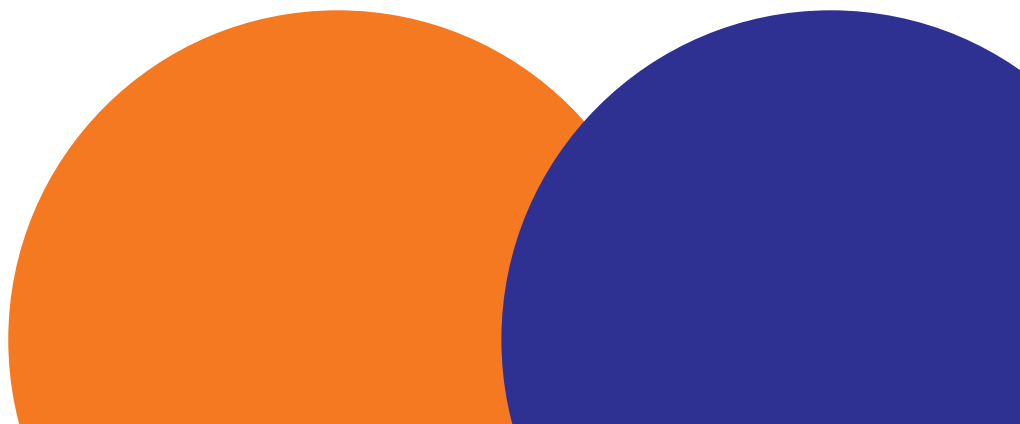


**Impact that Hyundai Motor Company  
has had on improving the political,  
economic and social relations  
between India and Korea - A Report**

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## India's ties with South Korea – Antiquity to the Korean War :

It was fascinating to learn that almost 10% of Korean nationals trace their lineage back to a union between an Indian Princess and a Korean King. Legend has it that an Indian Princess, Lady Suriratna also referred to as Queen Heo Hwang-ok met and fell in love with King, Kim Suro. This has been recorded in the Samguk Yusa\* - The 'Memorabilia of the Three Kingdoms', a 13th-century CE text that covers the history and legends of Korea's founding, right up to the 10th century CE. This union resulted in the establishment of the Gaya Kingdom in southern South Korea. The legendary Princess supposedly travelled from Ayodhya , the birth place of Lord Rama, and reached the southernmost tip of Korea by sea in 48 CE. However, there is ongoing research that suggests that the Princess actually travelled from Southern India, from the erstwhile Ay kingdom, a buffer state between the powerful Pandya/Chola Kingdoms in Tamilnadu and the Chera Kingdom of Kerala, in medieval India.

Queen Heo Hwang-ok was accompanied by two of her brothers during her journey to Korea. It is believed that they might have played a role in the country's strong Buddhist heritage. However, Bodhidharma (5-6 century CE) probably played a more significant role in the spread of Buddhism to this part of the world. He travelled from Kanchipuram to China, Mongolia, spreading his teachings and influences to the regions of Korea and Japan as well. The third son of a Pallava king, Bodhidharma is credited with the transmission of Chan Buddhism to China and is regarded as its first Chinese patriarch. According to Chinese legend, he began the physical training of the Shaolin Monastery monks which led to the creation of Shaolin Kungfu. He is referred to as Dalma in Korea and Daruma in Japan, his name means "dharma of awakening (bodhi)" in Sanskrit.

In more recent times, India had played a key diplomatic role in ensuring that the battle between the Chinese backed North Korea and the US backed South Korea didn't escalate out of control. They did this by supporting key UN security council resolutions and therefore limited the damage. India continued to assist South Korea, during and post the civil war (1950 -1953) by providing medical and humanitarian aid. India's actions perhaps inspired Rabindranath Tagore's to pen his famous poem, The Lamp of the East, that prophetically signalled that Korea would rise like a phoenix from the ashes of its civil war to become a torchbearer for Asia and the world. Tagore's words served as an inspiration to the young, war ravaged nation while also reminding them of their painful colonial past.

This shared history, laid the foundation for an atmosphere of mutual trust and respect.



*Queen Heo Hwang-ok and King Kim Suro.*



*Bodhidharma - Buddhist monk*

## **Resurrection of Economic ties with India :**

India, after gaining independence from their British colonialists in 1947, followed a Socialist economic policy. Policies were protectionist, with a strong emphasis towards import substitution. State interference in financial and labour markets, large and inefficient public sector undertakings, elaborate 5 year plans characterised the economic landscape of the country. Under the Industrial Development Regulation Act 1951, mining, machine tools, water, electricity, telecommunications, insurance and many other industries were nationalised. Licenses were required to import goods, start businesses, expand capacities etc.. thus perpetuating corruption and inefficiency. This period was also characterised by an extremely low GDP Growth rate of 3.5% while comparable countries like Pakistan, Indonesia, Thailand, South Korea etc were growing at much higher rates. This period of low growth, often referred to as 'Hindu Rate of Growth' was attributed to India's socialist policies and its 'License Raj'.

