential trading partner. However, Australia's treatment of its current trading partners is not covered by this MFN obligation.

Higher education and adult education are two economically significant industries where India implements the MFN discipline. Australia exports higher and adult education to India and overall in greater quantities. Due to domestic sensitivities in adult education, India's existing pledge to open up the higher education market has restrictions, and India is not making any obligations at all.

However, Australia can use the MFN provision to bank a future commitment and benefit from it later when India is prepared to liberalise. Additionally, the Framework Agreement on Cyber and Cyber-Enabled Critical Technology Cooperation designated the areas of the digital economy, cyber security, and critical and emerging technologies as those in need of cooperation between the two nations.

ii. India-UAE FTA

The official start of the historic India-UAE Comprehensive Economic Partnership Agreement (CEPA) was signed on February 18, 2022, and was commemorated in May 2022. In accordance with the agreement, the UAE will remove tariffs on 97 per cent of the tariff lines (total tariff lines: 7581), which account for 9997 per cent of Indian exports to the UAE. This includes immediately eliminating tariffs on 80.397 per cent of the lines.

Furthermore, the UAE will gradually reduce the basic customs charge on 1089 products (14.497 per cent of tariff lines) and 180 products (2.497 per cent of tariff lines) for five years and 10 years, respectively, starting from the day when CEPA enters into force. Additionally, the UAE is granting India a 5097 per cent tariff reduction on 35 products (0.597 per cent) on the Phased Reduction List. Only 187 goods, or 2.497 per cent of the total lines, remain on the UAE's exclusion list.

India has 11908 tariff lines with an identical amount of items. The Immediate Elimination list includes 7694 articles (64.6197 per cent), and imports from the UAE on these would be duty-free as soon as the CEPA went into effect. In phased elimination, the basic customs duty would be eliminated over 5 or 7 years for 2176 products (18.2797 per cent) and 10 years for 225 products (1.8997 per cent), respectively, from the day CEPA entered into force. The UAE has been granted a tariff reduction of up to 5097 per cent on 656 products (5.5197 per cent) on the Phased Reduction List, with or without a Tariff-Rate Quota (TRQ). The remaining 1157 goods (9.7297 per cent) have been excluded due to domestic sensitivities.

Both countries agreed to establish an open and inclusive environment for cross-border trade for services offered by organisations in the other party's territory. In addition, the parties agreed to work toward the mutual recognition of some professional licences or certifications, such as those in architecture, engineering, accounting, medicine, and nursing. The parties also agreed not to maintain or implement measures restricting the services offered by the other party.

Market access to various service industries, including business services, communications services, construction and allied services, and educational services, has been made available to India and the UAE.

Key Learning from other FTAs of the Republic of Korea

i. Republic of Korea-US (KORUS) FTA

On March 15, 2012, the United States-Korea Free Trade Agreement (KORUS) came into effect. In the FTAs with the US, Korea made the largest pledges to reduce tariffs, which, following full implementation, will affect 99.797 per cent of all tariff lines. These partners agreed to eliminate tariffs in exchange. The implementation of the FTA with the US was staged over 20 years, up to 2031, and included over 20 choices.

Table 7: Tariff Reduction Commitment by South Korea with the United States (US)

Korea's Commitments in FTA	Korea-US FTA (2012)
Year of tariff cut starting	2012
Staging categories by Korea	24
Year of staging completion	2031* (20 yrs.)
Tariff elimination at the start (%)	77.8 [83]
Tariff elimination at the end (%)	99.7 [100]
Lines remaining in TRQs (%)	15
Lines that will remain dutiable	35 [0]
Duty-free lines in agri. (in %) at the end	98.3 [100]
Duty-free lines in indy. (in %) at the end	100 [100]
Trade Coverage (in %) of the agmt.	98.9 [100]

Source: *https://wtocentre.iift.ac.in/workingpaper/WorkingPaper54.pdf*

On the other hand, the United States sought greater market access for its fiercely competitive service companies. South Korea planned to boost productivity in a field that lagged behind its manufacturing. Services trade was, therefore a top objective in the KORUS FTA negotiations. The commitments operate on a "negative list" basis, which means that all industries outside those that are expressly exempt are affected.

