



India-Republic of Korea

A New Era of Relationship



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Foreword

India and Republic of Korea are two major emerging economies of the Asia-Pacific region and both have been witness to significant economic reforms in the past two decades. With good economic fundamentals, both countries have positioned themselves amongst the top investment destinations in the region. With South Korean President Moon Jae-in's maiden visit to India, the relations shall move even further towards stronger business engagement by harnessing synergies in our mutual pivots.

Our partnership is broad-based and cuts across various sectors. The recent developments have laid strong emphasis on Defense manufacturing, Maritime and Shipbuilding, Manufacturing, Electronics, Infrastructure and Renewable Energy as focus sectors for cooperation between the two countries. We need to build on these opportunities through bilateral investments.

FICCI has always put a lot of emphasis on this relationship and has been supplementing Government of India's efforts through its holistic agenda with Republic of Korea. Our spectrum of activities with Korea includes engaging with the political leadership, enabling industry partnerships, nurturing knowledge economy, synergizing with the States and Provinces, and promoting people to people connect.

On the occasion of the India-Korea Business Forum and the 2nd India-Korea CEOs Forum meeting, we are delighted to launch this **FICCI knowledge paper on "India-Korea: A New Era of Relationship"**. This report aims to present the current status of trade and investment relations, the regulatory environment, recent developments and scope for future cooperation between our two countries.

I wish all success to the deliberations and discussions at various business interactions during this landmark visit.



Rashesh Shah

President

FICCI and Chairman & CEO, Edelweiss Group

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**This Report has been prepared by EAST ASIA DESK-International Affairs Division, FICCI*

1 Introduction

The relations between India and South Korea dates back centuries. We are also bound by our Buddhist traditions. Nobel laureate Rabindranath Tagore composed poem 'Lamp of the East' in 1929 about Korea's glorious past and its bright future.

It is also a coincidence that India and Korea both celebrate their independence day on August 15. From Princess to Poetry and from Buddha to Bollywood; India and Korea have so much in common. Our partnership has immense potential to promote regional growth, development, stability and prosperity in Asia. While India is turning to the east for bigger economic engagement, South Korea is trying to diversify in overseas markets.

With South Korean President Moon Jae-in's forthcoming maiden visit to India in July 2018, the relations shall move towards stronger pragmatic engagement with Seoul, harnessing synergies in their mutual pivots across the Indo-Pacific region.

Similar to Korea, which has announced its "New Southern Policy" aimed at strengthening ties with Southeast Asian and South Asian countries, India has its "Act East Policy," which builds on the previous "Look East Policy," with a greater emphasis on implementing policies of comprehensive cooperation.

As Korea expands its diplomatic footprints beyond its immediate region, we have long believed that India and Korea are bound to be natural partners. It is only natural that India and Korea – democracies with similar values, aspirations and capacities – strengthen their ties on the political, defense, economic, cultural and people-to-people fronts.¹

Given the impetus on India-Korea economic relations, this report aims to present the current status of trade and investment relations, recent developments in our economic engagements and scope for future cooperation between our two countries.

¹Interview by Indian Ambassador to Korea Vikram Doraiswami (Indian Embassy in Korea), May 14, 2018; the Korea Herald accessed at <http://m.koreaherald.com/view.php?ud=20180513000279#cb>

An Overview of the Indian Economy and latest developments undertaken by the Indian Government

Table1: Macroeconomic Indicators for Indian Economy

Macroeconomic Indicators	
GDP (Official exchange rate)	\$2.439 trillion (2017 est.)
GDP – Real Growth rate	6.7% (2017 est.)
GDP- Purchasing Power Parity (PPP)	\$9.447 trillion (2017 est.)
GDP – Per capita income	\$7,200 (2017 est.)
Population	1,281,935,911 (July 2017 est.)
GDP – Per capita income	\$7,200 (2017 est.)
Population	1,281,935,911 (July 2017 est.)
Area	total: 3,287,263 sq. kms. country comparison to the world: 8
Exchange Rate (Indian Rupee (INR) per US\$)	65.17 (2017 est.)
Currency	Indian Rupee (INR)
Gold and Foreign Exchange reserve in US\$	\$407.2 billion (31 December 2017 est.)
Total Trade with ROW (2017 est.)	\$726.1 billion (2017 est.)
Total Exports (2017 est.)	\$299.3 billion (2017 est.)
Total Imports (2017est.)	\$426.8 billion (2017 est.)
Inflation	3.8% (2017 est.)
Inward FDI stock (2017 est.)	\$367.5 billion (31 December 2017 est.)
Outward FDI stock (2017 est.)	\$156.1 billion (31 December 2017 est.)
GDP Composition (2017 est.)	
Agriculture	16.8%
Industry	28.9%
Services	46.6%
Labor Force	
Agriculture	47%
Industry	22%
Services	31%

Development Indicators	
Literacy Rate	71.2%
Human Development Index	0.624
Gini Index	35.2
Ease of Doing business	100

Source: CIA World Fact Sheet

Despite an uncertain global environment, India is performing well. Over the last three years, the Indian economy has registered an average growth of around 7% (7.5% in 2014-15, 8.0% in 2015-16, 7.1% in 2016-17, 6.7% in 2017-18). The macroeconomic framework of the country has improved over the past three and half years since 2014 and government has been serious about pursuing structural reforms.

According to the World Bank's Ease of Doing Business Report 2018², India's rank has leapfrogged 30 spots to 100th position out of 190 nations. The country has improved its ranking in six out of ten parameters - dealing with construction permits, getting credit, protecting minority investments, paying taxes, enforcing contracts and resolving insolvency.

This is expected to further promote investor confidence and aid growth in the country. This along with the Moody's upgrade of India's rating is a positive reaffirmation of the various reform measures undertaken by the government over the last three to four years.

There have been several developments/announcements off late which will augur well for growth prospects going ahead. Latest projections indicate that the Indian economy will retain its position of fastest growing economy. Multilateral agencies such as World Bank and Asian Development Bank have pegged India's growth for 2018-19 at 7.3%; the Reserve Bank of India (RBI) in its second bi-monthly monetary policy statement³ estimated growth projection for the year to be 7.4%, as in the April policy. The country is also witnessing some critical structural shifts which are expected to push the growth frontier over the course of next few years. India is at the cusp of a major digital transformation which will bring in massive opportunities. With this we also expect to see large volume of businesses moving into the formal sector. On the global front, outlook for growth has improved and trade is also expected to pick up in 2018 and 2019. This is likely to have a salutary impact on India's overall exports.

RBI in the latest monetary policy assessment (announced June 06, 2018)⁴ has projected CPI inflation in the range of 4.7-5.1% in H1: 2018-19 and 4.4% in H2, including the House Rent Allowance impact for central government employees with risks tilted to the upside. The government has been vigilant of the price situation and has taken several measures over time to keep a check on the price levels. The government also gave approval to the public procurement policy which will give preference to domestically manufactured goods and thus give a push to the 'Make in India'⁵ initiative. The policy will provide a much needed impetus

²World Bank's Ease of Doing Business Report 2018 Accessed at <http://www.doingbusiness.org/data/exploreeconomies/india>

³RBI in the latest monetary policy assessment accessed at https://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=44125

⁴RBI in the latest monetary policy assessment accessed at https://www.rbi.org.in/scripts/BS_PressReleaseDisplay.aspx?prid=44125

⁵Make in India Initiative website accessed at <http://www.makeinindia.com/home>

to the domestic manufacturing sector by promoting greater indigenization and domestic value addition. Also, Government of India has recently approved the New Manufacturing Policy with the objective of increasing the manufacturing share in GDP to 25% and creating 100 million jobs within a decade.⁶

As per the latest data, Indian exports during February 2018 have shown a positive growth of around 4.48% in dollar terms vis-à-vis February 2017. The improvement in external demand conditions is supporting India's exports. The International Monetary Fund also said that India should see its growth picking up this year after two major structural reforms - demonetisation and GST - while China's growth is likely to fall gradually. Imports, on the other hand, during February 2018 were valued at US\$ 37,813.57 million (Rs. 243,420.48 crore) which was 10.41% higher in Dollar terms and 5.96% higher in Rupee terms over the level of imports valued at US\$ 34,248.44 million (Rs. 229,723.10 crore) in February 2017. The reform oriented approach of government has reinvigorated the interest of foreign investors in India. Foreign investment inflows into India continue to remain robust. As per DIPP, provisional estimates for 2016-17 report foreign direct investment inflows at US\$ 60.1 billion, an 8.1% increase over the same period last year. Foreign direct investment inflows into India amounted to US\$ 45.1 billion in 2014-15 and US\$ 55.5 billion in 2015-16. Cumulative foreign direct investment inflows in the first quarter of 2017-18 amounted to US\$ 14.5 billion. Further, the net portfolio investments have been robust in 2017. However, equity outflows have been noted during August-September on account of geo-political uncertainties and expected normalization of federal asset purchases.

The world output and trade volumes are expected to expand in 2018 and 2019. The improved outlook for global growth and global trade will have a positive impact on India's export performance. Further, the mid-term review of the Foreign Trade Policy 2015-20 was announced⁷. The policy review is encouraging and extends further support to exporters.

Since 2014, the Government of India has introduced several reform measures and initiatives, both through the legislative and executive routes. The reforms have been broad-based encompassing wide range of areas including taxation, subsidies, labour, infrastructure, finance, investments as well as governance. Various campaigns initiated by Government (Make in India, Digital India, Smart Cities, Skill India) and measures taken towards ease of doing business have been encouraging. These programmes offer tremendous investment opportunities. India has significant inherent strengths - demographic dividend, good natural resource base, huge consumer market and the government is assiduously trying to leverage these advantages in the best possible manner.

⁶<http://dipp.nic.in/sites/default/files/po-ann3.pdf>

⁷Press Information Bureau Release, Government of India, Ministry of Commerce and Industry accessed at <http://pib.nic.in/newsite/PrintRelease.aspx?relid=174117>

An Overview of the South Korean Economy and latest developments

Table 2: Macroeconomic Indicators for Korean Economy

Macroeconomic Indicators	
GDP (Official exchange rate)	\$1.53 trillion (2017 est.)
GDP – Real Growth rate	3% (2017 est.)
GDP- Purchasing Power Parity (PPP)	\$ 2.027 trillion (2017 est.)
GDP – Per capita income	\$ 39,400 (2017 est.)
Population	51,181,299 (July 2017 est.)
Area	total: 99,720 sq. kms. country comparison to the world : 110
Exchange Rate (won (KRW) per US\$)	1,136.7 (2017 est.)
Currency	Won (KRW)
Gold and Foreign Exchange reserve in US\$	\$374.8 billion (31 December 2017 est.)
Total Trade with ROW (2017 est.)	\$ 1000.7 billion
Total Exports (2017 est.)	\$ 552.3 billion
Total Imports (2017est.)	\$ 448.4 billion
Inflation	1.9% (2017 est.)
Inward FDI stock (2017 est.)	\$ 193.6 billion
Outward FDI stock (2017 est.)	\$ 342.4 billion
GDP Composition (2017 est.)	
Agriculture	2.2%
Industry	38.8%
Services	59.1%
Labor Force	
Agriculture	4.9%
Industry	24.1%
Services	71%
Development Indicators	
Literacy Rate	
Human Development Index	0.901 (18th rank)
Gini Index	34.1 (2015)
Ease of Doing business	4

Source: CIA World Fact Sheet

Economic growth of South Korea is projected to remain around 3% through 2019, supported by stronger export growth and fiscal stimulus that offset the impact of tighter regulations on housing and mortgage lending, which will slow construction investment. Inflation is projected to rise toward the 2% target, while the current account surplus narrows to around 4% of GDP.

Fiscal policy is playing a key role in Korea's income-led growth strategy. The government aims to boost public employment by 34% during its five-year mandate and shift the composition of spending away from public investment and R&D and towards social welfare. While public employment is low compared to other OECD countries, job creation in the public sector should respond to clearly defined needs and be weighed against its long-term cost. Although government spending is set to increase more than 7% in 2018, the highest since 2011, the budget surplus is projected to remain above 2% of GDP.

