

Fourth India-Korea Dialogue

The Fourth India-Korea Dialogue jointly organized by Indian Council for Research on International Economic Relations (ICRIER) and Seoul International Forum was held at India Habitat Centre, New Delhi on October 21 - 22, 2003. From the two countries, 30 eminent persons from various fields attended the Dialogue. Mr. A.N Verma, former Principal Secretary to the Prime Minister of India led the Indian delegation. The Honorable Dr. Han Seung-soo, former Deputy Prime Minister, Minister of Foreign Affairs and sitting member of Korean National Assembly led the Korean delegation. ICRIER hosted the Dialogue with support from the Ministry of External Affairs, India.

The dialogue was divided into three sessions. The Opening session began with the welcoming remarks by Dr. Arvind Virmani, Director and Chief Executive, ICRIER. While welcoming the distinguished delegates to the Dialogue, Dr. Virmani noted that the Dialogue was a non-government initiative where uninhibited discussion on various issues could take place independent of government policy and known stand. Dr. Virmani also noted the usefulness of institutionalization of the Dialogue between ICRIER in India and the Seoul International Forum as its counterpart from Korea.

The leader of the Indian delegation Mr. A.N. Verma, former Principal Secretary to the Prime Minister of India, in his opening remarks, expressed satisfaction that the institutional framework supporting the Dialogue had kept the program alive and despite some unforeseen difficulties the Fourth Dialogue was now in progress. He noted that Dr. Han as the leader of the Korean delegation imparted necessary continuity to the Dialogue. Mr. Verma underscored the importance of the emerging global contours as a point of reference for promoting Indo-Korean partnership. While the final shape of the world order is not yet entirely clear, the ongoing changes Mr. Verma said, are contributing towards “universally accepted values” of democracy with its concomitant human rights on the political side and free enterprise capitalism on the economic side. These values would provide a congenial backdrop to take forward the process of international cooperation for securing human welfare. Mr. Verma stressed that while bilateralism, regionalism and sub regionalism may be emerging as options to multilateralism in the changing world order, for the immediate purpose it

will be safe to assume that under an overall multilateral system there will continue to be a good case for sub regional and regional groupings. Mr. Verma noted the quantitative and qualitative improvement in India-Korea bilateral trade and FDI and the important complementarities that have thus been established for two-way exchanges between the two countries. Further having recognized the advantages of regional trading arrangements early on through the signing of the Bangkok agreement as founder members, the two countries could now initiate a broadening of the scope of the Agreement to include trade in services and non-tariff barriers. On the multilateral regime front it would be beneficial, Mr. Verma said, for the two countries to cooperate more closely in areas of common interest for negotiations on DDA to conclude successfully. Mr. Verma closed his address by saying that India and Korea should thus strive for a broad-based partnership in the future.

The leader of the Korean Delegation Dr. Han Seung-soo, Member of National Assembly and former Deputy Prime Minister, in his opening remarks noted that the India-Korea Dialogue has become an important venue for conducting in-depth discussions on ways to further promote a friendly and cooperative relationship between the two countries. Stating that India and Korea have maintained good relations through shared values, religion and culture Dr. Han said that these common grounds have helped cement current ties between the two countries. The relationship has continued to expand since the establishment of diplomatic ties in 1973 in various fields such as politics, economics and culture. He noted that there is potential for broadening the scope of India-Korea bilateral relationship and cooperation and this should be done through strenuous mutual efforts. Dr. Han emphasized the importance of shared interest of India and Korea to maintain and promote prosperity and stability in Asia and strengthen cooperation in political and security issues. In this context Dr. Han said that continuous dialogues should be held on a bilateral basis, through international fora, as also discussions at non-government levels need to be encouraged. Such Dialogues should also be extended to areas where close cooperation has not yet been discussed. Also on account of greater integration of India and Korea in the Asia Pacific region, the bilateral relationship between the two countries should now be viewed in a regional context. Dr. Han also stated that while bilateral trade and investment between the two countries had grown, full potential of the economic partnership had yet to be realized. The efficient combination of the complementary economic structure of the two countries can mean a vast potential for a synergic effect of our bilateral relationship. The Dialogue Mr. Han concluded would provide a valuable opportunity to

discuss the bilateral relationship as also identify new area for enhanced cooperation and further mutual understanding.

