

**SOUTH KOREA'S NEW SOUTHERN
POLICY: MOTIVATIONS,
IMPLEMENTATIONS
AND IMPLICATIONS**

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Executive Summary

1. South Korea's New Southern Policy (NSP) announced in 2017 is to elevate South Korea's relations with 10 countries in ASEAN and India (hereafter NSP countries) to a level comparable with other major powers (China, the United States, Japan and Russia).
2. Economically, South Korea aims to diversify its economic dependence on China, the United States and Japan. Strategically, the country looks to enhancing peace in the Korean Peninsula through consolidating security relations with NSP countries.
3. Vietnam is the most important economic partner for South Korea among the 11 NSP countries. Thirty-two per cent of Korean investment in NSP countries went to Vietnam during the 2009-2019 period. In 2019, Vietnam accounted for 43% of Korea's exports to and 53% of its imports from the region.
4. From 2015 to 2019, 46% of South Korea's investment in NSP countries was in the manufacturing sectors. South Korea's trade surplus with NSP countries has amplified over six times in the last decade with especially large trade surplus in machinery and transport equipment.
5. The intensifying economic relations have promoted more Korean visitors to NSP countries rather than vice versa. In 2018, 9.2 million Koreans visited NSP countries (with 38% to Vietnam) compared to only 2.5 million in reverse.
6. The greater economic ties have yet to be translated into NSP countries' support of Korea's peace policy in the Korean Peninsula. Korea and NSP countries are still constrained by the Cold War security framework and less likely to count each other in their national security plans.
7. Although Korea and NSP countries do not share the same security concerns (North Korea for South Korea and South China Sea for ASEAN), they have close relations in arms sales. Over half of South Korea's arms exports went to NSP countries during

the 2015-2019 period. Korea is a particularly important arms supplier to the Philippines and Thailand.

8. South Korea's year over year trade with NSP countries remained resilient in the first quarter of 2020 compared to its trade with other main trading partners. However, the weak demand in Europe and America due to the worsening COVID-19 outbreak may have negative impact on Korea's trade prospect with NSP countries.
9. The 5G technology is likely to be the main area of investment owing to the growing demand for long distance communication. A survey by the ISEAS-Yusof Ishak Institute showed that ASEAN has the highest confidence in South Korea's Samsung in building its 5G internet infrastructure network in the region than other high technology firms in China and the United States.
10. South Korea and NSP countries may look towards greater cooperation after COVID-19. China's uncertain economic development, growing conflict between the United States and China and long-term conflict between Korea and Japan are important impetus for more cooperation for regional stability.

SOUTH KOREA’S NEW SOUTHERN POLICY: MOTIVATIONS, IMPLEMENTATIONS AND IMPLICATIONS

CHIANG Min-Hua*

The New Southern Policy

- 1.1 In November 2017, South Korean¹ President Moon Jae-in announced the launch of the New Southern Policy (NSP) to uplift relationship with the Association of Southeast Asian Nations (ASEAN) and India (hereafter NSP countries) to the level of relations with four major powers (the United States, Japan, China and Russia).
- 1.2 NSP is an integral part of South Korea’s grand diplomatic strategy. Together with “Northeast Asia Peace and Cooperation Platform” (NAPCP) and “New Northern Policy” (NNP), the three policies formed “Northeast Asia Plus Community for Responsibility-sharing” (NEAPC) which purports to promote peace and prosperity in the region² (Figure 1).
- 1.3 The Presidential Committee on NSP was set up in August 2018, with four ministries and office of President and Office of National Security as members.³ The NSP is guided by the 3Ps (People, Prosperity and Peace) principles (Annex 1).

