

## Concerns with Indo-S.Korea CEPA

### Why in news?

\n\n

South Korea is speeding up negotiations on expanding the existing Comprehensive Economic Partnership Agreement (CEPA) with India.

\n\n

### What is Indo-S.Korea CEPA?

\n\n

\n

- The Comprehensive Economic Partnership Agreement (CEPA) is a free trade agreement between India and South Korea.

\n

- It is equivalent to a free trade agreement, and will provide better access for the Indian service industry in South Korea.

\n

- Services include Information technology, engineering, finance, and the legal field.

\n

- The agreement has ease restrictions on foreign direct investments. Companies can own up to 65% of a company in the other country.

\n

- Both countries avoided issues over agriculture, fisheries, and mining and choose not to decrease tariffs in those areas.

\n

\n\n

### What is the status of existing trade relations of Indo-S.Korea?

\n\n

\n

- Bilateral CEPA was implemented in 2010, South Korea's exports to India jumped from \$10.47 billion in 2010-11 to \$16.36 billion in 2017-18.

\n

- India's exports to South Korea, however, remained sluggish and increased

insignificantly from \$3.72 billion in 2010-11 to \$4.46 billion in 2017-18.

\n

- As a result, the trade deficit between South Korea and India increased to a staggering \$12 billion in 2017-18.

\n

- Recently India speedily cut down duties on 11 items and South Korea on 17 items, as a diplomatic necessity.

\n

\n\n

## **What are the concerns with existing CEPA?**

\n\n

\n

- Various reports show that while Indian businesses have not been able to take advantage of the provisions of the CEPA.

\n

- But Korean companies have increased their exports taking advantage of the lower duties.

\n

- Moreover, much of the Indian exports to South Korea are still taking place outside the CEPA at higher duties.

\n

- That is mostly because Indian exporters find it too onerous to meet obligations such as rules of origin, Low awareness is another reason for low utilisation.

\n

- Recently South Korea claimed that it wants increased market access in a number of items including sensitive ones like automobiles and textile that got excluded in the original CEPA.

\n

\n\n

## **What is the way forward?**

\n\n

\n

- Instead of rushing ahead, New Delhi should pause and take a clear look at where it is heading.

\n

- With lack-lustre growth in India's exports to South Korea, and much of it happening outside the ambit of the CEPA.

\n

- Expanding CEPA with South Korea is not a good option unless it enhances Indian exports.
- \n

\n\n

\n\n

**Source: Business Line**

\n\n

\n

