INDIA-KOREA CEPA

AN APPRAISAL OF PROGRESS

AIC
ASEAN-India Centre at RIS

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India-Korea CEPA

An Appraisal of Progress

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by

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ISBN: 81-7122-111-4

Published in 2015 by:

AIC
ASEAN-India Centre at RIS

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Foreword

Ambassador Shyam Saran
Chairman, RIS & AIC

India has entered into Free Trade Agreements (FTAs) with several trading partners. A few more are under negotiation. A general perception has, however, gathered that FTAs have not brought anticipated gains to India while they may have benefitted our trading partners more.

FTAs have, however, come to assume an important role in the evolving international trading framework. Broad-ranging FTAs under negotiation such as the Trans Pacific Partnership and the Trans Atlantic Trade and Investment Partnership, which do not involve India, could have a significant impact on India's economic prospects.

Against this backdrop, it is essential that we critically evaluate how the FTAs that have come into force and in which India is a partner are being implemented and whether there are ways by which we can ensure better returns. The ASEAN-India Centre (AIC) at RIS is undertaking this exercise as part of a study on exploring how India's ties with East and South East Asia can be further strengthened. Most of India's FTAs so far are with countries in this region.

The present study on the Comprehensive Economic Partnership Agreement (CEPA) between India and the Republic of Korea (RoK) is the first in this regard with Dr. V. S. Seshadri as the Principal Investigator. It looks at the implementation of this CEPA in the last five years since it came into effect. It has sought to examine if there is scope for improvement in its implementation and makes specific recommendations. It has also considered whether there is a case for moving towards an upgrade of CEPA at this stage.

In the Joint Statement issued on the occasion of the visit of Prime Minister Narendra Modi to RoK in May 2015, the two sides have agreed to 'commencement of negotiations to amend the India-Korea CEPA by June 2016 with a view to achieving a qualitative and quantitative increase of trade through an agreed roadmap'. It is hoped that this study could be of some use in this regard.

Shyam Saran

Acknowledgements

This study was undertaken under the overall guidance of Ambassador Shyam Saran, Chairman, RIS. The lead investigator is Dr. V.S. Seshadri, Vice Chairman, RIS, who also authored the report. Research support for the study was provided by Ms. Aditi Gupta, Consultant, RIS.

Research inputs for the study were obtained, apart from desk research, through consultations held with various government institutions in India, export promotion bodies, industry associations and representatives from trade and industry. Meetings were also held with several Korean trade and investment agencies represented in India. The study team also visited Republic of Korea (RoK) and met with several regulatory trade and industry associations and the Korean Ministry of Trade, Industry and Energy. The cooperation received from all these interlocutors is gratefully acknowledged.

Special thanks are also due to Mr. V.S. Ram, who had served for several years as the President of a private company in RoK and to Ambassador S.R. Tayal, who was earlier Indian Ambassador to RoK. They provided useful insights at different stages of the study.

This study under the aegis of ASEAN-India Centre (AIC) at RIS was supported by a grant from the Ministry of External Affairs (MEA), Government of India which is gratefully acknowledged. The author is also thankful to Ambassador Anil Wadhwa, Secretary (East), Ministry of External Affairs (MEA) and Ms. Pooja Kapur, Joint Secretary (ASEAN Multilateral), Ministry of External Affairs (MEA) for their support and encouragement. The Embassy of India in Seoul facilitated the team's several interactions in Korea.

The author also received active support from Prof. Sachin Chaturvedi, Director General of RIS, Dr. Prabir De, Coordinator of ASEAN-India Centre (AIC) at RIS and other faculty members of RIS during the course of the study. Technical assistance in compiling the Report was provided by Mr. N.N. Krishnan. The publication of the report was undertaken by the Publications Unit, RIS consisting of Mr. Tish Malhotra, Mr. Sachin Singhal and Ms. Ruchi Verma. Usual disclaimers apply.

List of Abbreviations

APEDA	:	Agricultural and Processed Food Products Export Development Authority
API	:	Active Pharmaceutical Ingredient
ASEAN	:	Association of South East Asian Nations
CECA	:	Comprehensive Economic Cooperation Agreement
CEPA	:	Comprehensive Economic Partnership Agreement
COO	:	Certificate of Origin
DGCIS	:	Directorate General of Commercial Intelligence and Statistics
DIPP	:	Department of Industrial Policy and Promotion
EEPC	:	Engineering Export Promotion Council of India
EIA	:	Export Inspection Agency
EU	:	European Union
FDI	:	Foreign Direct Investment
FTA	:	Free Trade Agreement
GDP	:	Gross Domestic Product
IISK	:	Institute of Indian Studies, Korea
IT	:	Information Technology
ITA	:	Information Technology Agreement
JSG	:	Joint Study Group
KITA	:	Korea International Trade Association
KOIMA	:	Korean Importers Association
KOTRA	:	Korea Trade-Investment Promotion Agency
KPTA	:	Korea Pharmaceutical Traders Association
MERS	:	Middle East Respiratory Syndrome
MFN	:	Most Favoured Nation
MoU	:	Memorandum of Understanding
OECD	:	Organisation for Economic Co-operation and Development
POSCO	:	Pohang Iron and Steel Company
RCEP	:	Regional Comprehensive Economic Partnership
RIICO	:	Rajasthan State Industrial Development and Investment Corporation Limited

RoK	:	Republic of Korea
ROO	:	Rules of Origin
SAARC	:	South Asian Association for Regional Cooperation
SMEs	:	Small and Medium Enterprises
SPS	:	Sanitary and Phyto-Sanitary
SYMC	:	SsangYong Motor Company
TDCV	:	Tata Daewoo Commercial Vehicle Company
TEXPROCIL	:	The Cotton Textiles Export Promotion Council
TPP	:	Trans Pacific Partnership
USDA	:	United States Department of Agriculture

India-Korea CEPA

An Appraisal of Progress

Introduction

The Comprehensive Economic Partnership Agreement (CEPA) between India and the Republic of Korea is the first such free trade agreement signed by India with an OECD country. It was signed in August 2009 after over three years of negotiations and came into effect on 1 January 2010. It is an agreement between two countries at different stages of development. Korea on the one hand is an export led industrialised country with a strong manufacturing base. India, on the other, is a fast developing emerging economy with a large domestic market but whose external trade measures are much smaller in relation to its GDP.

Broadly, CEPA provides for a more liberalised bilateral framework in trade in goods, services and investment. While this part is more contractual in nature, there is also a separate chapter (Chapter 13) in which the two sides have agreed to engage in bilateral cooperation.

The Joint Study Group (JSG) which had been tasked to examine the feasibility of a CEPA between the two countries, prior to the CEPA negotiations, had noted in its report submitted in January 2006, that Korea and India had great potential for economic expansion deriving from their complementary trade and industrial structures, analogous economic reform policies, cultural and historical links, and many more. The JSG was of the view that a CEPA would be a pioneering endeavour through which the two countries can deepen this economic engagement and further solidify regional economic integration.

During the visit of Korean President Park Geun-hye to India in January 2014, both India and Korea, presumably buoyed by the trade figures available then and committed to move towards an upgrade of CEPA at the earliest.

It is now five years since the commencement of implementation of CEPA. In the Joint Statement issued on the occasion of Prime Minister Narendra Modi's recent visit to Korea in May 2015, the two sides have agreed to 'commencement of negotiations to amend the India-Korea CEPA by June 2016 with a view to achieving qualitative and quantitative increase of trade through an agreed roadmap'. Usage of the

word 'amend' can be taken to also give a wider scope for revisions than seeking to only 'upgrade'. Further, the proposed objective of 'achieving qualitative and quantitative increase of trade' acquires greater meaning in the context of various areas of cooperation outlined in the recent Joint Statement that range from expediting the necessary procedures for mutual export of fresh fruit and horticultural products to encouraging the steel industry of both countries to develop mutually beneficial projects. Also of relevance, is the US$ 9 billion that RoK has agreed to provide as tied credit in infrastructure, including smart cities, railways and power. Korea is also to establish a separate Economic Development Cooperation Fund of US$ 1 billion.

This study will focus on the following aspects:

- How has the implementation of CEPA progressed?
- Is there scope for improvement in implementation?
- Is there a case for moving towards an upgrade of CEPA or do we need to proceed with caution?

Such a study will have to make the evaluation in the context of how the two economies have performed in the overall during the five year period and what is the present outlook for the future. The overall economic backdrop is presented in Section 1. Thereafter, implementation of the agreement is taken up serially in respect of trade in goods, trade in services, investment and bilateral cooperation in Sections 2 to 5. Cultural perceptions and behavioural factors have an important role to play in the implementation and these are dealt with in Section 6. Section 7 then discusses how they all add up and whether there is a case for moving towards an upgrade of CEPA now. Section 8 briefly presents the conclusions.

The methodology adopted in the study is two-fold. One is by examining the facts and figures relating to bilateral trade and investment along with surveying existing literature on implementation of CEPA. Secondly, the study team also met with several stakeholders, regulatory bodies, industry associations and senior officials both in India and Korea and discussed with them their perspectives and assessment.

1. Economic Backdrop During CEPA Implementation 2010-15

In reviewing CEPA implementation, it may be important to recognise that the global economic environment that prevailed during the time of preparing the JSG Report and also during much of the CEPA negotiation period was quite different from what

Table 1: Korea's Annual GDP Growth Rates from 2008

Year	GDP Growth (%)
2008	2.80
2009	0.70
2010	6.50
2011	3.70
2012	2.30
2013	2.90
2014	3.30
2015*	3.40

Source: Economic Statistics System (ECOS).

Note: *Bank of Korea estimate in January 2015.

followed thereafter. The global financial crisis that commenced in September 2008 impacted the Korean economy significantly whose growth shrank to 2.8 per cent in 2008 and to 0.7 per cent in 2009 (as against an average growth of around 5 per cent in the Noughties and 6.7 per cent in the Nineties). Korea, however, made a strong comeback with a 6.5 per cent growth in 2010 (Table 1). But with continuing global slowdown thereafter the Korean economy slowed down too registering an average growth of around 3 per cent during the next four years. The outlook for the economy for 2015 is also not very different with a projection of 3.4 per cent (Table 1), and with the further indication that it may even be scaled down further with the recent outbreak of MERS is also affecting to some extent.

Korea's external trade in goods, which has been known for posting double digit growth rates during earlier decades, did well in 2010 and 2011 but both imports and exports remained more or less static during the subsequent period (Table 2). With oil prices going down, the trade figures for the first five months of 2015 show a contraction

Table 2: Korea's Exports and Imports and Annual Growth Rates

Year	Total Exports (in US$ billion)	Annual Growth Rate of Exports (%)	Total Imports (in US$ billion)	Annual Growth Rate of Imports (%)
2010	466.38	28.29	425.21	31.61
2011	555.21	19.05	524.41	23.33
2012	547.87	-1.32	519.58	-0.92
2013	559.63	2.15	515.59	-0.77
2014	572.66	2.33	525.51	1.93
2015 (Jan-May)	222.06	-5.7	185.57	-16.10

Source: Korean International Trade Association (KITA).

Table 3: Korea's Major Import Sources and Export Destinations in 2014

Import Sources				Export Destinations			
Rank	Country	Total Imports (in US$ million)	Percentage Share in Total Imports	Rank	Country	Total Exports (in US$ million)	Percentage Share in Total Exports
1	China	90,082	17.14	1	China	1,45,288	25.37
2	Japan	53,768	10.23	2	U.S.A.	70,285	12.27
3	U.S.A.	45,283	8.62	3	Japan	32,184	5.62
4	Saudi Arabia	36,695	6.98	4	Hong Kong	27,256	4.76
5	Qatar	25,723	4.89	5	Singapore	23,750	4.15
22	India	5,275	1.00	6	Vietnam	22,352	3.9
..				7	Taiwan	15,077	2.63
				8	India	12,782	2.23

Source: KITA.

in value terms. The global slowdown, the slowing growth of China and the appreciation of the Korean Won against the Japanese Yen since 2012 are cited as some of the factors for the not so buoyant overall performance of Korea's external trade.

Even so, through decades of following an export led growth strategy and through sustained efforts towards developing a competitive manufacturing base, Korea has become a world leader in several areas of manufacturing including steel, automobiles, chemicals, petrochemicals, semi-conductors, consumer electronics and home appliances, mobile phones and ship building. Demonstrative of its huge manufacturing prowess is the trade surplus it enjoys with the other factory of the world, China, which was US$ 55 billion in 2014. India itself ranks eigth among its export destinations and a distant 22nd in respect of import sources (Table 3).

Table 4: Korea's Growing FTA Network

Name	Status	Date of Commencement
Korea-Chile FTA	In effect	1 April 2004
Korea-Singapore FTA	In effect	2 March 2006
Korea-EFTA FTA	In effect	1 September 2006
Korea-ASEAN FTA	In effect	1 September 2009
Korea-India CEPA	In effect	1 January 2010
Korea-EU FTA	In effect	1 July 2011
Korea-Peru FTA	In effect	1 August 2011
Korea-U.S. FTA	In effect	15 March 2012
Korea-Turkey FTA	In effect	1 May 2008
Korea-Australia FTA	In effect	12 December 2014
Korea-Canada FTA	In effect	1 January 2015
Korea-Colombia FTA	Signed	21 February 2013
Korea-China FTA	Signed	June 2015
Korea-Vietnam FTA	Signed	May 2015
Korea-Mexico FTA	Under Negotiation	
Korea-GCC FTA	Under Negotiation	
Korea-New Zealand FTA	Under Negotiation	
Korea-Indonesia FTA	Under Negotiation	
Korea-China-Japan FTA	Under Negotiation	
RCEP (Regional Comprehensive Economic Partnership)	Under Negotiation	
Korea-Japan FTA	Under Negotiation	
Korea-MERCOSUR TA	Under Consideration	
Korea-Israel FTA	Under Consideration	
Korea-Central America FTA	Under Consideration	
Korea-Malaysia FTA	Under Consideration	

Source: Ministry of Foreign Affairs, Republic of Korea.

In response to a slowing economy, the Korean government has attempted a change in tack by seeking to foster a 'creative economy' as a priority. In addition, the government has shown keenness to make smaller companies (SMEs) a driver of growth. On the foreign trade front, the Korean government published the 'New Trade Roadmap' in June 2013 (FTAs 3.0) that is expected to see Korea's FTA network expand further (see Table 4). A 2014 paper titled "Decade long journey of Korea's FTAs' prepared by the Institute for International Trade of Korea has noted that 'Korea is now the only country in the world to have FTAs in effect with not only major and advanced economies such as the EU and US but also with developing and emerging economies including the ASEAN'. Indeed, with the conclusion of Korea-China CEPA that has been signed by the two sides in June 2015, the share of Korea's FTA partners in the world GDP has grown to over 72 per cent which will only further increase if Korea gets to also join the Trans Pacific Partnership (TPP).

In growth terms, the Indian economy did better during the period 2010-15 even as the growth rates of the last two years, 2013-14 and 2014-15, at 6.9 per cent and 7.4 per cent, respectively (Table 5), seems overstated thanks to the shift to the new system of GDP measurement.

However these growth rates have not contributed to any rise in India's external trade and its merchandise exports have remained static at around US$ 300 billion during the four years from 2011-12 (Table 6).[1] Even the significant level of Rupee depreciation vis-a-vis US Dollar (and Korean Won) during 2011-12 and part of 2013-14 did not contribute to a spurt in exports (Table 7).

Unlike Korea, however, India has been more guarded towards expanding its FTA network. In fact, after CEPA with Korea, India has concluded only two FTAs- a CEPA with Japan and a CECA with Malaysia, both in 2011. While negotiations with several other trading partners including EU, Indonesia, Australia, New Zealand and Canada have been continuing for some years now, there is no indication about any imminent conclusion. At the regional level India is also participating in the Regional Comprehensive Economic Partnership (RCEP) negotiations.

A five year trade policy for 2015-20 was announced by India's Minister for Commerce and Industry on 1 April 2015 that aims to double India's goods and services exports to US$ 900 billion by 2020. A key driver for achieving this will be by improving India's

Table 5: India's Annual GDP Growth Rates From 2009-10 (at constant prices)

Year	Growth Rate (%)
2009-10	8.40
2010-11	8.40
2011-12	6.90
2012-13	4.50
2013-14	6.9
2014-15*	7.4

Source: Various Economic Survey of Government of India.

Note: *Estimated.

Table 6: India's Exports and Imports and Their Annual Growth Rates

Year	India's Total Exports (in US$ billion)	Growth Rate of Exports	India's Total Imports (in US$ billion)	Growth Rate of Imports
2008-09	185.29		303.70	
2009-10	178.75	-3.53	288.37	-5.05
2010-11	249.82	39.76	369.77	28.23
2011-12	305.96	22.48	489.32	32.33
2012-13	300.40	-1.82	490.74	0.29
2013-14	314.40	4.66	450.20	-8.26
2014-15	310.57	-1.22	448.04	-0.48

Source: DGCIS, Ministry of Commerce and Industry, Government of India.

Table 7: Rupee/Korean Won and Rupee/US Dollar Exchange Rates on 1.1.2010 and 1.1.2015

Date	INR/US$	KRW/INR
01-01-2010	46.65	24.9686
03-01-2011	44.67	25.22
02-01-2012	53.30	21.66
01-01-2013	54.83	19.43
01-01-2014	61.93	17.06
01-01-2015	63.32	17.2998

Source: RBI and exchangerates.org.uk

competitiveness for several identified products and by anchoring India's trade policy to the government's initiatives such as 'Make in India', 'Digital India' and 'Skill India'. The policy also has indicated that the focus of India's future trade relationship with its traditional markets in the developed world, which appear well applicable to RoK also, could be to:

- Increase, or at least, retain market share in these markets;
- Move up the value chain in these markets (this in turn, would provide an opportunity to introduce modern, international standards in India's manufacturing and service delivery);
- Optimise applied customs duties in order to enable the import of inputs for India's manufacturing sector; and
- Supply high quality inputs for the manufacturing sector in these markets.

In respect of CEPA itself, the Foreign Trade Policy Statement has observed that Korea has taken significant advantage of the regional trade agreement while noting that India has not been able to utilise the bilateral agreement to the extent required. The statement, therefore, proposes that one of the major efforts would be 'to intensify outreach work on bilateral agreements with Japan and Korea.'

2. Trade in Goods

Under CEPA, tariff reductions were to be undertaken by the two sides based on an agreed schedule that divided all the tariff lines into six categories. For Korea, the total number of tariff lines was 11,261 at

10-digit level and in the case of India they numbered around 11,710 at 8-digit level. The six categories were as given below that used the base rate as the corresponding applied tariff prevailing in 2006 for each tariff line:

- E-0 - products in this category will have zero tariff from 1.1.2010, the date of commencement of implementation;
- E-5 - an annual tariff reduction of 20 per cent with zero tariff by 1.1.2014;
- E-8 - an annual tariff reduction of 12.5 per cent with zero tariff by 1.1.2017;
- RED - tariff reductions in equal installments in 8 years with the final tariff in the range of 1 to 5 per cent
- SEN - sensitive products with tariff reductions in equal installments in 10 years (for RoK it is 8 years) with the final tariff being 50 per cent of the base rate; and
- EXC - excluded products that would not undergo any tariff reduction.

Table 8 gives the tariff reduction schedules of both countries which shows that while reductions by Korea were more front loaded, the bulk of those by India were to be brought down to zero in eight years (2017). India also had relatively higher percentage of items under tariff exclusions and those coming under the sensitive and RED categories. On the other hand, Korea would benefit from a relatively higher depth of tariff concessions, even if coming a few years later, since Indian applied tariffs were generally higher.

2.1 Overall Trade Trends

Initially, at the time of signing of the agreement in 2009, when bilateral trade was around US$ 12 billion in 2009-10, attainment of a bilateral trade turnover of US$ 30 billion by 2014 was deemed achievable.[2] However, the actual performance has been far more modest. After showing some promise in the initial years when trade appeared buoyant, there has been a decline and slow down. As will be seen from Table 9, India's exports[3] to Korea rose to US$ 4.35 billion in 2011-12 from US$ 3.42 billion in 2009-10 but in the following two years remained at US$ 4.2 billion. There has been some revival in 2014-15 with a growth of 9.37 per cent and India's exports reaching US$ 4.6 billion. Imports from Korea to India have done relatively better climbing sharply from US$ 8.58 billion in 2009-10 to US$ 13.1 billion in 2012-13 but declined slightly to US$ 12.47 billion in 2013-14. They fared better in 2014-15 with a growth of 8.48 per cent. The bilateral trade deficit continues to remain high and widened to US$ 8.9 billion in 2014-15.

Table 8: Schedules of Tariff Commitments* by India and Republic of Korea

Country	E-0	E-5	E-8	EXC	Not Negotiated**	RED	SEN	Total
India	460 (3.9)	448 (3.8)	7248 (61.9)	1895 (16.2)	14 (0.1)	941 (8.0)	704 (6.0)	11710 (100.0)
Republic of Korea	6824 (60.6)	2310 (20.5)	850 (7.5)	765 (6.8)	NA	34 (0.3)	478 (4.2)	11261 (100.0)

Source: India and Republic of Korea CEPA legal text.

Note: Figures indicate number of tariff lines with the percentage for each category in parenthesis. ** These tariff lines relating to Project exports (HS 98) were not negotiated

Table 9: India's Trade with Republic of Korea

Year	India's Exports to ROK (in US$ billion)	India's Imports from ROK (in US$ billion)	Total Trade (in US$ billion)	Trade Balance (in US$ billion)
2009-10	3.42 (-13.45)	8.58 (-1.16)	12.00 (-4.99)	-5.16 (9.32)
2010-11	3.73 (8.96)	10.47 (22.15)	14.20 (18.33)	-6.75 (30.81)
2011-12	4.35 (16.78)	12.81 (22.31)	17.16 (20.85)	-8.46 (25.33)
2012-13	4.20 (-3.45)	13.10 (2.29)	17.30 (0.82)	-8.9 (5.20)
2013-14	4.21 (0.15)	12.47 (-4.84)	16.68 (-3.58)	-8.26 (-7.19)
2014-15	4.60 (9.37)	13.53 (8.48)	18.13 (8.69)	-8.93 (8.06)

Source: DGCIS, Ministry of Commerce and Industry, Government of India.
Note: Figures in parenthesis indicate growth rates over previous year.

2.2 Relative Market Shares

Looking at market shares (Table 10), the share of RoK in India's total imports came down in 2011-12 to 2.62 per cent from a high of 2.97 per cent in 2009-10. Subsequent years have seen some revival and figures for 2014-15 indicate a new peak of 3.02 per cent. On the other hand, the share of India's exports to Korea as a percentage of India's global exports has steadily declined from a high of 2.13 per cent in 2008-09 to 1.48 in 2014-15. Also, as per Korean trade figures, India's share in Korean market has steadily declined after reaching a peak of 1.51 per cent in 2011. While lack of any strong growth in bilateral trade can be partly attributed to a slowdown in global demand; the poor performance in terms of market shares is a matter of concern.

Table 10: Republic of Korea's Relative Share in the Indian Market

Year	India's Exports to ROK (in US$ billion)	India's Global Exports (in US$ billion)	Exports to Korea as a share of India's total exports	India's Imports from RoK (in US$ billion)	India's Global Imports (in US$ billion)	Imports from Korea as a share of India's total imports
2008-09	3.95	185.29	2.13	8.68	303.7	2.86
2009-10	3.42	178.75	1.91	8.58	288.37	2.97
2010-11	3.73	249.82	1.49	10.47	369.77	2.83
2011-12	4.35	305.96	1.42	12.81	489.32	2.62
2012-13	4.2	300.4	1.4	13.1	490.74	2.67
2013-14	4.21	314.4	1.34	12.47	450.2	2.77
2014-15	4.60	310.57	1.48	13.53	448.04	3.02

Source: DGCIS, Ministry of Commerce and Industry, Government of India.

2.3 The Utilisation Factor

Considering the not too encouraging general trade trend, particularly in the light of initial expectations, it would first be important to know whether the CEPA tariff concessions have actually been availed of by exporters/importers and whether they are aware of their existence and benefits? Or are there difficulties arising from procedural issues or a forbidding Rules of Origin requirement?

While India does not maintain published statistics in this regard, Korean Customs appear to keep track of FTA utilisation rates. Figures obtained through Korea International Trade Association (KITA) for 2012 and 2014 indicate that India's utilisation rates for its exports were 52.7 per cent in 2012 and 67 per cent in 2014. On the other hand, Korea's utilisation rates were 36.2 per cent in 2012 and 56.4 per cent in 2014 which, according to Korean authorities, are one of the lowest among all FTAs signed by them. Their FTA with ASEAN is the other that also has had low utilisation rates.

Many reasons could be responsible for lack of fuller utilisation.

- There are several tariff lines which have been excluded from tariff reductions (16.2 per cent by India and 6.8 per cent by Korea).
- There are certain items, like raw cotton or many steel products, on which the Korean MFN tariff is itself close to zero. Applied tariffs for certain products like ITA-1 items are also zero in both India and Korea. Exporters of such products may not be using CEPA procedures.
- There were also certain items where the prevailing MFN tariffs were lower than CEPA reduced tariffs because the 2006 base tariffs were high. The number of such anomalies however is getting reduced each year as CEPA tariff reductions are becoming deeper.
- The requirement of 35 per cent value addition plus change in heading, is a tall requirement in certain cases. For India, its exporters of Cut and Polished Diamonds, which can at best have a 15 per cent value addition over imported raw and uncut diamonds, are not able to make use of the E-0 concession on this item. Korea perhaps has more items under this category since many of its export products use imported material.
- Usage of different tariff line HS codes at 8-digit and 10-digit levels by the two sides also are creating difficulties at the time of clearance of goods. To narrow down differences, it would be useful if the customs authorities of the two sides meet regularly and discuss their concordance. And when they do so, they could also get a better grip over utilisation rates that would require some tallying of Certificate of Origin (COOs) issued by one side with the actual clearance of goods by the other.
- During discussions with many stakeholders in India it was indicated that the Export Inspection Agency of India (EIA), the sole agency responsible for issue of Certificate of Origin, sometimes takes several days to issue the certificate forcing exporters/importers to sometimes clear the goods without it. This can certainly be addressed by both sides authorising more agencies to issue COOs.
- Feedback from some of the exporters also reveals that there is lack of sufficient awareness about CEPA particularly among SMEs and smaller traders for which more outreach programmes are essential.
- It would be very important for India to urgently introduce systems by which FTA utilisation figures can be captured.

There are also several products whose trade trends cannot be captured because they fall in residual categories even at 8-digit levels of HS classification maintained by India. Further detailing at 10-digit levels at least for those items beyond a certain level of import or export need to be considered for better tracking of trade trends.

2.4 Review of Trade Trends

India's leading exports to Korea and imports from that country have been analysed chapter wise in Annex 1 and Annex 2, respectively, looking at how they have been impacted by CEPA tariff concessions. Performance of sensitive and excluded items have also been examined. Impact of other free trade agreements that India or Korea have entered into with third countries, some of which have deeper concessions, was looked at. While India entered into FTAs with Japan and Malaysia, after the Korea CEPA came into force, Korea has far many more such agreements that are operational including with EU (July 2011), Peru (August 2011),US (March 2012), Turkey (May 2013), Colombia (2013), Australia (December 2014) and Canada (January 2015) as can be seen from Table 4.

Here we shall summarise to what extent CEPA concessions may have benefitted India's exports, what are the implementation issues and what additional concessions could be sought by India if it is decided to move towards an upgrade or amendment of CEPA. This will be followed by a similar treatment on imports from Korea.

2.4.1 Impact of CEPA concessions on India's Exports

- If, as revealed by Korean customs, India's utilisation rate is 67 per cent this itself indicates that CEPA is proving to be a benefit.
- India's exports to Korea, however, consist of predominantly of primary items, raw materials, intermediates or minerals and metals at an early stage of processing. Export prospects for them depend on global prices, demand and the ability of suppliers in India to cope up with them. Tariffs perhaps play only a limited part. Domestic supply constraint is another factor.
- India's top export product group, which accounts for a third of our exports, refined petroleum products, typifies this situation. Even though tariffs on most of them have been reduced and eliminated under CEPA by 2014, their exports, principally Naptha, have not surged steadily either in value or quantitative terms but have witnessed ups and downs. Korea itself is also a significant producer and exporter of petroleum products.
- Export of aluminium ingots, have, however, steadily risen at least in part owing to CEPA tariff reduction. Aluminium industry sources for example have indicated that India's steady surge in exports of aluminum ingots to Korea from US$ 112 million in 2009-10 to US$ 533 million in 2014-15 has happened because of CEPA tariff advantage, a price preference offered by the Indian supplier and an incentive from our export promotion schemes. The question, however, remains why India cannot get into exporting at least some value added aluminum products, apart from billets which we also export, which have a demand in Korea.
- Exports of primary iron and steel items, even if relatively low value added products like pig iron and ferrochrome, also rose from US$ 214 million in 2009-10 to US$ 443 million in 2013-14 but

declined to US$ 317 million in 2014-15. Supply side constraints seemed to have a greater impact on their export levels than the limited tariff advantage.

- Korea remains a top destination for India's oil meal exports but the composition of our exports is undergoing a change. Soyabean meal exports have gone down due to price factor and there has also been a surge in imports into Korea from Brazil and China. On the other hand, India's rape seed exports have improved on their performance. Tariff elimination under CEPA has played a part and the increased export of castor seed extract could also be ascribed to the CEPA tariff concession.
- A good share of India's exports of engineering goods, particularly falling under HS chapters 73 (Steel Products), 84 (Machinery), 85 (Electrical Machinery), 87 (Automotives and parts) and 90 (Instruments), goes to several developed countries. In fact, 16 per cent of our exports to US in 2014-15 comprised items from these five engineering product groups and in the case of EU it was even higher at 19.16 per cent. The share of exports of these products in our total exports to Korea was however only 8.5 per cent (see Table 11). While Korea and India are no doubt competitors for some of these products in western developed countries, Indian exports not finding greater market in Korea and feeding into their supply chain framework even with CEPA tariff concessions is a matter that needs greater attention. There are a few products that appear to have done well with tariff concessions such as Mounted Piezo Electric Crystals (HS 85416000)

Table 11: India's Exports of Key Engineering Items to Select Markets

HS Chapter	Description	India's Exports to US in 2014-15 (in US$ million)	India's Exports to EU in 2014-15 (in US$ million)	India's Exports to Korea in 2014-15 (in US$ million)
73	Articles of iron or steel	1711.6	1844.8	56.66
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof.	2157.1	2796.6	131.11
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts.	1266.9	2054.18	82.32
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof.	1287.7	2164.84	29.29
90	Optical, photographic cinematographic measuring, checking precision, medical or surgical inst. And apparatus parts and accessories thereof;	378.7	591.42	92.71
Total exports of key engineering items		6802	9451.84	392.09
India's Total Exports to the country		42449.21	49317.13	4603.01
Share of key Engineering items to India's total exports to the country		16.02	19.17	8.52

Source: DGCIS, Ministry of Commerce and Industry, Government of India.

with an export of US$ 12.3 million in 2014-15 and Electronic Automatic Regulators (HS 90328910) with an export of US$ 74 million in 2014-15 but such examples are not many.

- Market access gains have also been made by manufactured products like organic chemicals, bulk drugs and pharmaceuticals but not in a steady manner. Here again while our exports of these items account for 12.74 per cent and 9.36 per cent, respectively, in our bilateral exports to US and EU, in the case of Korea they account for only 6.36 per cent (Table 12).
- Exports of cotton yarn have fallen behind after making initial gains from tariff reductions. While India continues to be the top supplier of cotton yarn to Korea, China is fast catching up and Vietnam not far behind. Depending on the tariff concession schedule in their FTAs with RoK, that have recently been signed (yet to come into force) India's share could face further decline. CEPA concessions have, however, led to India making some market access gains in respect of cotton fabrics.
- Products that have shown a significant increase following CEPA tariff concessions include dyes, hides and skins, polyester yarn, lead and certain chemicals. In a few cases like lead, however, the rise has not been steady.
- India's exports of zinc have more than halved. While Korea's imports of zinc from all sources have also declined, there is a steady increase of Korean imports of zinc from Peru that entered into an FTA with Korea in 2011.
- India's exports of ores have also declined from US$ 150 million to US$ 63.46 million in 2013-14 despite a zero duty from 2010. The decline appears more due to supply constraints on the Indian side.
- There has been no improvement in India's labour intensive exports, like garments even though this should have typically been an area of gain in an FTA between a developing country like India and an OECD country, Korea. Competitive imports from China and Vietnam, have not ceded space to our exports.
- Agricultural products have generally not done well and CEPA concessions on them have also been very restrictive. Soybean flour has however been one of the exceptions and done well with CEPA concession. Exports of sesame seeds,

Table 12: India's Exports of Organic Chemicals and Pharmaceutical Products to Select Markets

HS Chapter	Description	India's Exports to US in 2014-15 (in US$ million)	India's Exports to EU in 2014-15 (in US$ million)	India's Exports to Korea in 2014-15 (in US$ million)
29	Organic chemicals	1637.8	3149.09	279.31
30	Pharmaceutical products	3769.09	1469.26	13.25
Total exports of Pharmaceutical products		5406.89	4618.35	292.56
India's Total Exports to the country		42449.21	49317.13	4603.01
Share of Pharmaceutical products to India's total exports to the country		12.74	9.36	6.36

Source: DGCIS, Ministry of Commerce and Industry, Government of India.

although under exclusion, have also seen very good performance.

2.4.2 *Implementation Issues for Exports*

- Exports of Vegetables and fruits from India to RoK are severely constrained by absence of SPS certification that also require prior import inspections of processing establishments by Korean authorities. It is learnt that India has taken up the issue of market access for mangoes, grapes, pomegranates, okra and brinjal and submitted technical information for conducting Pest Risk Analysis. Only in respect of mangoes, however, the South Korean authorities are known to be planning a visit. Speedier clearances also for other fruits and vegetables could improve export prospects since all these products are coming to Korean market from other import sources.
- India has made some progress in respect of establishing equivalence of standards with EU and Switzerland for organic products. USDA has also recognised the conformity assessment system of APEDA for organic products. Korea too has recently promoted domestic organic product regulation. Korea and US have also developed an equivalence arrangement. Exports of organic products to Korea could get initiated if India can arrive at an equivalence and conformity arrangement with RoK.
- That India's engineering exports to Korea are not able to penetrate Korean market to the extent these exports have performed in developed markets like US and EU deserves closer examination. While this exercise has to be undertaken internally, it would also be important to hold detailed discussions with the Korean side. Not so visible market barriers and issues about standards, if any, need to be identified and suitably addressed.
- There is considerable scope for increasing export of Indian bulk drugs and formulations from India to Korea even as India's shares in imports of API and formulations in the Korean market have gone up in recent years. The process for drug imports is complicated beginning with product registration with the Ministry of Food Drugs and Safety and subsequent approval, at the time of import, given by Korea Pharmaceutical Traders Association. It would also be important to know about pharmaceutical price controls that are regulated by the Health Insurance Review and Assessment Service of the Korean Ministry of Health. As an implementation issue, it will be useful to initiate a dialogue between Pharmexcil and other concerned agencies on the Indian side with the Korean regulatory agencies that could bridge gaps and facilitate trade.

2.4.3 *Issues that can be taken up at the time for amendment of CEPA*

- Most agricultural items are also under the Sensitive and Exclusion categories. A study by the Institute for Indian Studies in Korea has identified several items that India is exporting worldwide which could benefit from more concessional access in RoK. Among them the items indicated in Table 13 could have improved prospects if their duty levels are further reduced. Both EU and US, have in their FTAs with Korea, been able to get highly concessional duties on several agricultural products including fruits and vegetables.
- Among Industrial products, India could seek removal of Fuel oil and several cotton yarn tariff lines from excluded category.

- India's exports of cut and polished diamonds to RoK are currently restrained by two factors. One is a 26 per cent luxury tax imposed by the Korean government on jewellery that has apparently shifted trade in this item to grey markets. Secondly, as already pointed out, the minimum 35 per cent value addition for cut and polished diamonds as per CEPA Rules of Origin virtually rules out this item being able to avail of E-0 duty concession in force since 2010 (MFN duty is 5 per cent). Korea could be urged towards doing away with or reducing their luxury tax. A change in Rules of Origin (ROO) is another improvement that could be sought.

