Concerns with Indo-S.Korea CEPA

Why in news?

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

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What is Indo-S.Korea CEPA?

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- The Comprehensive Economic Partnership Agreement (CEPA) is a free trade agreement between India and South Korea.
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- It is equivalent to a free trade agreement, and will provide better access for the Indian service industry in South Korea.
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- Services include Information technology, engineering, finance, and the legal field.
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- The agreement has ease restrictions on foreign direct investments. Companies can own up to 65% of a company in the other country.
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- Both countries avoided issues over agriculture, fisheries, and mining and choose not to decrease tariffs in those areas.
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What is the status of existing trade relations of Indo-S.Korea?

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- 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.
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- 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.
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- As a result, the trade deficit between South Korea and India increased to a staggering $12 billion in 2017-18.
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- Recently India speedily cut down duties on 11 items and South Korea on 17 items, as a diplomatic necessity.
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What are the concerns with existing CEPA?

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- Various reports show that while Indian businesses have not been able to take advantage of the provisions of the CEPA.
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- But Korean companies have increased their exports taking advantage of the lower duties.
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- Moreover, much of the Indian exports to South Korea are still taking place outside the CEPA at higher duties.
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- 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.
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- 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.
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What is the way forward?

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- Instead of rushing ahead, New Delhi should pause and take a clear look at where it is heading.
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- With lack-lustre growth in India’s exports to South Korea, and much of it happening outside the ambit of the CEPA.
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- Expanding CEPA with South Korea is not a good option unless it enhances Indian exports.
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Source: Business Line

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