

**Engaging India: Economic and Cultural Aspects of Korean Diplomacy
(1995-2005)**

Vyjayanti Raghavan

Korean Language Department, Centre for Japanese & North East Asian Studies
School of Languages, Literature & Culture Studies
Jawaharlal Nehru University, New Delhi

Abstract

This paper seeks to explore Korean concerns in India and its larger worldview. Primarily, Korea's increasing engagement with India, according to the Indian view, arises from Korea's need to reduce its dependence on China. From the Korean standpoint, India is attractive on a number of counts. It remains a long term attraction as a large market. Also, India can play a role in the global cost reduction plans of large Korean enterprises. For historical reasons, South Korea may not be able to access the Chinese economy and its labour force as much as some other countries in the region. India is therefore an attractive alternative. India's educated and technologically skilled workforce is a strong asset, and its quality is being increasingly recognized abroad. The possibility of India being an export production base is quite strong. India provides an alternative source of economic cooperation. Also, as wages in Korea have increased and as Korea has begun to move out of an industry-based economy to a knowledge based one the attractions of India have become obvious because of its cheap labour, both blue and white collar. This paper will seek to document these trends. This policy, Indians believe, fits in with Korea's large worldview which consists of Korea being counted as one of the major influences on world affairs. In 1991, India started a process of economic reform that had FDI as one of its main components. In 1993, India adopted the 'Look East' policy and signed an agreement of cooperation with Korea, which swiftly grasped the opportunity that the vast Indian market could provide. It is now the fifth largest investor in India and Korean firms have become household names, accounting for significant markets shares in every market in which they are present. In the 21st century Korea sees something more than the gigantic domestic market in India. It sees in India a potential to become a hub and a bridge through which it can reach out to Central Asia. As far as using economic instruments in aiding diplomacy goes, there are few successful parallels to this.

On the cultural and educational side also Korea has been very active. Initially, the Korean government and subsequently, the Korea Foundation has been supporting visiting faculty positions at Jawaharlal Nehru University since 1976, at Delhi University since 2002, and at Madras university since 2005. In 1995 Korea Foundation set up an endowment of USD 45,000 for a faculty position at Jawaharlal Nehru University. The endowment has since

been increased to USD 1,45,000. The number of scholarships to Indian students to study in Korea has also been increased 10-fold in recent years. In the last 10 years, more than 50 students have studied in Korea. The subjects have varied from Korean history, language, literature, culture, economy and international relations. Great efforts are also being made to introduce Korean culture to the Indian populace. It is clear from this that the Korean government is following a two-pronged strategy in its diplomacy in India.

1. Introduction

Korea and India have had formal diplomatic relations since 1973. But informal relations have existed for several centuries and one of the early interactions that is being popularised by the Korean government is one that took place over a 1000 years ago when a princess from Ayutha (apparently Ayodhya) went to Korea and married King Kim Suro. In modern times, however, for the first 20 years after formal diplomatic relations were established the level of interest in each other remained at a very low key. This was despite the fact that Korean firms had started to explore the Indian market from the early 1980s. But in 1991, India started a process of economic reform that had FDI as one of its main components. In 1993, Prime Minister Narasimha Rao visited Korea as part of his 'Look East' policy and signed an agreement of cooperation. Korea swiftly grasped the opportunity that the vast Indian market could provide, and the next few years saw a massive upsurge in Korean investment in India. It is now the fifth largest investor in India. Today, Korean firms have become household names in India and they account for significant markets shares in every market in which they are present. Korea also sees India as a place from where it access Central Asia. Korea and India are seeking to devise a comprehensive economic cooperation agreement. If successful this could raise bilateral trade to \$10 billion (9.68 trillion won) by 2008.

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2. The Economic Dimension

Korea has been mainly focusing on the economic dimension. The main elements of this are described below.

2.1 Trade: Most imports from Korea are of machinery and equipment. The volume is likely to increase as more Korean investments come into India. Other imports from ROK are organic chemicals, electrical machinery, man-made filaments, mineral fuels and plastics/rubber articles. Imports from Korea were US\$ 2.8 billion and account for about 4 per cent of India's total imports. But a huge potential, as shown below, still remains untapped.