2.4.4 *Impact of CEPA Concessions on Imports from Korea*

- Korea's tariff utilisation rate has also been steadily growing from 36.2 per cent in 2012 to 52 per cent in 2014 according to Korean figures. Their utilisation is lesser than India possibly due to a) a larger exclusion category; (b) prevalence still of certain tariff anomalies where the MFN tariffs are lower than CEPA reduced tariffs (such as for SEN item like Terephthalic acid and its salts whose imports were US$ 669 million in 2013-14); and (c) a significant proportion of ITA-1 products among Korean imports into India that have zero MFN duties in any case.
- Analysing sector-wise, there was a significant surge seen in India's imports of electronic and communication goods and machinery items from Korea (products from HS Chapters 84 and 85 together account for about 30 per cent of imports from Korea) for which CEPA tariff reduction was a factor although in several cases tariffs were already zero because they were amongst ITA-I products. The surge was also driven by input requirements of their invested enterprises in India.
- Among primary iron and steel items (HS chapter 72) over 87 per cent of tariff lines belong to E-8 category. Imports of these

Table 13: Tariff Status of Agricultural Products in Korea under CEPA in 2017

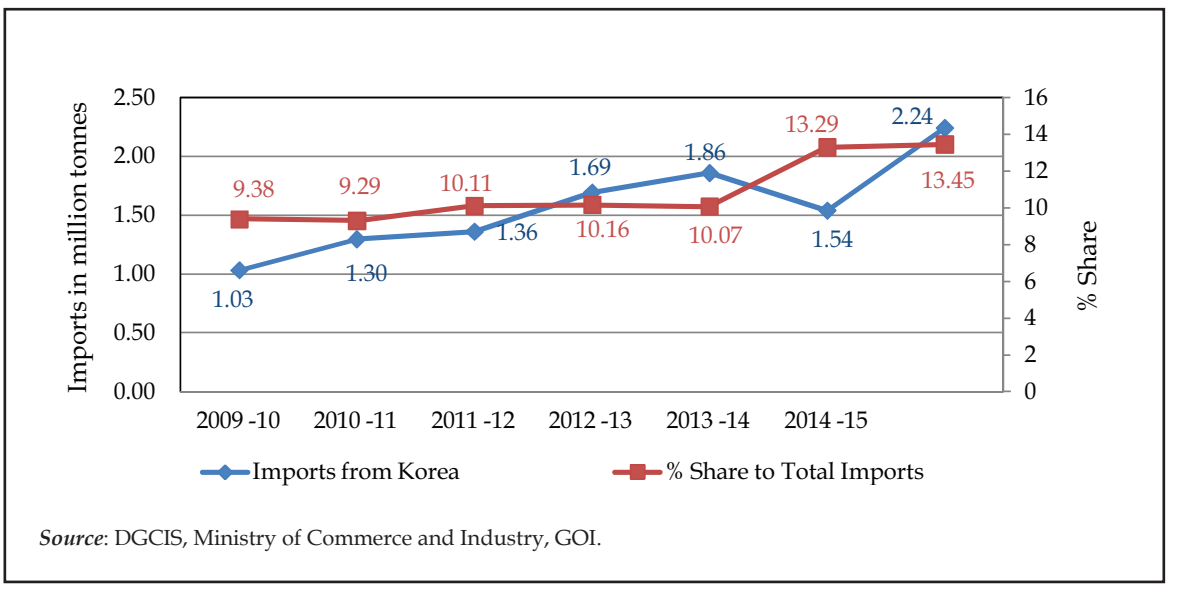
Sl.No.	Name of the item	Status in 2017
1.	Cashew Nuts Fresh/Dried/Shelled	5 per cent
2.	Castor Oil and its fractions	Excluded
3.	Muclgs and Thickeners	Excluded
4.	Turmeric	5 per cent
5.	Vegetable saps and Extract	4 per cent
6.	Mangoes/ Guavas	15 per cent
7.	Pomagranate, Okra, Brinjal	Excluded
8.	Wheat/ Meslin flour	Excluded
9.	Vegetable fats and oils	4 per cent
10.	Cuttle fish and Squids	21.6 per cent
11.	Cucumbers and Gherkins preserved	Excluded
12.	Maize	164 per cent
13.	Roasted Coffee	4 per cent
14.	Sesame Seeds	Excluded

Source: India-Korea CEPA legal text.

products climbed from US$ 1.1 billion in 2009-10 to US$ 1.74 billion in 2012-13 and have risen in 2014-15 to US$ 1.82 billion. Most of these are flat products coming under tariff headings HS 7208, 7209 and 7210. CEPA tariff reductions, that are also being taken advantage of by POSCO's new investment in this sector, likely have contributed to this rise. As can be seen from Figure 1, Korea's share in the Indian market for these items has in tonnage terms climbed from 9.3 per cent in 2009-10 to 13.45 per cent in 2014-15.

- Imports of both Plastics (HS 39) and Organic chemicals (HS 29) more than doubled to US$ 1.36 billion and US$ 943 million, respectively. In some cases, like Ethylene-Vinyl-acetate copolymers, polycarbonates, Acrylonitrile, Isophthalic acid as also of certain others the increase could be ascribed to CEPA duty concessions. But there are several other products such as Acrylonitrile-butadiene styrene copolymers, PVC resins, polyethers, Phenol, Terephthalic acids and its salts that are under Exclusion and Sensitive categories. CEPA concessions have had no role on their sharp rise in imports.
- Imports of Precious Metals and Jewellery (HS 71) grew very sharply and steadily from only US$ 45 million in 2009-10 to US$ 371 million largely due to a sharp rise in imports of silver that is benefitting from the tariff concession.
- Imports of Rubber articles (HS 40) also increased significantly as a result of a steep rise in the imports of synthetic Rubber and Butadiene Rubber.
- Imports of auto parts, however, remained subdued. This may be partly because of a majority of items under this chapter being in Excluded category.
- Imports of petroleum products declined except base oil, which is a raw material for lubricants and motor oil. Their imports showed a rising trend going upto US$ 741 million despite being in the Sensitive category. Many of the high value refined items remain under Excluded category.

Figure 1: India's Imports of Steel (in million tonnes) from Korea



Source: DGCIS, Ministry of Commerce and Industry, GOI.

- Imports of ships and vessels varied depending on year to year purchases of these high value items.
- Product groups such as optical and precision instruments (HS90), articles of iron and Steel (HS73), paper and paper board (HS 48) and inorganic chemicals (HS28) also saw significant growth during the period under review.
- Imports of aluminium and articles (HS 76), cutlery (HS 82), miscellaneous chemical products (HS 30) and zinc and its products (HS79) from Korea also saw strong growth from relatively low levels in 2009-10.
- Analysing the major imports category wise, on the basis of tariff concessions, it is seen from Table 14 that there was significant growth in imports of items whose tariffs were fully eliminated in 2010 even though the number of such items were limited.
- Sharper growth, however, was in the case of imports of products classified under the staging category E-5, on which duties came to zero in 2014. These included several machinery items, plastics, organic and inorganic chemicals, steel items, synthetic rubber, instruments and appliances and their parts such as LCD monitors and medical and measuring apparatus, zinc, aluminum products such as foils and plates, tools for pressing stamping or punching, newsprints and railway coaches.
- Products under the E-8 staging category are the most numerous and collectively the growth in their imports was very modest. However, this was because there had been a sharp drop in the import of petroleum oils (HS 27090000) after 2009-10 and also some decline in the import of machinery items (HS 84) in the E-8 category. These mask the otherwise significant growth rates in the import of items like steel, silver, plastics, chemicals and rubber related items. Imports of some of these items are likely to gather momentum following full tariff elimination in 2017, if present trends are any indication.
- There are also certain products listed under the SEN and EXC categories whose imports have shown a surge despite very limited or no tariff reductions. A rise in demand is possibly the major attributable factor. These include imports of electrical

Table 14: Tariff Category-wise Imports of Top Twenty Chapters

Staging category	Imports in 2009-10 (in US$ million)	Imports in 2014-15 (in US$ million)	Percentage Increase
E-0	1187.54	2151.45	81.17
E-5	1131.62	2552.1	125.53
E-8	2392.7	3219.04	34.54
EXC	1173.45	1766.32	50.52
Not Negotiated	534.39	250.85	-53.06
RED	882.48	1146.77	29.95
SEN	851.34	1509.85	77.35
N/A	35.84	296.56	727.46
Total imports under the top twenty chapters	8189.36	12892.94	57.44

Source: Compiled on the basis of trade figures from DGCIS, Ministry of Commerce and Industry, GOI.

machinery products such as switches and electric conductors, DC motors and generators, base oil, certain steel items, organic and inorganic chemicals and plastics.

The RIS team was not able to establish contact with all stakeholders from the concerned producer and user industry groups to understand how the imports were affecting them. It was, however, evident from some of the consultations held that there is a deep concern among certain segments in the domestic industry about rising imports. The number of anti-dumping cases that have been registered with the authorities also point to this concern. These include on items such as iron and steel products, automotive parts and chemicals. In cases where dumping has been found, the government has applied anti-dumping measures after assessing injury to the industry. A list of these products may be found in Table A.2.32 of Annex 2.

2.4.5 What could be implementation issues for Korea?

- Should India push for greater access for its fruits and vegetables and to expedite the SPS verification process in Korea? It is likely that Korea would push for access for some of their fruits including apples and pears.
- Korea could also show interest in closer coordination between the customs of both countries to deal with concordance of tariff nomenclature and tallying of utilisation rates.
- Korea could also raise trade defense measures taken by India, even as they are not taken under CEPA provisions.

2.4.6 Korea's Issues for CEPA Upgrade

Korea is keen on an upgrade of CEPA and this was conveyed to the RIS team by virtually every Korean agency, think tank and senior government official who were met. Korea is also known to have handed over to the Indian side sometime back a list of close to 700 8-digit tariff lines in the context of its proposals for tariff upgrade. These include eliminating tariffs on around 250 tariff lines in the non-agricultural sectors that are presently in the sensitive or excluded categories. The reasons conveyed by the Korean side for CEPA upgrade are basically three-fold:

- The Korea-India CEPA is of a relatively low standard compared to various FTAs signed by Korea in recent years;
- The India-Japan CEPA, concluded only one and half years after the Korea-India CEPA, has several deeper concessions offered by India to Japan. Japan is a competitor with Korea for many of these products and Korea is very keen to have similar access. In steel, for example, Korea is keen to have the same E-5 treatment that has been extended to Japan for all steel products under Chapter 72; and
- The Korea-India CEPA also has very high requirement set for Rules of Origin which needed to be changed.

3. Trade in Services under India-Korea CEPA

Trade in services is generally far more difficult to track than trade in goods in view of lack of availability of statistics in a disaggregated form country-wise. The only source that could be found providing disaggregated data for bilateral trade in services was the OECD website which, however, gives figures only up to 2011. As per this source, Korea's exports of services to India (see Table 15) stood at US$ 1579.3 million in 2011 made up of transportation (US$ 651.4 m), travel (US$ 292 m), royalties and licenses (US$ 150 m) and other business

services (US$ 200m). On the reverse, India's exports to Korea totalled US$ 1024.2 million that comprised transportation (US$ 252.7m), Travel (US$ 131.7m) and other business services (US$ 546.3m) which include IT and BPO services.

What is interesting is the three-fold rise in trade in both directions between the years 2005 and 2011. Korea, however, had a significant trade surplus on the overall services trade account.

The star performer on the Korean side with a 40 per cent share was transportation in which Korea has particular strengths, particularly in shipping. There was, however, sharper growth , even if on a smaller base, in respect of travel, royalties and license fees and other business services. A sizable amount of US$ 272 million in 2011 had also been shown as 'not allocated'.

In the case of India, 'Other Business Services' which showed steady and significant growth over the years from US$ 169 million in 2005 to US$ 546 million in 2011 accounted for 53.3 per cent of India's services exports. While the details about what constituted these services have not been given in the OECD website, it can be surmised that IT and BPO services could have contributed the major part. Receipts from transportation services were more or less stagnant at around US$ 250 million for the period 2008-11 but receipts from travel services also showed a steady rise from US$ 22.9 million in 2005 to US$ 132 million in 2011.

It would have been more useful for this study if the disaggregated data for recent years had been available that would have enabled an examination based on actual trade data of how the CEPA commitments may have impacted trade in this important sector.

- In CEPA, both India and RoK have taken liberalisation commitments in all the four modes of conducting trade. India has taken commitments in all the eleven sectors while Korea has taken in ten with no commitment on health and hospital services. There is also a separate Annex on Financial Services covering prudential measures

Table 15: Bilateral Trade in Services (in US$ million)

Year	Korea's export of services to India	India's export of services to Korea	Balance of Trade in Services in Korea's favour
2005	507.9	326.9	181.00
2006	605.6 (19.24)	392.4 (20.04)	213.20
2007	1166.8 (92.67)	483.4 (23.19)	683.40
2008	1154.5 (-1.05)	662.8 (37.11)	491.70
2009	1307.4 (13.24)	716.5 (8.10)	590.90
2010	1649.4 (26.16)	825.5 (15.21)	823.90
2011	1579.3 (-4.25)	1024.2 (24.07)	555.10

Source: OECD.

Note: * Figures in parenthesis indicate growth in percentage over previous year.

and a chapter on measures affecting trade in Telecommunication Services. Further, additional commitments on Movement of Natural Persons are dealt with in a separate chapter that also lists 163 categories of professionals who can provide temporary services as contractual service suppliers or individual professionals. The categories mainly cover IT experts, Engineers in a variety of areas, Market Survey specialists, Biologists, Biochemists, Advertising professionals and English teachers. A separate chapter on Audio visual Cooperation provides for co-production agreements in the audio-visual sector with such co-produced projects given national treatment in each country.

- The Joint Study Group Report, which preceded CEPA, had in Chapter 3 on trade in services, specifically identified IT and software, construction and engineering, audio visual and entertainment, telecommunication, transportation and tourism as providing particular opportunities (Paras 3.16 to 3.24 of JSG Report). For example, it noted that there are several complementarities between India and Korea in the IT sector. It listed the key strengths of Korea as lying in its world class broadband infrastructure, ideal test-bed technology innovation and leading mobile technology while India's strengths were in highly skilled human resources and world class software and IT services industry. It further considered that the abundant experience and technologies in infrastructure development of Korean companies could bring benefits to India as it was upgrading its infrastructure. Specific references were also made to Korea's comparative advantages in the shipping and maritime sector.

3.1 Available Evidence About Trade

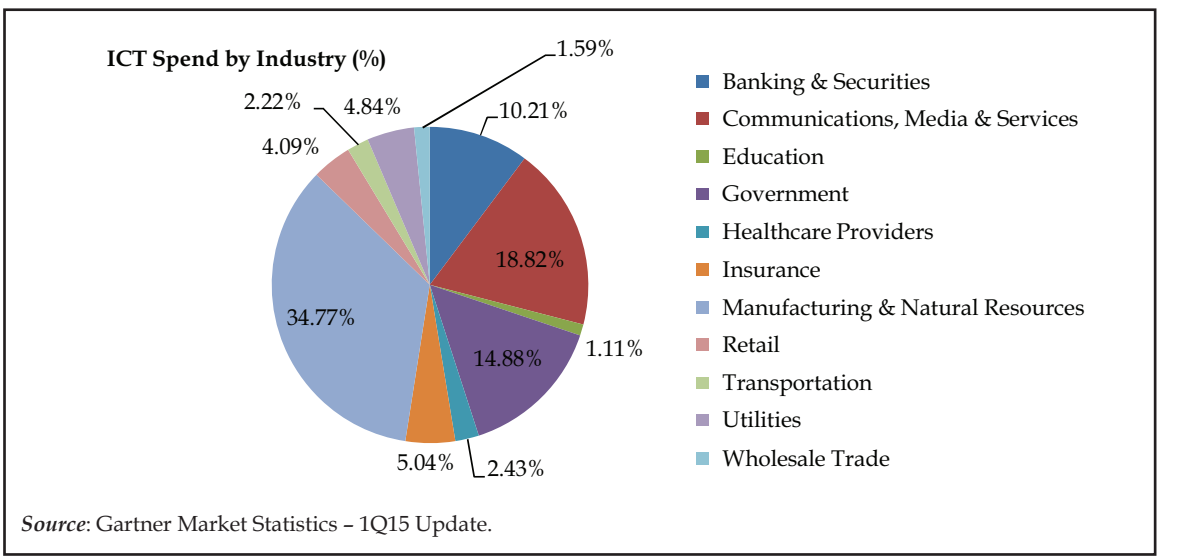
Despite all the potential indicated in the JSG report, available evidence about actual trade exchanges show very limited progress.

- Some of the major Indian IT companies do have their offices in Korea. They are, however, not receiving any sizable IT/ software development contracts from the Korean private or public sector. Language, absence of any significant cost arbitrage, tendency among Korean companies to keep IT development in-house and cultural differences are some of the factors responsible. Out of the four major Indian IT Companies in Seoul, one is known to be in the process of shutting down its office. But certain third country companies continue to secure business in Korea such as Accenture (in semi-conductors) and IBM (in Telecom).
- The earlier expectation that complementarity in the form of strengths in hardware and manufacturing by Korea and strengths in IT and software by India could form a good basis for collaboration between Indian IT companies and Korean manufacturing companies has not been realised.
- On the other hand, some of the larger Korean companies have their own R&D and design centers In India. The Hyundai R&D Centre in Hyderabad with a reported investment of Rs. 184 crores is specialising in styling, design engineering, vehicle test and evaluation. The Samsung (India) Software Operations now renamed as Samsung R&D Institute has three centres in India in Bangalore, Delhi and Noida with a reported employment of 10,000 people. Its Tizen brand Z1 mobile phone has reportedly been developed by its India operations. LG Electronics also has its largest R&D Centre outside Korea in India with over

1000 employees focused on mobile and TV embedded software development for the parent company. The Korean model of investment involving wholly owned subsidiaries also extends to in-house software, IT, design and innovation solutions.

- As per Korean Exim Bank figures, Korean investments in the services sector in India, as of 2014, were in construction, wholesale and retail trade, transportation, accommodation and food Service activities, information and communication, financial and insurance activities, real estate renting and leasing, etc.
- Government contracts in IT are sizeable, amounting almost to 15 per cent of total IT spending in Korea (Figure 2). However, these contracts are given largely to IT companies registered as SMB (Small and Medium Business) organistations in Korea. Indian IT companies do not find it appropriate to register themselves as such which only leave them the other option of working with Korean companies that in turn bid for these contracts. Such a limited role is again not a happy option.
- Leveraging on the gains made by Korea on trade in goods and services and applying gentle pressure to enable greater market entry by Indian IT companies will be necessary. It is important to provide greater room and visibility for Indian IT companies which have earned a global name to prove themselves in the Korean market. Regular monitoring and pressure on the Korean government to allow a share of their government IT/ Software related contracts to be open to Indian IT Companies could be another avenue. Large Indian corporates with IT subsidiaries will also have to use leveraging when dealing with Korean companies. One Indian corporate that had business dealings with a large Korean business conglomerate appears to have had some success.
- As for movement of professionals it is estimated by our Mission in Seoul that in all there are three to four thousand Indian professionals who are currently working in Korea in various capacities as engineers, software professionals, academics and researchers. Their numbers have been growing. There is, however, no way to determine if

Figure 2: Volume of Korean Government's IT Spending



Source: Gartner Market Statistics – 1Q15 Update.

their coming to Korea was facilitated by CEPA. Also in respect of English Teachers, Koreans seem to prefer native English speakers than any Indian trained teacher.

- Companies like Samsung have also recruited engineers and IT professionals from India who are now working in their companies in Korea. No quantification of the numbers is however available. The KOTRA office in Delhi also mentioned that they do help some of the Korean companies in recruiting engineers and some professionals from India. When queried about the number, an annual figure of twenty was indicated.
- It would seem necessary to put in place a mechanism that will facilitate more professionals being able to benefit from the provisions of the Chapter on Movement of professionals. In the interaction with the Indian Chamber in Korea it was proposed by them that they could offer assistance in translating to English, information about short-term professional needs/vacancies as made available in the Korean Ministry of Employment website.
- In respect of Indian banks, the Indian Overseas Bank has a branch in Seoul. State Bank of India which has a representative office in Seoul has recently received approval for elevation into a branch office. As for Korean banks, Shinhan Bank has four branches and Woori Bank has one branch in India. Korea Bank of Exchange is learnt to be in the process of upgrading its representative office into a full branch. Both Hana Bank and KB Kookmin Bank have also set up their representative offices. Under CEPA India had given commitment to give favorable consideration for up to ten applications for bank branches over four years.
- Tourism including to Buddhist sites in India offers enormous potential. Subtitled Indian films can also be made more popular. Although there are already several Indian restaurants, there appears to be a scope for more.
- Are there restrictions in CEPA Services commitments which may be limiting trade? While this did not receive a mention during stakeholder consultations the absence of any commitment by Korea in the health sector including in hospital services, medical and dental Services and nursing and physiotherapist services seems a significant gap. The insistence by Korea on local presence under Mode 1 for a whole range of services including Architectural services, Engineering Services and Advertising services, to mention just a few, also is a strong limitation.
- While Air services are not covered by CEPA, lack of adequate air connectivity between different metros of the two countries is retarding tourist and business travel. This is a concern expressed both by Korean and Indian stakeholders. Direct flights are only ten per week, seven from Delhi and three from Mumbai. Chennai or Bangalore where many Korean companies are headquartered have no direct flights to Korea. The air connectivity deficit needs urgent attention.

4. Investment under India-Korea CEPA

The Investment Chapter in India-Korea CEPA marks the first time that India agreed to a more extensive coverage that went even beyond the India-Singapore CECA signed in 2005. The chapter takes a more liberal negative list approach for investment that specifies all the sectors where the Korean investments are not permitted rather than

a positive list that was the scheme used in the agreement with Singapore. It also proscribes performance requirements going beyond measures prohibited by the TRIMS Agreement of WTO by also banning conditions requiring technology transfer or exclusive supplier rights for certain regional markets or to the world market. The chapter however includes schedules for both countries listing a few areas where reservations were taken or non-conforming measures existed.

Another investor friendly development that has taken place recently is the signing of the revised bilateral Double Taxation Avoidance Agreement in May 2015 on the occasion of Prime Minister Modi's visit to Korea. It will become operational once it is ratified by both sides.

4.1 Korea's Investments in India

Korea has made significant investments in India since the nineties. Its large conglomerates like Hyundai, LG and Samsung have made deep forays into the automobile, home appliances and electronics and communication sectors. Korea's steel giant POSCO has also in the last decade sought to enter the steel sector.

Korea's share in total FDI flows into India was 13 per cent in 1999 and Korea ranked among the top five investors. Since 2000, however, Korean FDI flows to India have been relatively on a smaller scale. As per DIPP statistics, Korea's accumulated investments in India since April 2000 to December 2014 totalled US$ 1517 million, making it the fourteenth largest investor in India during this period. According to the figures of Korean EXIM Bank, however, the FDI inflows from Korea into India from 1991 onwards till December 2014 totalled US$ 3.9 billion. More details about the specific investments have been given in Annexure 3.

Korean investments in India have stood out for several reasons. A large percentage of them (85 per cent, according to Korean Exim Bank) have gone towards investment in manufacturing.[4] Secondly, many of the units are also contributing to India's exports. The case of Hyundai motors whose exports exceed 30 per cent of production deserves a special mention. Indigenisation and local sourcing have taken place but to varying degrees. Dependence on continued imports for raw materials and parts particularly from Korea remain in respect of some of them. Korean investments have also contributed in good measure to local employment and the companies have in turn benefitted from the availability of a skilled force that has resulted in the emergence of good manufacturing platforms. Most Korean investments have, however, been in the form of wholly owned subsidiaries or joint ventures among Korean companies. Technology transfer to local Indian companies is not known to have resulted in any significant way.

Has the implementation of CEPA made a difference to FDI inflows from Korea? Figures from DIPP (Table 16) indicate a somewhat upward trend on an average during the last five years although there is no sharp surge or any significant entry of new players or a strong interest shown by Korean SMEs. That said, if Korean EXIM Bank figures are looked at, inflows during the last four years have been over US$ 300 million annually (see Figure A.3.1 in Annexure 3).

It is generally considered that while a sound investment framework is a necessary condition, it is by no means sufficient. What really attracts investors is the investment facilitative environment that acts as a real draw to investors. In this regard recent moves by India to notch up its 'Ease of Doing Business' and 'Logistic Performance Index' could be seen as welcome signs by

Korea.This has become particularly relevant after the halt to the POSCO steel project in Odisha. Korean investors may also be looking forward to see how the 'Korea Plus' arrangement announced by PM Modi during his visit, which will be a dedicated mechanism for handholding of Korean investors, will actually operate.

The proposed RIICO-Neemrana Industrial Park project carries a lot of potential if it can provide an easy framework that can attract several Korean SMEs who prefer to come in a herd. Similar framework could be considered in some of the other states and possibly also in some of the proposed nodes of the Delhi-Mumbai Industrial Corridor. Korea's strength in the areas of transportation, construction and infrastructure have yet to flow into India in the form of investments. It could also make a significant contribution to the Smart Cities Initiative. In this regard it is a very welcome announcement in the Joint Statement during the Prime Minister Modis's visit in May 2015, that the Korean Ministry of Strategy and Finance and the Export-Import Bank of Korea would provide US$ 9 billion of export credits for priority sectors including smart cities, railways, power generation and transmission.

But proposals by large Korean groups for investments, which could potentially displace production by Indian domestic companies or which are based on large imports from Korea or other sources need careful consideration despite the provisions of CEPA. Some of the Indian steel companies, for example, are concerned by the impact from the newly set up steel rolling mill and galvanised steel production facility in Maharashtra that apparently uses imported steel that could well be procured locally and also produces finished products that again compete with domestic products.

In the Joint Study Group that preceded the CEPA negotiations, the Indian side also proposed (see Para 2.13 of JSG Report) a 'Trade cum Investment Strategy' in the agricultural and food processing sectors which entailed Korean companies making investments in India with a view to exporting the processed agricultural products back to Korea (many of these products could also go to other East and South East Asian countries). The idea was that the Korean investor would take care of food safety, labelling and other norms for export to Korea. While no action has been taken on this suggestion, it still has a lot of validity since there are a host of areas where this could work ranging from well packaged roasted coffee (Korea is a huge market for coffee) to wheat flour in customer packs to value added sesame or groundnut items, to mention just a few that had been mentioned to the RIS team as possible areas. Perhaps a conducive investment zone that is also well connected for shipping/air freighting would be important.

4.2 Indian Investments in Korea

According to the Indian Embassy in Seoul, India's investments in RoK were around US$ 1.3 billion up to 2012. Principal among them are investments in (a) Novelis Korea Limited by Aditya Birla Group (2005); (b)TATA-Daewoo Motors by TATA Group(2004); and (c) Mahindra Ssangyong Motors (2010)

Table 16: Year-Wise FDI Inflow from Republic of Korea (in US$ million)

Year	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
FDI from Korea (in US$ Million)	114.62	166.9	131.35	244.78	223.97	173.82	128.23

Source: DIPP

by Mahindra Group which are all joint ventures even if majority is held directly or indirectly by the Indian groups. All of them were also acquired through the M&A route. More details about these investments may be seen in Annexure 3. In addition, Indian IT majors TCS, L&T Infotech and Mahindra Satyam have also set up offices in Seoul and engaged in providing IT services and software solutions.

Indian investments are generally positively regarded in Korea. They have also perhaps contributed to an increase in imports from India of aluminium ingots and automobile parts, the latter acknowledged by one of the companies. Furthermore, there have been some technology gains from these acquisitions for the Indian parent companies. However, there is no evidence to show any further significant Indian investment activity following CEPA, apart from the Mahindra Group investment in 2010. Being a capital surplus country by itself, most investment opportunities in Korea probably get taken by domestic investors themselves unless these investments are related to high technology or research and development for which Korea goes out of its way to attract and provide many incentives. Otherwise, in managing employee relations by foreign investors, cultural factors come into play and stiff requirements for laying off workers can also act as a restraint to foreign investors.

5. Bilateral Cooperation under India-Korea CEPA

To make it 'comprehensive' and go beyond a merely contractual trade and investment framework, CEPA between India and Korea also provided for bilateral cooperation in thirteen areas in Chapter 13 of the agreement. Even if this chapter was kept out of application of the dispute settlement provisions of CEPA, the inclusion of the chapter was a recognition of what was stated in the JSG Report, that bilateral cooperation in the areas of industrial, technological, financial, social and cultural sectors is of critical significance to the future of the two countries' economic partnership (Para 5.3 of the JSG Report).

That the two countries had a large degree of complementarity in economic structures also finds repeated mention in the JSG Report with a clear suggestion that the synergies inherent in the complementarities need to be exploited to full benefit. Again, it can be surmised that the chapter on bilateral cooperation was intended as a mechanism to implement this suggestion.

The thirteen areas identified in Chapter 13 are as follows:

- Trade and Investment Promotion
- Audio-Visual Content
- Energy
- Textile and Leather
- Information and Communications Technology
- Pharmaceuticals
- Science and Technology
- Healthcare
- Small and Medium Enterprises
- Government Procurement
- Infrastructure and Transportation
- Renewable Energy
- Tourism

It is not known to what extent proposals have been advanced by either side for implementing this chapter. Consultations with stakeholders did not bring out full information. Only in the area of audio-visual cooperation, on which there is also a separate chapter (Chapter 9), the two sides are known to have exchanged proposals in recent months and an agreement has been signed during the PM Modi's visit.

The JSG Report had dwelt on possible collaboration between the two sides on relocation of leather and textile industries from Korea in India. Article 13.8 of CEPA refers to facilitating collaboration including training for textile and leather products in the areas of product development, quality upgradation, fashion, designing and textile engineering. Article 13.5 on SMEs again refers to possibilities of skill development and training programmes for SME managers, technology transfers, product quality improvement, supply chain linkages, etc. On pharmaceuticals Article 13.9 *inter alia* provides for cooperation in the research and development of pharmaceuticals including generic drugs. It must be recognised that such bilateral cooperation in all the areas can also act as a catalyst to promote trade and investment between the two countries. It seems necessary that cooperation as envisaged in CEPA be urgently activated. Korea can also help to assist India in respect of skill development including in the context of India's 'Make in India' programme. Proposals in this regard require careful detailing in consultation with the industry.

Even in a sector like IT, Korea has developed particular competence and specialisation in areas like e-governance where it has the highest ranking globally and regionally as an e-government leader in the UN's global e-government survey (2014). While not every aspect in the Korean system of governance may be of relevance to the Indian context but systems developed by them for disaster management and infrastructure could be of relevance. Also, in some of the other new areas like cloud computing they are making good progress. Technology in Telecom is yet another area where they have a lead. Korea could assist in introducing programmes for skills development in these areas which could perhaps be hosted in some of our IIITs. (A discussion with IIIT, Bangalore indicated they would welcome such a programme.)

The Economic Development Cooperation Fund of US$ 1 billion that Korea has agreed to establish during PM Modi's visit could help realise many of the projects and proposals that could flow out of implementation of Chapter 13 of CEPA.

6. Cultural/ Behavioural Factors at Play while Doing Business with Korea

Each country is different in terms of local cultural and behavioural factors and in respect of how different foreigners are perceived. All of these have an impact on how business is transacted with companies from that country. During the RIS team's visit to Korea there was an opportunity to meet with a range of interlocutors including Indian businesses based in Korea and certain individuals who act as business consultants for western companies. Some of the views expressed at these meetings about the cultural/behavioural factors are given below. These do have a bearing on how implementation of CEPA can be taken forward.

1. Even as Korea respected international agreements, it may need to be pushed continuously for implementing its side of obligations particularly on aspects like removal of non tariff barriers, approval of standards for enabling entry of foreign products and in filling up of tariff rate quotas. Having frequent meetings with Korean government and other functionaries, say every six months, for monitoring and review would be important. This is how western countries like US and EU are pursuing matters.
2. Korea predominantly focusses on its exports. When it comes to negotiations

with foreign countries for securing market access, for example, they are very well prepared and submit proposals that are well thought out.

3. On imports, however, decision making is more difficult. Korean ministries act as silos and there is no effective inter-ministerial coordination. Taking up matters with concerned ministries would, therefore, also be important in addition to approaching the Ministry of Trade, Industry and Energy or Ministry of Foreign Affairs.

4. One interlocutor noted that in his experience a good way to negotiate with Koreans will be to negotiate with them as allies from the same side of the table than from across the table.

5. Koreans are generally proud at what they have achieved nationally. There is also a strong sense of loyalty towards local products. This is only slowly giving way to consumers preferring certain foreign goods such as higher end foreign cars or fashion goods. Imported cars account now for 12 per cent of market share against only 3 per cent in 2003.

6. There is the Confucian belief that every relationship is vertical. For example, between a supplier and a customer, the former is supposed to be at a lower rung of the vertical level and expected to behave in a subservient manner in his dealings with the latter.

7. For promoting customer relationship it is better for a foreign company to have a Korean employee to be in charge. A Korean interface at the last mile would bring better results.

8. Korean retail is largely concentrated with four hypermarkets dominating the scene with limited number of suppliers. Entering the distribution chain is tough. Home Shopping and TV shopping are however quite popular. Internet sales are also gaining volumes with many online sales companies entering. An online search engine NAVER is more popular than Google.

9. Korea is good at providing lower value services such as delivery, support services etc.,. But high value services sectors have been slow to develop compared to manufacturing. Areas like Auditing and Legal services remain relatively less sophisticated. Even private sector banking is a more recent development.

10. There is prejudice against outsourcing and the tendency is to keep work in house. Information about each company and dealings by each of them are closely guarded. But in major Korean companies they have Indians working for them particularly in the IT related areas.

11. Many Koreans are not familiar about India that is generally regarded distant and remote. On the other hand, China and Vietnam are seen as being close by and culturally similar. Trade and business dealings with them are therefore far more robust. It would be important to establish more cultural links and also to have greater student exchanges to foster closer understanding and familiarity.

12. India is generally regarded as having a low quality quotient particularly among the businesses that deal with India. Speed of response is seen as too slow (as against the 'palli palli' attitude prevailing locally literally meaning 'hurry hurry') and adherence to quality or delivery schedule is perceived to be inconsistent. It would be important to work to generate a new image and for a

change in the mindset. Holding regular 'Made in India' shows with display of quality products and representation of reputed Indian brands will be useful.

13. Koreans value education and each Korean family spends a great deal of time, attention and resources in getting the children well educated. Importance is attached to proficiency in English language. But competition for getting admissions into higher level courses is intense. One factor that attracts Koreans to serve in India is the opportunity it will give for their children to attain English proficiency .

14. Understanding of English cannot be taken for granted even amongst senior Korean business people. It may be important for Indian businessmen holding discussions with their Korean counterparts to be doubly sure that the other side has fully understood offers made or agreements being arrived at.

15. It is advisable that Indian businessmen dealing with Korean counterparts have their own interpreters even if there are interpreters appointed by the other side. The Korean language does not have the same level of precision as in English language. It is a good idea to repeat important points, using different words/expressions each time.

16. There is a high sense of timeliness and punctuality among Koreans and business commitments are expected to be met every time with only rare and unavoidable exceptions. The Korean sense of 'being prepared' for different eventualities means what may seem 'unavoidable' to the Indian side will appear entirely predictable and preventable to the Korean side.

17. There is no limitation on employment of Indian professionals by Korean companies. However, the ratio of foreign nationals to Korean employees is to be not less than 1:5.

18. Foreign investors have generally found it not so easy dealing with Korean labour. Efforts have to be made to overcome cultural factors and strong nationalist sentiments and to work out a harmonious relationship.

7. How do they all add up?

It is evident that initial expectations from CEPA have not been realised. India's exports to Korea after five years of CEPA account for a smaller share in India's total exports and also a shrinking share in Korea's overall imports than in 2009-10. On the other hand India's utilisation of CEPA tariff concessions appears to be growing and there are some items that have performed well. There are also certain other items that have shown good performance but with Korea entering into deep FTAs with many countries their continued growth cannot be assured. Labour intensive exports to Korea such as garments or cut and polished diamonds have not taken off. There are very few high value manufactured items in the export basket. Items like cotton fabrics or pharmaceuticals or dyes seem promising but will need a lot of efforts from Indian exporters to increase market shares. Korea's FTAs with Vietnam and China, whose details are not known, could pose further threat to India's exports. On agricultural exports, SPS certifications for fruits and vegetables from Korea and a recognition for India's organic produce have not been easily forthcoming.

Prospects for any sharp increase in exports from India appear to be limited unless India can come up with more competitive export capacity and product upgradation both in terms of quality and in terms of value addition. Even so, Korea's overall imports have remained stagnant

at around US$ 520 billion for the last four years and imports have in fact shrunk in the first five months of 2015. Korea is a developed economy and scope for rapid import expansion may be limited. Our focus will have to be on increasing market share, which will be, however, challenging.

Korea's imports into India have done relatively better and the widening trade deficit could become a source for concern. Sharply rising imports in the steel, and other metal products, chemicals and plastics sectors have put India's domestic industry under some pressure. Korea has derived advantage from the fact that among OECD countries it was the first to get deeper preferential access into the large Indian market even if it had to wait for a few years for the majority of tariff reductions (E-8) to make a difference. Some of the Sensitive/Exclusion items, have also shown a tendency to rise sharply even with limited tariff concessions so far. There is also a new situation emerging, in view of the slowdown in China, of surplus capacities of several industrial items globally, including in Korea. It may be important for India to consider taking necessary steps for notifying the 'Bilateral Safeguard Measures' provided under Article 2.22 of CEPA so that it is available for use in case of need.

While the US$ 9 billion in tied credit that Korea has agreed to provide for infrastructure development is a very welcome development, efforts should also be made by both sides to see if domestically available products can be used wherever possible.

