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Upgrading the CEPA with South Korea

Why in news?

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

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- The domestic industry has flagged concerns over the agreement.

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What is CEPA?

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

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

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

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

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

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What are the concerns about CEPA?

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- **Trade Deficit** - India's trade deficit with South Korea is continuously worsening with time.
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- While India imported \$12.58 billion worth of goods from South Korea in 2016-17, its exports totalled only \$4.24 billion.
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- **Misuse** - The Duty free import facility for gold from South Korea was found to be misused by round tripping.
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- Recently, the Directorate General of Foreign Trade - DGFT, had to withdraw the zero-duty import facility to plug the same.
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What is the way ahead?

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

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