The Indian Automotive Industry was no different. Although it had its earliest beginnings in the 1930's when GM and Ford launched a CKD assembly line, the industry had progressed very slowly. The policies of the government had made expansion of capacities and import of key technologies difficult and had made the producers behave monopolistically.

India's macro-economic condition had worsened by 1991. India's balance of payments had ballooned and the state was in a serious economic crisis. The government was close to default, its central bank had refused new credit and its foreign exchange reserves had reduced to the point that India could barely finance three weeks' worth of imports. This situation forced the P.V Narasimha Rao administration to announce an "Economic Liberalization" in July of 1991, the market was opened, and international automobile companies began their entry into India. Duties for automobile parts were abolished in 1992, and restrictions on production were ended in 1997. These relaxations led to renewed inroads by foreign corporations.

South Korea on the other hand had followed a very different economic path. Under General Park in the 1960's and 1970's they had a strong emphasis on industrialisation and innovation. Chaebol's (Korean conglomerates) were encouraged to rapidly industrialise. They were given access to subsidised credit and tasked with adopting any means possible to develop technologies required for them to make Korea an Export driven growth led nation. Repatriation of skilled professionals and adaptation of high end technologies were encouraged.

It was in this environment, that the founder of the Hyundai Group Mr Chung Ju-yung ( Nov 25<sup>th</sup> 1915 – Mar 21<sup>st</sup> 2001) started his empire. An entrepreneur and businessman, the growth of Hyundai is synonymous with the growth of the South Korean Nation. He grew Hyundai Heavy Industries into being the world's largest ship builder.

He was a vital contributor to the development of South Korea's domestic infrastructure, much of which had been destroyed during the Korean civil war. Much of the credit for the construction of The Gyeongbu Expressway connecting the capital city Seoul to the port city of Busan is given to him along with General Park Chung Hee. Founder of Hyundai Chung Ju-yung is quoted : "Our people succeeded because they devoted their enterprising spirits.... Man's potential is limitless "

It was from this group that Hyundai Motor Group was formed and quickly rose to become the largest automobile manufacturer in Korea and amongst the top 10 in the world.

A firm belief in India's potential as a market and a belief in India's human capital therefore made Hyundai Motor Group venture into India in 1997, once the economic liberalisation policies were announced.



*Chung Ju-yung : Founder Hyundai*

## **Hyundai's Socio - Cultural Initiatives :**

Almost immediately after their entry into the Indian market, Hyundai firmly established itself as India's second largest producer of passenger vehicles and the largest exporter of vehicles from their plant in Chennai, South India.

There are several technical innovations, product development, pricing and placement strategies that enabled Hyundai to achieve this goal. However the focus of this report will be to study the socio – cultural , inclusivity and human aspects of their success.

The Hyundai logo symbolises the shaking of hands between the 'company and the customer'. In keeping with the core of this philosophy Hyundai set out to firmly integrate themselves with the customers.



*Hyundai:logo*

Instantly recognising the Indian citizens love for Bollywood , Hyundai chose Shah Rukh Khan, India's most loved star as their Brand Ambassador. They released a 6 part advertisement strategy for their new vehicle Santro and firmly established themselves in the minds of the customers.



*Shah Rukh Khan : Hyundai Ad*

Hyundai made many other efforts to integrate themselves into Indian society. They started to produce desks and chairs for public schools inside the factory in 2006 under the theme “World that moves as one”. The Hyundai Motor Foundation was established and contributes Rs 100 for each vehicle sold by Hyundai Motor India Ltd. With this fund, various social programs were conducted, including the desk and chair program that helps underprivileged children. The Foundation also established and operates automotive training facilities across India's major cities to provide opportunities for young people to acquire skills as engineers. Internships and scholarships were also encouraged with specific tie ups with universities based on Industry – University collaboration.

Seeing India's appalling traffic conditions, Hyundai wanted to become part of the solution rather than stand aside and criticize the culture. They chose to support scholarships for more than 200 students who had excelled in academics and selected them as Hyundai Traffic volunteers. The students subsequently received training from India's traffic management institution (ROSES) and became active in traffic safety campaigns and signal controls in busy metros. Recognising jay walking as a serious issue, Hyundai started by providing monthly scholarships of Rs.1650/ person for 3 hours a day of volunteer work to educate people on pedestrian safety.

Several initiatives were taken by the Korean expats to integrate themselves with their Indian employees.