On services trade again, Korea has made better use of increased market access that is seeing entry of a children's dental hospital, online gaming and TV home shopping services into India. A few Korean conglomerates, basically those who have major manufacturing units in India, also have their own software and R&D services centres in India that are helping them with design and development. Other major Korean companies have not followed suit. Also, the initial expectation of business collaboration between Korean manufacturing giants and Indian IT majors has not come about. The latter have in fact set up offices in Korea but are not receiving any significant business partly because of the tendency among Korean businesses to develop them all in-house (Language is another factor but this is not insurmountable). Also there is no evidence to show that the provision made in CEPA for easier trade in services in 163 professions through the mode of movement of natural persons has borne fruit. Effective mechanisms have to be set up to ensure that commitments made are fulfilled. Additionally some pressure and leveraging seem necessary to enable Indian IT majors to secure more business. One Indian IT industry source considered that it should be possible for Korean government to urge Korean companies and identify those that may be willing to offer business opportunities for Indian IT companies. Once such a list was available, Indian IT companies could follow up with more detailed business proposals.

As for Korean investments into India, particularly in manufacturing, they have brought significant benefits including in terms of exports and employment. CEPA, however, has not ushered in a fresh surge yet. India's moves towards creating a more facilitative investment environment coupled with the signing of the double taxation agreement that would take effect soon could perhaps change the scenario. More Korean companies, including small and medium sized companies need to come in a wider set of sectors. But there is a need to guard against Korean investments unduly using the CEPA

tariff advantage for getting cheaper Korean exported inputs and raw materials and displacing domestic manufacturers. Korea can also make a contribution by investing in manufacturing capacities in India that can have export prospects even to Korea. This can come about both in the agricultural processing sectors and in other areas where Korea is relocating investments because of higher local wage costs or other factors. Indian investments in Korea are doing well but their scope for expansion in terms of more similar investments seem limited.

Very little appears to have happened in terms of taking forward bilateral cooperation as provided for in Chapter 13 of CEPA. There are many areas such as pharmaceuticals, textiles and leather, SMEs, infrastructure and transportation, as in Article 13, where a closer dialogue can become a catalyst for greater trade and economic activity among businesses. Korea can also assist in skills development in a number of these areas. This would need activation which should now become possible with the establishment of a separate economic development cooperation fund of US$ 1 billion.

Even as there are several issues to be taken up for effective implementation of CEPA, the Korean side is showing great interest in moving towards an upgrade of CEPA basically in relation to trade in goods, since their key interest is to get further access into the large Indian market before others do. They also want to neutralise the additional concessions in the India-Japan CEPA.

This is a huge additional gain that Korea is seeking that would need very careful consideration. While India too can usefully take up some proposals like changing the ROO for diamonds or getting tariffs eliminated on certain sensitive or excluded products, as pointed out earlier, the market gains that it may secure may be relatively limited.

It is submitted that Korea should first of all be urged to demonstrate readiness to facilitate better market access in the agriculture, pharmaceuticals, engineering and services sectors for India and to ensure that gains from existing provisions of CEPA are more equitable. There are many barriers here to overcome including regulatory ones and also cultural factors. The government of Korea will have to come in and devise ways to move forward including towards encouraging its regulatory bodies or companies to be more forthcoming. Effective mechanisms with periodic monitoring will also have to be set up by both sides to deliver on implementation.

In drawing up a roadmap as agreed in the Joint Statement for the commencement of negotiations to amend the India-Korea CEPA for a qualitative and quantitative increase of trade it may be important to first focus on implementation mechanisms to deliver more equitable returns from existing provisions. Even as this process is underway, sector wise engagement will be necessary with the domestic producers, the local market, the user industry and the export sector to devise a strategy for seeking amendments to CEPA.

However, any significant upgrade of CEPA that means large scale pruning of sensitive and exclusion categories will also have wider ramifications. Existing FTA partners could seek similar concessions. Trading partners negotiating FTAs with India would also push for similar treatment. Secondly, deeper FTAs with very few partners could also result in trade diversion giving undue advantage to those partners at the cost of our obtaining competitive imports. It would, therefore, be very important to examine any upgrade from also

a larger perspective of how it will fit in with our evolving FTA framework.

8. Conclusions

After five years of CEPA, it is seen that progressive tariff reductions are resulting in steady improvement in CEPA utilisation. India's exports have, however, not gained in the overall even as there is growth in certain sectors. But in areas like SPS certifications on which some of our agricultural exports depend or on regulation of pharmaceutical imports into Korea, CEPA has not brought about a difference. Nor has it opened more doors for India's IT services exports, on which much was anticipated. By their nature, enforcing commitments on non-tariff issues or in respect of services is not easy and our leverage is limited. The spirit of partnership that permeated the JSG report is not found reflected in easing individual regulatory or other barriers that continue. Korean business culture .and not so open investment model are other factors. Countries like EU and US also face such access issues in Korea and continuous pressure and rigorous monitoring are the steps they employ, something that India also needs to follow. Proposal for an upgrade at this stage with a long request list from Korea needs very careful consideration. While India could also gain from certain amendments with improved access in a few areas, further work may be necessary to study the impact of other FTA's Korea has meanwhile entered into. Several measures could be taken up for effective implementation of CEPA. These include:

- Enhancing awareness about CEPA and its concessions particularly among SMEs and smaller traders.
- Customs authorities of the two sides to meet regularly to discuss 8/10 digit tariff line concordance and CEPA utilisation rates.
- Expeditious electronic issue of CEPA Certification of Origin (COOs).
- Korean side to be urged to provide speedier clearances to not only mangoes but also to long pending application for other fruits and vegetables.
- Arriving at an equivalence and conformity arrangement with RoK for organic products.
- Initiation of dialogue between Pharmexcil and other concerned agencies on the Indian side with the Korean regulatory agencies that could bridge gaps and facilitate trade on bulk drugs and pharmaceuticals.
- Urging Korea towards reducing/ eliminating Korea's luxury tax on cut and polished diamonds. A change in value addition requirement in ROO is another improvement that is needed.
- Initiation of a dialogue on promotion of India's engineering exports first at governmental level which should then be taken forward between concerned industry associations.
- Taking steps to make Korean SMEs become better aware of import prospects from India. In this regard, it would be useful to get Korean Importers Association (KOIMA) that has offices in several global locations to also open an office in India. They could further be encouraged to regularly send buyer's missions to India.
- There can be no substitute however for an active export promotion effort by our Export Promotion Councils and other trade bodies through trade fairs and trade missions, market studies for specific product groups, awareness campaign among their members about concessions available under CEPA and the procedures for benefitting from

them, etc. Each of these councils and other bodies should also identify annual export targets for Korea and indicate in their monthly reports how they are undertaking efforts to achieve them.

- Leveraging on the gains made by Korea on trade in goods and services and applying gentle pressure to enable greater market entry by Indian IT companies. Regular monitoring and pressure on the Korean government to allow a share of their government IT/ Software related contracts to be open to Indian IT Companies.
- To put in place a mechanism that will facilitate more Indian professionals being able to benefit from the provisions of the Chapter on Movement of professionals.
- To consider notifying the 'Bilateral Safeguard Measures' provided under Article 2.22 of CEPA.
- While the US$ 9 billion in tied credit that Korea has agreed to provide for bilateral cooperation is a very welcome development, efforts should also be made by both sides to see if domestically available products can be used wherever possible.
- CEPA already offers a very investor friendly investment framework that will be further strengthened with the signing of the recently concluded agreement on revision of Double Taxation Avoidance Agreement. With positive changes being made also towards ease of doing business, India could focus on getting Korea to invest more in manufacturing that could also create more export capacities including for exporting to Korea and feeding into their supply chains.
- Activating provisions in the chapter on bilateral cooperation in CEPA would be useful both towards serving as a catalyst for more trade and investment activity as well as in promoting skill development in the country. Detailed proposals need to be developed in this regard in consultation with the industry.

In drawing up a roadmap as agreed in the Joint Statement for the commencement of negotiations to amend the India-Korea CEPA for a qualitative and quantitative increase of trade it may be important to first focus on implementation mechanisms to deliver more equitable returns from existing provisions. Even as this process in underway, it will be very important to engage with the domestic producers, the local market, the user industry and the export sector to devise a strategy for seeking amendments to CEPA. Here it will also be necessary to conduct an impact of Korea's new FTA's on Indian market access. Particularly relevant here will be Korea's FTAs with China and Vietnam whose details have not become available yet.

Based on available data, this study would not recommend any upgrade of CEPA with Korea at this stage that would involve India making a large scale pruning of its Sensitive and Exclusion lists. In any case, such an upgrade will have to be examined from the perspective of how it will fit in with our evolving FTA framework.

As the government engages with the government of RoK in carrying out the tasks outlined in the recent Joint Statement, it is hoped that the analysis contained in this study will be found useful.

Endnotes

1. From 2012 onwards a 1 per cent rise in world economy is not even translating into a similar increase in world trade. The Economic Survey of the Government of India 2014-15 observed that the external trading environment was encountering two sets of headwinds: first a slowdown in world growth which will reduce Indian exports; and second , for any given world growth, export growth will be even lower because of trade's declining responsiveness
2. Statement by Shri Anand Sharma at the India-Korea Business Forum in August 2009.
3. There is some variance between bilateral trade figures maintained by DGCIS and Korea International Trade Association (KITA) particularly in respect of India's exports to Korea. This is commented upon in Annexure 1.
4. According to DIPP figures, 71.09 per cent of all Korean investments, from 2008-09 uptil January 2015, have gone towards manufacturing. The shares of Services and Infrastructure were 15.44 per cent and 13.46 per cent, respectively.

Annexures

Review of India's exports to Korea

After CEPA became operational in January 2010, India's exports to Korea increased by about 9 per cent and 17 per cent each in the first two financial years, reaching US$ 4.35 billion in 2011-12 (see Figure A.1.1). In the third and fourth years, however, exports were subdued and remained at US$ 4.2 billion. Last year, in 2014-15 there has been some increase with exports rising by 9.37 per cent to reach US$ 4.6 billion. If we also compare the averages of India's exports to Korea during the five years prior and five years after CEPA came into force, the post CEPA average shows a growth of 44 per cent. India's global exports on the other hand grew by more than 95 per cent by the same comparison. Clearly, there is no evidence of any dramatic growth in exports to Korea following CEPA implementation.

Figures for India's leading exports to Korea have been provided in Table A.1.1. At the two-digit level, items in the top twenty HS chapters together constitute around 89 per cent of India's exports. What is striking at first glance is that the top three product groups, comprising petroleum products, aluminum and iron and steel, account for half of our total exports. Secondly, in terms of ranking, aluminum products have climbed to become the second largest export item after rising steadily during the post CEPA implementation period. Precision instruments (HS 90) and manmade filaments (HS 54) have also acquired some reckoning. Exports of Oil seeds (HS 12) have shown improvement. On the other hand, Ores (HS 26) and precious metals and jewellery (HS 71) have lost shares in the bilateral export basket. Exports of cereals (HS 10) which showed a remarkable increase in 2012-13 turned out to be a one off affair and have experienced a sharp decline thereafter. The

Figure A.1.1: India's Exports to Korea in the Post-CEPA Implementation Period

Source: DGCIS, Ministry of Commerce and Industry, Government of India.

export trends will now be analysed in some detail chapter-wise.

Before proceeding further, however, it must be pointed out that there is considerable variance between the trade figures maintained by India (DGCIS) and the Korean trade figures obtained from Korea International Trade Association (KITA). KITA figures are generally higher, with the difference in annual trade being greater than US$ 2 billion in some years. Though the two sets of figures are not exactly comparable, due partly to differences in period of reporting (DGCIS gives data financial year-wise while KITA gives calendar year-wise export and import figures) and in the valuation of trade on f.o.b. or c.i.f. basis, the wide gulf between the two trade figures is noteworthy for two aspects. Firstly, the difference in the figures is more pronounced in respect of India's exports to Korea. While India's exports as per DGCIS were US$ 3.6 billion and US$ 4.1 billion respectively for 2013-14 and 2014-15, Korean figures for imports from India were US$ 6.1 billion in 2013 and US$ 5.2 billion in 2014. Secondly, if India's petroleum exports are not considered, the mismatch is then significantly reduced. This is further commented on in the following section on petroleum product exports but the wider issue of mismatch may need to be discussed by the two sides.

Table A.1.1: India's Top Twenty Exports to Korea at 2-digit Level

Chapter	Description	Exports to Korea (in US$ million)					
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes.	1526.96 (44.65)	1319.9 (35.42)	1654.94 (38.03)	1194.34 (28.43)	1116.48 (26.53)	1532.52 (33.30)
76	Aluminium and articles thereof.	113.42 (3.32)	227.68 (6.11)	166.97 (3.84)	300.21 (7.15)	339.53 (8.07)	566.41 (12.31)
72	Iron and steel	214.31 (6.27)	329.89 (8.85)	468.1 (10.76)	397.08 (9.45)	442.57 (10.52)	317.37 (6.90)
29	Organic chemicals	218.59 (6.39)	284.63 (7.64)	383.58 (8.81)	357.54 (8.51)	331.36 (7.87)	279.2 (6.07)
52	Cotton.	233.54 (6.83)	319.45 (8.57)	225.47 (5.18)	216.57 (5.15)	211.45 (5.03)	223.83 (4.86)
23	Residues and waste from the food industries; prepared animal fodder.	110.02 (3.22)	109.32 (2.93)	117.08 (2.69)	267.19 (6.36)	256.77 (6.10)	188.93 (4.11)
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof.	109.83 (3.21)	93.45 (2.51)	98.17 (2.26)	103.7 (2.47)	123.76 (2.94)	131.08 (2.85)
12	Oil seeds and olea. Fruits; misc. Grains, seeds and fruit; industrial or medicinal plants; straw and fodder.	44.41 (1.30)	69.94 (1.88)	72.24 (1.66)	88.2 (2.10)	95.48 (2.27)	111.28 (2.42)
90	Optical, photographic cinematographic measuring, checking precision, medical or surgical instruments and apparatus parts and accessories thereof;	10.81 (0.32)	11.57 (0.31)	17.31 (0.40)	13.32 (0.32)	32.08 (0.76)	92.65 (2.01)

Table A.1.1 continued...

Table A.1.1 continued...

85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts.	36.00 (1.05)	36.99 (0.99)	68.7 (1.58)	56.1 (1.34)	68.92 (1.64)	82.3 (1.79)
79	Zinc and articles thereof.	64.04 (1.87)	147.18 (3.95)	100.75 (2.32)	91.24 (2.17)	53.17 (1.26)	81.31 (1.77)
32	Tanning or dyeing extracts; tannins and their deri. Dyes, pigments and other colouring matter; paints and ver; putty and other mastics; inks.	49.05 (1.43)	48.96 (1.31)	48.64 (1.12)	50.13 (1.19)	64.38 (1.53)	71.93 (1.56)
26	Ores, slag and ash.	159.26 (4.66)	93.87 (2.52)	112.22 (2.58)	44.68 (1.06)	63.46 (1.51)	61.69 (1.34)
54	Man-made filaments.	2 (0.06)	12.77 (0.34)	17.55 (0.40)	9.11 (0.22)	33.48 (0.80)	57.44 (1.25)
73	Articles of iron or steel	20.2 (0.59)	29.92 (0.80)	52.26 (1.20)	56.38 (1.34)	44.56 (1.06)	56.61 (1.23)
41	Raw hides and skins (other than furskins) and leather	28.24 (0.83)	29.42 (0.79)	35.76 (0.82)	42.52 (1.01)	50.79 (1.21)	54.2 (1.18)
78	Lead and articles thereof.	42.03 (1.23)	53.95 (1.45)	83.71 (1.92)	51.81 (1.23)	87.12 (2.07)	53.8 (1.17)
38	Miscellaneous chemical products.	36.86 (1.08)	31.94 (0.86)	40.72 (0.94)	50.74 (1.21)	48.28 (1.15)	53.72 (1.17)
71	Natural or cultured pearls, precious or semiprecious stones, precious metals, clad with precious metal and articles thereof; imitation jewellery; coin.	131.26 (3.84)	131.95 (3.54)	162.4 (3.73)	69 (1.64)	43.43 (1.03)	45.92 (1.00)
39	Plastic and articles thereof.	11.68 (0.34)	25.73 (0.69)	42.94 (0.99)	41.32 (0.98)	44.72 (1.06)	40.07 (0.87)
Total of Top 20 Exports to Korea		3162.51	3408.51	3969.51	3501.18	3551.79	4102.26
Share of top 20 Exports to Total Exports to Korea		92.47	91.47	91.21	83.33	84.41	89.14
Total Exports to Korea		3420.04	3726.56	4351.92	4201.67	4207.79	4602.07

Source: DGCIS, Ministry of Commerce and Industry, Government of India.

Note: Figures in parenthesis indicate percentage share of total bilateral exports during the year.

Chapter 27: Crude and petroleum products: Out of a total of 93, 8-digit tariff lines in the Chapter, tariffs on 89 of them were either eliminated immediately (E-0) or by 2014 (E-5) (see Table A.1.2). This notwithstanding, India's total exports under this chapter registered a decline from about US$ 1.52 billion in 2009-10 and US$ 1.65 billion in 2011-12 to about US$ 1.1 billion in 2013-14. However, exports of these items have recovered somewhat in 2014-15 to a level of US$ 1.53 billion.

As per DGCIS statistics, India's exports mainly fall under HS 2710 at four-digit level. Among the products under HS 2710, exports of petroleum oils obtained from bituminous minerals but not crude (HS 27101990) increased steadily in the post-CEPA period from US$ 106 million in 2009-10 to US$ 850 million in 2014-15 (Table A.1.3). It is to be

noted that a major share of this increase took place nearer the year in which tariff on this product was fully eliminated. Exports of other light oils and preparations (HS 27101190) which exhibited a surge in the period 2011-12 and decline thereafter, have shown revival in 2014-15. Exports of this product stood at US$ 375 million in 2014-15.

These figures, however, differ very much from Korean statistics which show imports from India as overwhelmingly consisting of Naptha (HS 2710124000) accounting to US$ 2.3 billion in 2014.[1] Industry sources in India have also confirmed that their main item of export to Korea is Naptha. Two aspects are noteworthy here. One is the mismatch between the HS codes for naptha in India and Korea. While it is classified under the four digit HS 2707 as per India's HS system, it is classified as HS 2710124000 as per the Korean HS system. Secondly, even though the trend of import of petroleum products into Korea according to Korean and India figures remains the same, the former are consistently higher than the latter.

The products under Korea's Exclusion list in this chapter are kerosene, jet fuel and fuel oil. Fuel oil is an important export item for India, hence removal of this item from exclusion list could perhaps help in increasing its exports from India to Korea.

Table A.1.2: Korea's Tariff Reduction Schedule* for HS Chapter 27

Chapter	Description	E-0	E-5	EXC	RED	Total
27	Mineral Fuels, Mineral Oils And Products Of Their Distillation;	59 (63.44)	30 (32.26)	3 (3.23)	1 (1.08)	93 (100)

Source: India-Korea CEPA legal text.

Note: *Figures indicate number of tariff lines with the percentage for each category in parenthesis.

Table A.1.3 : India's Exports to Korea of Mineral Oils

HS Code	Description	Exports to Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
27074000	Naphthalene	22.59		31.09				E-0
27079900	Other oil and oil products of distillation of high temp. Coal tar, etc.		342.38			63.27		
27101119	*Other motor spirit	389.99	509.28	763.84	761.47	236.06	224.1	E-5
27101190	*Other light oils and preparations	898.49	289.07	530.95	0.06	111.02	375.5	E-5
27101940	Light diesel oil (LDO)		0.22	15.89				EXC
27101990	Other petroleum oils and oils obtained from bituminous minerals n.e.s	105.88	171.75	274.34	358.63	663.4	850.3	E-5
27109900	Other waste oil	23.62		33.79	72.9	39.92	32.96	E-5
27111900	Other liquid petroleum gases and gaseous hydrocarbon	9.94						E-0

Table A.1.3 continued...

Table A.1.3 continued...

27121090	Other petroleum jelly	0.12	0.11	0.26	0.34	0.33	0.82	E-5
27131100	Petroleum coke not calcined		3.44	3.07		2.18		E-0
Total of top exports to Korea		1450.6	1316.3	1653.2	1193.4	1116.2	1483.6	
Total exports to Korea		1526.9	1319.9	1654.9	1194.3	1116.5	1532.5	
Share of Top exports to total exports in the Chapter		95.00	99.72	99.9	99.92	99.97	96.81	

Source: DGCIS, Ministry of Commerce, GOI.

Chapter 76: Aluminium and articles thereof: Exports of aluminium products to Korea increased significantly from US$ 113 million in 2009-10 to US$ 566 million in 2014-15. Korea has also been absorbing an increased share of India's total global exports of aluminium from about 11 per cent in 2009-10 to close to 18 per cent after the implementation of the CEPA.

Out of a total of 55 8-digit tariff lines in Chapter 76, tariffs on 53 of them were eliminated by 2014 (Table A.1.4). There are just two lines with a phase-out period of 8 years. However, given that the base rate on these products was 8 per cent, the preferential tariff on these lines too were only 2 per cent in the year 2014.

Non-alloyed aluminium ingots (HS 76011010) are India's single most important export item to Korea, contributing to almost 95 per cent of exports under this Chapter (see Table A.1.5). In fact, almost 50 per cent of India's global exports of aluminium ingots are being shipped to the Korean market. Enquiries with aluminium traders in Korea have brought out that the surge in exports from India to Korea has happened because of a combination of three factors. In addition to the CEPA concession (MFN duty on aluminium ingots are 5 per cent), a slight price advantage offered by suppliers and the 2 per cent rebate from the Focus Market Scheme of India have given Indian aluminium ingots the edge. Another significant export by India under this Chapter is alloyed aluminium billets (HS 76012020) which declined considerably in 2013-14 but has shown some signs of recovery in 2014-15.

India is also a major exporter of other higher value aluminium products globally. However, despite tariffs having been already eliminated under CEPA on most of them, India's bilateral exports of such aluminium products have not been able to penetrate the Korean market. On the other hand, India is an importer of several value added aluminium products from Korea.

Table A.1.4: Korea's Tariff Reduction Schedule* for HS Chapter 76

Chapter	Description	E-0	E-5	E-8	Total
76	Aluminium and articles thereof	33 (60.00)	20 (36.36)	2 (3.65)	55 (100.0)

Source: India-Korea CEPA legal text.

Note: *Figures indicate number of tariff lines with the percentage for each category in parenthesis.

Table A.1.5: India's Exports s to Korea of Aluminium Products

HS Code	Description	Exports to Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
76011010	Aluminium ingots-not alloyed	111.53	200.03	143.53	274.87	320.01	533.00	E-0
76012020	Aluminium billets-alloyed		24.40	15.49	16.45	6.13	20.63	E-0
76020090	Other aluminium waste and scrap	0.09	1.23	3.57	4.14	4.24	8.10	E-0
76061190	Others		0.18	0.27	2.37	7.00	3.21	E-5
Total of Top Exports		111.62	225.84	162.86	297.83	337.38	564.94	
Total Exports in the Chapter		113.42	227.68	166.97	300.21	339.53	566.41	
Share of Top Exports to Total Exports in the Chapter		98.41	99.19	97.54	99.21	99.37	99.74	

Source: DGCIS, Ministry of Commerce, GOI.

Chapter 72: Iron and Steel: India's exports of iron and steel products to Korea while being substantial, have followed an unsteady pattern rising in some years and declining in the other, not unlike the trend in exports of these items by India globally. They increased from about US$ 214 million in 2009-10, reached a peak of US$ 468 million in 2011-12 but their exports declined to US$ 317 million in 2014-15. It must however be noted that Korea's average applied tariff in this sector was as low as 0.56 per cent in 2009 and about 0.50 per cent in 2012. CEPA tariff reductions may not therefore have had much impact even as it can be noted from Table A.1.6 that Korea eliminated tariffs on almost all the products in 2010 itself. Only two tariff lines (Ferro manganese and Ferro silicon manganese) had a longer phase-out period of eight years on which the average applied MFN tariff in 2015 was 5 per cent and the CEPA preferential tariff on these products stood at 3 per cent for 2014 and at 2 per cent for 2015.

Non alloyed pig iron and ferrochrome carbon which are relatively lower value added products, were the two main items whose exports rose from about US$ 100 million in 2009-10 to about US$ 320 million in 2013-14 (see Table A.1.7). However, the exports of these products have declined in 2014-15. Other important exports in this product group are various alloys of iron such as silicon and manganese and hot and cold rolled stainless steel coils and angles of stainless steel and stainless steel bright bars made of alloys of nickel and chromium. However export of certain other products such as ferro-chromium, bars and rods of free cutting steel electrode have come down in the period after the implementation of the CEPA, which could either be due to fall in demand or due to change in HS classifications.

India's exports of ferro-silicon-manganese globally are quite significant (US$ 1039 million in 2014-15). India also ranked as the second largest import source for Korea for this product with imports worth US$ 40 million in 2013. However, Korean imports of this product from India have come down to US$ 29 million in 2014 while imports from Ukraine and Vietnam have increased. The MFN tariff on this product is 5 per cent.

Table A.1.6: Korea's Tariff Reduction Schedule* for HS Chapter 72

Chapter	Description	E-0	E-8	Total
72	Iron and Steel	209 (99.05)	2 (0.95)	211 (100)

Source: India-Korea CEPA legal text.

Note: *Figures indicate number of tariff lines with the percentage for each category in parenthesis.

Table A.1.7: India's Exports to Korea of Iron and steel

HS Code	Description	Exports to Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
72011000	Non-alloy pig iron containing <=0.5 per cent phosphors	18.19	41.46	89.8	73.47	126.44	53.08	E-0
72021100	Ferro-manganese, carbon containing>2 per cent by weight	1.22	2.88	12.18	8.53	3.23	3.28	E-8
72023000	Ferro-silicon-manganese	29.43	52.49	40.96	45.97	34.17	32.29	E-8
72024100	Ferro-chromium carbon containing>4 per cent by weight	88.3	191.33	253.85	183.14	194.95	146.1	E-0
72191300	Hot-rolled products in coils of thickness >= 3 mm but < 4.75 mm	2.76	2.02	0.48	5.69	11.88	10.03	E-0
72192122	Universal plates of stainless steel/heat resting steel, nickel chromium austenitic type,>=14 mm		0.45	0.34		8.44	7.16	E-0
72193490	Cold rolled products of stainless steel of a thickness >=0.5mm but < 1mm of other types	11.58	1.45	0.96	1.56	3.99	5.96	E-0
72222012	Bright bars-nickel chromium austenitic type	3.66	0.02			7.14	19.21	E-0
72222019	Bars and rods , cold-formed or cold finished of other type	7.46	15.56	22.31	22.9	7.63		E-0
72224020	Angles etc. of less than 80 mm	2.23	6.49	15.98	12.43	16.38	14.88	E-0
Total of Top exports in the Chapter		164.8	314.15	436.9	353.7	414.25	291.99	
Total Exports in the Chapter		214.3	329.89	468.1	397.1	442.57	317.37	
Share of Top Exports to Total Exports in the Chapter		76.91	95.23	93.33	89.07	93.6	92.00	

Source: DGCIS, Ministry of Commerce, GOI.

Chapter: 29: Organic Chemicals: India's exports of organic chemicals to Korea have also followed an unsteady pattern rising from about US$ 219 million in 2009-10 to reach a peak of US$ 383 million in 2011-12 but declining steadily thereafter to US$ 279 million in 2014-15. On the contrary, India's global exports of these products increased steadily throughout the period from US$ 7.4 billion in 2009-10 to US$ 12.1 billion in 2013-14 declining slightly to US$ 12 billion in 2014-15.

Out of a total of 720 tariff lines in this chapter (at the 8-digit level), 702 of them were fully liberalised by 2014 with a majority of tariffs completely eliminated in the year 2010 itself. Given that the base rate tariff on these products was around 5.5 per cent on an average, Indian exports may have benefitted from the CEPA tariff concessions (Table A.1.8).

Exports of mixed xylene isomers to Korea have increased substantially in the year 2010-11, after the elimination of the tariff on this product in 2010 and it is amongst India's leading exports under this chapter (see Table A.1.9). Recently, however, the export of this product to Korea has exhibited a sharp decline and stopped completely in 2014-15. Similarly, a number of other products such as butadiene and isoprene, ethyl alcohols and ethers, ethyl acetate, other carboxylic acids and polyamines have seen an increase in exports. Furthermore, there also exists a lot of potential for exporting products such as benzene and P-xylene to Korea which are not yet being exported. Korea imports significant amounts of these products from other countries such as Japan, China and US.

Bulk drugs also figure under this chapter. Some of these items like antibiotics figure under the longer tariff phase-out list (E-8). Exports of many of these items have also shown buoyancy. According to Korea Pharmaceutical Traders Association (KPTA), India's exports of Active Pharmaceutical Ingredients (API) rose from US$ 140 million in 2011 to US$ 173 million in 2014 despite Korea's global imports declining by 15 per cent during this period. India's share of Korean API market, therefore, rose from 7.1 per cent to 10.1 per cent. India's exports of formulations also rose significantly according to KPTA from US$ 2.9 million during this period but India's share of Korean imports of finished formulations is still a paltry 0.19 per cent.

There is considerable scope for increasing exports of Indian bulk drugs and formulations from India to Korea. The process for drug imports is, however, complicated beginning with products registration with the Ministry of Food Drugs and Safety and subsequent approval, at the time of import, given by Korea Pharmaceutical Traders Association. It would also be important to know about pharmaceutical price controls that are regulated by the Health Insurance Review and Assessment Service of the Korean Ministry of Health. As an implementation issue, it will be useful to initiate a dialogue between Pharmexcil and other concerned agencies on the Indian side with the Korean regulatory agencies that could bridge gaps and facilitate trade.

Table A.1.8: Korea's Tariff Reduction Schedule* for HS Chapter 29

Chapter	Description	E-0	E-5	E-8	SEN	Total
29	Organic chemicals	656 (91.11)	46 (6.39)	17 (2.36)	1 (0.14)	720 (100.0)

Source: India-Korea CEPA legal text.

Note: *Figures indicate number of tariff lines with the percentage for each category in parenthesis.

Table A.1.9: India's Exports to Korea of Organic Chemicals

HS Code	Description	Exports to Korea (in US$ million)					
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
2901	Acyclic hydrocarbons	64.28	88.89	129.56	67.54	34.21	25.53
2902	Cyclic hydrocarbons	13.09	29.54	67.75	80.14	61.01	11.16
2904	Sulphonated, nitrated or nitrosated derivatives of hydrocarbons, whether or not halogenated	13.66	5.35	1.67	2.43	15.30	23.67
2909	Ethers and their derivatives ketone peroxides (w/n chemically dfnd)and their halogenated sulphonated nitrated/nitrosated derivatives	0.68	5.23	8.2	15.66	14.67	13.13
2915	Saturated acylic monocrboxylic acids and their anhydrides, halids, peroxids and peroxy acids; their halogenated sulphonated nitrtd/nitrstd d	3.56	6.69	10.53	13.97	21.49	13.34
2916	Unsaturated acyclic monocarboxylic acids, cyclic monocarboxylic acids, their anhydrides, halides, peroxides and p	2.10	10.8	13.27	20.18	16.85	8.72
2921	Amine- function compounds	9.33	9.14	9.25	8.10	10.98	10.68
2922	Oxygen-function amino-compounds	5.53	5.92	10.02	9.48	12.43	19
2924	Carboxyamide-function compounds amide-function compounds of carbonic acid	2.46	3.88	3.60	3.73	6.57	8.45
2933	Heterocyclic compounds with nitrogen	6.24	7.1	8.72	19.47	25.38	23.01
2941	Antibiotics	19.11	18.31	20.66	24.01	23.81	27.31
2942	Other organic compounds	44.75	48.75	45.70	35.94	28.65	23.87
Total of Top Exports		184.79	239.6	328.93	300.65	271.35	207.87
Total Exports in the Chapter		218.59	284.63	383.58	357.54	331.36	279.20
Share of Top Exports to Total Exports in the Chapter		84.54	84.18	85.75	84.09	81.89	74.45

Source: DGCIS, Ministry of Commerce, GOI.

Chapter 52: Cotton: India is one of the World's largest producers and exporters of raw cotton, yarn and fabrics. India's exports of products under this chapter to Korea increased from about US$ 223 million in 2009-10 to about US$ 320 million in 2010-11 but declined thereafter to US$ 211 million in 2013-14 that was even lower than the exports in 2009-10. The exports of these products in 2014-15 have shown a very modest revival with exports increasing to US$ 223 million. However, the share of exports of Cotton products under this chapter in India's total exports to Korea has shown a continuous decline from about 7 per cent in 2009-10 to about 4.86 per cent in 2014-15. While India still remains the main source of import of cotton yarn, China is fast catching up, with Vietnam not far behind. Depending on the tariff concession schedule in their FTAs with RoK, that have recently been concluded (yet to come into force) India's share could face further decline. Already, most of these yarn tariff lines have zero duties for imports from Turkey and US which also export cotton yarn. It must also be mentioned here that Korea's overall imports of yarn too are experiencing a decline in recent years. For example, Korea's imports of grey cotton yarn (HS 52052210 and HS 52052310) have declined from US$ 146 million in 2013 to US$ 96 million in 2014, even though India remains the largest import source for this product (Table A.1.11).

Korea's tariff reduction commitment under CEPA for this chapter is somewhat restrictive (see Table A.1.10). Tariffs on only 46 per cent of tariff lines under this Chapter have been eliminated by 2014. Further, around 45 per cent tariff lines were covered under Korea's sensitive list. Most of these sensitive items were cotton yarn items. Additionally four tariff lines relating to cotton yarn are also in the exclusion list. On the other hand, tariffs on cotton fabrics have been totally eliminated from 2014 that has resulted in a significant increase in their exports. According to TEXPROCIL, fabrics exports have risen from US$ 17.39 million in 2013 to US$ 58.09 million in 2014 that have also resulted in our market share in Korea equalling Pakistan. On the other hand, almost 86 per cent of India's exports of Cotton Yarn face tariffs ranging from 4 to 8 per cent. Hence, even though Korea has removed duties on finished products such as cotton fabrics and made ups, raw materials like cotton yarn have been kept under the Sensitive and Exclusion lists. Removal of these products from the SEN/EXC category could help.

Table A.1.10: Korea's Tariff Reduction Schedule* for HS Chapter 52

Chapter	Description	E-0	E-5	E-8	EXC	SEN	Total
52	Cotton	6 (3.37)	76 (42.7)	11 (6.18)	4 (2.25)	81 (45.51)	178 (100.0)

Source: India-Korea CEPA legal text.

Note: *Figures indicate number of tariff lines with the percentage for each category in parenthesis.

Table A.1.11: India's Exports to Korea of Cotton

HS Code	Description	Exports to Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
52010015	Indian cotton of staple length 28.5mm (1.4/32") and above but below 34.5mm kg	4.69	7.90	4.09	2.76	7.96	12.33	
52051110	Grey cotton yarn	9.47	11.57	2.03	2.63	1.69	3.23	SEN
52051190	Other cotton yarn	15.02	3.92	4.85	3.11	1.92	0.43	SEN
52051210	Grey cotton yarn	2.55	6.99	7.37	15.06	14.98	10.55	E-8
52051310	Grey cotton yarn	1.77	3.08	4.69	4.33	3.21	4.14	E-8
52051410	Grey cotton yarn	2.84	0.10	0.76	2.35	3.19	1.83	SEN
52052110	Grey cotton yarn	37.60	27.27	12.97	3.70	2.34	0.14	SEN
52052190	Others cotton yarn	1.98	5.60	0.36	0.57			SEN
52052210	Grey cotton yarn	22.32	28.53	19.30	15.98	11.08	6.34	EXC
52052290	Others cotton yarn	2.86	1.00	0.59		0.14	0.20	SEN
52052310	Grey cotton yarn	76.67	112.01	76.27	77.16	55.62	37.03	EXC
52052390	Others cotton yarn	3.02	4.02	1.01	0.19	2.83	1.02	SEN
52052410	Grey2401	19.85	42.89	28.54	31.23	24.33	18.22	SEN
52052490	Others cotton yarn	1.60	3.24	0.12	0.02	0.58	0.34	SEN
52052610	Dyed cotton yarn	2.43	2.04	0.85	0.59	2.35	2.07	EXC
52052690	Others cotton yarn	2.13	5.33	2.36	5.63	7.84	6.63	SEN
52052710	Dyed cotton yarn	0.88	1.33	1.21	0.39	0.31	0.52	EXC
52052790	Other cotton yarn	1.88	5.41	4.86	3.24	2.64	4.09	SEN
52053210	Grey cotton yarn	7.06	8.05	4.78	7.68	9.98	9.36	SEN
52053310	Grey cotton yarn	0.18	2.18	8.81	13.76	17.94	20.70	E-8
52054610	Grey cotton yarn	1.01	1.13	0.22	0.36	0.11	0.01	SEN
52054710	Gary cotton yarn	1.90	6.32	7.79	1.61	3.28	3.79	E-8
52054810	Grey cotton yarn	3.22	6.30	5.74	3.76	3.22	4.35	E-8
52081290	Others Woven fabric	0.09	0.06	1.45	1.82	6.06	15.86	E-5
52081390	Others Woven fabric			0.73	1.58	3.54	21.65	E-5
52091190	Others Woven fabric	0.01		0.35	1.45	2.99	3.08	E-5
52091290	Others Woven fabric			1.68	1.51	5.06	2.90	E-5
Total of Top Exports		223.03	296.27	203.78	202.47	195.19	190.81	
Total Exports in the Chapter		233.54	319.45	225.47	216.57	211.45	223.83	
Share of Top Exports to Total Exports in the Chapter		95.50	92.74	90.38	93.49	92.31	85.25	

Source: DGCIS, Ministry of Commerce, GOI.

