

The Resilience Imperative: Crafting the New Supply Chain Order

Strategic Collaboration Between Korea and India

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The Changing Global Order

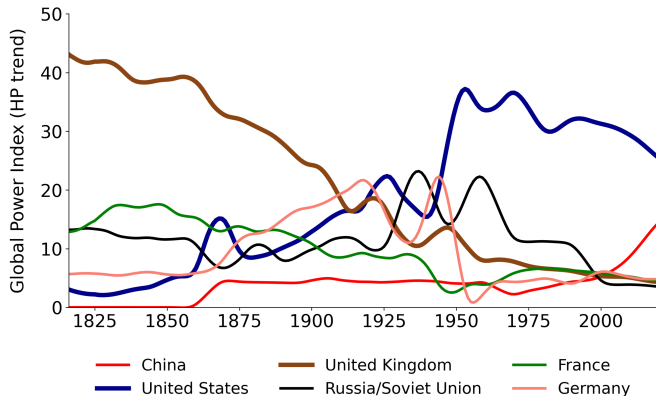
- **From Unipolar to Multipolar World:**

- ▶ Post-WWII: US hegemony enabled global integration (Pax Americana).
- ▶ 2000s-2010s: China's rise challenges unipolar system.
- ▶ 2020s: Accelerating transition to multipolar competition.

- **Hegemonic Globalization Under Strain:**

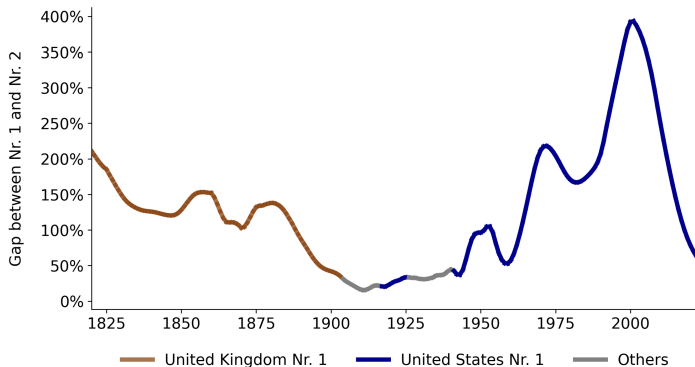
- ▶ Unipolar era: Alignment with hegemon reduces transaction costs.
- ▶ Multilateral rules and policy convergence enabled trade expansion.
- ▶ Rising powers create alternative alignment options.
- ▶ Result: Fragmentation risk as countries face bloc choices!

Global Power Shift



Note: Data from Moyer et al. (2024) Global Power Index Database. HP-filtered trends in country-level power indices, over time.

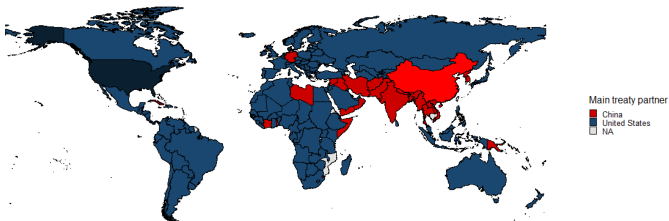
Hegemonic Dominance: Power Gap Between 1st and 2nd



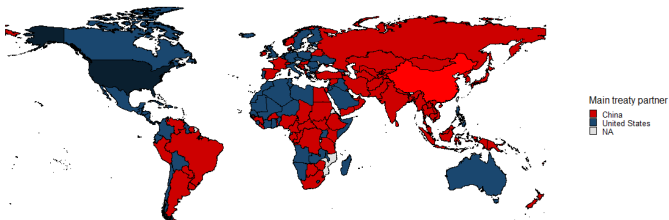
Note: Difference in GPI between first and second most powerful countries. A 100% difference indicates that the GPI of the most powerful country is twice as high as that of the second.

Who is the Main Treaty Partner?

