



Korea-India Economic Cooperation :

Performance and Issues



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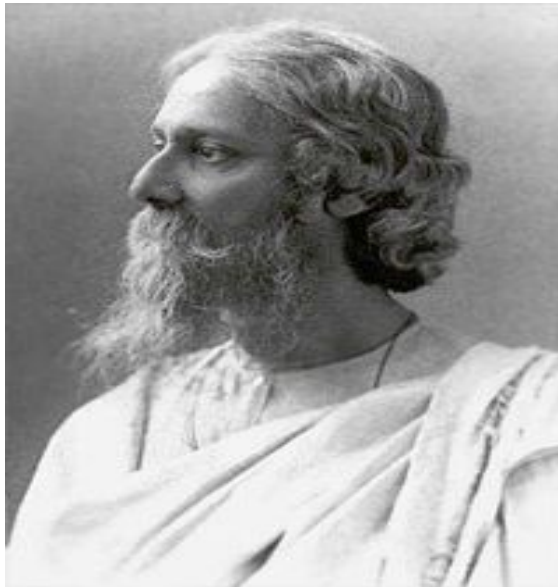
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Order of Presentation

- I. Historical Convergence of Development Models in a Globalizing World Economy
- II. Korea-India Bilateral Trade and Investment, and Tariff Rate
- III. Korea-India Bilateral FDI
- IV. Korea-India CEPA
- V. Concluding Remarks

- I. Historical Convergence of Development Models in a Globalizing World Economy

Rabindranath Tagore
(1861~1941)



- 1913 : Nobel Laureate
- Koreans long cherished poem :
The Lamp of the East
- Source : Apr. 2, 1929,
DongA Daily

The Lamp of the East

In the golden age of Asia
Korea was one of its lamp - bearers
And that lamp is waiting to be lighted once
again
For the illumination in the East.
Where the mind is without fear and the head
is held high ;
Where the world has not been broken up into
fragments by narrow domestic walls ;
Where words come out from the depth of
truth ;
Where tireless striving stretches its arms
towards perfection ;
Where the clear stream of reason has not
lost its way into the dreary desert sand of
dead habit ;
Where the mind is led forward by thee into
ever-widening thought and action
Into that heaven of freedom, my Father, let
my country awake.

**Karl Gunnar Myrdal
(1898 ~1987)**



Asian Drama : An Inquiry Into the Poverty of Nations

- Economist, sociologist, and politician
- Only way to bring about rapid development in Southeast Asia was to control population, have a wider distribution of agricultural land, and invest in health care and education
- Nobel committee recognized Myrdal's achievements on "penetrating analysis of the interdependence of economic, social, and institutional phenomena"

- 1974 : Nobel Laureate

Historical Convergence of Korea and India in pushing Industrial Deepening in the Globalizing World

1. Korea : Embarked upon export-led industrialization in early 1960s
2. India: Pushed an import substitution industrialization in a “mixed socialist” regime until late 1980s and turned to export-led industrial deepening
 - By early 1970s, India’s imports other than oil were only 3 percent of GDP
3. Korea and India can learn each other in the border-less economy to develop a win-win collaborations
4. Korea and India both pursue a multi-track FTA strategy
5. On the part of India, Korea-India FTA is likely to trigger FTA enthusiasm with China and Japan with India

II. Korea-India Bilateral Trade and Investment, and Tariff Rate

Korea's Relative Competitiveness vis a vis India by Industry

		2003	2004	2005	2006	2007
Total Items		2,486	3,689	3,690	3,690	3,690
Items Above US\$ 100,000		1,070	1,183	1,262	1,321	1,428
Agriculture & Fisheries	TSI	-0.9	-1	-0.9	-1	-1
	Specialized Import	36	43	44	45	49
	Weakening Import	1	2	2	1	1
	Equally Competitive	—	1	1	1	—
	Competitiveness Gaining Export	—	—	2	—	1
	Specialized Export	9	7	7	10	7
Manufacturing	TSI	0.5	0.4	0.4	0.2	0.2
	Specialized Import	261	273	290	322	356
	Weakening Import	32	39	37	48	53
	Equally Competitive	49	66	73	66	63
	Competitiveness Gaining Export	52	66	78	87	93
	Specialized Export	630	686	728	741	805

