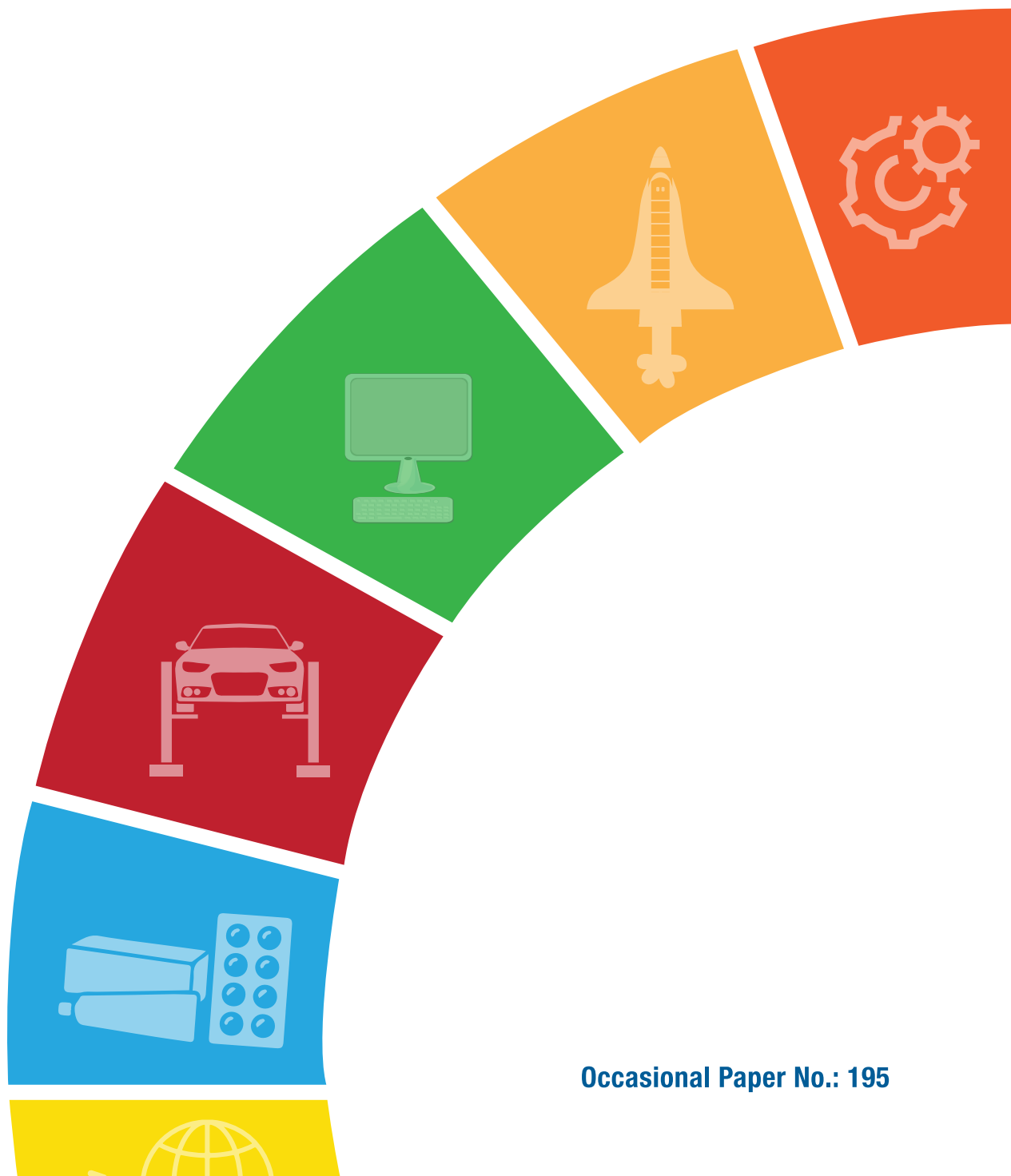


# REALIZING INDIA'S TRADE AND INVESTMENT POTENTIAL WITH SOUTH KOREA

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# **EXPORT-IMPORT BANK OF INDIA**

## **OCCASIONAL PAPER NO. 195**

### **REALIZING INDIA'S TRADE AND INVESTMENT POTENTIAL WITH SOUTH KOREA**

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## EXECUTIVE SUMMARY

The Republic of Korea (South Korea) is a highly industrialized and trade dependent economy. With a gross domestic product (GDP) of US\$ 1.6 trillion in 2019, South Korea is the 12<sup>th</sup> largest economy in the world and the 4<sup>th</sup> largest in Asia. South Korea has recorded one of the most spectacular growth stories witnessed in the history of global economies, with the country's GDP increasing from US\$ 2.4 billion in 1961 to US\$ 1.6 trillion in 2019 and per capita income increasing from US\$ 93.8 in 1961 to US\$ 31,430.6 in 2019.

### **SOUTH KOREA'S FOREIGN TRADE**

South Korea is a major global trading nation. As per the data derived from ITC Trade Map, South Korea is the 5<sup>th</sup> largest global exporter, accounting for 3.1% of global exports in 2018. South Korea is also the 8<sup>th</sup> largest global importer, accounting for 2.7% of global imports in 2018. Underlined by the rise in both exports and imports, South Korea's total trade rose from US\$ 686.6 billion in 2009 to reach US\$ 1,140.3 billion in 2018, growing at a compound annual growth rate (CAGR) of 5.8%. South Korea generally maintains a trade surplus, which has risen from US\$ 40.4 billion in 2009 to touch US\$ 70 billion in 2018. As per the estimated figures for 2019, South Korea witnessed a decline in both exports and imports, resulting in a total trade of US\$ 1 trillion and trade surplus of US\$ 39 billion during the year.

Large trade surpluses in major export sectors such as electrical and electronic equipment, vehicles, plastics, machinery, ships and boats, organic chemicals, and iron and steel have contributed to the overall large trade surplus for the country as a whole. As regards South Korea's trade balance with major trading partners, South Korea maintains largest trade surplus with Hong Kong and China. India is among the major trading partners with which South Korea maintains a large trade surplus.

### **SOUTH KOREA'S INVESTMENT**

FDI has a major contribution to economic development of South Korea, with total sales generated by foreign-invested companies in South Korea representing

11.9% of total national sales. Exports from foreign firms operating from South Korea amounted to 19.1% of Korea's total exports, generating 5.7% of employment and 5.9% of R&D in 2017. FDI in South Korea has been growing to reach US\$ 17.9 billion in 2017, and moderated to US\$ 14.5 billion in 2018 due to a significant decrease in intra-company loans.

According to the fDi Markets database, during 2009 to 2019, chemicals sector was the major recipient of capital investment, with an investment of US\$ 14 billion, followed by real estate, and leisure and entertainment with investments amounting to US\$ 12.6 billion and US\$ 8.5 billion, respectively.

South Korea is a major global investor, with FDI outflows from the country more than doubled to reach US\$ 38.9 billion in 2018 compared to US\$ 17.4 billion in 2009. In terms of sectors, 'coal, oil & gas' sector received maximum investment at US\$ 41.4 billion, with a share of 13.2% in total outward investment from South Korea during the period 2009-2019, followed by electronic components (12.6% share), automotive OEM and chemicals (8.9% each), semiconductors (8.5%), metals (7.5%) and food and renewable energy (5.2%).

## **INDIA'S TRADE WITH SOUTH KOREA**

Bilateral trade relations between India and South Korea has exhibited high level of synergy, which can be assessed from the fact that total trade between the two countries increased from US\$ 1.6 billion in 2001 to US\$ 12.0 billion in 2009, and further to touch US\$ 21.2 billion in 2018. Over the years, exports have increased to reach US\$ 4.8 billion in 2018, increasing by a CAGR of 2.7% from US\$ 3.8 billion in 2009. Mineral products (mainly naphtha) dominate India's export basket to South Korea, accounting for one fifth of India's total exports to South Korea in 2018. There has been a sharp decline in India's export of mineral fuels to South Korea as witnessed by a moderation of its share from 55.9% in 2009 to 20.5% in 2018. Other important items of India's exports to South Korea include aluminum and articles, iron and steel, organic chemicals, and cotton.

India's imports from South Korea have also doubled from US\$ 8.2 billion in 2009 to US\$ 16.4 billion in 2018. South Korea has emerged as the 7<sup>th</sup> largest supplier for India's global imports, accounting for 3.2% of India's global imports. India has also emerged as the 7<sup>th</sup> largest market for South Korea, accounting for 2.6% of South Korea's global exports. Electrical and electronic equipment, iron and steel, machinery, plastics, organic chemicals, mineral fuel products and vehicles are the major items in India's import basket from South Korea.

India generally maintains a trade deficit with South Korea, which has widened significantly in the recent years, reflecting the sharp rise in South Korea's net exports to India. From US\$ 679 million in 2001, India's trade deficit with South Korea has increased around 17-fold, touching US\$ 11.7 billion in 2017 before settling at US\$ 11.6 billion in 2018.

The sectors which present the largest trade deficit for India are electrical and electronic equipment, machinery, iron and steel, and plastic articles, where India's trade deficit are in excess of US\$ 1 billion in 2018. In the case of aluminium and articles, India's trade balance with South Korea, which was in deficit earlier, has turned into surplus since 2010. Similarly, India's trade deficit in copper and articles also turned into a surplus since 2017.

Though it is noteworthy that CEPA has resulted in almost doubling of total trade between both countries, the widening trade deficit is a matter of concern for long term sustainability of bilateral trade relations. It is necessary that both countries work together towards a mutually beneficial and a more balanced trade.

## **INDIA-SOUTH KOREA BILATERAL INVESTMENT**

According to data from the Ministry of Finance, Government of India (GOI) and the Reserve Bank of India (RBI), India's approved cumulative investments in South Korea during April 1996 to December 2019 amounted to US\$ 593.9 million. According to fDi Markets database, India has emerged as the 15<sup>th</sup> largest investor in South Korea during 2009 to 2019, with an investment of US\$ 913 million in 17 FDI projects by 14 Indian companies, resulting in creation of 5,519 jobs. Metals received the highest investment which amounted to US\$ 400 million, followed by automotive OEM (US\$ 236.4 million), communications (US\$ 106.9 million), food and beverages (US\$ 92.5 million) and financial services (US\$ 33.8 million) during this period.

According to Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Commerce and Industry (MOCI), GOI, during April 2000 to September 2019, India's total FDI inflows from South Korea amounted to US\$ 4 billion, accounting for 0.9% of India's total FDI inflows during this period. South Korea was the 14<sup>th</sup> largest investor in India during April 2000 to September 2019. Metallurgy, automobile, electronics, prime movers, machine tools, hospital and diagnostic centers are the key areas attracting investments from South Korea. Major centres of investment are the National Capital Region (NCR – Delhi, Noida and Gurgaon); Chennai; and Mumbai / Pune.

## **POTENTIAL EXPORT COMMODITIES FOR ENHANCING INDIA'S EXPORTS TO SOUTH KOREA**

To enhance bilateral trade relations, and in particular to address India's rising trade deficit with South Korea, strategy to enhance bilateral trade would entail identification of potential items of India's exports to South Korea. This, in turn, would be in line with India's global export capability as also demand existing in South Korea as exhibited by the rising trend in major import items of South Korea. Concomitantly, such a strategy would also serve to enhance India's ranking as South Korea's import partner.

Among the major items in South Korea's import basket, India has achieved a relatively healthy share (of more than 5%) in South Korea's global imports of only three products:

- Aluminium and articles (HS-76, 7.4% share)
- Residues and waste from the food industries (HS-23, 6.6% share)
- Cotton (HS-52, 20.1% share)

However, in the case of the leading items in South Korea's import basket, India's share is still marginal, which would serve to highlight the potential to further enhance these exports to South Korea, in line with the huge import demand in South Korea. At the same time, some of these items are amongst India's leading export items in the global market, highlighting India's global export capability. These potential commodities would include, among others:

- Mineral fuels and products (HS-27)
- Electrical machinery and equipment (HS-85)
- Machinery and mechanical appliances (HS-84)
- Optical, photographic, cinematographic, medical or surgical instruments (HS-90)
- Vehicles other than railway or tramway (HS-87)
- Iron and steel (HS-72)
- Ores, slag and ash (HS-26)
- Organic chemicals (HS-29)
- Plastics and articles (HS-39)
- Inorganic chemicals (HS-28)
- Miscellaneous chemical products (HS- 38)
- Articles of apparel and clothing accessories, not knitted or crocheted (HS-62)
- Pharmaceutical products (HS-30)

## **POTENTIAL SECTORS FOR SOUTH KOREAN INVESTMENTS IN INDIA**

India has set up an investment promotion and facilitation agency, Invest India, to handhold FDI into India "from concept to cash flow", while South Korea launched Korea Plus, a platform to promote and facilitate investments from South Korea

into India. South Korea is a major global producer of automobiles, electronics, shipbuilding, steel and, high-technology products such as digital monitors, mobile phones, and semi-conductors. India could substantially benefit from technology transfer from South Korea. Sectors having potential for South Korean investment in India are given below.

- **Defence Sector:** According to Stockholm International Peace Research Institute, India is the second largest importer of defence equipment, behind Saudi Arabia. Although India is a major importer of defence products, there has been a steady progress in 'Make in India' defence products exports to a number of countries including USA, Australia, Finland, France, Germany, Israel, South Africa and Sweden in the recent years. South Korean companies with their high level technologies could set up base in India, supported by India's improved business climate, abundant supply of labour and various GOI's policy initiatives that facilitate investment process in the country.
- **Automotive Sector:** India is the world's fourth largest passenger car market, and is expected to become the world's third largest in the coming years. With the 'Make in India' policy offering incentives for foreign companies manufacturing in India and a push to increase the number of electric vehicles (EVs) on Indian roads, investing in automobile sector would offer lucrative opportunities for South Korean investors for a wide range of products including, lithium batteries, electronic components and Internet of Things (IoT); among others.
- **Electronics Sector:** The Indian Electronics industry is being driven by factors such as growing middle-class population, rising disposable income, declining electronics prices and adoption of high-end technology. South Korean companies with their stronghold in the global electronics market and high level technology could invest in India, especially in domestic supply-chain process.
- **Aerospace Sector:** The Indian Aerospace industry has witnessed a high growth in recent years both in terms of civil aviation sector and space programmes. Rising working group and widening middle class is expected to boost the demand for civil aviation sector significantly in the coming years. The rapid growth of Indian civil aviation sector has put huge pressure on the existing civil aviation infrastructure. Thus, there exists huge opportunities for collaboration with South Korean companies in modernizing the civil aviation infrastructure in India. India has already established itself as a global powerhouse in software while South Korea is globally competitive in hardware. South Korea aims to achieve independent technological capabilities for space development in the near future and be one of the top ten nations in the space industry. India,



being a major player in the space technology area, with several successful space missions, the countries can enter into mutually beneficial collaboration in the arena of outer space and nuclear energy.

- **Infrastructure Development:** South Korea is a partner in India's major flagship initiatives such as Smart Cities, Sagar Mala and Industrial Corridor projects. According to the Asian Development Bank, India requires investments of about US\$ 4.5 trillion by 2040 to develop a sound infrastructure to improve its economic growth. There are ample amount of opportunities for South Korea for investment in India's infrastructure, including roads, railways, urban waste management and treatment and education.

## POTENTIAL SECTORS FOR INDIAN INVESTMENTS IN SOUTH KOREA

South Korea is among the most promising and vibrant economies in Asia. The country is an attractive investment destination, supported by its stability, rapid growth rates, strong manufacturing base, export orientation and availability of advanced technology. The country's exceptional technological ability, production capacity and competitiveness has made it the global leader in high-tech manufacturing for semiconductors, smartphones and display panels. Indian firms in South Korea are mostly into IT services and consultancy category, though there exist investments in manufacture of manmade fibres, aluminum products, commercial vehicles and banking and financial services.