The Bank of Korea raised its policy interest rate from a record low 1¼% to 1½% in November 2017. With consumer price inflation running below 2%, monetary policy accommodation can be withdrawn gradually. Monetary policy needs to take into account potential risks to financial stability, including those stemming from household debt, which rose to 180% of net household disposable income in 2016. The high debt is a headwind to private consumption. The government announced a comprehensive strategy in late-2017 that aims to slow the growth of household debt to less than 8.2% per year, notably by tightening regulations on lending to households.

Korea is projected to maintain stable growth which is projected to remain close to Korea's 3% potential rate, while inflation converges toward the 2% target. The rapid growth of government spending, in part to expand public employment, will help support domestic demand and reduce the current account surplus. The easing of geo-political tension related to North Korea is a positive development, although trade protectionism remains a concern. Another risk to the projection is the planned 54% hike in the minimum wage during the President's five-year term. The higher minimum wage could lead to a faster increase in private consumption to the extent that it is enforced, but it could also slow employment growth and weaken Korea's competitiveness if not accompanied by productivity gains.

Table 3: Korea: Demand, output and prices

	2014	2015	2016	2017	2018	2019
	Current prices KRW trillion	Percentage changes, volume (2010 prices)				
GDP at market prices	1 486.1	2.8	2.9	3.1	3.0	3.0
Private consumption	748.2	2.2	2.5	2.6	2.9	2.7
Government consumption	224.7	3.0	4.5	3.4	6.0	3.9
Gross fixed capital formation	433.3	5.1	5.6	8.6	4.0	2.3
Final domestic demand	1 406.2	3.2	3.8	4.7	3.8	2.7
Stockbuilding ¹	1.8	0.7	0.0	0.4	0.2	0.0
Total domestic demand	1 408.0	3.9	3.8	5.1	3.9	2.7
Exports of goods and services	747.1	-0.1	2.6	1.9	3.5	4.3
Imports of goods and services	669.1	2.1	4.7	7.0	5.5	3.7
Net exports ¹	78.1	-1.0	-0.7	-1.7	-0.6	0.4

	2014	2015	2016	2017	2018	2019
	Current prices KRW trillion	Percentage changes, volume (2010 prices)				
Memorandum items						
GDP deflator	–	2.4	2.0	2.3	1.0	2.3
Consumer price index	–	0.7	1.0	1.9	1.6	2.0
Core inflation index ²	–	2.4	1.9	1.5	1.5	2.0
Unemployment rate (% of labour force)	–	3.6	3.7	3.7	3.8	3.7
Household saving ratio, net (% of disposable income)	–	9.3	8.7	8.9	8.9	8.9
General government financial balance (% of GDP)	–	1.3	2.4	2.8	2.1	1.9
General government gross debt (% of GDP)	–	45.7	45.1	44.5	44.2	44.5
Current account balance (% of GDP)	–	7.7	7.0	5.1	4.0	4.5
1. Contributions to changes in real GDP, actual amount in the first column.						
2. Consumer price index excluding food and energy.						

Source: OECD Economic Outlook 103 database.

Korea's New Southern Policy

In 2017, President Moon Jae-in announced the New Southern Policy. Under this policy direction, Korea is looking beyond Northeast Asia to deepen bonds of cooperation with ASEAN and South Asia including India. By forging a mutually beneficial partnership, the policy's ultimate goal is to contribute to an even better quality of life for the people of both South-east Asia and Korea – and in so doing fostering a peaceful community of prosperity.⁸

The focus of this policy mainly lies in the following segments:

- Elevate the levels of diplomacy and closeness with the states in southern region, including Southeast Asia (ASEAN), South Asia (India), and Australasia (Australia and New Zealand)
- Under the New Southern Policy, the agendas are tied to Northeast Asia Plus Community of Responsibility's (NAPCOR) goal of 'national security through peace'.
- Thus, the major pillars include economic cooperation, peace diplomacy, and mediating conflict through multilateralism

⁸Article on New Southern Policy, Korean Herald, May 8, 2018 accessed at <http://www.koreaherald.com/view.php?ud=20180507000211>

India-Korea Relations: Overview of Commercial and Economic Cooperation

India and Korea are the third and fourth largest economies in Asia and share a strong bond of friendship based on shared commitment to the values of democracy, open society and liberal international economic order.⁹

The bilateral trade in 2017 grew by 30 percent on both sides from the previous year, reversing a negative trend that had started in 2011, according to Korean official statistics cited by the Indian Embassy in Seoul. Investment flows have gained momentum, with Korean firms having plowed nearly \$3.5 billion in the last three years into India's automobiles and auto components, electronics, chemicals, technical textiles, food processing, finance and other industries.

Korea created and sustained their global brands, from information technology and electronics to automobile and steel, Korea has given exemplary products to the world. South Korean companies are appreciated for their innovation and strong manufacturing capability. Korean electronics manufacturers have become household names in India and touch millions of lives each day.

India and South Korea want to grow together by complementing each other's strength and by joining hands. India has skills and South Korea has manufacturing experience. By merging these two qualities the two countries can enter markets in third countries.

The Comprehensive Economic Cooperation Agreement (CEPA) signed between the two countries provides an excellent platform for expanding the bilateral trade, which is currently below its potential, and also give great impetus for flow of investment both ways.

The momentum created by mutual visit of Prime Minister Narendra Modi and the forthcoming maiden visit of President Moon Jae-In is now accelerating with commitments from both countries to build a lasting economic relationship. Perhaps as a lead to this new era in relationship, the Export-Import Bank of Korea is pursuing a \$10 billion plan to support infrastructure development pan India.¹⁰

a) India-Korea CEPA

The 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 January 1, 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

⁹Suresh Parbhu's tweet accessed at <https://www.indiatvnews.com/business/news-pm-modi-speech-at-india-korea-business-summit-2018-live-updates-make-in-india-investments-smart-cities-infrastructure-430077>

¹⁰Accessed at <https://economictimes.indiatimes.com/news/economy/finance/india-korea-business-summit-make-in-india-gets-a-leg-up-from-south-korean-honchos/articleshow/50572466.cms>

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.¹¹

While there has been appreciating growth in bilateral trade from US\$ 12 billion in 2010 to over US\$ 20 billion, the issue of widening trade deficit is a matter of concern for long term sustainability and both countries would need to work towards a mutually beneficial and a more balanced trade in future.

The two countries are currently in the final stage of negotiation to upgrade the Comprehensive Economic Cooperation Agreement – a bilateral free trade agreement that entered into force in 2010 – with an aim to improve the competitiveness of each side's goods and services in their markets, and spur synergies in information technology and electronics, energy and shipbuilding.

The agreement has facilitated the opening of both economies' services market. On the Indian side, telecommunications, construction, distribution, transportation, accounting, real estate, health care and other sectors have opened, while on the Korean side, consulting, education, engineering and computer science have been liberalized.

The preferential tariffs which were in the progressive elimination categories have now become fully operational, as a result of which about 70% of tariff lines in Indian schedule and 88% of the lines in Korean schedule are already at zero duty under CEPA.

As part of efforts to augment bilateral strategic relationship, India and Korea are working to establish a future strategy group under which joint projects will be taken up in the areas of new technologies such as artificial intelligence, Internet of Things, future manufacturing, robotics and green tech.¹²

b) Trade Relations

The bilateral trade between India and South Korea in 2017 reached \$20 billion, the first time in six years.¹³ According to the New Southern Policy, Korea significantly gained high priority to expand its bilateral trade and investment ties with India. India's share in Korea's global imports increased from 0.78% to 1.03% in 2015-16, while on the other hand India's contribution in Korea's global trade was around 1.75% in 2017.

¹¹ Report on "India-Korea CEPA: An Appraisal of Progress"; VS Sheshadri, 2015

¹² Article on "India-Korea for an early conclusion of CEPA review"; Economic Times, Feb 27, 2018

¹³ PM Modi's speech at the 2nd India Korea Business Summit held in New Delhi, Feb 2018 https://www.business-standard.com/article/economy-policy/india-south-korea-bilateral-trade-touched-20-bn-in-2017-pm-modi-118022700528_1.html

Table 4: India-Korea Bilateral Trade

Values in US \$ Millions

S. No.	Year	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018
1.	EXPORT (to South Korea)	4,208.69	4,602.95	3,522.64	4,241.42	4,460.98
2.	%Growth		9.37	-23.47	20.40	5.18
3.	India's Total Export	314,405.30	310,338.48	262,290.13	275,851.71	303,376.22
4.	%Growth		-1.29	-15.48	5.17	9.98
5.	%Share	1.34	1.48	1.34	1.54	1.47
6.	IMPORT (from South Korea)	12,470.60	13,529.11	13,047.12	12,585.35	16,361.76
7.	%Growth		8.49	-3.56	-3.54	30.01
8.	India's Total Import	450,199.79	448,033.41	381,006.63	384,355.56	465,578.29
9.	%Growth		-0.48	-14.96	0.88	21.13
10.	%Share	2.77	3.02	3.42	3.27	3.51
11.	TOTAL TRADE	16,679.28	18,132.06	16,569.77	16,826.78	20,822.74
12.	%Growth		8.71	-8.62	1.55	23.75
13.	India's Total Trade	764,605.09	758,371.89	643,296.75	660,207.28	768,954.51
14.	%Growth		-0.82	-15.17	2.63	16.47
15.	%Share	2.18	2.39	2.58	2.55	2.71
16.	TRADE BALANCE					
17.	India's Trade Balance	-135,794.49	-137,694.93	-118,716.50	-108,503.85	-162,202.06

Note: Since 2006-07, Petroleum figures are being computed from Import Daily trade Returns (DTRs) to generate country-wise/port-wise tables. Up to 2005-06 consolidated petroleum import figures were being received from the Petroleum Ministry.

Analyzing what India exported to Korea from 1999-2000 till 2017-18, the major heads are mineral fuels, oil, distillation products, Iron and Steel, organic chemicals, machinery, nuclear reactors, boilers, vehicles other than railway tramway, ores, slag and ash, etc. The exports from India to Korea reached at significant peak of US\$ 4,460.98 million in 2017-18. However, the imports are growing faster than exports. The table listed above clearly depicts that rate of growth in Indian imports from Korea is around 30% whereas the rate of growth of exports from India to Korea stood at 5.18%. The reasons behind this could be the impact of GST implementation (one nation, one tax) on July 1, 2017 and lack of proper transport infrastructure facilities etc. India's major exports to RoK have been primary products, listed below:

Table 5: Top 10 items of India's exports to South Korea

In US\$ Million

S. No.	HS Code	Commodity	2015-2016	2016-17	2017-18
1	27	Mineral Fuels, Mineral Oils and Products of their Distillation; Bituminous Substances; Mineral Waxes	557.37	975.43	768.58
2	76	Aluminium and Articles Thereof	538.89	748.79	764.63
3	29	Organic Chemicals	316.43	349.49	374.31
4	72	Iron and Steel	236.32	334.04	339.15
5	52	Cotton	194.39	191.92	203.26
6	84	Nuclear Reactors, Boilers, Machinery and Mechanical Appliances; parts thereof.	158.17	139.36	182.20
7	23	Residues And Waste from the Food Industries; Prepared Animal Foder	125.88	91.91	103.67
8	75	Nickel and Articles Thereof	94.3	7.18	0.93
9	85	Electrical Machinery and Equipment and Parts thereof; Sound Recorders and Reproducers, Television Image and Sound Recorders and Reproducers, and Parts	89.93	81.06	102.60
10	79	Zinc and Articles thereof	88	93.36	161.74

Source: Ministry of Commerce, Government of India

The major items exported to South Korea comprises of mineral fuels, mineral oils and products of their distillation; bituminous substances, mineral waxes, aluminium articles thereof , iron and steel , cotton etc. However, the exports of mineral fuel, mineral oils and products of their distillation have shown a declining trend from US\$ 975.43 million in 2016-17 to US\$ 768.58 in 2017-18 and that of nickel and articles thereof from US\$7.18 million in 2016-17 to US\$0.93 million in 2017-18. On the other side, the exports of other products, especially, nuclear reactors, boilers has increased significantly from US\$ 139.36 million to US\$ 182.20 in 2017-18. Similar upward trend has been seen for zinc, electrical machinery and equipment, and cotton etc. in 2107-18.