Chapter 23: Residues and Waste from the Food Industries; Prepared Animal Fodder: Korea has emerged as a top destination globally for our export of animal feed and other oil meals. While our exports of these items remained stagnant at about US$ 100 million from 2009-10 until 2011-12, they registered a sharp increase in 2012-13 to US$ 267 million. However in the period thereafter, exports of these products have declined and totalled only US$ 188 million in 2014-15.

It can be seen from Table A.1.12 that Korea's tariff reduction commitment for this chapter is somewhat restrictive with a longer phase-out period for eliminating duties on cotton seed and castor extracts. There are also some exclusions such as for meat pellets, animal feed from vegetable waste and fish feed, but India does not undertake significant exports of these items. Soybean meal and rapeseed meal form bulk of our exports and tariffs on both of them are already zero since 2010. Given that the average MFN tariffs on the products covered under this chapter are over 10 per cent, reductions in tariff do constitute a significant advantage although international prices (and their differential with domestic prices) have an even greater influence. This may explain why our soybean meal exports have come down (Korea's imports from Brazil and China have risen) while Korea is now importing from India more of the cheaper rape seed extract (see Table A.1.13). Rapid increase in export of castor seed extract is also a new development. As tariffs get fully eliminated exports of castor seed extract, used as an organic fertiliser, may see a further rise.

Table A.1.12: Korea's Tariff Reduction Schedule* for HS Chapter 23

Chapter	Description	E-0	E-5	E-8	EXC	SEN	Total
23	Residues and waste from the food industries; prepared animal fodder	5 (14.3)	1 (2.9)	23 (65.7)	4 (11.4)	2 (5.7)	35 (100.0)

Source: India-Korea CEPA legal text.

Note: *Figures indicate number of tariff lines with the percentage for each category in parenthesis.

Table A.1.13: India's Exports to Korea of Residues and Waste from the Food Industries; Prepared Animal Fodder

HS Code	Description	Exports to Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
23011010	Meat meals and pellets (incl tankage)				0.04	1.08	0.28	EXC
23012011	Powder fish meal, unfit for human consumption	1.81		0.08	0.89	1.39	3.51	E-5
23040010	Oil-cake and oil-cake meal of soya bean expeller variety		1.68	2.00	3.47	2.04	1.34	E-0
23040030	Meal of soybean, solvent extracted (defatted) variety	43.44	55.09	40.04	114.52	72.73	6.98	E-0

Table A.1.13 continued...

Table A.1.13 continued...

23040090	Other solid residues resulting from of extraction soybean oil	0.71		0.25	3.75	1.67		E-0
23061090	Other residues of cotton seed		0.15	0.23	0.05	2.64	1.73	E-8
23064100	Low erucic acid of rape or colza seeds		1.73	2.75	4.03	27.62	31.33	E-0
23064900	Other residues of rape or colza seeds	45.25	27.65	35.63	98.41	97.71	94.55	E-0
23069017	Oil cake and meal of castor seeds expeller variety	17.02	10.50	4.63	2.15	0.05	0.55	E-8/SEN
23069027	Oil-cake and oil-cake meal of castor seeds solvent extracted (defatted) variety		11.02	28.20	31.00	46.93	45.03	E-8/SEN
Total of Top Exports		108.23	107.82	113.81	258.31	253.86	185.30	
Total Exports in the Chapter		110.02	109.32	117.08	267.19	256.77	188.93	
Share of Top Exports to Total Exports in the Chapter		98.40	98.63	97.20	96.70	98.90	98.08	

Source: DGCIS, Ministry of Commerce, GOI.

Chapter 84: Nuclear Reactors, boilers, machinery and mechanical appliances; parts thereof: Machinery and mechanical appliances including their parts and accessories are important export items from India globally, and their exports increased from about US$ 7 billion in 2009-10 to about US$ 13.8 billion in 2014-15. However, in the same period India's bilateral exports to Korea of these products increased only marginally from about US$ 110 million to about US$ 131 million. In fact, exports of these products fell in the period immediately following CEPA tariff liberalisation, and revived only in 2012-13. Given that bulk of the tariff lines negotiated under CEPA were liberalised in the year 2010 itself (Table A.1.14), it seems that tariff liberalisation under CEPA has generally not benefitted Indian exporters of products covered under this Chapter.

From Table A.1.15, it can be seen that India's major exports under Chapter 84 consists of mainly parts and accessories of machinery and mechanical appliances such as parts of diesel engines, gas compressors, water heaters, filtering and purifying machinery, valves, etc. It must be noted that consistent with the behaviour noted at the aggregate chapter level, product-wise exports of these items showed a decline in the period just after the CEPA implementation and showed a revival in 2012-13. However, a number of products such as vapour generating boiler, crank shafts, gears and gearing sets etc have not been able to penetrate the Korean market. On the other hand, India's exports of these products to other developed countries like US and UK have been substantial (US$ 2.5 billion and US$ 547 million respectively in 2014-15). US remains the main destination for India's exports under this chapter. Further, exports of products such as parts suitable for use with engines, taps, cocks, valves and similar appliances for pipes, transmission shafts and cranks to US, have been substantial (more than US$ 300 million) while India's exports of these products to Korea have only been US$ 15 million or less despite the CEPA tariff

concessions. It must be noted that India's exports of products such as parts suitable for use solely or principally with the engines (HS 8409) and machinery, plant/laboratory equipment, w/n electrically heated, for heating, cooking, etc (HS 8419) have come down substantially, while Korea's imports of these products from sources such as Germany, US, China and Japan continue to rise. It may be important for an organisation like EEPC to conduct a closer study on this phenomenon in collaboration with our exporters and examine if there are concerns relating to standards, perceptional aspects or other non tariff barriers.

An analysis was also conducted to identify the products under this chapter which are exported by India to other countries and are also imported by Korea from other sources with the threshold for both kept at US$ 50 millions. Products which fall under this category are Engines of varying cylinder capacity and their parts, parts of pumps and air conditioning machines, parts of machinery plant and similar laboratory equipment, parts of taps, cocks and valves, other ball/roller bearing parts. These products have potential to be exported to Korea but India faces competition from countries such as US, Japan and Germany.

Table A.1.14: Korea's Tariff Reduction Schedule* for HS Chapter 84

Chapter	Description	E-0	E-5	E-8	Total
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof.	758 (79.71)	177 (18.61)	16 (1.68)	951 (100.0)

Source: India-Korea CEPA legal text.

Note: *Figures indicate number of tariff lines with the percentage for each category in parenthesis.

Table A.1.15: India's Exports to Korea of Nuclear Reactors, Boilers, Machinery and Mechanical Appliances; Parts Thereof

HS Code	Description	Exports to Korea (in US$ million)					
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
8406	Steam turbines and other vapour turbines	1.41	1.53	1.35	1.70	1.78	1.23
8408	Compression-ignition internal combustion piston engines (diesel or semi-diesel engines)	4.21	1.07	0.12	3.88	8.54	15.28
8409	Parts suitable for use solely or principally with the engines of heading 8407 or 8408	28.47	34.17	28.57	16.83	18.43	12.60
8413	Pumps for liquids, whether or not fitted with a	4.17	4.23	3.29	2.63	4.02	4.12
8414	Air/vacuum pumps, air/ other gas compressors and fans; ventilating/recycling hoods incorporating a fan, w/n fitted with filters	2.46	3.17	6.72	9.64	9.29	12.87
8419	Machinery, plant/laboratory equipment, w/n electrically heated, for heating, cooking, etc, excl machinery for domestic purpose ;storage water heaters, non-electrical	29.87	6.85	4.68	5.27	7.56	5.84

Table A.1.15 continued...

Table A.1.15 continued...

8421	Centrifuges, including centrifugal dryers; filtering or purifying machinery and apparatus, for liquids or gases	4.43	7.07	8.23	7.42	6.55	7.82
8422	Dish washing machines; machinery for cleaning or drying bottles or other containers; machinery for filling	0.47	0.14	0.14	2.56	3.09	0.84
8431	Parts suitable for use solely/principally with the machinery of hdgs.nos.8425 to 8430	1.95	4.60	7.91	8.97	11.46	8.83
8474	Machinery for sorting, screening, separating, washing, crushing etc of mineral substances, in solid form machines for shipping mineral fuel and forming moulds	3.38	2.89	0.40	1.12	2.75	4.65
8479	Machines and mechanical appliances having individual functions, n.e.s.	0.74	1.62	3.14	1.24	4.50	4.30
8480	Moulding boxes for metal foundry; mould bases; moulding patterns; moulds for metal (other than ingot moulds), metal ca	0.98	1.22	1.27	3.30	1.99	2.49
8481	Taps, cocks, valves and similar appliances for pipes, boiler shells, tanks, vats or the like, including pressure-reducing	7.23	6.28	10.76	11.95	20.81	13.36
8482	Ball or roller bearings	1.86	2.30	3.09	3.56	4.06	3.60
8483	Transmission shafts and cranks; gears; ball screws; bearing housing and other plain shaft bearings speed changers incl torque converters fflywh	4.66	6.92	4.05	5.68	8.03	11.81
Total of Top fifteen Exports		96.29	84.06	83.72	85.75	112.86	109.6
Total Exports in the Chapter		109.83	93.45	98.17	103.70	123.76	131.1
Share of Top Exports to Total Exports in the Chapter		87.67	89.95	85.28	82.69	91.19	83.64

Source: DGCIS, Ministry of Commerce, GOI.

Chapter 12: Oil seeds and Oleaginous Fruits; Miscellaneous Grains, Seeds and Fruit; Industrial or Medicinal Plants; Straw and Fodder: India's exports of oil seeds and miscellaneous grains increased steadily from US$ 44 million in 2009-10 to US$ 111 million in 2014-15 accounting for a share of 2.42 per cent of India's total bilateral exports to Korea in 2014-15.

It can be seen from Table A.1.16 that Korea's tariff reduction commitment under this Chapter is fairly restrictive. More than 26 per cent of tariff lines covered under this chapter are totally excluded from tariff liberalisation.

Sesame seeds and flours and meals of soybean are India's major exports to Korea under this chapter (see Table A.1.17). The exports of both these products have increased consistently in the post CEPA period. However, while duties have been reduced on flours and meals of soybean, sesame seeds do not enjoy any preferential tariff. In fact, Korea applies specific duties on the import of sesame seeds with the applied duty rate being 630 per cent or 6,660 won/kg whichever is greater. However, certain quota allottees are allowed to import limited quantities to stabilise domestic prices at a 40 per cent rate which is how suppliers from India are entering the market. It is however learnt from IISK study[2] that there are several processed sesame products (for example, 120890 which is roasted and crushed sesame for oil extract) which are being imported from China at 45 per cent duty. The IISK study feels there could be an assurance of greater market access if India and Korea could collaborate in setting up food processing industries that could also produce value added sesame (and other) products.

Table A.1.16: Korea's Tariff Reduction Schedule* for HS Chapter 12

Chapter	Description	E-0	E-5	E-8	EXC	RED	SEN	Total
12	Oil seeds and Oleaginous Fruits; Miscellaneous Grains, Seeds and Fruit; Industrial or Medicinal Plants; Straw and Fodder	20 (24.4)	13 (15.9)	15 (18.3)	22 (26.8)	4 (4.9)	8 (9.8)	8 (100)

Source: India-Korea CEPA legal text.

Note: *Figures indicate number of tariff lines with the percentage for each category in parenthesis.

Table A.1.17: India's Exports to Korea of Oil Seeds, etc

HS Code	Description	Exports to Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
12010090	*Other soya beans w/n broken		0.02	0.01	4.07	2.03		EXC
12074010	Sesame seeds w/n broken of seed quality	15.30	9.62	1.50	3.14	0.93	8.46	EXC
12074090	Other Sesame seeds w/n broken	25.07	56.73	63.57	69.16	68.17	64.71	EXC
12081000	Flours and meals of soya beans	1.51	1.16	4.89	8.00	20.45	27.04	E-8
12119032	Psyllium husk (isobgul husk)	1.36	1.29	1.41	1.60	1.54	1.79	EXC
Total of Top Exports		43.24	68.82	71.38	85.97	93.12	102.00	
Total Exports in the Chapter		44.41	69.94	72.24	88.20	95.48	111.28	
Share of Top Exports to Total Exports in the Chapter		97.37	98.40	98.81	97.47	97.53	91.66	

Source: DGCIS, Ministry of Commerce, GOI.

Chapter 90: Optical, Photographic, Cinematographic Measuring, Checking Precision, Medical or Surgical Instruments and Apparatus Parts and Accessories Thereof: India's exports of Optical, photographic and medical instruments to Korea has shown a sharp increase in 2014-15. The exports of these products showed a moderate increase from US$10 million in 2009-10 to US$ 32 million in 2013-14, but exhibited a sharp surge to US$ 92 million in 2014-15. The share of this chapter in India's total bilateral exports has risen to 2 per cent in 2014-15.

As for tariff reduction, tariffs on about 263 tariff lines accounting for 75 per cent share were eliminated in 2010 itself, while tariffs on another 55 tariff lines were eliminated by 2014. Tariffs on the remaining 32 tariff lines will be eliminated by 2017 (see Table A.1.18).

The main item which has shown a sharp surge in our exports under this Chapter (see Table A.1.19) is Electronic Automatic Regulators (controllers) which were negligible in 2010-11 but have since risen to US$ 75 million in 2014-15. In fact even though the total imports of this product in Korea declined in 2014, imports from India increased substantially from US$ 4 million in 2013 to US$ 53 million in 2014. On the other hand, imports from other significant exporters such as Singapore, China, Germany and Japan have either stagnated or declined in the same period. Depending on availability, there still exists a huge potential market in Korea which imported about US$ 681 million in 2014 from all sources. This is also important since India has a significant tariff advantage with the current MFN tariff on the product being 8 per cent.

Table A.1.18: Korea's Tariff Reduction Schedule* for HS Chapter 90

Chapter	Description	E-0	E-5	E-8	Total
90	Optical, photographic, cinematographic measuring, checking precision, medical or surgical instruments and apparatus parts and accessories thereof:	263 75.14	55 15.71	32 9.14	350 100.00

Source: India-Korea CEPA legal text.

Note: *Figures indicate number of tariff lines with the percentage for each category in parenthesis.

Table A.1.19: India's Exports to Korea of Optical, Medical and Other Instruments

HS Code	Description	Exports to Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
90183100	Syringes, w/n with needles	0.10	0.13	0.02		0.44	1.88	E-5
90221490	Other x-ray machines for medicinal uses	2.07	1.20	2.14	5.66	3.92	1.62	
90289010	Parts and accessories of electricity meter					3.88	5.21	E-0
90318000	Other measuring and checking instruments, appliances and machines	0.54	0.70	2.70	0.70	0.76	1.19	E-5
90328910	Electronic automatic regulators(controllers)		0.04	0.04	0.74	15.03	73.77	E-5
90329000	Parts and accessories of instruments of 9032	0.49	0.65	0.52	0.30	0.25	1.12	E-8
Total of Top Exports		3.20	2.72	5.42	7.40	24.28	84.79	
Total Exports in the Chapter		10.81	11.57	17.31	13.32	32.08	92.65	
Share of Top Exports to Total Exports in the Chapter		29.60	23.51	31.31	55.56	75.69	91.52	

Source: DGCIS, Ministry of Commerce, GOI.

Chapter 85: Electrical Machinery and Equipment: Electrical machinery and equipment accounted for about 1 per cent of India's total export to Korea in 2009-10 which increased to about 1.79 per cent in 2014-15. However, India's exports of electrical machinery and equipment have shown some variation in the period increasing from US$ 36 million in 2009-10 to US$ 68.7 million in 2011-12 and declined to US$ 56.1 million in 2012-13 after which there has been an upward trend reaching US$ 82.30 million in 2014-15. On the other hand, India's global exports of these products in the same period increased steadily between 2009-10 to 2011-12 and declined in the period thereafter. India's global exports of these products stood at about US$ 8 billion in 2014-15 while India's exports to Korea have been rather limited.

Out of a total of 579 tariff lines at 8-digit level, tariffs were eliminated on 567 tariff lines by 2014. For another 11 tariff lines, the tariffs would be liberalised by 2017 (see Table A.1.20).

India's major exports to Korea under this chapter (see Table A.1.21) are electrodes for furnaces, electric switches, SIM cards, ignition coils etc. which have shown some increase in the post CEPA period which corresponds closely with the elimination of tariff on these items. Noteworthy here is also the sharp increase in exports of Mounted piezo-electric crystals during the last two years. Exports of certain other products under the chapter such as transformers and plastic insulated conductors show some surge in certain years.

However, India has not been able to penetrate the Korean market for many products under this chapter, which is very large and growing and stood at about US$ 75 billion in 2014. Korea's major imports under this category are electronic integrated circuits and Telephone sets, including telephones for cellular networks which are sourced primarily from China, Japan and Taiwan. It must also be mentioned that India is a significant exporter of products under this chapter to other developed countries. US was in fact the top most destination of India's exports under this chapter with exports worth US$ 1.2 billion in 2014-15, followed by UAE, Germany and UK. Korea on the other hand was at the 28th position. India's exports of products such as parts of telephonic/ telegraphic apparatus (US$ 34.58 million), Printed circuits (US$ 32.08 million), other electronic apparatus (US$ 30.61million), parts and accessories of electrical apparatus etc and electrodes of furnaces (US$ 71.57 million) are significant exports to US. However despite the CEPA concessions, India's exports of these products to Korea have been very limited.

Items which have a potential for further exports to Korea are identified as parts of generators(AC/DC) and electric generating sets and rotary converters, other electrical apparatus for switching or protecting electrical circuits, ignition wiring sets and other wiring sets of a kind used in vehicles aircraft/ships and electrodes used for furnaces.

Table A.1.20: Korea's Tariff Reduction Schedule* for HS Chapter 85

Chapter	Description	E-0	E-5	E-8	SEN	Total
85	Electrical Machinery and Equipment	440 (75.9)	127 (21.93)	11 (1.90)	1 (0.17)	579 (100.0)

Source: India-Korea CEPA legal text.

Note: *Figures indicate number of tariff lines with the percentage for each category in parenthesis.

Table A.1.21: India's Exports to Korea of Electrical Machinery and Equipment

HS Code	Description	Exports to Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
85030010	Parts of generators(ac/dc)		0.04	0.01			2.29	
85043400	Other transformers having a power handling capacity exceeding 500 KVA		0.31			3.48	0	E-0
85044090	Others	0.08	0.12		0.03	0.36	3.88	
85113020	Ignition coils	0.04	0.19	0.7	1.33	1.17	1.76	E-0
85171290	Other	0.1	0.12	4.76	0.53	0.23	2.7	
85176990	Other apparatus ,for carrier/digital line system	0.22	0.03	0.17	0.32	1.11	0.14	E-0
85177090	Other parts of telephonic/ telegraphic apparatus	2.41	3.91	4.45	3.5	3.37	2.95	E-0
85235210	Sim cards	0.02	0.01	0.08	0.5	1.83	0.39	E-0
85235290	Other	2.89	0.12	1.04	2.37	1.02	2.06	E-0
85299090	Other parts for other use	1.01	0.5	1.66	1.09	0.57	1.89	
85365090	Other switches	0.25	0.25	0.62	3.93	4.04	3.46	E-5
85369090	Other	1.64	1.39	1.18	1.06	0.83	1.46	E-8
85371000	Boards etc for a voltage<=1000 volts	0.15	0.18	0.11	0.3	0.49	10.05	
85389000	Other parts of hdg 8538	0.81	2.95	1.65	1.23	1.13	0.67	
85392120	Other halogen lamps for automobiles	1.24	1.93	1.49	2.64	0.5	0.3	
85416000	Mounted piezo-electric crystals		0.04		0.62	7.1	12.37	E-0
85423100	Monolithic integrated circuits - digital	0.7	0.08	0.23	0.04	0.41	2.27	
85444992	Plastic insulated conductors for voltage <= 80 not fitted with connectors		0.7	6.38	3.08	2.38	0.97	E-0
85451100	Electrodes of a kind used for furnaces	9.53	9.5	16.01	13.5	19.57	15.2	E-0
Total of Top Exports		21.09	22.37	40.54	36.07	49.59	64.81	
Total Exports in the Chapter		36	36.99	68.7	56.1	68.92	82.3	
Share of Top Exports to Total Exports in the Chapter		58.58	60.48	59.01	64.30	71.95	78.75	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

Chapter 79: Zinc and Articles thereof: India's exports of zinc and zinc articles to Korea have shown an unsteady trend in the post CEPA period. After registering a sharp increase in the year 2010-11 to reach a figure of US$ 147 million, the exports of these products decreased to US$ 53 million in 2013-14. This was lower than the level of exports of these products prior to the implementation of the CEPA. However, there has been a revival in the year 2014-15 with exports increasing to US$ 81 million. India's global exports of zinc and zinc articles have more or less exhibited the same trend.

Table A.1.22 summarises Korea's commitment under the CEPA for zinc and zinc articles. Tariffs on all the products in this sector were completely eliminated by 2014.

Bulk of the exports under this chapter comprise non-alloyed zinc (see Table A.1.23). Their exports increased from about US$ 63 million in 2009-10 to about US$ 147 million in 2010-11 probably because of tariff elimination on this product in 2010. However, in the year 2013-14 exports fell substantially to US$ 53 million. There has been some recovery in 2014-15 when exports rose to US$ 81 million. It seems that the export trend of this product is determined more by domestic supply conditions and mirror the trend in India's global exports of this item.

Another noteworthy factor is that while Korea's total imports of Zinc from all sources have also declined during this period, there is a steady increase of Korean imports of Zinc from Peru that entered into an FTA with Korea in 2011 providing for zero duty for this item.

Table A.1.22: Korea's Tariff Reduction Schedule* for HS Chapter 79

Chapter	Description	E-0	E-5	Total
79	Zinc and articles thereof.	16 (88.89)	2 (11.11)	18 (100.0)

Source: India-Korea CEPA legal text.

Note: *Figures indicate number of tariff lines with the percentage for each category in parenthesis.

Table A.1.23: India's Exports to Korea of Zinc Items

HS Code	Description	Exports to Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
79011100	Zinc, not alloyed, containing by wt>=99.99 per cent zinc	63.70	147.18	100.51	91.24	53.12	81.31	E-0
Total of Top exports in the Chapter		63.70	147.18	100.51	91.24	53.12	81.31	
Total Exports in the Chapter		64.04	147.18	100.75	91.24	53.17	81.31	
Share of Top Export to Total Export in the Chapter		99.47	100.00	99.76	100.00	99.91	100.00	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

Chapter 32: Tanning or dyeing extracts; Tannins and their Derivatives; Dyes, Pigments and other Colouring Matter; Paints and Varnishes; Putty and other Mastics; inks: India's exports of dyes and inks to Korea have shown a modest increase in the post CEPA period. They increased from US$ 49.05 million in 2009-10 to US $ 71.93 million in 2014-15, with the bulk of the increase taking place after 2012-13. A similar trend was observed in India's global exports of these products.

Table A.1.24 summarises Korea's tariff reduction commitments under this category. By 2014, tariffs on almost 90 per cent of the tariff lines covered under the Chapter have been completely eliminated. The base rate on these products ranged between 6.5 to 8 per cent and with average MFN tariff still at that level (2014), India has a marked preferential access for these products. Further, for the products under the staging category E-8, the average preferential tariff in 2014 was around 3 per cent.

It can be seen from Table A.1.25 that India's major exports under this category consists of reactive dyes of different colors with blue dyes being exported the most. Furthermore, the exports of these products have shown some surge in 2013-14 which corresponds with the elimination of tariffs on these products in 2014. Pigments and preparations thereof are other important export items to Korea, with the exports of blue pigment being the most significant export in this category. Korea's imports of these products have risen steadily in the last few years and stood at US$ 2.6 billion in 2014 with most of these imports coming from Japan and China.

With tariffs on most of these items eliminated in 2014, the exports of these products from India appear to have good scope for expansion.

Table A.1.24: Korea's Tariff Reduction Schedule* for HS Chapter 32

Chapter	Description	E-0	E-5	E-8	Total
32	Tanning or dyeing extracts; Tannins and their Derivatives; Dyes, Pigments and other Colouring Matter; Paints and Varnishes; Putty and other Mastics; inks:	65 (66.33)	24 (24.49)	9 (9.18)	98 (100.0)

Source: India-Korea CEPA legal text.

Note: *Figures indicate number of tariff lines with the percentage for each category in parenthesis.

Table A.1.25: India's Exports to Korea of Dyes and Pigments

HS Code	Description	Exports to Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
32021000	Synthetic organic tanning substances	1.76	2.14	1.91	1.68	1.66	1.91	E-8
32041139	Other disperse red	0.09	0.09	0.15	0.09	0.19	1.4	E-5
32041159	Other disperse blue	0.17	0.35	0.37	0.35	0.47	2.49	E-5
32041196	Disperse black mixture	0.14	0.17	0.11	0.06	0.27	1.42	E-5
32041215	Acid blues(azo)	0.29	0.44	0.29	0.33	0.37	1.13	E-5
32041218	Acid blacks(azo)	4.46	2.71	0.92	1.89	5.87	4.06	E-5
32041650	Reactive blues	5.4	7.43	5.11	8.41	11.27	5.33	E-5
32041680	Reactive blacks	4.97	3.49	3.24	2.42	5.33	3.79	E-5
32041739	Others pigment red	0.29	0.48	0.74	1.3	0.76	0.84	E-5
32041751	Pigment blue 15 (pathalocyanine blue)	14.74	12.24	14.2	13.06	11.39	15.16	E-5
32041759	Others pigment blue	1.21	1.01	0.65	2.91	3.59	5.62	E-5
32041761	Pigment green 7 (pathalovyanine green)	3.94	4.65	5.98	5.66	6.78	8.29	E-5
32042010	0ptical whitening agents	0.84	1.07	0.21	0.12	0.07	1.07	E-5
32064100	Ultramarin and preparations based thereon	0.85	0.6	1.88	2.68	1.58	1.78	E-8
Total of Top Exports		39.15	36.87	35.76	40.96	49.6	54.29	
Total Exports in Chapter 32		49.05	48.96	48.64	50.13	64.38	71.93	
Share of Top Exports to Total Export in the Chapter		79.82	75.31	73.52	81.71	77.04	75.48	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

Chapter 26: Ores, Slag and Ash: Though figuring in the list of India's top exports to Korea, the share of ores, slag and ash in India's bilateral trade with Korea has come down substantially in recent years. From US$ 159 million in 2009-10, exports of these products have come down to US$ 61 million in 2014-15. It must be noted that these products accounted for almost 40 per cent of India's exports to Korea in 1990, hence indicating that there has been a marked shift in the trade pattern of the two countries. The trend in bilateral exports of these products closely mirrors the trend in the global exports of these products by India which have come down from US$ 6651 million in 2009-10 to US$ 993 million in 2014-15, following the ban by Supreme Court on exports of many iron ore categories[3]. Korea's applied tariffs on these products before the implementation of the CEPA ranged between 1 to 2 per cent which was completely eliminated in 2010 according to Korea's tariff reduction commitment in the CEPA (Table A.1.26). However tariffs do not appear to have had any impact on the fall in exports of these products.

It can be seen from Table A.1.27 that even ash and residues from aluminium and other metals were important and significant exports from India prior to the implementation of the CEPA. However in recent years exports of these products have also declined significantly even though tariffs on these products were eliminated completely. The fall in exports of these commodities can however be explained by supply side constraints as evident from a significant fall in India's global exports of these products in the same period as well.

Table A.1.26: Korea's Tariff Reduction Schedule* for HS Chapter 26

Chapter	Description	E-0	Total
26	Ores, Slag and Ash	55 (100.0)	55 (100.0)

Source: India-Korea CEPA legal text.

Note: *Figures indicate number of tariff lines with the percentage for each category in parenthesis.

Table A.1.27: India's Exports to Korea of Ores, Slag and Ash

HS Code	Description	Exports to Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
26011120	*Non-agglomerated iron ore lumps (below 60 per cent Fe, including black iron ore containing upto 10 per cent mn)		4.10	10.72				E-0
26011130	*Non-agglomerated iron ore fines (62 per cent Fe and above)	21.47	27.9		13.98			
26011131	62 per cent fe or more but below 65 per cent fe					33.32	6.51	
26011139	65 per cent fe and above					16.48	37.25	
26011140	*Non-agglomerated iron ore fines (below 62 per cent fe)	39.69	52.9	87.5				

Table A.1.27 continued...

Table A.1.27 continued...

26080000	Zinc ores and concentrates				15.5	6.86		E-0
26100040	Chrome ore friable and concentrates fixes cntng 47 per cent cr2o3 and above	8.50					2.46	
26140010	Ilmenite unprocessed	2.42	4.42	13.2	13.5	3.35	6.61	E-0
26203090	Other ash and residues containing mainly copper	40.18						
26204090	Other ash and residues containing mainly aluminum	15.36					0.20	
26209100	Containing antimony, reryllium, cadmium, chromiumor their mixtures					2.07	2.27	E-0
26209900	All other ash and residues (except from iron and steel) containing metals and their comp	28.58			0.06			E-0
Total of Top Exports		156.2	89.3	111.5	43.1	62.08	55.30	
Total Exports in the Chapter		159.3	93.9	112.	44.7	63.46	61.69	
Share of Top Export to Total Export in the Chapter		98.08	95.1	99.3	96.5	97.83	89.64	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

Chapter 54: Man-made filaments: India's exports of man-made filaments to Korea have risen from US$ 2 million in 2009-10 to US$ 57 million in 2014-15 (see Table A.1.29). It must be noted however that while India supplied only about US $ 57 million worth of these products to Korea, Korea's imports of these products stand at about US$ 1 billion in 2014 sourced mainly from China, Japan and US.

Given that all the tariff lines under this Chapter were liberalised by 2014 (see Table A.1.28), and with MFN tariffs close to about 8 per cent, India was granted a substantial preference in this product category. India's major export to Korea under this category is polyester textured yarn. However, compared to India's overall global exports of this product which stood at US$ 758 million in 2014-15, its exports to Korea have been fairly limited.

Table A.1.28: Korea's Tariff Reduction Schedule* for HS Chapter 54

Chapter	Description	E-0	E-5	Total
54	Man Made Filaments	95 (76.61)	29 (23.39)	124 (100.0)

Source: India-Korea CEPA legal text.

Note: *Figures indicate number of tariff lines with the percentage for each category in parenthesis.

Table A.1.29: India's Exports to Korea of Man-Made Filaments

HS Code	Description	Exports to Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
54023300	Textured yarn of polyesters	0.29	11.09	14.88	7.30	19.69	45.12	E-5
54024600	Yarn of polyester, partly ornitted, untwisted or with a twist <= 50 turns per meter, single		0.23	0.21	0.59	11.66	10.81	E-0
54024700	Yarn of other polyester , single untwisted/a twist<=50 turns per meter	0.02		0.33		1.03	0.55	E-0
Total of Top Exports		0.31	11.32	15.42	7.89	32.38	56.48	
Total Exports in the Chapter		2.00	12.77	17.55	9.11	33.48	57.44	
Share of Top Export to Total Export in the Chapter		15.50	88.65	87.86	86.61	96.71	98.33	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

Chapter 73: Articles of Iron and Steel: Exports of iron and steel articles from India increased in the post-CEPA period from US$ 20 million in 2009-10 to US$ 56 million in 2012-13 and fell in the year thereafter to US$ 45 million in 2013-14 closely mirroring the trend in India's global exports of these products. The exports of these items have recovered in 2014-15 increasing to US$ 56 million. There has also been an increase in Korea's overall imports of these products.

It can be seen from Table A.1.30 that out of a total of 171 tariff lines, Korea fully eliminated tariffs on 163 items by 2014 while tariffs on 8 tariff lines would be eliminated by 2017. Korea's applied MFN tariffs on all the tariff lines under the category E-8 is 8 per cent while the CEPA tariff is 2 per cent in 2015. However, tariffs for Korea's other FTA partners stand eliminated.

Table A.1.31 gives India's top exports to Korea in the post-CEPA implementation period which are mostly pipes and tubes of stainless steel and welded circular cross section made from non-alloy steel tube and pipes which have shown a surge in the post CEPA period. Even though Korea remains India's top most destination for the exports of this product, Korea's top two import sources for this product are China and Japan followed by India at the third position.

Further given that India's exports of these products are close to US$ 7.6 billion and its markets include, US, UAE and Saudi Arabia, it seems that India has not been able to fully utilise the CEPA preferences. This is particularly relevant since Korea imports about US$ 8 billion iron and steel products from countries such as China, US and Japan while its imports from India are minimal.

Table A.1.30: Korea's Tariff Reduction Schedule* for HS Chapter 73

Chapter	Description	E-0	E-5	E-8	Total
73	Articles of iron or steel	120 (70.18)	43 (25.15)	8 (4.68)	171 (100.00)

Source: India-Korea CEPA legal text.

Note: *Figures indicate number of tariff lines with the percentage for each category in parenthesis.

Table A.1.31: India's Exports to Korea of Articles of Iron and Steel

HS Code	Description	Exports to Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
73041110	Tubes and pipes	0.24	2	3.89	0.49		0.07	
73041910	Iron pipes for oil/gas pipelines	0.93	11.53	7.18	0.41	1.77	3.46	
73044100	Other tubes, pipe and holo profile of circular cross-section of stainless steel, cold drawn or cold rolled	0.43	0.87	2.25	4.1	9.27	19.86	E-0
73045910	Tubs/pips etc of circular cross-section with outer diameter upto 114.3 mm,not cold rolled	0.09	0.05	7.61	25.35	0.14	0	
73049000	Other seamless tubes/ pipes and hollow profiles	5.88	1.64	3.11	2.14		0	E-0
73063090	Other,welded,of circular cross-section, made up of of non-ally steel tube/ pipes					10.76	3.89	
73064000	Other, welded, of circular cross-section, of stainless steel tubes/pipes	0.57		4.34	6.37	2.85	1.83	
73069090	Other tubes, pipes etc. of iron/steel n.e.s.			0.01		0.16	6.22	E-0
73072100	Flanges of stainless steel	1.01	1.02	1.05	2.69	3.48	5.2	E-5
73102990	Others	0.09	0.08	0.21	1.33	1.1	0.42	
73110010	Liquefied petroleum gas (l.p.g.)cylinder				0.37	3.43	1.92	E-0
73239390	Other household article of stainless steel n.e.s	0.46	0.3	0.34	0.91	1.82	2.47	
73251000	Other articles of non-malleable cast iron	2.23	2.3	7.61	5.25	4.14	3.72	E-5
73261990	Others of other articles of forged or stamped but not further worked	0.84	0.09	0.12	0.55	0.04	0.82	
Total of Top Exports		12.77	19.88	37.72	49.96	38.96	49.88	
Total Exports in the Chapter		20.2	29.92	52.26	56.38	44.56	56.61	
Share of Top Export to Total Export in the Chapter		63.22	66.44	72.18	88.61	87.43	88.11	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

Chapter 41: Raw Hides and Skins (Other than Furskins) and Leather: Exports of Raw hides, skins and leather to Korea have increased steadily from US$ 28 million in 2009-10 to US$ 54.2 million in 2014-15 increasing its share in India's exports to 1.18 per cent.

Table A.1.32 shows that Korea agreed to bring down tariffs on almost 85 per cent of the tariff lines under this Chapter from about 2 to 5 per cent to zero by 2014. Tariffs on the remaining 15 per cent of the tariff lines with base rate of about 5 per cent would be eliminated by 2017.

It can be seen from Table A.1.33 that India's major exports under this section consists of tanned and prepared leather, and exports of these products have witnessed an increase particularly of goat skin leather, corresponding closely with the tariff liberalisation. There is considerable potential of further increasing exports of certain products under this Chapter. For example, Korea's imports of leather further prepared after tanning/crust leather of sheep/lamb is substantial (US$ 57 million in 2014). Italy remains the major source of imports amounting to US$ 39 million in 2014 followed by India. Hence, there is a scope for India to increase the exports of this product considering the increase in its global exports of this product.

Table A.1.32: Korea's Tariff Reduction Schedule* for HS Chapter 41

Chapter	Description	E-0	E-5	E-8	Total
41	Raw hides and skins (other than furskins) and leather	26 (53.06)	16 (32.65)	7 (14.29)	49 (100.0)

Source: India-Korea CEPA legal text.

Note: *Figures indicate number of tariff lines with the percentage for each category in parenthesis.