**** Source:** Based on UN COMTRADE

Korea's Commodity Trade with India

[Unit : US\$ million]

		2003	2004	2005	2006	2007	Yearly Average
Agriculture & Fisheries	Export	7.8	6.3	5.8	6.8	9.0	7.2
	Import	160.1	407.3	152.0	255.0	308.3	256.6
	Trade Balance	-152.3	-401.0	-146.2	-248.2	-299.3	-249.4
Manufacturing	Export	2,845.1	3,625.7	4,592.0	5,526.0	6,591.0	4,636.0
	Import	1,072.6	1,442.6	1,960.1	3,358.8	4,316.1	2,435.4
	Trade Balance	1,772.5	2,183.0	2,631.9	2,140.2	2,274.9	2,200.5
Total	Export	2,853.0	3,632.0	4,597.8	5,532.8	6,600.0	4,643.1
	Import	1,232.7	1,850.0	2,112.1	3,640.8	4,624.4	2,692.0
	Trade Balance	1,620.2	1,782.0	2,485.8	1,892.0	1,975.6	1,951.1

** **Source:** Based on UN COMTRADE

- During the period of 2003~2007, Korea registered US\$202 million surplus in manufacturing on the yearly average but US\$0.25 billion deficit in service trade on the yearly average
- Overall trade balance has been in favor of Korea to register trade surplus near US\$1.9 billion on yearly basis

Korea's Trade in Agriculture and Fisheries with India

[Unit : US\$ Thousand]

		2003	2004	2005	2006	2007	Yearly Average
Cereal	Export	3,417.0	2,649.9	2,136.9	2,340.8	2,080.3	2,525.0
	Import	24,009.0	89,707.9	10,198.1	32,729.1	29,113.2	37,151.5
	Trade Balance	-20,592.0	-87,105.8	-8,061.2	-30,388.3	-27,032.9	-34,626.5
Processed Food	Export	4,086.6	3,447.8	3,516.1	4,162.3	6,709.6	4,383.3
	Import	115,182.2	289,064.8	111,315.0	183,517.1	241,845.2	188,184.8
	Trade Balance	-111,101.6	-285,616.9	-107,798.8	-179,354.9	-235,135.6	-183,801.6
Fisheries	Export	42.8	39.3	15.4	148.0	0.4	49.2
	Import	15,221.6	20,517.2	18,231.4	26,719.0	20,827.3	20,303.3
	Trade Balance	-15,178.9	-20,477.9	-18,216.0	-26,570.9	-20,826.9	-20,254.1
Total	Export	7,833.9	6,313.9	5,843.0	6,801.6	9,011.6	7,160.8
	Import	160,124.0	407,347.9	152,013.6	255,028.2	308,321.0	256,566.9
	Trade Balance	-152,290.0	-401,034.0	-146,170.6	-248,226.6	-299,309.4	-249,406.1

**** Source:** Based on UN COMTRADE, Note : only major sectors are listed

Korea's Trade in Manufacturing with India (I)

[Unit : US\$ thousand]

		2003	2004	2005	2006	2007	Yearly Average
Total	Export	2,845.1	3,625.7	4,592.0	5,526.0	6,591.0	4,636.0
	Import	1,072.6	1,442.6	1,960.1	3,385.8	4,316.1	2,435.4
	Trade Balance	1,772.5	2,183.0	2,631.9	2,274.9	2,274.9	2,200.5

** **Source:** Based on UN COMTRADE

- Within manufacturing, Korea has exhibited trade surplus against India in every sector except textile and clothing
- Automobiles, electronics and machinery sectors have led Korea's comparative advantage

Korea's Trade in Manufacturing with India (II)

[Unit : US\$ thousand]