Panel A: 1990-1999



Panel B: 2010-2019

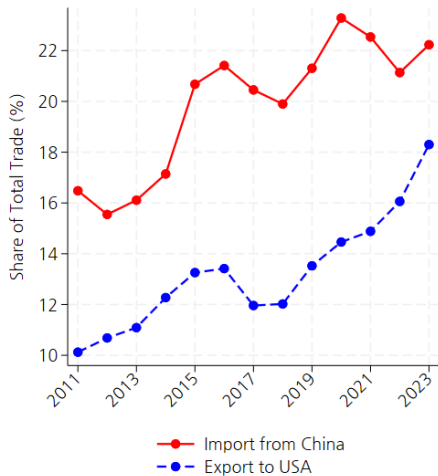


The Era of Supply Chain Disruption

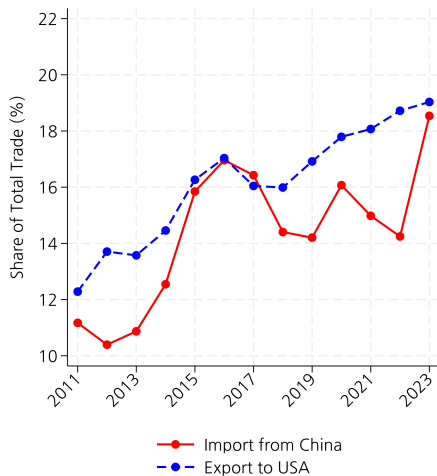
- Global supply chains designed for efficiency now face unprecedented challenges.
- Three major shocks:
 - ▶ Climate-related supply shocks (e.g., 2011 Great East Japan Earthquake)
 - ▶ Pandemic-induced disruptions
 - ▶ **Geopolitical tensions and bloc formation (ongoing and persistent)**
- In the multipolar era, nations must balance three imperatives:
 1. **Diversifying dependencies** to reduce concentration risk
 2. **Maintaining open, rules-based trade** amid bloc pressures
 3. **Building adaptive, resilient networks** through collaboration
- **Key insight:** Supply chain resilience is now inseparable from geopolitical strategy.

Trade Dependence: Korea and India

(a) Korea



(b) India



India's Unique Strengths

- India is a Key beneficiary of supply chain diversification.
- **Scale & Market:**
 - ▶ Massive domestic market (1.4 billion population)
 - ▶ Cost-competitive manufacturing
 - ▶ Young workforce (median age 28)
- **Capabilities:**
 - ▶ World-class IT talent
 - ▶ English-speaking workforce
- **Strategic Assets:**
 - ▶ Democratic governance & geopolitical stability
 - ▶ Commitment to open trade
 - ▶ Indo-Pacific strategic position

Why Korea-India Collaboration is Critical

● Imperative 1: Diversifying dependencies

- ▶ Korea: Over-concentrated on China for inputs and markets
- ▶ India: Manufacturing scale + cost competitiveness = viable alternative
- ▶ *Partnership enables geographic diversification for both*

● Imperative 2: Maintaining open trade

- ▶ Both face pressure to choose rigid blocs (US vs China)
- ▶ Both committed to rules-based, multilateral trade order
- ▶ *Partnership provides strategic hedging: reduce single-bloc dependence*

● Imperative 3: Building adaptive networks

- ▶ Korea: Advanced technology, ICT/hardware leadership
- ▶ India: Software excellence, large talent pool, Indo-Pacific anchor
- ▶ *Complementary strengths enable rapid reconfiguration*

Current Cooperation Framework

- **Special Strategic Partnership (2015):**
 - ▶ Established framework for deepening cooperation
- **10th Korea-India Joint Commission (March 2024):**
 - ▶ Focus on semiconductors, green hydrogen
 - ▶ Supply chain resilience as priority area
 - ▶ Critical and emerging technologies cooperation
- **CEPA (Comprehensive Economic Partnership Agreement, 2010~):**
 - ▶ Upgrade negotiations ongoing (11th round, July 2024)
 - ▶ Target: \$50 billion bilateral trade by 2030

Bilateral Cooperation: Korea-India Partnership

● Institutional Framework:

- ▶ Korea-India Supply Chain Working Group (ministerial-level)
- ▶ Fast-track CEPA Enhancement
- ▶ Joint Investment Facility for strategic sectors

● Critical Supply Security:

- ▶ Joint resource development in third countries
- ▶ Technology & capacity sharing (Korea's processing tech + India's scale)
- ▶ Coordinated strategic stockpiling

● Innovation & Production Network:

- ▶ Digital supply chain infrastructure (AI, blockchain, IoT)
- ▶ Joint R&D centers for next-generation technologies
- ▶ Co-investment in manufacturing ecosystems

Key Constraints in Bilateral Cooperation

- **Regulatory Fragmentation & Operational Rigidities:**

- ▶ Federal structure: Investment rules, taxes, labor laws vary by state
- ▶ Complex land acquisition

- **Trade Barriers & Uncertainty:**

- ▶ protectionist signals, sudden duty changes
- ▶ inconsistent customs enforcement

- **Infrastructure Gaps & Logistics Costs:**

- ▶ Port congestion, high logistics costs (11-14% of GDP)

India's Policy Framework and Vision

- **Challenges exist, but India's strategic direction is clear:**
 - ▶ Well-articulated government vision and policy goals
 - ▶ Institutional commitment to supply chain resilience
- **India's Supply Chain Policy Framework:**
 - ▶ **Production Linked Incentive (PLI)** scheme: \$26B+ across 14 sectors
 - ▶ **Self-Reliant India (Atmanirbhar Bharat):** Reduce import dependence
 - ▶ **Supply Chain Resilience Initiative (SCRI):** with Japan, Australia
- **Demonstrated Success:**
 - ▶ Smartphone self-sufficiency: 8% (2014) → 97% (2024)
 - ▶ 300 trillion won investment pipeline, 6 million jobs target