In the first session, the discussion focussed on issues relating to “Bilateral Economic and Business Relations between India and Korea”. Three presentations were made in this session. Dr. Cho Dong-sung, Professor, Seoul National University, made the first presentation on “An Exploratory Study on Economic Cooperation between Korea and India for the Enhancement of National Competitiveness”. According to Dr. Cho international cooperation between two nations is likely to occur when the two nations have complementary factors that determine the level of national competitiveness. Dr. Cho proposed a 9-Factor model of national competitiveness, which adds four human factors to the Diamond Model. According to the IPS national competitiveness report (IPS, 2002) Korea was at rank 24 among 68 nations in national competitiveness, falling in the group of semi developed countries. India was ranked at 40 and was in the group of developing countries. Korea’s competitiveness by main factor lies in the quality of consumers or the demand conditions in the group of physical factors and entrepreneurs and professionals in the human factors group, Dr Cho said. For India, national competitiveness lies in factor conditions and workers. The heterogeneity between Indian and Korean factors of competitiveness thus defines the areas of cooperation. Corporations of India and Korea according to Dr. Cho must engage in cooperative alliances in capital investment, technology transfer, joint ventures etc to enhance their mutual and respective corporate competitiveness. Further, Dr. Cho emphasized the need for the citizens of India and Korea to foster academic, cultural and social exchange through universities, NGOs and various other institutions. Government policies, Dr. Cho said, should evolve so as to support such efforts.

Dr. Subir Gokarn, Chief Economist and Mr. Abheek Barua, Senior Economist, Credit Rating Information Services of India Ltd (CRISIL) presented a paper titled “Korean FDI in India: Gains and Incentives”. Using the CRISIL gravity model for Asia, they noted that trade between the two countries is far less than optimal. The inclusion of “shadow exports” or local component sourcing by Korean manufactures in India however improves the balance to a degree. With regard to FDI Gokarn and Barua have analyzed the impact and motivation aspect. The Korean FDI according to the authors has been responsible for correcting market distortion and creation of employment in the local economy. As concerns the motivations for Korean FDI into India they presented evidence to

show that the initial flush of investments were driven by the need to diversify the investment portfolio away from South East Asia (post the 1997 Asia crisis) and to seek protected markets. Dr. Gokarn and Mr. Barua were of the view that even if protection were to be reduced, the need to exploit labor costs and penetrate Indian markets should induce fresh investments. The labor cost advantage and physical proximity to other Asian markets makes India an ideal economy for export “platforming”.

Dr. Amita Batra, Senior Fellow, ICRIER, made a presentation on “Economic Reforms in India”. Tracing the origin of reforms to the crisis of 1991, the presentation gave a macro qualitative picture of reforms as they have been implemented in the Indian economy for now over a decade. Changes in both the policy and institutional mechanism governing various sectors of the economy were highlighted in the presentation. In particular, reforms in the financial, external, industrial and infrastructure sectors alongside steps for fiscal consolidation were discussed. Dr. Batra further brought out the positive impact of reforms as implemented in India. The Indian economy in the last decade has been pulled out of low growth equilibrium and has been placed on a higher and stable growth path, Dr. Batra noted. The presentation also listed areas where an accelerated pace of reform is required in the future.

Mr. Kim Jae-il, Managing Director, Hyundai Motors India Limited, led the discussion following the presentations. Mr. Kim stated that the reason for HMI’s success in India was because HMI had taken some risky decisions and made full -scale investment in India. HMI started full-scale exports to Europe in July 2003 and at the launching ceremony proudly declared that the products were made in India. Mr. Rajive Kaul Vice Chairman, NICCO Corporation Ltd. followed this, saying that in case of Korea –India bilateral business relationship investment had been the key success. Korean investment has almost 20% share of the automobile sector and a very high share of the consumer durables market as well. We should therefore identify other areas where we can attract Korean investment, such as in airports, shipping, ports etc. Some academic research in this direction would also be beneficial, he said. Further, Mr. Kaul also stated that since India’s global recognition lies in software and Korea’s in hardware, there was a clear opportunity for collaboration in the area of embedded software. In the light of Korea’s aging population, outsourcing of India’s pool of knowledge workers could also be harnessed for mutual benefit, Mr. Kaul said. He suggested that

joint papers that can be later converted into an action plan might also be taken up in this connection. In addition to mutual cooperation in software business Mr. Kim-In indicated possibilities of prospective business in the area of e-governance. Mr. Satish Kaura, chairman Samtel Colour Limited said that the visionary and aggressive approach of the Koreans had benefited both India and Korea. The size of the Indian market has as a consequence increased and improved. He stated that Koreans could now look into the possibility of penetrating the export market through India and also think of increasing their investment in research and development. It would also be better, Mr. Kaura pointed out if the challenge of communication was addressed, as this would facilitate the development of deeper ties between the two countries. Small and medium enterprises was another area that both countries could explore for further development of business ties. Mr. Kim Kwang Ho stressed on the possible synergy between India and Korea owing to complementarities like trained manpower, the national competitiveness of India, and Korean experience. Dr. Charan Wadhva, President, Centre for Policy Research, also reiterated the need to have an action plan, undertake more collaborative studies as also place greater emphasis on areas like research and development, higher education, agro processing and tourism. Dr. Suman Bery, Director General, NCAER, underscored the importance of making South-South initiative a reality and evolving common thinking on globalization, especially world trade issues.