Mr Sundar (Senior Manager Vendor Development Hyundai Motor India says “ All key stake holder facing functions like Purchasing and Marketing have an Indian and Korean executive working in parallel. For all meetings with locals, the Indian executive would take the lead, while for liason with Hyundai Motor Company Korea, the Korean executive would take the lead. That way the vendor or customer dealing with Hyundai finds a familiar face to deal with.”

Mr Vinod (GM Supply Chain Management) says “Hyundai has made extraordinary efforts to ensure that executives, workers, vendors, customers etc feel totally at ease while interacting with Hyundai Motor India Ltd. Even the music in the office lobby of our factory has soft Carnatic music playing. The canteen serves great South Indian food and women executives are encouraged to wear sarees or salwar kameez. This is a perfect blend of Indian grace and Korean efficiency”.

During the start-up phase, the Indian work force did not fully identify with the company, its work culture and its ethos. Absenteeism was high and participation in company improvement activities was low. Hyundai initiated several employee engagement activities. Good performance was rewarded, irrespective of religion, caste, gender or position, wages were increased to reflect a ‘best in industry’ status and slowly all barriers were broken.



By applying the cognitive structure of locals that cling to the caste system, Hyundai Motor India Ltd. revised the method of managing human resources. By maintaining high payroll standards, it managed local employees through in-depth site management and education in consideration of local sentiment. Along with those mentioned, Hyundai Motor India Ltd. strove to take preventative measures for resolving labour-management relations and collaborating with the supplier to share success. It was undeniable that the key to Hyundai's success in India was due to such humanistic efforts.

A Chennai based industrialist and a scion of the TVS Group of companies Shri Venu Srinivasan began his association with Hyundai Motor India very soon after their arrival to Chennai in the 1990's. A great visionary and recipient of India's highest civilian award "Padma Bhushan" Venu, played a great role in promoting Indo Korean ties.

Along with Hyundai Motor India and his own flagship company, TVS Motor India Limited he took the initiative to set up the INKO Centre in May 2006, a centre dedicated to improving Indo Korean cultural ties. Soon, other Indian and Korean companies followed to support this initiative. The centre has a cohesive program that covers language studies, wellness programs, performing and visual arts. The centre has deep ties with the Korean association in Chennai, The Embassy of the Republic of Korea in New Delhi and the Consulate General of the Republic of Korea, Chennai and is therefore a source of very useful information.

They have played a great role in promoting inter-cultural dialogues that draw on the rich traditions of both India and Korea and have thus helped to tremendously improve the relationship between India and Korea.



*Inko Centre*



*Hyundai CSR Activities*

In 2010, in recognition of Shri Venu Srinivasan's efforts, the South Korean Government, appointed him as The Consul General of the Republic of Korea, and conferred on him the distinguished civilian honour 'Order of Diplomatic Service Merit' by President Lee Myung-bak in recognition of his contribution in promoting Indo-Korean bilateral relations. He now serves as 'The Goodwill Envoy for Culture and Diplomacy of the Republic of Korea'.



*Venu Srinivasan being commemorated*

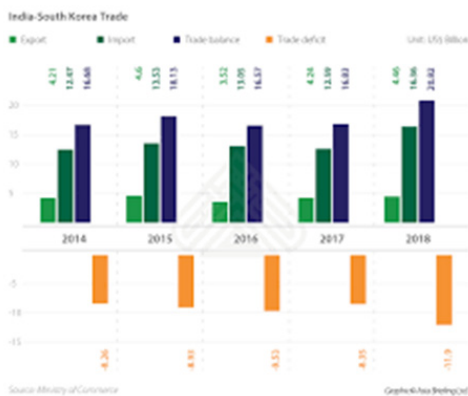
## Results :

### a) Economic:

As a result of Hyundai Motor India making Chennai its home, several Korean companies closely followed to set up manufacturing in Chennai and in India. According to KOTRA, there are now just over 700 companies that have established operations in India. Samsung, LG, Lotte, POSCO..have all become highly recognisable names. Besides these household brands, there are several other small and medium sized Korean companies that have set up operations in India. The statistics from the Korean Exim Bank says that, total Korean investment in India as of Sept 2019, stood at USD 6.3 Billion, concentrated mainly in the manufacturing sectors (83.8%) , wholesale and retail (5.9%), financial and insurance (1.9%) and electricity, gas, steam and water supply (1.5%). The major centres of investment are NCR Region ( Delhi, Noida, Gurgaon) and Chennai, while India's investments in South Korea now stands at just over USD 3 Billion.

The Bi-lateral trade between the two countries has doubled since 2011, from USD 11. 224 Billion to USD 21.5 Billion in 2018. India's exports mainly comprise of basic materials like mineral fuels / oils, naphtha, cereals, iron and steel, while Korea's exports to India comprise mainly of automobile parts, telecommunication equipment, hot rolled iron products, nuclear reactors, boilers etc.