Certain procedures in the regulatory process are mandated, and provisions are made that forbid discriminatory treatment, local presence requirements, and market access restrictions. The openness of the legal services market in South Korea, a financial services chapter with a clause allowing data flow transfers, and an express delivery annexe are just a few examples of industry-specific pledges.

ii. The Regional Comprehensive Economic Partnership (RCEP)

On November 15, 2020, almost eight years to the day after the trade and investment discussions for the pact began, leaders of government from 15 countries in the Asia-Pacific region signed the Regional Comprehensive Economic Partnership (RCEP) agreement. The Republic of Korea is a key member of the RCEP. The agreement aimed to cover a greater trade in services between member countries. That is a result of expanded market access in particular industries and the ground-breaking adoption of negative list schedules by all members, albeit on various dates.

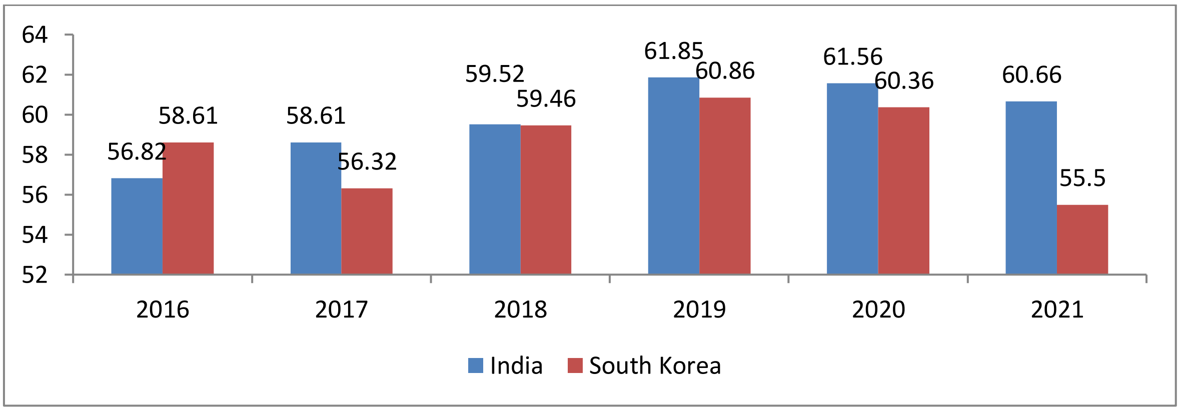
In several industries, including education, healthcare, information technology, and other commercial services, new market access opportunities have been discovered in nations including the PRC, Indonesia, the Philippines, and Thailand. Despite this, a thorough comparison of commitment schedules and non-conforming actions is yet to be done. Furthermore, it is unclear if the RCEP's built-in options for further liberalisation would proceed as planned and result in successful services liberalisation, given the history of ASEAN trade in the services sector.

Areas of Cooperation and Future Perspective

Future Potentiality of Merchandise Trade

The complementarity index is a type of overlap index, and it measures the degree to which one country's export pattern matches another's import pattern. Therefore, from the Figure 1, we can see the high degree of complementarity in merchandise trade between India and South Korea. The complementarity between South Korea and India is also equivalent to that of India with South Korea. Therefore, a high degree of complementarity indicates more favourable prospects for a successful trade arrangement.

Figure 1: Trade Complementarity Index



Source: Authors Calculation

Identifying possible goods for India to export to South Korea is part of a strategy to improve bilateral trade relations, mainly to solve India's growing trade imbalance with South Korea. This would be to India's ability to export goods globally and the demand in Korea, as demonstrated by the rising trend in Korea's primary import products. Concurrently, such a plan would help India gain ground as Korea's top import partner.

The major imported products of South Korea[2] from around the world are mineral fuels, mineral oils, bituminous substances; electrical machinery and equipment; nuclear reactors,

[2] https://tradingeconomics.com/south-korea/imports#:~:text=South%20Korea's%20mainly%20imports%20mineral,vehicles%20(3%20percent)%2C%20iron

boilers, machinery and mechanical; optical, photographic, cinematographic, measuring; road vehicles; iron and steel; ores, slag, ash; organic chemicals; plastics and articles thereof; miscellaneous chemicals products; and inorganic chemicals, compounds of precious metals, etc.

