

Upgrading the CEPA with South Korea

Why in news?

\n\n

\n

- India has decided to upgrade its existing trade pact with South Korea.

\n

- The domestic industry has flagged concerns over the agreement.

\n

\n\n

What is CEPA?

\n\n

\n

- Comprehensive Economic Partnership Agreement - CEPA, was a trade deal signed between India & South Korea in 2009.

\n

- The CEPA has increased bilateral trade volumes by over 50%.

\n

- Many Korean companies have penetrated deep into the Indian consumer goods market and have directly benefitted from CEPA.

\n

- Recently in a review meeting, both countries have decided to upgrade the CEPA at the earliest – possibly by 2018.

\n

- This has angering domestic exporters, who claim the pact has disproportionately helped Korean exporters.

\n

\n\n

What are the concerns about CEPA?

\n\n

\n

- **Trade Deficit** - India's trade deficit with South Korea is continuously worsening with time.

\n

- While India imported \$12.58 billion worth of goods from South Korea in 2016-17, its exports totalled only \$4.24 billion.
\n
- **Misuse** - The Duty free import facility for gold from South Korea was found to be misused by round tripping.
\n
- Recently, the Directorate General of Foreign Trade - DGFT, had to withdraw the zero-duty import facility to plug the same.
\n

\n\n

What is the way ahead?

\n\n

- \n
- A focus on enhancing market access and strengthening the rules of origin will be the key for India to improve its exports.
\n
- Underlined the importance of pushing trade in services as a prime mover of global growth will also benefit India's cause.
\n
- Caution needs to be exercised for broadening the terms of the deal as most of our existing bilateral trade engagements have faltered.
\n

\n\n

\n\n

Source: Business Standard

\n

