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India, South Korea to ease visa norms; boost defence, commerce ties

Elizabeth Roche, Livemint

March 25, 2012, Seoul: India and South Korea on Sunday announced a series of steps, from commerce to defence to space cooperation, to deepen the strategic partnership between Asia's third and fourth largest economies.

Buoyed by a substantial jump in trade—between 65% and 70% after a comprehensive economic partnership agreement was inked in January 2010—both nations have decided to scale up their bilateral target from \$30 billion in 2014 to \$40 billion by 2015, the leaders of the two countries said on Sunday. Trade in 2011 topped \$20 billion.

Prime Minister Manmohan Singh “underlined the desirability of balanced trade relations” and “ways to facilitate greater market access for each other’s products and services,” after wide-ranging discussions with President Lee Myung Bak, according to a joint statement.

Singh, who is in Seoul for the second nuclear security summit hosted by South Korea and scheduled for Tuesday, met Lee on Sunday for talks on bilateral matters.

The two countries have also signed an accord to simplify visa procedures aimed at boosting people-to-people contacts and business travel as Singh invited investments from South Korea into India’s infrastructure sector—where the government is seeking investments to the tune of \$1 trillion between 2012-17 to spruce up ports, airports, highways and power plants.

Singh also invited small- and medium-scale companies from South Korea to invest in India. Vishnu Prakash, Indian ambassador in Seoul, told reporters that approximately 99% of Korean industries are in the medium- and small-scale sector and are responsible for creating 88% of jobs in the country. There were also discussions on improving air connectivity between the two countries.

“There is considerable untapped potential given that South Korea is one of the fastest growing Organisation for Economic Co-operation and Development (a group of high-income countries) countries and India is one of the fastest growing major economies,” said Sanjay Singh, secretary (east), ministry of external affairs.

Singh and Lee also discussed progress on South Korean steel maker Posco’s plans to set up a \$12 billion plant in India, which has been stalled for almost seven years. Billed as India’s largest foreign direct investment, the project has been delayed by farmers’ protests against the acquisition of land for the plant.

“We expressed that there was progress in the implementation of the Posco project. Both sides attach importance to it... We hope there is progress in the future,” Sanjay Singh said.

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Cheap steel imports to flood market

Probal Basak & Ishita Ayan Dutt, Business Standard

Kolkata, July 20, 2012: The Comprehensive Economic Partnership Agreement (Cepa) with Korea and Japan is turning out to be the latest trouble for the Indian steel industry, already grappling with mining and land issues.

Imports of hot rolled coil (HRC), a benchmark product, from Korea surged 125 per cent and from Japan, 72 per cent, in 2011-12 over the previous year. While the flood is likely to continue further, experts say this is not just hurting the domestic steel industry in a weak market, but, in the short term, could be a disincentive for foreign direct investment (FDI).

A slew of Japanese companies — Kobe, JFE, Sumitomo and Nippon — are either a part of the India story, in some way or other, or are actively looking at it, while South Korea's Posco is still waiting in the wings. All these companies are in a way incentivised to sell the steel produce in their country and flood the Indian market. It will act as disincentive for these global steel majors to invest in producing steel in India.

“The trade pacts are not helping India, while affecting the industry adversely. Production and employment are taking place in those countries. We should encourage FDI instead,” said Jayant Acharya, director, commercial & marketing, JSW Steel.

Consider this: Maruti Suzuki India Ltd (MSIL) has been importing steel from Japan and Korea much before the bilateral agreement came into existence. But it would stand to lose significantly if steel is moved to the sensitive list for exclusion under the CEPA, as is being demanded by the steel companies. The impact of withdrawal from Korea would be Rs 7.7 crore and from Japan, Rs 10 crore.

“We have imported over 190,000 tonnes in 2010-11 and over 200,000 tonnes in 2011-12, which are about 29 per cent and 28 per cent of our total requirements. Import quantity is dependent on demand changes and not on the bilateral agreement,” said S Maitra, chief operating officer (supply chain), MSIL.