Table 6: Top 10 items of India's imports from South Korea

S. No.	HS Code	Commodity	2015-2016	2016-17	2017-18
1	85	Electrical Machinery and Equipment and Parts thereof; Sound Recorders and Reproducers, Television Image and Sound Recorders and Reproducers, and Parts	2,807.58	2,815.89	2722.48
2	72	Iron and Steel	1,877.16	1,507.91	2257.54
3	84	Nuclear Reactors, Boilers, Machinery and Mechanical Appliances; Parts thereof	1,605.96	1,507.38	1600.68
4	39	Plastic and Articles thereof	1,272.95	1,230.31	1540.92
5	27	Mineral Fuels, Mineral Oils and Products of their Distillation; Bituminous Substances; Mineral Waxes	691.77	677.99	922.96
6	87	Vehicles other than Railway or Tramway Rolling Stock, and Parts and Accessories thereof	660.2	677.97	737.51
7	29	Organic Chemicals	596.07	703.24	1052.22
8	90	Optical, Photographic Cinematographic Measuring, Checking Precision, Medical or Surgical Instruments and Apparatus Parts and Accessories thereof	340.57	316.80	347.59
9	71	Natural or Cultured Pearls, Precious or Semiprecious Stones, Precious Metals, Clad with Precious Metal and Artcles Thereof; Imitation Jewelry; Coin	311.26	309.55	1441.03
10	40	Rubber and Articles thereof.	298.24	283.98	351.57

Source: Ministry of Commerce, Government of India

India is a major importer of iron and steel, nuclear reactors boilers, machinery and mechanical appliances and parts thereof and organic chemicals etc. from South Korea. The imports from South Korea has increased and reached a great height especially in last two years. Major increase is seen in imports of iron and steel from US\$1,507.91 million in 2016-17 to US\$ 2257.54 million in 2017-18 and of natural or cultured pearls precious or semiprecious stones from US\$309.55 in 2016-17 to US\$1441.03 in 2017-18. The imports of products such as organic chemicals, rubber and articles thereof and plastic and thereof etc. also show a rising trend in 2017-18.

Table 7: Top 5 Competitors of India's Top 5 Exports (As on Jan 2017)

S. No.	Commodity	Competitors	Amount (In millions of US\$)
1	Mineral Fuels, Mineral Oils, Bituminous Substances, Mineral Waxes (HS Code: 27)	1. Saudi Arabia	1,333
		2. Qatar	1,057
		3. Australia	863
		4. Iran	771
		5. Kuwait	735
2	Aluminium and Articles thereof (HS Code: 76)	1. Australia	66
		2. Pr.China	57
		3. U.S.A	43
		4. Canada	30
		5. Russia	27
3	Organic Chemicals (HS Code: 29)	1. Pr.China	208
		2. Japan	193
		3. U.S.A	144
		4. Germany	84
		5. Taiwan	32
4	Iron and Steel (HS Code: 72)	1. Pr.China	613
		2. Japan	383
		3. Taiwan	46
		4. Russia	40
		5. U.S.A	31
5	Cotton (HS Code: 52)	1. Brazil	21
		2. Pr.China	20
		3. U.S.A	17
		4. Viet Nam	9
		5. Pakistan	5

Significant trends (As on Jan 2017)

Details of significant trends	Analysis
<p>In January 2017, Korea's exports surged 11.2% to US\$ 40.3 billion in January from a year earlier, marking the first double-digit growth since January 2013. Imports increased 19.7 % to \$37.5 billion in January, compared to a year ago. The monthly trade balance came to a surplus of \$2.8 billion, marking the 60th months of surplus.</p> <p>Bilateral trade in January 2017, ROK's export to India marked US\$1,114 million, 27.1 % rose year on year and import from India amounted US\$383million, 21.1% increased year on year, posting US\$731 million trade surplus with India.</p> <p>Among the top 10 items importing from India in January 2017, most of the items were on the upturn. Mineral fuels, mineral oils, etc. (HS Code: 27) rose heavily, 183.4% year on year, marking US\$124 million and shared 32.4% of the total imports. Import of Organic chemicals (HS Code: 29) and Iron and Steel (HS code: 72) also rose 20.4% and 26.4%. Zinc and Articles thereof (HS Code: 79) surged 79.7%, amounting to US\$11.</p>	<p>The double-digit growth in exports was driven by strong performances of Korea's major export products, especially semiconductors, petroleum products and petrochemicals. The combined outbound shipments of the 13 major products, which accounts for 79 % of the total exports, rose by 12.8 %, the fastest pace in 59 months since February 2012. It also marks the second consecutive month of growth for the first time in 30 months since July 2014. Eight of the 13 product groups recorded a growth in exports, with four of them a double-digit rate. They are semiconductors, petroleum products, petrochemicals, flat-panel displays, general machinery, steel, computers and parts, and automobile parts.</p>

Details of significant trends	Analysis
<p>The items on the downturn are Nuclear reactors, Boilers, Machinery, and Mechanical appliances parts thereof (HS Code: 84) which dropped slightly 4.3%, posting US\$16 million and shared 4.2% of the total imports. Electrical machinery and equipment and parts thereof (HS Code: 85) also dropped 18.8% amounting US\$ 8 million.</p> <p>Among the top ten items exporting to India, in January 2017, most of the items rose heavily. Electrical machinery and etc. (HS Code: 85) sharply rose 85.6% year on year, amounting to US\$ 307 million and shared 27.6% of the total exports. Nuclear reactors, boilers etc. (HS code: 84), Organic Chemicals (Hs Code: 29) and Mineral Fuels, etc. (Hs Code: 27) also increased 41.4%, 58.1%, 65.2% respectively. On the other hand, Vehicles other than railway or tramway rolling-stock, and parts thereof (HS Code: 87) dropped 16.3% amounting to US\$ 54 million.</p>	<p>Meanwhile, ships, home appliances, wireless communication devices, automobiles and textile posted declines. Exports of ships dropped 17.5 % to \$2.2 billion, with Korean manufacturers exporting a total of 26 ships including one liquefied natural gas carrier and one ethane multi-gas carrier. The discontinued Samsung Electronics Galaxy Note 7 continues to influence outbound shipments of wireless communication devices, which fell 17% to \$1.8 billion in January. Automobile exports dropped 4.7 % to \$2.9 billion due to one fewer working day in the month that celebrated the Lunar New Year's holiday as well as the absence of new vehicle models leading to lower global sales. Textile exports inched down 2.2 % to \$979 million,</p> <p>By country, exports to Vietnam, other South East Asian countries, China, Japan, the European Union, Commonwealth of Independent States, and India continued to rise while sales to the Middle East made a turnaround to growth.</p> <p>The Ministry of Trade, Industry and Energy (MOTIE) projected that the recovery of Korea's exports to continue in February with increases in exports volume and prices of main products.</p>

c) Investment Relations

Korea ranks 16th in terms of FDI equity inflows to India with investments of \$2.26 billion between March 2000 and April 2017. More than 500 Korean companies, including Samsung, LG and Hyundai, have operations in India.¹⁴

India offers a lot of potential for Korean Investors with its huge market and enabling policy environment. In FDI, India is one of the most open countries now. Most of the sectors of the economy are open for FDI and more than 90% FDI approvals have been put on automatic route. There is no requirement of government approval for investments in manufacturing sector except for the defence sector.

Korean FDI to India (December 2017) stood at US\$ 2558.90 million, as per the DIPP Quarterly Fact Sheet on FDI, of which \$131 million was received in 2010, \$244 million in 2011, \$223 million in 2012, \$173 million in 2013, \$146 million in 2014, \$245 million in 2015 and \$465.64 million in 2016. The world's fourth largest steel maker POSCO proposes to invest \$12 billion in an integrated steel plant in Orissa. POSCO has also completed construction of its first steel mill in Maharashtra and set up another JV with Uttam Galva Group. The former entailed a total investment of \$ 240 million for galvanized plate facility, whose production would cater to high-end galvanized needs of automakers in and around Pune besides those of home appliances companies.

¹⁴Accessed at <http://www.thehindu.com/business/Economy/india-one-of-the-most-open-economies-says-narendra-modi-at-india-korea-business-summit/article22865134.ece>

Table 8: Financial Year wise FDI inflow from South Korea and all countries

Financial Year (April-March)	FDI equity inflows from South Korea		FDI equity inflows from all Countries*		Total FDI inflows (including equity, re-invested earnings & other capital)** (US\$ in million)
	Rs. in crores	US\$ in million	Rs. in crores	US\$ in Million	
2000-01	89.57	20.67	10,733	2,463	4,029
2001-02	4.50	1.00	18,654	4,065	6,130
2002-03	187.74	39.17	12,871	2,705	5,035
2003-04	109.94	23.90	10,064	2,188	4,322
2004-05	157.04	34.56	14,653	3,219	6,051
2005-06	269.05	60.18	24,584	5,540	8,961
2006-07	321.20	70.89	56,390	12,492	22,826
2007-08	404.10	99.52	98,642	24,575	34,843
2008-09	494.92	114.64	142,829	31,396	41,873
2009-10	778.68	166.88	123,120	25,834	37,745
2010-11	600.89	131.35	97,320	21,383	34,847
2011-12 ^	1,183.84	244.79	165,146	35,121	46,556
2012-13	1,219.69	223.99	121,907	22,423	34,298
2013-14	1,061.29	173.85	147,518	24,299	36,046
2014-15	892.57	146.54	189,107	30,931	44,291
2015-16	1615.8	245.85	262,322	40,001	-
2016-17	3133.42	465.54	291,696	43,478	-
2017-18(up to Dec 2017)	1902.94	295.58	231,457	35,941	-
Cumulative Total (April 2000- December 2017)	14427.18	2558.90	2,019,013	368,054	-

Table 9: Details of Top FDI Inflows received into India (Remittance wise)

(through Indian companies, from April 2000 to September 2015):

S. No.	Name of Indian Company	FDI Route	Name of Foreign Collaboration	RBI Regional Office	Item of Manufacture	Amount of FDI Inflows	
						(In Rs. Crore)	In US\$ Million
1	Max Healthcare Institute Ltd.	RBI	TEDO Beleggings 163 Proprietary Ltd.	New Delhi	Health and medical services	516.5	83.43
2	POSCO Maharashtra Steel Pvt. Ltd.	RBI	POSCO	Mumbai	Manufacture of machine tools, their parts & accessories	394.55	80.25
3	POSCO Maharashtra Steel Pvt. Ltd.	RBI	POSCO	Mumbai	Manufacture of iron & steel in primary/ semi-finished forms in mini steel plants (includes re-rolling)	252.45	46.34
4	POSCO Maharashtra Steel Pvt. Ltd.	RBI	POSCO	Mumbai	Manufacture of iron & steel in primary forms n.e.c.	240.79	52.56
5	POSCO India Pvt. Ltd.	RBI	POSCO	Bhubaneshwar	Other manufacturing industries	225.00	48.96

