

4 CHAPTER

India and South Korea Relations

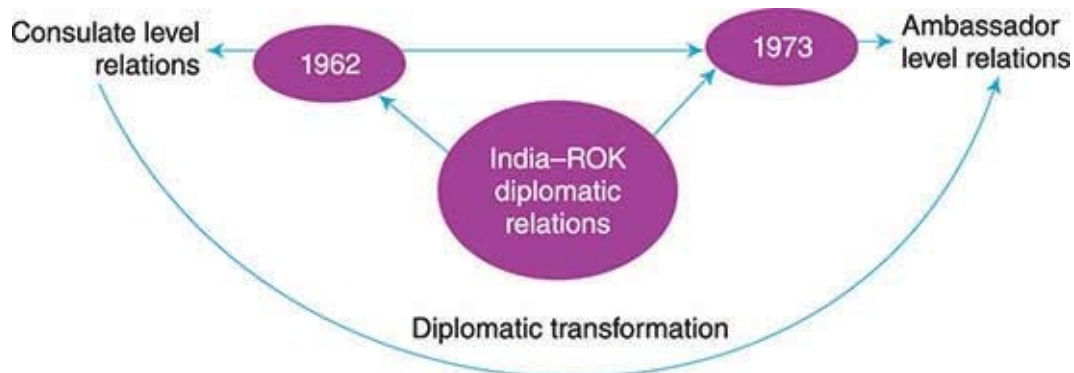
After reading the chapter, the reader will be able to develop an analytical understanding on the following:

- Historical background of diplomatic relations
- Trade diplomacy
- Strategic diplomacy
- Nuclear diplomacy
- Analysis of bilateral visits

HISTORICAL BACKGROUND

In 1929, in a poem, Tagore wrote, “In the golden age of Asia Korea was in of its lamp bearers, and that lamp is waiting to be lit once again for the illumination of the East.”

These evocative lines by Tagore clearly reflects the vision of the Republic of India about the Republic of Korea (ROK). The connecting factor between India and ROK has always been Buddhism. Buddhism reached Korea in the fourth century AD. Buddhism was recognised in Korea in the reign of Kim Sosurim. Due to the spread of Buddhism in Korea, Indian and Korean interactions increased. The relations received an impetus in the times of Asoka, the Indian emperor who patronized Buddhism. Asoka is known to have sent iron and gold from India to Korea to establish Buddhist statues there. The interaction declined during the medieval times. With the advent of modern times came colonial rule. Japan colonised Korea and the British colonised India. The relations, hence, could not flourish due to colonial presences in both nations. As the national movement progressed in India against the British, a similar movement in 1920s began in Korea. It was in 1929 when Tagore reached Japan that he penned the lines above. In 1947, the UN Temporary Commission on Korea consisting of nine member states was established to hold elections in Korea in May 1948, with India as the Chairman of the Korean Commission.



India played an important role during the period from 1950 to 1953, with North and South Korea finally accepting the Indian-sponsored ceasefire on 21st July, 1953. India's

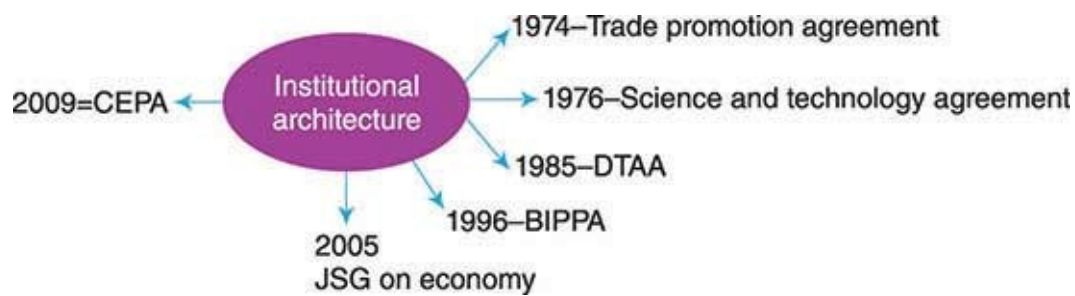
diplomacy in 1954 Geneva conference that officially ended the Korean crises was highly appreciated. As the Cold War entered Asian theatre in the 1950s India, announced non-alignment while ROK chose an alliance with the US and in 1953 signed a Mutual Defence treaty with US under the leadership of Rhee Syng Man.