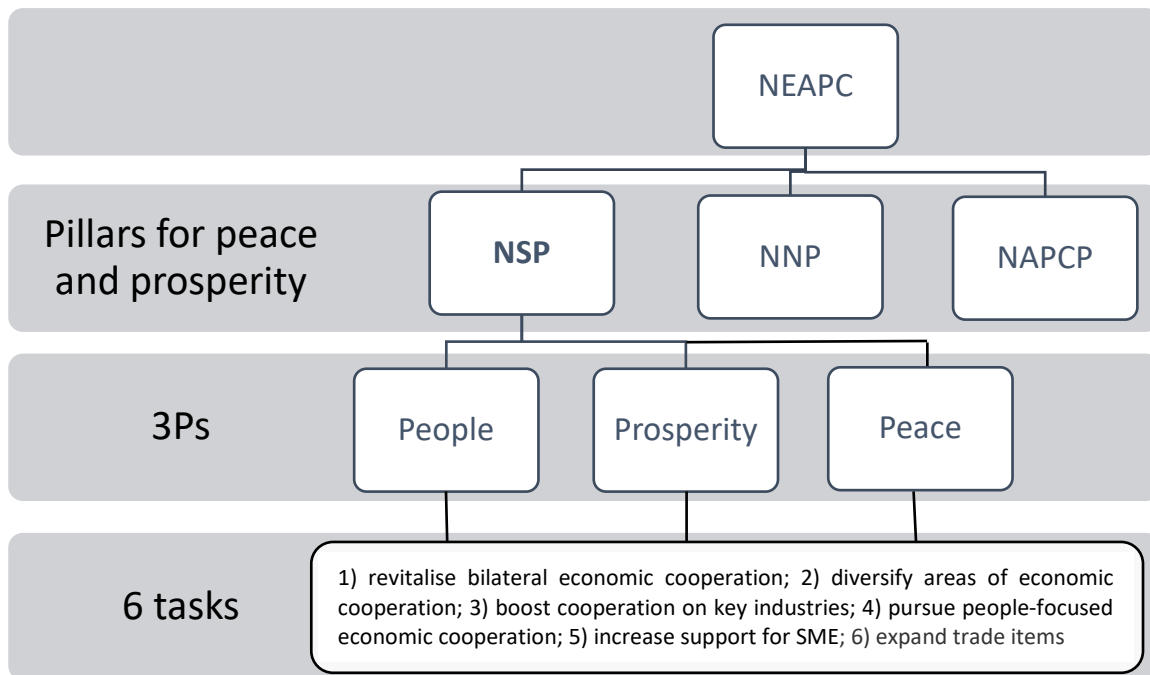
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¹ South Korea, Korea and the Republic of Korea (ROK) are used interchangeably in this brief.

² Lee Jaehyon, “Korea’s new southern policy: motivations of peace cooperation and implications for the Korean Peninsula”, The ASAN Institute for Policy Studies, Issue Brief, 21 June 2019. <<http://en.asaninst.org/contents/koreas-new-southern-policy-motivations-of-peace-cooperation-and-implications-for-the-korean-peninsula/>> (accessed 12 February 2020); Sohn JiAe, “President moon unveils New Southern Policy for ASEAN”, Korea. Net, 10 November 2017, <<http://www.korea.net/NewsFocus/policies/view?articleId=151092>> (accessed 12 February 2020).

³ The four ministries are the Ministry of Economy and Finance, Ministry of Foreign affairs, Ministry of the Interior and Safety, and Ministry of Trade, Industry and Energy. Presidential Committee on New Southern Policy <<http://www.nsp.go.kr/eng/introduce/introduce02Page.do>> (accessed 12 February 2020). ASEAN and Southeast Asia Bureau was set up under the Ministry of Foreign Affairs in May 2019.

FIGURE 1 SOUTH KOREA’S FOREIGN POLICY UNDER PRESIDENT MOON JAE-IN



Source: “President Moon unveils New Southern Policy for ASEAN”, Korea.net, 10 November 2017, <<http://www.korea.net/NewsFocus/policies/view?articleId=151092>> (accessed 3 April 2020).

1.4 NSP was launched for several reasons. Economically, South Korea seeks to reduce its economic dependence on China, the United States and Japan. South Korean businesses suffered greatly after China launched economic sanctions against Korea’s decision to deploy the terminal High Altitude Area Defence (THAAD) system in 2017.⁴

1.5 The South Korean economy has been hit further by the US-China trade war since 2018. Korea’s intermediate goods account for nearly 80% of its total exports to China.⁵ South Korea’s economic growth in 2019 was stalled partly due to the trade conflict with Japan following Japan’s restrictions on high-tech exports to Korea.

⁴ Cynthia Kim and Adam Jourdan, “One year after China’s THAAD warning, South Korean business suffer”, Reuters, 14 September 2017 <<https://www.japantimes.co.jp/news/2017/09/14/asia-pacific/one-year-chinas-thaad-warning-south-korean-business-suffer/#.XkSnj8gzZPY>> (accessed 12 February 2020).

⁵ Jung Min-Hee, “US-China trade war seriously affecting South Korean industries”, *Korea Business*, 4 June 2019 <<http://www.businesskorea.co.kr/news/articleView.html?idxno=32500>> (accessed 18 February 2020).

- 1.6 On the other hand, NSP countries offer great market potential and abundant labour force. ASEAN and India's combined GDP (gross domestic product) is the third largest in the world, after the United States and China.⁶ Market wise, ASEAN and India's 1.95 billion population surpasses China's 1.39 billion.
- 1.7 Apart from industrial goods, ASEAN is an important market for Korean cultural wave (*Hallyu*) products. Korean content exports to ASEAN countries increased from US\$800 million in 2015 to US\$1.3 billion in 2017, only after China and Japan in the world.⁷
- 1.8 Politically, South Korea expected better ASEAN relations to drive up international support for its engagement with North Korea. ASEAN's emphasis on non-alignment and no-interference may also enable it to engage in dialogue with North Korea.
- 1.9 Building permanent peace in the Korean Peninsula has dominated South Korea's foreign policy in the last few decades. The launch of the NSP was to help obviate the accusation that the Moon administration is over-emphasising its ties with North Korea.⁸
- 1.10 A total of 2.2 billion won (US\$1.9 million) was allocated to the foreign ministry's budget to pursue exchanges with ASEAN member states and India in 2019, rising from 1.6 billion won (US\$1.4 million) in 2018.⁹

⁶ Data source: IMF. The United States' GDP in 2019 was US\$21 trillion, China's was US\$14 trillion while that of ASEAN and India combined was US\$6 trillion.