		2003	2004	2005	2006	2007	Yearly Average
Textile & Clothing	Export	141.3	153.3	135.7	121.0	123.8	135.0
	Import	268.6	321.1	263.8	303.9	270.2	285.5
	Trade Balance	-127.3	-167.8	-128.1	-183.0	-146.6	-150.5
Chemicals· Rubber ·Plastics	Export	271.5	357.2	524.2	541.4	764.0	491.7
	Import	140.0	162.1	195.3	301.2	318.1	223.3
	Trade Balance	131.5	195.1	328.9	240.2	445.9	268.3
Steel & Metallic	Export	222.4	484.7	724.0	865.6	1,496.8	758.7
	Import	134.0	221.4	281.9	284.0	359.2	256.1
	Trade Balance	88.4	263.2	442.2	581.7	1,137.5	502.6
Automobile	Export	264.1	398.1	451.2	590.0	856.7	512.0
	Import	3.6	17.0	18.9	16.9	28.0	16.9
	Trade Balance	260.5	381.2	432.3	573.2	828.7	495.2

** **Source:** Based on UN COMTRADE, Note : only major sectors are listed

Korea's Trade in Manufacturing with India (III)

[Unit : US\$ thousand]

		2003	2004	2005	2006	2007	Yearly Average
Other Vehicles	Export	411.9	314.0	202.8	46.3	319.8	258.9
	Import	1.1	1.5	0.1	45.8	2.8	10.3
	Trade Balance	410.8	312.4	202.6	0.5	317.0	248.7
Electronics	Export	994.2	1,148.1	1,465.4	1,638.7	873.0	1,223.9
	Import	22.2	21.2	28.3	34.9	61.1	33.6
	Trade Balance	972.0	1,126.9	1,437.1	1,603.7	811.9	1,190.3
Machinery	Export	392.3	543.1	700.2	1,056.4	1,370.6	812.5
	Import	18.7	41.0	90.7	123.5	155.0	85.8
	Trade Balance	373.6	502.1	609.5	932.9	1,215.6	726.6
Other Manufacturing	Export	41.1	61.8	112.9	184.5	175.2	115.1
	Import	105.9	93.0	136.0	190.7	314.5	168.0
	Trade Balance	-64.7	-31.2	-23.2	-6.2	-139.3	-52.9

** **Source:** Based on UN COMTRADE

Korea & India's Actual Tariff Rates in Agriculture and Fisheries in 2007 (I)

	Tariff Rate (Korea)		Tariff Rate (India)	
	Simple average	Weighted average	Simple average	Weighted average
Total for all Sectors	8.69	7.59	14.04	8.64
Agriculture & Fisheries	34.81	64.33	37.80	25.17
Rice	5.00	5.00	70.00	70.00
Cereals	140.58	601.69	17.11	10.00
Vegetables & Fruit	93.64	9.70	30.00	30.00
Meat & Dairy	66.81	46.32	30.00	30.00
Processed Food	20.67	6.76	39.62	34.47
Other Agriculture	21.32	33.33	44.46	31.39
Fisheries	13.87	10.08	30.00	30.00

** **Source:** UN TRAINS

- India has higher than double tariff rate in manufacturing of Korea in terms of both simple and weighted average rate
- Korea has higher than double tariff rate in agriculture and fisheries of Korea in terms of weighted average rate

India's Service Trade with the World

[Unit : US\$ million]

	2003	2004	2005	2006	2007	Yearly Average
Export	23,901.7	38,280.9	55,830.9	75,354.2	84,838.0	49,614.0
Import	24,877.9	35,640.8	47,988.8	63,537.0	48,073.0	40,192.8
Trade Balance	-976.2	2,640.1	7,842.1	11,817.2	36,765.0	9,421.2

** **Source:** UNCTAD

- In contrast to the commodity trade, India enjoys strong comparative advantage in service account, exhibiting US\$36.8 billion surplus vis a vis the world in 2007
- Computer and information, communication, travel sectors have led the surplus of the account

India's Trade in Service Sector

[Unit : US\$ thousand]

		2002	2003	2004	2006	2006	Yearly Average
Travel	Export	3,102.2	4,462.6	6,169.7	7,492.9	8,934.0	6,032.3
	Import	2,988.3	3,584.8	4,815.8	6,012.8	7,351.8	4,950.7
	Trade Balance	113.9	877.9	1,353.9	1,480.1	1,582.2	1,081.6
Communication	Export	779.4	968.9	1,093.8	1,972.9	2,191.1	1,401.2
	Import	1,002.6	610.9	578.8	667.2	899.1	751.7
	Trade Balance	-223.2	358.0	515.0	1,305.6	1,292.0	649.5
Computer & Information	Export	8,889.3	11,875.7	16,344.3	22,005.1	29,186.6	17,660.1
	Import	905.3	685.6	932.2	1,566.0	2,198.7	1,257.5
	Trade Balance	7,984.0	11,190.1	15,412.1	20,439.1	111.6	16,402.6

