

# The CEPA Deadline and the Future of India-South Korea Relations

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## Key Outcomes of the Visit

Between 19 and 21 April 2026, President Lee Jae Myung made a three-day visit to India, the first by a South Korean President in eight years. His meeting with PM Modi [produced](#) 25 outcomes, including four key joint statements/agreements on Special Strategic Partnership, shipbuilding, shipping & maritime logistics, and sustainability and energy resource security, along with MOUs on diverse fields.

The MoUs [covered](#) four broad sectors. The first was economic and industrial: cooperation on ports, steel supply chain, and SMEs, backed by the establishment of the Industrial Cooperation Committee. The second was financial and digital: an MOU between India's IFSCA and Korea's financial regulators on mutual cooperation, a connectivity agreement between NPCI International and the Korean Financial Telecommunications &

Clearings Institute for payments integration, an MoU on Science and Technology, and the launch of the India-Korea Digital Bridge for emerging technology collaboration.

The third addressed climate, with an MoU on environmental and climate cooperation under Article 6.2 of the Paris Agreement, opening a potential pathway for carbon-credit collaboration. The fourth covered people-to-people ties, including agreements on cultural and creative industries, maritime heritage, and sports, as well as a Cultural Exchange Program for 2026-2030.

On multilateral alignment, South Korea joined the Indo-Pacific Oceans Initiative (IPOI) and the International Solar Alliance (ISA), whereas India joined the Global Green Growth Institute (GGGI), based in Seoul.

### **Significance of the Visit**

The visit comes at a time when both India and South Korea are exposed to the unpredictable US tariff regime and supply chain disruptions, prompting them to cooperate across diverse sectors. India-South Korea relations have typically seen episodic momentum followed by periods of drift. For instance, both elevated ties to a Special Strategic Partnership in 2015, followed by former President Moon Jae-in's visit to New Delhi in 2018 and PM Modi's visit to Seoul in 2019. However, the 2019-2025 period saw no high-level visits, canceled deals, and stalled CEPA negotiations.

The outcomes of the 2026 summit signaled a shift from sporadic engagements to a more structured and comprehensive partnership, with CEPA renegotiation at its institutional core.

### *CEPA Question*

Most importantly, both agreed to resume negotiations to upgrade the Comprehensive Economic Partnership Agreement (CEPA) by 2027. CEPA has long suffered from sluggish

negotiations due to a lack of political will.

India took the opportunity to publicly highlight the urgency of CEPA renegotiation. At the customary pre-Lee's-visit briefing at South Block, the Secretary (East), P Kumaran, emphasized the "unbalanced" trade numbers, prompting [discussions](#) on trade asymmetry between the two countries. The visit finally set a hard deadline for CEPA upgradation.

Despite CEPA being in force since 2010, bilateral trade has consistently fallen short of targets, while the trade imbalance has widened. Both sides have now committed to reaching USD 50 billion in bilateral trade by 2030. However, such ambition has outrun delivery before. In 2011, both countries [set](#) a target of USD 30 billion by 2014, a goal that took nearly a decade longer to achieve, with bilateral trade only [reaching](#) USD 27 billion in 2024-25 (still short of their target).

Also, as of 2024-25, India imported goods worth USD 21.06 billion from South Korea and exported USD 5.82 billion, [leading](#) to a trade deficit of USD 15.24 billion. India exports mostly low-value commodities and raw materials, whereas it imports high-value industrial, technology, and finished products from South Korea.

India's trade deficit with South Korea (from USD 5.16 billion in 2009-10 to USD 15.24 billion in 2024-25) has tripled despite the CEPA. The widening trade deficit has raised questions about the effectiveness of the CEPA, [prompting](#) consideration of a fresh FTA for India and South Korea. It is noteworthy that about twelve rounds of negotiations to upgrade CEPA have been held, yet no progress has been made.

### *The Extraction Debate*

At the 2026 summit, Samsung Electronics Executive Chairman Lee

Jae-yong [took](#) a selfie with President Lee and PM Modi using Samsung's latest foldable smartphone, Galaxy Z Flip 7, made at Samsung's Noida factory. The image went viral, endorsing the idea of "Korean technology and Indian manufacturing." This, however, sits in tension with the nature of Korean investments in India.

