

# India, S Korea may amend gold import norms

SUBHAYAN CHAKRABORTY  
New Delhi, 13 July

India may fix the levels of value addition currently mandated for gold imports from South Korea. This may take place during the next round of talks on the Comprehensive Economic Partnership Agreement (CEPA), scheduled for September.

New Delhi is also hopeful of receiving duty cuts on sesame oil, and plans to push for reduced tariffs on several apparel products. Restrictions on gold imported from South Korea had been in place since last year, when inbound gold from South Korea had spiked.

While the spike has since subsided, the norms have remained in place leading to protests from industry.

"A basic in-principle agreement on the requirement of value addition has been in place. But

the level of value addition has to be decided. Diamond and gold jewelers have argued that high levels of value addition is not possible since costs are high to begin with," said a senior Commerce Department official. Earlier this week, both nations signed a revised CEPA, when South Korean President Moon Jae-in visited New Delhi.

Under the agreement, Seoul decided to slash import duties for 17 Indian exports while India did the same for 11 Korean exports for the next 8-15 years. For India, this is positive for exporters of shrimps, popcorn and beer, which will see import duties in Korea eventually eliminated. India has done the same for 11 items that primarily includes base oil, an important crude oil by-product, and Tuna.

Key among these concessions is the decision by South Korea to place Indian shrimp exports in the zero duty category immediately, as compared to the 20 per cent tariffs levied now. However, shipment of only 15,000 tonnes of India's biggest marine export to the country has been exempt from import taxes.

The total exports to Korea is around 24,000 tonnes. "When we had started the initial review of CEPA, the aver-

age utilisation of the deal by Indian exporters was 30 per cent. That has gone up to 40 per cent this year. The reason behind this was lack of market access, but we are now focusing on securing access for many products," the official said.

India has also begun an investigation to identify imports, the tariffs for which are currently below Most Favoured Nation (MFN) rates. MFN rates are base import duty rates applicable to all nations, if not otherwise mentioned. It has been found that in certain cases, India's MFN rates are lower than even the rates prescribed under bilateral trade deals, such as CEPA.

Domestic business contends that exports lack enough room to succeed in Korea in major sectors, while import continues to rise at a fast clip. Currently, 78 per cent of items from India's list of goods and 88 per cent from Korea's list are in the zero-duty category.

India's ability to export more items under both CEPA agreements—the other being with Japan—have remained low. Any move by India to widen the CEPA runs the risk of further angering domestic exporters, where the claim is that the pact has disproportionately helped Korean counterparts. India's export to South Korea was \$4.4 billion in 2017-18, registering an annual growth of 5.2 per cent. Import from Korea was four times larger at \$16.4 billion, and rose 30 per cent in FY18.

Imports are concentrated in areas of electronics and heavy machinery, focusing on products for which India has few production capabilities.

All new tariff rates will go live once the government has secured statutory approvals from the Cabinet, which is expected soon, the official said. This will hold for other parts of the agreement in the services trade sphere as well.

While Seoul has decided to allow Yoga instructors from India to travel, set up and operate Yoga training centres in the country, New Delhi has reciprocated by allowing the same for Taekwondo teachers from Korea.

**India's export to South Korea was \$4.4 billion in FY18, registering an annual growth of 5.2%. Imports from Korea were four times more at \$16.4 billion**