

# **ROK-India Summit Meeting: South Korea's "New Asia Initiative" Converges with India's "Look East Policy"**

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## **Beginning of Korea-India Relations, Shrouded in Legend**

Every year, India traditionally invites a foreign head of state to attend the anniversary of the establishment of the Indian Republic in 1950. The guest of honor on the occasion of the Indian Republic's 61st anniversary was South Korea's President Lee Myung-bak. Prior to President Lee's summit meeting with Indian President Pratibha Patil and Prime Minister Manmohan Singh in New Delhi, on Monday, January 25, many Koreans remembered that the beginnings of Korea-India relations were shrouded in legend and history. According to Samguk Yusa, a Korean 11th century compilation of stories and legends, Huh Hwang-ok, an Indian princess from a kingdom in Ayodhya, sailed to the ancient Korean kingdom of Gaya in the first century A.D. to find the love of her life in the person of King Suro of the Gaya Kingdom. The Huh and Kim families from Gimhae in South Gyeongsang Province claim Princess Huh and King Suro as their ancestors, and recent archaeological and DNA evidence seems to confirm a genetic link between these South Korean clans and ethnic groups in India.

## **Astounding Potential for Cooperation**

Beyond the fascination of a 2,000 year old love story, the success of the recent South Korea-India summit meeting is clear indication that synergies and opportunities for ever greater cooperation between the two countries are tremendous. Between 2002 and 2008, trade between South Korea and India grew from \$2.6 billion to \$15.6 billion, although it dropped rather sharply to \$11.4 billion in 2009, due to the global financial turmoil. During the summit meeting, President Lee and Prime Minister Singh agreed that, through the Comprehensive Economic Partnership Agreement (CEPA), the bilateral free trade agreement that entered into force on January 1, 2010, the trade volume between the two countries will more than double by the year 2014, up to \$30 billion. CEPA targets the elimination or lowering of import duties on 85 percent of Korea's exports to India, and 90 percent of India's exports to South Korea by the year 2019. CEPA was the first free trade agreement (FTA) signed by India and an OECD member state, and the first FTA signed with a BRIC (Brazil, Russia, India, and China) country.

Over the past 7 years in particular, the trade and investment volume between the two countries has grown significantly, but is still comparatively low, if one takes into account that South Korea and India are, respectively, Asia's third and fourth largest economies, and that—according to 2008 estimates by the IMF and the World Bank—India's purchasing power parity (PPP) ranks fourth in the world.

The potential areas for enhanced cooperation include: building much needed infrastructure in India; Korea's investment in India's steel industry; energy and low-carbon "green" growth; the IT sector, in particular in the area of Mobile-WiMAX, wireless broadband internet technology; scientific and technological collaboration; defense goods, including the potential sale of South

Korean-made KT-1 trainer jets to replace India's aging military trainer planes; and the peaceful use of outer space.

The area of nuclear energy cooperation also presents great potential. According to officials in Seoul, South Korea and India will initiate dialogue on the development of a framework for a mutual nuclear cooperation agreement. There are 17 operational nuclear power plants in India, and six others are under construction, as India intends to increase nuclear power generation capacity by about 10 times, to 40,000 megawatts by 2035. Encouraged by prevailing over U.S., French, and Japanese competitors to win a \$20.4 billion contract to build nuclear power reactors in the United Arab Emirates, South Korea is looking towards opportunities to construct nuclear plants in India, enhanced by the conclusion of an agreement between India and the United States on nuclear development in 2008. Such opportunities may be further improved if, over the next few years, South Korea and the United States upgrade their 1974 nuclear cooperation agreement to adjust to Korea's increasing role in the nuclear energy export market.

In recent years, trade complementarity between the two countries has increased constantly, as South Korea has been specializing in a limited number of high value-added manufacturing products, while India has diversified its exports. The opportunity for intra-industry trade is also apparent, as South Korea and India enjoy comparative advantage in generating different products within the same industries. The removal of tariff and non-tariff barriers through the CEPA is certain to result in dramatically increased cooperation in a multitude of areas.

### **Korea and India, the Agents of Unprecedented Integration of East and South Asia**

In March 2009, at a conference in Jakarta, Indonesia, President Lee heralded the establishment of a "New Asia Initiative." The initiative aims to confirm and expand South Korea's role as an emerging middle power, by assuming a pivotal role in representing the interests of Asian nations on the world stage. The vision for a "New Asia Initiative" incorporates Korea's entering FTAs with all Asian nations and the creation of a low-carbon "green" growth belt in the Asia-Pacific region. During his visit to India, President Lee emphasized that the trip was a reflection of Korea's conducting a "New Asia Diplomacy" campaign to further ties with Asian countries, begun with resolute efforts in 2008 to boost relations with the four powers in the region, the United States, China, Japan, and Russia. As an extraordinarily successful nation that went from rags to riches through only a few decades of accelerated industrialization and economic growth, South Korea has the confidence, knowledge, and moral authority to facilitate dialogue between developing and developed nations.