S. No.	Name of Indian Company	FDI Route	Name of Foreign Collaboration	RBI Regional Office	Item of Manufacture	Amount of FDI Inflows	
						(In Rs. Crore)	In US\$ Million
6	POSCO India Pvt. Ltd.	RBI	POSCO	Bhubaneswar	Manufacture of iron & steel in primary forms n.e.c.	225.00	41.08
7	POSCO India Pvt. Ltd.	RBI	TAE Hyun Jeongl & Posco	Bhubaneswar	Semi finished iron & steel products n.e.c.	225.00	50.2
8	POSCO Maharashtra Steels Pvt Ltd	RBI	POSCO	Mumbai	Manufacture of iron & steel in primary forms n.e.c.	202.06	36.37
9	Mobis (I) Ltd.	RBI	Hyundai Mobis Co. Ltd.	Chennai	Mfr. Of internal combustion piston engines and other parts & accessories	160.92	34.74
10	Mirae Assest Global Investment Mgt.I.P.L	RBI	Mirae Asset Investment Management Co Ltd	Mumbai	Real estate activities	119.23	27.77
11	Samsung India Electronics Ltd.	FIPB	Samsung Electronics Co.	Region Not Indicated		114.77	23.91
12	POSCO Electrical Steel India Pvt Ltd	RBI	POSCO	Mumbai	Manufacture of iron & steel in primary/ semi finished forms in mini steel plants (includes re-rolling	114.28	20.98
13	Myoung Shin India Automative Pvt. Ltd.	RBI	MS Autotech co ltd	Chennai	Manufacture of internal combustion piston engines and other parts & accessories n.e.c. for heavy motor	109.21	17.70
14	Doosan Chennai Works Pvt Ltd	RBI	Doosan Heavy Industries & Constrn Co Ltd	Chennai	Manufacture of boilers & steam generating plants	103.89	20.05
15	Pioneer Gas Power Ltd.	RBI	Korea Western Power Co. Ltd.	Region Not Indicated	Power plants	100.61	19.99
16	Doosan Chennai Works P Ltd	RBI	Doosan Heavy Industries & Constrn Co Ltd	Chennai	Manufacture of parts & accessories n.e.c. for prime movers, boilers steam generating & plants & nuclear	91.3	18.57
17	POSCO India Pvt Ltd	RBI	POSCO	Bhubaneswar	Mining of iron ore	90.00	20.28
18	Pyung Hwa India Pvt Ltd	RBI	Pyung HWA Holdings Co Ltd	Chennai	Manufacture of transport equipment & parts	88.42	14.52
19	Hyundai Construction Equipment India P.L	RBI	Hundai Heavy Industries Co Ltd	Mumbai	Construction machinery n.e.c.	86.02	21.32
20	Myunghwa Automotive India Pvt Ltd	RBI	Myunghwa IND Co Ltd	Chennai	Manufacture of internal combustion piston engines and other parts & accessories n.e.c. for heavy motor	73.9	11.59

S. No.	Name of Indian Company	FDI Route	Name of Foreign Collaboration	RBI Regional Office	Item of Manufacture	Amount of FDI Inflows	
						(In Rs. Crore)	In US\$ Million
21	Mando Automotive India Ltd	RBI	Mando Corporation	Chennai	Manufacture of parts and accessories n.e.c. for transport equipment n.e.c.	70.29	11.85
22	Mirae Asset Global Investment Mgt (I) P.	RBI	Mirae Asset Investment Mgt Co. Ltd.	Mumbai	Real estate activities	69.91	17.47
23	Hyosung T & D India Private Limited	RBI	Hyosung Corporation	New Delhi	Manufacture of electric power distribution transformers, arc- welding transformers, fluorescent ballasts	67.0	10.30
24	POSCO Maharashtra Steels Pvt. Ltd.	RBI	POSCO	Mumbai	Manufacture of iron & steel in primary forms n.e.c.	66.69	14.77
25	Parry Confectionery Ltd	FIPB	Lotte Confectionery Co Ltd	Region Not Indicated	Buy, sell, import/ export of confectioneries	64.48	14.02
Grand Total						3,872.27	759.00

Table 10: Share of Top Sectors Attracting FDI Equity inflows from South Korea

Rank	Sector	Amount of FDI equity inflows		% age of FDI equity inflows from South Korea
		Rs. in crores	US\$ in million	
1	Metallurgical Industries	1,831.16	357.90	21.43
2	Automobile Industry	1,083.02	196.26	11.75
3	Prime Mover (Other Than Electrical Generators)	690.74	144.70	8.66
4	Machine Tools	555.93	110.68	6.63
5	Hospital & Diagnostic Centres	549.48	89.09	5.33
Total of Above				

Source: FDI Country note on KOREA from DIPP

Indian Investment to Korea

In past couple of years the share of Indian investment in Korea has increased as evident from the table below, i.e., FDI inflows from India into Korea have gone up and ROK is increasingly becoming one of the most attractive destinations for Indian investors. The overall investment scenario in Republic of Korea appears to be encouraging. Indian investments in RoK is estimated to be about US\$ 3 billion.

Table 11 : India FDI in South Korea

Indian FDI in S. Korea	• Indian FDI led by Mahindra & Mahindra (Ssangyong Motors), & TATA (Tata Daewoo commercial vehicles)
India – Korea Automotive collaboration	<p>Mahindra & Mahindra</p> <ul style="list-style-type: none"> Acquired Ssangyong Motor (US\$ 460 million (2011) and US\$ 70 million (2013)). “SsangYong” - the name means double dragon Purpose - Secure global network of Ssangyong Motor 2015 promises to be another landmark year for SsangYong with the launch of X100, the brand’s first small B-segment crossover. Engineered in partnership with Mahindra and powered by an all-new family of SsangYong designed 1.6 litre petrol and diesel engines, X100 will be the cornerstone of SsangYong’s future product development. <p>Tata Motors</p> <ul style="list-style-type: none"> Acquired Daewoo Motor (US\$ 120 million (2004)) Purpose - Diversifying manufacturing model (heavy truck), secure technology The two organizations had tremendous synergies in terms of product strategy and R&D. Tata is leveraging on the strong presence of Tata Daewoo Commercial Vehicle (TDCV) in the heavy-tonnage range to introduce products in India and Internationally. TDCV has launched several new products in the Korean market, while also exporting these products to several international markets. Today two-thirds of heavy commercial vehicle exports out of South Korea are from Tata Daewoo.
Indian IT majors in Korea	<ul style="list-style-type: none"> Indian IT majors including Tata Consultancy Services (TCS), WIPRO, L&T Infotech, Mahindra Satyam and Nucleus Software have set up operations in RoK and have been serving both Korean and other foreign clientele in this country.
Indian Banks in Korea	<ul style="list-style-type: none"> Indian Overseas Bank and State Bank of India are present in Korea.

d) Korea’s Presence in India

Major Korean conglomerates which have invested in India are Hyundai Motors which has set up an automotive plant in Chennai with a capacity to produce more than 650,000 cars annually; Samsung Electronics with centres in Delhi and Bengaluru, LG Electronics, Hyundai Mobis, Visteon Automotive Systems, and Doosan Corporation. Sector-wise, metallurgical industries command 21.43% of FDI inflows followed by the automobile industry with 11.75%.

According to Korea Trade Investment Promotion Agency (KOTRA), about 88% of all Korean subsidiaries established in India are wholly-owned while approximately 11.3% are joint ventures. Korean enterprises, including Hyundai Motors, LG, Samsung and POSCO have wholly owned subsidiaries with large scale investments which have allowed them to operate on economies of scale, establish their brand image at early stage, and gain negotiating power with local government. The Korean model of investment of working through wholly-owned subsidiaries is in contrast with the Japanese model which followed the typical process of technical tie ups & participation as minority stake holders & expansion of stakes.

According to statistics of KOTRA and Korean Exim Bank, Korean investment in India is concentrated mainly in the manufacturing sectors which accounts for 85.4%, with wholesale and retail trade 6%, financial and insurance activities 1.1% and electricity, gas, steam and water supply 1.7%. Major centres of investment are NCR (Delhi, Noida, Gurgaon), Chennai, Mumbai /Pune. USA continues to be Korea’s main investment destination with a total of US\$ 63 billion; and China its main destination in Asia with an overall investment of about US\$52.1 billion. (Source Exim Bank, Korea). Korea’s other major investment destinations are: Hong Kong - US\$ 17.8 billion and Vietnam - US\$ 12.7 billion. The average investment in India during the last four year period (2012-2015) was US\$ 323.2 million/year.

Table 12 : Major Korean Companies in India (State wise)

Area	No of Companies	Sector		Major Companies
NCR Area	164	Electronics	33	LG Electronics, Samsung Electronics, Hyundai Motors, Doosan Heavy, Ssangyong E&C, POSCO
		Construction	31	
		Automobile	27	
		Trade	22	
		Others	51	
Chennai	172	Automobile	102	Hyundai Motors, Lotte Confectionary, Lotte E&C, Samsung Electronics, Mando
		Construction	15	
		Electronics	15	
		Trade	15	
		Others	25	
Mumbai/ Pune	79	Manufacturing	32	Hyundai Heavy Shinhan Bank, LG Electronics, Samsung C&T, Hyundai Merchant Maritime, Hanjin Shipping
		Wholesale & Retail	13	
		Transportation	11	
		Construction	6	
		Others	17	
Bengaluru	31	R&D	11	Samsung Research, LG Soft, Hyundai Rotem, Doosan Infracore, KIST, Korea IT Industry Promotion Agency
		Manufacturing	11	
		Wholesale & Retail	3	
		Others	6	

Source: Make in India: Contribution of Korean Companies

In addition, while Korean SMEs brought in the first wave of investments in India in the year 1994, it is mostly the large Korean companies that dominate at present. There is tremendous scope for Korean SME companies to come to India once again and bring in their valuable experience which can be shared with the Indian counterparts.

Table 13: Prominent South Korean Investors in India

Hyundai Motor India (HMI)	<ul style="list-style-type: none"> • 2nd largest car manufacturer of India; Annual capacity in India – 680,000 per year; Rolled out 5th million car in October 2013 • Investment in India – US\$ 2.7 billion; • Employment - 9500 employees; total employment – 1.5 lacs (HMI + vendors + dealers + service) • Tax Contribution ~ US\$ 7.4 Billion • Yearly turnover – US\$ 5 billion; • HMI Sales - 62% domestic; 38% exports; • Exports - largest passenger vehicle exporter in India; No. of Countries exporting to 123; export growth – 46%;; export sales – 2.2 million; export earning – US\$ 12 billion • ‘Elite i20’ won Indian Car of the Year Award (ICOTY) 2015 Award • HMI new plant in Sriperumbudur, Tamil Nadu ranks number one in terms of productivity and quality according to Bo Shin Seo, CEO& MD, HMI. “Hyundai has plants in China, Russia, Brazil, the US (Alabama), Turkey and Czech Republic and in terms of operational average productivity ratio we are number one. HMI’s second plant makes two models and routinely hits average productivity ratio of upwards of 99.7%.” • HMI R&D - Objectives - Establish the Global R&D Network & utilize Indian engineering manpower; 80% of Indian employees are trained in Korea to enhance skill level • Hyundai Motor India Foundation contributes Rs. 100 for every car sold towards corporate social responsibility (CSR) initiatives
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<p>LG & Samsung</p>	<ul style="list-style-type: none"> • Emerged as the topmost trusted brands in India (The Brand Trust Report, India Study 2015) <p>LG</p> <ul style="list-style-type: none"> • LG Electronics is targeting a turnover of US\$ 3.65 billion this year in India as part of a strategy to make the country among the South Korean major's top three markets in three years' time. LG Electronics India had clocked a turnover of US\$ 2.9 billion in 2014 • LG Electronics plans to invest US\$ 156 million to boost marketing, R&D in India <p>Samsung</p> <ul style="list-style-type: none"> • Samsung Electronics has two factories - in Noida and Tamil Nadu, where it makes 90% of the handsets it sells in the country - and three R&D facilities. Employment - 45,000; company has invested US\$ 80 m for the expansion of the Noida plant. • Samsung Electronics is considering setting up its third manufacturing plant in India to make smartphones & other electronic goods; Investment – US\$ 500 million to US\$ 1 billion • Samsung R&D Institute India - Bengaluru (SRI-B) is the largest R&D centre outside Korea for Samsung Electronics; 3000+ engineers; more than 100 granted patents in India; Recognized as a key development center for 3G wireless technology, among Samsung's global labs.
<p>Lotte India</p>	<ul style="list-style-type: none"> • Lotte India Corporation Ltd (LIICL) has two factories in Tamil Nadu and dedicated Sub-Contracting units in Kerala and Maharashtra. • Planning to set up a snack and confectionery products manufacturing unit at IMT Rohtak, Haryana; Unit will be developed over 24,500 m2 area and will entail an investment of US\$ 47 million. The company is expected to commission the project by July 2015.
<p>POSCO</p>	<ul style="list-style-type: none"> • Firmed up plans to invest 20 million US\$ (Rs. 123 crore) in building a steel coil mill in Gujarat (during Vibrant Gujarat). • The company already holds about 26 percent equity in POSCO Poggenamp Electrical Steel Pvt Ltd that has operations in Gujarat. • India's MESCO Steel has signed an initial agreement with POSCO to set up a plant that would use the South Korean steelmaker's finex technology to make steel.
<p>Mando Automotive</p>	<ul style="list-style-type: none"> • Auto components maker Anand merged two joint venture (JV) entities formed with Korea's Mando Corporation into one company known as 'Mando Automotive India Ltd.' • Mando Automotive India has recently set up a full-fledged global design centre known as Mando Softtech India for designing brakes, shock absorbers and steering to cater to the requirements of Mando globally. MSI is R&D centre specialized in electronic control field.
<p>Samsung C&T Corporation</p>	<ul style="list-style-type: none"> • In 2014, Samsung C&T has signed a contract with Reliance Industries Limited (RIL) for the construction of the Dhirubhai Ambani International Convention and Exhibition Centre (DAICEC) in Mumbai, India with contract amount of US\$ 678 million. • This will be the largest International Convention and Exhibition Centre in India.
<p>SHOP-CJ</p>	<ul style="list-style-type: none"> • Shopcj.com is an online shopping site in India launched by SHOP CJ Network Private Limited (formerly known as STAR CJ Network India Private Limited), which is a 50:50 joint venture between the South Korean home shopping major, CJ O Shopping Co. Ltd. and the P5 Asia Holding Investments (Mauritius) Limited belonging to the Providence Equity Partners group. • US\$ 100 million investment in India; 672 product suppliers • Launched operations in India in September 2009; 5 million + customers in Oct 2013; Reaching 60 Million Households through DTH & CATV

5 Some Recent Developments

The relations between India –Republic of Korea has made great headway in the recent years and has become multifaceted, aroused by remarkable convergence of interests. India carries substantial economic & geographical essence for South Korea. It acts as a pathway for Korean businesses to comprehend the Middle East and African markets, by taking into account its extensive and ancient involvement with these two regions.