** **Source:** UNCTAD

Analysis of Korea's Relative Competitiveness vis a vis India

	2003	2004	2005	2006	2007
Cereals	-0.8	-0.9	-0.7	-0.9	-0.9
Vegetables & Fruit	-1.0	-1.0	-0.5	-1.0	-1.0
Meat & Dairy	-1.0	-1.0	-1.0	–	-1.0
Processed Food	-0.9	-1.0	-1.0	-1.0	-1.0
Other Agriculture	-0.9	-1.0	-1.0	-1.0	-1.0
Fisheries	-1.0	-1.0	-1.0	-1.0	-1.0
Extraction	-0.6	-0.5	-0.5	-0.6	-0.6
Textile & Clothing	-0.3	-0.4	-0.3	-0.4	-0.4
Chemistry · Rubber · Plastics	0.3	0.4	0.5	0.3	0.4
Steel & Metallic	0.2	0.4	0.4	0.5	0.6
Automobiles	1.0	0.9	0.9	0.9	0.9
Other vehicles	1.0	1.0	1.0	0.0	1.0
Electronics	1.0	1.0	1.0	1.0	0.9
Machinery	0.9	0.9	0.8	0.8	0.8
Other Manufacturing	-0.5	-0.2	-0.1	0.0	-0.3

** **Source:** Based on UN COMTRADE

III. Korea-India Bilateral FDI

Korea's Outbound FDI to India

[Unit : US\$ thousand]

	2004		2005		2006		2007		Yearly Average	
	Case	Value	Case	Value	Case	Value	Case	Value	Case	Value
Manufacturing	42	35,705	57	103,290	105	126,868	161	281,804	91.25	136,917
Service	15	13,242	18	9,410	48	23,868	67	56,255	37	25,694
Total	57	48,947	75	112,700	153	150,737	229	338,391	128.25	162,611

** **Source:** The Ministry of Knowledge and Economy

- Korea's outbound FDI to India has been more than 10 times that of India to Korea and steadily on the rise.
- Within manufacturing, Korea's direct investment on the automobile and trailer sector topped the entire list.
- Within service sectors, construction, wholesales and retail, and finance shared the largest portion of the service sector investment

India's Outbound FDI in Manufacturing to Korea

[Unit : US\$ thousand]

	2004		2005		2006		2007	
	Case	Value	Case	Value	Case	Value	Case	Value
Manufacturing	1	51,272	-	-	-	-	4	1,062
Textile & Clothing	1	43	-	-	-	-	-	-
Chemicals	-	-	-	-	-	-	1	200
Metals	1	43	-	-	-	-	1	108
Electronics	-	-	-	-	-	-	2	754
Transporting Vehicles	-	-	-	-	-	-	-	-

** **Source:** The Ministry of Knowledge and Economy

- Between 2003 and 2007, India's FDI to Korea topped by one case by the Tata group amounting to US\$ 51million

India's Outbound FDI in Services to Korea

[Unit : US\$ thousand]

Services	29	1,373	68	3,735	46	2,512	153	8,388
Wholesales & Retails	22	1,054	62	3,270	44	2,408	148	8,151
Food & Accomodation	6	275	4	365	-	-	1	55
Real Estate & Lease	-	-	1	50	-	-	-	-
Business	1	44	-	-	2	104	2	60
Culture & Entertainment	-	-	1	50	-	-	-	-
Public & Others	-	-	-	-	-	-	2	122
Total	30	52,645	68	3,735	46	2,512	157	9,450

** Source: The Ministry of Knowledge and Economy

- Over the same period, wholesales and retail services took the lion's share the service sectors in both cases and values

IV. Korea-India CEPA

Korea-India CEPA

- Agreed on Joint Study in October 2004
- Agreed on implementing joint study and CEPA in Feb. 2006
- Commenced CEPA negotiation in Mar. 2006
- Conducted 12 rounds of negotiation and 3 inter-sessioning meetings
- Concluded and signed provisionally by February 2009