In its turn, India has also pursued a "Look East Policy" since the end of the Cold War, aiming to foster trade and security ties with Asian nations. India is currently focused on economic integration with Asia, and the CEPA with the world's 13th largest economy is an important stepping stone in that process.

While the complementarity of South Korea's "New Asia Initiative" and India's "Look East" policy is evident, the two countries have played an essential role in building bridges between East and South Asia. South Korea and India have acted as hubs generating bilateral FTAs in the region and beyond, thus resulting in an unprecedented degree of integration between East and

South Asia. In addition to the CEPA, South Korea concluded an FTA with the Association of Southeast Asian Nations (ASEAN) in 2006, and is undergoing negotiations with Australia. In addition to the FTAs signed with the European Union (EU) and the United States—with the former very likely to be ratified sooner than the latter—Korea has also been conducting FTA negotiations with Canada, Mexico, and Peru. India concluded its first FTA with Sri Lanka in 1998 and its second with Singapore in 2005, and is currently at different stages of FTA negotiations with the EU, Japan, Canada, Australia, and New Zealand. The long-term effects of South Korea and India's acting as the two hubs generating an emerging multilateral free trade infrastructure are likely to transcend the economic realm, and have a lasting impact on the geopolitics of East and South Asia.

### **South Korean Companies in India: An Impressive Track Record Is Harbinger of a Great Future**

While the size of the two economies, complementarities, and opportunities to further advance intra-industry trade signal impressive potential for growth in economic exchanges between South Korea and India, the track record of South Korean companies in India is already impressive.

The Pohang Iron and Steel Company (POSCO) is proceeding with the largest single FDI to date in India, through a \$12 billion project to build an integrated steel mill in Orissa, located in eastern India, a region rich in iron ore reserves. Immediately following the South Korea–India summit meeting on January 25, The Steel Authority of India Ltd. and The Korea Export Insurance Corporation signed a preliminary agreement to encourage trade and investment in the steel and allied sectors in the two countries.

Since early inroads into India's automobile market were made by Daewoo Automobiles in the 1990s, Hyundai Automobiles has acquired 23 percent of India's car market, reaching an annual production capacity of 600,000 units at its factory in Chennai, and ranking second only to Maruti Suzuki, for many years the dominant player in India's car market.

LG and Samsung have become leading competitors in India's market for consumer durables. The combined market share of LG and Samsung includes 45 percent of all TVs sold in India, 63 percent of LCD TVs, 43 percent of refrigerators, 41 percent of washing machines, 42 percent of air conditioning equipment, and 48 percent of microwave ovens. LG and Samsung reached impressive sales figures by investing a combined \$500 million in two production facilities in India, customizing their latest products to Indian conditions and consumer preferences, and investing aggressively in brand promotion.

Heralding opportunities for involvement in the development of India's transportation infrastructure, Samsung Construction & Trade Corp has completed an underground network project for the New Delhi subway system, and Samsung SDS has also provided an automatic fare collection (AFC) system for the New Delhi subway.

India is Asia's fourth largest economy, an emerging advanced technology power, home to 1.15 billion people, the world's most populous nation after China, and to a fast growing middle class that is already as large as the entire population of the United States, about 300 million people.

The recent financial and economic turmoil may have prompted many to forget that globalization lifted millions out of poverty, and India provides the best illustration of that reality. Some of the answers to establishing new economic paradigms to overcome current systemic difficulties may lie in creating economic and social development from below and reducing dependency on fossil fuels. Should that be the case, India is going to be at the forefront of such developments, and South Korean companies are in pole position to take full advantage of such a course of events. Within this process, the flow of investment is by no means a one-way road. The recent establishment of the Indian Chamber of Commerce in Korea indicates that, in addition to the two major Indian companies that have already invested in Korea, Tata and Hindalco Industries Limited, others may soon follow.

### **Cooperation beyond Successful “Sales Diplomacy”**

South Korea and India’s future collaboration is likely to extend beyond the enhancement of economic cooperation achieved through the CEPA and President Lee’s pragmatic and successful “sales diplomacy.” As stated by President Lee and Prime Minister Singh during their summit meeting, South Korea and India are committed to developing a robust and comprehensive framework for strategic engagement, based on mutual benefit and shared values. As stated during the summit, the two countries will cooperate on responding to common challenges posed by non-conventional nuclear threats and fighting nuclear proliferation by neighboring countries, upgrading the bilateral foreign policy and security dialogue, stepping up high-level regular military exchanges, and enhancing cooperation between the South Korean and Indian navies and coast guards on safeguarding sea lanes in the Indian Ocean. The ever increasing numbers of South Korean tourists in India and exchange students in both countries also indicate that cultural and people-to-people ties will also be expanded.

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