In 1974, India and ROK concluded an agreement on trade, promotion and economic cooperation but the treaty did bear fruit as the two countries differed ideologically during the Cold War. India liberalised its economy during the Rajiv Gandhi era, which finally paved the way for India to enhance engagement with ROK. It was also way back in 1988 that India and ROK signed a Double Taxation Avoidance Agreement (DTAA). In 1993, P V Narasimha Rao became the first Indian PM to visit South Korea. In 1996, the South Korean President Kim Young Sam visited India and established a joint commission at the Foreign Ministries level to boost bilateral cooperation. During the 1997 Asian crisis, South Korea was affected but after its economy was stabilised in 1999, the then Prime Minister of South Korea, Kim Jong Pil, visited India. The visit was significant as it opened up space cooperation. It was in 1999 that India, through a Polar Satellite Launch Vehicle (PSLV) launch, also put Unibyl or the Korean satellite KITSAT- 3 in a geostationary orbit. In 2004, then-President Roh Moo Hyun visited again and announced long term cooperative partnership for peace and prosperity. The first ever Foreign Policy and Security dialogue envisaging long term cooperative partnership was held and matters related to defence and terrorism and so forth were discussed. To enhance economic cooperation, a joint study group (JSG) was established in 2006. The JSG began to explain the potential of a future Comprehensive Economic Partnership Agreement (CEPA) between India and ROK. As the negotiations went on, the two diversified into trade, science and technology, IT and infrastructure. Gradually textiles, oil and gas also came up in energy negotiations and economic cooperation. ROK recognised that India has ready availability of cheap and skilled labour. The ROK began to envisage India as an emerging as a destination where the ROK can invest, manufacture and boost exports to the rest of the world. ROK identified, as per the Indian skill set, automobiles and ship building to work upon. In 2005, POSCO steel company concluded an MoU with the government of Odisha for establishing a 12 billion dollar steel plant. This was touted as the biggest ever FDI to India in its history. In 2005, India and the ROK also concluded an MoU on defence cooperation and logistics. In 2009, finally the two concluded the CEPA

In order to increase cultural contact, both have often signed mechanisms to promote cultural cooperation. The India week in ROK and the Korea week in India are organised at the cultural level with unfailing regularity. In 1999, Kimhae city and Ayodhya were declared sister cities. In recent times, the US rebalancing of the Asia-Pacific have got India and Korea closer. Another area of security cooperation between India and the ROK is at the level of nuclear power. North Korea and its clandestine activities have ensured that and India and the ROK will have to intensify cooperation to maintain the balance of power in this context. Keeping this in mind, both India and the ROK have resorted to regular military interactions. South Korea is a pioneer in missiles and class destroyers, which is a new area of cooperation. The economic interaction is increasingly linked to strategic relations.

TRADE DIPLOMACY

During Cold War, India had a closed economy while South Korea had an open economy. When the Cold War ended, India liberalised its economy, which provided an impetus to trade diplomacy. However, it was in 1974 that the trade promotion agreement was signed.

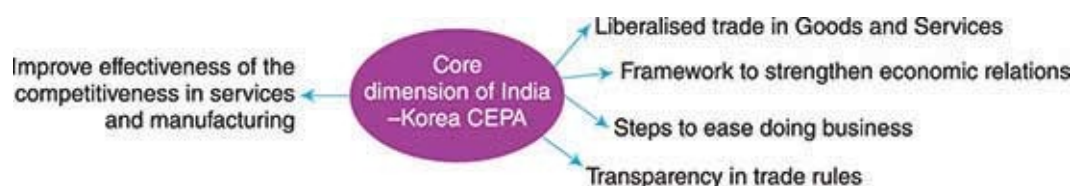


The trade relations have picked up well only at the end of the Cold War. Since 2001, the ROK has been an importer of services while India has emerged as an exporter of services. However, due to a change in demand at the economic level, the merchandise trade in recent times has grown. India exports mineral fuels, stag and ash, cotton and waxes while it mostly imports electronics, nuclear reactors, boilers and iron.

Another crucial connector in the flow of investment from Korea to India are the Korean firms like Samsung, LG and Hyundai that have diversified their business interests in India. As Korea prefers local investments over FDI domestically, there is less potential of India to take FDI to ROK but we do have increasing Korean FDI to India. Events post the 1997 crisis have made Korea more amenable to a more proactive FDI regime. In 1998, they established a Foreign Investment Promotion Act to provide rebates and attract investments. The US and Japan are major contributors of FDI in Korea. India has initiated acquisition of Korean firms to increase its presence in Korea. The Tata group has recently acquired estate in Kunsan while IT firms like APTECH and TCS have also increased their presence.

INDIA-SOUTH KOREA CEPA

The CEPA was concluded in 2009 and came into effect in 2010.