- **IT Service Industries:** An Indian IT-startup in South Korea could benefit from the large domestic market and the continued start-up and venturing boom. South Koreans are active users of mobile devices for gaming, and social networking and have begun adopting artificial South Korean intelligence. India, being a leader in software could partner with South Korean companies in their endeavor to lead the world in the Fourth Industrial Revolution and adoption of 5G and the IoT.
- **Creative Industries:** South Koreans are fervent consumers of digital media and use majority of their bandwidth resources to online gaming. Focus of the industry is shifting to mobile games and VR technology. The digital content sector (movies, recordings, and webtoons) are also witnessing high demand in the country. India with its strong media and entertainment industry can make an impact in the country by investing in digital content sector.
- **Pharmaceutical Sector:** South Korea is planning to invest more than US\$ 1.7 billion in its biotech and biopharmaceutical sectors over the next five years, and aims to position itself as a global biotech and medical industry hub by

investing more on R&D. India could consider enhancing its presence in South Korea in pharmaceuticals and healthcare, including local partnerships in generic drugs production.

- **Energy Sector:** Being a manufacturing-focused economy, South Korea requires large amounts of energy. The country imports most of its energy requirements. In December 2017, South Korea announced Renewable 2030, a plan to greatly increase its renewable energy capacity in areas including solar and wind energy sectors. Indian companies in renewable sector could enter into partnership with South Korean companies especially in the offshore wind energy sector.

# 1. ECONOMIC OVERVIEW OF SOUTH KOREA

The Republic of Korea (South Korea) is a major global industrial power and is one of the world's most trade-dependent nations, with trade valued at 83% of gross domestic product (GDP) in 2018<sup>1</sup>. It has a very strong export base and a skilled labor force. With a GDP of US\$ 1.6 trillion in 2019, South Korea is the 12<sup>th</sup> largest economy in the world and the 4<sup>th</sup> largest in Asia. The country has experienced one of the greatest economic transformations in the recent years, with the country's GDP increasing from US\$ 2.4 billion in 1961 to US\$ 1.6 trillion in 2019 and per capita income increasing from US\$ 93.8 in 1961 to US\$ 31,430.6 in 2019. Unlike several other countries, South Korea has been successful in having rapid economic growth along with significant reductions in poverty.

Understanding the limitations faced by the country in terms of limited geographical area, natural resources and population, South Korea adapted a new and innovative growth model by offering special attention to technology development and innovation. According to UNESCO, South Korea incurs the largest expenditure globally in terms of the ratio of research and development (R&D) spending to GDP. The country also has a strong business environment, resulting in South Korea being ranked 5<sup>th</sup> in terms of Ease of Doing Business in 2020 conducted by the World Bank.

The country has established its strength in diverse sectors such as shipbuilding, steel, petrochemical and technology-intensive industries, such as information technology (IT) components, semi-conductor manufacturing, defense, energy, environmental technology, and transportation. Consequently, South Korea, which had been a predominantly rural-based agricultural economy, has now grown into an urban, industrialized and service oriented economy. In fact, by 2018, services and industry accounted for 58% and 39% of South Korea's GDP, respectively.

South Korea's macroeconomic performance has continued to be progressive over the recent years, and the country's growth rate has been healthy. However, in recent years its highly export-facing economy has suffered from lower global demand. Accordingly, in 2018, the real GDP growth declined to 2.7%, owing mainly to falling corporate investment due to global and domestic uncertainties,

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<sup>1</sup>World Bank

slowdown in China and China-US trade tensions, which could create a reduction in global growth and demand for key South Korean export items including memory chips and petrochemical products. The trend continued in 2019, with GDP growth slowing down to an estimated 2% in 2019, due to stagnant investment and the failure to spill the boom of chip sector over into other industries. The country follows an export-led growth model and thus remains heavily dependent on external demand, especially for semiconductor devices. South Korea is one of the leading producers of semiconductors globally.

Average consumer price inflation moderated to 0.5% in 2019 compared to 1.5% in the previous year, owing to weak consumer demand, weak food price inflation and relatively low oil product prices. The intensifying global trade tensions and a weakened Chinese renminbi had a major impact on South Korean Won, as the South Korean currency tends to move alongside its Chinese counterpart, with China being the largest market for South Korean exports. The won has depreciated by 6% to average an estimated W 1,168: US\$ 1 in 2019, from W 1,100: US\$ 1 in 2018 (**Table 1.1**).

After increasing for several years, South Korea's international reserves declined marginally to an estimated US\$ 402 billion in 2019, from US\$ 403.6 billion in 2018. South Korea's international reserves in 2019 represent an import cover of over 10 months.

The current-account surplus narrowed to an average of 3.2% of GDP in 2019, from 4.4% of GDP in 2018. Although the country has a positive trade balance, the intensifying US-China trade war dampens growth in South Korean exports to both markets. Japan's export restrictions on high-tech materials essential to the manufacture of semiconductor devices is expected to further create difficulties for South Korean exporters. The country's exports also remain vulnerable to increased competition from regional neighbours, including China, especially in the electronics sector.

**Table 1.1: Macroeconomic Snapshot of South Korea - Select Indicators**

Indicators	2014	2015	2016	2017	2018	2019 <sup>e</sup>	2020 <sup>f</sup>
Nominal GDP (US\$ bn)	1,484.3	1,465.8	1,500.5	1,623.9	1,720.5	1,629.5	1,626.6
Real GDP Growth (%)	3.2	2.8	2.9	3.2	2.7	2.0	2.2
GDP Per Capita (US\$)	29,249.6	28,732.2	29,296.0	31,577.3	33,320.0	31,430.6	31,246.0
Consumer Price Inflation (avg, % change)	1.3	0.7	1.0	1.9	1.5	0.5	0.9
Population (mn)	50.7	51.0	51.2	51.4	51.6	51.8	52.1
Current account balance (US\$ bn)	83.0	105.1	97.9	75.2	76.4	52.8	46.4
Current account balance (% of GDP)	5.6	7.2	6.5	4.6	4.4	3.2	2.9
International Reserves (US\$ bn)	363.6	367.9	371.1	389.2	403.6	402.0	406.1
Exchange Rate (W: US\$, avg)	1,099	1,131	1,153	1,141	1,100	1,168	1,180

Note: e: Estimates; f: Forecasts

Source: IMF WEO October 2019 database; Economist Intelligence Unit

## 2. FOREIGN TRADE OF SOUTH KOREA

South Korea is a major global trading nation and is a member of the Asia-Pacific Economic Cooperation (APEC) and the Asia-Pacific Trade Agreement (APTA). As per the data derived from ITC Trade Map, South Korea is the 5<sup>th</sup> largest global exporter, accounting for 3.1% of global exports in 2018. South Korea is also the 8<sup>th</sup> largest global importer, accounting for 2.7% of global imports in 2018 (**Table 2.1 & Table 2.2**).

**Table 2.1: Leading Global Exporters, 2009-2018 (US\$ billion and % Share)**

Rank	Exporters	2009	2014	2015	2016	2017	2018	% Share, 2018
	<b>World</b>	<b>12,346.7</b>	<b>18,879.0</b>	<b>16,399.8</b>	<b>15,881.9</b>	<b>17,550.9</b>	<b>19,284.6</b>	<b>100.0</b>
1	China	1,201.6	2,342.3	2,273.5	2,097.6	2,263.4	2,494.2	12.9
2	USA	1,056.7	1,619.7	1,501.8	1,451.5	1,546.5	1,666.0	8.6
3	Germany	1,125.8	1,498.2	1,323.7	1,340.8	1,446.6	1,556.7	8.1
4	Japan	580.7	690.2	624.9	644.9	698.1	738.2	3.8
<b>5</b>	<b>South Korea</b>	<b>363.5</b>	<b>573.1</b>	<b>526.9</b>	<b>495.5</b>	<b>573.7</b>	<b>605.2</b>	<b>3.1</b>
6	Netherlands	431.5	571.3	437.3	444.9	505.9	585.6	3.0
7	Hong Kong	329.4	524.1	510.6	516.6	549.9	569.1	3.0
8	France	464.1	569.1	495.1	490.0	524.0	569.0	3.0
9	Italy	406.5	529.5	457.0	461.7	507.4	543.5	2.8
10	UK	359.6	511.1	466.3	411.5	442.1	487.1	2.5

*Note: Global Trade figures are available only till 2018*

*Source: ITC Trade Map, based on UN COMTRADE database*

**Table 2.2: Leading Global Importers, 2009-2018 (US\$ billion and % Share)**

Rank	Importers	2009	2014	2015	2016	2017	2018	% Share, 2018
	<b>World</b>	<b>12,617.8</b>	<b>18,900.1</b>	<b>16,523.5</b>	<b>16,041.4</b>	<b>17,795.0</b>	<b>19,665.3</b>	<b>100.0</b>
1	USA	1,601.9	2,410.9	2,313.4	2,249.1	2,406.4	2,612.4	13.3
2	China	1,005.6	1,959.2	1,679.6	1,587.9	1,843.8	2,135.0	10.9
3	Germany	928.9	1,215.0	1,053.4	1,060.7	1,167.8	1,287.4	6.5
4	Japan	552.0	812.2	625.6	606.9	671.9	748.4	3.8
5	UK	552.0	694.3	630.3	636.4	641.3	669.6	3.4
6	France	540.5	667.6	562.9	559.1	608.8	660.1	3.4
7	Hong Kong	352.2	600.6	559.3	547.1	589.3	627.3	3.2
8	<b>South Korea</b>	<b>323.1</b>	<b>525.6</b>	<b>436.5</b>	<b>406.1</b>	<b>478.4</b>	<b>535.2</b>	<b>2.7</b>
9	Netherlands	382.2	508.0	393.7	398.3	450.1	521.5	2.7
10	India	266.4	459.4	390.7	356.7	444.1	507.6	2.6

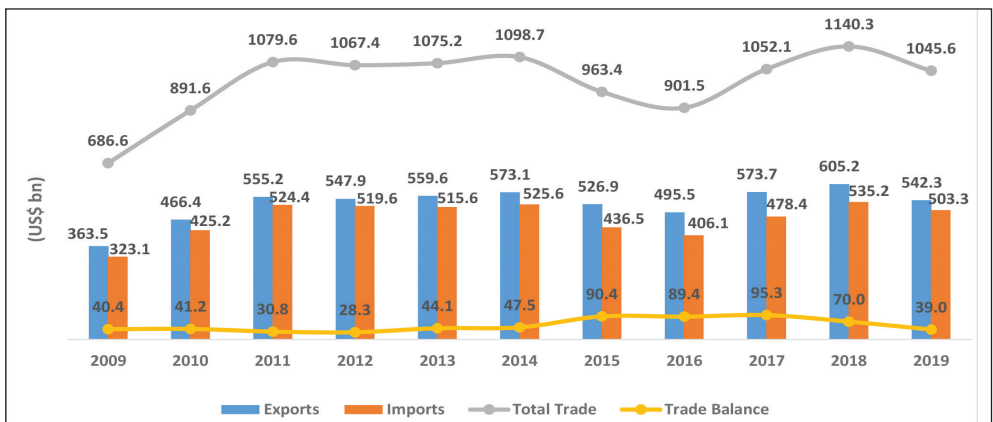
Note: Global Trade figures are available only till 2018

Source: ITC Trade Map, based on UN COMTRADE database

## RECENT TRENDS IN SOUTH KOREA'S FOREIGN TRADE

South Korea's total trade rose from US\$ 686.6 billion in 2009 to reach US\$ 1,140.3 billion in 2018, growing at a compound annual growth rate (CAGR) of 5.8%. South Korea generally maintains a trade surplus, which has risen from US\$ 40.4 billion in 2009 to touch US\$ 70 billion in 2018 (**Chart 2.1**). As per the estimated figures for 2019, South Korea witnessed a decline in both exports and imports, resulting in a total trade of US\$ 1 trillion and trade surplus of US\$ 39 billion during the year.

**Chart 2.1: South Korea's Foreign Trade, 2009-2019 (US\$ billion)**



Note: 2019 figures are estimated

Source: ITC Trade Map, based on UN COMTRADE database

## South Korea's Major Trade Partners

South Korea has strong trade ties with other Asian nations, with China emerging as its leading partner globally, accounting for 25.1% and 21.3%, respectively, of South Korea's global exports and global imports in 2019. India is the seventh largest global export destination of South Korea in 2019 (**Table 2.3 & Table 2.4**).

**Table 2.3: South Korea's Major Export Partners (US\$ billion and % Share)**

Ranking	Country	2009		2018		2019	
		Value (US\$ bn)	% Share, 2009	Value (US\$ bn)	% Share, 2018	Value (US\$ bn)	% Share, 2019
<b>Total Exports</b>		<b>363.5</b>	<b>100.0</b>	<b>605.2</b>	<b>100.0</b>	<b>542.3</b>	<b>100.0</b>
1	China	86.7	23.9	162.2	26.8	136.2	25.1
2	USA	37.8	10.4	73.1	12.1	73.6	13.6
3	Vietnam	7.1	2.0	48.6	8.0	48.2	8.9
4	Hong Kong	19.7	5.4	46.0	7.6	31.9	5.9
5	Japan	21.8	6.0	30.6	5.1	28.4	5.2
6	Taiwan	9.5	2.6	20.8	3.4	15.7	2.9
<b>7</b>	<b>India</b>	<b>8.0</b>	<b>2.2</b>	<b>15.6</b>	<b>2.6</b>	<b>15.1</b>	<b>2.8</b>
8	Singapore	13.6	3.7	11.9	2.0	12.8	2.4
9	Mexico	7.1	2.0	11.5	1.9	10.9	2.0
10	Malaysia	4.3	1.2	9.0	1.5	8.8	1.6

*Note: 2019 figures are estimated*

*Source: ITC Trade Map, based on UN COMTRADE database*



**Table 2.4: South Korea's Major Import Partners (US\$ billion and % Share)**

Ranking	Country	2009		2018		2019	
		Value (US\$ bn)	% Share, 2009	Value (US\$ bn)	% Share, 2018	Value (US\$ bn)	% Share, 2019
<b>Total Imports</b>		<b>323.1</b>	<b>100.0</b>	<b>535.2</b>	<b>100.0</b>	<b>503.3</b>	<b>100.0</b>
1	China	54.2	16.8	106.5	19.9	107.2	21.3
2	USA	29.2	9.0	59.1	11.0	62.1	12.3
3	Japan	49.4	15.3	54.6	10.2	47.6	9.5
4	Saudi Arabia	19.7	6.1	26.3	4.9	21.8	4.3
5	Vietnam	2.4	0.7	19.6	3.7	21.1	4.2
6	Australia	14.8	4.6	20.7	3.9	20.6	4.1
7	Germany	12.3	3.8	20.9	3.9	19.9	4.0
8	Taiwan	9.9	3.0	16.7	3.1	15.7	3.1
9	Russia	5.8	1.8	17.5	3.3	14.5	2.9
10	Qatar	8.4	2.6	16.3	3.0	13.0	2.6

*Note: 2019 figures are estimated*

*Source: ITC Trade Map, based on UN COMTRADE database*

## **SOUTH KOREA'S MAJOR TRADED ITEMS**

Electrical and electronic equipment are the largest items in South Korea's export basket, accounting for over one-fourth of its total exports, followed by machinery, vehicles, mineral products, plastics, and optical & medical apparatus (**Table 2.5**).