Korea & India's Tariff Rates in Agriculture and Fisheries

[Unit : %]

	Tariff Rate (Korea)		Tariff Rate (India)	
	Simple average	Weighted average	Simple average	Weighted average
Total	12.9	11.0	14.9	7.3
Agriculture & Fisheries	48.1	55.0	35.6	17.2
Rice	5.0	5.0	77.5	—
Cereals	109.2	290.8	25.8	5.0
Vegetables & Fruit	100.5	13.0	31.2	30.0
Meat & Dairy	30.8	35.6	31.1	30.0
Process Food	23.2	2.6	43.3	24.6
Other Agriculture	70.9	7.1	35.9	49.2
Fisheries	17.1	11.6	30.0	30.0

** **Note:** In case of rice, the unit is US\$1.000

** **Source:** The Ministry of Foreign Affairs and Trade, UN COMTRADE, UN TRAINS

India's Multi-Track FTA Policy

- India's Look East Policy

- 1) Economic gains tends to be greater from FTAs with East Asian economies

- India prefers comprehensive economic partnership agreement (CEPA) rather than FTA
- Effective on January 2007
- ROO: 35% of value added

- 2) India-Thailand

- Agreed on early harvest schemes
- ROO: 40% of value added
- Both finished goods and raw material should differ at 4 digit level of HS code

- 3) India-China FTA

- Joint study began in April 2004
- Both constitute one third of global population
- Might benefit more China because of China's advantage in manufacturing

Korea & India's Tariff Rates in Manufacturing Sector

[Unit: %]

	Tariff Rate (Korea)		Tariff Rate (India)	
	Simple average	Weighted average	Simple average	Weighted average
Total	12.9	11	14.9	7.3
Manufacturing	6.6	3.7	11.6	7.3
Extraction	4.6	1.1	9.6	10.5
Textile & clothing	9.9	8.1	12.5	12.2
Chemicals • Rubber • Plastics	7.6	6.3	12.2	10.8
Steel & Metallic	4.9	2.9	9.4	7.3
Automobiles	8.3	9.3	32.2	19.5
Other Vehicles	4.2	7.9	16.6	12.2
Electronics	5.5	4.7	9.6	1.8
Machinery	6.0	7.1	11.1	10.1
Other Manufacturing	5.6	4.1	11.7	8.7

** **Source:** The Ministry of Foreign Affairs and Trade

Korea & India's Actual Tariff Rates in Manufacturing Sector in 2007

[Unit: %]

	Tariff Rate (Korea)		Tariff Rate (India)	
	Simple average	Weighted average	Simple average	Weighted average
Manufacturing	5.88	3.54	12.98	8.63
Extraction	3.98	3.08	11.47	7.36
Textile & clothing	9.33	7.41	12.58	12.55
Chemicals • Rubber • Plastics	5.76	5.78	12.96	12.45
Steel & Metallic	4.63	1.67	15.67	17.26
Automobiles	2.51	2.83	65.00	13.64
Other Vehicles	4.65	7.57	12.25	12.46
Electronics	4.94	4.53	10.10	2.46
Machinery	6.07	5.86	11.86	11.24
Other Manufacturing	4.96	2.88	12.27	12.48

** **Source:** The Ministry of Foreign Affairs and Trade

- India has higher than double tariff rate in manufacturing of Korea in terms of both simple and weighted average rate
- Korea has higher than double tariff rate in agriculture and fisheries of Korea in terms of weighted average rate

Concession Result of Commodities in Korea-India CEPA

[Unit: US\$ million]

	Korea				India			
	Items	Weight	Import Value	Weight	Items	Weight	Import Value	Weight
Tariff Elimination	10,018	88.7	1,679	84.7	4,198	71.5	2,984	74.6
Immediate	6,824	60.6	1,248	63.0	202	3.9	1,538	38.4
Within 5 years	2,310	20.5	205	10.3	180	3.4	560	14.0
Within 8 years	850	7.5	226	11.4	3357	64.2	886	22.1
1~5% Reduction within 8years	34	0.3	3	0.2	459	8.8	342	8.5
50% Reduction within 8~10 Years	478	4.2	94	4.8	261	5.0	96	2.4
Non Concessional	756	6.8	205	10.3	768	14.7	580	14.5
Total	11,261	100.0	1,981	100.0	5,227	100.0	4,001	100.0