5.1 Outcome of recent high level visits

Building on Prime Minister Modi’s landmark visit to Seoul in 2015, nearly all of India’s senior ministers have visited Korea over the last 3 1/2 years. They include the ministers of external affairs; finance; defense; commerce and industry; road transport, highways, water resources and shipping; railways; science and technology; information technology and electronics; and human resources development. The following table summarises key takeaways from these high level visits.

Table 14: Key takeaways from recent visit from Indian Government leaders

DETAILS	KEY TAKEAWAYS	MAJOR MOUS/AGREEMENTS
Sh. Nitin Gadkari, Minister for Road Transport & Highways, Shipping and Water Resources, River Development & Ganga Rejuvenation visit to Korea April 9-12, 2018	Focus was on upgrading the bilateral cooperation between the two countries in shipping, ports, highways, river interlinking and infrastructure sector. Aim was to strengthen the ties between two countries and cooperation in areas such as sharing of technology, joint participation in port related construction, building and engineering projects etc.	An Undertaking on Mutual Recognition of Certificate of Competency of sea-farers was signed during the visit. This will provide employment to Indian seafarers on over 500 Korean ships. India is exploring of signing MoU with South Korea on Highways Information System. This will be developed in cooperation with Korea and will be similar to a system run by Express Highways Information Corporation of South Korea. This initiative has been taken for ensuring road safety of people.
Finance Minister Sh. Arun Jaitley visit to Korea June 14-17, 2017	The visit of Finance Minister was primarily for the India-Korea Strategic Economic Dialogue Hon’ble Finance Minister Mr. Arun Jaitley also addressed businessmen at the Korea India Business Meeting, where CEOs from leading companies as well as SMEs, and both corporate and institutional investors. The seminar focused on key achievements of the government and long-term investment opportunities in India.	MOU was signed between EXIM bank of India and EXIM bank of Korea. Followed by this, there was Signing Ceremony of EDCF Agreement between two countries. The aim was to utilise the Export Credits of US Dollars Nine Billion for supporting priority sectors, including smart cities, railways, power generation and transmission, and other sectors as may be mutually agreed.
PM Modi’s visit to Korea May 18-19, 2015	The two leaders agreed to upgrade the bilateral relationship to a ‘Special Strategic Partnership’ Joint Statement for Special Strategic Partnership’ PM and President Park Geun-hye agreed to establish a 2+2 consultation mechanism at Secretary/ Vice Minister of Foreign Office and Defence Ministry.	Agreement between the Government of the Republic of India and the Government of the Republic of Korea for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income. India-Republic of Korea Double Taxation Avoidance Convention (signed 1985) has been revised with a view to avoiding the burden of double taxation on taxpayers in the two countries.

DETAILS	KEY TAKEAWAYS	MAJOR MOUS/AGREEMENTS
	<p>Agreed to commence negotiations to amend CEPA by June 2016, strengthen cooperation on energy, electronics and shipbuilding industries, including setting up of a Joint Working Group for Cooperation on the Shipbuilding sector and another in the field of Electronics Hardware manufacturing</p> <p>Prime Minister offered to create a “Korea Plus” group to address all the issues raised by Korean companies in India</p>	<p>India-Republic of Korea Agreement on Cooperation in Audio-Visual Co-Production. The Agreement is being signed under the provisions of India-ROK CEPA; it would enable co-production of films, animation and broadcasting programmes. The Agreement would enable opportunities for collaboration between Indian and Korean film industries, and facilitate collaboration and exchange.</p> <p>MOU for Cooperation between the National Security Council Secretariat of the Republic of India and the Office of National Security of the Republic of Korea. The MoU would formalize consultations between National Security Council structures of the two countries in a number of areas.</p> <p>MOU between the Ministry of Power of the Republic of India and the Ministry of Trade, Industry and Energy of the Republic of Korea concerning Cooperation in the field of Electric Power Development and New Energy Industries. The MoU envisages cooperation in areas of electric power development and new energy industries such as renewable energy, smart grids and power information and technology, transmission and distribution of electric power, energy efficiency and storage system.</p> <p>MOU between the Ministry of Youth Affairs and Sports of the Republic of India and the Ministry of Gender Equality and Family of the Republic of Korea on Cooperation in Youth Matters. The MoU will strengthen and encourage cooperation on youth matters through participation in events and activities through exchanges, international conferences, seminars, youth camps, festivals etc.</p> <p>Framework of Cooperation in the Field of Road Transport and Highways between the Ministry of Road Transport and Highways of the Republic of India and the Ministry of Land, Infrastructure and Transport of the Republic of Korea. To be signed under the provisions of India-ROK CEPA, the FOC envisages cooperation in areas including road policies, design and construction, road operation, road management and safety, intelligent transport systems and electronic toll collection systems.</p> <p>MOU between the Ministry of Shipping of the Republic of India and the Ministry of Oceans and Fisheries of the Republic of Korea on Cooperation in the Fields of Maritime Transport and Logistics.</p>

Box 1. Amendment in the Double Taxation Avoidance Agreement (DTAA)

Double Taxation Avoidance Agreement (DTAA) is a tax treaty that was signed between India and South Korea on July 19, 1985 and was notified on September 26, 1986. The key objective of DTAA is to avoid payment of double taxation for the same income earned. On May 18, 2015 during the visit of Prime Minister Sh. Narendra Modi to South Korea, India and South Korea signed a revised agreement for Avoidance of Double Taxation Treaty in Seoul. Last year, the amended treaty replaced the existing one and came into effect in India on April 1, 2017.

Key Amendments include:

- Capital gain arising on sale of shares of an Indian company to be chargeable to tax in India.
- Taxpayers may apply for Mutual Agreement Procedure (MAP) in Transfer Pricing (TP) disputes as well as apply for bilateral Advance Pricing Agreements (APA).
- The MAP requests in TP cases to be presented by the taxpayer to its competent authority after entry into the revised tax treaty, and within 3 years of the date of receipt of notice of action giving rise to taxation not in accordance with the tax treaty.
- As per a separate MOU between the two countries, collection of taxes during the pendency of MAP proceedings would be suspended for a period of 2 years (extendable for another 3 years) subject to providing on demand security/ bank guarantee.

Salient features of Revised DTAA are as follows:

- 1) Under the revised DTAA the taxation of capital gains will be source based arising from alienation of shares comprising more than 5% of share capital whereas in the previous tax treaty, it was on residence based system.
- 2) The scope of dependent agent Permanent Establishment provisions has been widened in line with India's policy of source based taxation.
- 3) Under the Article 8 of revised DTAA, taxation of shipping income from international traffic will be resource based. This will help in facilitating movement of goods between two countries through shipping.
- 4) There has been reduction in withholding of tax rates on royalties or fees for technical services from 15% to 10% and 15% to 10% on interest income. This will lead to promotion of cross border flow of investments and technology.
- 5) A new Article has been inserted in revised DTAA to provide assistance in collection of taxes between tax authorities.
- 6) The revised DTAA also inserts Limitation of Benefits Article. It is an anti-abusing provision which ensures that the benefits of agreements are availed only by the genuine residents of both the countries.

5.2 Recent developments on Korean Industry's Presence in India

a) Boost in auto manufacturing

Hyundai's Additional Investment in automobile sector highlighting India's potential:

Hyundai Motor Co., which has already invested around US\$ 3 billion in the Indian automobile market, is planning to invest an additional US\$ 1 billion in this market by 2020. On January 30, 2018, Hyundai Motor India CEO Young Ki Ko stated that the investment will be over US\$ 20 billion by 2020. The additional investments will be on 9 new products to be launched, powertrain development and on setting up of new building. HMI is also considering of introducing Hyundai's EV sedan 'IONIQ' in India.¹⁵ The plan of re-launching newly upgraded Santro is also into consideration. In a statement by CEO Koo, he said that company was not yet to take a final call on bringing Santro brand (name) back and give it to a new product codenamed AH2 which is ready to be introduced in the second half of this year.

Kia Motors to roll out first car from India's plant:

Kia Motors has recently announced of investing of about \$2 billion in the green field plant coming up in Anantapur district of Andhra Pradesh¹⁶. The very first phase of the plant will see an investment of around \$1.1 billion and will begin with commercial production of SP concept and SUV showcased at recently held Auto Expo in New Delhi in January. It's being estimated that company's new plant will create employment opportunities for around 3,000 people and will produce 300,000 cars annually. The manufacturing facility is expected to begin production in the second half of 2019.

b) Rising Investments in Electronics

Samsung invested Rs. 4,195 crores in India for expansion of Noida plant:

In the financial year 2107-18, South Korean technology giant Samsung invested around Rs. 4,195 crore in India in its Noida facility plant where it manufactures smartphones, refrigerators and flat panel televisions. Ravi Shankar Prasad's vision of making India a \$1 trillion digital economy in coming 5-7 years, Samsung might be the biggest contributor in achieving that goal as the value addition done by Samsung in India is very high. Also Samsung turned out to be the most reputable company in India. According to the Brand Trust Report 2018, Samsung ranked 1st with its smaller South Korean brand LG ranking at the third place.¹⁷

India is in discussions with South Korea for jointly setting up 5G test laboratories:

The telecom ministry is planning to collaborate with South Korea too in the area of telecommunications including setting up of 5G test laboratories. Korea ranked 2nd in Information Communication Technology Index 2017 by International Telecommunications Union and, hence can be the early starters of 5G services. Also as per the industry players and experts, India is likely to see roll out of 5G services in 2019.¹⁸

¹⁵Accessed at <https://auto.ndtv.com/news>

¹⁶Accessed at <https://www.thehindubusinessline.com>

¹⁷Accessed at <http://english.yonhapnews.co.kr>

¹⁸Source: <https://timesofindia.indiatimes.com>

c) Make in India: Push for Textile manufacturing

Rs. 3,400-cr South Korean textile unit to come up at Shendra, Aurangabad

South Korean textile giant Hyosung will be investing Rs. 3,400 crore in a textile manufacturing unit at Shendra. 20% of the total procurement of goods and services shall be made from MSMEs, of which 20% will be from ST and SC owned units. An agreement has been signed with the South Korean company. Hyosung will set up its unit on a 100 acre area at the Delhi Mumbai Industrial Corridor's Shendra node near Aurangabad city. One thousand people will be directly employed through the project. The project will also create an ecosystem where smaller industries can thrive.¹⁹

Korean investment in Telangana's Textile Park

Korea Federation of Textile Industries is currently under discussions with State Government of Telangana to explore the business and investment opportunities in the country. Last year, the state government invited textile giants in South Korea to their state to consider investing at the upcoming Kakatiya Textile Park in Warangal. The 2,000-acre park will host both national and international textile companies and also explained to them about the incentives that the State Government offered to new industrial units.²⁰

d) Impetus to Infrastructure and Construction

South Korea signed MoU for Infrastructure development in India:

The visit of Hon'ble Minister of Road Transport, Highways and Shipping, Mr. Nitin J. Gadkari to South Korea has brought great news for India's infrastructure sector. In June 2017, South Korea has signed an agreement to provide an Economic Development Cooperation Fund of US\$ 10 billion for infrastructure development in India. In the same spirit, various Korean entities are also showing their involvement in infrastructure development projects in India.