**Table 2.5: South Korea's Major Exported Items, 2009-2019 (US\$ billion)**

HS Code	Product label	2009	2014	2015	2016	2017	2018	2019	% Share, 2019
	<b>All products</b>	<b>363.5</b>	<b>573.1</b>	<b>526.9</b>	<b>495.5</b>	<b>573.7</b>	<b>605.2</b>	<b>542.3</b>	<b>100.0</b>
85	Electrical machinery and equipment	88.8	138.2	138.4	134.3	163.1	184.6	153.6	28.3
84	Machinery and mechanical appliances	38.2	63.1	62.1	58.3	69.3	77.7	70.9	13.1
87	Vehicles other than railway or tramway	36.5	73.3	69.1	62.7	61.9	61.2	62.9	11.6
27	Mineral fuels, oils and products of distillation	23.8	52.7	33.2	27.4	36.3	48.2	42.1	7.8
39	Plastics and articles	18.4	31.8	28.2	27.7	31.5	34.9	32.6	6.0
90	Optical, photographic, medical or surgical instruments	29.3	35.9	32.5	27.6	29.0	27.8	21.0	3.9
29	Organic chemicals	13.1	24.4	18.2	17.9	22.7	25.4	21.0	3.9
72	Iron and steel	15.5	24.0	20.2	18.7	22.3	24.8	23.1	4.3
89	Ships, boats and floating structures	42.5	38.3	38.4	33.2	41.0	20.3	18.9	3.5
73	Articles of iron or steel	8.0	12.7	11.2	11.1	13.1	10.5	9.2	1.7
40	Rubber and articles	4.8	8.1	6.8	6.9	7.8	7.9	7.3	1.3
33	Essential oils and resinoids	0.5	1.9	2.9	4.2	5.0	6.3	6.5	1.2
28	Inorganic chemicals	2.0	3.7	3.5	3.5	4.4	5.5	5.1	0.9
74	Copper and articles	3.0	4.5	4.2	3.7	4.4	4.9	4.6	0.9
38	Miscellaneous chemical products	1.9	3.6	3.3	3.2	3.6	4.7	4.3	0.8

Note: 2019 figures are estimated

Source: ITC Trade Map, based on UN COMTRADE database

As regards imports, mineral fuels and products are the largest items imported by South Korea, accounting for a significant 25.3% of global imports in 2019 (Table 2.6). South Korea is the fifth largest global importer of mineral fuels, thus oil price fluctuations have a major impact on country's trade balance. Other major items of imports include electrical and electronic equipment, machinery, and optical and medical instruments.

**Table 2.6: South Korea's Major Imported Items, 2009-2019 (US\$ billion)**

HS Code	Product label	2009	2014	2015	2016	2017	2018	2019	% Share, 2019
	<b>All products</b>	<b>323.1</b>	<b>525.6</b>	<b>436.5</b>	<b>406.1</b>	<b>478.4</b>	<b>535.2</b>	<b>503.3</b>	<b>100.0</b>
27	Mineral fuels, oils and products of their distillation	91.7	175.7	103.4	81.7	110.0	146.9	127.3	25.3
2709	Crude oils	50.8	95.0	55.1	44.2	59.6	80.4	70.2	13.9
2711	Petroleum gas	17.1	36.6	21.6	14.9	18.8	27.1	24.2	4.8
2710	Petroleum oils, not crude	12.4	29.7	15.1	11.7	14.7	21.0	17.2	3.4
2701	Coal; briquettes	9.9	12.0	9.9	9.2	15.1	16.5	14.1	2.8
85	Electrical machinery and equipment	53.5	75.1	77.8	75.1	82.9	84.8	89.7	17.8
84	Machinery, mechanical appliances	34.4	48.8	46.4	46.0	60.5	60.2	51.6	10.3
90	Optical, photographic, cinematographic, medical or surgical instruments	10.5	17.8	18.1	17.5	21.7	22.4	18.5	3.7
87	Vehicles other than railway or tramway	5.5	13.3	15.0	15.2	15.7	16.8	16.7	3.3
72	Iron and steel	18.4	22.0	15.4	14.3	16.5	16.5	15.7	3.1
26	Ores, slag and ash	8.8	16.8	12.1	10.9	14.1	15.0	15.1	3.0
29	Organic chemicals	9.0	14.3	12.0	10.9	12.8	14.2	12.7	2.5
39	Plastics and articles	7.2	10.7	10.0	10.1	11.1	11.8	11.5	2.3
38	Miscellaneous chemical products	5.3	6.8	6.5	6.7	7.5	8.6	8.2	1.6
28	Inorganic chemicals	3.7	5.9	5.8	5.4	7.2	9.3	8.0	1.6
30	Pharmaceutical products	3.0	4.8	4.8	5.5	5.6	6.5	7.1	1.4
73	Articles of iron or steel	6.1	8.9	8.0	6.5	6.4	6.5	7.0	1.4
62	Articles of apparel and clothing accessories, not knitted or crocheted	2.1	5.6	5.4	5.3	5.7	6.5	6.5	1.3
76	Aluminium and articles	3.4	6.2	6.0	5.4	6.5	7.0	6.3	1.3

Note: 2019 figures are estimated

Source: ITC Trade Map, based on UN COMTRADE database

**Table 2.7: South Korea's Imports of Petroleum oils, not crude (HS-2710) - Major Suppliers, 2009-2019 (US\$ million)**

Country	2009	2014	2015	2016	2017	2018	2019	% Share, 2019
<b>Total Imports</b>	<b>12431.3</b>	<b>29661.9</b>	<b>15071.9</b>	<b>11742.4</b>	<b>14687.9</b>	<b>21034.3</b>	<b>17197.7</b>	<b>100.0</b>
Russia	770.6	5242.5	2271.2	1895.4	2613.0	3927.6	3219.9	18.7
UAE	1358.6	2547.0	1702.3	1996.9	2423.4	3097.4	2369.5	13.8
Qatar	301.8	2415.2	1157.3	1260.1	2015.4	2877.4	1689.2	9.8
Algeria	239.4	1444.1	615.3	117.4	231.4	794.8	1260.1	7.3
<b>India</b>	<b>2281.6</b>	<b>1811.6</b>	<b>850.6</b>	<b>976.8</b>	<b>1033.4</b>	<b>1277.1</b>	<b>1219.2</b>	<b>7.1</b>
Saudi Arabia	1701.6	2892.3	1658.1	1285.9	1197.8	1487.7	1056.0	6.1
Kuwait	1203.3	1926.6	1197.7	599.3	873.2	1058.0	804.3	4.7
Singapore	662.2	2047.4	993.9	836.0	882.2	782.3	628.8	3.7
Malaysia	516.0	1522.3	901.4	828.9	892.1	1259.7	602.5	3.5
USA	105.0	1225.5	301.4	177.7	248.7	781.7	599.1	3.5

*Note: 2019 figures are estimated*

*Source: ITC Trade Map, based on UN COMTRADE database*

Crude oil (HS-2709), petroleum gases (HS-2711), petroleum oils, not crude (HS-2710), and coal & briquettes (HS-2701) are the major items in South Korea's import basket under mineral fuels and products. Russia, UAE, Qatar, Algeria, India, and Saudi Arabia are the largest suppliers of petroleum oils, not crude (HS-2710) to South Korea in 2019 (**Table 2.7**).

## **SOUTH KOREA'S TRADE BALANCE – SECTORS AND TRADE PARTNERS**

South Korea generally maintains a trade surplus, which has risen from US\$ 40.4 billion in 2009 to touch US\$ 95.3 billion in 2017. Thereafter, trade surplus moderated to US\$ 70 billion in 2018 and further to US\$ 39.1 billion in 2019 (**Table 2.8**). Large trade surpluses in major export sectors such as electrical and electronic equipment, vehicles, plastics, machinery, ships & boats, organic chemicals, and iron and steel have contributed to the overall large trade surplus for the country as a whole.

**Table 2.8: South Korea's Trade Balance - Major Traded Items, 2009-2019 (US\$ billion)**

HS Code	Product label	2009	2014	2015	2016	2017	2018	2019
	<b>All products</b>	<b>40.4</b>	<b>47.5</b>	<b>90.4</b>	<b>89.4</b>	<b>95.3</b>	<b>70.0</b>	<b>39.1</b>
85	Electrical machinery and equipment	35.2	63.2	60.6	59.2	80.2	99.9	63.9
87	Vehicles other than railway or tramway	31.0	60.0	54.0	47.4	46.2	44.3	46.2
39	Plastics and articles	11.2	21.1	18.3	17.6	20.4	23.1	21.1
84	Machinery and mechanical appliances	3.8	14.3	15.7	12.2	8.8	17.5	19.3
89	Ships, boats and floating structures	39.7	36.6	36.1	31.3	39.5	18.7	17.7
29	Organic chemicals	4.1	10.1	6.2	7.0	9.9	11.1	8.3
72	Iron and steel	-3.0	2.0	4.7	4.3	5.8	8.3	7.4
40	Rubber and articles	3.0	5.3	4.4	4.5	5.0	5.2	4.5
33	Essential oils and resinoids	-0.6	0.2	1.2	2.4	3.1	4.2	4.5
60	Knitted or crocheted fabrics	3.1	3.8	3.4	3.2	3.1	3.0	2.6
27	<i>Mineral fuels, oils and products of distillation</i>	<i>-67.9</i>	<i>-123.0</i>	<i>-70.2</i>	<i>-54.3</i>	<i>-73.6</i>	<i>-98.7</i>	<i>-85.2</i>
26	<i>Ores, slag and ash</i>	<i>-8.7</i>	<i>-16.6</i>	<i>-11.9</i>	<i>-10.8</i>	<i>-14.0</i>	<i>-14.6</i>	<i>-14.7</i>
62	<i>Articles of apparel and clothing accessories, not knitted or crocheted</i>	<i>-1.6</i>	<i>-4.5</i>	<i>-4.4</i>	<i>-4.3</i>	<i>-4.7</i>	<i>-5.5</i>	<i>-5.5</i>
02	<i>Meat and edible meat offal</i>	<i>-1.6</i>	<i>-3.3</i>	<i>-3.6</i>	<i>-3.8</i>	<i>-4.4</i>	<i>-5.1</i>	<i>-5.2</i>
38	<i>Miscellaneous chemical products</i>	<i>-3.4</i>	<i>-3.3</i>	<i>-3.2</i>	<i>-3.5</i>	<i>-3.9</i>	<i>-3.9</i>	<i>-3.8</i>
10	<i>Cereals</i>	<i>-2.9</i>	<i>-4.2</i>	<i>-3.7</i>	<i>-3.2</i>	<i>-3.1</i>	<i>-3.4</i>	<i>-3.6</i>
03	<i>Fish and crustaceans, molluscs</i>	<i>-1.2</i>	<i>-2.2</i>	<i>-2.4</i>	<i>-2.5</i>	<i>-2.9</i>	<i>-3.6</i>	<i>-3.2</i>
30	<i>Pharmaceutical products</i>	<i>-2.1</i>	<i>-3.4</i>	<i>-2.8</i>	<i>-3.1</i>	<i>-2.7</i>	<i>-3.0</i>	<i>-3.2</i>
61	<i>Articles of apparel and clothing accessories, knitted or crocheted</i>	<i>-0.3</i>	<i>-1.5</i>	<i>-1.7</i>	<i>-2.0</i>	<i>-2.3</i>	<i>-2.8</i>	<i>-3.1</i>
44	<i>Wood and articles of wood</i>	<i>-1.9</i>	<i>-3.3</i>	<i>-3.0</i>	<i>-3.0</i>	<i>-3.3</i>	<i>-3.7</i>	<i>-3.0</i>

Notes: Negative trade balances are in italics; 2019 figures are estimated.

Source: ITC Trade Map, based on UN COMTRADE database

As regards South Korea's trade balance with major trading partners, South Korea maintains largest trade surplus with Hong Kong and China. India is among the major trading partners with which South Korea maintains a large trade surplus (**Table 2.9**). From US\$ 3.9 billion in 2009, South Korea's trade surplus with India has risen to touch US\$ 9.7 billion in 2018, though estimated to have moderated to US\$ 9.5 billion in 2019.

**Table 2.9: South Korea's Trade Balance with Major Trade Partners, 2009-2019 (US\$ billion)**

Country	2009	2014	2015	2016	2017	2018	2019
<b>World</b>	<b>40.4</b>	<b>47.5</b>	<b>90.4</b>	<b>89.4</b>	<b>95.3</b>	<b>70.0</b>	<b>39.1</b>
Hong Kong	18.2	25.5	28.9	31.2	37.2	44.0	30.1
China	32.5	55.3	46.9	37.5	44.3	55.7	29.0
Vietnam	4.8	14.3	18.0	20.2	31.6	29.0	27.1
USA	8.6	25.1	25.9	23.4	18.0	14.0	11.5
<b>India</b>	<b>3.9</b>	<b>7.5</b>	<b>7.8</b>	<b>7.4</b>	<b>10.1</b>	<b>9.7</b>	<b>9.5</b>
Singapore	5.7	12.6	7.1	5.7	2.7	3.9	6.1
Mexico	6.2	7.6	7.4	6.0	6.5	6.4	4.8
Philippines	1.9	6.7	5.1	4.0	6.9	8.5	4.7
Poland	3.9	3.1	2.1	2.4	2.5	3.7	4.6
Turkey	2.2	6.0	5.5	4.6	5.4	4.8	4.1
<hr/>							
<i>Japan</i>	<i>-27.7</i>	<i>-21.5</i>	<i>-20.3</i>	<i>-23.1</i>	<i>-28.3</i>	<i>-24.0</i>	<i>-19.2</i>
<i>Saudi Arabia</i>	<i>-15.9</i>	<i>-28.4</i>	<i>-10.1</i>	<i>-10.1</i>	<i>-14.4</i>	<i>-22.4</i>	<i>-18.1</i>
<i>Australia</i>	<i>-9.5</i>	<i>-10.1</i>	<i>-5.6</i>	<i>-7.7</i>	<i>0.7</i>	<i>-11.1</i>	<i>-12.7</i>
<i>Qatar</i>	<i>-7.1</i>	<i>-24.8</i>	<i>-15.8</i>	<i>-9.5</i>	<i>-10.8</i>	<i>-15.8</i>	<i>-12.7</i>
<i>Germany</i>	<i>-3.5</i>	<i>-13.7</i>	<i>-14.7</i>	<i>-12.5</i>	<i>-11.3</i>	<i>-11.5</i>	<i>-11.3</i>
<i>Kuwait</i>	<i>-7.2</i>	<i>-14.9</i>	<i>-8.0</i>	<i>-5.8</i>	<i>-8.4</i>	<i>-11.5</i>	<i>-9.8</i>
<i>Russia</i>	<i>-1.6</i>	<i>-5.5</i>	<i>-6.6</i>	<i>-3.9</i>	<i>-5.1</i>	<i>-10.2</i>	<i>-6.8</i>
<i>Iraq</i>	<i>-3.0</i>	<i>-4.9</i>	<i>-4.8</i>	<i>-3.6</i>	<i>-4.9</i>	<i>-7.7</i>	<i>-6.1</i>
<i>UAE</i>	<i>-4.3</i>	<i>-9.0</i>	<i>-2.5</i>	<i>-1.1</i>	<i>-4.2</i>	<i>-4.7</i>	<i>-5.5</i>
<i>Chile</i>	<i>-0.9</i>	<i>-2.7</i>	<i>-2.7</i>	<i>-2.1</i>	<i>-2.3</i>	<i>-2.7</i>	<i>-2.8</i>

Notes: Negative trade balances are in italics; 2019 figures are estimated.