** *Source:* The Ministry of Foreign Affairs and Trade

Percentage Reduction of Tariff

[Unit: %]

	Short-term		Long-term	
	Korea	India	Korea	India
Rice	0.0	–	0.0	–
Cereals	12.3	25.0	24.3	50.0
Vegetables & Fruit	43.5	0.0	54.2	0.0
Meat & Dairy	0.7	91.7	1.2	91.7
Processed Food	52.4	32.6	58.0	33.3
Other Agriculture	16.4	39.1	23.7	56.0
Fisheries	4.2	91.7	8.4	91.7
Extraction	99.1	42.8	99.4	67.7
Textile & Clothing	26.8	13.8	37.6	19.9
Chemistry ·Rubber ·Plastics	80.6	44.5	96.3	58.4
Steel & Metallic	93.9	70.2	100.0	85.8
Automobiles	91.0	34.7	100.0	36.0
Other Vehicles	67.8	65.6	100.0	99.9
Electronics	96.7	42.7	98.8	52.3
Machinery	77.2	66.8	100.0	82.0
Other Manufacturing	80.2	70.4	97.0	94.7

** **Note:** 1) The average weighted tariff rate
 2) in case of India, the average weighted tariff can not be computed due to no rice import

Impact of CEPA on Korea's Manufacturing

[Unit : %]

Industry	Impact on Korea
Textile & Clothing	-1.23
Chemistry · Rubber · Plastics	-0.22
Steel & Metallic	1.34
Automobiles	-0.08
Other Vehicles	2.28
Electronics	-1.11
Machinery	0.47
Other Manufacturing	0.19

Korea-India CEPA: Implications to India

- Effective link to on-going East Asian Economic Integration, functional as well as Institutional
- Likely to trigger speedy conclusion of India-Japan CEPA and India-China CEPA
- Crucial for achieving India's long-term development goal
 - India's vision 2020 predicts that India will transform from agricultural economy to industrial society

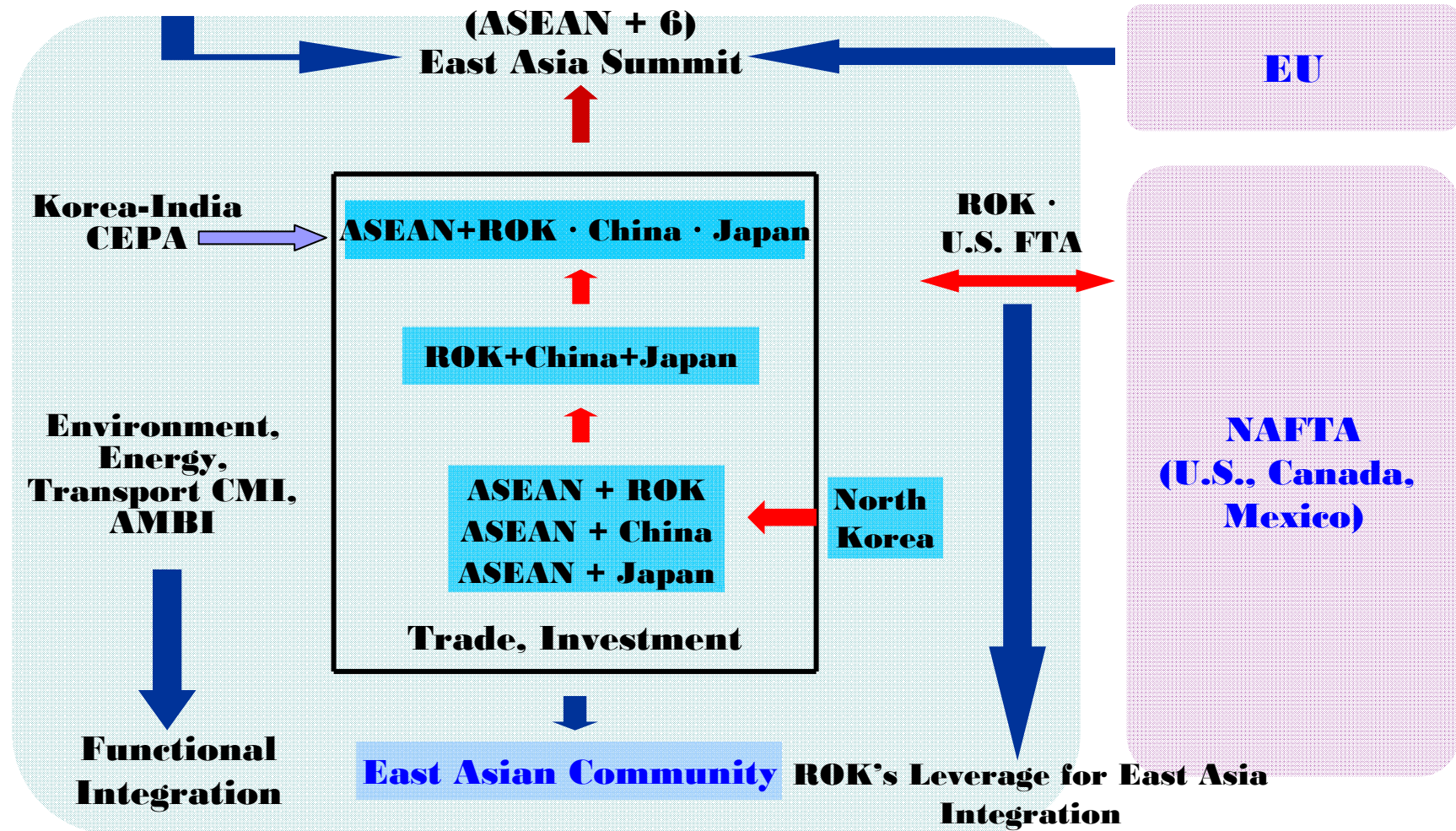
[Unit : %]

