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Asia stands at the centre of global economic growth in the 21st century. China's rapid rise as the second superpower next to the U.S. is shifting the geopolitical power balance in Asia to shape a new G2 partnership. Japan is seeking to revitalize its stagnant economy in the aftermath of the Fukushima incident through the ambitious "Abenomics" based on quantitative easing and public investment. India is the largest democracy with a huge number of young population and ranks as the 4th largest economy in the world in terms of purchasing power parity. The ASEAN countries have a larger population than the EU, and have a total trade volume which exceeds those of Japan and Russia combined. The Republic of Korea has become the 8th largest trading nation and is eager to join the top ten economies in the world with the development of its "creative economy" and multi-directional FTAs with the U.S., Europe, ASEAN, India, and possibly China. The dynamic expansion of the Asian economic powerhouse will lead the future of the global economy while the Eurozone crisis and the U.S. fiscal handicaps may continue for the time being.

To be sure, the global economic slowdown has affected the Asian economy in negative ways. The ADB predicts that the average growth rate of the Asian economies covering 45 countries will be lowered to 6% level this year from the previous estimate of 6.6% predicted in April. As for China, the expected growth rate this year has been reduced to 7.6% from 8.2%. So is India's projected growth rate which has been adjusted downwards to 4.7% from 6%. South Korea's estimated growth rate is even lower, at around 2.8% although it is expected to bounce up next year to 3.5%. The currently reduced growth rates of major Asian economies, however, do not imply that the enormous growth potential of Asia is also diminished. On the contrary, the vitality of the Asian emerging markets will be strengthened as the size of the Asian middle class continues to increase and the advanced economies of the U.S., Europe and Japan gradually recover from the recession. In this regard, the economic partnership between South Korea and India plays an important role in revitalizing the Asian

economic growth and, for that matter, regional integration.

Despite the impact of the global economic recession, South Korea has managed relatively well to keep out of trouble thanks to its painstaking efforts over the past years to restructure its economy. India is faced with the challenge of exchange rate fluctuations. But the fundamental strength of the Indian economy is reflected in the highly-motivated dynamic young population and the growing “middle class” in the country, numbering 200 million people. Based on mutual perceived interests, South Korea and India launched the CEPA in January 2011 which has substantially increased trade and investment. For example, the two-way trade between South Korea and India last year increased by 50% in comparison to 2009. South Korea’s investment also multiplied to make the country the 9th largest provider of FDI into India with the estimated amount of 4 billion US dollars. Hyundai Motor Car, Samsung Electronics, LG Electronics, the Lotte Group, and Doosan Heavy Industry are well-known Korean business brands in India as are Mahindra & Mahindra and Tata Motors in South Korea. The biggest FDI project pursued by South Korea is POSCO’s prospective construction of integrated steel plant in the State of Orissa with the total investment of 12 billion US dollars. This project has yet to be realized. If completed, this will be the largest landmark single investment project that India has ever hosted. Compared to the Japan-India CEPA, however, the Korea-India CEPA has less than full coverage of the commercial transactions and should be upgraded to expand and deepen free trade and mutual investment between the two countries. As of now, the bilateral trade volume is expected to reach the level of 40 billion US dollars by year 2015. South Korea will also participate in the 5-year plan to develop Indian infrastructure with the total estimated costs of 1 trillion US dollars.

In addition to trade and investment, science and technology will bring the two countries closer together. South Korea is strong in application and commercialization as an innovative economy while India is home to world-class scientific research and technological advancement. The two countries should maximize the potential benefits of enhanced mutual cooperation in the areas of air and space technology, nuclear science, telecommunication, satellite technology, and solar power, etc. The nuclear cooperation agreement (CNCA) signed in 2011 between South Korea and India has opened a new horizon in the promotion of peaceful nuclear power generation. South Korea is now in negotiation with the U.S. on extending the 4-decade old bilateral nuclear cooperation agreement in order to

upgrade its civil nuclear technology and effectively dispose of nuclear waste. India's positive civil nuclear partnership with the U.S., therefore, could serve as a good lesson for South Korea in pursuing the nuclear talks with the U.S. In return, South Korea's advanced construction technology can contribute to the expansion of India's nuclear power generation. India currently plans to increase its nuclear power generation up to 25% of the total energy consumption by 2050. This opens a possibility for the Korean companies manufacturing model nuclear reactors to participate in the Indian energy plan to build advanced nuclear power plants in the future.