Table A.1.33: India's Exports to Korea of Raw Hides and Skins and Leather

HS Code	Description	Exports to Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
41071100	Leather further of bovine full grains-unsplit of whole hides/skins	3.49	3.34	4.15	4.27	5.29	6.24	E-0
41071900	Other whole hides/skins	1.95	2.8	3.1	6.46	11.13	13.28	E-5
41079900	Other/hides/skins including sides	0.86	0.91	2.06	0.98	4.26	5.50	E-5
41120000	Leather further prepared after tanning/crust leather of sheep/lamb without wool w.o.n. split	8.13	8.15	7.17	8.33	7.89	4.79	E-5
41131000	Leather further of goats/kids	12.22	13.74	16.29	18.43	18.97	17.84	E-8
Total of Top Exports		26.65	28.94	32.77	38.47	47.54	47.65	
Total Exports in the Chapter		28.24	29.42	35.76	42.52	50.79	54.2	
Share of Top Export to Total Export in the Chapter		94.37	98.37	91.64	90.48	93.6	87.92	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

Chapter 78: Lead and Articles thereof: Korea accounted for almost 35 per cent of India's total exports of lead in 2009-10 which increased to about 45 per cent in 2013-14. Even though the exports of lead and lead articles showed a steady increase in the period 2009-10 to 2013-14, increasing from US$ 42 million to US$ 87 million, there has been a sharp decline in the year 2014-15 to US$ 52 million. As for tariffs, these have been fully eliminated for all products under this chapter by 2014 (see Table A.1.34).

It can be seen from Table A.1.35 that refined lead forms the single most important item in this chapter for export to Korea from India. The MFN tariff on this product is 3 per cent in 2015 while tariffs have been eliminated for India under the CEPA. However, the export of this item has declined substantially in 2014-15 to US$ 29.57 million. On the other hand, Korea's global imports have increased by US$ 10 million between 2013 to 2014. Vietnam remains the main source of imports for this item, followed by India. The fall in exports could partly be attributed to supply side constraints, since India's global exports of refined lead also declined during this period from US$ 130 million to US$ 116 million. Another factor behind this decline could be increasing exports of lead from UAE. Korea's import of refined lead from UAE is steadily increasing in 2015[4] and it is set to overtake both Vietnam and India and become the largest supplier of refined lead to Korea.

Table A.1.34: Korea's Tariff Reduction Schedule* for HS Chapter 48

Chapter	Description	E-0	E-5	Total
78	Lead and articles thereof.	18 (94.74)	1 (5.26)	19 (100.0)

Source: India-Korea CEPA legal text.

Note: *Figures indicate number of tariff lines with the percentage for each category in parenthesis.

Table A.1.35: India's Exports to Korea of Lead and Articles Thereof

HS Code	Description	Exports to Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
78011000	Refined lead	20.99	48.72	58.37	35.39	61.29	29.57	E-0
78019100	Other unwrought lead containing by weight antimony as the principal other element		2.83	19.55	13.70	18.33	12.74	E-0
78019990	Other unrefined lead and lead alloys n.e.s	20.15	2.40	5.61	2.69	6.65	9.94	E-0
Total of top exports under the Chapter		41.14	53.95	83.53	51.78	86.27	52.25	
Total Exports from the Chapter		42.03	53.95	83.71	51.81	87.12	53.80	
Share of Top exports in Total exports under the Chapter		97.88	100.00	99.78	99.94	99.02	97.12	

Source: DGCIS, Ministry of Commerce, GOI.

Chapter 38: Miscellaneous Chemical Products: India's exports of miscellaneous chemical products to Korea have steadily increased from US$ 36 million in 2009-10 to US$ 53 million in 2014-15. Out of a total of 156 tariff lines, tariffs on 138 were eliminated by 2010, on four tariff lines by 2014 and tariffs on 4 tariff lines would be eliminated by 2017 (see Table A.1.36).

India's major exports to Korea under this category are pesticides, insecticides, activated carbon and industrial fatty alcohol (see Table A.1.37). Other exports under this category have also shown some increase in recent period. Given that Korea's imports of these items total about US$ 1.6 billion in 2014, there is considerable scope for export of these items to Korea. This is especially true for products such as activated carbon, other industrial monocarboxylic fatty acid, other industrial fatty alcohol and other chemical products n.e.s. where India's global exports are close to or more than US$ 100 million in 2014-15.

Table A.1.36: Korea's Tariff Reduction Schedule* for HS Chapter 38

Chapter	Description	E-0	E-5	E-8	Total
38	Miscellaneous chemical products	138 88.46	14 8.97	4 2.56	156 100.00

Source: India-Korea CEPA legal text.

Note: *Figures indicate number of tariff lines with the percentage for each category in parenthesis.

Table A.1.37: India's Exports to Korea of Miscellaneous Chemical Products

HS Code	Description	Exports to Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
38021000	Activated carbon	0.54	0.62	3.01	3.77	3.84	4.92	E-0
38089199	Other insecticide nes	3.75	2.58	7.8	9.23	12.18	5.12	
38089290	Others fungicide nes	1.84	0.33	0.9	0.76	1.2	4.55	
38089390	Other herbicides-anti-sprouting products	0.93	1.16	1.17	0.98	1.02	2.02	
38089910	Pesticides, not elsewhere specified or inc	0.35	4.32	4.13	1.97	2.85	7.51	
38089990	Other similar products n.e.s.	1.5	1.1	0.8	2.54	1.61	1.93	
38119000	Other prepared additives anti-corrosive preparations and other prepared additives	1.85	0.61	0.97	1.74	2.68	4.93	E-0
38151100	Supported catalysts with nickel/nickel compounds	0.09	0.1	1.25	1.55	1.63	1.68	E-0
38231200	Oleic acid	0.12	1.29	0.75	0.46	2.59	1.83	E-5
38231900	Other industrial monocarboxylic fatty acid	13.65	7.41	9.1	0.85	0.9	2.82	

Table A.1.37 continued...

Table A.1.37 continued...

38237090	Other industrial fatty alcohol	1.09	3.02	2.03	4.65	9.71	5.67	E-0
38249090	Other chemical products nes.	0.57	1.01	0.78	2.06	1.65	2.67	E-0
Total of top exports under the Chapter		26.28	23.55	32.69	30.56	41.86	45.65	
Total Exports from the Chapter		36.86	31.94	40.72	50.74	48.28	53.72	
Share of Top exports in Total exports under the Chapter		71.30	73.73	80.28	60.23	86.70	84.98	

Source: DGCIS, Ministry of Commerce, GOI.

Chapter 71: Natural or Cultured Pearls, Precious or Semi-precious Stones, Precious Metals, Clad with Precious Metal and articles thereof; Imitation Jewellery; Coin: Amongst India's top export items to Korea in the pre-CEPA period were natural pearls, precious metals and stones and imitation jewellery. India's exports to Korea under this chapter increased significantly during the period 2006-07 to 2007-08 reaching a level of US$ 120-130 million. They further rose to about US$ 160 million in 2011-12 but experienced a sharp decline with exports amounting to only US$ 45 million in the year 2014-15 (see Table A.1.39).

Table A.1.38 summarises Korea's offer to India on this section. While tariffs on about 90 per cent of the tariff lines were eliminated by 2014, tariffs on the remaining 10 per cent lines will be eliminated by 2017. MFN tariffs range from 3 to 8 per cent.

India's exports of cut and polished diamonds to ROK are currently restrained by two factors. One is a 26 per cent luxury tax imposed by Korean government on jewellery[5] that has apparently shifted trade in this item to grey markets. Secondly, the minimum 35 per cent value addition for cut and polished diamonds as per CEPA Rules of Origin virtually rules out this item being able to avail of zero duty in force since 2010 (MFN duty is 5 per cent). Possibilities of doing away or of reducing the luxury tax could be explored with the Korean side. On a change in ROO again it will have to be seen if the Korean side will agree to it.

It can be seen from Table A.1.39 that apart from diamonds, waste and scrap of silver and gold, featured significantly in India's major exports to Korea in 2009-10 but have seen a major decline since then. However, the fall in the exports of these products could be a result of supply side constraints as India's global exports of these products have also declined in recent years.

Table A.1.38: Korea's Tariff Reduction Schedule* for HS Chapter 71

Chapter	Description	E-0	E-5	E-8	Total
71	Natural or Cultured Pearls, Precious or Semi-precious Stones, Precious Metals, Clad with Precious Metal and articles thereof; Imitation Jewellery; Coin:	71 (69.6)	20 (19.6)	11 (10.8)	102 (100.0)

Source:Source: India-Korea CEPA legal text.

Note: *Figures indicate number of tariff lines with the percentage for each category in parenthesis.

Table A.1.39: India's Exports to Korea of Gems and Jewellery

HS Code	Description	Exports to Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
71023910	Diamond (other than industrial diamond) cut or otherwise worked but not mounted or set	23.66	37.24	43.29	35.39	36.97	42.15	E-8
71081200	Other non-monetary unwrought forms of gold			10.66				E-0
71129910	Waste and scrap of silver including metal clad with silver but excl sweepings containing other precious metals					5.99	2.06	E-0
71129920	Sweeping containing gold and silver			106.27				E-0
71129990	Other waste and scrap of other precious metals n.e.s.	105.58	93.19		32.79		0.95	E-0
Total of Top Exports		129.24	130.43	160.22	68.18	42.96	45.16	
Total Exports in the Chapter		131.26	131.95	162.40	69.00	43.43	45.92	
Share of Top Export to Total Export in the Chapter		98.46	98.85	98.66	98.81	98.92	98.34	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

Chapter 39: Plastic and Articles Thereof: India's exports of plastics and articles of plastics to Korea has increased in recent years from US$ 11 million in 2009-10 to US$ 44 million in 2013-14 corresponding closely with the Korea's demand for these products which has been increasing in recent years and stood at about US$ 10 billion in 2014. However there is a slight decline in India's exports of these products in the years 2014-15 to US$ 40 million. India's global exports of these products has been increasing in the same period and stood at about US$ 5 billion in 2014-15.

Table A.1.40 shows Korea's tariff reduction commitments for these products under CEPA. Out of the 198, 8-digit tariff lines, Korea liberalised tariffs on 177 by 2010, on another 18 by 2014 and the tariffs on the rest of the 3 tariff lines would be eliminated by 2017.

Table A.1.41 lists down India's major exports to Korea under plastic and plastic articles. Polypropylene and Alkyl phenol-formaldehyde resins are important export items under this category.

It must be noted that even though India's exports of these products to Korea have increased in recent years there still exists a huge potential for further gains in this area. Korea's imports of plastics stand at roughly about US$ 10 billion which are sourced mostly from Japan, China and US. Despite liberal tariff cuts offered by the Korean side, Indian exporters have not been able to penetrate the Korean market. Compared to India's global exports of plastic products, exports to Korea have been fairly limited. There are a few items which India could export to Korea (given that India is exporting these items to other developed

countries and these products are also being imported by Korea) such as polyethylene and articles made from polyethylene and polyethylene terephthalate and articles thereof, tableware and kitchenware of plastics insulated ware, etc.

Table A.1.40: Korea's Tariff Reduction Schedule* for HS Chapter 39

Chapter	Description	E-0	E-5	E-8	Total
39	Plastic and articles thereof	177 89.39	18 9.09	3 1.52	198 100.00

Source: India-Korea CEPA legal text.

Note: *Figures indicate number of tariff lines with the percentage for each category in parenthesis.

Table A.1.41: India's Exports to Korea of Plastics and Articles Thereof

HS Code	Description	Exports to Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
39012000	Polyethylene having a specific gravity 0.94 / more		1.41	3.07	1.48	0.01	0	
39021000	Polypropylene	0.07	1.46	10.91	9.42	9.98	4.19	E-0
39033000	Acrylonitrile-butadiene styrene copolymers		4.53	0.01	0.1	0.02	0	E-0
39046100	Polytetrafluoroethylene	0.36	0.91	1.15	1.59	0.57	1.05	E-0
39072090	Other polyethers nes	0.73	0.65	0.45	0.62	0.36	0.09	E-0
39089090	Others polyamides in primary forms excl polyamide-, -11,-12,-6,6,-6,9,-6,10 or -6, 12:	0.01	0.03	0.78	1.43	3.16	2.49	
39094030	Alkyl phenol-formaldehyde resins	0.24	3.93	9.32	6.3	4.6	3	
39100020	Silicone oil			0.02	0.06	1.54	1.79	
39119090	Other products in primary forms nes		0.63	2.63	1.87	1.36	1.55	E-0
39123911	Ethyl cellulose non-plasticised	0.89	1.22	1.55	1.4	1	0.14	
39140020	Ion-exchanger of the polymerisation or copolymerisation type	0.33	0.48	1.12	2.07	3.14	3.59	
39202020	Plates sheets etc. Of polymers of propylene flexible, plain	0.13		0.03	0.31	2.81	3.36	
39206210	Plates sheets etc of polyethylene terephthalte rigid, plain	1.68	3.21	2.36	2.26	1.79	1.53	
39206220	Plates sheets etc of polyethylene terephthalte flexible, plain	0.65	1.31	1.53	0.87	1.73	1	

Table A.1.41 continued...

Table A.1.41 continued...

39211900	Other plates sheets etc of other plastics cellular			0.36	0.85	1.32	2.21	
39232100	Sacks and bags of polyethylene (incl cones)	0.04	0.08		0.15	0.83	3.09	E-0
39269099	Other article of plastic nes	0.4	0.44	0.58	1.09	0.61	1.49	
Total of Top Exports		5.53	20.29	35.87	31.87	34.83	30.57	
Total Exports in the Chapter		11.68	25.73	42.94	41.32	44.72	40.07	
Share of Top Export to Total Export in the Chapter		47.35	78.86	83.54	77.13	77.88	76.29	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

Exports of Other Items

The foregoing has presented a review of India's exports under the first twenty top HS Chapters covering close to 90 per cent of India's exports. The following observations can be made in respect of some of the other chapters.

(a.) Exports of Vegetables and fruits from India to ROK are severely constrained by absence of SPS certification that also require prior import inspections of processing establishments by Korean authorities. It is learnt that India has taken up the issue of market access for mangoes, grapes, pomegranates, okra and brinjal and submitted technical information for conducting Pest Risk Analysis. The Joint Statement during the recent visit by Prime Minister Modi to Korea has talked about "cooperation to expedite the necessary procedures for mutual export of fresh fruits and horticultural products". Speedier clearances could improve export prospects since all these products are coming to Korean market from other import sources.

(b.) Most agricultural items are also under the Sensitive and Exclusion categories. The study by IISK has identified several items that India is exporting worldwide which could benefit from more concessional access in ROK. Among them the following could have improved prospects if their duty levels are further reduced.

It must be mentioned here that Korea has significantly liberalised imports of certain agricultural items including fruits and vegetables, in its recent FTAs with EU, US etc.

(c.) India has made some progress in respect of establishing equivalence of standards with EU and Switzerland for organic products. USDA has also recognised the conformity assessment system of APEDA for organic products. Korea too has recently promoted domestic organic product regulation. Korea and US have also developed an equivalence arrangement. Exports of organic products to Korea could get initiated if India can arrive at an equivalence and conformity arrangement with ROK.

(d.) As for other agricultural exports, cereals which increased significantly in the period 2012-13, primarily wheat, have come down substantially in 2014-15. Maize and rice which form the bulk of India's exports to other countries are not exported to Korea due to their exclusion from tariff reductions under CEPA. MFN duties are as high as 600 per cent in some cases. While Korea regards rice as very sensitive and it is unlikely to

show concession, it has however granted deeper preferential tariff concessions on Maize to Peru, US and EU in the FTAs with them. This could be worth exploring considering India's global exports totalled US$ 637.44 million in 2014-15.

(e.) In terms of export of labour intensive products from India such as leather footwear and cotton garments, no noticeable gains have accrued as a result of CEPA. India's exports of articles such as T-shirts, shirts, trousers and shorts for men, dresses of cotton, terry towel as well as leather footwear such as ankle covered leather shoes for men, leather boots and other leather footwear have registered some increases in exports to Korea, but volumes are still low. For cotton textiles, knitted and crocheted such as women or girls garments of cotton, cotton jerseys and other garments of cotton, are imported by Korea (imports of each of this item exceed US$ 50 million) from sources such as China, Indonesia and Vietnam. Similarly for cotton garments not knitted and crocheted, such as men's and women's garments of synthetic fibres, men's or boys' shirts of cotton, blouses, shirts and shirts-blouses of cotton are imported by Korea (imports of each item worth US$ 50 million or more) from sources such as China and Vietnam. India's exports of these products globally are very high and India supplies these items to other destinations such as (greater than US$ 50 million for each item), US, UK and Germany. However, despite CEPA concessions (MFN tariffs on some of these products is as high as 13 per cent while the preferential tariff for India is 3.3 per cent and for other FTA partners such as Turkey and Peru the preferenatial tariff is zero), India's exports of cotton garments have not been able to penetrate the Korean market which is dominated predominantly by imports from sources like China and Vietnam. Given that Korea is in the process of activating its FTA with these two countries, the scope for India's exports of these products could diminish further.

Table A.1.42: Tariff Status of Agricultural Products in Korea under CEPA in 2017

Sr. No.	Name of the item	Status in 2017
1	Cashew Nuts Fresh/Dried/Shelled	5 per cent
2	Castor Oil and its fractions	Excluded
3	Muclgs and Thickeners	Excluded
4	Turmeric	5 per cent
5	Vegetable saps and Extract	4 per cent
6	Mangoes/ Guavas	15 per cent
7	Pomegranates	Excluded
8	Brinjal/Okra	Excluded
9	Wheat/ Meslin flour	Excluded
10	Vegetable fats and oils	4 per cent
11	Cuttle fish and Squids	21.6 per cent
12	Cucumbers and Gherkins preserved	Excluded
13	Maize	164 per cent
14	Roasted coffee	4 per cent
15	Sesamum seeds	Excluded

Source: Compiled by author.

Overall Assessment about Exports

India's exports to Korea consist predominantly of primary items, raw materials, intermediates, or minerals and metals at an early stage of processing. Export prospects for many of these items depend on global prices, demand and the ability in India for the suppliers to keep up with them. Tariffs perhaps play only a limited part. Even so, certain of India's export items appear to have had improved prospects following CEPA implementation and these include Aluminum, Lead, rape seed extract and leather. But products such as Zinc, cotton yarn or Soya Bean cake have, after initial gains, fallen behind perhaps due to competition or gains made by Korea's newer FTA partners. India has certainly netted some market access gains from CEPA in respect of certain drugs, chemicals, dyes, cotton fabrics, polyester yarn and a few machinery items but these have been limited. There is also scope for better implementation by Korea in respect of agricultural products particularly through early grant of SPS authorisation for India's fruits and vegetables.

There are however certain product groups such as electrical machinery, mechanical items and articles of iron and steel, on which Indian exports are doing well in many of the developed markets in the West but these products have not fared well in the Korean market despite tariff concessions. In many cases Korea's suppliers turn out to be Japan, China or other developed countries. Further examination of the reasons for this would be important and suitable remedial measures need to be taken.

Endnotes

1. Source: KITA.
2. This refers to a study undertaken by Institute for Indian Studies Korea (IISK) who prepared a CEPA study report in 2014.
3. http://in.reuters.com/article/2014/01/01/india-iron-ore-mining-illlegal-idINDEEA0009820140101
4. As per monthly statistics from KITA.
5. http://www.ft.com/intl/cms/s/0/50f345b0-e3da-11e2-91a3-00144feabdc0.html#axzz3ecLMcC47

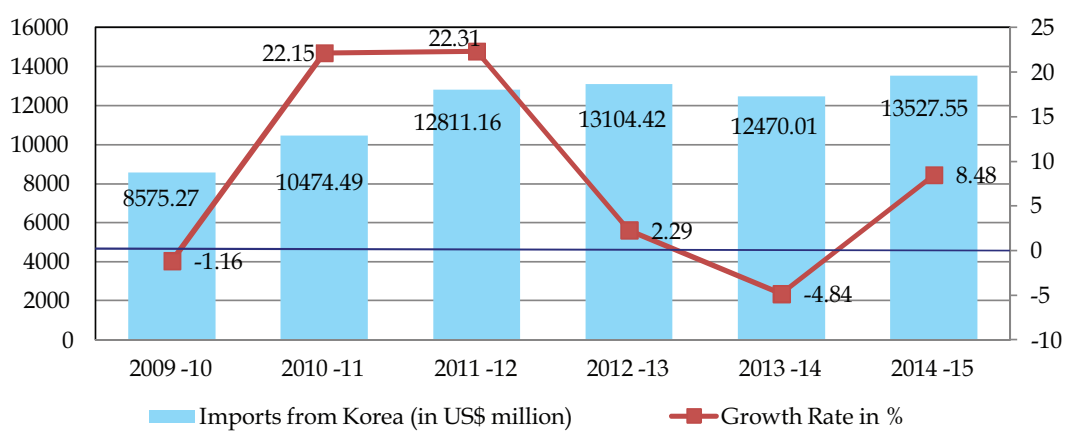
Review of India's Imports to Korea

In the post-CEPA period, India's imports from Korea increased from around US$ 8.5 billion in 2009-10 to US$ 13.5 billion in 2014-15. The rise was steady but for a slight dip to US$ 12.5 billion in 2013-14. This constituted a compounded annual increase by 6.11 per cent over the five year period following the CEPA coming into force. Market share of Korea in India's total imports also showed a slight rise from 2.97 per cent to 3.02 per cent. Imports from Korea reached US$ 13.52 billion in 2014-15 to surpass the peak of 2012-13 (see Figure A.2.1).

Table A.2.1 gives figures for the top 20 imports at 2-digit level that account for 95 per cent of imports from Korea. Electrical machinery and electronic products, mechanical goods and iron and steel items retain the top three slots, their imports driven to some extent by Korean invested enterprises in India. The shares of Plastics, Organic chemicals, Rubber articles, Tools, Aluminum and its articles, Zinc items, Precious metals and certain miscellaneous chemicals, have also risen significantly. On the other hand, imports of auto parts, petroleum products and project goods have remained subdued. Imports of ships and vessels have varied depending on year to year purchases of these high value items.

Compared to India's top exports to Korea which are highly concentrated between two broad product groups namely, mineral oils and iron and steel, India's imports from Korea are somewhat more diversified. In what follows, India's imports from Korea in the pre- and post-CEPA period are analysed separately for each Chapter. An overall assessment is given at the end.

Figure A.2.1: India's Imports from Korea in the Post-CEPA Implementation Period



Source: DGCIS, Ministry of Commerce and Industry, GOI.

Table A.2.1: India's Top Twenty Imports from Korea at 2-digit level

Chapter	Description	India's imports from Korea (in US$ million)					
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts	1267.62 (14.78)	1917.48 (18.31)	1827.97 (14.27)	1472.45 (11.24)	1959.1 (15.71)	2460.19 (18.19)
72	Iron and steel	1087.1 (12.68)	1401.49 (13.38)	1722.23 (13.44)	1744.11 (13.31)	1414.19 (11.34)	1818.87 (13.45)
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	1121.28 (13.08)	1697.87 (16.21)	2083.82 (16.27)	2055.12 (15.68)	1653.37 (13.26)	1706.3 (12.61)
39	Plastic and articles thereof	602.22 (7.02)	851.24 (8.13)	946.9 (7.39)	1146.48 (8.75)	1180.64 (9.47)	1358.89 (10.05)
29	Organic chemicals	457.47 (5.33)	790.48 (7.55)	745.79 (5.82)	1055.22 (8.05)	1250.91 (10.03)	942.63 (6.97)
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes	1115.9 (13.01)	622.29 (5.94)	814.27 (6.36)	812.37 (6.2)	708.3 (5.68)	881.63 (6.52)
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	718.84 (8.38)	776.44 (7.41)	867.66 (6.77)	804.96 (6.14)	661.8 (5.31)	627.12 (4.64)
40	Rubber and articles thereof	225.46 (2.63)	360.85 (3.45)	514.69 (4.02)	454.28 (3.47)	506.63 (4.06)	448.09 (3.31)
71	Natural or cultured pearls, precious or semiprecious stones, precious metals, clad with precious metal and articles thereof; imitation jewellery; coin	48.33 (0.56)	60.84 (0.58)	223.6 (1.75)	238.94 (1.82)	341.19 (2.74)	373.7 (2.76)
90	Optical, photographic cinematographic measuring, checking precision, medical or surgical inst. And apparatus parts and accessories thereof;	222.93 (2.6)	250.68 (2.39)	268.79 (2.1)	271.99 (2.08)	280.22 (2.25)	313.51 (2.32)
73	Articles of iron or steel	169.12 (1.97)	228.33 (2.18)	232.78 (1.82)	257.95 (1.97)	247.13 (1.98)	278.8 (2.06)
48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	141.59 (1.65)	159.14 (1.52)	187.17 (1.46)	160.39 (1.22)	187.47 (1.5)	260 (1.92)

Table A.2.1 continued...

Table A.2.1 continued...

98	Project goods; some special uses.	534.39 (6.23)	491.68 (4.69)	647.8 (5.06)	405.99 (3.1)	295.23 (2.37)	250.85 (1.85)
89	Ships, boats and floating structures	189.13 (2.21)	25.04 (0.24)	657.37 (5.13)	1102.63 (8.41	548.99 (4.4)	217.73 (1.61)
82	Tools implements, cutlery, spoons and forks, of base metal; parts thereof of base metal	30.09 (0.35)	68.77 (0.66)	93.14 (0.73)	87.19 (0.67)	157.62 (1.26)	201.83 (1.49)
76	Aluminum and articles thereof	68.14 (0.79)	105.84 (1.01)	147.66 (1.15)	146.13 (1.12)	159.96 (1.28)	180.44 (1.33)
79	Zinc and articles thereof	23.99 (0.28)	22.54 (0.22)	23.23 (0.18)	80.06 (0.61)	77.08 (0.62)	148.44 (1.10)
28	Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements of isotopes	62.44 (0.73)	61.16 (0.58)	98.2 (0.77)	128.13 (0.98)	127.28 (1.02)	145.59 (1.08)
38	Miscellaneous chemical products	57.32 (0.67)	83.98 (0.8)	93.37 (0.73)	98.2 (0.75)	110.74 (0.89)	144.28 (1.07)
86	Railway or tramway locomotives, rolling-stock and parts thereof; railway or tramway track fixtures and fittings and parts thereof; mechanical	46 (0.54)	3.5 (0.03)	35.07 (0.27)	23.17 (0.18)	4.6 (0.04)	134.05 (0.99)
Total of top twenty imports		8189.36	9979.64	12231.5	12545.8	11872.5	12892.9
Total imports from Korea		8575.27	10474.5	12811.2	13104.4	12470	13527.6
Share of top twenty imports in total imports from Korea		95.50	95.28	95.48	95.74	95.21	95.31

Source: DGCIS, Ministry of Commerce and Industry, GOI.

Note: Figures in parenthesis indicate percentage share of total imports during the year.

Chapter 85: Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers and parts: Imports of electrical machinery and equipments etc. increased from about US$ 1.27 billion in 2009-10 to about US$ 1.96 billion in 2013-14 and US$ 2.46 billion in 2014-15 rising to a share of 18.19 per cent of India's total imports from Korea. In the same period, India's global imports of these products also rose, from about US$ 22 billion in 2009-10 to about US$ 33 billion in 2014-15. Clearly, India's imports of these products from Korea have taken a higher share.

As indicated in Figure A.2.2 India eliminated tariffs on 241 tariff lines under this chapter by 2014. Out of the rest, tariffs on around 38 per cent of the products are to be eliminated by 2017 and the applicable CEPA tariff on them was 4.68 per cent in 2014 which further came down to 3.125 per cent in 2015, as against the MFN tariff

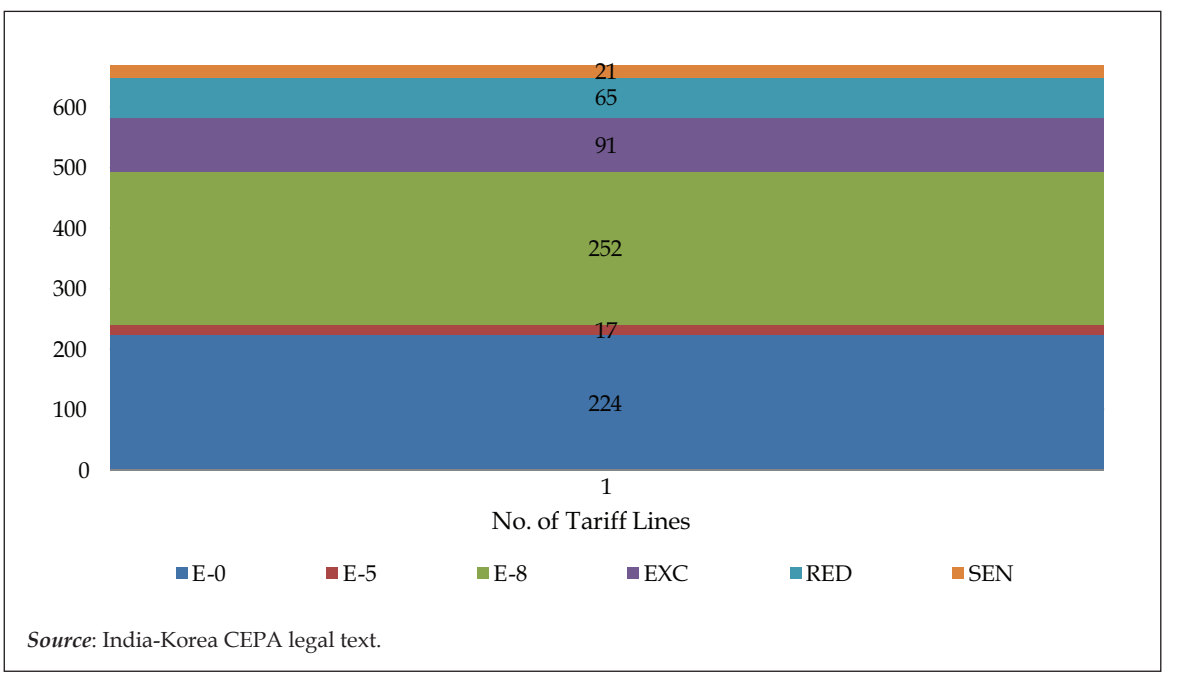
ranging between 7.5 to 10 per cent. 86 tariff lines covering products such as DC motors, generators, TV sets, etc., are under SEN and RED categories. Further, about 91 tariff lines were exempted from any tariff reduction or elimination.

A large share of India's imports from Korea under this chapter comprises mobile phones, TV sets and parts, electronic integrated circuits, electric cables and conductors and plugs and sockets as can be seen from Table A.2.2. Among them, imports of all telephone sets including cellular phones and parts (HS 8517 at four-digit level) have taken the prime spot with an import of US$ 1279 million in 2014-15 accounting for more than 50 per cent of imports under this chapter. The percentage growth of imports of all telephonic items was 63.27 per cent in 2014-15, with a sharp increase in import of videophones in particular. The second aspect to note is that imports of TV and parts have steadily come down. Imports of products such as electronic motors, conductors, wires and switches etc have however been increasing.

It may be mentioned that the surge in import of USB flash drives which increased from about US$ 0.42 million in 2009-10 to US$ 34.42 million in 2014-15 had an impact on the domestic industry. India has applied a definitive anti dumping duty on the imports of USB flash drives (HS 85235100) from Korea in December 2014.

Table A.2.3 gives the tariff category-wise increase in imports. Most of India's imports from Korea under this chapter are under the E-0 category and have risen steadily. Many of these products come under ITA-1 and hence the duty was already zero. However, there is also a considerable increase in imports of products listed under RED category such as electrical cables and conductors, occurring as a result of tariff liberalisation. The base tariff rate on products under this category was 12.5 per cent, and the RED tariff in 2014 was 5.31 per cent and 3.87 per cent in 2015 (assuming tariffs are brought down to 1 per cent).

Figure A.2.2: India's Tariff Reduction Commitments to Korea for HS Chapter 85



Source: India-Korea CEPA legal text.

It can be said that the imports of electronic machinery and electrical apparatus from Korea have surged in the recent years as a response to the huge demand for these products in the Indian market. A fall in the tariffs for these products has only further facilitated the process. This is particularly true for telephones and their parts. Further, given the increasing presence and market domination of Korean companies such as Samsung, LG, etc., and the huge demand for their products, these imports can be expected to rise further.

Chapter 72: Iron and Steel: Imports of iron and steel witnessed a steady increase from US$ 1.08 billion in 2009-10 to US$ 1.74 billion in 2012-13 but registered some decline in 2013-14. A similar trend

Table A.2.2: India's Imports from Korea of HS Chapter 85

Product Codes	Description	India's imports from Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
85011019	Other motor with output <=37.5 w	32.39	33.44	36.28	39.03	34.25	38.82	EXC
85171290	Other	288.25	449.65	390.17	87.51	91.06	76.74	E-0
85176100	Base stations			0.18		24.9	1.88	E-0
85176290	Videophone	5.51	3.3	2.45	36.16	70.07	540.51	E-0
85177090	Other parts of telephonic/telegraphic apparatus	156.34	230.43	223.87	266.89	583.19	607.82	E-0
85287100	Other reception apparatus for TV etc color	69.79	49.92	21.8	25.85	24.57	6.04	E-0
85299090	Other parts for other use	92.17	144.19	148.01	133.99	164.07	127.61	E-0
85366990	Plugs and sockets of other materials	3.65	3.33	9.97	22.52	30.54	41.49	E-0
85369090	Other	15.67	20.48	25.5	29.77	27.59	31.63	SEN
85371000	Boards etc for a voltage<=1000 volts	3.18	3.85	6.86	32.52	29.37	13.69	RED
85389000	Other parts of hdg 8538	13.15	17.86	24.51	23.09	30.44	37.22	E-0
85423100	Monolithic integrated circuits - digital	44.6	101.05	111.66	89.96	53.49	33.55	E-0
85423900	Other	77.04	130.89	186.2	72.6	167.23	98.25	E-0
85441990	Other winding wires of other metals/substance	21.95	16.99	37.98	29.85	26.46	24.97	EXC
85446090	Other electric conductors for a voltage exceeding 1000 v	3.59	20.68	24.57	14.95	42.02	140.07	RED
Total of Top fifteen imports		827.28	1226.1	1250.0	904.69	1399.3	1820.3	
Total imports under the Chapter		1267.6	1917.5	1827.9	1472.5	1959.1	2460.2	
Share of top fifteen imports		65.26	63.94	68.38	61.44	71.42	73.99	

Source: Calculated using data from DGCIS, Ministry of Commerce and Industry, GOI.

Table A.2.3: Tariff Category-wise Imports in 2009-10 and 2014-15 (HS 85)

Tariff Category	Imports in 2009-10 (in US$ million)	Imports in 2014-15 (in US$ million)	Percentage Increase
E-0	920.96	1602.82	74.04
E-5	8.92	14.05	57.51
E-8	50.73	70.97	39.90
EXC	167.86	191.67	14.18
RED	71.48	259.03	262.38
SEN	24.53	43.34	76.68
N/A	23.14	278.31	1102.72
Total	1267.62	2460.19	94.08

Source: Calculated using data from DGCIS, Ministry of Commerce and Industry, GOI.

can be observed in India's global imports of iron and steel. However, imports of iron and steel from Korea have registered further increase in 2014-15 to US$ 1818 million. In terms of tonnage, India's imports from Korea have gone up from 1.295 million tonnes in 2009-10 to 2.240 million tonnes in 2014-15. While India's overall steel imports have also risen during this period, Korea's share in it has gone up from 9.3 per cent in 2009-10 to 13.45 per cent in 2014-15 (Figure A.2.3). A marked shift, in terms of market share, has taken place in the last two years, coinciding with the tariff reduction schedule.

It can be seen from Figure A.2.4 that a majority of products under iron and steel are placed under category E-8 allowing for a phase-out period of 8 years. The average MFN tariff applied by India on E-8 products in 2014 was around 5.6 per cent but under CEPA, the preferential tariff in 2014 was around 1.88 per cent and has come down further in 2015 to 1.25 per cent. The significant tariff advantage is resulting in the rise in imports.