Source: ITC Trade Map, based on UN COMTRADE database

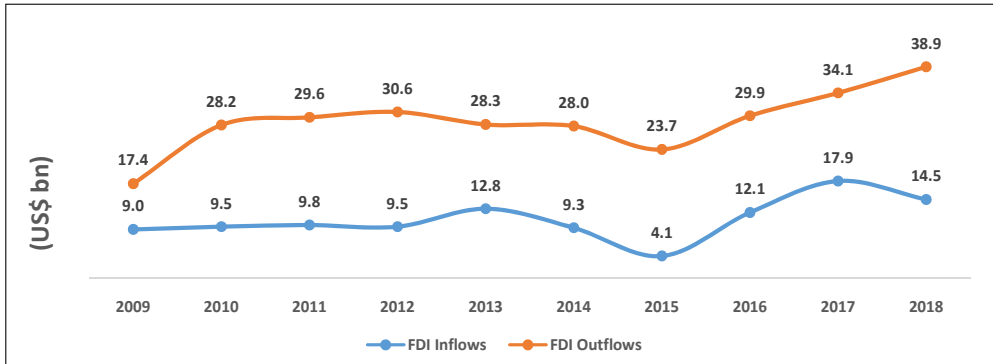
### 3. FOREIGN DIRECT INVESTMENT IN SOUTH KOREA: CURRENT TRENDS

The role of foreign direct investment (FDI) in enhancing export competitiveness, providing access to advanced technologies and technical know-how and economic development is well-recognized across the world. South Korea is an attractive investment destination globally, supported by its rapid economic development and promotion of new information and communication technologies. South Korea has been attracting investments in various sectors such as finance and insurance, trade, manufacturing, real estate, information and communication, mining and quarrying and transportation.

According to Invest Korea, FDI has a major contribution to economic development of South Korea, with total sales generated by foreign-invested companies in South Korea representing 11.9% of total national sales. Exports from foreign firms operating from South Korea amounted to 19.1% of Korea's total exports, generating 5.7% of employment and 5.9% of R&D in 2017. According to UNCTAD, FDI in South Korea has been growing to reach US\$ 17.9 billion in 2017, though moderated to US\$ 14.5 billion in 2018 due to a significant decrease in intra-company loans. South Korea had provided tax breaks to foreign investors until 2018, with corporate and income taxes reduced by between 50-100% for up to seven years. The end of tax breaks in 2018 is estimated to have further decreased the FDI flows into the country during 2019. Due to escalated trade tensions, investments from the US and China declined in 2019, while EU members prioritized investment within their own region due to Brexit and Japanese investments have declined due to worsening diplomatic ties.

South Korea is a major global investor with FDI outflows from the country more than doubled to reach US\$ 38.9 billion in 2018 compared to US\$ 17.4 billion in 2009 (**Chart 3.1**).

**Chart 3.1: South Korea's Foreign Direct Investment Flows, 2009-2018 (US\$ billion)**



Source: UNCTADStat

**Table 3.1** shows the trends in foreign capital expenditure, number of FDI projects and jobs created by them in South Korea. According to the Financial Times' fDi Markets<sup>2</sup>, cumulative capital expenditure in the country out of total 1,421 FDI projects during the period January 2009 to December 2019 stood at US\$ 82.4 billion, creating 188,064 jobs in the country.

**Table 3.1: Trends in Foreign Direct Investment Inflows to South Korea during 2009-2019**

Year	Capital Expenditure (US\$ mn)	No. of Projects	No. of Jobs created	No. of Companies Invested
2009	4,415.2	105	13,439	101
2010	4,679.4	121	14,150	118
2011	10,033.0	146	19,316	139
2012	7,780.0	121	16,459	117
2013	9,880.8	151	26,776	139
2014	10,178.9	144	19,493	142
2015	8,697.4	111	17,066	106
2016	9,328.9	152	23,751	132
2017	5,233.7	120	12,085	111
2018	8,539.1	136	16,179	116
2019	3,583.7	114	9,350	107
<b>Total</b>	<b>82,350.1</b>	<b>1,421</b>	<b>1,88,064</b>	<b>1,167</b>

Source: fDi Markets online database

<sup>2</sup>fDi Markets tracks cross border investment in a new physical project or expansion of an existing investment which creates new jobs and capital investment. This data differs from official data on FDI flows as company can raise capital locally, phase their investment over a period of time, and can channel their investment through different countries for tax efficiency.



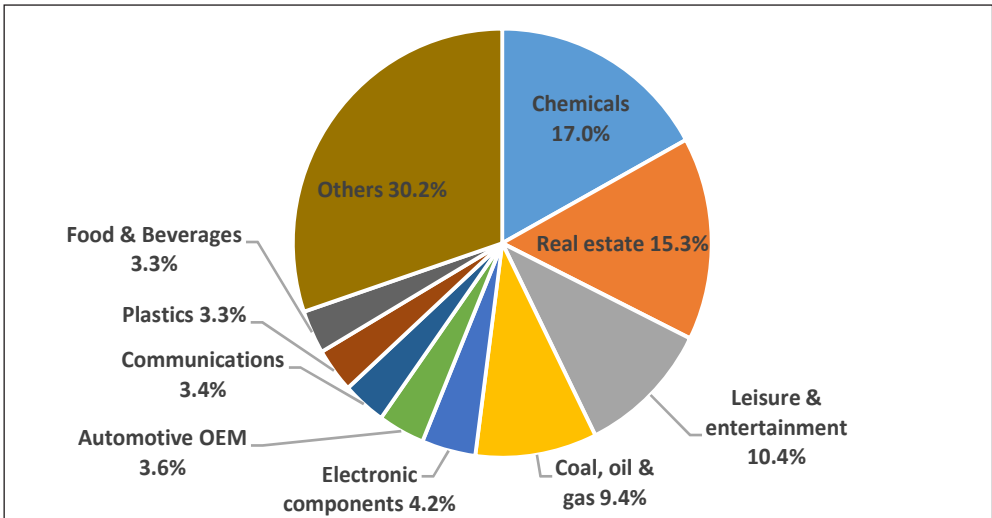
## MAJOR SECTORS ATTRACTING INVESTMENT IN SOUTH KOREA

According to the fDi Markets database, during 2009 to 2019, chemicals sector was the major recipient of capital investment, with an investment of US\$ 14 billion, followed by real estate, and leisure and entertainment with investments amounting to US\$ 12.6 billion and US\$ 8.5 billion, respectively (**Chart 3.2**). However, during the year 2018, leisure and entertainment sector received maximum investments in South Korea, amounting to US\$ 3.3 billion, and accounting for 47% of total investment, due to two investments of US\$ 1.64 billion each by Riot Games, China and Landing Jeju Development, Hong Kong. By 2019, chemicals sector, with an investment of US\$ 710 million, attracted maximum investment, accounting for 19.7% of total investment inflows in the country.

## MAJOR SOURCES OF INVESTMENT IN SOUTH KOREA

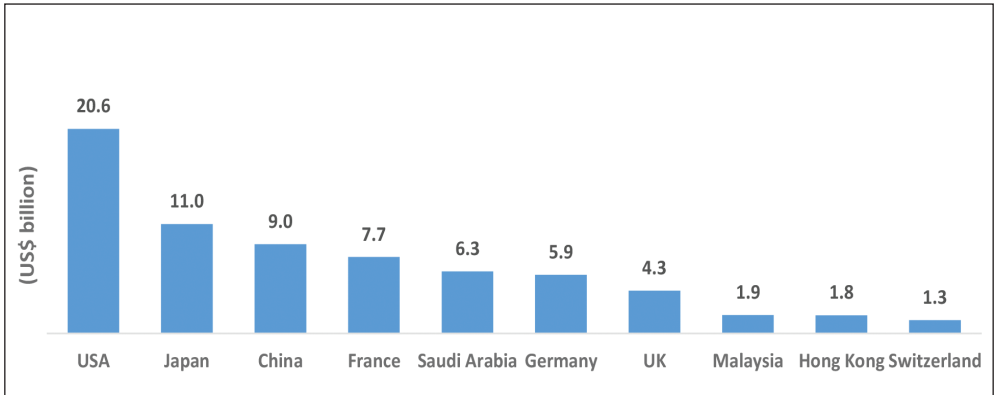
The major investors in terms of FDI received in South Korea during 2009 to 2019 are shown in **Chart 3.3**. USA is the largest investor in South Korea during the period 2009-2019, contributing 25% to the total FDI. The other major investors were Japan (13.4% of total inward FDI received by South Korea), followed by China (10.9%), France (9.4%), and Saudi Arabia (7.6%). The top investors in 2019 include USA, Germany, Japan and China.

**Chart 3.2: Major Sectors Attracting Investment in South Korea during 2009-2019**



Source: fDi Markets online database

**Chart 3.3: Major Investors in South Korea during 2009-2019**



Source: fDi Markets online database

### OUTWARD DIRECT INVESTMENTS FROM SOUTH KOREA

According to fDi Markets database, cumulative capital expenditure for an aggregate 2,791 projects stood at US\$ 314.2 billion during 2009-2019, creating 881,514 jobs in FDI destination countries (**Table 3.2**).

**Table 3.2: Trends in Foreign Direct Investment Outflows from South Korea during 2009-2019**

Year	Capital Expenditure (US\$ mn)	No. of Projects	No. of Jobs created	No. of Companies Invested
2009	29,711.4	225	73,394	137
2010	30,000.1	269	97,776	167
2011	28,197.5	246	88,785	139
2012	29,950.4	224	57,289	130
2013	21,306.1	235	53,985	137
2014	27,862.0	264	85,988	164
2015	26,441.5	229	87,157	163
2016	33,313.4	242	94,759	169
2017	26,945.2	241	67,420	156
2018	29,547.6	355	95,335	215
2019	30,911.2	261	79,626	163
<b>Total</b>	<b>314,186.4</b>	<b>2,791</b>	<b>881,514</b>	<b>1,050</b>

Source: fDi Markets online database

In terms of sectors, 'coal, oil & gas' sector received maximum investment at US\$ 41.4 billion, with a share of 13.2% in total outward investment from South Korea during the period 2009-2019, followed by electronic components (12.6% share), automotive OEM and chemicals (8.9% each), semiconductors (8.5%), metals (7.5%) and food and renewable energy (5.2%). Similarly, in the year 2019, electronic components received maximum investment, followed by 'coal, oil & gas', automotive OEM, chemicals, and transportation and warehousing sectors. In terms of number of projects, however, consumer electronics is the major recipient (289 projects during 2009-2019), followed by financial services (252 projects) and automotive OEM (227 projects), while in terms of number of companies, it was dominated by automotive components (122 companies), followed by electronic components (112 companies) and industrial equipment sectors (87 companies).

The major destinations of South Korea's outward investment during 2009-2019 include China (20.8% of total value of outward investment by South Korea), Vietnam (17.2%), USA (11.5%), India (7.2%), Indonesia (6.8%) and Mexico (3.7%). Of the total 2,791 projects, 368 projects went to USA, 358 to China, 308 to Vietnam and 136 to India during 2009-2019. During 2019, USA was the major investment destination of South Korea with a total capital expenditure of US\$ 5.5 billion (17.9% of total investment in 2019). Other major destinations in 2019 include Vietnam, China, Hungary and Malaysia.

## **4. INDIA-SOUTH KOREA BILATERAL TRADE AND INVESTMENT RELATIONS**

India and South Korea are the third and fourth largest economies in Asia, respectively, after China and Japan in 2019. From Buddhism to sharing a common independence day (August 15), the two Asian giants share a relation dating back centuries. With India's 'Act East Policy' extended to South Korea and South Korea's "New Southern Policy" (NSP) in place, enhanced cooperation between the two countries have a vast potential to promote regional trade, investment and development. The NSP has been formulated with an objective to elevate South Korea's strategic ties with the Association of Southeast Asian Nations (ASEAN) and with India to bring relations on par with South Korea's four major diplomatic partners: USA, China, Japan and Russia. India's bilateral relation with South Korea has been upgraded to a 'Special Strategic Partnership' in 2015.

### **COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENT BETWEEN INDIA AND REPUBLIC OF KOREA (CEPA)**

India and South Korea are members of Asia Pacific Trade Agreement (APTA) (Members - Bangladesh, China, India, Republic of Korea, Lao PDR and Sri Lanka), implemented in 1976; and Global System of Trade Preferences (GSTP) implemented in 1989.

India and South Korea signed a Comprehensive Economic Partnership Agreement (CEPA) in Seoul on August 7, 2009, heralding a new era of greater economic exchanges, between the two countries. Negotiated over twelve rounds, during more than three years, CEPA came into effect on January 1, 2010. The CEPA covers a number of areas including trade in goods, trade in services, rules of origin, intellectual property rights, investment, etc. The agreement promotes stronger trade and commercial ties between two countries, and opens up opportunities for exporters and investors to expand their business in the tariff lines which are opened or in which tariff is reduced.

Under CEPA, both countries committed to lower or eliminate import tariffs on a wide range of goods, over the next 10 years and expand opportunities for investments and exchanging services. Tariff reductions were to be undertaken

by the two sides based on an agreed schedule that divided all the tariff lines into six categories. South Korea had to phase out or reducing tariffs on 90% of Indian goods over the next decade, while India has to phase out or reduce tariff on 85% of Korean goods. For South Korea, the total number of tariff lines is 11,261 at 10-digit level and in the case of India the number of tariff lines stood at around 11,710 at 8-digit level.

The CEPA also allows temporary movement of India professionals to South Korea, such as computer programmers, software engineers and English language teachers, etc.

The two sides have commenced negotiations for upgradation of CEPA in 2016 to explore the possibility of providing further tariff concessions/ simplification of Rules of Origin to Indian exporters. The countries made harvest offers for 35 items each, including Yoga instructors and Taekwondo instructors in the list of professionals under Sporting and other Recreational Services category. With the aim of increasing bilateral trade to US\$ 50 billion by 2030, both countries have undertaken a reduction in duties on 11 tariff lines to expand bilateral trade. Eighth round of negotiations for upgrading India-Korea CEPA was held in June 2019 in India.

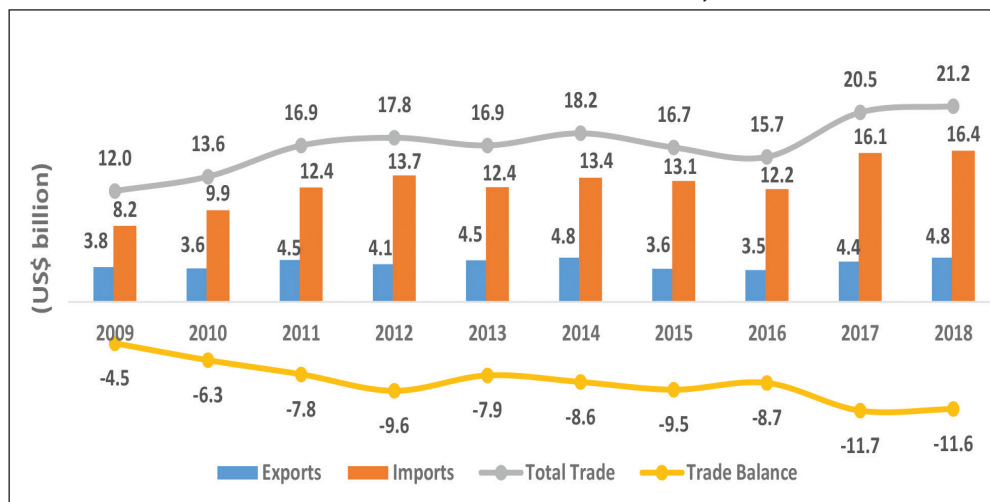
## **TRENDS IN BILATERAL TRADE BETWEEN INDIA AND SOUTH KOREA**

Bilateral trade relations between India and South Korea has exhibited high level of synergy, which can be assessed from the fact that total trade between the two countries increased from US\$ 1.6 billion in 2001 to US\$ 12.0 billion in 2009, and further to touch US\$ 21.2 billion in 2018. Over the years, exports have increased to reach US\$ 4.8 billion in 2018, increasing by a CAGR of 2.7% from US\$ 3.8 billion in 2009 (**Chart 4.1**).

India has emerged as the 7<sup>th</sup> largest market for South Korea's exports, accounting for 2.6% of South Korea's global exports in 2018. Similarly, South Korea has emerged as the 7<sup>th</sup> largest supplier for India's global imports, accounting for 3.2% of India's global imports. India's imports from South Korea have doubled from US\$ 8.2 billion in 2009 to US\$ 16.4 billion in 2018.