Potential Indian Export from RoK	Potential RoK Exports to India
Drugs And Pharmaceuticals	Textiles
Basic Industrial Chemicals/Organic And Inorganic Chemicals	Synthetic Resins ,Plastic Material And Man Made Fibers
Food Processing	Fuel, Power And Oil Refinery
Carpets And Rugs/Apparels	Structural Metal Products
Product Of Leather And Leather Substitutes	Rolling Stock
Information Technology-Software	Pulp Paper And Paper Board
Petroleum Products	Confectioner And Processed Food Items
Motorcycles And Bicycles	Optical Instruments
Jewellery	

2.2 Investment: After 1991, when India liberalised its economy, Korean companies have invested in India in a big way through joint ventures, and wholly-owned subsidiaries in automobiles, colour televisions, washing machines, refrigerators, air conditioners, microwaves, audio & video systems, etc. Some companies are also engaged in constructing highways, power plants, chemicals, petrochemicals and metro rail projects. Shipbuilding and energy exploitation have also attracted Korean forms. Hyundai Heavy Industry, Daewoo Shipbuilding Marine & Engineering, Samsung Heavy Industry are present in India selling offshore plant projects, oil tanker carriers, cargo-ships and LNG carriers. As a result, Korea is ranked 9th in foreign direct investment (FDI) in India. The cumulative investment from August 1991 to Dec 2005 is US \$749 million amounting to 2.28 per cent of the total FDI inflows into India. In terms of FDI approvals, Korea ranks 5th and accounts for about 4 per cent (US\$ 2.65 billion of the total investment approvals).

Year	FDI Inflows (US \$ mn)
August 1991-March 2002	594
2002-03	39
2003-04	24
2004-05	35

2005-06(April-Dec)	57
Cumulative Inflows (from Aug 1991-Dec2005)	749

The main sectors attracting FDI from South Korea are:

1. Electrical equipment including computer software & electronics (58.48%)
2. Food Processing industries (16.72%)
3. Transportation industry (8.68%)
4. Machine Tools (1.89%)
5. Textiles (including dyed & printed)(1.10%)

Korea has also been granted 225 technical collaborations amounting since 1991 in transportation electrical equipments including computer software & electronics, chemicals, and other miscellaneous engineering and metallurgical industries. Korea's largest IT service provider, **LG CNS** has launched its wholly owned subsidiary, LG CNS Global, with an initial investment of \$2 million. The Indian centre would focus on providing product reengineering, system integration, application development, system management and enterprise services to both LG and non-LG customers in the overseas markets. LG CNS is the IT services arm of the LG Group and in India the company already. **Hyundai**, the second-largest auto maker in India after Maruti Udyog Ltd., expects India's small-sized car market to grow to 9,60,000 units by 2010 from 6,00,000 this year and has accordingly revised its annual output and has begun construction on a US\$ 500 million-second plant, expected to be operational by October 2007. Hyundai which has been in India since late 1998, aims to raise its Indian market share from 18 per cent to more than 20 percent in 2007. **LG Electronics** announced that it was targeting a 200 per cent growth in GSM mobile phone handsets, from 4 lakh to 12 lakh. The company is looking at the possibility of establishing a plant at Hyderabad or Chennai in the next three years. Some major Korean companies in this sector already having their units in India are **Samsung Electronics Co. Ltd**, LG Electronics Inc. and Korea Mobile Telecom etc. Korean telecom equipments are being used in the Indian telecom network for the last 10 years. **Posco** is constructing a 3 million ton capacity steel plant in Orissa during the first phase between 2007 and 2010, and plans to expand its final production capabilities to 12 million tons. The total investment proposed is US\$12 billion, including an initial investment of US\$ 3 billion during the first phase. The project is also expected to produce foreign exchange inflows of US\$22.7 billion with taxes and royalty incomes of US\$19.1 billion for the central government and US\$4.8 billion for the Orissa State government. **Cyworld**, a leading Internet firm, announced its plan to enter India. Cyworld may also offer software development contracts to various companies for its ongoing expansion plans in the country. South Korea also landed the lucrative contract to build New Delhi's new light-rail transit system, opened two years ago.