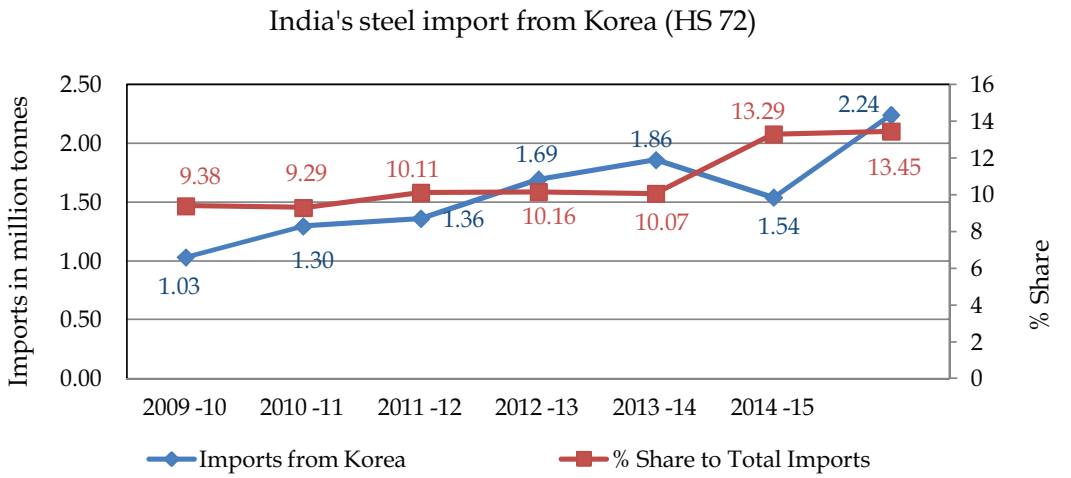
While Korea is known to be a leader in steel industry producing a variety of iron and steel items, of particular concern to the domestic steel industry are large imports of flat products from Korea under tariff headings 7208, 7209 and 7210. It will be seen from Table A.2.4 that these imports have steadily risen but for a dip in 2013-14 which occurred mostly due to a sharp decline in the import of hot rolled products. With the setting up of POSCO's Maharashtra steel mill which uses hot rolled coils as raw material, imports of this item have particularly risen. They increased from US$ 207 million in 2013-14 to US$ 526 million in 2014-15. Imports of both cold rolled flat products (7209) and coated products (7210) which are used mainly by home appliances industry have also been showing an upward trend with lower duties. However, taking note of the serious injury caused to the domestic industry, India has imposed a definitive anti dumping duty on the imports of certain Flat-rolled products (under HS 7210 and 7219) w.e.f. 9 March 2015. Anti-dumping duties are also in place since 2011 for imports of different types of flat rolled products of stainless steel under HS 7220 whose imports have remained at about US$ 15 million in the post-CEPA period. It may be mentioned that Korea's steel products have faced a spate of anti-dumping actions in different Asian and developed country markets in recent months.

An analysis was also made of major imports under this chapter to see to what extent import growth matched with tariff

elimination (Table A.2.5). It can be seen that the highest growth is seen in the imports of products under the E-8 and RED category. Since, tariffs on these products will see a further drop, it can be expected that there will be further rise in the imports of items under these categories.

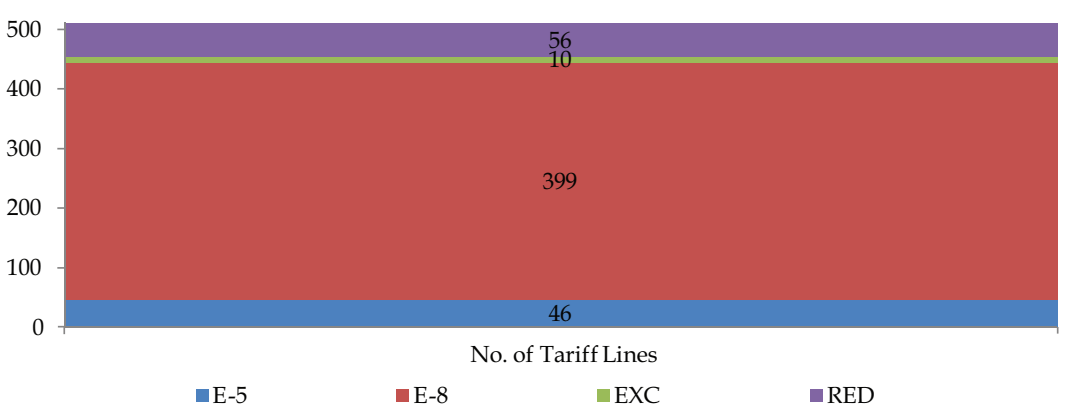
Chapter 84: Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof: The imports of nuclear reactors, boilers and machinery and mechanical appliances increased from about US$ 1.1 billion in 2009-10 to about US$ 2 billion in 2011-12 and decreased thereafter to US$ 1.6 billion in 2013-14, rising again to US$ 1.7

Figure A.2.3: India's Imports of Steel (in million tonnes) from Korea



Source: Calculated using data from DGCIS, Ministry of Commerce and Industry, GOI.

Figure A.2.4: India's Tariff Commitments to Korea for HS Chapter 72



Source: Calculated based on India-Korea CEPA legal text.

Table A.2.4: India's Imports From Korea of Iron and Steel

Product Codes	Description	India's Imports from Korea (in US$ million)					
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
7204	Ferrous waste and scrap; remelting scrap ingots	16.54	84.17	60.57	46.45	38.4	71.23
7208	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, hot- rolled, not clad, plated or coated	352.02	446.83	517.97	461.4	207.12	526.95
7209	Flat rolled products of width>= 600mm,cold-rlld (cold-reduced),not clad, plated/coated	257.74	265.55	353.37	457.71	433.99	424.02
7210	Flat-rolled products of iron/non-alloy steel of width >=600 mm, clad, plated/coated	136.74	203.81	248.1	282.95	284.59	304.53
7225	Flat-rolled products of other alloy steel of width 600 mm or more	167.98	173.3	224.57	204.77	241.27	244.59
Total of Top five imports		931.02	1173.66	1404.58	1453.28	1205.37	1571.32
Total of imports under the chapter		1087.1	1401.49	1722.23	1744.11	1414.19	1818.87
Share of top five imports		85.64	83.74	81.56	83.33	85.23	86.39

Source: DGCIS, Ministry of Commerce and Industry, GOI.

Table A.2.5: Tariff Category-wise Imports in 2009-10 and 2014-15 (HS 72)

Tariff Category	Imports in 2009-10 (in US$ million)	Imports in 2014-15 (in US$ million)	Percentage Increase
E-5	467.42	598.42	28.03
E-8	477.60	977.75	104.72
EXC	41.40	34.33	-17.08
RED	100.68	207.27	105.87
Total	1087.10	1818.87	67.31

Source: DGCIS, Ministry of Commerce and Industry, GOI.

billion in 2014-15. India's global imports of these products also exhibited a similar trend.

Figure A.2.5 shows that while 15 per cent of the total tariff lines in this chapter were liberalised by 2014, tariffs on about 60 per cent would be brought down by 2017. The preferential tariff on these products was about 4.68 per cent in 2014 while the average MFN rate is 7 per cent, indicating that substantial tariff advantage will begin kicking in from now onwards. Further, 163 tariff lines were put under RED category and 91 were exempted from any tariff liberalisation. However, some of the

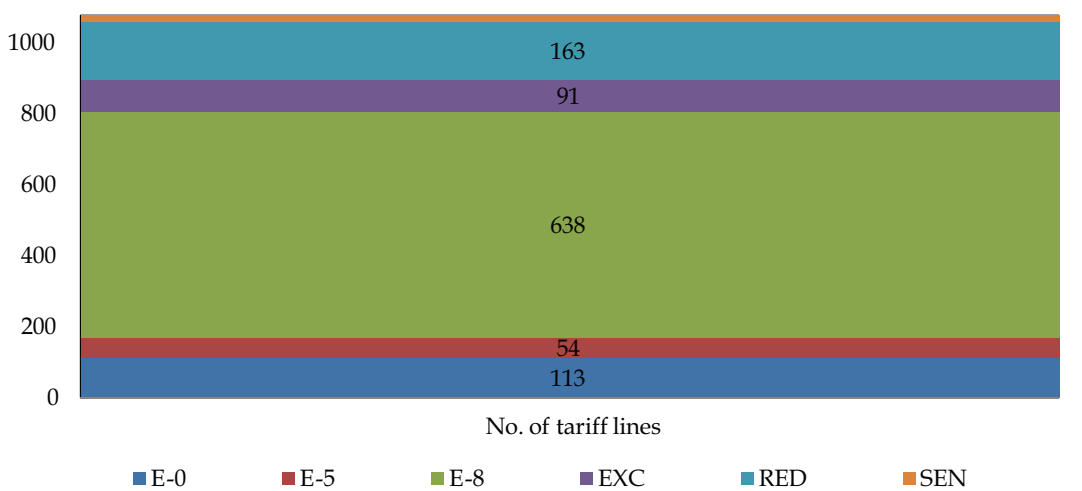
products under this chapter are also ITA products, hence the tariffs on those products have remained zero.

Table A.2.6 lists down India's major imports from Korea under the chapter while Table A.2.7 gives the surge in imports under different categories of tariff liberalisation. It can be seen that there has been a surge in imports of products listed under E-0 and E-5 categories. Given that the MFN tariff on these products was about 7 per cent in 2014, Korean exporters enjoy a significant preferential margin. There has also been a surge in India's imports under the RED category.

Imports of engines and parts, robots, construction machinery and parts, injection moulding machinery and machine tools have been growing in the post-CEPA period with imports exceeding US$ 100 million each in 2014-15. However, imports of engines greater than 250 cc capacity which witnessed a huge increase in the post-CEPA period, with imports increasing to US$ 300 million in 2012-13, markedly declined in the period thereafter to only US$ 31 million in 2014-15. Parts of semi-diesel engines and air conditioning machines, extruders, gas compressors, crank shafts, etc., have also registered a steady rise in imports. Automatic data processing machines and units, Automatic teller machines and Parts and accessories of the machines and electronic calculating machines are the products covered by ITA 1.

Chapter 39: Plastic and Articles Thereof: India's import of plastic and plastic products from Korea has witnessed a steady increase from US$ 602 million in 2009-10 to US$ 1358 million in 2014-15. Tariffs on 25 per cent of the tariff lines in this chapter stand eliminated or are under E-8 and there has been a significant growth in exports of these items in percentage terms (Figure A.2.6). On the other hand, more than 50 per cent of tariff lines under this chapter have been exempted from tariff reductions. Even in these cases

Figure A.2.5: India's Tariff Commitments to Korea for HS Chapter 84



Source: India-Korea CEPA legal text.

Table A.2.6: India's Imports from Korea of HS Chapter 84

Product Codes	Description	India's imports from Korea (in US$ million)					
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15
8407	Spark-ignition reciprocating or rotary internal combustion piston engines	90.26	99.69	66.38	60.24	42.66	35.26
8408	Compression-ignition internal combustion piston engines (diesel or semi-diesel engines)	87.88	116.95	217.19	346.48	104.79	33.74
8409	Parts suitable for use solely or principally with the engines of heading 8407 or 8408	41.75	44.82	61.56	47.51	78.94	88.08
8413	Pumps for liquids, whether or not fitted with a	28.39	34.71	39.61	32.91	33.65	38.23
8414	Air/vacuum pumps, air/ other gas compressors and fans ; ventilating/recycling hoods incorporating a fan, w/n fitted with filters	50.02	112.98	96.12	83.94	67.1	82.03
8415	Air-conditioning machines, compressing motor-driven fan and elements for change temperature and humidity ,incl those machines in which humidity cannot be separated	20.14	69.38	43.53	46.57	45.07	43.4
8418	Refrigerators, freezers and other refrigerating/ freezing equipment, electric/ other; heat pumps excl air conditioning machines of hdg no.8415	13.49	21.9	25.8	32.18	34.02	36.09
8419	Machinery, plant/laboratory equipment, w/n electrically heated, for heating, cooking, etc, excl machinery for domestic purpose; storage water heaters, non-electrical	23.01	97.89	45.02	79.83	20.44	136.64
8421	Centrifuges, including centrifugal dryers; filtering or purifying machinery and apparatus, for liquids or gases	25.25	33.16	40.46	54.91	64.97	77.83
8428	Other lifting, handling, loading or unloading machinery (for example, lifts, escalators, conveyors, teleferics)	23.19	39.95	22.98	32.08	37.71	33.17
8429	Self-propelled bulldozers, angledozers, graders levelers, scrapers, mechanical shovels, excavators, shovel loaders, tamping machines and road roll	77.88	102.2	106.75	53.88	42.29	50.3

Table A.2.6 continued...

Table A.2.6 continued...

8431	Parts suitable for use solely/ principally with the machinery of hdgs.nos.8425 to 8430	48.36	90.86	135.76	183.52	122.57	131.77
8457	Machining centres, unit construction machines (single station) and multi- station transfer machines for workin	6.25	14.05	26.91	65.98	19.51	21.92
8458	Lathes (including turning centres) for removing metal	8.24	30.25	30.13	33.69	20.9	21.6
8462	Machine-tls for working metal by forging, hammering/ die-stamping; for working metal by bending, folding, etc; presses for working metal/metal carbides, n	65.89	54.92	83.92	101.39	42.1	20.6
8466	Parts and accessories suitable for use with machines of hdg nos8456 to 8465,incl work/ tool holders, self-opening dieheads, etc; tool h	31.75	71.54	65.75	53.51	103.22	96.88
8471	Automatic data processing machines and units	20.7	13.98	33.89	14.34	22.43	20.89
8472	Other office machines (for example, hectograph or stencil duplicating machines, addressing machines, autom	6.8	6.45	15.7	6.84	48.31	43.97
8473	Parts and accessories(excl covers, carrying cases etc) used with machines of hdg no.8469 to 8472	21.81	35.65	56.16	31.18	31.15	27.55
8479	Machines and mechanical appliances having individual functions, n.e.s.	58.31	109.19	127.67	144.35	157.32	117.49
8480	Moulding boxes for metal foundry; mould bases; moulding patterns; moulds for metal (other than ingot moulds), metal ca	52.17	94	127.37	96.93	112.4	172.47
8481	Taps, cocks, valves and similar appliances for pipes, boiler shells, tanks, vats or the like, including pressure-reducing	17.00	27.39	53.61	45.19	35.84	50.37
8482	Ball or roller bearings	18.57	20.28	28.55	27.31	26.75	24.37
8483	Transmission shafts and cranks; gears; ball screws; bearing housing and other plain shaft bearings speed changers incl torque converters fflywh	41.34	61.38	61.44	51.61	63.09	75.56
Total of Top imports under the Chapter		878.45	1403.6	1612.3	1726.4	1377.2	1480.2
Total imports under the Chapter		1121.3	1697.9	2083.8	2055.1	1653.4	1706.3
Share of top imports		78.34	82.67	77.37	84.00	83.30	86.75

Source: DGCIS, Ministry of Commerce and Industry, GOI.

Table A.2.7: Tariff Category-wise imports in 2009-10 and 2014-15 (HS 84)

Tariff Category	Imports in 2009-10 (in US$ Million)	Imports in 2014-15 (in US$ Million)	Percentage Increase
E-0	160.92	416.39	158.76
E-5	159.89	420.93	163.26
E-8	351.38	298.51	-15.05
EXC	224.68	179.62	-20.06
RED	175.31	284.11	62.06
SEN	36.4	89.05	144.64
N/A	12.7	17.69	39.29
Total	1121.28	1706.3	52.17

Source: DGCIS, Ministry of Commerce and Industry, GOI.

there has been a steady rise in imports such as of PVC resins. There has also been a surge in imports of Ethylene-vinyl acetate copolymers in recent years on which tariffs were eliminated in 2014.

Further India has also applied anti dumping duties on certain products such as flexible slabstock polyol (HS 390720) in 2009. Table A.2.8 indicates the top items and their performance. Table A.2.9 also indicates how import growth may have been aided by tariff reduction.

Chapter 29: Organic Chemicals: India's imports of organic chemicals from Korea surged sharply from US$ 457 million in 2009-10 to US$ 1250 million in 2013-14. However, there has been a fall in imports of these items in 2014-15. India's imports of organic chemicals from other countries also experienced an increase to about US$ 17 billion in 2013-14 from US$ 9 billion in 2009-10. The growth in imports from Korea however outpaced the growth rate of imports from other sources.

Figure A.2.6: India's Tariff Commitments to Korea under HS Chapter 39

Source: Calculated based on India-Korea CEPA legal text.

Table A.2.8: India's Imports from Korea of Plastics and Articles thereof

Product Codes	Description	India's Imports from Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-2015	
39011010	Linear l0w density p0lyethylene (lldpe)	37.13	50.24	22.35	21.72	16.05	19.41	EXC
39011090	Other polyethylene having a specific gravity < 0.94	21.58	32.35	31.47	27.16	32.26	39.40	EXC
39012000	Polyethylene having a specific gravity 0.94 / more	26.54	14.39	8.58	12.23	12.81	15.34	EXC
39013000	Ethylene-vinyl acetate copolymers	14.75	24.36	36.32	63.62	90.24	186.68	E-5
39019090	Other polymers of ethylene in primary forms	8.83	14.40	19.01	20.21	15.58	20.55	RED
39021000	Polypropylene	60.80	79.55	67.96	74.45	66.74	50.59	EXC
39022000	Polyisobytylene	2.39	6.28	10.49	15.63	14.95	18.18	EXC
39023000	Propylene copolymers	9.39	14.09	16.65	26.43	21.02	22.14	EXC
39029000	Other polymers of propylene in primary forms	7.45	8.77	9.65	13.24	11.60	11.38	EXC
39033000	Acrylonitrile-butadiene styrene copolymrs	39.08	77.70	78.55	106.54	114.99	115.86	EXC
39039090	Other polymers of styrene in primary forms	10.73	10.96	11.29	21.04	19.15	22.14	EXC
39041090	Other poly vinyl chloride not mixed with other	19.34	35.76	16.29	37.06	40.91	68.30	EXC
39042110	Poly (vinyl chloride) resins	71.56	133.4	203.25	235.16	207.05	217.27	EXC
39042190	Other polyvinyl chloride non-plasticised nes	32.01	19.88	29.57	42.53	25.57	23.15	EXC
39042210	PVC by emulsion method resins	6.17	8.07	15.81	13.12	11.81	13.65	EXC
39061090	Other poly methyl methacrylates	5.27	8.93	13.00	15.83	18.68	18.18	RED
39069090	Others acrylic polymers in primary forms excl. Poly (methyl methacrylate	9.72	11.10	15.34	14.57	13.09	15.02	EXC
39072090	Other polyethers nes	29.29	35.86	46.84	50.77	68.28	60.22	EXC
39074000	Polycarbonates	4.59	16.08	10.95	14.88	28.90	38.64	E-5
39079990	Other polyesters (saturated) nes	6.47	11.21	11.22	16.64	13.76	13.38	E-5
39081090	Others	10.60	10.77	13.19	14.31	13.14	14.72	E-8

Table A.2.8 continued...

Table A.2.8 continued...

39093090	Other amino-resns nes	0.38	0.19	0.52	6.64	35.85	44.70	E-8
39095000	Polyurethanes	1.90	4.20	10.04	10.62	11.51	18.36	E-8
39199090	Other self-adhesive plates etc nes	5.07	8.56	10.88	14.23	14.21	21.95	E-8
39209999	Others plate/ sheets etc. Of other plastic n.e.s	5.94	4.44	5.93	6.38	8.26	10.90	EXC
39269099	Other article of plastic nes	36.16	38.28	55.06	59.18	69.45	64.41	E-8
Total of Top imports		483.1	679.8	770.2	954.19	995.86	1164.5	
Total of all imports under the chapter		602.2	851.2	946.9	1146.5	1180.6	1358.9	
Share of top imports		80.23	79.86	81.34	83.23	84.35	85.70	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

Table A.2.9: Tariff Category-wise Imports in 2009-10 and 2014-15 (HS 39)

Tariff Category	Imports in 2009-10 (in US$ Million)	Imports in 2014-15 (in US$ Million)	Percentage Increase
E-5	26.11	240.63	821.60
E-8	94.1	248.64	164.23
EXC	456.47	806.57	76.70
RED	14.7	41.37	181.43
SEN	10.84	21.68	100.00
Total	602.22	1358.89	125.65

Source: DGCIS, Ministry of Commerce and Industry, GOI.

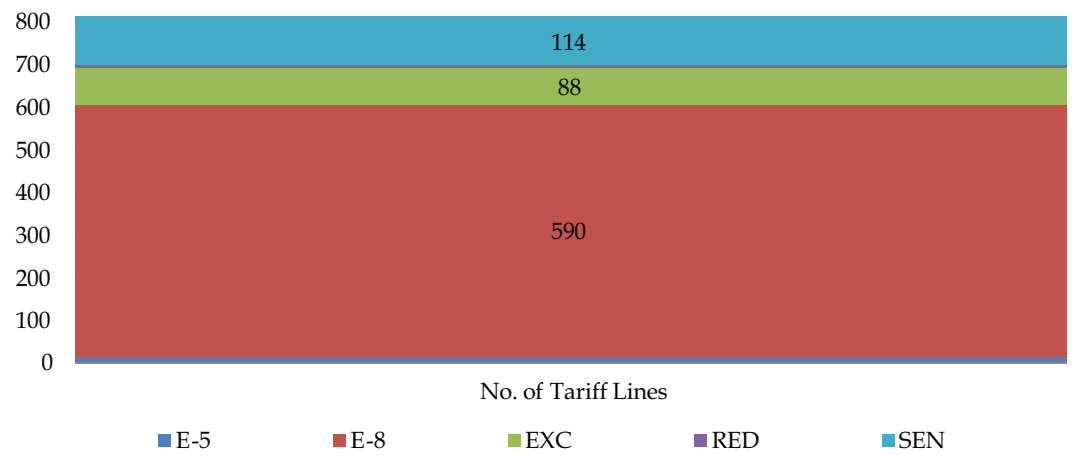
India agreed for a phase-out period of eight years for duties on 590 tariff lines under this chapter and tariffs on another 114 tariff lines were to be reduced to only 50 per cent of the base rate (Figure A.2.7). Five tariff lines were placed under RED category. Another 88 tariff lines accounting for about 10 per cent of the total tariff lines are excluded from tariff liberalisation. In respect of Acetone (HS 29141100), Dichloromethane (Methylene Chloride) (HS 290312), purified terephthalic anhydride (HS 29173600) and rubber chemicals (HS 2917, 2921, 2925, 2930, 2933, 2934, 2935, 2942) India has also imposed definitive antidumping duties against imports from Korea. (A list of items on which anti-dumping duties have been imposed is annexed.)

India's major import item under this Chapter is Terephthalic Acid and its salts which figure in India's sensitive list (Table A.2.10). The preferential tariff on this product is 8.75 per cent in 2015 that is higher than the MFN tariff of 5 per cent applied by India on this product in 2015. Even though there was no real tariff preference for this item, there was a sharp surge in imports and in July 2014 the Government of India imposed a definitive anti-dumping duty on the imports of this product from Korea. Imports have somewhat declined since then. Other important imports under this chapter are Toluene, Phenol, and Acetic Acid as can be seen from the table giving the top ten imports.

Table A.2.11 indicates relative increases of major items drawn from different tariff reduction categories shows a steeper rise for excluded and sensitive items. For example even though only about 10 per cent tariff lines are excluded from tariff concessions but they account for a 19 per cent share of India's imports under this chapter in 2013-14, rising from a share of just 8 per cent in 2009-10. Clearly, imports of these items could rise further with deeper reductions.

Chapter 27: Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral waxes: Unlike the imports of other products, India's imports of mineral oils from Korea declined in the post CEPA period from US$ 1115 million in 2009-10 to US$ 622 million in 2010-11. While they have risen subsequently to US$ 882 million in 2014-15, they still accounted for half the share compared to 2009-10 in overall imports from Korea. This

Figure A.2.7: India's Tariff Commitments to Korea under HS Chapter 29



Source: Calculated based on India-Korea CEPA legal text.

Table A.2.10: India's Imports from Korea of Organic Chemical

Product Codes	Description	India's imports from Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
29012300	Unsaturated butene (butylene)and isomers thereof	6.09	18.5	9.52	8.58	28.8	10.08	E-8
29012920	Heptene (heptylene	1.67	2.11	3.87	6.05	4.48	9.53	E-8
29023000	Toluene	33.1	38.17	96.63	204.25	70.21	10.6	E-8
29051220	Isopropyl alcohol	4.06	5.28	4.43	11.88	9.73	21.35	EXC
29051620	2-ethyl hexanol	0	0.29	0	5.03	9.92	7.37	EXC
29053200	Prppylene glycol (propane-1,2-diol)	5.73	11.56	10.27	11.84	8.51	7.08	EXC

Table A.2.10 continued...

Table A.2.10 continued...

29053990	Other diols	1.55	4.16	4.45	5.53	6.87	7.4	EXC
29071110	Phenol,pure carbolic acid	0	5.69	2.54	24.31	66.65	67.98	EXC
29071940	Para tartiary butyl phenol	1.14	1.38	3.89	9.8	10.78	10.21	EXC
29072300	4,4-isopropylidenephnl (bisphnl a, diphenylolpropane) and its salts	11.23	18.25	15.15	16.11	20.5	35.08	E-8
29103000	1-chloro-2,3-epoxyprpne (epichlorophydrin)	1.04	5.56	5.94	9.91	3.5	6.1	E-8
29141100	Acetone	13.07	24.24	22.95	8.43	12.01	29.31	EXC
29141300	4-mthylpentan-2-one(mthyl isobtyl ketone)	2.49	1.73	6.28	1.84	10.67	12.27	E-8
29152100	Acetic acid	0	0	0.23	6.7	24.17	11.79	EXC
29161210	Butyl acrylate	3.11	4.56	5.15	18.55	14.98	16.44	RED
29161290	Other esters of acrylic acid	8.57	11.47	13.07	9.69	14.08	13.56	RED
29161310	Methacrylic acid	0.5	1.51	0.83	5.18	8.42	8.62	EXC
29173500	Phthalic anhydride	12.09	34.13	21.26	22.17	27.1	19.31	E-8
29173600	**Terephthalic acid and its salts**	**168.6**	**350.9**	**274.4**	**403.7**	**669.03**	**373.9**	**SEN**
29173920	Dioctl phthalate	17.37	37.13	11.92	22.79	19.28	13.3	E-8
29173960	Isophthalic acid	1.92	6.45	7.27	6.75	10.72	18.23	E-8
29181990	Other carboxylc acids with additional oxygen function, their anhydrides, halides, peroxides and peroxy acids and their halogenated,su	0.86	2.61	3.95	8.4	13.61	10.73	E-8
29224100	Lysine and its esters salts thereof	2.65	4.18	4.69	6.19	10.19	12.29	E-5
29261000	Acrylonitrile	7.74	1.57	4.12	0	8.17	52.74	E-5
29291020	Toluene diisocyanate	26.57	33.8	31.84	37.85	37.34	36.86	E-8
29291090	Other isocyanates	20.54	33.87	41.64	37.81	16.31	14.8	E-8
29420090	Other diloxanide furoate, cimetidine, famotidine nes	11.22	14.75	12.76	15.78	5.85	6.66	E-8
Total of Top imports		362.9	673.9	619.0	925.12	1141.9	843.6	
Total of all imports under the chapter		457.5	790.5	745.8	1055.2	1250.9	942.6	
Share of top imports		79.33	85.25	83.00	87.67	91.28	89.49	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

Table A.2.11: Tariff Category-wise imports in 2009-10 and 2014-15 (HS 29)

Tariff Category	Imports in 2009-10 (in Mn. US$)	Imports in 2014-15 (in Mn. US$)	Percentage Increase
E-5	24.63	70.96	188.10
E-8	198.8	267.59	34.60
EXC	37.55	179.55	378.16
RED	16.24	30.2	85.96
SEN	180.25	394.33	118.77
Total	457.47	942.63	106.05

Source: DGCIS, Ministry of Commerce and Industry, GOI.

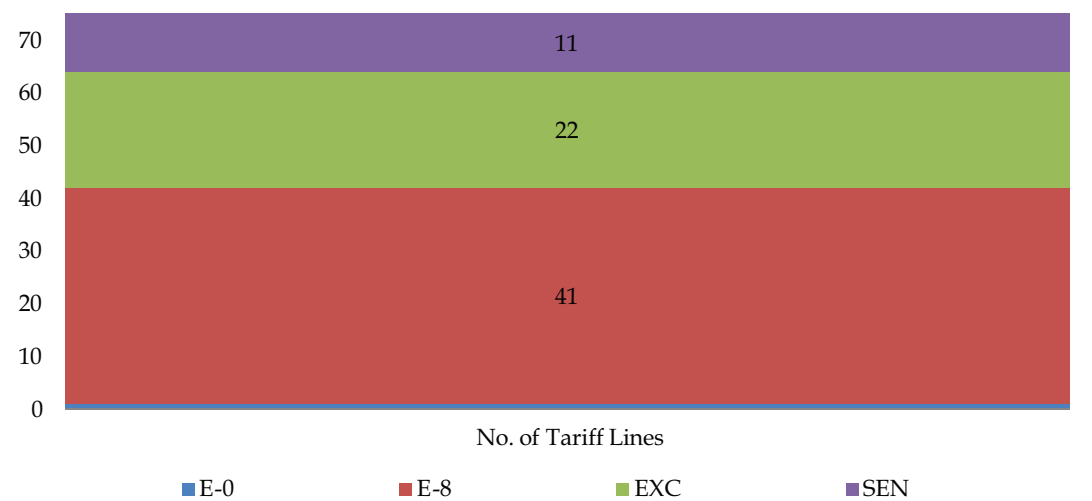
is basically due to a decline in imports of Petroleum oils whose imports were close to US$ 626 million in 2009-10 but stopped in the period thereafter. On the other hand, imports of Base Oil, that is the other significant import item under this chapter increased from US$ 429 million in 2009-10 to US$ 740 million in 2014-15 (Table A.2.12).

According to India's tariff commitments under CEPA, tariffs on 54 per cent of tariff lines under this chapter are to be eliminated by 2017 (see Figure A.2.8). Korea is a large producer of refined petroleum products and it could show an interest in removal of many items from the sensitive list including of base oils.

Chapter 87: Vehicles other than railway or tramway rolling stock, and parts and accessories thereof: India's imports of automotives and automotive parts from Korea increased from US$ 718 million in 2009-10 to US$ 867 million in 2011-12, but declined thereafter to US$ 627 million. The same trend is observed in India's imports of automotives and their parts from other sources.

India's major imports under this chapter are parts and accessories for motor vehicles

Figure A.2.8: India's Tariff Reduction Commitments to Korea for HS Chapter 27



Source: India-Korea CEPA legal text.

Table A.2.12: India's Imports from Korea of HS Chapter 27

Product Codes	Description	India's imports from Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
27040090	Other cokes of coal		8.27		4.81	9.71		E-8
27073000	Xylole (xylenes)	2.91	5.5	2.06	20.75	1.19	7.61	E-8
27075000	Other aromatic hydrocarbon mixtures of which 65 per cent or more by volume (including losses) distils at 250 degree C. by the astm d 8	6.02	2.1	2.07	23.54	17.75	25.25	E-8
27079900	Other oil and oil products of distillation of high temp. Coal tar, etc.	10.99	9.44	4.86	1.58	4.18	10.32	E-8
27101950	Fuel oil	1.01	1.87	0.44	0.23	0.19	0.25	SEN
27101960	Base oil	429.47	489.56	716.38	707.8	643.32	740.54	SEN
27101980	Lubricating oil	5.63	10.28	18.05	14.55	12.86	11.15	SEN
27101990	Other petroleum oils and oils obtained from bituminous minerals nes	10.52	13.9	42.51	36.67	17.16	27.06	SEN
27111300	Liquefied butanes	0.16	0.12	0.11	0.06	0.26	0.2	E-8
27129010	Micro-crystalline petroleum was	0.95	1.3	1.55	1.6	1.38	1.83	EXC
Total of Top ten imports		467.66	542.34	788.03	811.59	708	824.21	
Total of all imports under the chapter		1115.9	622.29	814.27	812.37	708.3	881.63	
Share of top ten imports		41.91	87.15	96.78	99.9	99.96	93.49	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

including gear boxes, bodies, clutches for vehicles and air safety bags. More than 50 per cent of imports under this chapter come under one 8- digit tariff line HS 87089900 relating to parts and accessories which is under the RED category for which the current applicable CEPA duty is around 6 per cent against the MFN duty of 10 per cent.

The majority of items under this chapter are under the excluded category (see Figure A.2.9). The top five imports under this chapter may be seen in Table A.2.13.

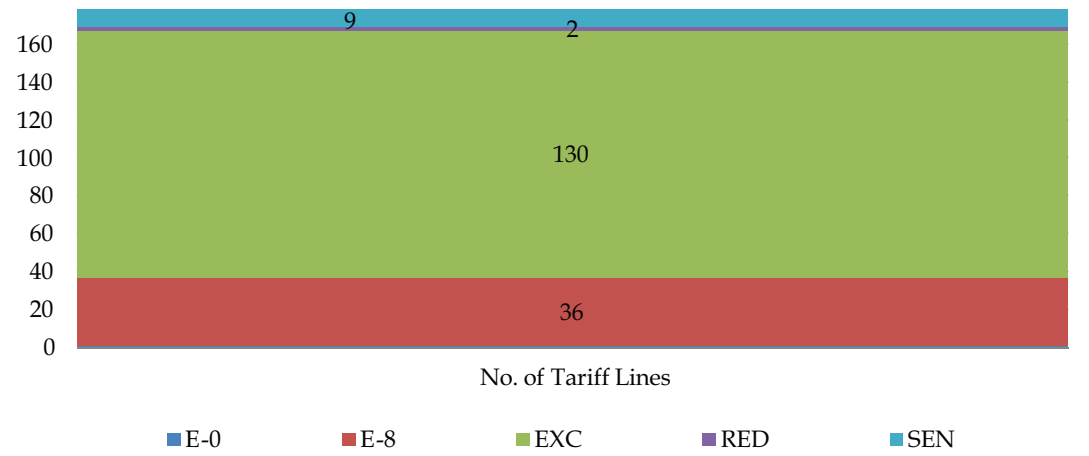
A lot of imports under this chapter may be attributed to Hyundai motors which set up a new plant in India in 2007 and hence could have contributed to a surge in imports during the initial period. More recently the market demand and consequently the production has declined which may be the reason why imports under this chapter have also shown a dip. On one item, antidumping duties have also been imposed by India which is cast aluminium alloy wheels/alloy road wheels used in motor vehicles (HS 87087000. 87082900, 87089900, 87149290, 87149990) in June 2014.

Chapter 40: Rubber and articles thereof: India's imports of rubber and rubber articles increased from US$ 225 million in 2009-10 to US$ 506 million in 2013-14. However the

imports of these product declined to US$ 448 million in 2014-15.

Out of a total of 176 8-digit tariff lines, India agreed to liberalise tariffs on 114 items under CEPA with a phase-out period of eight years (see Figure A.2.10). It must be noted that the base rate tariff on these products averaged around 12 per cent or higher.

Figure A.2.9: India's Tariff Reduction Commitments to Korea under HS Chapter 87



Source: India-Korea CEPA legal text.

Table A.2.13: India's Imports from Korea of HS Chapter 87

Product Codes	Description	India's imports from Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
87082900	Other parts and accessories of bodies(incl cabs)	42.63	55.98	46.2	56.93	65.47	71.82	EXC
87084000	Gear boxes	76.67	67.16	93.19	108.13	103.57	116.02	SEN
87089300	Clutches and parts thereof	13.46	13.9	27.84	26.62	22.86	20.76	EXC
87089500	Safety airbags with inflator system; parts thereof	18.73	12.52	23.98	36.79	27.63	20.13	N/A
87089900	Other parts and accessories of vehicles of hdg 8701-8705	477.83	520.49	530.67	457.86	350.75	299.74	RED
Total of Top five imports		629.32	670.05	721.88	686.33	570.28	528.47	
Total of all imports under the chapter		718.84	776.44	867.66	804.96	661.8	627.12	
Share of top five imports		87.55	86.3	83.2	85.26	86.17	84.27	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

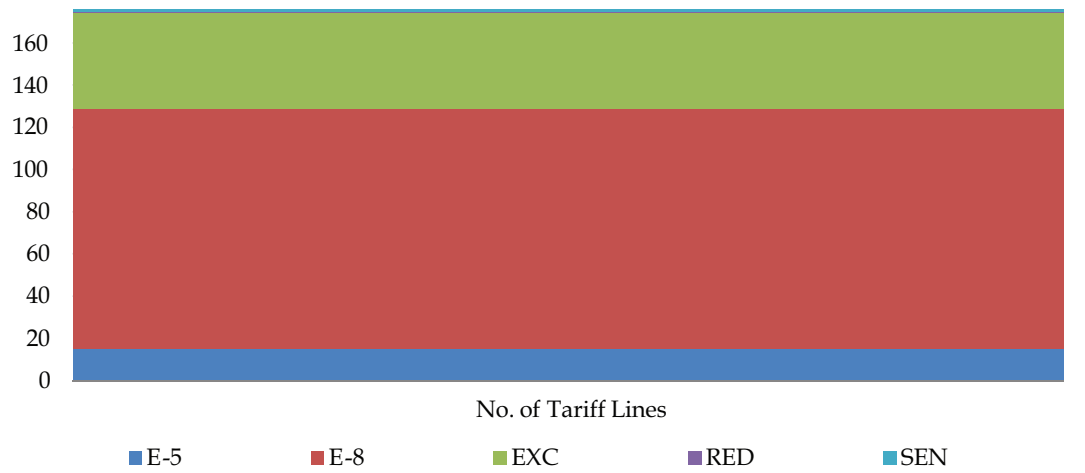
Further, 45 tariff lines under this chapter were exempted from any tariff liberalisation, and the base rate tariff on some of these items (primary form of rubber prevulcanised and otherwise) was as high as 70 per cent and these are not being imported by India.