In the second session, discussion on issues relating to “Global and Regional Developments: Prospects for India –Korea Partnership” were taken up. Dr. Yoo Tae –hwan, from Korea Institute of International Economic Policy, made a presentation on “Foreign Direct Investment in India and China: What Does India have to do?” Dr Yoo in his presentation undertook an evaluation of the FDI environment in India and China. He stated that China is more attractive for market-seeking FDI and to efficiency seeking investors as China has a more competitive economic environment and the FDI procedures are easier and decisions are taken more rapidly. India, according to Dr. Yoo has an advantage in technical manpower, particularly in IT. Thus analyzing the business environment in India and China Dr. Yoo suggested that India should undertake regulatory and policy reforms.

Dr. Brij Tankha from University of Delhi, in his talk, stressed upon the need to build a wider network to bind the bilateral relationship. Dr. Sanjay Baru, Chief Editor, Financial Express,

in the same session raised the issues of geo political importance in the context of recent global developments and consequent increasing uncertainties. In this context he analyzed the prospects of India -Korea bilateral Dialogue. Dr. Baru underscored the fact that long term business and security relations between India and Korea have a critical dependence on China. At the global level the challenge posed by trade talks in Cancun need to be resolved. Dr. Baru also raised the issue of the debate on UN restructuring and Korea's stand on this.as also the India -Korea relation regarding ASEAN and APEC. Dr. Baru emphasized that economic change and security concerns are closely linked and therefore need to be discussed parallely.

In the discussion that followed Dr. Han presented Korea's stand on Singapore issues as they were discussed at Cancun. Following this, Dr. Kim Dan Choong, Professor, Yonsei University, tracing the evolution of Korean FDI said that both China and India are competitors as the two countries offer the three elements that Korean FDI seeks. These three elements he said are -Resource seeking, Market seeking and Production efficiency seeking. Dr. Choong stated that a strategic alliance with the US was important for Korea as it helps maintain the international system in North East Asia. He added that for exporting to the third world countries Korea was using India as a platform. Following this Mr. B.M. Oza, former Indian Ambassador to Korea stated that the Indian govt. should facilitate the process for commercial development. Mr. N Ravi, Editor, The Hindu, said that the Korean image of an industrial and economic powerhouse was predominant in India. It is time now, he said to make the bilateral relations better grounded.

In the third session "Other Bilateral Issues" were discussed. Dr. Baek, Professor, Gyeongsang National University, presented a paper on "Socio- cultural Aspects of the India Korea Relationship: between India and Korea during 1973-2003: a Korean Review". Dr. Baek said that bilateral relations especially in terms of cultural exchanges have picked up in the 1980s. As such the governments of India and Korea have tried to provide and expand a favorable atmosphere for overall cooperation and for better understanding of eachothers culture. For promoting better understanding Dr. Baek emphasized the need for systematic approach to and wider dissemination of studies on society and culture of the two countries.

Mr. Abid Hussain former Indian Ambassador to the US, in his talk stated the need to further develop our alliances in technology. Mr. Hussain also indicated that India had much to offer Korea on Democracy and cultural diversities. Culture, that is, soft power is more important than hard or nuclear power, Mr Hussain added. He further reiterated that it is important that the two countries understand each other better so as to extract greater benefits from the multilateral organizations. A united front was indeed required for that, Mr. Hussain said.

Following the presentations Dr. Lee, President of Korea Foundation and former Ambassador to Russia, in her comment stated that exchange had been initiated and the Foundation will be funding four undergraduate students every year. Dr. Ashok V. Desai, Consultant Editor, The Telegraph, in his comment stressed that it is only business relationships that can lead to strong and lasting cultural relationships. Dr. Desai also emphasized the fact that Koreans had not invested in India in fields where they are world leaders for e.g. steel, shipbuilding and textiles. Prof. Krishnan, from Jawahar Lal Nehru University, in his comment stated that it is important that an interface be developed between industry and university. Also in the evolving regional context of ASEAN+3, the possibility of ASEAN+3+1 has emerged and in this India is a crucial door and as we are now entering a new era we can diversify into new areas of cooperation.

The two-day Dialogue concluded with both sides reaffirming the existing friendly relations between the two countries and great potential for further cooperation in various fields. The Dialogue adopted policy recommendations for further liberalization of trade and investment regimes in India and Korea, encouraging cooperation in science and technology especially information technology and frequent exchange of visits by government and parliament leaders supported by dialogue on strategic and security issues. The Dialogue also recommended wider exchanges of industrialists, scholars, students, journalists, artists, tourists, sports figures etc and special efforts to promote frequent cultural exchange between India and Korea. It was agreed that the fifth India-Korea Dialogue shall be held in Seoul in the year 2004.