India generally maintains a trade deficit with South Korea, which has risen significantly in recent years, reflecting the sharp rise in South Korea's exports to India. From US\$ 4.5 billion in 2009, India's trade deficit with South Korea jumped significantly in 2017, touching US\$ 11.7 billion, which improved marginally to US\$ 11.6 billion by 2018.

**Chart 4.1: India's Trade with South Korea, 2009-2018**



Source: ITC Trade Map, based on UN COMTRADE database

### Major Exported Commodities

Mineral products (mainly naphtha) dominate India's export basket to South Korea, accounting for one fifth of India's total exports to South Korea in 2018 (**Table 4.1**). There has been a sharp decline in India's export of mineral fuels to South Korea as witnessed by a decline in its share from 55.9% in 2009 to 20.5% in 2018. Other important items of India's exports to South Korea include aluminum and articles, iron and steel, organic chemicals, and cotton.

**Table 4.1: India's Major Export Items to South Korea, 2009-2018**

HS Code	Product label	2009			2018		
		Value (US\$ mn)	% Share	India's Share in South Korea's Imports	Value (US\$ mn)	% Share	India's Share in South Korea's Imports
	<b>All products</b>	<b>3772.3</b>	<b>100.0</b>	<b>1.2</b>	<b>4799.9</b>	<b>100.0</b>	<b>0.9</b>
27	Mineral fuels, oils and products of distillation	2110.0	55.9	2.3	982.2	20.5	0.7
2710	<i>Petroleum oils, not crude</i>	2047.9	54.3	16.5	980.3	20.4	4.7
2712	<i>Petroleum jelly, paraffin wax, lignite</i>	0.3	0.01	0.7	1.9	-	4.1
76	Aluminium and articles	61.6	1.6	1.8	517.0	10.8	7.4
72	Iron and steel	160.7	4.3	0.9	442.1	9.2	2.7
29	Organic chemicals	243.5	6.5	2.7	416.3	8.7	2.9
52	Cotton	166.6	4.4	13.8	256.5	5.3	20.1
78	Lead and articles	27.3	0.7	7.8	166.9	3.5	42.9
84	Machinery and mechanical appliances	102.9	2.7	0.3	157.3	3.3	0.3
79	Zinc and articles	46.5	1.2	37.0	151.3	3.2	66.6
85	Electrical machinery and equipment	42.4	1.1	0.1	148.6	3.1	0.2
74	Copper and articles	12.5	0.3	0.3	146.0	3.0	2.5
23	Residues and waste from the food industries	100.0	2.7	6.6	145.5	3.0	6.6
26	Ores, slag and ash	173.4	4.6	2.0	116.2	2.4	0.8
32	Tanning or dyeing extracts	42.5	1.1	2.5	101.1	2.1	3.6
71	Natural or cultured pearls, precious or semi-precious stones and metals	117.4	3.1	4.4	81.9	1.7	2.4
87	Vehicles other than railway or tramway	23.6	0.6	0.4	66.8	1.4	0.4

Source: ITC Trade Map, based on UN COMTRADE database

## Major Imported Commodities

**Table 4.2** presents trends in India's major items of imports from South Korea during the period 2009 to 2018. As seen from the table, electrical and electronic equipment, iron and steel, machinery, plastics, organic chemicals, mineral fuel products and vehicles are the major items in India's import basket from Korea.

**Table 4.2: India's Major Import Items from South Korea, 2009-2018**

		2009			2018		
		Value (US\$ mn)	% Share	India's Share in South Korea's Exports	Value (US\$ mn)	% Share	India's Share in South Korea's Exports
	<b>All products</b>	<b>8229.8</b>	<b>100.0</b>	<b>2.3</b>	<b>16363.8</b>	<b>100.0</b>	<b>2.6</b>
85	Electrical machinery and equipment	1299.5	15.8	1.5	2664.9	16.3	0.4
72	Iron and steel	1079.1	13.1	7.0	2531.2	15.5	0.4
84	Machinery and mechanical appliances	972.6	11.8	2.5	2432.9	14.9	0.4
39	Plastics and articles	564.3	6.9	3.1	1802.6	11.0	0.3
29	Organic chemicals	363.1	4.4	2.8	1144.0	7.0	0.2
27	Mineral fuels, oils and products of distillation	980.7	11.9	4.1	900.9	5.5	0.1
87	Vehicles other than railway or tramway	630.6	7.7	1.7	712.6	4.4	0.1
79	Zinc and articles	18.6	0.2	2.8	439.5	2.7	0.1
90	Optical, photographic, cinematographic, medical or surgical instruments	190.2	2.3	0.7	420.7	2.6	0.1
89	Ships, boats and floating structures	514.7	6.3	1.2	385.2	2.4	0.1
40	Rubber and articles	181.6	2.2	3.8	362.6	2.2	0.1
73	Articles of iron or steel	170.0	2.1	2.1	339.3	2.1	0.1
48	Paper and paperboard	123.3	1.5	5.4	300.6	1.8	-
76	Aluminium and articles	67.0	0.8	3.7	269.2	1.6	-
38	Miscellaneous chemical products	50.2	0.6	2.6	219.0	1.3	-

Note: '-' denotes negligible

Source: ITC Trade Map, based on UN COMTRADE database



## India's Trade Balance with South Korea

As earlier highlighted, India generally maintains a trade deficit with South Korea, which has widened significantly in recent years. From US\$ 679 million in 2001, India's trade deficit with South Korea has increased around 17-fold, touching US\$ 11.7 billion in 2017 before settling at US\$ 11.6 billion in 2018. Reflecting sharp rise in imports from South Korea, the sectors which present the largest trade deficit for India are electrical and electronic equipment, machinery, iron & steel, and plastic articles, where India's trade deficit are in excess of US\$ 1 billion in 2018. In the case of aluminium and articles, India's trade balance with South Korea, which was in deficit till 2009, has turned into surplus since 2010; while India's trade deficit in copper and articles turned into a surplus since 2017 (**Table 4.3**).

**Table 4.3: India's Trade Balance with South Korea, 2009-2018 (US\$ million)**

HS Code	Product label	2009	2018
	<b>All products</b>	<b>-4457.5</b>	<b>-11563.9</b>
85	Electrical machinery and equipment	-1257.1	-2516.3
84	Machinery and mechanical appliances	-869.7	-2275.6
72	Iron and steel	-918.4	-2089.1
39	Plastics and articles	-555.8	-1761.2
29	Organic chemicals	-119.6	-727.7
87	Vehicles other than railway or tramway	-607.0	-645.8
89	Ships, boats and floating structures	-511.8	-385.1
90	Optical, photographic, cinematographic, medical or surgical instruments	-181.7	-376.4
40	Rubber and articles	-171.8	-346.7
73	Articles of iron or steel	-145.5	-299.2
03	<i>Fish and crustaceans, molluscs</i>	11.0	32.6
25	<i>Salt; sulphur; stone; plastering materials, lime and cement</i>	3.5	33.9
71	<i>Natural or cultured pearls, precious or semi-precious stones and metals</i>	74.2	49.0
12	<i>Oil seeds and oleaginous fruits</i>	20.5	49.3
74	<i>Copper and articles</i>	-45.4	67.0
27	<i>Mineral fuels, mineral oils and products of distillation</i>	1129.3	81.3
26	<i>Ores, slag and ash</i>	171.8	100.9
23	<i>Residues and waste from the food industries</i>	98.4	143.7
76	<i>Aluminium and articles</i>	-5.5	247.8
52	<i>Cotton</i>	161.2	255.2

Source: ITC Trade Map, based on UN COMTRADE database

Thus, though it is noteworthy that CEPA has resulted in almost doubling of total trade between both countries, the widening trade deficit is a matter of concern for long term sustainability of bilateral trade relations. It is necessary that both countries work together towards a mutually beneficial and a more balanced trade.

## **INDIA-SOUTH KOREA BILATERAL INVESTMENT RELATIONS**

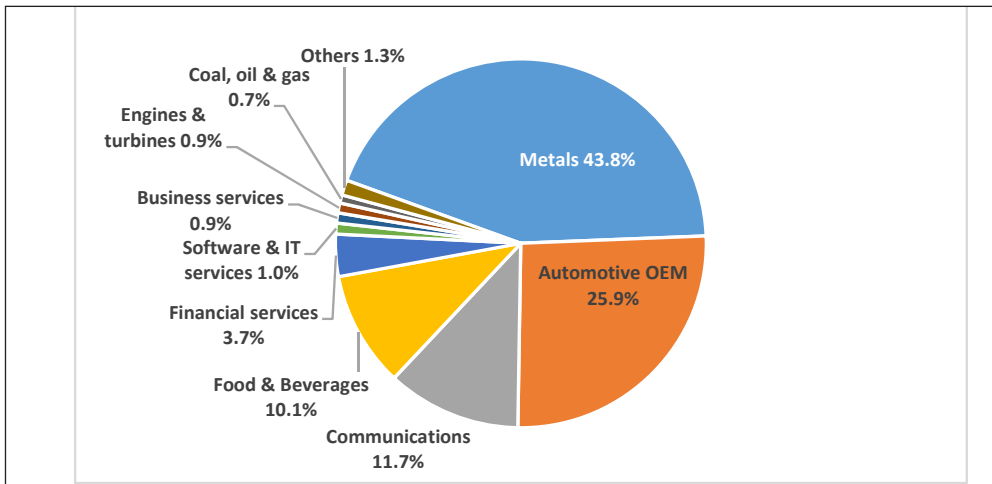
According to data from the Ministry of Finance, GOI and the RBI, India's approved cumulative investments in South Korea during April 1996 to December 2019 amounted to US\$ 593.9 million.

To get a more meaningful understanding on the trends in Indian overseas investments, this note has drawn upon the data collated by the Financial Times through its online database tracking cross-border greenfield investment, viz. fDi Markets.

According to fDi Markets database, India has emerged as the 15<sup>th</sup> largest investor in South Korea during 2009 to 2019, with an investment of US\$ 913 million in 17 FDI projects by 14 Indian companies, resulting in creation of 5,519 jobs. It accounts for a marginal 1.1% of total investments made in South Korea during this period.

Metals received the highest investment which amounted to US\$ 400 million, followed by automotive OEM (US\$ 236.4 million), communications (US\$ 106.9 million), food and beverages (US\$ 92.5 million) and financial services (US\$ 33.8 million) during this period. **Chart 4.2** shows the major sectors attracting Indian investments in South Korea along with their respective shares during the same period.

**Chart 4.2: Major Sectors Attracting Indian Investment in South Korea during 2009-2019**



Source: fDi Markets online database

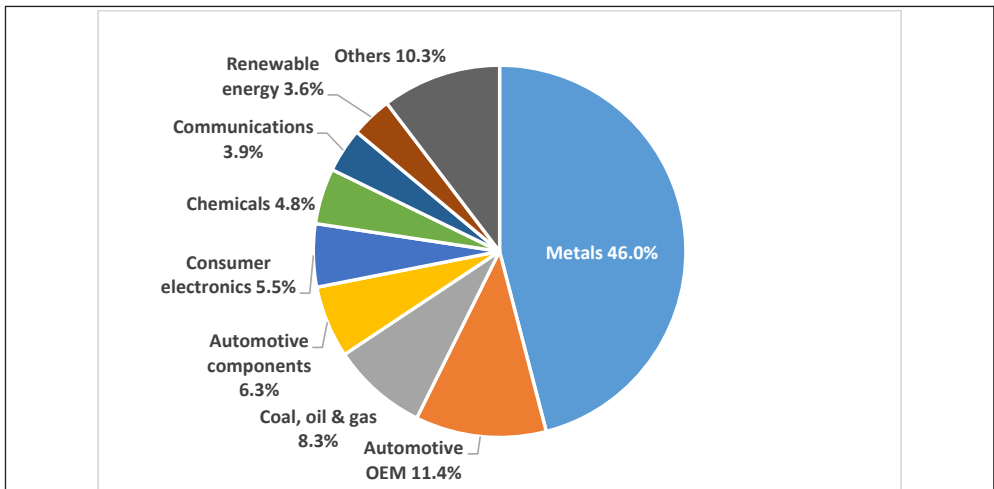
Some of the major Indian companies that have invested in South Korea include Tata Daewoo, Ssangyong (Mahindra and Mahindra), Nakhoda Ltd, Creative Plastic, and Novelis (subsidiary of Hindalco Industries Ltd.). Other Indian companies present in South Korea include IT majors such as Tata Consultancy Services (TCS), Wipro, L&T Infotech, Mahindra Satyam and Nucleus Software; and two Indian banks viz. Indian Overseas Bank and State Bank of India.

### South Korean Investments in India

India and South Korea launched an initiative ‘Korea Plus’ in June 2016 in India to promote and facilitate Korean Investments in India. According to Department for Promotion of Industry and Internal Trade (DPIIT), MOCI, GOI, during April 2000 to September 2019, India’s total FDI inflows from South Korea amounted to US\$ 4 billion, accounting for 0.9% of India’s total FDI inflows during this period. South Korea was the 14<sup>th</sup> largest investor in India during April 2000 to September 2019. Metallurgy, automobile, electronics, prime movers, machine tools, hospital and diagnostic centers are the key areas attracting investments from South Korea.

According to Korea Trade Investment Promotion Agency (KOTRA), about 88% of all Korean subsidiaries established in India are wholly-owned subsidiaries and while approximately 11.3% are joint ventures. The joint ventures are mostly between Korean companies, and joint ventures with Indian companies are rare. Major centres of investment are the NCR (Delhi, Noida, and Gurgaon); Chennai; and Mumbai /Pune.

**Chart 4.3: Major Sectors Attracting South Korean Investment in India during 2009-2019**



Source: fDi Markets online database

According to fDi Markets database, South Korea has invested capital of amount US\$ 22.5 billion in 136 projects by 60 companies, leading to creation of 78,791 jobs in India during 2009 to 2019. The major sectors in which South Korea has invested in India are metals (US\$ 10.4 billion), automotive OEM (US\$ 2.6 billion), 'coal, oil and gas' (US\$ 1.9 billion), automotive components (US\$ 1.4 billion), and consumer electronics (US\$ 1.2 billion). Respective shares of these sectors are shown in **Chart 4.3**. Major South Korean companies investing in India include, Hyundai, POSCO, Samsung, Kia Motors, Visteon Automotive Systems, Youngone Corporation, Hyosung Corporation, Lotte confectionary, Doosan Corporation and LG Electronics, among others.

### **Revised Double Taxation Avoidance Agreement (DTAA) between India and South Korea**

Double Taxation Avoidance Agreement (DTAA) treaty was signed between India and South Korea on July 19, 1985 and was notified on September 26, 1986. India and South Korea signed a revised agreement for Avoidance of Double Taxation in Seoul on May 18, 2015. The revised treaty replaced the existing one and came into effect on April 1, 2017.

According to the press release dated October 26, 2016, by the Press Information Bureau (PIB), GOI, the revisions include the following:

- The previous DTAA provided for residence based taxation of capital gains on shares. In line with India's policy of taxation of capital gains on shares, the revised DTAA provides for source based taxation of capital gains arising from alienation of shares comprising more than 5% of share capital.
- In order to promote cross border flow of investments and technology, the revised DTAA provides for reduction in withholding tax rates from 15% to 10% on royalties or fees for technical services and from 15% to 10% on interest income.
- It expanded the scope of dependent agent Permanent Establishment provisions in line with India's policy of source based taxation.
- To facilitate movement of goods through shipping between two countries and in accordance with international principle of taxation of shipping income, the revised DTAA provides for exclusive residence based taxation of shipping income from international traffic under Article 8 of revised DTAA.
- The revised DTAA, with the introduction of Article 9(2), provides recourse to the taxpayers of both countries to apply for Mutual Agreement Procedure (MAP) in transfer pricing disputes as well as apply for bilateral Advance Pricing Agreements (APA). Further, as per understanding reached between the two sides, MAP requests in transfer pricing cases can be considered if the request is presented by the tax payer to its competent authority after entry into force of revised DTAA and within three years of the date of receipt of notice of action giving rise to taxation not in accordance with the DTAA.
- The revised DTAA inserts new Article for assistance in collection of taxes between tax authorities.
- The revised DTAA inserts new Limitation of Benefits Article i.e. anti-abuse provisions to ensure that the benefits of the Agreement are availed only by the genuine residents of both the countries.