	2003	2020
Agriculture	28.0	6.0
Industry	26.0	34.0
Service	46.0	60.0

- Amalgamation of India's ICT "Soft Power" and Korea's ICT "Hard Power" is likely to bring new business opportunities in the rest of the world

Major Stakeholders in East Asian Regionalism

**India · Australia
· New Zealand**



- East Asian Regionalism is desired to have an “open regime” inclusive the U.S. and India

Korea-India CEPA: Implications to Korea

- Important addition to Korea's multi-track FTA towards an Korea's national goal becoming an advanced open economy
- Korea can improve market access to India, a representative emerging economy
- With the Korea-U.S. FTA and Korea-India CEPA, Korea can play more active role to ensure East-Asian Regionalism (at present ASEAN+China, Japan, Korea) to an more open entity

Korea's Multi-Track FTA Policy

<i>FTA Nations</i>	<i>FTA Status</i>
Chile	April 2004, Effectuation
Singapore	March 2006, Effectuation
ASEAN	Manufacturing effective in June 2007 Service industry concluded in Nov. 2007
EFTA (Switzerland, Norway, Iceland, Liechtenstein)	September 2006, Effective
Japan	Negotiations suspended
GCC (Gulf Cooperation Council)	1 st round negotiation in July 2008
Canada, Mexico	Aim to conclude within one-two years
India	Concluded CEPA in February 2009
U.S.A.	Concluded on April 2, 2007
EU	Aim to conclude within 2009
China	Formal FTA impact study underway

❖ **KORUS FTA:**

➤ Most significant in search of FTA partners with large economies

Major Features of Korea-India CEPA

1. ROO : Simultaneous satisfaction of 35% of value added and change in HS code at 6 digit level
2. Enhanced labor mobility and commodity concession
 - Allow cross-border movement of experts, firms and individual workers
 - Mixture of DDA+ and DDA-
3. Investment
 - Liberalization based on negative list
 - Major fields for liberalized investment include commodity, energy, ITC, S/T, SME, Infra, broadcasting, transportation, textiles, Bio, public health, government procurement, and new energy
 - Strengthened Investor-state Dispute settlement

V. Concluding Remarks

Concluding Remarks

- Korea-India CEPA is likely to pave the road towards the mutually beneficial economic partnership between the 12th and 13th biggest economy in the world.
- The CEPA itself will provide a great momentum to upgrade domestic system of both countries to a more globalized best practice economy



WIN-WIN Partnership Between Korea & India

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