As a result of the CEPA, bilateral trade has increased and India has become a top exporter of IT and ITES exports. On the other hand, India is taking advantage of the high-quality steel and heavy machinery imported from Korea. The CEPA has classified 11,200 tariff lines of Korea and 5200 tariff lines of India which are put under six broad categories for tariff reduction and elimination. As textiles and agriculture are crucial and sensitive to both, they have been excluded. The CEPA has also led to India expanding in telecom and construction sectors, apart from IT.

It also allows movement of professionals, especially at the IT and engineering levels. In 2014, the Ministerial Joint Commission has been represented to India-ROK joint trade and investment promotion commission. Taking advantage of CEPA, Honda has set up a plant in Chennai. LG, Visteon Automobiles and Hyundai have also increased their presence in India. Korean investment in India mostly lies in manufacturing just as Indian

investment in ROK is in services. Indian firms in ROK include Novelise, Tata, Mahindra and Creative plastics.

India and POSCO

In 2005, POSCO decided to establish a steel plant in India. However, the project, since its inception, has gotten entangled in grassroots activism over land acquisition. In 2008, the Indian Supreme Court also gave a green signal to POSCO to acquire land including land in a forest area for steel plant construction. But the project was further entangled in hurdles with the environment ministry and national green tribunals. Due to the ongoing issues, in July 2015, POSCO has announced its decision to put the project on hold citing an internal decision of the management. The project may not be operational as of now but POSCO still continues to be in India.

In July, 2016, India and the ROK decided to launch the Korea + platform to boost trade. In order to promote investment, the Korea + acts as a platform that hosts representatives from Korean industry and energy ministries. In July 2016, the former Korean PM UN Chan Chung, while launching the Korea + platform, emphasised on improving the understanding of culture to enhance economic cooperation between two nations:



STRATEGIC DIPLOMACY

The origin of India–ROK strategic partnership (SP) owes itself to the visit of Roh Moo Hyun to India in 2004. India and the ROK signed a long-term cooperation partnership for peace and prosperity in 2004. In 2010, when South Korean President Lee Myung Bak visited India, the relations were transformed and upgraded to the level of strategic partnership. Over a period of time, both have realised the need to cooperate at the strategic level due to the changing balance of power in Asia thanks to a rising China. The commitment of both for a multipolar and a democratic Asia strengthened their need to cooperate at the strategic level.



The year 2005 saw India–ROK sign an MoU on defense logistics and supplies. This increased the bilateral defense visits. In 2010, both signed pacts on humanitarian assistance and mutual interest in the defense sector. There is a permanent diplomatic post

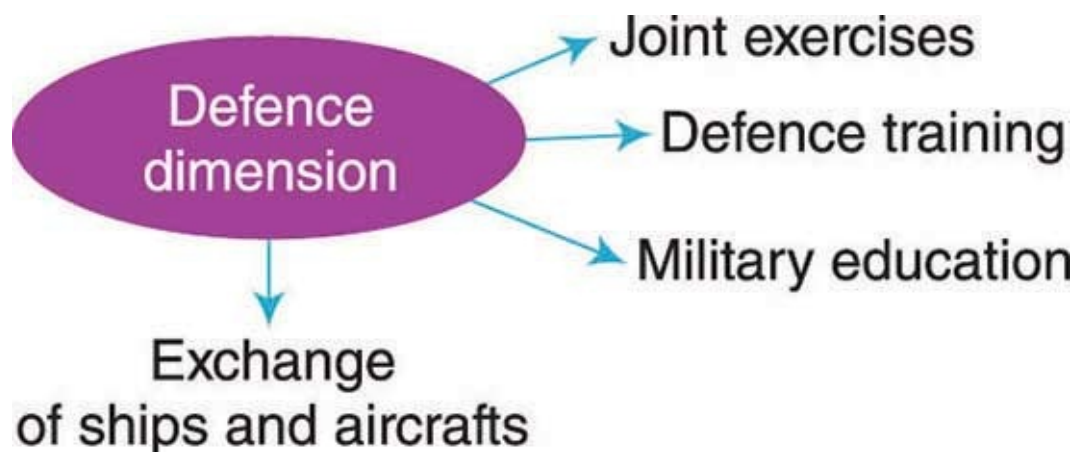
of a defense attaché in Indian Embassy in Seoul.