On the security front, South Korea and India share common strategic perspectives regarding the changing environment of shifting power balance in Asia. India's Look East policy is in a way a forerunner of the "Pivot to Asia" initiative taken by the U.S. The rise of China with its growing influence in the region is creating challenges as well as opportunities for South Korea and India with regards to their foreign policy options. China's growing economy offers greater economic benefits to both countries in terms of trade and investment. China's active diplomatic engagement under the leadership of Xi Jinping towards South Korea and India facilitates bilateral cooperations between China and the two countries. China's recent strategic approach to India is basically a reaction to the U.S. "rebalancing" strategy towards Asia. India is a crucial balancing factor in the G2 relationship. China is also conscious of Japan's proactive diplomacy seeking a closer economic partnership with India. For Japan, forging a closer economic partnership with India through expanded trade, investment, and construction of infrastructure can reduce Japan's economic dependence on China. In that sense, India is again perceived as a crucial balancing factor in the Sino-Japanese power rivalry in the Asian strategic triangle amongst China, Japan, and India. In the case of South Korea, the situation is somewhat analogous to India. While South Korea remains a key alliance partner and concurrently a major FTA partner of the U.S. in Asia, Beijing is eager to establish a "comprehensive strategic partnership" with Seoul despite its ideological ties with Pyongyang. China is also actively engaged in the bilateral FTA negotiations with South Korea presumably for strategic as well as economic reasons. South Korea is a crucial mediating power in the G2 relationship. The better G2 partnership serves the interests of South Korea. South Korea is also involved in the strategic rivalry between China and Japan in Northeast Asia. In theory, the harmonious China-Japan relationship serves the better interests of South Korea because the latter is closely intertwined with the Chinese and Japanese economies. South Korea imports intermediate goods from Japan and sells manufactured goods in the

China market. But here, the difference with India is that South Korea, like China, has unresolved historical issues with Japan which impairs Korea-Japan partnership. The nationalistic political initiatives taken by the Abe government such as reinterpreting the Peace Constitution - which bans the war fighting and the possession of armed forces by Japan - and introducing collective self-defence are raising concerns in South Korea as well as China about Japan's unrestrained rearmament. The prevailing national sentiment in South Korea is rather critical of Japan, especially of the conservative Abe government, for not clearly accepting the historical responsibility for the past wrongdoings of Japan based on genuine repentance and apology like Germany did. South Korea's current position in the Sino-Japanese rivalry in the region, therefore, is not that of a friendly mediator but a concerned critic against Japanese neo-nationalism. To make things more complicated, the Obama government, in the recent U.S.-Japan "2+2" meeting in Tokyo between foreign and defence ministers of the two countries, welcomed the Japanese initiative for pursuing collective self-defence and the enlarged security role by Japan in Asia. This issue is not just Japan's problem, but also a policy dilemma for South Korea as well because the two countries are common allies of the U.S. vis-a-vis growing power and influence of China. This issue also constrains the trilateral cooperation among India, Japan, and South Korea.

In a different perspective, China's close strategic partnership with North Korea and Pakistan is raising security concerns in South Korea and India. Furthermore, political and technological cooperation between North Korea and Pakistan in the areas of nuclear proliferation and missile development are further adding to such concerns of both South Korea and India. These common security challenges should be met by the concerted efforts of South Korea and India to prevent crisis and enhance security environment. The on-going military and strategic dialogue between the defence ministers of the two countries should be strengthened. Active cooperation in the realm of defence industry is also required to promote mutual security and industrial growth. The recent visit by Shivshankar Menon, the Indian National Security Advisor, to South Korea highlighted the importance of joint production and joint development in the defence industry.

In the area of cultural partnership, South Korea and India are actively engaged in widening the scope of people-to-people contacts and exchanges. Both countries have opened their cultural centres on the other side, and the general awareness of the distinctive cultures of each other has been growing recently. For example, the statue of Rabindranath Tagore has been set up in the famous College Street in Jongno district in Seoul where young people gather together to appreciate arts and culture.

The attraction of “Hallyu” or “Korean Wave” is increasingly drawing attention in India especially among young people through Korean dramas, movies, food, fashion, and music. Young Koreans learn about India through media, books, internet, and increasingly through a variety of Bollywood movies. The Indian film festivals held recently in Seoul and Busan were extremely successful. Cultural and image perception, however, is asymmetrical. According to an interesting opinion poll conducted by the Korea Institute for International Economic Policy (KIEP) two years ago, India reminds many Koreans of religious and social systems among other things like Hinduism, religious pilgrimage, and the caste system. India is less known as the country of open democracy, young people, and IT industry. For many Indians, Korea reminds them of business and economy such as big conglomerates like Samsung, LG, and Hyundai, and national economic development. The attraction of “Hallyu” is still relatively low among Indians compared to perceived Korean strengths in business and economy. In terms of favourite countries, according to the same opinion poll, Indians like the Japanese (51%) most, and the Koreans (48.5%) almost as much, followed by the Americans, Germans, Singaporeans, Indonesians, Chinese, and Pakistanis. But here is another asymmetry of mutual image. Koreans were found to like the British (36.9%) the most, followed by the Americans, Germans, Singaporeans, Indians (12.2%), Japanese, Indonesians, Chinese, and Pakistanis. So, there is a pressing need to address the apparent asymmetry of mutual image between the two countries from the socio-cultural perspective in view of the growing economic partnership.

This year, South Korea and India commemorate the 40th anniversary of bilateral diplomatic relationship. The two countries share vibrant democracy, market economy, and respect for human rights. We also see each other as complementary partners and destined friends for economic, political, strategic, historical, and cultural reasons. Together, we should try to build a more peaceful and prosperous future in Asia and the world.