Steel industry representatives feel the onslaught of imports could lead to loss of jobs for Indians. “It might lead to idling of steel capacity. Most of the plants without captive iron ore are operating at much less than full capacity,” they pointed out.

In view of the pressure the industry is facing, the government had increased the import duty on most steel products from five per cent to seven per cent in the budget. However, it doesn't quite affect the imports from Korea and Japan since under the provisions of Cepa the rate is subsidised at 3.125 per cent for Korea, while Japan attracts 3.3 per cent for 2012-13. The rate will reduce to zero by the beginning of 2017.

“I don't understand why these countries should enjoy concessional rates,” asked Nitin Johri, director (finance) Bhushan Steel. Johri's sentiments were echoed by Essar Steel Executive Director (strategy & business development) Vikram Amin. “There is a definite case to exclude steel products from the ambit of the Free Trade Agreement (FTA) with Korea and Japan. Considering the high value addition in the steel industry and employment generation potential, it makes immense sense to export steel rather than exporting iron ore and importing steel,” Amin said.

Though cumulative imports from these countries constitute more than 40 per cent of all flat steel imports into India, during November-December, the rise was as high as 400-600 per cent.

Industry representatives said, the Federation of Indian Chambers of Commerce and Industry (Ficci) has already taken up the matter with the government.

According to Acharya, it should be a level playing field. While cost of production in India is more or less at par with Korea or Japan, the financing cost is more conducive in those countries.

To boost the strategic content of their partnership, Singh announced that India will appoint a defence attache to Seoul by the end of this year. This comes two years after a visit by defence minister A.K. Antony to South Korea, during which the two countries had signed two agreements, one on defence cooperation and another between India's Defence Research and Development Organisation and South Korea's defence acquisition programme administration for cooperation in research and development.

Singh and Lee agreed to "continue high-level exchanges between the defence establishments of both sides," and to "explore the possibilities of joint ventures in research and development and manufacture of military equipment including through the transfer of technology and co-production," the joint statement said. "President Lee underscored that Korea wanted to increase cooperation with India in military and defence industry," the statement said in a reference to manufacture of hardware, including naval ships and aircraft. Singh told reporters that India "has offered to launch Korean satellites on Indian space launch vehicles."

This follows from a pact both countries had signed on space cooperation in 2010 during a visit to India by Lee, Sanjay Singh said. He also said that the proposed collaboration in defence and military fields mirrored the upswing in ties and was in keeping with the strategic partnership given that South Korea had "considerable prowess" in defence production.

When asked about the impact of closer defence and strategic cooperation between India and South Korea on China, which has been wary of India increasing its economic and military engagement with countries in East Asia, Sanjay Singh said: "Our relations with every country stand on their own merit and are not predicated on relations with any other country."

Lee, in his remarks to reporters after talks with Singh, said he was "pleased" with the progress made between the two countries after the signing of their civilian nuclear agreement last year.

"Recognizing the criticality of non-polluting nuclear energy in the economic development of countries, they (India and South Korea) agreed to discuss specific items of cooperation... President Lee requested that the Indian government allocate a site for Korean nuclear reactors," the statement said.

According to Sanjay Singh, South Korea generates 45% of its electricity from nuclear power plants and has expertise in building 1,400MW plants, considered the most advanced in the world. Power-hungry India is aiming to increase installed capacity by more than seven times to 35,000MW by 2022 and to 60,000MW by 2032. India now generates less than 5,000MW from nuclear power plants.

On North Korea's threat to launch a long-range rocket next month, Lee said, Singh and he agreed that this "constitutes a grave threat to peace and security" to the region. To keep up the momentum of high-level engagement, South Korea's ministers for defence and foreign affairs would be visiting India soon and the Indian commerce minister would also be travelling to Seoul in the course of this year, Sanjay Singh said.

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