EXIM bank of India signed \$9 billion export credit pact with South Korea:

To support the infrastructural development in India and for supply of goods and services as part of projects, a \$9 billion export credit pact has been signed between the EXIM banks of both India and Korea. The decision is expected to promote exports and deepen political and financial relation among the two countries. The export credit will be utilized for promoting various projects including smart cities, power generation and railways etc. The deal will help in assessing knowledge in respective activities as well as sharing information on financial export and import operations.²¹

Doosan Bobcat to enter Indian Construction Machinery Market:

Doosan Bobcat is considering entering into Indian Construction machinery market by setting up a plant in Chennai, India. Doosan Infracore, the parent company of Doosan Bobcat, is signing agreements with local dealers under Make in India program. The main reason of their

¹⁹Accessed at <https://timesofindia.indiatimes.com/city/aurangabad/rs-3400-cr-s-korean-textile-unit-to-come-up-at-shendra/articleshow/62952685.cms>

²⁰Accessed at <https://www.thehindubusinessline.com/economy/korean-business-team-in-telangana/article9820800.ece>

²¹<https://www.thehindubusinessline.com>

entry in Indian Construction equipment market is that this particular market is growing rapidly these days. Among South Korean companies, Hyundai Construction Equipment entered the market in 2008 and is currently planning to increase its local manufacturing capacity by 20%²².

e) Greater Support Mechanisms for Investors

Korea Plus

Smt. Nirmala Sitharaman, the then Hon'ble Minister of Commerce & Industry, Government of India and Mr. Joo Hyunghwan, the Hon'ble Minister of Trade, Industry & Energy, Government of the Republic of Korea, launched Korea Plus, a special initiative to promote and facilitate Korean Investments in India on 18th June 2016 at New Delhi.

An MOU for establishing Korea Plus was earlier signed between the Ministry of Trade, Industry and Energy, Govt. of the Republic of Korea and Invest India, the National Investment Promotion & Facilitation Agency of India in January 2016. This MOU came as an outcome of the visit of the Hon'ble Indian Prime Minister to South Korea in May 2015.

The mandate of Korea Plus runs through the entire investment spectrum including supporting Korean enterprises entering the Indian market for the first time, looking into issues faced by Korean companies doing business in India and policy advocacy to the Indian Government on their behalf. Korea Plus will act as a mediator in arranging meetings, assisting in public relations and research/evaluation and provide information and counselling in regard to Korean companies' investing in India.

KOTRA's New Office in West Bengal

KOTRA, Embassy of Republic of Korea has recently opened its new Trade Office in Kolkata, West Bengal. The Kolkata office is KOTRA's fifth in India after New Delhi, Mumbai, Chennai and Bengaluru. The main aim of KOTRA Kolkata is to help both Korean companies to explore the Eastern and North Eastern India and local companies from the region looking for business partners in Korea. It had been a strategic choice of Korean Government and KOTRA for promoting trade and investment in these regions.

Launch of India-Korea CEPA Support Centre in New Delhi

The Ministry of Trade Industry & Energy, KOTRA and Korean Customs Agency recently inaugurated the India-Korea CEPA Support Centre on May 14, 2018 located in New Delhi. The Center will support Korean and Indian companies to enhance bilateral trade between India and South Korea. The inauguration of CEPA Support Center and CEPA Utilization is a step forward reciprocal and sustainable India-Korea Economic Partnership. The purpose of the centre is to promote India-Korea CEPA Utilization and bilateral trade and build strong partnership between the industry players of both countries to explore collaboration opportunities, and promote trade, investment and technical co-operation.

²²Source: Business Korea

FICCI Initiatives in alignment with Govt's agenda towards promotion of India-RoK Relations

FICCI has always put a lot of emphasis on this partnership and has been supplementing Government of India's efforts through its holistic agenda with Republic of Korea.

The spectrum of activities with Korea includes engaging with the political leadership, enabling businesses, producing knowledge work and policy initiatives, synergising with the state and provinces, engaging on a track two diplomacy and promoting people to people connect as well as new initiatives. The key partners of FICCI in Korea include KITA (Korea International Trade Association), KOTRA and KCCI (Korea Chamber of Commerce and Industry).

Following are some of the key FICCI initiatives with South Korea in the focus areas in line with government's agenda.

Defence cooperation

Defence and security relations between India and South Korea have evolved steadily over the past few years and now constitute a strong pillar of the India – South Korea strategic partnership. FICCI's defence committee has been consistently working to strengthen industry cooperation between India and South Korea in the defence sector. There is tremendous scope for redefining the contours of the bilateral defence cooperation by way of transfer of, and collaboration on co-development and co-production of projects related to defence equipment and technology.

In this context, FICCI coordinated defense delegation to South Korea. In 2015, FICCI undertook Defence & Aerospace Business delegation accompanying the Defense Minister to South Korea to Seoul, South Korea.

Finance Minister's Visit to Korea

On the occasion of the official visit of the Hon'ble Finance Minister, Mr Arun Jaitley to Republic of Korea from June 14 to June 18, 2017, FICCI organized a high-powered CEOs delegation accompanying the Hon'ble Finance Minister. The business delegation was led by Mr. Rashesh Shah, Senior Vice President, FICCI, and Chairman & CEO, Edelweiss Group and was well represented by industry and business heads from diversified sectors.

The main objective of the delegation was to enhance the bilateral economic engagement and business co-operation between the two countries. Indo-Korean relations have been growing over the past few years and this visit shall further strengthen mutually beneficial trade and investment relations between the two countries. India is today one of the most attractive investment destinations for global investors and there is a potential for much greater investments from various countries, including South Korea.

Another highlight of the visit was the signing of an MoU between Export-Import Bank of India and the Export-Import Bank of Korea. The aim was to utilise the Export Credits of US\$ 9 billion for supporting priority sectors, including smart cities, railways, power generation and transmission, and other sectors as may be mutually agreed.

The discussions included the progress made across various development programmes and various measures taken by the government to steer the economy to higher growth path to various stakeholders in Korea. The visit also served as a great opportunity to highlight the potential areas for further co-operation, especially in areas like manufacturing, agriculture and food processing, new renewable energy, ship-building, defense manufacturing, infrastructure, etc.

Support for Make in India

FICCI has been actively supporting Government of India in its Make in India initiative. In order to strengthen India-Korea partnership in this area, FICCI in partnership with Korea Trade Promotion Agency KOTRA, organised the Korea Expo 2017 on September 20 – 22, 2017 in New Delhi. Korea Expo 2017 was hosted by Ministry of Trade, Industry and Energy (MOTIE) of the RoK. KOTRA in partnership with FICCI is organizing this event which is supported by India SME Forum and Indian Electrical & Electronics Manufacturers Association.

This was the largest business event held in India after the two countries concluded the CEPA in 2009. It attracted 530 buyers from 8 countries including India, Southwest Asia and the Middle East countries. The major events of the Korean Product Exhibition included one-on-one expert consultation between Korean companies and Indian buyers, Korea-India Economic Cooperation Forum. Majorly, the event was aimed to promote bilateral trade and investment relations between Korea and India and the expo presented an ideal opportunity for taking India-Korea bilateral relations to a new height in the years to come and significantly contributes in supporting Prime Minister's Make in India initiative.

The Korea Expo showcased exhibits from a high-level business delegation of around 100 Korean companies (from sectors of Infrastructure, Consumer durables, Consumer electronics, cosmetics, Lighting, Building & Construction, Security equipment and Automotive). The 3-day program created immense opportunities for companies from both the countries to meet, discuss and collaborate in various industry segments, thereby opening up vast pool of opportunities and enhancing the progress of both economies.

Promoting Corporate Social Responsibility

India-Republic of Korea relations have made great strides in recent years and become truly multidimensional, spurred by a significant convergence of interests, mutual goodwill and high level exchanges. Today, a majority of Indian customers relate to LG and Samsung as Indian brands rather than multinational brands. This is indeed the recognition of the evolving strategic scenario in the region and the deepening of India- Korea comprehensive engagement. Korean companies are playing a major role in automobile and electronics sectors. This growing engagement is also creating huge opportunities for businesses but also great challenges.

Korean companies are committed to undertaking CSR activities in the right earnest and emphasised that CSR presents a huge opportunity for them to earn corporate goodwill and address social development gaps of the nation.



With an aim to learn, share and discuss the achievements, challenges, innovations of the Korean Companies in India, while addressing and leveraging the Government of India's initiatives like Skill Building, Swachh Bharat Abhiyan etc., the Korea-India CSR Forum was formed.

The Korea-India CSR Forum is a bilateral forum between FICCI and the Embassy of the Republic of Korea in India, funded by the Embassy of the Republic of Korea in India, and is organized every year.

Building Connect with Indian States

In the current portfolio of foreign engagements, there is a direct connect being made by Indian states with international partners. FICCI has been actively promoting increased connect between Indian States and South Korea. For instance, Assam is one the fastest growing state of Eastern India and is at the heart of India's Act East Policy. In order to give this momentum, the Government of Assam organised its maiden Global Investor's summit "Advantage Assam" on February 3 and 4, 2018". The summit was inaugurated by Hon'ble Prime Minister of India, Narendra Modi.

In order to promote the Advantage Assam summit, amongst foreign investors, the Government of Assam in partnership with FICCI organised roadshows in Seoul. The key component of the visit to Seoul were the one to one meetings with leading Korean Companies representing infrastructure, food processing, IT, logistics, shipping, railways sectors. Nongshim Engineering, Korea's leading food product manufacturer, Korea Telecom Corporation, Korea's largest telephone company, Space Group, a company that offers one stop solution to architectural and urban problems, ableMAX/Dongbu Corporation/Hyundai Construction, KDS Global Co. Ltd. - a supply chain management group and Rotem were some of the leading Korean companies that participated in the one to one meetings.

Korean companies and members of Incheon Chamber of Commerce (ICCK) showed keen interest in the fast growing state of Assam and expressed their willingness to invest in Assam and participate in the forthcoming Advantage Assam Summit.

Similarly, FICCI also coordinated the delegation for the West Bengal State government to South Korea during October 22 – 24, 2017 last year. The delegation was led by Mr. S. Kishore, IAS, Department of Industry, Commerce & Enterprises, and Government of West Bengal. The visit included business meeting with key trade promotion agencies including KOTRA and KCCI (Korean Chamber of Commerce & Industry). The delegation also met with President & Senior Office bearers of ICCK and had an exclusive interaction with Mayor of Incheon province.

7 The Way Forward

India is keen to buttress its partnerships with countries across the Indo-Pacific region: a concept describing the evolving geopolitical and economic order surrounding the Indian Ocean's tropical waters, the western and central Pacific Ocean and the Southeast Asian seas.

Prime Minister Modi has stated that the purpose of engagement across the Indo-Pacific should be to promote cooperation, not dominance; connectivity, not isolation; respect for the global commons; inclusive, rather than exclusive, architectures; and adherence to international rules and norms.

Therefore our focus is on the development of an open, transparent and inclusive architecture linking the Indian and Pacific oceans. We desire to work with all stakeholders whose prosperity and security depend on the waterways traversing these two major oceans.

Key sectors for Industry Cooperation

Defense manufacturing

Defense ties in particular have grown from strength to strength, with a major defense partnership deal worth nearly \$1 billion signed last year for the joint production of Korean self-propelled artillery guns and India's purchase of these weapons. Five Indian Navy vessels have sailed to Korea over the past three years, extending the blood-sealed partnership that stretches back to the 1950-53 Korean War.