India's major imports under this category is synthetic rubber and factice dried from oils, with imports of this product at US$ 202 million in 2014-15 and the CEPA tariff is zero from 2014. Other important imports under this chapter are butadiene rubber and acrylonitrile-butadiene rubber on which tariff wll be eliminated by 2017 (Table A.2.14).

Chapter 71: Natural or cultured pearls, precious or semiprecious stones, precious metals, clad with precious metal and articles thereof; imitation jewellery; coin: There has been a sharp increase in India's imports of products under this chapter from US$ 48 million in 2009-10 to US$ 373 million in 2014-15.

For all of the items covered under this chapter, India agreed to fully eliminate tariffs by 2017. Korean imports presently enjoy a preferential tariff of about 1.87 per cent in 2015 while the average MFN tariff applied is around 10 per cent.

Figure A.2.10: India's Tariff Reduction Commitments to Korea for HS Chapter 40



Source: India-Korea CEPA legal text.

Table A.2.14: India's Imports from Korea of HS Chapter 40

Product Codes	Description	India's imports from Korea						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
40021910	Oil extended styrene butadiene rubber	8.16	20	33.16	33.98	40.87	37.81	E-5
40021990	Others synthetic rubber and factice dried from oils in "primary" forms/ in plats sheets etc mixtures excl. Latex / sb	91.15	157.22	234.99	177.16	196.38	202.41	E-5

Table A.2.14 continued...

Table A.2.14 continued...

40022000	Butadiene rubber (br)	17.04	25.09	58.27	65.64	96.25	65.84	E-8
40025900	Other acrylonitrile-butadiene rubber (nbr)	12.63	20.84	26.25	33.35	30.14	29.74	EXC
40169990	Others articles of vulcanised rubber excl. Mats/gaskets and other inflatable articles	20.1	29.02	21.94	21.05	23.99	21.91	E-5
Total of Top five imports		149.08	252.17	374.61	331.18	387.63	357.71	
Total of all imports under the chapter		225.46	360.85	514.69	454.28	506.63	448.09	
Share of top five imports		66.12	69.88	72.78	72.9	76.51	79.83	

Source: Calculated using data from DGCIS, Ministry of Commerce and Industry, GOI

Unwrought silver has become the single largest item of import under this chapter (see Table A.2.15) for which the applied tariff rate in 2014 was 10 per cent but the preferential rate for Korean exporters was 2.82 per cent. Imports could be expected to increase further as tariff goes down to zero.

Chapter 90: Optical, photographic cinematographic measuring, checking precision, medical or surgical instruments and apparatus parts and accessories thereof: India's imports of optical, photographic and other medical instruments from Korea has steadily increased from US$ 222 million in 2009-10 to US$ 313 million in 2014-15. India offered substantial tariff concessions to Korea under this Chapter (see Figure A.2.11). Out of a total of 282 tariff lines, a total of 152 were fully liberalised by 2014, 118 would be liberalised by 2017 and only 12 tariff lines were excluded from any tariff liberalisation.

India's major imports from Korea under this chapter are electro-diagnostic apparatus, massage apparatus, measuring and checking instruments, appliances and machines and electronic automatic regulators (controllers)

Table A.2.15: India's Imports from Korea of HS Chapter 71

Product Codes	Description	India's imports from Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
71069100	Unwrought silver	25.85	27.96	58.58	201.44	266.59	308.54	E-8
71069290	All other semi manufactured forms of silver	19.44	4.75	53.18	5.67	49.19	62.68	E-8
71081200	Other non-monetary unwrought forms of gold		22.78	101.06	29.33	23.2		E-8
Total of Top three imports		45.29	55.49	212.82	236.44	338.98	371.22	
Total of all imports under the chapter		48.33	60.84	223.6	238.94	341.19	373.7	
Share of top three imports		93.71	91.21	95.18	98.95	99.35	99.34	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

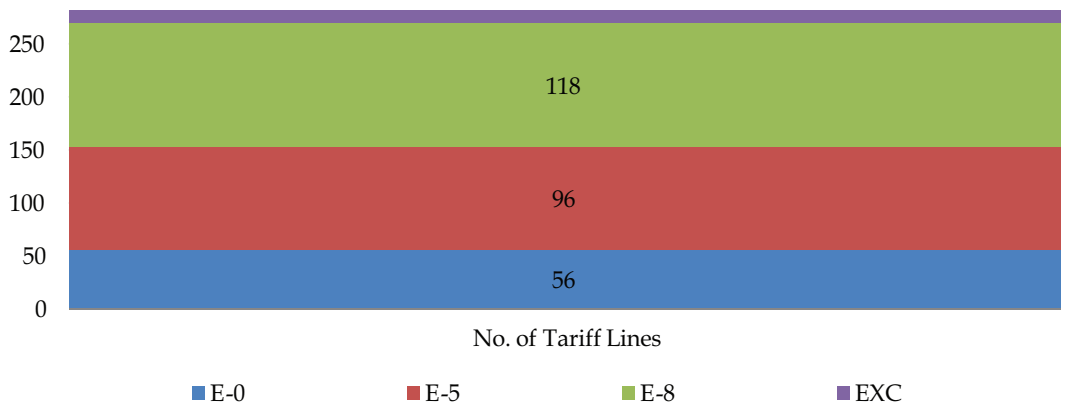
(see Table A.2.16). It must be noted that India also exports some of these products, chiefly, electronic automatic regulators to Korea and the value of India's exports of this last item is greater than the value of imports.

Chapter: 73 Articles of Iron and Steel: Imports of articles of iron and steel from Korea have shown a steady rise between the period 2009-10 to 2014-15 from US$ 169 million to US$ 278 million.

India's tariff reduction offer to Korea under this Chapter was cautious (Figure A.2.12). Out of a total of 259 tariff lines, tariffs on 214 were to be eliminated by 2017. Further, on 17 tariff lines, the tariff concessions offered were limited. India's major imports under this Chapter are threaded screws and bolts, non galvanised tube or pipe fittings, threaded nuts and other steering or rudder equipment for ships and boats (see Table A.2.18).

Table A.2.19 gives the imports under this chapter in the post and pre CEPA

Figure A.2.11: India's Tariff Reduction Commitments for HS Chapter 90



Source: Calculated based on India-Korea CEPA legal text.

Table A.2.16: India's Imports from Korea of HS Chapter 90

Product Codes	Description	India's Imports from Korea						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
90011000	Optical fibres, optical fibre bundles and cables	0.68	0.62	1.03	0.69	2.83	4.98	E-8
90138010	Liquid crystal devices (LCD)	56.01	69.38	43.59	20.73	8.39	27.67	E-0
90139010	Parts and accessories for LCD	0.02	0.55		1.85	2.45	3.74	E-0
90181290	Other electro-diagnostic apparatus	7.2	7.79	12.92	19.21	22.13	20.68	E-5
90184900	Other instruments and appliances, used in dental science	0.88	0.77	1.59	1.75	2.19	3.15	E-5

Table A.2.16 continued...

Table A.2.16 continued...

90189099	Other surgical instruments and appliances (incl veterinary)	4.07	6.6	7.63	7.57	9.42	12.46	E-5
90191020	Massage apparatus	5.45	4.22	2.22	16.74	26.25	27.02	E-5
90191090	Others	1.14	2.2	3.83	4.03	5.77	4.64	E-5
90212900	Other(dental fittings)	0.53	0.83	0.25	1.44	1.86	2.98	E-5
90229090	Others	1.49	2.38	2.67	2.87	4.22	5.18	E-5
90248099	Others	3.84	3.47	1.94	2.17	2.67	3.65	E-8
90268090	Other instruments and apparatus for measuring, checking or automatically controlling the flow, depth ,pressure etc	0.12	0.12	0.12	1.54	4.28	2.35	E-0
90269000	Parts and accessories of instruments/ apparatus of hdg9026	0.18	0.52	0.28	1.95	2.4	3.06	E-0
90278090	Others	0.12	0.74	1.13	1.39	2.14	3.03	E-0
90299000	Parts and accessories of articles of hdg 9029	1.49	3.42	4.69	4.22	3.36	2.93	E-8
90314900	Other optical instruments and appliances	0.68	1.95	3.53	3.2	4.03	3.47	E-0
90318000	Other measuring and checking instruments, appliances and machines	10.22	18.65	13.53	17	21.17	26.64	E-5
90319000	Parts and accessories of instruments of 9031	8.33	7.27	11.04	28.31	29.52	32	E-0
90328910	Electronic automatic regulators(controllers)	50.81	39.01	45.1	40.51	29.09	31.22	E-5
90328990	Other automatic regulating/ controlling instruments and apparatus	13.57	16.1	22.07	20.3	30.68	27.59	E-5
90329000	Parts and accessories of instruments of 9032	27.9	23.62	26.63	13.34	10.04	14.87	E-0
90330000	Parts and accessories for machines, appliances, instruments/ apparatus of chapter 90,nes	2.89	4.36	7	8.5	6.16	6.27	E-8
Total of Top imports		203.78	224.39	228.25	239.57	254.31	269.58	
Total of all imports under the chapter		222.93	250.68	268.79	271.99	280.22	313.51	
Share of top imports		91.41	89.51	84.92	88.08	90.75	85.99	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

Table A.2.17: Tariff Category-wise Imports in 2009-10 and 2014-15 (HS 90)

Tariff Category	Imports in 2009-10 (in US$ million)	Imports in 2014-15 (in US$ million)	Percentage Increase
E-0	99.96	100.07	0.11
E-5	106.68	180.45	69.15
E-8	15.93	31.54	97.99
EXC	0.36	1.45	302.78
Total	222.93	313.51	40.63

Source: DGCIS, Ministry of Commerce and Industry, GOI.

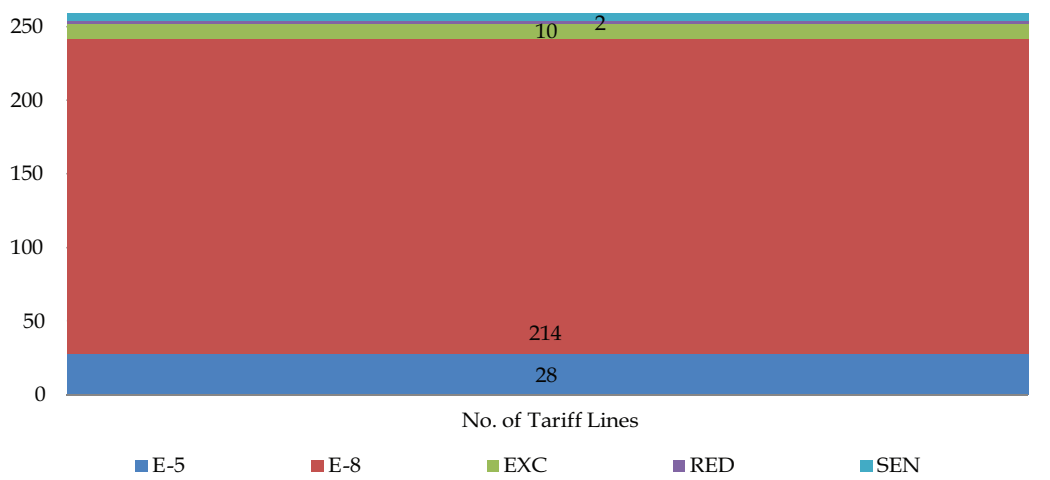
period under different tariff liberalistation categories. It can be seen that substantial increase under this chapter has taken place for the goods placed under E-5 category on which the base rate tariff was 12.5 per cent which was reduced to 0 in 2014. Imports of E-8 category items have also shown a rising trend that can further accelerate with tariff elimination in 2017.

Chapter: 48 Paper and paperboard; articles of paper pulp, of paper or of paperboard: India's imports of paper and paperboard and similar articles from Korea accounts for about 1.5 per cent of India's total imports from Korea. The imports of these articles have increased from US$ 141 million in 2009-10 to US$ 260 million in 2014-15.

India opted for a longer phase out period of eight years for about 208 of a total 225 tariff lines under this chapter. Fifteen tariff lines were excluded from any tariff concessions while tariffs on 2 tariff lines were eliminated in 2014.

It needs to be noted that newsprint, which accounts for about 70 per cent of import under this chapter (see Figure A.2.13) falls under the E-5 category on which tariff is

Figure A.2.12: India's Tariff reduction commitments under HS Chapter 73



Source: Calculated based on India-Korea CEPA legal text.

Table A.2.18: India's Top Imports from Korea under HS Chapter 73

Product Codes	Description	India's imports from Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
73044100	Other tubes, pipe and holo profile of circular cross-section of stainless steel, cold drawn or cold rolled	0.55		0.08	0.02	0.02	9.09	E-8
73053110	Other tubes, pipes etc, longitudinally welded made up of iron						13.71	E-8
73053190	Other tubes, pipes etc, longitudinally welded made up of other	1.78	0.08			0.39	5.00	E-8
73053990	Other tubes pipes etc, otherwise welded made uo of other	0.85	9.69	2.15	1.52	0.36	3.28	E-8
73063010	Other, welded, of circular cross-section, made up of of iron tube/pipes		0.01	0.02	3.98	4.6	4.48	E-8
73069090	Other tubes, pipes etc.of iron/steel n.e.s.	7.38	3.23	2.31	4.53	6.35	9.6	SEN
73079190	Non-galvanised	2.73	1.62	6.47	5.24	9.52	16.18	E-5
73079390	Non galvanised	1.87	2.06	1.51	0.41	1.42	13.35	E-8
73079990	Non-galvanised	7.76	10.95	11.23	13.06	23.72	25.74	E-8
73089090	Other structure and parts of structures of iron and steel(excl floating structures)	2.73	5.51	12.41	42.81	17.68	15.97	E-5
73181500	Other screws and bolts w/n with nuts or washers threaded	33.29	48.42	38.69	39.33	35.52	36.05	EXC
73181600	Threaded nuts	11.97	12.81	15.77	15.82	13.55	13.36	E-8
73182990	Other non-threaded articles n.e.s.	9.04	10.48	11.52	13.35	10.07	12	EXC
73201011	Leaf spring for motor vehicles	1.44	1.75	3.19	3	4.27	5.09	EXC
73209090	Others of other springs of iron/steel	2.65	4.37	4.28	3.56	2.8	3.17	EXC
73259930	Othr cast artcls stainless steel malleabl	0.1	0.44	0.73	1.07	1.14	3.38	E-8
73261990	Others of other articles of forged or stamped but not further worked	10.3	9.35	8.95	8.91	12.61	14.13	E-5

Table A.2.18 continued...

Table A.2.18 continued...

73269099	All other articles of iron/ steel nes other steering or rudder equipment for ships and boats, n.e.s.	6.25	8.62	15.14	12.6	20.25	16.48	E-5
Total of Top imports		100.69	129.39	134.45	169.21	164.27	220.06	
Total of all imports under the chapter		169.12	228.33	232.78	257.95	247.13	278.8	
Share of top imports		59.54	56.67	57.76	65.60	66.47	78.93	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

Table A.2.19 : Tariff Category-wise Imports (HS 73)

Tariff Category	Imports in 2009-10 (in US$ million)	Imports in 2014-15 (in US$ million)	Percentage Increase
E-5	28.68	69.92	143.79
E-8	75.16	135.83	80.72
EXC	47.22	56.94	20.58
RED	0.42	1.85	340.48
SEN	17.64	14.26	-19.16
Total	169.12	278.80	64.85

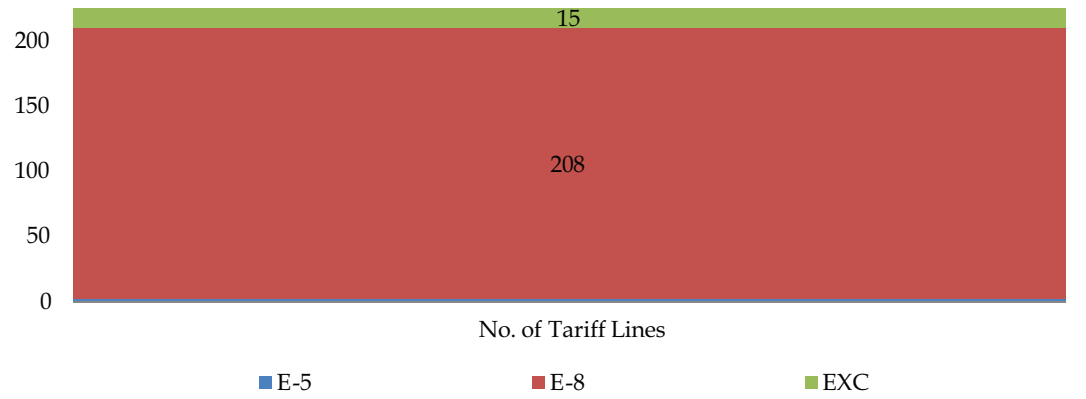
Source: DGCIS, Ministry of Commerce and Industry, GOI.

already eliminated. However, art paper, coated paper and wall paper all of which are under E-8 category have witnessed a sharper rise as seen from Table A.2.20 and Table A.2.21.

Chapter 98: Project goods; some special uses: India's imports of project goods from Korea stood at US$ 534 million in 2009-10 and showed some increase in the year 2011-12 to US$ 647 million but has declined thereafter to US$ 250 million in 2014-15 (see Table A.2.22). None of the tariff lines under this chapter were however negotiated under the CEPA agreement. Hence, the trends in imports of this commodity cannot be attributed to the CEPA tariff concessions. India's major imports under this category are goods meant for power projects, and industrial plant projects.

Chapter 89: Ships, boats and floating structures: India's import of products under this chapter has shown a wide variance depending on yearly purchases of these

Figure A.2.13: India's Tariff Reduction Commitments for HS Chapter 48



Source: India-Korea CEPA legal text.

Table A.2.20: India's Imports from Korea of HS Chapter 48

Product Codes	Description	India's imports from Korea						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
48010090	Other newsprints	117.43	132.35	150.94	102.81	140.1	179.14	E-5
48054000	Filter paper and paperboard	0.7	0.93	1.7	1.89	1.26	1.31	E-8
48101920	Art paper	0.09	0.03	0.86	8.32	5.93	6.4	E-8
48101990	Other	4.6	2.41	4.32	15.99	12.81	37.26	E-8
48115990	Other paper, paperboard etc. Weighing > 150gm/ sqm					4.03	4.75	N/A
48116000	Paper and paperboard, coated, impregnated or covered with wax, paraffin wax, stearine, oil or glycerol	4.63	5.1	4.68	5.78	8	15.31	E-8
48119099	Others	0.17	0.43	0.54	2.15	2.23	3.55	E-8
48142000	Wallpaper and similar wall coverings consisting of paper coated/covered on face side with a grained embossed colored etc/ decorated layer or pl	0.11	0.36	1.09	1.7	2.55	3.69	E-8
48195090	Other packs containers made of other materials	0.01	0.01	0.01	0.47	3.05	0.65	E-8
Total of Top imports		127.73	141.61	164.13	138.64	176.91	252.06	
Total of all imports under the chapter		141.59	159.14	187.17	160.39	187.47	260.00	
Share of top imports		90.21	88.98	87.69	86.44	94.37	96.95	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

Table A.2.21: Tariff Category-wise Imports (HS 48)

Tariff Category	Imports in 2009-10 (in US$ million)	Imports in 2014-15 (in US$ million)	Percentage Increase
E-5	117.43	179.14	52.55
E-8	19.52	78.35	301.38
EXC	4.64	2.24	-51.72
N/A		0.27	NA
Total	141.59	260.00	83.63

Source: DGCIS, Ministry of Commerce and Industry, GOI.

high value items which include ships, submersible platforms, tankers and other vessels. While imports under this chapter declined from US$ 189 million in 2009-10 to US$ 25 million in 2010-11, there was a rapid increase in imports in the subsequent period with imports reaching a level of US$ 1102 million in 2012-13. However, there has been a marked fall in the imports of these products subsequently with imports falling to US$ 217 million in 2014-15.

It is to be noted that 96 per cent of the tariff lines in this chapter will be fully liberalised by 2017. The five top products

Table A.2.22: India's Imports from Korea of HS Chapter 98

Product Codes	Description	India's imports from Korea						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
98010011	Industrial plant project	14.11	11.83	67.57	32.3	28.44	19.05	Not Negotiated
98010012	Irrigation plant		5.55	7.41	1.67			Not Negotiated
98010013	Power project	443.2	280.8	493.4	295.7	252.4	215.6	Not Negotiated
98010019	Other projects	34.79	103.8	77.86	71.11	13.67	16.09	Not Negotiated
98010020	Components w/n finished or raw materials for initial setting up/ substantial expansion of unit	42.12	88.27	0.04	5.15			Not Negotiated
Total of Top imports		534.3	490.3	646.3	405.9	294.5	250.8	
Total of all imports under the chapter		534.4	491.7	647.8	405.9	295.2	250.9	
Share of top imports		99.98	99.71	99.77	99.98	99.74	99.96	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

imported under this chapter maybe seen at Table A.2.23.

Chapter 82: Tools implements, cutlery, spoons and forks, of base metal; parts thereof of base metal: Imports of tools and kitchenware from Korea has increased sharply from US$ 30 million in 2009-10 to US$ 201 million in 2014-15. Out of a total of 97 tariff lines, the customs tariff on one tariff line (HS 82073000), pertaining to tools for pressing and stamping or punching, was fully eliminated by 2014. Import of this item exhibited a surge after tariff liberalisation (the MFN tariff on this item in 2014 was 10 per cent) accounting for two thirds of all imports under this chapter (see Table A.2.24). Other items under this Chapter will be fully liberalised by 2017. Imports of certain of these items are already registering an upward trend which could be expected to continue in the future.

Table A.2.23: India's imports from Korea of HS Chapter 89

Product Codes	Description	India's imports from Korea						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
89011010	Ships			6.23		157.2	51.74	E-8
89012000	Tankers	156.16		177.43		89.86	29.93	E-8
89040000	Tugs and pusher craft	7.06	19.24	35.67	3.2	3.77		E-8
89069000	Other under heading 8906		0.93	0.11		119.15		E-8
89080000	Vessels and other floating structures for breaking up	0.4	4.26	5.15	218.09	178.98	132.19	E-8
Total of Top five imports		163.62	24.43	224.59	221.29	548.96	213.86	
Total of all imports under the chapter		189.13	25.04	657.37	1102.63	548.99	217.73	
Share of top five imports		86.51	97.56	34.16	20.07	99.99	98.22	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

Chapter 76: Aluminum and articles thereof: The share of aluminum in India's imports from Korea increased substantially from 0.79 per cent in 2009-10 to 1.33 per cent in 2014-15. Imports of these products have more than doubled from US$ 68 million in 2009-10 to US$ 180 million in 2014-15.

Out of a total of 96 tariff lines, tariffs on 84 tariff lines were to be reduced by 2017, even as tariffs on 5 tariff lines already stood eliminated in 2014 (see Figure A.2.14). Another 7 tariff lines were excluded from any tariff concession.

India's major imports from Korea under this chapter consist of rectangular (including square) plates aluminum alloys, aluminum foil and tubes and pipes of aluminum alloys (see Table A.2.25).

Table A.2.24: India's Imports from Korea of HS Chapter 82

Product Codes	Description	India's imports from Korea						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
82072000	Dies for drawing or extruding metal	2.51	7.65	2.78	21.56	21.56	27.22	E-8
82073000	Tools for pressing stamping or punching	4.06	31.76	42.79	25.28	99.84	135.15	E-5
82074090	Other tools for tapping and threading	2.07	4.27	10.65	4.95	3.28	3.2	E-8

Table A.2.24 continued...

Table A.2.24 continued...

82075000	Tools for drilling other than rock drilling	2.04	1.83	2.18	2.03	2.07	2.1	E-8
82077090	Other tools for milling	0.66	1.7	2.59	3.78	3.65	3.43	E-8
82079090	Others	2.52	4.5	7.69	8.07	6.08	6.34	E-8
82090010	Tungsten carbide tips	6.45	6.66	11.37	11.62	11.66	15.31	E-8
82090090	Others	0.79	1.07	1.92	1.5	1.41	2.08	E-8
Total of Top five imports		21.1	59.44	81.97	78.79	149.55	194.83	
Total of all imports under the chapter		30.09	68.77	93.14	87.19	157.62	201.83	
Share of top five imports		70.12	86.43	88.01	90.37	94.88	96.53	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

Tariffs on rectangular plates of aluminum and aluminum foils, which are significant import items from Korea under this Chapter, were eliminated by 2014. The applied MFN tariff on these products is around 5 per cent. Further it must be noted that there is a steady increase in the imports of goods covered under the tariff liberalisation category E-8, which may see a further surge when tariffs on these items are fully eliminated in 2017.

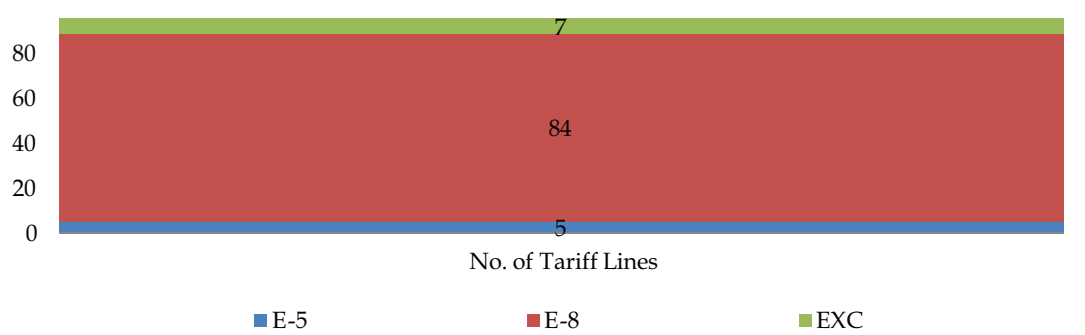
Chapter 79: Zinc and articles thereof: India's imports of zinc and zinc articles from Korea has shown a steady and sharp rise from US$ 23.99 million in 2009-10 to US$ 148 million in 2014-15.

Tariffs are to be phased out in period of 8 years for 82 per cent of the tariff lines covered under this chapter even as tariffs on the rest stood liberalised by 2014. India's major imports under this chapter are in zinc (not alloyed) and alloys of zinc and aluminum (see Table A.2.26) on which tariffs were liberalised by 2014.

It must be noted that the current MFN tariff on these products is 5 per cent.

Chapter 28: Inorganic chemicals; organic or inorganic compounds of precious metals, of rare-earth metals, of radioactive elements of isotopes: Imports of inorganic chemicals from Korea have increased

Figure A.2.14: India's Tariff reduction commitments for HS Chapter 76



Source: India-Korea CEPA legal text.

Table A.2.25: India's Imports from Korea of HS Chapter 76

Product Codes	Description	India's Imports from Korea						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
76012010	Aluminum ingots -alloyed	1.28	0.76	2.22	1.46	4.59	1.66	E-8
76041039	Other profiles of aluminum-not alloyed	0.43	0.38	0.21	0.48	1.32	0.38	E-8
76042100	Hollow profiles of aluminum alloys	2.07	3.37	3.77	2.95	3	3.44	E-8
76061200	Rectangular (incl square) plates etc.of aluminum alloys	1.02	9.19	21.31	27.67	42.69	60	E-5
76071190	Other aluminum foil rolled	20.69	19.91	24.69	12.12	8.13	8.94	E-5
76072090	Other backed aluminum foil	4.04	8.04	19.69	23.57	15.78	21.33	E-5
76081000	Tubes and pipes of non-alloyed aluminum	0.74	2	1.48	1.04	1.4	6.22	E-8
76082000	Tubes and pipes of aluminum alloys	3.42	7.66	9.8	15.16	14.36	11.72	E-8
76090000	Aluminum tube or pipe fittings (for example couplings, elbows, sleeves)	0.38	0.7	0.39	0.22	1.22	1.68	E-8
76109010	Finished structure	0.02	3.66	2.99	4.93	13.29	9.01	E-8
76109030	Aluminum plates , rods, profiles, tubes and the like, for use in	0.02	0.04	0.8	4.12	2.19	5.34	E-8
76109090	Other structures and parts of structures of aluminum n.e.s.	1.73	0.51	8.48	6.14	9.64	6.13	E-8
76129090	Other containers : n.e.s.	2.41	3.16	10.27	12.85	10.86	9.25	E-8
76151029	Other aluminum utensils					1.34	0.15	N/A
76169990	Others articles of aluminum n.e.s.	4.3	6.3	10.73	7.53	8.76	11.92	E-8
Total of Top five imports		42.55	65.68	116.83	120.24	138.57	157.17	
Total of all imports under the chapter		68.14	105.84	147.66	146.13	159.96	180.44	
Share of top five imports		62.44	62.06	79.12	82.28	86.63	87.10	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

between the period 2009-10 to 2014-15 from US$ 62 million to US$ 145 million.

In terms of tariff concessions, India opted for a longer phase-out period of 8 years for around 95 per cent of the tariff lines covered under this chapter. While 8 tariff lines were completely excluded from any tariff liberalisation, 7 tariff lines were included in the sensitive list (see Figure A.2.15).

India's most important import item from Korea under this Chapter is carbon black whose imports have surged significantly in recent years causing concern for domestic industries (see Table A.2.27). Anti-dumping

Table A.2.26: India's Imports from Korea of HS Chapter 79

Product Codes	Description	India's imports from Korea						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
79011100	Zinc, not alloyed, containing by weight>=99.99 per cent zinc	5.75	2.08	4.94	42.43	28.89	57.51	E-5
79011200	Zinc, not alloyed, containing by weight	9.53	8.7	8.5	24.23	15.17	39.47	E-5
79012010	Mozak or alloys of zinc and aluminum containing not less than 94 per cent by wt of zinc	7.74	9.77	8.1	11.24	23.06	32.33	E-5
79012090	Zinc alloys, n.e.s.	0.28	0.31	0.76	1.28	6.84	13.48	E-5
79020010	Zinc scrap covered by isri code saves, scab, scope, scoot, score, screen, scull, scribe, scrub, seal, seam, shelf	0.04	0.48	0.67	0.8	2.53	5.29	E-8
Total of Top five imports		23.34	21.34	22.97	79.98	76.49	148.08	
Total of all imports under the chapter		23.99	22.54	23.23	80.06	77.08	148.44	
Share of top five imports		97.29	94.68	98.88	99.9	99.23	99.76	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

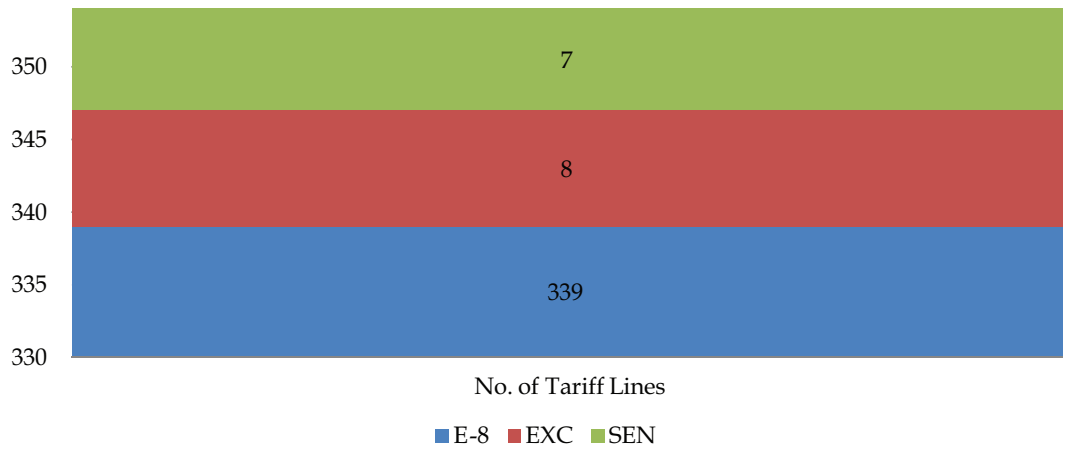
investigations were also launched by the Government of India on these imports in February 2015. India has also imposed anti-dumping duties on another product under this category which is caustic soda in iye or solid or ash form (HS 281511 and HS 281512).

Chapter 38: Miscellaneous chemical products: Imports of miscellaneous chemical products from Korea more than doubled from US$ 57 million in 2009-10 to US$ 144 million in 2014-15.

Out of a total of 178 tariff lines, 128 tariff lines are to be liberalised in 8 years while 36 tariff lines are included in the sensitive list. 5 tariff lines were excluded from tariff concessions while the rest figured under the RED category (see Figure A.2.16).

India's major imports under this chapter consist of rubber chemicals (see Table A.2.28) whose imports have surged in recent years prompting the government to impose a

Figure A.2.15 India's Tariff Reduction Commitments for HS Chapter 28



Source: India-Korea CEPA legal text.

Table A.2.27: India's Imports from Korea of HS Chapter 28

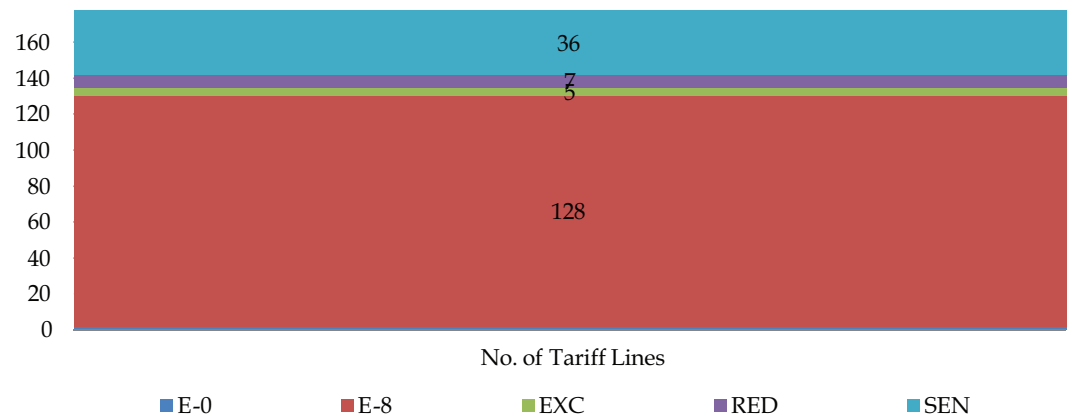
Product Codes	Description	India's imports from Korea						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
28030010	Carbon black	5	9.62	13.62	31.04	31.14	32.21	SEN
28049000	Selenium	2.04	2.44	3.83	6.24	4.95	3.26	E-8
28070010	Sulphuric acid			13.18	13.2	14.95	12.51	E-8
28092010	Phosphoric acid	4.1	5.81	4.19	4.94	2.34	3.29	E-8
28151200	Naoh in aqueous solution (soda lye or lqd soda)	9.99	7.23	14.48	21.12	18.96	38.05	EXC
28152000	Potassium hyproxide (caustic potash)	10.6	6.56	8.83	9.58	11.26	11.54	SEN
28230010	Titanium dioxide	4.7	4.47	8.64	8.42	8.28	11.07	E-8
28251020	Hydrazine hydrate	5.6	5.28	5.41	4.96	6.47	8.36	E-8
28364000	Potassium carbonates	9.52	6.15	7.69	10.2	10.97	11.84	E-8
28371100	Cyanides and cyanide oxide of sodium	1.07	1.56	3.18	4.21	3.77	3.61	E-8
28470000	Hydrogen peroxide w/n solidified with urea	0.34	1.44	0.07	1.15	4.8	1.05	E-8
Total of Top five imports		52.96	50.56	83.12	115.06	117.89	136.79	
Total of all imports under the chapter		62.44	61.16	98.2	128.13	127.28	145.59	
Share of top five imports		84.82	82.67	84.64	89.8	92.62	93.96	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

definitive anti-dumping duty on the import of these items in April 2014.

Chapter 86: Railway or tramway locomotives, rolling-stock and parts thereof: India's imports of coaches and railway locomotives from Korea remained low throughout the period 2009-10 to 2013-14, staying less than US$ 50 million in all years. However, in 2014-15 the imports rose substantially to US$ 134 million. The surge was contributed solely by the imports of railway coaches powered from external source of electricity which started being imported in 2014-15 and the imports stood at US$ 116 million (see Table A.2.30). Under the CEPA concessions, the tariff on this product was eliminated in 2014 while the MFN duty stood at 10 per cent.

Figure A.2.16: India's Tariff Reduction Commitments for HS Chapter 38



Source: Calculated based on India-Korea CEPA legal text.

Table A.2.28: India's imports from Korea of HS Chapter 86

Product Codes	Description	India's imports from Korea						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
38099190	Other finish agents used in textile industry	0.66	0.89	1	1.38	1.69	2.53	E-8
38101010	Pickling preparation and 0ther soldering brazing or welding p0wder/pastes etc	0.44	0.49	1	1.53	1.53	1.65	E-8
38109090	Other	6.9	6.35	4.01	2.08	2.01	2.35	RED
38112100	Additives for lubricating oils containing oils obtained from petroleum and bituminous minerals	1.35	1.03	3.5	4.91	5.05	4.07	E-8
38123010	Anti-oxidants (rubber)	9.64	11.85	11.02	11.75	17.9	13.81	E-8
38123090	Rubber chemical-n.e.s.(e.g. blowing agent)	7.84	11.11	11.77	15.47	10.4	10.27	E-8

Table A.2.28 continued...