3. Culture and Education

Korea's cultural exchange with India began largely in the fourth century A.D., though commercial exchange through the Silk Route is said to date back to the first century. Along this route, exchange of not only goods but also of culture and religion took place. According to scholars like Ko Byoung-Ik (1977) the first Indian monk to have come to Korea was from Qin China in 374 AD. Following him many other monks visited Korea via China. However, in the process of either translation or transliteration of their names from Sanskrit into Chinese there remains some ambiguity about their original names. The contacts between the two countries continued and peaked during the seventh and eighth century A.D. One of the first Korean Monks to visit India during this period was Hye-cho. His memoirs make an interesting reading of various regions of India including the holy places of Sarnath, Kusinagar, Rajagraha, Bodhgaya, Varanasi and Kanauj in the east, the Kingdom of the Chalukyas in the south, the Kingdom of the Kathiawar in the west and Jalandhar, Indus areas, the Gandhara and the Kashmir valley in the north.

After this period there has been a prolonged period of discontinuity in the relations between the two countries from about the ninth till about the twentieth century. Then once again the interactions between the two saw new developments in the modern era with both sharing similar colonial experiences. The anti-colonial movements in both countries revived interest in each other. Rabindranath Tagore, Mahatma Gandhi and Pandit Jawaharlal Nehru were all viewed as messengers of peace and respected for their commitment to human freedom. Tagore's poem referring to Korea as the 'lamp-bearer of the East' and his denunciation of Japan's rising militarism, Gandhiji's non-cooperation movement, Nehruji's reference to the colonial years of Korea as 'a very dark and sad chapter' all became a source of inspiration and gave rise to a sense of bonding between the people.

Then followed the years of Indian involvement in the problem of division of Korea. K.P.S Menon who was very keen on seeing the Korean peninsula united was chosen as the Chairman of the United Nations Temporary Commission on Korea (UNTCOK). However, the commission could not achieve the unification and was later dissolved after having conducted elections only south of the 38th Parallel. Later again during the Korean War India sent a Field Ambulance and a Surgical Unit consisting of 17 officers, 9 JCOs and 300 other ranks to Korea to serve with the UN Forces as a peace keeping force.¹ The performance of this unit and their devotion to the cause is accounted in detail in the official Korean records.² The issue of the Prisoners of War (POWs) also saw Indian involvement, with the terms of agreement based on Indian proposals. A Neutral Nations repatriation Commission (NNRC) was set up, once again to be chaired by India. The purpose was to enable POWs who did not want to return to their country of origin to exercise their right to repatriation. Thus India played quite an active role in the Korean crisis.

¹ Alka Gupta, "Korea-India Relations: From Independence to Establishment of Diplomatic Ties", p.43

² Ministry of national Defense, History of UN Forces in Korean War, Seoul, 1973, Vol. 11 as cited in Alka Gupta, ...p.44.

However, after the war there was a lull in the relations between the two countries- India and Korea- for some time. It was not until 1962 that Korea established her Consulate General in India and Delhi reciprocated this gesture only in 1968. Then in keeping with India's policy of non-alignment India established full diplomatic relations with both Seoul and Pyongyang simultaneously in December of 1973.

Following these there were a number of trade and cultural agreements signed between the two countries. The most significant cultural agreement was the one signed in 1974 and again in 1976, which were designed to promote relations in the realms of art, culture, education including academic activity in the field of science and technology, public health and mass media. This relationship was extended to include air services in 1992 and tourism in 1993.

Korean Air and Asiana have started regular passenger flights to Mumbai and Delhi, while the former also provides regular cargo services between Incheon and Chennai, which is the home to production facilities of many Korean Companies like Samsung Electronics, LG Electronics, Hyundai Motors etc. This is in addition to its cargo services to New Delhi and Mumbai.