The two governments signed the Strategic Partnership Agreement in defense production in March last year, identifying areas of further cooperation.

Areas of Cooperation between South Korea and India

Our goal is to be able to find synergies between areas of India's strengths and Korea's needs, and vice versa.

Shipbuilding is one such area in which Korean firms could look at India's naval roll-out strategically, as a means of ensuring standing business orders for future decades.

Indian bright young military officers are also studying at each other's military academic and related institutions for the first time on an institutionalized basis of exchange annually. They will recognize the opportunities and potentials our India-Korea partnership offers.

Maritime and Ship Building

The Indian maritime industry is an integral part of the country's trade and commerce. It supports 90% of India's trade by volume. India has a coastline of 7,517 km with potentially navigable waterways of 14,500 km. 12 major and 200 non-major ports are dotted along the coast.

Over the last two years, a host of policy and regulatory reforms by the Government has resulted in capacity building and service delivery improvement.

- Foreign Direct Investment (FDI) of up to 100% allowed under the automatic route for port and harbour construction and maintenance projects.
- Cabotage restrictions relaxed for special vessels for a period of five years w.e.f. September 14, 2015. With this relaxation, vessel operators will be allowed to bring foreign flagged vessels of these categories to ply on coastal routes.

Areas of Cooperation between South Korea and India

Strengthening Indian maritime industry in the oceans economy, we are rapidly expanding our naval and coast guard capabilities that include aircraft carrier groups, submarines and aircrafts.

Indian security needs require an extensive scaling-up of our existing platforms. Some \$35 billion worth of equipment is currently on our navy's shopping list for procurement over the next decade and beyond Korean shipyards and their tier-one companies, which have faced industrywide financial difficulties in recent years, to create partnerships with India's maritime enterprises. The Indian market can not only sustain their businesses, but also create jobs on both sides.

Electronics and IT Sector

The Government is driving forward reforms in IT and electronics manufacturing sector through major initiatives like Make in India and by creating favourable policies to enable an investor friendly environment.

Some of the Korean companies who made it to the top investment in Indian companies list for this sector include:

Korean Company	Indian Company	Sector	FDI (US\$ million)
Dong Kwang Precision Co Ltd.	Dongkwang Precision India Private Limited	Electronics	6.29
Elentec Co. Limited	Elentec India Private Limited	Electronics	1.98
Ripe Korea Co. Limited	Elentec India Private Limited	Electronics	1.69

Source – Electronics and IT Sector Achievement report, DIPP

Areas of Cooperation between South Korea and India

Promoting Collaborative Industrial R&D

Funding through Global Innovation and Technology Alliance (GITA). Focused on priority areas of Large Area Flexible Electronics, Internet of Things (IOT) and Technology for Internal Security with a timeline of not more than two years. Medical Electronics, Strategic Electronics and Micro Electronics Mechanical Systems (MEMS) are also covered for funding under the scheme The Request for Proposals (RFP) have been launched bilaterally with South Korea, Finland, UK, Spain and Canada.

Collaborate in manufacturing of electronics and computer hardware and software

One of the major policy initiatives in this sector includes 100% FDI under automatic route is permitted in the manufacturing of electronic items. South Korea is already an important investor in Indian companies in electronics sector and computer hardware and software.

Source – Ports and Shipping Achievement report, DIPP

Manufacturing

The share of manufacturing in India's GDP has stayed around 15% for nearly three decades. This lost opportunity has been a vital link missing in India's growth story. Manufacturing is a key focus area of the Government and the Make in India campaign launched recently endeavours to make India a global manufacturing hub.

Areas of Cooperation between South Korea and India

- South Korea is one of the leading countries in production of high performance fibers and fabrics that are used in variety of applications like sportswear, industrial infrastructures, buildings, stadiums etc. The potential of Indian technical textiles markets is huge with the current focus of the Government of India. Technical Textiles has been recognized as one of the focus areas and high value added segment.
- The global electronics industry is valued at US\$1.8 trillion, of which India consumes around US\$125 billion. This consumption is expected to grow to US\$400 billion by 2020 with the local production of only US\$104 billion. India currently imports mobile/ telephone sets worth more than one billion US dollar from South Korea. This needs to be converted into investments and local manufacturing. Most of the Electronic Manufacturing Services and Original Equipment Manufacturers mainly undertake last-mile assembly, and not much designing is undertaken in the country. The supplier and contract manufacturer base in India is limited with a majority of high value and critical components being imported. This is an area where Korean companies can help Indian firms and promote manufacturing of such items in India.

Source – Indian Industry

Renewable Energy

India has emerged as one of the fastest growing economies of the world with the clear objective of attaining a double-digit growth over the next few years. However one of the major impediments that can arise in its path towards this higher growth trajectory is its inadequate access to energy. As a nation, India has been making efforts to power its industrial and economic growth by leveraging both domestic sources of energy and its energy assets abroad. Even as it makes progress in ramping up supplies, the quantum of demand and the rate at which it is growing calls for continued thrust.

Areas of Cooperation between South Korea and India

- Cooperation with Korea South East Power Co. (KOSEP) & Doosan Heavy Industries (DHI) could extend to technology transfer concerning super critical boilers and clean coal technologies
- Nuclear energy forms a third of Korea's electricity supply, with 23 nuclear power plants in operation. Korea is keenly looking towards export of Nuclear reactors and has signed export deals with Jordan and UAE. Korea Power Engineering Company (KOPEC) is responsible for Design & EPC of Nuclear Power Plants. A greater level of engagement with KOPEC with Indian nuclear manufacturing companies could be explored
- South Korean companies are pioneers in LNG ship building. The world's biggest LNG ship – The Preludes, was manufactured there for Shell. Also, KOGAS is the world's largest buyer of LNG. India will continue to import larger volumes of LNG for foreseeable future. Joint development of LNG ships with established players in South Korea such as Samsung Heavy Industries (SHI), Hyundai Heavy Industries (HHI) and Daewoo Shipbuilding and Marine Engineering (DSME) should be firmed up. LNG import market can be jointly explored with KOGAS

Source – Indian Industry

Infrastructure

Infrastructure is the lifeline of any economy and the presence of a sound infrastructure base is the key to ensure rapid development of any country. India has taken several steps to build up its infrastructure. Today, India boasts of the second largest road network in the world. The development of highways and expressways has seen significant progress in the country. India also has an exceedingly well-developed railway network. With the world's second largest rail network, Indian Railways is also the world's largest commercial employer employing about 1.6 million people. The railway sector, which has witnessed increased participation from the private sector in recent years, today boasts of improved revenues.

Areas of Cooperation between South Korea and India

- Opportunities for strengthening partnership between Korea and India in infrastructure sector are numerous. Transportation, Road & Highways, Bridge & Tunnel Construction, Intelligent Transport Systems, Railways, Ports, Airport modernization, etc. are the areas where both the countries can work together.
 - Maritime sector offers huge investment opportunities for Korea as India is expeditiously working out the ambitious 'Sagarmala Project' by integrating various components viz. port facilities, coastal ferry services, tourism infrastructure, and inland water transportation. There is substantial scope for India-Korea cooperation in expanding transportation capacity by improving multimodal connectivity, port connectivity by improving road & rail connections, construction of container terminals/ berths, inland water transport, etc.
 - Indian Government is focusing on the shipbuilding industry under Make in India initiative, and is encouraging foreign investments in shipbuilding. It offers immense opportunities for Korean companies to cooperate with Indian firms in the field of shipbuilding and ship repairing.
 - In railways, private investments are currently required in the field of producing railway coaches, railway locomotives, wagons and various ancillary components. There are ample opportunities for the Korean companies to make investments and facilitate development & expansion of Indian Railways. Korea can provide technical assistance for building high speed rail, modernisation of rolling stock, railway operations, modernisation of signalling, construction & maintenance technologies and in development of logistics parks & cargo terminals.
-
- Korean companies having expertise in sustainable architectural & design, professional engineering services, etc. can bring their know-how, technology and business models that are required to build environment friendly infrastructure facilities.

Source – Indian Industry

Telecom

India has made rapid strides in the telecom sector and has emerged as an ace performer in the field. India is the world's second largest telecommunication market and the growth in segments like mobile telephony, internet penetration has been unprecedented. Further, the Digital India campaign launched by the Government has the mandate of making India a knowledge based economy.

Cooperation between India and Korea in telecom sector exists for several years now. Some of the major Korean companies in this sector having their units in India are Samsung Electronics Co. Ltd, LG Electronics Inc. and Korea Mobile Telecom etc. Korean telecom equipment is being used in the Indian telecom network for the last 10 years.

Areas of Cooperation between South Korea and India

- As mentioned earlier, Korean companies can set up manufacturing facilities in India in the field of telecom equipment and telephone handset. The Indian government has recently announced tax incentives to attract manufacturing of these instruments in the country.
- Cooperation in the area of 4th generation mobile telecommunication system for providing multimedia via high-speed network with focus on graphics and high quality audio services must be considered.
- Other areas of cooperation include Mobile Wireless Program, Digital home & office broadband technology, Next Generation PCs, Digital Content and Digital Broadcasting.

Source – Indian Industry

Healthcare

India's health care sector has shown robust growth over the past few years, emerging as one of the most promising in the country. With the development of several other allied fields like health tourism, telemedicine and pharmaceuticals the sector today provides huge employment opportunities and has become a source of increasing revenues. The overall healthcare market is valued at US\$ 65 billion.

Further, the Indian pharmaceutical industry is one of world's largest, ranking third in terms of volume and thirteenth in terms of value in the global pharmaceutical market. The Indian pharmaceutical sector has become a prominent international provider of health care products, while meeting most of the domestic needs.

Areas of Cooperation between South Korea and India

- Manufacturing of medical equipment in India on a JV basis
- Hospital collaborations for strategic planning process and the operational performance improvement
- Collaborations for Telemedicine and Tele-radiology
- Promotion of health tourism and exchange programmes between medical educational institutions
- Joint training programmes for human resource development and sharing of information and experiences in respect of best practices in healthcare systems
- Technical cooperation in development of traditional medicinal products

Source – Indian Industry

Higher Education

Education is the basic foundation for ensuring sustainable development of a country. Without imparting education to its people, no country can ensure progress and quality life to its citizens. India has realized the importance of education and has made significant progress in building a sound human development base in the country. The overall literacy rate for the country has gone up from 52.2% in the year 1991 to 65 % in the year 2001 to 73% in 2011. Further, the government is giving higher education due primacy and is undertaking expansion in an enormous way. Further, a renewed emphasis is being given to vocational training and a more job oriented training to plug the demand-supply mismatch of skills. The private sector has come to play an increasingly active role and has become instrumental in setting up of specialized training institutes in the vocational education domain. However, India still needs to firm up three pillars – viability, quality and capacity – to ensure a globally competitive higher education eco system.

Areas of Cooperation between South Korea and India

- Increase participation of higher education delegations in education fairs and conferences in respective countries.
- Exposure visits for Indian Universities/Higher Educational Institutions for showcasing transformation of Korean Higher education system specifically with regard to their evolution as an R & D hub and effective linkages with industry. Republic of South Korea spends 4.36 % of its GDP on R&D, which is amongst the highest in the world.

Source – Indian Industry

Exploring Korean Partnership in India's flagship initiatives

India is on the threshold of major reforms and according to recent studies, is projected to achieve highest annual GDP growth rate and overtake China in the coming years. To keep our date with these historic turns, the Indian Government in India has embarked on a vigorous agenda of development with measures to cut red tape, relax labour laws, drive financial inclusion and liberalize foreign direct investment norms in critical sectors of the economy like defence, insurance and construction. These are unleashing huge untapped potential for collaboration between industries on both sides.

South Korea stands out as a spectacular example of a mature democracy with an impressive record of industrialization, technological advancement, innovation, economic reform, and sound leadership.

And together, India and Korea continue to record a surge in two-way commercial exchanges with bilateral trade growing and Korean investment in India and Indian investment in Korea crossing new frontiers. The two countries are working together bilaterally as also in regional fora to address challenges facing the region including maritime security and putting in place an open and inclusive regional security architecture, among others.