India's exports stand at USD 5.885 Billion as of 2018, while Korea's exports to India are at USD 15.6 Billion and therefore India has a trade deficit of USD 10 Billion with South Korea.



#### Indo - Korea Trade statistics

### b) Socio Cultural :

Naturally, the 700 + Korean companies encouraged their employees to relocate to India along with their families. As a result India is now home to more than 10,000 Korean families. This unique Indo - Korean relationship has now spread slowly from commerce to culture. In Chennai, Tamil signboards are interspersed with Korean ones, especially in the Industrial belt of Sriperumbudur and book shops, hardware stores, eateries, serviced apartments and brightly lit Korean food markets have all sprung up.



Korean Super market in Chennai

Restaurants, beauty parlours, bakeries and dance schools have become popular with the local population as well. A number of Korean bands and cultural troupes also visit Indian cities regularly, performing to packed halls of both locals and expats. BTS, Exo and Girls' Generation are Korean bands that have found die-hard fans in Chennai as an example. University students from Korea also visit Chennai to actively participate in community volunteering movements such as Happy Move Volunteers. Working with Indian students in small batches, they participate in various social and cultural activities such as teaching in government schools, clean-up drives, building toilets, and much more. Under this initiative, over 4,000 Korean students have visited and volunteered in India in the last seven years. Over 200 schools and 1,00,000 students in Tamil Nadu's Kancheepuram district have benefited from their assistance. Soju, a Korean spirit, is available in the state-designated alcohol shops, and K-Pop contests are now increasingly popular with the young.



*K -Pop Contest*



*Indo Korean Joint initiatives in Chennai*

Cultural ties were further strengthened when the South Korean First Lady Kim Jung-sook visited India in 2018. Her mission was to visit Ayodhya, the birthplace of Lord Rama and commemorate the deep and ancient 'civilizational and spiritual' link between the two countries.



*South Korean First Lady with CM of UP Yogi Adityanath: Visit to Ayodhya*

### **c) Politics and Policies :**

India's diplomatic relationship in recent times can be traced back to 1945 after Korea's independence. Mr K.P.S. Menon of India was the Chairman of the 9 member UN Commission set up in 1947 to hold elections in Korea. Subsequently, during the Korean war (1950 - 1953), both the warring sides accepted a peace resolution sponsored by India and a ceasefire was declared on 27th July 1953. India and South Korea established consular relations as far back as 1962. In 1973 this was upgraded when Ambassadors were appointed in 1973. Since then both countries have had several high level diplomatic and business exchanges.

A visit by President APJ Abdul Kalam in February 2006 heralded a new phase in Indo - Korean relations. It was during this visit that a Task Force was set up to work on a 'Comprehensive Economic Partnership Agreement (CEPA)'. This agreement was operationalised on 1st Jan 2010. Subsequently, during the visit of President Lee Myung-bak on 26th Jan 2010, bilateral ties were upgraded to the level of a strategic partnership.



Under CEPA, the bilateral trade has grown from USD 11 Billion in 2010 to over USD 21 Billion in 2019. Almost 70% of tariff lines in the Indian schedule and 88% of tariff lines in the Korean schedule have already been brought to zero duty. However there is a growing concern in India over its widening trade deficit. With India continuing to export mainly raw materials and commodities and Korea exporting value added items like auto components, Internet of things and Artificial Intelligence technologies, this is a concern that needs to be addressed by India's human resources.

On 18th May 2015, Prime Minister Narendra Modi visited Korea in his first year after taking office and further upgraded bilateral ties to 'Special Strategic Partnership'. Visa and travel procedures have been simplified and the (CEPA) has led to a strong growth in bi lateral trade.

There is synergy between India's 'Act East Policy' and S.Korea's 'New Southern Policy' and the co-operation and ties are expected to yield results in defence and future technology industry.



*PM Modi with President Moon*

## **Summary :**

In summary, South Korea and India have always enjoyed a relationship of mutual trust and respect. The opening up of the Indian market in 1991, provided an opportunity for India and Korea to increase their commercial ties. Hyundai Motor Company, with its entrepreneurial spirit recognised the potential that India held and paved the way for other Korean companies to enter India and leverage its huge market and human capital. The growing bi-lateral trade and commerce has translated to a healthy cultural exchange which has been further strengthened by centres like the INKO Centre and passionate individuals who would like to see this relationship grow not only commercially but also culturally.

Building the World That Moves as One India's education, Hyundai Motor India Ltd. provided monthly scholarships of 1650 rupees 3 hours a day to help reduce traffic accidents through traffic campaigns and establishing a 'traffic order' culture among the citizens.

Building Trust with the Indian People.

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