Few Indian experts argue that Korean firms perceive India less as a site of long-term value creation and more as a revenue-generating [market](#). Under the current CEPA framework, Samsung, Hyundai, and LG have each built large businesses in India. Still, much of their financial gains are repatriated through dividends, royalties, and offer-for-sale IPOs rather than reinvested. For instance, Samsung paid USD 394 million in royalties to its Korean parent in FY24 (roughly 40% of its net profit). Hyundai issued a special dividend of USD 1.29 billion and USD 3.3 billion through an IPO, with all proceeds going to its parent company in Seoul. Similarly, LG raised USD 1.4 billion via an IPO that was oversubscribed 54 times and debuted at a 50% premium, yet brought no fresh capital into its Indian operations. Especially, Hyundai and LG [repatriated](#) around USD 4.7 billion from India in just one year.

This feeds into what many [describe](#) as the "Vietnam paradox." When an Indian household buys a Samsung phone, a Hyundai car, or an LG TV, it contributes to a profit pool through royalties, dividends, and IPO proceeds, which flow back to Seoul. That same corporate treasury funds factories in Vietnam, where Korean investments have reached USD 92 billion across more than 10,000 projects, nearly 14 times its FDI in India (USD 10 billion).

For instance, Samsung's Noida plant [imports](#) a substantial share of its critical components (charging cables, protective plastics, displays, memory, processors) from Samsung's [network](#) in Korea and Vietnam. In 2023, a Samsung official [claimed](#) that previous Galaxy smartphone models were

produced in Vietnam and exported to India (now the Galaxy S23 series is locally produced in India).

Here, concerns arise from the direction of value flows. Profits generated from India are effectively financing manufacturing expansion in Vietnam. In turn, Vietnam facilitates the [export](#) of finished goods, including to India, undercutting the domestic industry.

### *Korean Perspective*

According to Korean experts, Korean companies are profit-driven entities that operate under CEPA regulations, and repatriation is a standard corporate [practice](#). They mentioned that Indian shareholders have also received dividends. Also, investment in India is growing, with Hyundai's Talegaon Plant, LG's Sri City factory, and Samsung's Bangalore R&D center. Hyundai has [localized](#) 81.7% of its ICE vehicle components in India, working with over 200 local suppliers.

Korean firms also point to a structural reality that Delhi's narrative tends to ignore. India [faces](#) a 7.5%-15% manufacturing cost disability, driven by infrastructure gaps, unreliability, bureaucratic hurdles, high borrowing costs, and thin supply chains, which have made manufacturing investment difficult.

Against such a backdrop, the steel sector [captures](#) both sides of the argument. In 2005, POSCO announced a USD 12 billion integrated steel plant in Odisha, India's largest FDI commitment at the time. Twelve years of land protests, local opposition, and regulatory hurdles forced POSCO to withdraw in 2017, confirming the Korean anxiety about investing in India.

Nonetheless, an MoU in 2024, a Heads of Agreement in 2025, and a formal 50:50 joint venture signed at the Business Forum in April 2026 [brought](#) POSCO back to Odisha, this time with land secured, a local partner (JSW Steel), and a realistic 6 MTPA ambition.

## Road Ahead

The 2026 summit has imparted fresh momentum to a relationship that has historically lacked the will to sustain it. The eight-year gap between leadership level visits has repercussions. It allowed institutional hurdles to accumulate and left several areas of potential cooperation unexplored. Now, sustaining the momentum will require both investing in the relationship beyond diplomatic traditions and institutionalizing a system to maintain it.

CEPA upgradation remains the most significant prerequisite for boosting India-South Korea relations. Fifteen years of widening trade deficit, a tripled imbalance, and a 2030 deadline underscore the urgency of the 2027 negotiating target. India [seeks](#) to reset CEPA toward production-led integration by expanding access to services and mobility, securing entry into the pharma market through regulatory recognition, linking market access to localization and R&D commitments, and demanding reciprocal sourcing ties for major contracts.

At the same time, new areas of partnership present a renewed hope for both countries. Both sides are now engaging in areas of strategic and economic significance, such as shipbuilding, AI, space cooperation, creative industries, and defense collaboration.

The institutional foundations laid in April 2026 are indispensable for India and South Korea. Whether they translate into tangible outcomes will depend on the political will and logistics continuity that follow.