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**DAILY EDITORIAL
ANALYSIS**

TOPIC

**INDIA-SOUTH KOREA ECONOMIC TIES
POISED TO STRENGTHEN**

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Context

- India–South Korea relations have evolved significantly over the past three decades, increasingly defined by **strategic convergence**, shared developmental pathways, and alignment in global geopolitics.

About India–South Korea (Republic of Korea) Relations

- **Historical Background:** Diplomatic relations established in **1973**; Strengthened post-1991 economic reforms in India; ‘Look East’ to ‘Act East Policy’ enhanced engagement;
- **Institutional Framework:** Comprehensive Economic Partnership Agreement (CEPA), 2010; Special Strategic Partnership (2015); and Regular Summit-level meetings and Joint Commissions
 - ♦ The partnership covers **political, economic, defence, cultural, and technological domains**.

Emergence of a ‘Strategic Mirror’ (Strategic Convergence)

- India–South Korea ties have moved from **economic complementarity to strategic alignment**, especially after being elevated to a *Special Strategic Partnership (2015)*.
- **Developmental Convergence:** Technology-driven growth models; strong emphasis on **infrastructure and manufacturing**; and large investment in **human capital**.
 - ♦ Korea’s past industrial success mirrors India’s current trajectory.
- **Shared Values and Global Outlook:** Democratic systems; commitment to **rules-based international order**; and support for **free, open, and inclusive Indo-Pacific**.
 - ♦ It creates a natural alignment in global governance issues.

Economic Cooperation

- **Trade and Investment:**
 - ♦ Bilateral trade: Over \$28 billion
 - ♦ South Korea: **Top FDI investor in India (5th largest; about \$6–7 billion)**
- Major sectors: Automobiles, Electronics, Heavy industries & shipbuilding

Defence and Security Cooperation

- **Indo-Pacific Cooperation:** Alignment under **Indo-Pacific strategy**; and focus on **freedom of navigation and regional stability**.
- Both nations face **nuclear threats** (North Korea; China-Pakistan axis); Increasing cooperation in defence production, maritime security, and cyber security.

Technology and Emerging Areas

- **Key Areas of Cooperation:** Semiconductors; Artificial Intelligence; electric vehicles & batteries; and clean energy.
 - ♦ Korea’s strength in **advanced manufacturing** complements India’s **market size and talent pool**.
- **Policy Initiatives:** India’s Semiconductor Mission and Production Linked Incentive (PLI) schemes; and Korea’s leadership in chip manufacturing and electronics.

Key Challenges in India–South Korea Relations

- **Persistent Trade Imbalance:** India faces a **growing trade deficit with South Korea**.
 - ♦ CEPA (2010) has disproportionately benefited Korean exports that creates domestic pressure in India against deeper trade liberalisation.

- **Underutilisation of CEPA:** CEPA has not reached its full potential due to limited product coverage, inadequate services integration, and low utilisation by MSMEs.
 - ♦ **CEPA requires urgent upgradation (CEPA 2.0)** to unlock trade potential.
- **Non-Tariff Barriers (NTBs) & Market Access Issues:** Indian exporters face stringent standards, certification requirements, and complex regulatory procedures in Korea.
 - ♦ Korean firms face bureaucratic delays and policy uncertainty in India.
- **Limited High-Technology Collaboration:** Despite potential, cooperation in semiconductors, advanced R&D, and innovation ecosystems remains **below expectations**.
 - ♦ There is a gap between **strategic intent and actual technology co-development**.
- **Structural Differences in Industrial Capacity:** Korea's advanced manufacturing economy; and India's developing industrial base leads to unequal competitiveness.
 - ♦ India's dependence on **importing high-value goods**; and weak domestic manufacturing limits India's ability to fully benefit from trade.
- **Regulatory and Bureaucratic Hurdles:** Issues include complex taxation and compliance systems; land and labour constraints in India; visa and mobility restrictions.
 - ♦ These factors discourage **greater Korean investment and business expansion**.
- **Limited People-to-People and Cultural Linkages:** Lower academic exchanges, and limited tourism and cultural familiarity, compared to India–Japan or India–US.
 - ♦ Weak societal connect reduces **depth of long-term partnership**.
- **Geopolitical Constraints:** Korea's strong economic ties with China, and India's tensions with China. It creates **strategic balancing challenges**, especially in supply chain realignment and Indo-Pacific cooperation.
- **Supply Chain Integration Challenges:** Despite complementarities, there is a lack of institutional mechanisms, and coordination gaps in industries.
 - ♦ Integration into **regional/global value chains remains incomplete**.
- **Absence of a Dedicated Technology Framework:** No comprehensive institutional structure for joint R&D, co-manufacturing, and innovation partnerships.
 - ♦ It limits progress in **critical technologies like semiconductors and AI**.

Way Forward: Strengthening India–South Korea Relations

- **Upgrade Economic Partnership: CEPA 2.0:** To address trade imbalance, non-tariff barriers, and limited services trade, with focus on **MSME participation and digital trade facilitation**.
- **Build a Dedicated Technology Partnership Framework:** Establish an **India–Korea Technology Alliance** (similar to iCET-type frameworks) for key sectors like semiconductors, AI, EV batteries, and clean energy.
 - ♦ There is a need for **institutionalised co-innovation and R&D collaboration** involving government, industry, and academia.
- **Strengthen Supply Chain Resilience:** Develop **trusted and diversified supply chains** for areas like electronics, critical minerals, and pharmaceuticals.
 - ♦ India's scale and Korea's technological depth can create **complementary global value chains**.
- **Enhance Defence and Maritime Cooperation:** Expand collaboration in defence manufacturing (Make in India), naval exercises and maritime security; and align strategies in the **Indo-Pacific**.
- **Promote Investment and Industrial Collaboration:** Improve ease of doing business in India; encourage Korean investment in manufacturing clusters, smart cities, and infrastructure.
 - ♦ There is a need to reduce regulatory bottlenecks to attract **high-value FDI and technology transfer**.
- **Deepen People-to-People and Cultural Ties:** Expand academic exchanges, tourism, and cultural diplomacy.
 - ♦ Strong societal connect will ensure **long-term sustainability of partnership**.

- **Institutionalize Strategic Dialogue Mechanisms:** Regular **2+2 dialogue (Foreign & Defence Ministers)**; and strengthen **Track 1.5 and Track 2 diplomacy**.
 - ◆ Enables coordination on regional security, emerging technologies, and global governance.
- **Collaborate in Multilateral and Indo-Pacific Frameworks:** Work together in Indo-Pacific initiatives, Supply Chain Resilience frameworks, and Global South cooperation.
 - ◆ Both nations, as **middle powers**, can shape regional order.
- **Focus on Emerging Areas:** Green hydrogen and climate cooperation, digital economy and cybersecurity; and space technology.
- **Create Long-Term Strategic Vision:** Move from **project-based cooperation** to **institutional partnership**; and develop a **shared roadmap** for the upcoming decades.

Conclusion

- India–South Korea relations are transitioning from **transactional economic ties to a strategic partnership rooted in shared vision and structural convergence**.
- In an era of **geopolitical shifts and technological competition**, this partnership can emerge as a **key pillar of Indo-Pacific stability and global supply chain resilience**.

Source: BL

Daily Mains Practice Question

- [Q] Examine the role of the Comprehensive Economic Partnership Agreement (CEPA) in shaping India–South Korea economic relations. What reforms are needed to realise its full potential?