Based on South Korea's imports and also on India's global export capability, potential items of export to South Korea, as per 2-digit HS commodity classification, would include, among others, the following categories:

- Ores & slag (HS-26)
- Mineral fuels and products (HS-27)
- Organic chemicals (HS-29)
- Miscellaneous chemical products (HS-38)
- Plastics and articles (HS-39)
- Iron and steel (HS-72)
- Articles of iron and steel (HS-73)
- Copper and articles (HS-74)
- Machinery (HS-84)
- Electrical and electronic equipment (HS-85)
- Vehicles and parts (HS-87)
- Optical and medical apparatus (HS-90)

Cooperation in Service Sector

Regarding economic structures and prospects, there are similarities between the two nations. Any future arrangement should emphasise cooperation and technical collaboration in various industries and enhance trade and investment flows between the two economies by removing the current impediments on both sides. Particularly in those industries where trade complementarity is significant, cooperation is required. And to accomplish this, both public and private initiatives should be used. The following areas can be identified for future cooperation between the two parties.

a. Support in the IT Sector

The electronic and hardware sector in Korea is well-known on a global scale. Similarly, the Indian software sector is now regarded as one of the most competitive in the entire world. Therefore, there is room for future cooperation as the sectors in both countries are complementary. It is conceivable for both nations to establish joint leadership in this industry if they cooperate and pool their resources. This is particularly true of embedded technology, which combines hardware and software.

There is more opportunity for outsourcing/subcontracting from Korea to India, both in terms of IT products and services, due to rising production costs, increased competition, and India's attractiveness as a location for outsourcing services. IT education and training is another area of cooperation in the IT industry, and Indian businesses have access to a vast network of top-notch training facilities. Manufacturing, product development, and marketing are strong points for Korea, and this would be favourable for both nations if combined with India's strength in related services.

b. Science and Technology

Both countries already engage in science and technology (S&T). The numerous institutions spread throughout the two countries need to collaborate more frequently in science and technology. India and Korea will benefit from working together because Korea has the resources and access to highly qualified S&T professionals.

The Indian electronics market is being driven by the adoption of high-end technology, a rising middle class, more disposable money, and declining electronics prices. Given their monopoly on the global electronics industry and cutting-edge technology, South Korean companies should invest in India, particularly in the domestic supply chain process.

As per paragraph 1 of Article 13.3 under the CEPA document between India and the Republic of Korea:

> *"The parties…, shall cooperate to promote the development of ICT and ICT-related services to obtain the maximum benefit of the use of ICT for the Parties."*

Further, paragraph 3 of article 13.3 under the CEPA document also mentions:

> *"The cooperation pursuant to paragraph 1 may include, but is not limited to the following areas:*
> *(a) development, processing, management, distribution and trade of digital contents;"*

From the above context, a provision already exists under the CEPA agreement. Therefore, given the importance of the IT/ITeS industry and its growth trends in both nations, there lay numerous possibilities for cooperation under the existing CEPA framework.

c. Pharmaceutical Industries

The Indian pharmaceutical industry has transformed from being a significant importer of pharmaceutical goods to one that now exports these goods on a net basis. Along with wealthy nations like the US, Canada, and Europe, India's exports also go to underdeveloped nations in Asia and Africa. This demonstrates the industry's resilience and overall competitiveness. India has resources for R&D as well as human capital. There is room for cooperation between the two nations in clinical trials, vaccines, biotech products, traditional medicinal items, etc., because Korea concentrates on R&D in pharmaceutical-related sectors.

d. Scope for Cooperation in Human Resource Development

In recent years, the value of knowledge has increased in the global economy, and the availability of top-notch human resources is the foundation of the knowledge economy. However, developing nations range greatly in their human resources endowments due to disparities in their demographic stages and investments in human resources. Despite having a sizable workforce, many businesses in India are experiencing a skilled labour shortage due to the country's recent rapid economic expansion.

On the other hand, Korea suffers from a general manpower deficit due to its unique demographics and developmental stage. Korea is better equipped with talents in these areas due to its long history in sectors like electronics, construction, and engineering, among others. And as was already noted, these are the sectors in India where growth rates have been pretty outstanding recently. Therefore, it would be advantageous for both countries to increase cooperation in this area.

Conclusion and the Way Forward

Bilateral economic relations between India and South Korea have strengthened, particularly since 1991. Despite this, the current size of trade and investment between the two countries was observed to be low compared to the size and structural complementarities of the two economies.

In this paper, we identify the sectors, both in trade and service, where India has a comparative advantage. In the current geo-political tension involving China and the US, India has a chance to become a global destination hub. Given India's impressive export performance since early 2021, the government anticipates that Indian enterprises will fully utilise the market access opportunities provided by the FTAs, including those in the working. India has previously failed to boost its exports to its key FTA partners, which caused negative attitudes about FTAs.

In this regard, the Atmanirbhar Bharat Abhiyan would achieve a self-sufficient India and a calibrated and balanced free trade agreement focusing on enhancing domestic manufacturing and integrating the nation into the global value chain.