Korea Foundation (KF) supports a number of programmes in India. It provides Korean Language Training Scholarships for graduate students and Field-Trip and Research scholarships for research students and faculty members of Korean language and studies programme, besides giving grants for publishing Korean language textbooks or other books related to Korea. KF's Books and Publications Division has been supplying large number of books to the libraries of JNU, University of Delhi and Madras University, besides sending publications like Korea Focus, Koreana, Korean Art and Culture regularly.

KF had provided an endowment fund of US\$ 45,000 to JNU to create a faculty position in 1995 and has enhanced it to US\$ 1,45,000 in 2005. It also maintains visiting professorships at JNU, University of Delhi and Madras University. Since 2003 it has been giving merit scholarships to two undergraduate, two graduate, two M.Phil and two Ph.D students every year as a means of encouragement. KF has also been underwriting the costs of seminars and conferences related to Korean studies held in India.

In addition, in order to introduce Korea's unique culture, which is often mistaken to be part of Japanese or Korean culture, the KF has been holding cultural events including art exhibitions, art troupe performances of folk and traditional dances and music. For improving personnel exchanges the Foundation has been organizing international forums and opening regular channels of dialogue with leaders at a nongovernmental level.

Meanwhile the National Institute of International Education Development (NIIED) associated with the Ministry of Education and Human Resources of Korea which has been offering one to two fellowships to students of Korean studies in India has increased it to four fellowships since this year. As a contribution to a better understanding of Korea and fostering better relations with India, the NIIED lately has also been inviting 2-3

students to a ten-day or a two-week programme to Korea where it arranges lectures on Korean culture, visits to Korean cultural sites and home-stays with Korean families.

This year Posco-India, the Indian subsidiary of the fourth largest steel manufacturer in the world, in order to promote academic collaboration between India and Korea, has initiated scholarships and grants for meritorious students. The Posco TJ Park Foundation, named after its founder tae Joon Park has awarded scholarships to 60 students, research grant to two scholars and fellowships to 5 students. Fifty percent of these would be for students from Orissa where Posco has made its largest overseas investment of US\$ 12 billion. This is Posco's strategy of cultural diplomacy involving grooming personnel from the local populace to handle the day to day running of the project.

As part of the broader BRIC (Brazil, Russia, India, China) project, the primary aim of which is to analyse the economic and business environments in these countries especially in the IT sector and see what the driving and inhibiting forces are in each of these countries' market, the South Korean government has been investing a lot of funds in Universities in Korea for them to enter into MOUs with universities in India. The idea is for exchange programmes to take place between educational institutions in both countries. The South Korean student delegates who were chosen to come to India were encouraged to introduce Korean culture through interactions with university students. The Korean government provides incentives to Korean organisations to hold food festivals and other such events. Kimchi has become a common name in the salad bar of many big restaurants and hotels in India.

Since July this year KBS has been telecasting a Korean TV serial 'Hae Shin' or 'Emperor of the Sea', dubbed in Hindi for children. Another one is in the pipeline, to be telecast at prime time on Sundays. Thus part of Korea's cultural diplomacy in India has also been to brand position its culture and it is exploring every avenue for this purpose.

4. Conclusion

It can be seen from the foregoing paragraphs that Korea has made India an important target of its external relations and diplomacy. This is aimed at making India a complement to China as an economic partner. The main instrument has been economic – trade and investment – but of late there has also been an increasing use of education and culture. Korea has succeeded in creating a lot of awareness of itself in India. This contrasts with the situation two decades ago when very few Indians were aware of the Korean economic miracle. Given the success of this strategy and given that India and Korea do not have any political and strategic-issues related differences, it is reasonable to assume a continuation of this path.