India is therefore well placed to explore the vast scope of our strategic partnership and going ahead India sees some very potential areas that provides room for further expansion.

- The Make in India campaign launched in September 2014 showcases the priority of the government of India to develop a robust manufacturing sector in the country. The sector has the potential to not only take economic growth to a higher trajectory, but also to provide employment to a large pool of our young labour force. Under the Make in India initiative 25 sectors have been identified for investors to set up manufacturing bases, replete with initiatives designed to facilitate investment, foster innovation, protect intellectual property as well as promote exports from the country.

The Indian defence industry is one of the fastest-growing global defence markets and India is one of the largest importers of conventional defence equipment. The FDI limit in defence manufacturing has been raised to 49% from erstwhile 26% and my government is focusing on promoting indigenization, technology up-gradation and developing capabilities for exports in the defence sector. The opening of strategic defence sector for private sector participation will help foreign original equipment manufacturers to enter into strategic partnership with Indian companies and leverage the domestic markets.

- The Indian government also has a vision of developing 100 smart cities as satellite towns of larger cities and by modernising the existing mid-sized cities. Smart cities will require latest technologies in water conservation, energy conservation, renewables energy, information technology apart from host of other technologies in manufacturing and infrastructure.
- Mega plans are underway in India to create a network of new industrial corridors and industrial cities. Six industrial corridors are being developed, these are - Delhi-Mumbai Industrial Corridor, Bengaluru - Mumbai Economic Corridor, Chennai-Bengaluru Industrial Corridor, Amritsar-Kolkata Industrial Corridor, Chennai-Vizag Industrial Corridor and North-East Corridor Linked to Myanmar. Industrial cities will also come up along these corridors. These clusters will provide costs and productivity gains and drive India up in the manufacturing value chain. Korea can play a crucial role in building world class infrastructure like the Dedicated Freight Corridor, Bangalore-Mumbai Economic Corridor.
- As part of an increased focus on developing high-speed rail network in the country we have opened up the railways to foreign equity and allowed 100% FDI in areas including construction, operation and maintenance of suburban corridors through PPP, high speed train projects, dedicated freight lines, rolling stock including trains sets and locomotive/coaches manufacturing and maintenance facilities, railway electrification; signaling system; freight terminal; passenger terminal and mass rapid transport system. This offers immense opportunities for Korean investors and Indian government has prepared model concession agreements for different participative models.
- India is also on track to enhance digital connectivity for delivery of governance and services to Indians. Our flagship programme 'Digital India' aims to create a participative, transparent and a responsive government connected to our citizens by ensuring that government services are available to citizens electronically and help people gain benefits from the latest information and communication technology. The project also aims to ensure that all villages in India have high speed Internet. This will mean higher spend on technology including internal services, software, IT services, data centers, devices and telecom services by both local and national governments. India also has a huge electronics market but around 65% of the current demand for electronics products is met by imports. This is where we hope investor-friendly incentive schemes and policies

like Digital India can attract Korean businesses to collaborate in this project and support India's development.

- We are living in a world characterized by shrinking energy resources and increasing cost of energy. Renewable energy holds great promise for collaboration given India's burgeoning energy needs and a rapidly developing energy market but the imperative is to make renewable sources like solar and wind power affordable. Setting up of hybrid energy parks in areas with abundant sun radiation as well as wind potential to save on transmission and power evacuation infrastructure cost is one idea. Indian government is also keen on developing domestic manufacturing of renewable energy equipment to create jobs. India has extended some major policy incentives including accelerated depreciation, generation based incentives; feed in tariff and viability gap funding which are expected to add massive investments in the renewable energy sector.
- 'Skill India' programme replete with extensive training modules aims to ensure supply of workers with wide ranging skills for domestic needs and to meet skill demands in foreign countries. India is looking at enhanced industry interfacing on skills and education, integration of vocational skills in mainstream education, capacity building and leadership development. A skills fund to help incubate Indo-Korean partnership in skills is an idea worth exploring.

Snapshot of the Recent Developments between India and Korea with Highlights on Recent Regulatory Developments and Key Indicators on Certain State Incentives

1. Recent regulatory developments

(a) Developments in the foreign investment regime:

Foreign investment in India is primarily regulated by:

- the consolidated foreign direct investment policy (FDI Policy) issued by the DIPP from time to time;
- the Foreign Exchange Management Act, 1999 (FEMA); and
- the regulations and directions issued by way of notifications by the RBI under the FEMA including in particular the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017 (New FEMA 20) read with the RBI's Master Directions on Foreign Investments in India dated January 4, 2018 as amended from time to time (Master Directions on Foreign Investments).

The Indian government has, over the recent years, liberalised the foreign investment regime further to attract foreign investment and increase FDI inflow into India. The RBI had, in November, 2017 issued the New FEMA 20 to replace the Foreign Exchange Management (Transfer and Issue of Security by a Person Resident Outside India) Regulations, 2000 (Old FEMA 20) and the Foreign Exchange Management (Investments in Firms or Proprietary Concern in India) Regulations, 2000 (FEMA 24), subsuming them within the New FEMA 20.

A few key changes in the New FEMA 20 are as follows²³:

- Introduced definition of 'foreign investment', categorizing it into 'FDI' and 'foreign portfolio investment (FPI)'. Foreign investments made in unlisted and listed Indian companies have also been segregated, and thresholds have been provided for calculating FDI and FPI. Pursuant to the rationalisation of these definitions, a new route has opened up for non-residents to invest in a listed Indian company up to a limit of 10% the paid up share capital of the listed company;
- Removed cap on dividend that can be paid by Indian companies on preference shares issued to non-residents;
- Removed requirement to obtain RBI approval for transfer of capital instruments by a non-resident Indian to a non-resident;
- Permitted persons resident outside India to acquire capital instruments (other than share warrants) renounced by residents pursuant to a rights issue.²⁴ Now, a rights

²³https://rbi.org.in/scripts/BS_FemaNotifications.aspx?id=11161

²⁴Regulation 6 of New FEMA 20.

issue is permitted at a price: (a) determined by the company, in case of listed Indian companies²⁵; and (b) at which capital instruments are offered to residents, in case of unlisted Indian companies²⁶;

- Reduced the timeline for allotment of instruments to 60 days from the date of receipt of consideration, as compared to 180 days previously;
- Placed the responsibility on the non-resident transferor to report a transfer of capital instruments listed on recognised stock exchange in India to the authorised dealer bank in Form FC-TRS.²⁷ Under the Old FEMA 20, this responsibility lay with the investee Indian company;
- Introduced the requirement of a joint audit of an Indian investee company. Where non-residents have made foreign investment into an Indian investee company and specify a particular auditor or audit firm with an international network to carry out the audit of this company, then this audit shall be undertaken by two or more auditors not forming part of the same network;²⁸
- Provided that foreign investment in investing companies not registered as non-banking finance companies (NBFC) with the RBI and in core investment companies, both engaged in the activity of investing in the capital of other Indian entities now requires prior governmental approval.²⁹ Further, foreign investment in investing companies registered as NBFCs with the RBI is now under the 100% automatic route³⁰;
- Permitted 100% foreign investment under the automatic route in 'other financial service activities' regulated by financial sector regulators, i.e., RBI, Securities Exchange Board of India, Insurance Regulatory and Development Authority, Pension Fund Regulatory and Development Authority, National Housing Bank. For financial services not regulated by a financial regulator, or for services for which there exists a doubt about the status of their governance, foreign investment up to 100% is permitted under the government approval route³¹.

The FDI Policy of 2017 had also introduced the following key changes:

- Permitted foreign investors to invest in eligible start-up companies (duly formed private companies recognised as start-ups by the DIPP) by purchasing their convertible notes (convertible into security of the start-up company) for an amount of Rs. 25 lakhs or more in a single tranche. If such eligible start-up companies are engaged in sectors which are in the approval route, prior approval from Government would have to be obtained for such issuance or transfer of convertible notes;
- Permitted foreign investment up to 100% through the automatic route in entities engaged in the single brand retail trading sector;³²
- Permitted investment in Air India, India's national air carrier, in the Civil Aviation (Air Transport Services) sector. Investment in Air India can be made under the automatic

²⁵Regulation 6(4) of New FEMA 20.

²⁶Regulation 6(5) of New FEMA 20.

²⁷Regulation 13.1(4)(b) of New FEMA 20.

²⁸Regulation 16(B)(8) of New FEMA 20.

²⁹Regulation 16(B)(5)(a) of New FEMA 20.

³⁰Regulation 16(B)(5)(b) of New FEMA 20.

³¹Regulation 16(B)(F.10.1) of New FEMA 20.

³²Regulation 16(B)(15.3) of New FEMA 20.

route subject to the following conditions: (a) foreign investment in Air India Limited, including that of foreign airline(s), shall not exceed 49% either directly or indirectly; and (b) substantial ownership and effective control of Air India Limited shall remain with Indian nationals³³; and

- Clarified that for the purposes of 'real estate business' under the New FEMA 20, broking services will not be considered to be real estate business. As 'real estate business' excludes broking services, foreign investment up to 100% is permitted in entities providing these services through the automatic route.³⁴

(b) Development in the insolvency and bankruptcy regime:

The Insolvency and Bankruptcy Code, 2016 (Code) was enacted to provide a comprehensive legislation for insolvency and bankruptcy proceedings in India. Noting that corporate entities transact businesses in multiple jurisdictions, the Indian government felt that the Code did not provide a comprehensive framework for cross border insolvency matters. Therefore, the Ministry of Corporate Affairs, Government of India has recently proposed a framework for such matters by preparing a draft chapter on Cross Border Insolvency (Draft Framework) and has invited public comments on this Draft Framework³⁵.

The basis of this Draft Framework is the UNITRAL Model Law on Cross-Border Insolvency, 1997 (Model Law). Three major benefits of adopting the Model law are envisaged: (i) reduction in time for exchanging necessary information between countries; (ii) increase in credit recovery efficiency; and (iii) cooperation and assistance helps in preserving the company's assets from dissipating, resulting in successful reorganisation. Certain deviations from the Model Law have been incorporated into the Draft Framework, e.g., in relation to allowing foreign representatives 'direct' access to proceedings in India. Once this Draft framework is brought into effect, it will result in increased predictability and certainty in the cross border insolvency resolution processes for overseas parties. Korea has already adopted the Model Law in 2006³⁶, which will further ease the resolution of insolvency claims between India and Korea after India adopts the Draft Framework.

2. Other recent developments

(a) Government initiatives

In recent years, various Indian government / state government officials, including Prime Minister Narendra Modi, have visited Korea for high level discussions and further development of the economic relations between the two countries. The key takeaways of some of these visits have been discussed in section 5.1 (Table 14) of this Report.

³⁴Note 7 to Regulation 16(B)(10.2) of New FEMA 20.

³⁵http://www.mca.gov.in/Ministry/pdf/PublicNoticeCrossBorder_20062018.pdf

³⁶http://www.uncitral.org/uncitral/en/uncitral_texts/insolvency/1997Model_status.html

(b) Korean Ambassador's initiatives

The Korean Ambassador to India, H. E. Shin Bong Kil had recently visited the Chief Minister of Uttar Pradesh, Yogi Adityanath, on April 6, 2018, and discussed cooperation between Korea and Uttar Pradesh.³⁷

The previous Ambassador, H. E. Cho Hyun had met with the then Minister of Information & Broadcasting, Venkaiah Naidu, on November 20, 2016. They had discussed cooperation between India and Korea in the film and audio-visual sector with certain representatives of the Korean film companies and Korean Film Commission.³⁸

³⁷http://overseas.mofa.go.kr/in-en/brd/m_2653/view.do?seq=757164&srchFr=&srchTo=&srchWord=&srchTp=&multi_itm_seq=0&itm_seq_1=0&itm_seq_2=0&company_cd=&company_nm=&page=3

³⁸http://overseas.mofa.go.kr/in-en/brd/m_2653/view.do?seq=743065&srchFr=&srchTo=&srchWord=&srchTp=&multi_itm_seq=0&itm_seq_1=0&itm_seq_2=0&company_cd=&company_nm=&page=5

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