NUCLEAR DIPLOMACY

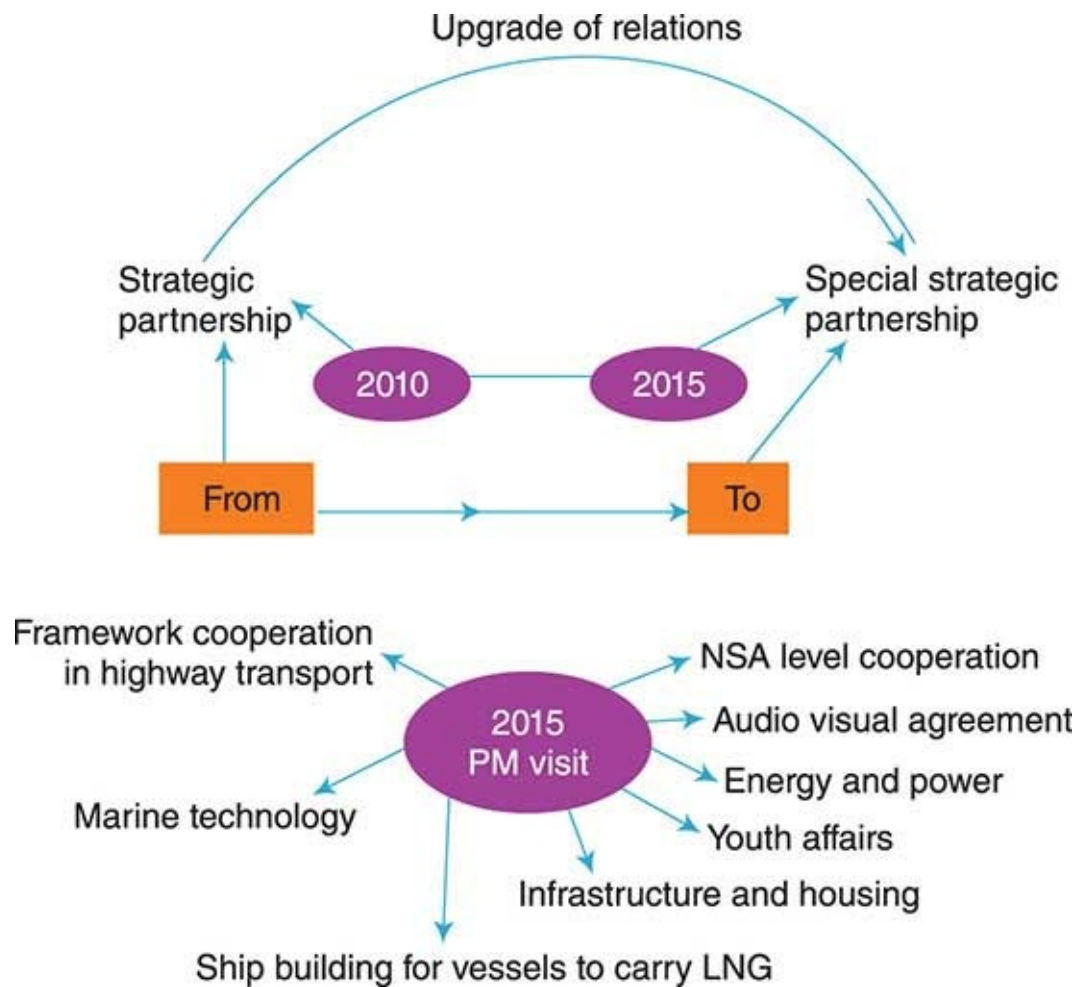
In 2011, India and the ROK signed a nuclear deal. Korea is a market leader and is also building nuclear reactors for the UAE. South Korea has been working on fourth generation fast reactors and is making progress in that area. The ROK wants to build reactors for India but India plans to first undertake nuclear research jointly with the country. It would be important to note that India has adopted a wait-and-watch policy over nuclear commerce with the ROK since 2011 as India wants to witness the success of Korean reactors in the UAE (Korean reactors are already very successful in Jordan). Most of the Korean nuclear technology is indigenously manufactured and Korea has successfully used nuclear diplomacy in its foreign policy amongst global players.

ANALYSIS OF PM'S VISIT TO AND FROM KOREA

In 2014, the South Korean President visited India and signed an agreement on the exchange of classified military information. This clearly reflects the growing strategic convergence between the two nations. Now, sensitive intelligence and defense information would come to be regularly shared. Since 2014, cyber security has emerged as an important dimension. Korea is a pioneer in ship building and naval combat technology and India has expressed interest to cooperate in this regard. The strategic partnership and defense cooperation are destined to lay down a deep future cooperation.



In 2015, the Indian PM visited South Korea and upgraded the relation to the level of a special strategic partnership.



A unique factor of the special strategic partnership is that now the two nations shall undertake a 2+2 dialogue at the foreign and defense ministers' level regularly. Hyundai has decided to work on warship manufacturing. The PM had also paid a visit to Hyundai Heavy industry shipyard, that is, the Ulsan shipyard. He also addressed the diaspora and interacted with the top CEO's of Korean firms, inviting them to invest in the 'Make in India' programme. Both nations have agreed to review the DTAA signed in 1985.