Overcoming Constraints Through Cooperation

- **Establish Joint Investment & Risk-sharing Platforms:**

- ▶ Fund linking KEXIM, EDCF, and EXIM Bank of India in strategic sectors

- **Pilot Localization Partnerships in Priority States:**

- ▶ Start with 2-3 stable states, use co-located supplier clusters

- **One-stop Support:**

- ▶ Unified cooperation framework (KOTRA, K-Sure, KEXIM) + India Desk

- **Technology & Standards:**

- ▶ Joint R&D centers, training centers, and test labs
- ▶ SME consortia for sharing best practices and supply-chain data

Bilateral Partnership: Green Hydrogen



- Why Bilateral Works:

- ▶ Korea's H₂ technology (Hyundai, POSCO) + India's renewable capacity
- ▶ India's Green Hydrogen Mission (2023) aligns with Korea's H₂ roadmap.
- ▶ Simple Value Chain: Production → Storage → Application
- ▶ Already Discussed at Korea-India Joint Commission (March 2024)

Multilateral Engagement

- **Multi-node Production Network:**

- ▶ **Korea-Taiwan-ASEAN-India corridors:** Beyond bilateral ties
- ▶ Leverage intermediate hubs (Singapore, Vietnam, Thailand)
- ▶ Reduce single-country concentration risk
- ▶ Geographic hedging against geopolitical shocks

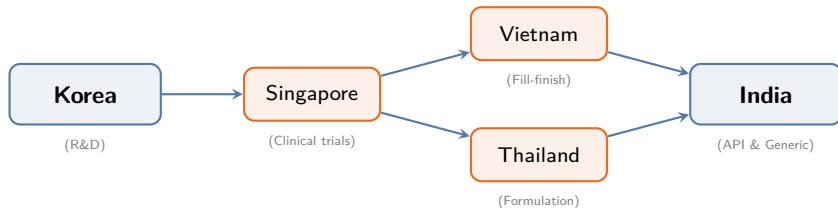
- **Leverage Broader Indo-Pacific Architecture:**

- ▶ **IPEF:** Supply chain resilience pillar, capacity building
- ▶ **SCRI:** Korea-India-Japan-Australia framework
- ▶ **Quad cooperation:** Trilateral/quadrilateral initiatives
- ▶ **Sectoral alliances:** Chip 4, MSP, clean energy coalitions

- **Regional Standards & Norms:**

- ▶ Common frameworks for supply chain data and interoperability
- ▶ Best practices for resilience and transparency

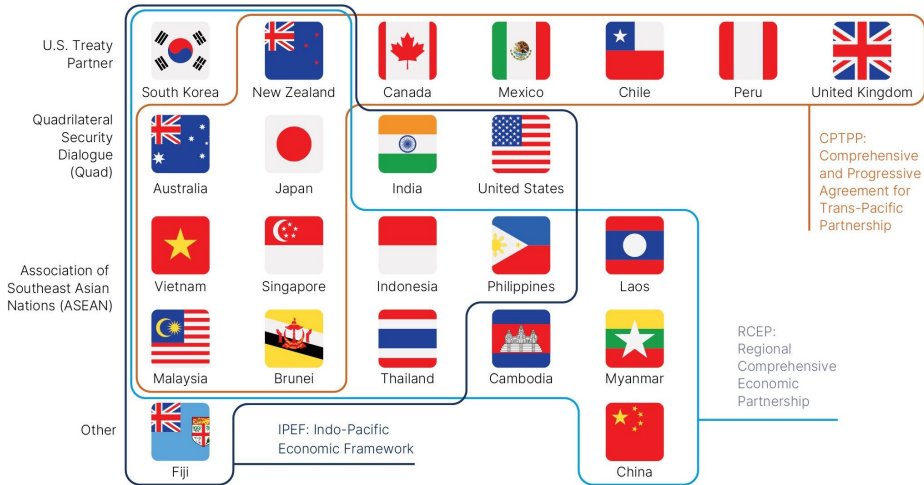
Multi-node Network: Biopharma



- Strategic Value:

- ▶ Complementary capabilities across R&D to production
- ▶ India's API strength + Korea's biosimilar tech
- ▶ Cost-effective development & manufacturing
- ▶ Regulatory arbitrage through multiple hubs

MAJOR ASIA-PACIFIC STRATEGIC AND TRADE ALLIANCES



Source: China Briefing/Asia Briefing Ltd graphic.

Conclusion: The Path Forward

- **The Opportunity:** Supply chain disruption reshapes global order
 - ▶ Korea-India partnership addresses shared vulnerabilities
- **Natural Fit:** Complementary strengths
 - ▶ Korea's technology + India's scale + shared rules-based commitment
- **Strategic Approach:** Build resilient supply chains
 - ▶ Bilateral cooperation + multilateral frameworks
- **Call to Action:** From dialogue to implementation
 - ▶ Establish concrete mechanisms and demonstrate Indo-Pacific leadership