## **5. ENHANCING BILATERAL TRADE AND INVESTMENT RELATIONS BETWEEN INDIA AND SOUTH KOREA**

As highlighted above, synergy in bilateral trade between India and South Korea witnessed a significant increase, with the size of trade risen from US\$ 1.6 billion in 2001 to touch US\$ 12 billion in 2009, and thereafter to US\$ 21.2 billion in 2018. Underlying this synergy, however, has been the sharp rise in India's trade deficit with South Korea, which has increased from US\$ 679 million in 2001 to US\$ 11.6 billion in 2018.

### **INDIA AS A TRADING PARTNER FOR SOUTH KOREA**

Reflecting the increasing importance of India as an export market, India's rank among South Korea's export partners has risen. From the 24<sup>th</sup> largest export market in 2001, India's position has risen to the 9<sup>th</sup> position in 2009, and further to the 7<sup>th</sup> position in 2018. In the case of imports, however, India's ranking as Korea's import partner has not witnessed a similar rise. Although, from the 25<sup>th</sup> largest import source in 2001, India's position has risen to the 16<sup>th</sup> position in 2009. In 2018, however, India's position among major import sources of South Korea fell to 21<sup>st</sup> position.

### **Enhancing Bilateral Trade Relations**

To enhance bilateral trade relations, and in particular to address India's rising trade deficit with South Korea, strategy to enhance bilateral trade would entail identification of potential items of India's exports to South Korea. This, in turn, would be in line with India's global export capability as also demand existing in South Korea as exhibited by the rising trend in major import items of South Korea. Concomitantly, such a strategy would also serve to enhance India's ranking as South Korea's import partner.

Such a strategy would entail:

- Identification of major items in South Korea's import basket, and share of India in each product line (based on 2-digit HS Commodity code); and
- Selection of potential export items, based on low share of India in South Korea's import basket of major commodities, keeping in view India's global export capabilities.

This would involve identification of potential export items under each product category, up to the 6-digit HS code. **Table 5.1** presents South Korea's major import items, in terms of 2-digit HS code, and India's share in South Korea's global imports of these items in 2018.

**Table 5.1: South Korea's Major Import Items & India's Share in South Korea's Imports, 2018**

Product code	Product label	South Korea's Imports from World (US\$ mn)	India's Exports to South Korea (US\$ mn)	India's Share in South Korea's Global Imports (%)	India's Exports to World (US\$ mn)
	<b>All products</b>	<b>535172.4</b>	<b>4799.9</b>	<b>0.9</b>	<b>323056.4</b>
27	Mineral fuels, mineral oils and products of distillation	146937.5	982.2	0.7	48293.2
85	Electrical machinery and equipment	84757.0	148.6	0.2	11788.0
84	Machinery and mechanical appliances	60172.7	157.3	0.3	20403.9
90	Optical, photographic, medical or surgical instruments	22415.1	44.3	0.2	3204.6
87	Vehicles other than railway or tramway	16829.5	66.8	0.4	18238.9
72	Iron and steel	16454.0	442.1	2.7	9975.5
26	Ores, slag and ash	14982.1	116.2	0.8	1650.8
29	Organic chemicals	14216.8	416.3	2.9	17742.5
39	Plastics and articles	11813.6	41.4	0.4	7844.0
28	Inorganic chemicals	9258.5	48.8	0.5	2032.7
38	Miscellaneous chemical products	8611.1	55.1	0.6	4412.7
<b>76</b>	<b>Aluminium and articles</b>	<b>6958.2</b>	<b>517.0</b>	<b>7.4</b>	<b>5126.7</b>
62	Articles of apparel and clothing accessories, not knitted or crocheted	6540.2	29.5	0.5	8126.0
30	Pharmaceutical products	6496.9	13.4	0.2	14277.2
73	Articles of iron or steel	6458.1	40.2	0.6	7082.9
74	Copper and articles	5797.7	146.0	2.5	1638.4
02	Meat and edible meat offal	5123.5	1.1	0.02	3727.0
03	Fish, molluscs and other aquatic invertebrates	5045.6	32.8	0.7	6349.8
61	Articles of apparel and clothing accessories, knitted or crocheted	3631.4	24.6	0.7	7561.1
10	Cereals	3490.5	0.6	0.02	7773.9

71	Pearls, precious or semi-precious stones and metals	3402.7	81.9	2.4	40096.4
94	Furniture, bedding, mattresses, and stuffed furnishings	3223.9	5.9	0.2	1655.8
64	Footwear, gaiters and the like	3195.0	22.3	0.7	2846.3
88	Aircraft, spacecraft, and parts	2961.8	0.7	0.03	2059.3
32	Tanning or dyeing extracts	2805.4	101.1	3.6	3230.7
42	Articles of leather; saddlery and harness	2761.7	6.5	0.2	2487.8
40	Rubber and articles	2705.9	15.9	0.6	3159.8
<b>23</b>	<b>Residues and waste from the food industries</b>	<b>2214.4</b>	<b>145.5</b>	<b>6.6</b>	<b>1667.6</b>
48	Paper and paperboard	2014.0	2.3	0.1	1819.3
33	Essential oils and resinoids	2013.0	19.6	1.0	1933.7
08	Edible fruit and nuts	1920.9	10.1	0.5	1550.8
69	Ceramic products	1712.5	17.2	1.0	1511.6
68	Articles of stone, plaster, cement, asbestos	1654.8	7.8	0.5	1501.9
89	Ships, boats and floating structures	1600.1	0.03	-	3591.2
12	Oil seeds and oleaginous fruits	1518.5	55.2	3.6	1622.2
<b>52</b>	<b>Cotton</b>	<b>1276.8</b>	<b>256.5</b>	<b>20.1</b>	<b>8130.1</b>
15	Animal or vegetable fats and oils	1242.9	15.0	1.2	1122.4
54	Man-made filaments	1079.9	45.5	4.2	2270.3
17	Sugars and sugar confectionery	1074.1	3.6	0.3	1164.7

Source: ITC Geneva, based on UN COMTRADE Statistics and Exim Bank analysis

As can be seen from the table, among the major items in South Korea's import basket, India has achieved a relatively healthy share (of more than 5%) in South Korea's global imports of only three products:

- Aluminium and articles (HS-76, 7.4% share)
- Residues and waste from the food industries (HS-23, 6.6% share)
- Cotton (HS-52, 20.1% share)

However, in the case of the leading items in South Korea's import basket, India's share is still marginal, which would serve to highlight the potential to further enhance these exports to South Korea, in line with the huge import demand in South Korea. At the same time, some of these items are amongst India's leading export items in the global market, highlighting India's global export capability.



## Potential Items of India's Exports to South Korea

Based on the above criteria and analysis of the above table, as also on India's global export capability and Korea's import demand, potential items of export to Korea, as per 2-digit HS commodity classification, would include, among others, the following categories:

- Mineral fuels and products (HS-27)
- Electrical machinery and equipment (HS-85)
- Machinery and mechanical appliances (HS-84)
- Optical, photographic, cinematographic, medical or surgical instruments (HS-90)
- Vehicles other than railway or tramway (HS-87)
- Iron and steel (HS-72)
- Ores, slag and ash (HS-26)
- Organic chemicals (HS-29)
- Plastics and articles (HS-39)
- Inorganic chemicals (HS-28)
- Miscellaneous chemical products (HS- 38)
- Articles of apparel and clothing accessories, not knitted or crocheted (HS-62)
- Pharmaceutical products (HS-30)

## Brief Analysis of South Korea's Major Import Items and India's Potential Export Items

Potential items of exports to South Korea under each category have been identified, up to the 6-digit HS commodity classification, and have been presented below.

### Mineral fuels, oils, distillation products (HS-27)

As highlighted earlier, mineral fuels and products are the largest items in South Korea's import basket, accounting for as much as 27.5% of the country's total imports. Crude oils (HS-2709), petroleum gases (HS-2711), petroleum oils, not crude (HS-2710), and coal & briquettes (HS-2701) are the major items of South Korea's imports under this category. While India is one of the major suppliers of petroleum oils not crude (HS-2710) to South Korea, India's exports to South Korea have witnessed a sharp decline in recent years. As a result, from being the largest supplier in 2010, India is now the 5<sup>th</sup> largest supplier after Russia, UAE, Qatar and Saudi Arabia (**Table 5.2**).

## Electrical machinery and equipment (HS-85)

China is the largest supplier, with a share of 41.2% in South Korea's global imports, followed by Taiwan, Japan, Vietnam and USA. Reflecting South Korea's increased imports from China and Vietnam, the share of these countries in South Korea's imports has risen in recent years, while the share of Japan and USA has witnessed a contraction. India is still a marginal supplier of the product to South Korea (**Table 5.3**).

**Table 5.2: Mineral fuels and products (HS-27) - Potential Export Items to South Korea**

Product code	Product label	South Korea's Imports from World, 2018 (US\$ mn)	India's Exports to South Korea, 2018 (US\$ mn)	India's Share in South Korea's Imports (%)	India's Exports to World, 2018 (US\$ mn)
271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume	15935.9	695.7	4.4	14741.0
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel	5094.9	284.6	5.6	32004.6
270799	Oils and other products of the distillation of high temperature coal tars	303.0	-	-	370.2
271119	Gaseous hydrocarbons, liquefied	187.1	-	-	246.5

Note: '-' denotes nil or negligible

Source: ITC Trade Map, based on UN COMTRADE Statistics

**Table 5.3: Electrical machinery and equipment (HS-85) - Potential Export Items to South Korea**

Product code	Product label	South Korea's Imports from World, 2018 (US\$ mn)	India's Exports to South Korea, 2018 (US\$ mn)	India's Share in South Korea's Imports (%)	India's Exports to World, 2018 (US\$ mn)
851770	Parts of telephone sets, telephones for cellular networks or for other wireless networks	5553.0	2.9	0.1	232.3
854239	Electronic integrated circuits	4692.4	7.2	0.2	160.4
851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	4316.7	0.3	0.01	1065.2
854140	Photosensitive semiconductor devices, incl. photovoltaic cells	2714.2	0.2	0.01	114.5
853400	Printed circuits	2228.1	0.6	0.03	126.7
854430	Ignition wiring sets and other wiring sets for vehicles, aircraft or ships	1948.8	3.2	0.2	217.9
851762	Machines for the reception, conversion and transmission or regeneration of voice, images	1780.1	3.6	0.2	628.0
850440	Static converters	1471.6	8.1	0.5	735.1
853710	Boards, cabinets and similar combinations of apparatus for electric control or the distribution	1420.8	17.1	1.2	374.6
853890	Parts suitable for use solely or principally with the apparatus of heading 8535, 8536 or 8537	1159.7	6.9	0.6	478.7
850110	Motors of an output <= 37,5 W	758.3	2.0	0.3	166.5
853690	Electrical apparatus for switching electrical circuits, or for making connections	471.8	3.6	0.8	264.0
854511	Electrodes of graphite or other carbon, for electric furnaces	470.9	55.7	11.8	1065.0
853650	Switches for a voltage <= 1.000 V	411.8	1.1	0.3	101.1
850300	Parts suitable for use solely or principally with electric motors and generators	339.5	0.8	0.2	476.5
850490	Parts of electrical transformers and inductors	248.2	2.5	1.0	230.7
854449	Electric conductors, for a voltage <= 1.000 V, insulated, not fitted with connectors	202.6	0.8	0.4	209.1
851220	Electrical lighting or visual signalling equipment for motor vehicles	192.2	0.1	0.03	136.1
850213	Generating sets with compression-ignition internal combustion piston engine "diesel or semi-diesel"	178.5	0.3	0.1	113.7

Source: ITC Trade Map, based on UN COMTRADE Statistics

## Machinery and mechanical appliances (HS-84)

China is the largest supplier, with a share of 25.7% of South Korea's global imports, followed by Japan, USA, Netherlands and Germany. Reflecting South Korea's increased imports from China and Netherlands, the share of these two countries in South Korea's imports has witnessed a rise in recent years, while the share of Japan and USA has witnessed a contraction. India is still a marginal supplier to South Korea, highlighting the potential to further enhance these exports to South Korea (Table 5.4).

**Table 5.4: Machinery and mechanical appliances (HS-84) - Potential Export Items to South Korea**

Product code	Product label	South Korea's Imports from World, 2018 (US\$ mn)	India's Exports to South Korea, 2018 (US\$ mn)	India's Share in South Korea's Imports (%)	India's Exports to World, 2018 (US\$ mn)
847330	Parts and accessories of automatic data-processing machines or for other machines	4678.8	0.4	-	106.2
848180	Appliances for pipes, boiler shells, tanks, vats	1579.8	5.4	0.3	774.5
847989	Machines and mechanical appliances	1233.7	3.7	0.3	348.6
841490	Parts of air or vacuum pumps, air or other gas compressors, fans and ventilating or recycling	731.1	7.4	1.0	336.1
840999	Parts suitable for use solely or principally with compression-ignition internal combustion	686.0	2.4	0.4	817.8
841480	Air pumps, air or other gas compressors and ventilating or recycling hoods	626.7	16.3	2.6	302.6
842139	Machinery and apparatus for filtering or purifying gases	580.8	0.7	0.1	132.2
841191	Parts of turbojets or turbo propellers	580.3	-	-	128.0
847990	Parts of machines and mechanical appliances	579.0	1.6	0.3	142.3
841112	Turbojets of a thrust > 25 kN	540.6	-	-	3174.2
848340	Gears and gearing for machinery	506.9	1.1	0.2	431.1
840890	Compression-ignition internal combustion piston engine "diesel or semi-diesel engine"	504.2	8.5	1.7	612.5

840991	Parts suitable for use solely or principally with spark-ignition internal combustion piston	440.9	2.1	0.5	288.7
843149	Parts of machinery of heading 8426, 8429 and 8430	428.1	5.1	1.2	417.8
848190	Parts of valves and similar articles for pipes, boiler shells, tanks, vats or the like	380.9	2.3	0.6	418.7
842199	Parts of machinery and apparatus for filtering or purifying liquids or gases	380.4	4.0	1.0	140.8
841989	Machinery, plant or laboratory equipment, whether or not electrically heated	369.6	4.9	1.3	182.4
840734	Spark-ignition reciprocating piston engine, of a kind used for vehicles of chapter 87	358.4	0.4	0.1	166.8
841330	Fuel, lubricating or cooling medium pumps for internal combustion piston engine	320.3	0.7	0.2	167.6
841391	Parts of pumps for liquids	308.2	1.8	0.6	357.2
841370	Centrifugal pumps, power-driven (excluding those of subheading 8413.11 and 8413.19)	292.8	0.5	0.2	226.0
841950	Heat-exchange units	241.3	1.0	0.4	169.6
848310	Transmission shafts, incl. cam shafts and crank shafts, and cranks	196.5	7.5	3.8	336.0
848790	Parts of machinery of chapter 84, not intended for a specific purpose	179.7	0.7	0.4	113.2
842121	Machinery and apparatus for filtering or purifying water	167.3	4.2	2.5	138.6
848390	Toothed wheels, chain sprockets and other transmission elements presented separately	166.9	0.2	0.1	169.3
842230	Machinery for filling, closing, sealing or labelling bottles, cans, boxes, bags or other containers	145.7	0.5	0.3	106.4
848299	Parts of ball or roller bearings	143.2	0.9	0.7	191.4
840690	Parts of steam and other vapour turbines	121.7	2.0	1.6	137.4

Note: '-' denotes nil or negligible

Source: ITC Trade Map, based on UN COMTRADE Statistics

## Optical, photographic, cinematographic, medical or surgical instruments (HS-90)

USA is the largest supplier to South Korea, accounting for around one-fifth of South Korea's total imports in 2018, followed by China and Japan. South Korea's imports from India have decreased in recent years and its share remain marginal as compared to the major suppliers indicating potential for increasing India's exports of the following products (Table 5.5).

