

**BILATERAL ECONOMIC RELATIONSHIP  
BETWEEN KOREA AND INDIA:  
*Prospects and Challenges***

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## 1. Expediting Implementation of Stimulus Packages to Boost Bilateral Trade

- The global economic slowdown has led to about 40% year-on-year reduction in trade volume between Korea and India in February this year. The two countries need to have a greater bilateral trade volume through a pickup in domestic demand.

\* The Korea-India trade : annual growth of more than 30% since 2004, 38% rise to \$24.5 billion in 2008

(unit : million dollar)

year	exports	imports	trade volume	trade valance	increase in trade volume (%)
2005	4,597	2,112	6,709	2,485	22%
2006	5,532	3,640	9,173	1,892	36%
2007	6,600	4,624	11,224	1,975	22%
2008	8,977	6,581	15,558	2,395	38%
2009.1-2	960	359	1,319	601	△39.8

- \* The amount of economic stimulus package for Korea and India
  - Korea : 51 trillion won (5.4% of GDP)
  - India : 60 billion dollar (5% of GDP)

## 2. Expanding Opportunities for Korean Enterprises to Participate in India's Infrastructure Expansion

- Korean companies should be given a fair opportunity to take part in India's infrastructure programs to build roads, railways, airports and harbors.

### <The Indian Government's Detailed Investment Plan for Infrastructure(2007~2012)>

(unit : 100 million dollar)

classification	major areas for investment	planned amount
electricity	·building a power plant of 78,577MW	1,666
roads	Golden Quadrilateral National Highway : 6,500km( 6 lanes ) South-North-East-West Corridor : 6,736km(4 lanes) ·4-lane National Hiway : 20,000km ·2-lane National Hiway : 20,000km Express Highway 1,000km	786
railways	freight-only railways along "Mumbai-Delhi-Ludhiana-kolkata" new railway of 8,132km, alteration of the gauge along 7,148km railways, modernization-redevelopment of 22 stations	655
communication	establishment of fixed-line & wireless communications network for 600 million subscribers (including 200 million in rural communities, 20 million for wireless communications, and 40 million for the Internet) ※ Currently 200 million subscribers out of 1.18 billion population	646
irrigation facilities water usage ·sanitation)	·major construction works covering 160 billion m <sup>2</sup> , 102.5 billion m <sup>2</sup> CAD(Command Area Development), flood control for 21.8 billion m <sup>2</sup> and so on	992 (359)
harbor	expansion of major harbors on 485MT scale and small harbors on 345 MT	220

	scale	
airports	modernization & redevelopment of 39 airports(including 4 Metro airports), construction of 10 new airports(three for the northeastern area)	77
others	warehouses(56), gas(42) and so on	98
<b>Total</b>		<b>5,140</b>

Source: India Annual Plans and other Planning Commission documents and CSO

Note: based on the figures from 2006~2007, at the conversion rate of 40 rupees to the dollar

### 3. Facilitating the Korea-India CEPA Negotiations

- It is likely that Korea-India CEPA talks will be closed before long as the business sector in the two countries expect.
  - It is expected that CEPA would have the effect of \$3.3 billion increase in trade volume between the two countries.
- \* Initial talks completed in February 2009; Official signing expected by representatives from the two countries after the May general election in India.

#### **CEPA(Comprehensive Economic Partnership Agreement)**

Another name for FTA with emphasis on comprehensive economic & international trade cooperation like goods, services, investment, and economic cooperation.

### 4. Improving the Business Environment for Korean Companies in India

- Based on their global experiences, Korean companies have adopted a localization strategy making greater use of facilities and labor in India, contributing to India's job creation and economic growth.
- As of 2008, Korea's cumulative investment in India amounted to around \$1,409,330,000

with 1,469 cases.

- \* About 370 Korean companies are operating in Delhi(electric/electronics industry), Chennai (automobile industry), Mumbai( financial industry) and in many other areas in India.
- \* LG Electronics reinvested its local profit of \$ 50 million into the construction of its second plant in Pune region.

### <Trend of Korea's Direct Investment in India>

(unit : million dollar)

year	# of reported cases	reported amount	investment cases	amount invested
2005	75	112	116	91
2006	151	150	224	98
2007	204	330	346	290
2008	214	281	324	188
Total	956	2,160	1,469	1,493

- Korean companies have to cope with the difficulties in government regulations, such as delayed customs clearance, different administrative regulations among local governments, and the rigid labor and employment regulations.