Table A.2.28 continued...

38140010	Organic composite solvents and thinners n.e.s	0.5	0.88	0.83	1.2	1.39	0.82	E-8
38160000	Refractory cement-cortars-concretes and similar compositions other than products of hdg no. 3801	1.12	3	8.29	10.01	7.89	6.79	E-8
38170011	Linear alkyl benzene (sodium dodecylbenzene sulphonate)	0.45	0.79	0.78	0.67	6.53	4.63	EXC
38180010	Undefused silicon wafers	5.71	16.93	2.31	5.81	1.36	21.36	E-0
38180090	0thers		2.91	7.01	6.62	2.93	10.85	E-0
38190090	Others	0.91	1.35	3.27	2.61	1.04	0.87	E-8
38200000	Anti-freezing preparations and prepared de-icing fluids		0.71	1.64	2.06	1.63	1.59	E-8
38220019	Other for medical diagnosis	0.44	1.27	4.38	1.52	1.8	1.01	E-8
38220090	Others	3.84	6.85	6.1	4.93	11.66	10.41	E-8
38241000	Prepared binders for foundry moulds/cores	0.08	0.69	1.07	1.47	1.73	1.9	E-8
38243000	Non-agglomerated metal carbides mixed together or with metallic binders		1.83	6.44	5.86	5.32	6.1	E-8
38244010	Dampproof/waterproof compounds(e.g. acquo-proof)	0.34	0.33	0.12	0.73	1.39	0.97	E-8
38244090	Others	2.87	3.04	3.43	4.72	7.38	16.16	E-8
38249026	Oil well chemical	0.05		1.23	1.11	3.66		E-8
38249090	Other chemical products nes.	2.4	3.49	3.09	4.62	7.41	11.33	E-8
Total of Top five imports		45.54	75.79	82.29	91.06	101.7	129.47	
Total of all imports under the chapter		57.32	83.98	93.37	98.2	110.74	144.28	
Share of top five imports		79.45	90.25	88.13	92.73	91.84	89.74	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

Table A.2.29: Tariff Category-wise Imports (HS 38)

Tariff category	Imports from Korea in 2009-10 (in US$ million)	Import from Korea in 2014-15 (in US$ million)	Growth Rate
E-0	5.71	32.21	464.10
E-8	38.15	103.61	171.59
EXC	5.92	5.45	-7.94
RED	7.09	2.41	-66.01
SEN	0.45	0.6	33.33
Total	57.32	144.28	151.71

Source: DGCIS, Ministry of Commerce and Industry, GOI.

In terms of tariff concessions offered by India under this Chapter, only 7 tariff lines were fully liberalised by 2014, while about 35 tariff lines were put under the longer phase-out period of 8 years. There has been some surge in imports of products under this category, such as parts of railway coaches and locomotives, however the value of imports is still quite low.

Other imports from Korea

While the imports of products from the top twenty HS Chapters cover over 95 per cent of total imports from Korea, imports of a few other items such as lead, miscellaneous articles of base metal and tanning or dyeing extracts, man-made filaments such as elastomeric and yarn of other polyester, have also registered significant increases, although their volumes are still small.

Overall Assessment of Imports

The foregoing statistical analysis of import figures for the last five years indicates that Korea has gained significant advantage from tariff liberalisation under CEPA. Impact can be seen (see Table A.2.3.1) even in respect of the limited number of products on which tariffs were fully eliminated in 2010 itself, particularly in HS Chapter 84 and 85. More evident, however, is in the case of imports of products classified under the staging category E-5, on which duties came to zero in 2014. These included several machinery items, plastics, organic and inorganic chemicals, steel items, synthetic rubber, instruments and appliances and their parts such as LCD monitors and medical and measuring apparatus, zinc, aluminum products such as foils and plates, tools for pressing stamping or punching, newsprints and railway coaches.

Products under the E-8 staging category are the most numerous and collectively the growth in their imports have been modest. However, this is because there has been a sharp drop in the import of Petroleum Oils (HS 27090000) after 2009-10 and also some decline in the import of machinery items (HS 84) in the E-8 category. These mask the otherwise significant growth rates in the import of items like steel, silver, plastics, chemicals and rubber related items. Imports of some of these items are likely to gather momentum following full tariff elimination in 2017, if present trends are any indication.

Table A.2.30: India's Imports from Korea of HS Chapter 86

Product Codes	Description	India's imports from Korea (in US$ million)						Category
		2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	
86031000	Coaches powered from external source of electricity						116.68	E-5
86072900	Other brakes and parts thereof	36.82	1.85	0.15	0.15	0.02		E-8
86079100	Parts of locomotives		0.12				3.43	E-8
86079910	Parts of coach for railway	0.08	0.03				6.88	E-5
86079990	Parts of railway, n.e.s.	3.73	0.72	34.69	22.74	3.68	3.5	E-5
Total of Top imports		40.63	2.72	34.84	22.89	3.7	130.49	
Total of all imports under the chapter		46	3.5	35.07	23.17	4.6	134.05	
Share of top imports		88.33	77.71	99.34	98.79	80.43	97.34	

Source: DGCIS, Ministry of Commerce and Industry, GOI.

There are also certain products listed under the SEN and EXC categories whose imports have shown a surge despite very limited or no tariff reductions. A rise in demand is possibly the major attributable factor. These include imports of electrical machinery products such as switches and electric conductors, DC motors and generators, base oil, certain steel items, organic and inorganic chemicals. Another area where the imports are striking is plastics where imports of polymers of plastics in primary forms, Acrylonitrile-butadiene styrene copolymers and PVC resins, have risen significantly. Other products such as Phenol, Terephthalic acid and its salts, Gear boxes, parts and accessories of vehicles and screws and bolts also fall in this category. It will therefore be important that any further tariff concession under CEPA is agreed to after fully taking into account trade trends evident in the last few years and after holding due consultations with the domestic producers and the user industry.

The RIS team was not able to establish contact with stakeholders from many of the concerned industrial producers or consumers of many of the import items to understand how they were affecting them or benefitting them. It is however evident that in a number of cases, there is a concern in the domestic industry about rising imports considering the number of anti-dumping cases registered with the authorities. These include items such as certain iron and steel products, specific automotive parts, inorganic chemicals such as caustic soda, organic chemicals such as PTA and rubber chemicals. Local producers for several of these items have complained about the negative impact of imports from Korea on domestic production and on cases where dumping has been found, the government has applied anti-dumping measures after assessing injury to the industry. A list of these products may be found in Table A.2.32.

Table A.2.31: Tariff Category-wise Imports

Staging Category	Imports from Korea in 2009-10 (in US$ million)	Imports from Korea in 2014-15 (in US$ million)	Percentage Increase
E-0	1187.54	2151.45	81.17
E-5	1131.62	2552.1	125.53
E-8	2392.7	3219.04	34.54
EXC	1173.45	1766.32	50.52
Not Negotiated	534.39	250.85	-53.06
RED	882.48	1146.77	29.95
SEN	851.34	1509.85	77.35
N/A	35.84	296.56	727.46
Total imports under the top 20 HS Chapters	8189.36	12892.94	57.44

Source: Compiled using trade figures from DGCIS, Ministry of Commerce and Industry, GOI.

Table A.2.32: Anti-dumping duties imposed by India on Imports from Korea

HS Code	Product Name	Duty Type	Date	Staging Category
29141100	Acetone	Definitive	04-12-2014	EXC
55013000	Acrylic Fibre	Definitive	23-02-2015	EXC
55033000	Acrylic Fibre	Definitive	23-02-2015	EXC
55063000	Acrylic Fibre	Definitive	23-02-2015	E-8
28030010	Carbon Black	Initiation of AD investigation	09-02-2015	SEN
87087000	Cast aluminium alloy wheels/ alloy road wheels used in motor vehicles whether or not attached with their accessories	Definitive	09-06-2014	SEN
87082900	Cast aluminium alloy wheels/ alloy road wheels used in motor vehicles whether or not attached with their accessories	Definitive	09-06-2014	EXC
87089900	Cast aluminium alloy wheels/ alloy road wheels used in motor vehicles whether or not attached with their accessories	Definitive	09-06-2014	RED
87149290	Cast aluminium alloy wheels/ alloy road wheels used in motor vehicles whether or not attached with their accessories	Definitive	09-06-2014	EXC
87149990	Cast aluminium alloy wheels/ alloy road wheels used in motor vehicles whether or not attached with their accessories	Definitive	09-06-2014	E-8
281511	Caustic soda (lye & solid/flakes)	Definitive	07-07-2011	EXC
281512	Caustic soda (lye & solid/flakes)	Definitive	07-07-2011	EXC
721931	Cold-Rolled Flat Products of Stainless Steel of the width of 600 mm upto 1250mm of all series further worked then Cold Rolled (cold reduced) with a thickness of up to 4mm	Definitive duty imposed on 20-02-2010 SSR in process		E-8
721932				E-8
721933				RED
721934				E-8
721935				E-8
721990				RED
85239050	Compact Disc Recordable	Definitive	06-03-2009	E-0
390720	Flexible slabstock polyol	Definitive	22-07-2009	EXC
7219	Hot Rolled austenitic stainless steel flat products; whether or not plates, sheets or coils (hot rolled Annealed and pickled or Black) of rectangular shape	Definitive	09-03-2015	RED/E-8
7210				E-8/E-5/ EXC
7219	Hot Rolled Flat Products of Stainless Steel of ASTM Grade 304 with all its variants	Definitive	11-10-2011	RED/E-8
7220				E-8

Table A.2.32 continued...

Table A.2.32 continued...

290312	Dichloromethane (Methylene Chloride)	Definitive	02-04-2014	EXC
54	Nylon filament yarn	Definitive	19-11-2011	E-8/EXC
29173600	Purified Terephthalic Acid	Definitive	07-04-2015	SEN
2917	Rubber Chemicals	Definitive	29-04-2014	E-8/SEN
2921				RED/E-8
2925				E-8
2930				E-8/EXC/ SEN
2933				E-8
2934				E-8
2935				E-8
2942				E-8
3811				E-8
3812				E-8/EXC
3815				E-8
31025000	Sodium nitrate	Definitive	12-11-2014	E-0
2834				E-8
85235100	USB Flash drives	Definitive	19-12-2014	NA

Source: Ministry of Commerce, GOI.

Investment flows between India and Korea

1. Introduction

This note on foreign investment flows between India and Korea seeks to capture available data about the total investment inflows in each direction along with some details about the major investments. Apart from the data available with the Department of Industrial Policy and Promotion (DIPP) of the Government of India and the EXIM Bank of Korea, it also uses material available from various press reports that have been indicated in the Endnotes. Section 2 of the note focuses on the trend in FDI inflows from Korea into India. It further provides details about a few large Korean investments in India in the manufacturing sector as also about some of their investments in the services sector. Section 3 provides details on overall FDI inflows into Korea from India and also gives details about the three large Indian investments in Korea.

In section 4 the note briefly addresses the issue of whether the coming into force of CEPA has had an impact on foreign investment inflows between India and Korea.

2. Trends in FDI Inflow into India from Korea

Foreign Investment inflows from Korea into India began after the economic reforms in India in the early 1990s. Initially some Korean SMEs entered through joint ventures but after the two countries signed the Bilateral Investment Promotion/Protection Agreement (BIPA) in 1996 during President Kim Young-sam's visit to India, Korean conglomerates, including Daewoo Motors, LG Electronics, Samsung Electronics and Hyundai Motors began to invest in India. In fact, in 1996, about 9 per cent of foreign direct investment in India was from Korea's large-sized companies while the shares of other East Asian countries such as Japan and Singapore were 4.1 and 0.9 per cent respectively.[1] Korea's share in investment rose to 13 per cent in 1999, ranking it among the top five investors, next to the U.S. and the UK. Korea's share in India's total FDI inflow from 1991 to 2001 was 3.5 per cent.

During the 2000s, Korean FDI inflows to India have been relatively on a smaller scale. Table A.3.1 gives India's FDI inflows from Korea as per statistics maintained by DIPP. It can be seen that after fluctuating widely in the period 2000-01 to 2003-04 and having been in two digits till 2007-08, there has been a higher level of inflow in recent years. Overall, India's total inflows of FDI from Korea between the period April 2000 to January 2015 amounted to US$ 1526 million accounting for a share of 0.63 per cent in India's total FDI inflows from all sources. Korea ranks as 14th among all foreign investors for investments from 2000 onwards.

The FDI inflows show a more robust picture according to the statistics maintained

Table A.3.1: FDI Inflows from Korea (DIPP statistics)

Year	Korea FDI in US$ million (Flow)	Korea FDI in US$ million from April 2000 (Stock)	Total FDI in US$ million (Flow)	Total FDI in US$ million 2000 (Stock)	Korea's Share in India's total Cumulative FDI inflow from April 2000 (in per cent)
2000-01	20.67		2463		
2001-02	1.00	21.67	4065	6528	0.33
2002-03	39.17	60.84	2705	9233	0.66
2003-04	23.9	84.74	2188	11421	0.74
2004-05	34.56	119.3	3219	14640	0.81
2005-06	60.18	179.48	5540	20180	0.89
2006-07	70.89	250.37	12492	32672	0.77
2007-08	99.52	349.89	24575	57247	0.61
2008-09	114.64	464.53	31396	88643	0.52
2009-10	166.88	631.41	25834	114477	0.55
2010-11	131.35	762.76	21383	135860	0.56
2011-12	244.79	1,007.55	35121	1,70,981	0.59
2012-13	223.99	1,231.54	22423	1,93,404	0.64
2013-14	173.85	1,405.39	24299	2,17,703	0.65
2014-15* (upto Jan 2015)	121.6	1,526.99	25526	2,43,229	0.63

Source: Department of Industrial Policy and Promotion, Ministry of Commerce and Industry, Government of India.

by the Korean EXIM Bank which may perhaps also reflect Korean investments in India that may have been routed through third countries. According to their data (Figure A.3.1), Korea's cumulative FDI in India amounted to US$ 3.9 billion from 1991 till December 2014. While the inflows recorded a peak of US$ 507 million in 2007, when Hyundai's second factory was set up in Chennai, it subsequently saw a fall, in the years following the global financial crisis. Since 2011, however, the inflow levels have recovered with annual inflows exceeding US$ 300 million.

2.1 Nature of Investments

Major Korean conglomerates preferred to enter India through wholly owned subsidiaries with large scale investments, which allowed them to also establish their brand image at early stage, and gain negotiating power with local government. According to Korea Trade Investment Promotion Agency (KOTRA), about 88 per cent of all Korean subsidiaries established in India are wholly-owned while approximately 11.3 per cent are joint ventures. The joint ventures are also mostly between Korean companies themselves, and joint ventures with Indian companies are rare.

According to the figures from EXIM Bank Korea, 684 Korean companies have invested in India from 1983 to January 2015. Major Korean conglomerates which have invested in India include: Hyundai Motor India Ltd. with an estimated investment of $2 billion in setting up an automotive plant in Chennai

with a capacity to produce more than 650,000 cars annually; Samsung Electronics with an investment of $150 million; LG Electronics $150 million; Hyundai Mobis, Chennai with an investment of $184 million; Visteon Automotive System India Ltd, Chennai with an investment of $100 million; Hyundai Wia Corporation, Chennai with an investment of $100 million.[2] Investments by Hyosung on manufacturing Gas Insulated Switchgear (GIS), KC Cottrell on Environmental equipment, and the E-land Group in Apparel manufacturing, are a few other examples. According to Korean EXIM Bank, Korean investment in India is concentrated mainly in the manufacturing sector which accounts for 80.3 per cent, with wholesale and retail trade 6.3 per cent, 3.3 per cent in science and technology, and 3.2 per cent in construction, and 2.9 per cent in banking and insurance activities. However, according to DIPP figures, the main sectors attracting investments are metallurgical industry (23 per cent), automobile industry (11 per cent), prime mover (other than electrical generators) (9 per cent), machine tools (7 per cent) and hospitals and diagnostic centre (6 per cent).[3]

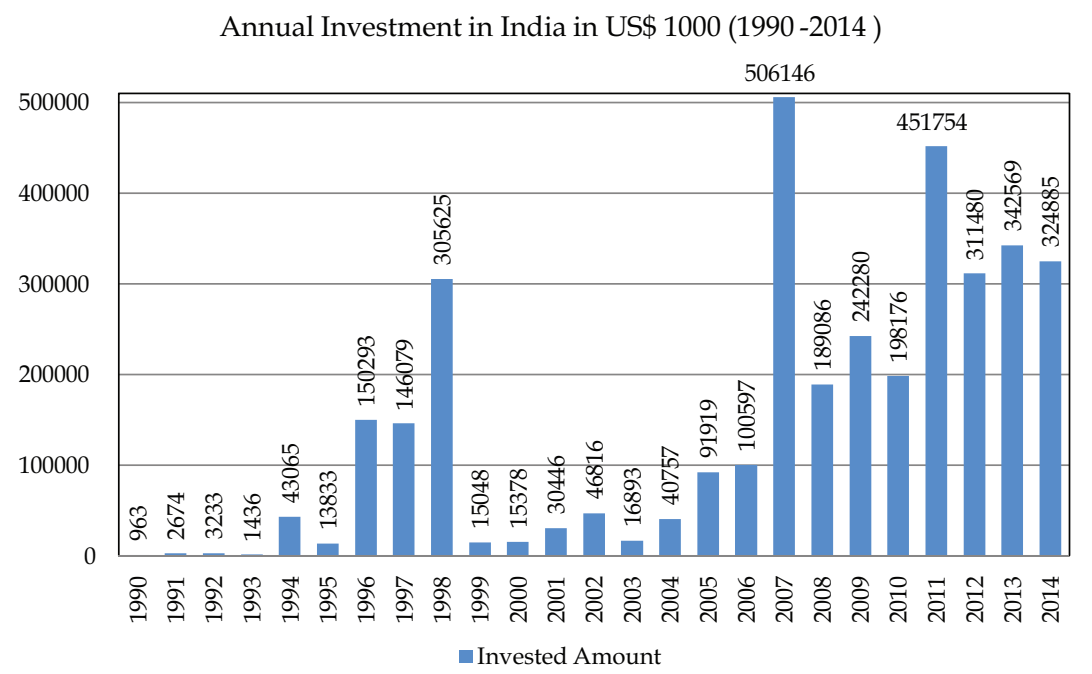
To provide a better idea of the investments made by Korea in India, brief profiles are given in Section 2.2 below of some of the major investments.

2.2 Major Korean Investments

2.2.1 Samsung India

Samsung Electronics commenced its operations in India in December 1995 and is today a leading provider of Consumer Electronics, IT and Telecom products in the Indian market. Samsung India is the Regional Headquarters for Samsung's

Figure A.3.1: Korea's Outward FDI to India



Source: Korean EXIM Bank

South West Asia operations, which provides employment to over 45,000 employees with around 11,500 employees being involved in R&D and about 8,000 in manufacturing. Samsung's revenue in India totalled about Rs 40,392 crore in 2013-14, with a share of 69 per cent or Rs 27,912 crore contributed by its mobile phone division.[4]

Samsung began operations in India through its manufacturing complex located at Noida (UP), which today houses facilities for Colour Televisions (including 3D, LED and LCD Televisions), Mobile Phones, Refrigerators, Washing Machines and Split Air Conditioners. In November 2007, Samsung commenced operations of its second manufacturing complex at Sriperumbudur, Tamil Nadu which manufactures Colour Televisions, Fully Automatic Front Loading Washing Machines, Refrigerators and Split Air Conditioners.

Apart from the manufacturing units, Samsung has three R&D Centres in India– two in Delhi NCR and one in Bangalore. While the Noida R&D Centre develops software solutions for high-end televisions such as Plasma TVs, LCD TVs and Digital Media Products, the other Centre in NCR is engaged in R&D solutions for product hardware. The Bangalore R&D Centre works on major projects for Samsung Electronics in the area of telecom, wireless terminals and infrastructure, Networking, SoC (System on Chip) Digital Printing and other multimedia/digital media as well as application software. In terms of market share, Samsung is the leading producer in product categories like LED TVs, LCD TVs, Slim TVs, Side by Side Refrigerators and Smart phones. According to Asim Warsi, Vice President, Marketing, of Samsung's mobile business, the company's market share in volume in the smartphone market in 2014 was 35.7 per cent, which was more than double than that of the next player, while its value share was 40.2 per cent, which was more than four times the next player n the entire year 2014.[5]

Samsung invested Rs. 517 crores for the expansion of the Noida plant under the UP Mega Policy in January 2015.[6] A statement by Mr. B D Park, president and chief executive officer (South-west Asia) in 2012, said that Samsung planned to make an additional investment of Rs 350 crore in manufacturing and research and development (R&D) in India in 2015.[7]

In terms of exports, only 1-3 per cent of Samsung's manufacturing volume in 2011 was exported, mostly to SAARC countries. However, the company planned to increase it to 10 per cent. Samsung India Country Head (Mobile and IT Business) Ranjit Yadav in 2011 said that Samsung looked at making India and export hub to export to countries in the Middle East and Africa.[8]

Samsung also has a collaborative partnership with the MSME Ministry to set up MSME – Samsung Technical School in different locations in the country. In 2014, three MSME-Samsung Technical Schools were set up, at New Delhi, Hyderabad and Varanasi. An MoU has also been entered into with Government of Rajasthan to set up the Samsung Technical School at the Government ITI in Bani Park, Jaipur.[9]

2.2.2 Hyundai

Hyundai Motors India Limited (HMIL) was set up in India in 1996 with a manufacturing plant in Chennai as a wholly owned subsidiary of Hyundai Motor Company (HMC). Starting with two models, it has steadily expanded and currently has eight car models across segments – Eon i10, Grand i10, Eon i20, Xcent, Verna, Santro, Elantra and Santa Fe. Hyundai has two manufacturing plants in India located at Sriperumbudur in the Indian state of Tamil

Nadu. Both plants have a combined annual capacity of over 800,000 units.[10]

Currently, Hyundai Motor India is exporting six of its popular models namely - Santro, i10, i20, Accent, Eon and Verna to around 120 countries. While in 2012, Hyundai Motor India exported a total of 250,005 cars, exports have since come down to only 200,000 in 2014. (The peak level of exports was in 2009 when the company exported 270,000 units.)

Hyundai has also set up an R&D Centre in Hyderabad with an investment of Rs. 184 crores which endeavours to be a centre of excellence in automobile engineering. As of June 2014, Hyundai's total manpower was 10,000 personnel (more than 1 lakh if vendors are included).

Hyundai is also exporting Engine TM Assy and Auto parts through vendors. Hyundai has been collaborating with Indian companies to promote greater technology upgradation. Some of the projects undertaken by Hyundai, as per the company, include die casting parts development with Sundaram Motors, crankshaft development with Mahindra Hinoday and cylinder block development with Hinduja Foundries.

2.2.3 LG Electronics India

The company was incorporated in 1997 and set up its first manufacturing plant in Greater Noida, Uttar Pradesh in 1998 with an investment of Rs. 5 crores. By the end of 2003, LG emerged as the market leader in consumer electronics and home appliances and by the end of 2004, LG had more than 50 million customers with an annual turnover of more than Rs. 65 billion. To meet the growing demand for its products, LG started its second manufacturing plant in Pune in October 2004.

In 2012, LG India had about 4,000 permanent employees on its rolls. India is amongst the top five global markets for LG Electronics which registered a turnover of Rs. 18,500 crore in 2014. The company is targeting a turnover of Rs 23,500 crore in 2015, as part of a strategy to make India its top three markets in three years time. According to the company 90 per cent of its products are manufactured locally. The company plans to invest a minimum Rs 500 crore this year in research and development. LG Electronics India Managing Director Soon Kwon also said that LG will become a more meaningful player in the mobile segment.[11]

LG is reported as the largest exporter of consumer electronics from India with its export business from India growing every year.[12] In 2014, about 10 per cent of LG products manufactured in India were exported to 80 countries of South-East Asia, South Africa, Middle East and South American regions. The company aims to increase exports of products like refrigerators, washing machines and LCD/ LED TV as well as other categories from its Indian operations to about 15 per cent over the next two years.

2.2.4 POSCO

POSCO India is a wholly owned subsidiary of POSCO in the Republic of Korea. In 2005, POSCO India was incorporated to promote investment in steel, considering the high growth potential and rise of steel demand in India.

POSCO has four affiliates in India, for the stabilisation of downstream steel investments, such as cold-rolled, galvanised and electrical steel production. It has plants in Maharashtra that provides high quality galvanised steel that is applicable to all varieties of industries, such as construction,

home appliances and automotive industries. In addition, the company recently inaugurated a US$ 709 million steel mill in Maharashtra in January 2015 with an annual capacity of 1.8 million tonnes. The mill will produce steel mainly for automakers including Tata Motors, Maruti Suzuki and Mahindra & Mahindra.[13] It has also set up steel processing centres in Pune, Delhi, Chennai, etc., The manufacturing unit and the processing centres have been set up to add value to the steel coils imported from POSCO's plants in South Korea. POSCO imported 1.34 million tonnes (MT) steel in 2012, 1.1 MT in 2011 and 1.15 MT in 2010 from its plants in Pohang and Gwangyang in South Korea. POSCO has a market share of more than 19 per cent in India's total imports of over 7 MT, which comprise mainly of special steels.[14]

Gweon Lee, general manager (corporate relations) at POSCO India's head office in Gurgaon said the company has invested approximately $326 million in the galvanising unit at Raigad and processing centres in several states. It's spending approximately $845 million in a cold-rolled steel mill and an electrical steel unit, also in Raigad, he said.[15]

POSCO, signed an MoU with the Orissa government in 2005 for setting up a 12-million-tonne steel plant at Paradip, but the project did not make any tangible progress due to several issues including resistance of a section of local people in the project area.

2.2.5 LOTTE India

LOTTE started its operations in India in 2004, by entering into an agreement with Murugappa Group, promoters of Parry's Confectionery Limited through which the entire shares held by Murugappa Group, the founders of Parrys Confectionery Limited, were divested to Lotte Confectionery Limited –a South Korean Multinational giant. The company is based in Chennai and produces candy products, gum products and snacks.

According to its latest available annual report the Company achieved a gross sales of Rs.359 crores in the year ended December 2013, as against Rs.319 crores for the year ended December 31, 2012. Further, the Company achieved a profit after tax of Rs.5.1 crores as against the profit of Rs.6.66 crores in the previous year.

2.2.6 Korean Investments in the Services Sector

Korean investments in the services sector have shown a rising trend (see Table A.3.2). According to DIPP figures, about 15.44 per cent of all Korean investments from 2008-09 upto January 2015 have gone into the services sector. A major share of Korean investment in services (48.44 per cent) is in hospitals and diagnostic centres and a Children's Dental Centre was opened in Gurgaon in 2011 which is a direct follow-up of the liberalised provision in CEPA. Shop CJ of CJ Group of Korea which began its homeshopping operations in India in September 2009 has progressively expanded from TV shopping to internet shopping and mobile shopping. According to the company, their investment has risen to US$ 100 million, with 707 employees and their product portfolio includes several local brands.

Banking and financial services has been another area of Korean investment focus. Among Korean banks, Shinhan Bank has four branches and Woori Bank has one branch in India. Korea Bank of Exchange is learnt to be in the process of upgrading its representative office into a full branch. Both Hana Bank and KB Kookmin Bank have also set up their representative offices. Under CEPA, India had given commitment to give favorable consideration up to ten applications for establishment of bank branches over four years.

Table A.3.2: Korea's FDI Inflows to India in the Services Sector

Sector	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15*	Cumulative inflow upto Jan 2015
Hospital & Diagnostic Sector	0	0.12	0	0	0.23	87.07	0.66	88.08
Services Sector (Finance, Banking, Insurance, Non Finance/ Business, Outsourcing, R&D, Courier, Technical Testing and Analysis, Other)	3.39	5.96	0.05	0.01	0.5	6.62	5.31	21.84
Trading	0	3.04	1.14	2.56	1.98	4.3	1.04	14.06
Education	0	0.09	0	0	2.19	2.54	0.66	5.48
Hotel and Tourism	0	0.03	0.37	1.09	0.2	0.8	0.14	2.63
Consultancy Services	0	4.22	0.06	5.69	0.01	0.35	5.14	15.47
Computer Software and Hardware	2.24	0.77	0.58	0	0.68	0.28	2.56	7.11
Information & Broadcasting (Including print media)	0	7.06	2.75	12.6	0	0	1.74	24.15
Air Transport (Including air freight)	0	0.12	0	0	0	0	0	0.12
Agriculture Services	0	0	0.96	0	1.93	0	0	2.89
Total Services	5.63	21.4	5.91	21.95	7.72	101.96	17.3	181.83

Soucre: DGCIS, Ministry of Commerce and Industry, GOI.

The Korean Asset Management Company Mirae also is expanding its presence in India. Initially set up in 2007 with a seed capital of US$ 50 million, it is one of the largest investment managers in emerging markets equities. As of 30th April 2015, Mirae Asset Group's Funds investments in India Equity Instruments are US$ 1243 million and US$ 123 million in Fixed Income instruments. In 2014, the company registered a 200 per cent growth in assets under management. It is at the 22nd position among major Asset Management Companies (AMCs) in India.

3. FDI outflows from India to Korea

Indian investments in Korea however, have been more limited but there have been a few large investments such as in TATA Daewoo, Mahindra & SsangYong Motors and Novelis. Table A.3.3 gives RBI's figures for India's investment in Korea during the period 2001-02 to 2011-12. It can be seen that India's investment in Korea has been very small in most of the years except in the year 2010-11 when India's OFDI to Korea was US$ 462 million out of which around US$ 460 million was invested by Mahindra & Mahindra to acquire a majority stake in Ssangyong Motors in 2010. Earlier, in 2004, Tata Motors had also acquired Tata Daewoo Commercial Vehicle Co. for US$ 102 million. Korea's share in India's total OFDI from 2001-02 to 2011-12 stood at 0.43 per cent. Apart from this, in May 2007, Hindalco Industries Limited (Hindalco), a subsidiary of the AV Aditya Birla Group of Companies, acquired the Canada headquartered aluminium giant Novelis Inc. (Novelis) for US$ 6 billion which

Table A.3.3: India's Outward FDI to Korea

Year	OFDI to Korea	Total OFDI by India	Share of Korea in India's Total OFDI
2001-02	-	999.29	-
2002-03	-	1848.35	-
2003-04	51.51	1564.08	3.29
2004-05	1.55	1991.77	0.08
2005-06	-	7834.61	-
2006-07	0.7	13236.81	0.01
2007-08	0.07	18446.72	0.00
2008-09	-	16327.68	-
2009-10	0.08	12303.58	0.00
2010-11	462.49	16402.66	2.82
2011-12	-	30824.12	-
Cumulative Inflows upto 2011-12	516.4	121779.7	0.42

Source: Outward Direct Investment from India: Trends, Objectives and Policy Perspectives, May 2014, EXIM bank Occasional Paper Series, Sourced from RBI

Table A.3.4: Korea's FDI Inflows from India

Year	Inflows from India	Total Inflows	Share of India in Total FDI Inflows
2003	0.6	3887.6	0.02
2004	52.9	7725.8	0.68
2005	2.8	6065.8	0.05
2006	1.4	4963.9	0.03
2007	7.5	1450	0.52
2008	10.66	7603.2	0.14
2009	11.28	6586.3	0.17
2010	49.16	8117.1	0.61
2011	409.89	10246.5	4.00
2012	29.91	11117.4	0.27
Cumulative from 2003 to 2012	576.11	67763.61	0.85

Source: OECD Stats.

enabled Hindalco to receive a majority share in Novelis Korea Limited. Subsequently, nearly all of the 32 per cent outstanding shares were also bought out by the company in 2011 making Novelis Korea wholly owned by Novelis Inc. Canada, which in turn is wholly owned by Hindalco, Mumbai. Since the investment was indirect, through Canada, it has not been reflected in the OFDI figures for Korea.

Table A.3.4 gives Korea's inward FDI from India as per OECD statistics. These are more or less as per EXIM Bank figures but also include a few smaller investments. For the period 2003 to 2012, Korea's total inward FDI from India stood at US$ 576 million that

had a share of 0.85 per cent in Korea's total FDI. As in the case of EXIM bank of India statistics, the OECD figures also do not reflect the investments in Novelis, Korea.

3.1 India's investment in Korea in Manufacturing

The three major Indian investments in Korea are detailed below.

3.1.1 Tata Daewoo

In 2004, India's Tata Motors Ltd. purchased South Korea's Daewoo Commercial Vehicle Co. for US$ 102 million. Over the four years from 2004, exports jumped about five times to 4,280 units from 874 units, revenues more than doubled to 673.1 billion won from 292.3 billion won and operating profit grew more than eight times to 59.2 billion won from 7 billion won. Tata Daewoo exports trucks to more than 40 countries including the UAE, Algeria and South Africa, as well as domestic sales in India. In 2006, it was conferred with a government award to celebrate $100 million in exports of heavy-duty trucks. In 2008, it achieved a $200 million milestone in exports. Employees grew to 1,281 from the 806 registered at the start of the new company.

More recently, production volumes and sales revenues have both registered increases, and the market share has increased in both heavy and medium commercial vehicle segments. In 2012-13 and 2013-14, TDCV notched up its second highest total sales volumes since 2007-08. The export business stood at 4,016 vehicles in 2013-14[16].

3.1.2 Mahindra and Mahindra and SsangYong Motor Company

In March 2011, Mahindra & Mahindra Ltd. (M&M), India's leading manufacturer of utility vehicles, acquired a majority stake (70 per cent) in SsangYong Motor Company (SYMC) with an investment of about US$ 463 million.[17] It was expected that M&M Ltd. would make use of the strong R&D capabilities of SsangYong which had not been doing well earlier. In January 2015, the company announced the launch of "Tivoli" a compact SUV. The launch of Tivoli marked a significant milestone as it is the first all new product post SsangYong's association with Mahindra.[18]

3.1.3 Novelis Korea Limited

In 2007, Aditya Birla Group's flagship Hindalco Industries acquired the Canadian aluminium maker, Novelis granting it a majority share of 68 per cent amounting to about US$ 600 million in Novelis Korea Limited.

With one-fifth of the capacity located in Korea, the value paid for these assets is calculated at US$ 1.2 billion. Subsequently, nearly all of the 32 per cent shares outstanding have been bought out in 2011 and the capacity has been expanded. This needed additional investment of over US$ 700 million in all, taking the total amount invested in Korea to nearly US$ 2 billion. The replacement value of the assets in this country is around US$ 3 billion.

Novelis Korea is Asia's largest manufacturer of aluminium rolled products with production centres in Yeongju and Ulsan. It employs more than 1,500 people and had sales revenue of US$ 1.9 billion in the financial year 2014-15. Nearly 70 per cent of the output is exported throughout the World.

Novelis Korea is the headquarters for Novelis Asia and also overseas operations/ offices in China, Malaysia, Vietnam and Dubai. Novelis Korea is wholly owned by Novelis Inc., Canada which in turn is wholly owned by Hindalco, Mumbai.

3.1.4 Indian Investments in the Services Sector in Korea

Indian investment presence in Korea in the services sector is mainly in the banking and IT services sector. The Indian Overseas Bank has a branch in Seoul. The State Bank of India which has a representative office in Seoul has recently received approval for elevation into a branch office.

Among Indian IT companies, Mahindra Satyam, Tata Consultancy Services and L&T Infotech have resident offices in Korea. The offices of WIPRO in Korea is known to be shutting down.

4. Has coming into force of CEPA had an impact on foreign investment inflows between India and Korea?

CEPA could be said to have led Korean companies to take greater interest in investing in India, since investment data maintained by both DIPP and Korean EXIM Bank indicate a general rise in the level of inflows. CEPA has also facilitated entry of investment in services sectors, like the investment in a children's dental hospital and in a online gaming company, both by Korea. The POSCO steel investment in Maharashtra also is an instance of how CEPA tariff concessions on imports into India are being used for promoting not only their investment but also exports.

Generally, however, Korean investments in India which are concentrated mainly in the manufacturing sector, have brought benefits in terms of employment, exports and a substantial level of local manufacturing and indigenisation. The signing of the Revised Double Taxation Avoidance Agreement between the two countries could encourage more FDI to flow in directly than through third countries. If this is accompanied by measures to further facilitate the ease of doing business in India, including for Korean SME's, the prospects for larger inflows appear bright.

Korean investors could be expected to be looking at how the "Korea Plus" arrangement announced by PM Modi during his visit, which will be a dedicated mechanism for handholding of Korean investors, will actually operate. The progress that is made in the early establishment of the Korean Industrial Park in Rajasthan will also be an important factor particularly for attracting Korean SMEs.

As for Indian investments in Korea, investment in Mahindra Ssangyong took place after CEPA came into effect. While all the three major Indian investments in Korea appear to be doing well now, while also giving greater technology exposure to their Indian parent companies, there is no evidence that more such large investments are on the cards in the immediate future. The prospects of Indian IT majors who have set up their offices in Korea also appear limited at this stage with CEPA provisions having made no difference to their working.

Endnotes

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