**Table 5.5: Optical, photographic, cinematographic, medical or surgical instruments (HS-90) - Potential Export Items to South Korea**

Product code	Product label	South Korea's Imports from World, 2018 (US\$ mn)	India's Exports to South Korea, 2018 (US\$ mn)	India's Share in South Korea's Imports (%)	India's Exports to World, 2018 (US\$ mn)
903289	Regulating or controlling instruments and apparatus	1031.9	25.3	2.4	198.0
901890	Instruments and appliances used in medical, surgical or veterinary sciences	904.5	1.2	0.1	209.7
901839	Needles, catheters, cannulae and the like	450.9	0.7	0.2	290.8
902620	Instruments and apparatus for measuring or checking pressure of liquids or gases	428.7	0.3	0.1	59.5
903190	Parts and accessories for instruments, appliances and machines for measuring and checking	340.6	0.3	0.1	59.2
902610	Instruments and apparatus for measuring or checking the flow or level of liquids	153.2	0.1	0.1	86.0
902290	X-ray generators other than X-ray tubes, high tension generators, control panels and desks	152.5	0.7	0.5	101.8
901819	Electro-diagnostic apparatus, incl. apparatus for functional exploratory examination	112.8	0.03	0.03	100.7
900150	Spectacle lenses of materials other than glass	107.7	0.02	0.02	136.0

902214	Apparatus based on the use of X-rays, for medical, surgical or veterinary uses	83.3	0.1	0.1	56.9
902230	X-ray tubes	59.9	0.01	0.01	122.4
901580	Instruments and appliances used in geodesy, topography, hydrography, oceanography, hydrology	53.0	-	-	67.2

Note: '-' denotes nil or negligible

Source: ITC Trade Map, based on UN COMTRADE Statistics

### Vehicles other than railway or tramway (HS-87)

South Korea's imports of vehicles and parts have risen significantly, from US\$ 5.5 billion in 2009 to touch US\$ 16.7 billion in 2018. Germany is the leading supplier to South Korea, with rising share in South Korea's imports. USA is the second largest supplier to South Korea, followed by Japan and China. India, however, is still a marginal supplier of this commodity to South Korea (**Table 5.6**).

**Table 5.6: Vehicles other than railway or tramway (HS-87) - Potential Export Items to South Korea**

Product code	Product label	South Korea's Imports from World, 2018 (US\$ mn)	India's Exports to South Korea, 2018 (US\$ mn)	India's Share in South Korea's Imports, 2018 (%)	India's Exports to World, 2018 (US\$ mn)
870323	Motor cars and other motor vehicles principally designed for the transport of persons	4410.1	0.2	-	1939.3
870332	Motor cars and other motor vehicles	3137.5	0.2	0.01	275.7
870840	Gear boxes and parts thereof, for tractors, motor vehicles for the transport of ten or more	943.3	3.1	0.3	392.1
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons	763.4	22.0	2.9	2763.1
870829	Parts and accessories of bodies for tractors, motor vehicles	490.7	0.1	0.03	140.1

870423	Motor vehicles for the transport of goods, with compression-ignition internal combustion piston	352.9	-	-	182.9
870830	Brakes and servo-brakes and their parts, for tractors, motor vehicles for the transport	289.8	0.9	0.3	486.6
870894	Steering wheels, steering columns and steering boxes, and parts thereof, for tractors	232.2	0.4	0.2	176.8
870322	Motor cars and other motor vehicles principally designed for the transport of persons	208.5	0.3	0.1	3266.2
870850	Drive-axles with differential, whether or not provided with other transmission components	179.3	1.5	0.8	379.0
870870	Road wheels and parts and accessories thereof, for tractors, motor vehicles for the transport	134.3	0.7	0.5	169.2
870810	Bumpers and parts thereof for tractors, motor vehicles for the transport of ten or more persons	134.1	1.4	1.1	125.6
870331	Motor cars and other motor vehicles principally designed for the transport of persons	132.8	0.1	0.1	138.2
870880	Suspension systems and parts thereof, incl. shock-absorbers, for tractors, motor vehicles	119.2	0.7	0.6	145.8

Note: '-' denotes nil or negligible

Source: ITC Trade Map, based on UN COMTRADE Statistics



## Iron and steel (HS-72)

China and Japan are the two largest suppliers, together accounting for as much as 68.6% of South Korea's total imports in 2018. India is the 7<sup>th</sup> largest supplier, with South Korea's imports from India having risen sharply in recent years, along with rising share in South Korea's imports (**Table 5.7**).

**Table 5.7: Iron and steel (HS-72) - Potential Export Items to South Korea**

Product code	Product label	South Korea's Imports from World, 2018 (US\$ mn)	India's Exports to South Korea, 2018 (US\$ mn)	India's Share in South Korea's Imports, 2018 (%)	India's Exports to World, 2018 (US\$ mn)
720839	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, <3Mm Thick	976.7	9.4	1.0	825.6
720241	Ferro-chromium, containing by weight > 4% of carbon	668.2	262.5	39.3	927.0
720851	Flat-rolled products of iron or non-alloy steel, of a width >= 600 mm, not in coils	649.2	-	-	253.8
721049	Flat-rolled products of iron or non-alloy steel, of width of >= 600 mm, hot-rolled or cold-rolled	627.6	-	-	484.2
720838	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coil, =3Mm Thick	568.5	13.2	2.3	318.4
721420	Bars and rods, of iron or non-alloy steel, with indentations, ribs, groves or other deformations	307.6	-	-	138.5
721391	Bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel	272.7	0.1	-	175.4
720837	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, <= 4.75 mm or more	255.1	4.2	1.6	193.1

720711	Semi-finished products of iron or non-alloy steel containing, by weight, < 0,25% of carbon	175.7	-	-	219.7
720230	Ferro-silico-manganese	165.5	23.6	14.3	816.3
720916	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, cold-rolled (cold-reduced), not clad, plated or coated	163.5	-	-	119.4
720310	Ferrous products obtained by direct reduction of iron ore, in lumps, pellets or similar forms	156.6	-	-	216.8

Note: '-' denotes nil or negligible

Source: ITC Trade Map, based on UN COMTRADE Statistics

### Ores, slag and ash (HS-26)

Accounting for as much as 32.9% of South Korea's total imports in 2018, Australia is the largest supplier to South Korea, followed by Chile, Peru and Brazil. While South Korea's imports from India have risen from US\$ 91.8 million in 2009 to US\$ 143.5 million in 2018, India's share in South Korea's imports remained less than 1% during the period (**Table 5.8**).

**Table 5.8: Ores, slag and ash (HS-26) - Potential Export Items to South Korea**

Product code	Product label	South Korea's Imports from World, 2018 (US\$ mn)	India's Exports to South Korea, 2018 (US\$ mn)	India's Share in South Korea's Imports, 2018 (%)	India's Exports to World, 2018 (US\$ mn)
260111	Non-agglomerated iron ores and concentrates (excluding roasted iron pyrites)	4847.2	12.9	0.3	363.3
260300	Copper ores and concentrates	4055.6	14.1	0.3	115.8
262190	Slag and ash, incl. seaweed ash "kelp"	52.6	0.2	0.4	43.1
260600	Aluminium ores and concentrates	28.4	0.05	0.2	34.3

Source: ITC Trade Map, based on UN COMTRADE Statistics

## Organic chemicals (HS-29)

China, in recent years, has emerged as the largest supplier to South Korea, overtaking Japan, with a share of 27.4% of South Korea's total imports in 2018. Japan is currently the second largest supplier to South Korea, followed by USA, Germany and Taiwan. As regards South Korea's imports from India, India is the 6<sup>th</sup> largest supplier to South Korea, with rising share in South Korea's imports from 2.9% to 4.2% over the decade, indicating the potential to further enhance these exports to South Korea (Table 5.9).

**Table 5.9: Organic chemicals (HS-29) - Potential Export Items to South Korea**

Product code	Product label	South Korea's Imports from World, 2018 (US\$ mn)	India's Exports to South Korea, 2018 (US\$ mn)	India's Share in South Korea's Imports, 2018 (%)	India's Exports to World, 2018 (US\$ mn)
293190	Separate chemically defined organo-inorganic compounds	316.9	3.9	1.2	155.7
293499	Nucleic acids and their salts, whether or not chemically defined; heterocyclic compounds	305.6	8.6	2.8	492.7
293090	Organo-sulphur compounds	295.8	8.4	2.9	101.3
290531	Ethylene glycol "ethanediol"	237.3	2.3	1.0	291.4
293359	Heterocyclic compounds with nitrogen hetero-atom[s] only, containing a pyrimidine ring,	161.6	3.2	2.0	342.8
293299	Heterocyclic compounds with oxygen hetero-atom[s] only	138.3	3.9	2.8	124.6
292419	Acyclic amides, incl. acyclic carbamates, derivatives, and salts	133.3	3.7	2.8	306.1
290930	Aromatic ethers and their halogenated, sulphonated, nitrated or nitrosated derivatives	125.1	0.4	0.3	208.4
291739	Aromatic polycarboxylic acids, their anhydrides, halides, peroxides, peroxyacids	123.2	3.3	2.7	111.3
293590	Sulphonamides (excl. perfluorooctane sulphonamides)	91.9	2.7	3.0	198.5
291590	Saturated acyclic monocarboxylic acids, their anhydrides, halides, peroxides and peroxyacids	83.4	3.6	4.4	168.8

Source: ITC Trade Map, based on UN COMTRADE Statistics

## Plastics and articles (HS-39)

Japan, China, and USA are the largest suppliers to South Korea, accounting for 28.2%, 25.2% and 14%, respectively, of South Korea's total imports in 2018. In particular, South Korea's imports from China have witnessed significant rise in recent years, resulting in sharp rise in China's share from 13.1% in 2009 to reach 25.2% in 2018. Although there have been some signs of marginal increase in South Korea's imports from India, India's share in South Korea's import basket of this commodity is at marginal 0.4%. Select commodities that have potential to export from India to South Korea are given in **Table 5.10**.

**Table 5.10: Plastics and articles (HS-39) - Potential Export Items to South Korea**

Product code	Product label	South Korea's Imports from World, 2018 (US\$ mn)	India's Exports to South Korea, 2018 (US\$ mn)	India's Share in South Korea's Imports, 2018 (%)	India's Exports to World, 2018 (US\$ mn)
392690	Articles of plastics and articles of other materials of heading 3901 to 3914	1084.5	1.0	0.1	534.7
392062	Plates, sheets, film, foil and strip, of non-cellular poly"ethylene terephthalate"	460.1	2.3	0.5	353.9
392190	Plates, sheets, film, foil and strip, of plastics, reinforced, laminated, or supported	375.9	0.3	0.1	302.1
390690	Acrylic polymers, in primary forms	262.9	0.4	0.2	94.0
390110	Polyethylene with a specific gravity of < 0.94, in primary forms	242.3	0.4	0.2	791.6
392390	Articles for the conveyance or packaging of goods, of plastics	172.3	0.6	0.4	134.2
390730	Epoxide resins, in primary forms	149.1	0.1	0.0	87.9
392410	Tableware and kitchenware, of plastics	136.6	0.6	0.4	131.7
390120	Polyethylene with a specific gravity of >= 0.94, in primary forms	112.8	0.004	0.004	369.9

390761	Polyethylene terephthalate, in primary forms, having a viscosity number of $\geq 78$ ml/g	105.8	0.1	0.1	1050.6
390461	Polytetrafluoroethylene, in primary forms	87.8	2.3	2.6	109.5
390769	Polyethylene terephthalate, in primary forms, having a viscosity number of $< 78$ ml/g	85.0	0.1	0.1	271.5

Source: ITC Trade Map, based on UN COMTRADE Statistics

### Inorganic chemicals (HS-28)

China, Japan, and USA are the largest suppliers of this commodity to South Korea, with a combined share of as much as 67.7% of South Korea's total imports in 2018. China's share has witnessed a sharp rise from 24.3% in 2009 to reach 47.1% in 2018. Although still a marginal supplier to South Korea, India's share in South Korea's imports has risen from 0.2% in 2009 to 0.6% in 2018. Potential commodities to export to South Korea are given in **Table 5.11**.

**Table 5.11: Inorganic chemicals (HS-28) - Potential Export Items to South Korea**

Product code	Product label	South Korea's Imports from World, 2018 (US\$ mn)	India's Exports to South Korea, 2018 (US\$ mn)	India's Share in South Korea's Imports, 2018 (%)	India's Exports to World, 2018 (US\$ mn)
281830	Aluminium hydroxide	162.3	2.1	1.3	38.9
283329	Sulphates (excluding of sodium, magnesium, aluminium, nickel, copper, barium and mercury)	149.6	0.4	0.3	60.4
284390	Inorganic or organic compounds of precious metals, whether or not chemically defined	91.4	0.1	0.1	70.9
282300	Titanium oxides	34.8	0.02	0.1	50.8
282739	Chlorides (excluding ammonium, calcium, magnesium, aluminium, nickel and mercury chloride)	33.5	0.2	0.5	30.9
281511	Sodium hydroxide "caustic soda" solid	14.5	0.03	0.2	110.9
282749	Chloride oxides and chloride hydroxides (excluding copper and mercury)	6.1	0.1	1.8	50.5

Source: ITC Trade Map, based on UN COMTRADE Statistics

## Miscellaneous chemical products (HS- 38)

Japan is the largest supplier to South Korea, followed by China and USA. In 2018, Japan accounted for 26.2% share of South Korea's total imports, while the share of both China and USA was 23.6% and 17.1%, respectively. In the case of India, South Korea's imports from India have also risen from US\$ 23.4 million in 2009 to US\$ 51.2 million in 2018, but India is still a marginal supplier to the South Korean market with a 0.6% share (**Table 5.12**).

**Table 5.12: Miscellaneous chemical products (HS- 38) - Potential Export Items to South Korea**

Product code	Product label	South Korea's Imports from World, 2018 (US\$ mn)	India's Exports to South Korea, 2018 (US\$ mn)	India's Share in South Korea's Imports, 2018 (%)	India's Exports to World, 2018 (US\$ mn)
382499	Chemical products and preparations of the chemical or allied industries	1912.1	4.5	0.2	241.3
382200	Diagnostic or laboratory reagents on a backing, prepared diagnostic or laboratory reagents	677.6	0.2	0.04	46.8
381121	Prepared additives for oil lubricants containing petroleum oil or bituminous mineral oil	427.9	-	-	44.0
381590	Reaction initiators, reaction accelerators and catalytic preparations	233.8	0.7	0.3	67.0
382319	Fatty acids, industrial, monocarboxylic; acid oils from refining	208.7	5.2	2.5	140.5
381239	Anti-oxidising preparations and other compound stabilisers for rubber or plastics	114.4	1.3	1.1	42.9
382370	Fatty alcohols, industrial	98.3	3.0	3.1	70.1
381511	Supported catalysts with nickel or a nickel compound as the active substance	84.4	0.7	0.9	64.6
380892	Fungicides (excluding goods of subheading 3808.50)	72.8	2.8	3.8	588.7
381190	Oxidation inhibitors, gum inhibitors, viscosity improvers, anti-corrosive preparations	61.7	2.8	4.5	45.0
381600	Refractory cements, mortars, concretes and similar compositions	43.4	0.2	0.4	51.4

Note: '-' denotes nil or negligible

Source: ITC Trade Map, based on UN COMTRADE Statistics

## Articles of apparel and clothing accessories, not knitted or crocheted (HS-62)

Asian countries are the major suppliers to South Korea, while the share of Italy has declined in recent years. Vietnam, China, Indonesia and Myanmar are the largest suppliers to South Korea, together accounting for a major 82.1% of South Korea's total imports in 2018. In the case of India, despite global export capability wherein India's global exports of these items amounted to US\$ 8.1 billion in 2018, exports to South Korea are still marginal at US\$ 50 million in 2018 (**Table 5.13**).