Appendix

Table 1- Pattern and Rate of Bilateral trade Growth (US \$ mn)

Year	Export	% Share of India's Total Export	% Growth	Imports	% Share of India's Total Imports	% Growth	Total Trade with ROK	% Share of India's Total Trade	% Growth
1996-97	518.48	1.54		883.59	2.26		1402.07	1.93	
1997-98	467.55	1.344	-9.82	950.54	2.29	7.56	1417.99	1.86	1.14
1998-99	307.9	0.927	-34.15	1394.43	3.29	46.72	1702.33	2.25	20.07
1999-00	476.56	1.29	54.78	1104.42	2.22	-20.8	1508.98	1.83	11.35
2000-01	450.78	1.01	-5.41	893.76	1.77	-19.07	1344.54	1.41	-14.96
2001-02	471.37	1.08	4.57	1141.37	2.22	27.7	1612.74	1.69	19.95
2002-03	644.85	1.22	36.8	1522.01	2.48	33.35	2166.87	1.9	34.36
2003-04	764.86	1.2	18.61	1829.19	3.62	85.88	2594.05	1.83	65.86
2004-05	996.0	1.24	30.22	3429.32	3.14	87.48	4425.32	2.33	23.13
2005-06(April-Sep)	714.32	1.62		1,794.98	2.74				

Source: DGCI&S, GoI, India

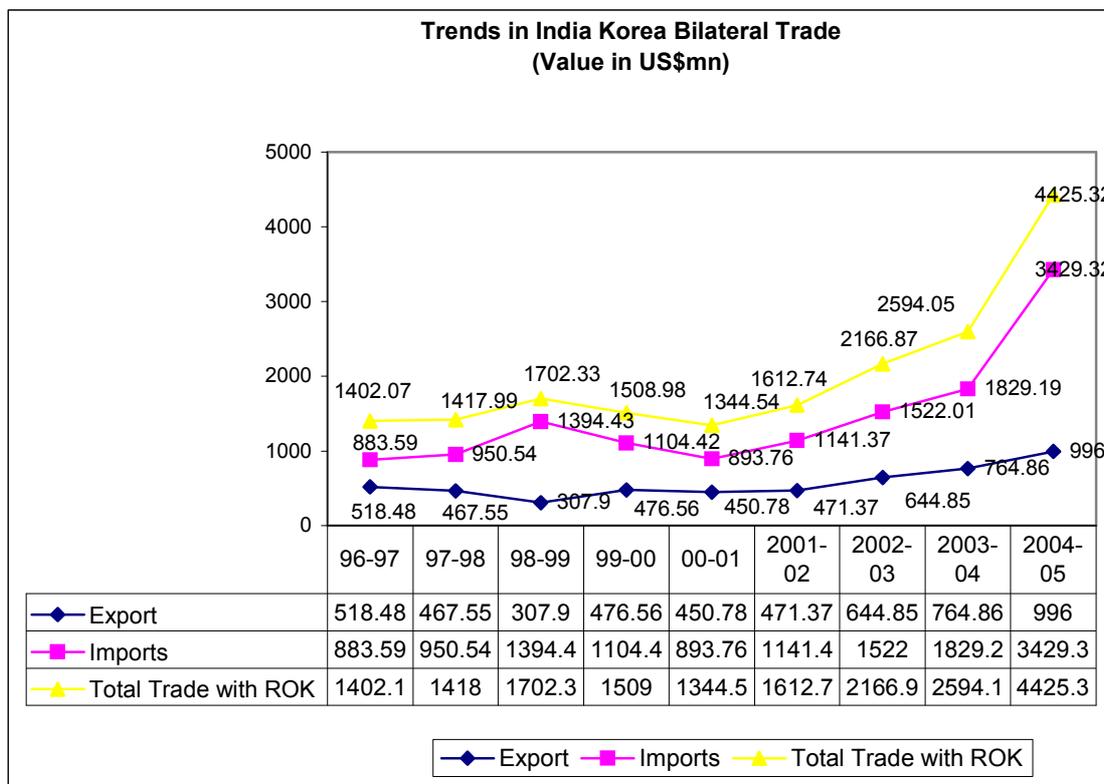


Table 2: India's share in Korea's global trade (2003-04) US \$ mn

Korea's global trade (477,584)	India's trade with Korea (2594.05)	India's % share (0.54)
Korea's global imports (224,459)	India's imports from Korea (1829.19)	India's % share (0.81)
Korea's global exports (253,125)	India's exports from Korea (764.86)	India's % share (0.30)

