

# Korea-India Economic Cooperation after India's 2024 General Election



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India's 2024 general election came to a close on 4 June with the counting of votes. As expected, Narendra Modi won a third term as Prime Minister, becoming only the second prime minister in Indian history after Jawaharlal Nehru to win three consecutive terms. Few people doubted Modi would win a third term, as his strong leadership has led to solid economic growth and raised India's international profile. However, the BJP-led National Democratic Alliance (NDA) failed to win the number of seats it had hoped for, raising questions about the future of Modi's leadership in his third term. Concerns about the rollback of pro-market policies, such as land and labor reforms that Modi has actively pursued, have led to volatility in the Indian stock market following the vote count. In particular, the fact that Modi will be governing in a coalition for the first time since coming to power, and is likely to face strong opposition from the National Congress-led coalition (INDIA), has raised questions about his leadership going forward. In short, the challenge for the Modi government's third term will be to overcome the leadership gap and pursue its policy agenda.

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The Modi government's signature economic policy, Make in India, and its accompanying industrial subsidy policies, such as Production Linked Incentive (PLI), are likely to continue in the third term. Opposition parties agree on the basic direction of these industrial support policies. After PLI 1.0 (2020-2021), which focused on 15 core industries, the government is likely to make a strong policy push for PLI 2.0 (2023-), which newly includes IT hardware, toys, textiles and other industries. While PLI 1.0 was more “strategic” in nature with an expansion to include semiconductors, PLI 2.0 is likely to place a greater emphasis on labor-intensive industries with a focus on job creation. This would be more in line with the original objective of creating jobs through Make in India, a concern shared by both the opposition and the ruling party. While manufacturing has grown at a CAGR of mid-6 percent over the decade of Make in India, its share of GDP has remained at around 15 percent, leaving much room for improvement, and more attention could be paid to promoting labor-intensive industries to fill this gap and increase employment. The impact of infrastructure improvements already underway will help broaden the industrial base.

India's external position is unlikely to change much in the third term. Even if there are some sways in Modi's leadership, India's external position is a product of the current structure of international geopolitics, so it is unlikely that the outcome of the general election will have a significant impact on India's external economic and diplomatic relations. Given India's strategic importance to the developed countries, such as the United States and Japan, the trend of strengthening India's relations with these countries is likely to continue, as is cooperation with like-minded countries in the high-tech and industrial sectors. China, on the other hand, may look for a turning point in its relationship with India, which will be one of the key points of the third Modi government's foreign policy. Maintaining and deepening the existing strategic foreign economic partnerships is an important task that cannot be delayed as India seeks supply chain stability and domestic industrial independence in the midst of the US-China conflict.

The Indian government is likely to maintain its current stance investment policy. Attracting FDI has been one of the most visible achievements of the Modi government, and the ruling party is expected to redouble its efforts to maintain and build on these gains. In addition, the government's efforts to improve infrastructure are expected to continue and further efforts will be made to boost both public and private investment. Given India's consistent policy trend of improving the domestic business environment since liberalization in 1991, it is unlikely that this direction will change significantly in the third term of the Modi government, even with some change in political leadership, but the pace, level and content of change will be key.

Trade policy has been one of the controversial aspects of the Modi government's decade in office. India's average import tariffs have risen during Modi's tenure, and anti-dumping measures have also increased. These protectionist measures have also been criticized by even some experts in India, and there is a consistent call to lower tariffs and improve import procedures to increase participation in GVCs. Ensuring an adequate level of import liberalization is necessary from the perspective of maximizing the impact of PLIs. In this context, there is a call to aggressively pursue FTAs with key trading partners, and it is worth keeping a close eye on the possibility that the Modi government in its third term may pursue some trade liberalization to enhance and accelerate the effectiveness of industrial policies. This is important for South Korea, which is pushing for a revised CEPA with India.

The key to the manufacturing-led growth that Modi has promised since taking office, and ultimately to securing India's medium- to long-term growth engine, is manpower and skills development. The key to tackling unemployment, especially among youth and women, which was a major issue in the general election, is to raise the level of education and skills of the workforce. This is something that both the ruling and opposition parties agree on, so the third term Modi government is likely to focus more on domestic welfare policies, and particularly on human capital and skills development. This should be of interest to the Korean government too, as it plans to expand ODA to India.

India has grown into an engine of global economic growth and is likely to become a G3 economy before 2030. With China's growth expected to slow down, the world is now looking to India's high growth. The third term of the Modi government will be crucial in determining whether this outlook can be sustained. Korea is at a turning point in its economic relationship with India, and India's demand for cooperation with Korea is also high. The two countries should activate the established Korea-India Industrial Cooperation Council to identify each other's specific needs and build new trade and investment ties across industries, including high-techs. It is also necessary to conclude the long-delayed negotiations on the revision of the Korea-India CEPA soon to deepen bilateral cooperation in GVCs. [KIEP](#)