**Table 5.13: Articles of apparel and clothing accessories, not knitted or crocheted (HS-62) - Potential Export Items to South Korea**

Product code	Product label	South Korea's Imports from World, 2018 (US\$ mn)	India's Exports to South Korea, 2018 (US\$ mn)	India's Share in South Korea's Imports, 2018 (%)	India's Exports to World, 2018 (US\$ mn)
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton	318.0	0.5	0.2	200.3
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton	305.3	2.2	0.7	443.4
620463	Women's or girls' trousers, bib and brace overalls, breeches and shorts of synthetic fibres	257.0	0.4	0.1	131.5
621210	Brassieres of all types of textile materials, whether or not elasticated, incl. knitted	208.1	-	-	107.2
620640	Women's or girls' blouses, shirts and shirt-blouses of man-made fibres	173.0	1.0	0.6	579.0
620520	Men's or boys' shirts of cotton (excluding knitted or crocheted, nightshirts, singlets)	157.7	7.5	4.8	789.3
621143	Women's or girls' tracksuits and other garments of man-made fibres	155.5	0.2	0.2	606.3
620443	Women's or girls' dresses of synthetic fibres (excluding knitted or crocheted and petticoats)	139.3	0.5	0.4	571.5

620630	Women's or girls' blouses, shirts and shirt-blouses of cotton	112.0	3.0	2.7	570.9
620442	Women's or girls' dresses of cotton (excluding knitted or crocheted and petticoats)	74.5	1.8	2.4	497.1
621149	Women's or girls' tracksuits and other garments of textile materials	52.4	0.2	0.4	109.5

Note: '-' denotes nil or negligible

Source: ITC Trade Map, based on UN COMTRADE Statistics

### Pharmaceutical products (HS-30)

South Korea's total imports of pharmaceutical products amounted to US\$ 6.5 billion in 2018, with the largest suppliers being USA and Germany. South Korea's imports from India have risen from US\$ 12.2 million in 2009 to touch US\$ 61.1 million in 2018, with rising share in South Korea's import basket, indicating the scope to further enhance these exports to South Korea (Table 5.14).

**Table 5.14: Pharmaceutical products (HS-30) - Potential Export Items to South Korea**

Product code	Product label	South Korea's Imports from World, 2018 (US\$ mn)	India's Exports to South Korea, 2018 (US\$ mn)	India's Share in South Korea's Imports, 2018 (%)	India's Exports to World, 2018 (US\$ mn)
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes	3192.4	8.8	0.3	10743.0
300215	Immunological products, put up in measured doses or in forms or packings for retail sale	1033.6	0.002	-	81.5
300212	Antisera and other blood fractions	480.2	0.3	0.1	55.3
300439	Medicaments containing hormones or steroids used as hormones but not antibiotics	299.1	0.2	0.1	82.2
300220	Vaccines for human medicine	273.0	0.001	-	667.7



300420	Medicaments containing antibiotics, put up in measured doses "incl. those in the form of transdermal	129.7	0.02	0.01	1004.4
300431	Medicaments containing insulin but not antibiotics, put up in measured doses	89.8	0.4	0.4	124.8
300390	Medicaments consisting of two or more constituents mixed together for therapeutic or prophylactic	67.1	3.0	4.5	314.5

Note: '-' denotes nil or negligible

Source: ITC Trade Map, based on UN COMTRADE Statistics

## **BRIEF ANALYSIS OF POTENTIAL SECTORS FOR ENHANCING BILATERAL INVESTMENTS BETWEEN INDIA AND SOUTH KOREA**

India and South Korea share considerable synergies in various sectors. South Korea, being an export-driven economy is drawn by India's huge consumer market. South Korea has developed considerable expertise and emerged as a global leader in sectors such as shipbuilding, steel, nuclear energy, heavy electrical machinery etc. and is keen to invest in India in these areas. Similarly, South Korea could take advantage of India's prowess in IT software and to combine it with its expertise in IT hardware, designing, engineering and manufacturing. South Korean investments in India can provide significant boost to Indian manufacturing in terms of technology, output enhancement and creation of employment opportunities.

India's cheaper and competitive labour compared to many other Asian countries and a huge consumer market could play a major role in promoting increased South Korean investments into India. South Korea has made the transition from being one of Asia's poorest countries to a world leader in heavy industry and high technology sectors by encouraging export-oriented manufacturing industries. This is made possible only by investing heavily in skills development. South Korea could support India by imparting these necessary skills development and training to Indian workers. On the other hand, Indian investment can also play an important role in South Korea, especially in services sector and providing a pool of skilled professionals.

### **Potential Sectors for South Korean Investments in India**

India has set up an investment promotion and facilitation agency, Invest India, to handhold FDI into India "from concept to cash flow", while South Korea launched

Korea Plus, a platform to promote and facilitate investments from South Korea into India. Korea Plus has three representatives each from the Government of South Korea and Invest India. The mandate of Korea Plus covers 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. South Korea is a major global producer of automobiles, electronics, shipbuilding, steel and, high-technology products such as digital monitors, mobile phones, and semi-conductors. India could substantially benefit from technology transfer from South Korea.

**Defence Sector:** According to Stockholm International Peace Research Institute, India is the second largest importer of defence equipment, behind Saudi Arabia in 2019. Although India is a major importer of defence products globally, there has been a steady progress in 'Make in India' defence products exports to a number of countries including USA, Australia, Finland, France, Germany, Israel, South Africa and Sweden in the recent years. South Korean companies with their high level technologies could set up base in India, supported by India's improved business climate, abundant supply of labour and various GOI's policy initiatives to ease investment process in the country. At the same time, South Korean companies could set up JVs with Indian companies and customize their technology and products to meet the demand of Indian market.

**Automotive Sector:** India is the world's fourth largest passenger car market, and is expected to become the world's third largest after China and USA in coming years. Korean companies could invest in Passenger Vehicles, Two and Three Wheelers, Heavy Commercial Vehicles, Auto Electricals and Electronics and Automotive batteries sector, where India has high growth potential. According to Automotive Mission Plan 2016-26 by Government of India, the Indian automotive sector is expected to generate an annual revenue of up to US\$ 300 billion by 2026, create 65 million additional jobs and contribute over 12% to India's GDP. With the 'Make in India' policy offering incentives for foreign companies manufacturing in India and a push to increase the number of electric vehicles (EVs) on Indian roads, investing in automobile sector would offer lucrative opportunities for South Korean investors for a wide range of products from lithium batteries to electronic components to Internet of Things (IoT).

**Electronics Sector:** The Indian Electronics industry is being driven by factors such as growing middle-class population, rising disposable income, declining electronics prices and adoption of high-end technology devices. According to Invest India, Indian electronics market is expected to reach US\$ 400 billion

by 2025, with the Consumer Electronics and Appliances Industry expected to become the fifth largest in the world by 2025. India is also the fastest growing smartphone market in Asia Pacific region. South Korean companies with their stronghold in the global electronics market, significant resources and high level technology could invest in India, especially in the domestic supply-chain process.

**Aerospace Sector:** The Indian Aerospace industry has witnessed a high growth in recent years both in terms of civil aviation sector and space programmes. According to Directorate General of Civil Aviation, domestic passenger traffic in India has recorded an 18.6% growth in 2018 compared to a 17.3% growth in 2017, though the growth slowed down in 2019 due to a subdued economic growth and issues associated with few domestic airlines. Rising working group and widening middle class is expected to boost the demand for civil aviation sector significantly in the coming years. The rapid growth of Indian civil aviation sector has put huge pressure on the existing civil aviation infrastructure. Thus, there exists huge opportunities for collaboration with South Korean companies in modernizing the civil aviation infrastructure in India, especially in areas such as establishing Maintenance Repair Overhaul (MRO) facilities for civil and military aircraft, overhaul and maintenance of aero engines and production of avionics, components and accessories in aviation sectors<sup>3</sup>. India has already established itself as a global powerhouse in software while South Korea is globally competitive in hardware.

In terms of space programmes, India is considered to be one of the major space-faring nations in the world, with India's space research sector matured in experience and technological capabilities over the years, as demonstrated through its various achievements. On the other hand, South Korea's space program has seen a slow progress due to limited availability of core technologies. The country aims to achieve independent technological capabilities for space development in the near future and be one of the top ten nations in the space industry. With India emerging as a major hub for engineering and design services, there exists scope for space cooperation among both countries, in the arena of outer space and nuclear energy.

**Infrastructure Development:** South Korea is a partner in India's major flagship initiatives such as Smart Cities, Sagar Mala and Industrial Corridor projects. According to the Asian Development Bank, India requires investments of about US\$ 4.5 trillion by 2040 to develop a sound infrastructure to improve its economic growth. There are ample amount of opportunities for South Korea for investment

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<sup>3</sup>Aerospace Industry in India; defense-aerospace.com

in India's infrastructure, including roads, railways, urban waste management and treatment and education.

## **Potential Sectors for Indian Investments in South Korea**

South Korea is among the most promising and vibrant economies in Asia. The country is an attractive investment destination, supported by its stability, rapid growth rates, strong manufacturing base, export orientation and availability of advanced technology. The country's exceptional technological ability, production capacity and competitiveness has made it the global leader in high-tech manufacturing for semiconductors, smartphones and display panels. Indian firms in South Korea are mostly into IT services and consultancy category, though there exist investments in manufacture of manmade fibres, aluminum products, commercial vehicles and banking and financial services. In addition, Indian investors can also increase their exposures into biotechnology sector, research and development sector, digital content sector (movies, recordings, and webtoons), tourist sector and fashion industry, where huge demand exist. There also exist opportunities for cooperation in logistics sector, supported by its significant e-commerce market.

**IT Service Industries:** An Indian IT-startup in South Korea could benefit from the large domestic market and the continued start-up and venturing boom. South Koreans are active users of mobile devices for gaming, and social networking and have begun adopting artificial intelligence. India, being a leader in software could partner with South Korean companies in their endeavor to lead the world in the Fourth Industrial Revolution and adoption of 5G and the IoT.

**Creative Industries:** South Koreans are fervent consumers of digital media and use majority of their bandwidth resources to online gaming. The gaming industry of South Korea has become an important sector, with a total revenue of 8.8 billion euro in 2017 and is expected to grow by 5% annually in the next few years<sup>4</sup>. Focus of the industry is shifting to mobile games and VR technology. It is targeting global audiences and is partnering with global studios and publishers. The digital content sector (movies, recordings, and webtoons) are also witnessing high demand in the country. India with its strong media and entertainment Industry can make an impact in the country by investing in digital content sector.

**Pharmaceutical Sector:** South Korea is planning to invest more than US\$ 1.7 billion in its biotechnology and biopharmaceutical sectors over the next five years. The country aims to position itself as a global biotech and medical

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<sup>4</sup>Doing business in South Korea, Kingdom of the Netherlands, 2016

industry hub by investing more on research and development (R&D). However, the recent investment towards the sector is focused more towards biotechnology and biopharmaceuticals sectors and not medical industry. South Korea lags behind major global pharmaceutical producers in the development of new drugs. India could invest especially in pharmaceuticals and healthcare, and could enter into local partnerships in generic drugs production, where India has high competitiveness.

**Energy Sector:** Being a manufacturing-focused economy, South Korea requires large amounts of energy. The country imports most of its energy requirements. Hydro and other renewable energies represent a small portion of the total energy used within the country. In December 2017 South Korea announced Renewable 2030, a plan to greatly increase its renewable energy capacity in areas including solar and new wind energy sectors. Indian companies in renewable sector could enter into partnership with South Korean companies especially in the offshore wind energy sector.

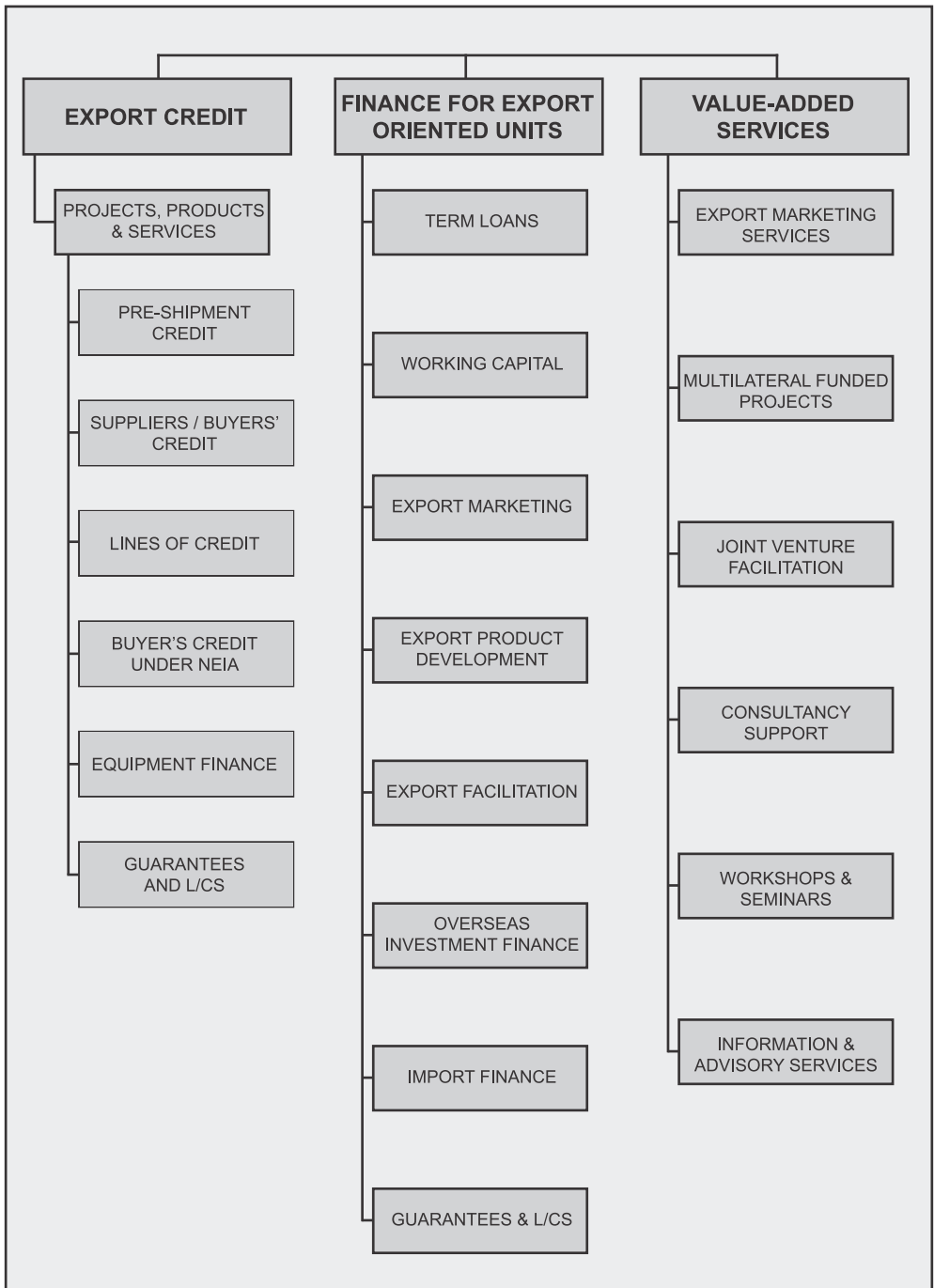
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