Source: Direction of Trade Statistics, IMF & DGCIS, GoI

Table 3-India's Top 10 Import Commodities from Korea US \$ million

HS Code	Commodity	2004-05
85	Electrical Machinery And Equipment And Parts Thereof; Sound Recorders And Reproducers, Television Image And Sound Recorders And Reproducers,And Parts	1,235.45
84	Nuclear Reactors, Boilers, Machinery And Mechanical Appliances; Parts Thereof.	577.77
89	Ships, Boats And Floating Structures.	249.96
72	Iron And Steel	243.83
87	Vehicles Other Than Railway Or Tramway Rolling Stock, And Parts And Accessories Thereof	222.53
39	Plastic And Articles Thereof	153.19
29	Organic Chemicals	113.48
90	Optical, Photographic Cinematographic Measuring, Checking Precision, Medical Or Surgical Inst. And Apparatus Parts And Accessories Thereof;	66.21
40	Rubber and Articles Thereof	65.72
73	Articles of Iron or Steel	61.46

Major Milestones

The following are the major indicators of growing economic collaboration between India and Korea.

- India Engineering Trade Fair(IETF) 1999, Partner country: South Korea. Mr Kim Jong Pil, Prime Minister of Korea was the Guest of Honour at the Inaugural ceremony.
- Visit of the Korean Economic Delegation in 1999.
- Participation at the Third India – Korea Dialogue, New Delhi (17th – 18th December 1999)
- Participation at the Third Indo – Korean Joint Trade committee meeting, New Delhi (9th –10th May 2000)
- Participation of 37 Korean companies at the 14th India Engineering Trade Fair(IETF) (15th - 19th February 2001)

- Visit of a 30 member delegation from Taegu Metropolitan city, lead by Mr Moon Higab, Parliamentary member – National Assembly & Vice Minister in Economic Planning Bureau (15th – 16th March 2001)
- Visit of Mr Ashok Soota, Vice President CII, to ROK (17th – 19th October 2001)
- Address by H E Mr Kwon Soo-Tae, Ambassador of ROK in CII, Chennai on “Partnership between the Republic of Korea and India in the 21st century” (30th July 2002)
- Address by Dr Ki-Ho Lee, Special envoy and Senior Advisor to the President of Korea, at the Meeting on “Towards a New Horizon of Economic Cooperation between India and Korea” (27th August 2002)
- Interaction with the Association of Korean Industries in India (AKII) (31st October 2002)
- Participation of Mr Y T Lee, Chairman, Trigem, Republic of Korea at the 18th India Economic Summit, theme “India:8% Growth for 20 years – How?” (24 – 26th November 2002)
- Catalogue Show of Korean Products in Coimbatore, in association with CODISSIA & Korea Trade Office (20 Korean companies participated in sectors:Machinery, Consumer Goods, Hospital, Electronics, Textiles etc) (27th December 2002)
- First ever Korean Taekwondo Demonstration (28 June 2003)
- Interaction with the Korea International Trade Association Delegation(1 September 2003)
- Meeting with Mr Hwang Doo-Yun, Minister for Trade, Republic of Korea, and the FDI Delegation in December at New Delhi (8 December 2003)
- First CII-FKI India Korea Economic Summit (10th December 2003)
- CII SME Delegation to Korea led by Mr Rajive Kaul Past President, CII (8-10 August 2004)
- CII experience sharing mission to ROK in September 2004
- Second CII-FKI India Korea Economic Summit (4th October 2004)
- Business Meeting with H.E Mr Roh Moo-Hyun, President of Korea(5th October 2004)
- Visit of Mr Duck-soo Han, Deputy Prime Minister and Minister of Finance & Economy, Korea to CII-GBC(5 May 2006)

Source: CII, New Delhi