The importance of the service industry, meanwhile, had grown in practically all economies, including India and Korea, as a result of the opening of the global economy and the development of information technology. The trade intensities between the two countries revealed that South Korea has been doing much better, and India's scope lay for improving its export intensity with Korea. The areas where there is huge scope for increased collaboration and technological collaboration between the two countries.

Further, a huge potential for trade in services in areas such as information technology, science and technology, the pharmaceutical industry, broadcasting, tourism, healthcare and human resource development. This led to the inclusion of this sector in numerous recent trade liberalisation agreements, such as the CEPA between India and Korea.

By pursuing the task of deepening cooperation in mutual interest and taking measures to provide more effective market access by removing substantial barriers to bilateral trade in services, both countries can benefit by gaining a competitive advantage in the global supply chain. The India-South Korea CEPA can go a long way in increasing the bilateral flow of services between the two countries.

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Appendix 1

(a) Product category E-0 shall be eliminated and such goods shall be duty-free on the date of this Agreement enters into force

(b) Product category E-5 shall be removed in five equal annual stages beginning on the date this Agreement enters into force, and such goods shall be duty-free, effective January 1 of year four;

(c) Product category E-5 E-8 shall be removed in eight equal annual stages beginning on the date this Agreement enters into force, and such goods shall be dutyfree, effective January 1 of year seven;

(d) Product category RED shall be reduced to one to five per cent from the base rate in eight equal annual stages beginning on the date this Agreement enters into force, and such goods shall remain at one to five per cent, effective January 1 of the year seven;

(e) duties on originating goods provided for in the items in staging category SEN. in a Party's Schedule shall be reduced: -

- for India, by fifty per cent of the base rate in ten equal annual stages beginning on the date this Agreement enters into force, and such goods shall remain at fifty per cent of the base rate, effective January 1 of year nine; and
- for Korea, by fifty per cent of the base rate in eight equal annual stages beginning on the date this Agreement enters into force, and such goods shall remain at fifty per cent of the base rate, effective January 1 of year seven;

(f) duties on originating goods provided for in the items in staging category EXC. in a Party's Schedule are exempt from the tariff reduction or elimination obligation.

Table 8: Percentages of Annual Tariff Reduction for South Korea

Category	Entry into force	1-Jan Year 1	1-Jan Year 2	1-Jan Year 3	1-Jan Year 4	1-Jan Year 5	1-Jan Year 6	1-Jan Year 7
E-0	100%							
E-5	20%	40%	60%	80%	100%			
E-8	12.50%	25%	37.50%	50%	62.50%	75%	87.50%	100%
RED	12.5% of [Base Rate (in %s) minus 1~5%]	25% of [Base Rate (in %s) minus 1~5%]	37.5% of [Base Rate (in %s) minus 1~5%]	50% of [Base Rate (in %s) minus 1~5%]	62.5% of [Base Rate (in %s) minus 1~5%]	75% of [Base Rate (in %s) minus 1~5%]	87.5% of [Base Rate (in %s) minus 1~5%]	100% of [Base Rate (in %s) minus 1~5%]
SEN	6.30%	12.50%	18.80%	25%	31.30%	37.50%	43.80%	50%

Source: India-South Korea CEPA legal text (https://commerce.gov.in/wp-content/uploads/2020/05/INDIA-KOREA-CEPA-2009.pdf)

Table 9: Percentages of Annual Tariff Reduction for India

Category	Entry into force	1-Jan Year 1	1-Jan Year 2	1-Jan Year 3	1-Jan Year 4	1-Jan Year 5	1-Jan Year 6	1-Jan Year 7	1-Jan Year 8	1-Jan Year 9
E-0	100%									
E-5	20%	40%	60%	80%	100%					
E-8	12.50%	25%	37.50%	50%	62.50%	75%	87.50%	100%		
RED	12.5% of [Base Rate (in %s) minus 1~5%]	25% of [Base Rate (in %s) minus 1~5%]	37.5% of [Base Rate (in %s) minus 1~5%]	50% of [Base Rate (in %s) minus 1~5%]	62.5% of [Base Rate (in %s) minus 1~5%]	75% of [Base Rate (in %s) minus 1~5%]	87.5% of [Base Rate (in %s) minus 1~5%]	100% of [Base Rate (in %s) minus 1~5%]		
SEN	5%	10.00%	15.00%	20%	25.00%	30.00%	35%	40.00%	45.00%	50%

Source: India-South Korea CEPA legal text (https://commerce.gov.in/wp-content/uploads/2020/05/INDIA-KOREA-CEPA-2009.pdf)