



## Korean President on a State Visit to India

President of the Republic of Korea (ROK) Moon Jae-in paid a State Visit to India from July 8-11, 2018.

### Key Highlights

- Chief on the bilateral agenda was improving business and investment ties, including taking bilateral trade from \$20 billion to \$50 billion by 2030.
- With its huge market and emergence of India as a key economic partner for South Korea, the latter is committed to raising its relations with India to the level of those with China, Japan, Russia and the US.
- India and South Korea have sought to expand trade and economic ties with each other in areas such as shipbuilding, aerospace, manufacture of medical devices and food processing.
- The two sides signed 11 agreements covering a broad spectrum of areas for cooperation, including artificial intelligence, biotechnology, railways, culture, and trade.
- It also included a statement on expanding the 2010 Comprehensive Economic Partnership Agreement and a joint vision statement that committed to more military exchanges and enhancing defense projects together.
- India and South Korea also have agreed to cooperate on a 'tripartite' basis in development assistance in third countries, beginning with a project in Afghanistan.
- Both the countries also committed to strengthening the "special strategic partnership" in the region and aligning India's Act East Policy with South Korea's New Southern Policy.
- South Korean conglomerate Samsung Electronics inaugurated the world's largest mobile factory in India that will have a capacity of 120 million handsets a year.

## Analysis

- President Moon's India visit marks the 45th anniversary of the establishment of bilateral diplomatic ties.
- Though India had dispatched a medical mission during the 1950-53 inter-Korean war, the ties between the two countries remained tepid during the Cold War era.
- With the advent of democracy in South Korea in 1987 and initiation of India's Look (now Act) East Policy (AEP) and economic reforms in 1991, the relationship began to acquire momentum.
- The two concluded a CEPA (Comprehensive Economic Partnership Agreement) in 2010, a civil nuclear cooperation agreement in 2011 and established a defense wing at the Indian Embassy in Seoul in 2012.
- Korean majors like Samsung, LG, Hyundai, and Kia have invested over \$5 billion in India and are looking at scaling things up further.
- Indian FDI has crossed \$3 billion in ROK.
- However, bilateral trade between Asia's 3rd (India) and 4th largest economies, remains below par at around \$20 billion, essentially because talks to upgrade CEPA have remained inconclusive, more due to opposition from Indian industry.
- Given that India mostly exports primary products and imports electronic and manufactured items, ROK enjoys a trade surplus.
- During Prime Minister Narendra Modi's visit to South Korea in 2015, the bilateral relationship was upgraded to 'special strategic partnership'.
- More recently, South Korean President Moon Jae-in's maiden visit to India aims to strengthen relations between the two countries as part of his New Southern Policy as there is a great complementarity between it and India's Act East Policy.

## New Southern Policy

- President Moon announced his New Southern Policy in 2017 that seeks to make the regional bloc of Association of Southeast Asian Nations (ASEAN) as a diplomatic and economic partner.
- It aims to better connect South Korea to ASEAN and expand the economic influence of Korea - which is Asia's fourth-largest economy and home to more than half a billion people.
- On the geopolitical front, the importance of the Indo-Pacific region is increasing. With increased Chinese assertiveness in the region and the developing US-China trade war, it is in their mutual interest for India and Korea to strengthen relations and face those challenges together.
- On the economic front, India offers Korea a more predictable business environment as it seeks to diversify beyond its biggest export destination, especially after its businesses were hit hard last year by China suddenly turning against them following Seoul's deployment of the US missile shield - THAAD.
- For India, Korea offers a potentially game-changing partnership in manufacturing, high technology industries, and infrastructure building.



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