⁷ Primastuti Handayani, "Korean wave in ASEAN keeps going strong", *The Jakarta Post*, 25 April 2019 <<https://www.thejakartapost.com/news/2019/04/25/korean-wave-in-asean-keeps-going-strong.html>> (accessed 6 April 2020).

⁸ Youkyung Lee, "South Korea's surprisingly bad economy threatens Moon's political future", *Bloomberg*, 25 April 2019 <<https://www.bloomberg.com/news/articles/2019-04-25/south-korea-s-surprisingly-bad-economy-deepens-moon-s-troubles>> (accessed 6 April 2020).

⁹ Ock Hyun-ju, "New Southern policy at heart of Moon's diplomatic diversification", *The Korea Herald*, 17 December 2018 <<http://www.koreaherald.com/view.php?ud=20181217000790>> (accessed 12 February 2020).

- 1.11 South Korea's expenditure on NSP countries went beyond its NSP budget. During the 2015-2019 period, South Korea contributed US\$291 million to NSP countries' development through its Overseas Development Assistance (ODA).¹⁰
- 1.12 For NSP countries, South Korea is not a country of concern. Japan's ODA (US\$3,109 million during 2015-2017)¹¹ to the region far outstrips South Korea's. South Korea's foreign direct investment (FDI) in ASEAN is also lagging behind those of Japan, Europe, China and the USA over the last decade.
- 1.13 Close economic ties have not translated into close security relations. According to a survey by the ISEAS-Yusof Ishak Institute (thereafter ISEAS) in 2020, South Korea was the last choice for ASEAN among seven countries/regions "if ASEAN were to seek out "third parties" to hedge against the uncertainties of the US-China rivalry".¹²
- 1.14 Korea's foreign policy today is still constrained by the US-Korea security framework as evidenced by the country's announcement in 2019 to create a safe, prosperous and dynamic future for the region through cooperation between Korea's NSP and the United States' Indo-Pacific Strategy.¹³

ROK's Foreign Policy Extension from North to South

- 2.1 ROK's foreign policy has been dominated by its security concerns and the need for nation-building after World War II. The ROK-US alliance, signed in 1953, was to not only prevent military invasion from the North, but also achieve economic development.

¹⁰ The main recipient countries are Vietnam, Cambodia, Lao, Indonesia, the Philippines and Myanmar. "How does South Korea spend its ODA", Seek development, <<https://donortracker.org/country/south-korea>> (accessed 21 March 2020).

¹¹ Seek development, <<https://donortracker.org/country/japan>> (accessed 21 March 2020).

¹² Japan is ASEAN's most trusted strategic partner (38.2%) to hedge against US-China rivalry, followed by the European Union (31.7%), Australia (8.8%), India (7.5%), Russia (6.1%), New Zealand (4.7%) and ROK (3%). Tan, S M et al, *The state of Southeast Asia: 2020*, ISEAS-Yusof Ishak Institute, Singapore, 2020.

¹³ "US & ROK issue a joint factsheet on their regional cooperation efforts", US Embassy in Republic of Korea, 2 November 2019, <<https://kr.usembassy.gov/110219-joint-fact-sheet-by-the-united-states-and-the-republic-of-korea-on-cooperation-between-the-new-southern-policy-and-the-indo-pacific-strategy/>> (accessed 21 March 2020).

- 2.2 With the end of the Cold War, South Korea started to launch the Nordpolitik (Northern Policy) under President Roh Tae-Woo (1988-1993) to improve relations with the Soviet Union, China and other former communist countries while maintaining security alliance with the United States.¹⁴
- 2.3 ROK-ASEAN official ties started in 1989 when South Korea was accepted as a sectoral dialogue partner of ASEAN and full dialogue partner in 1991. In 1994, ROK joined the ASEAN Regional Forum (ARF), a major regional security conference involving six parties for denuclearisation talks (China, Japan, Russia, the United States and the two Koreas).
- 2.4 In response to the Asian financial crisis, the Kim Dae-jung's administration (1998-2003) was actively nurturing close partnership with ASEAN. ROK-ASEAN relations were mainly based on ASEAN+3 cooperation framework (ASEAN plus China, Japan and South Korea).
- 2.5 Unlike the Kim Dae-jung administration, the Roh Moo-hyun administration (2003-2008) downplayed ASEAN in ROK's foreign policy. With the détente between the two Koreas since the Kim Dae-jung's era, President Roh tried to further push the momentum in the two Koreas' relations through diplomacy with major world powers.¹⁵
- 2.6 The two right wing administrations after Roh Moo-hyun encouraged international engagement in keeping peace in the Korean Peninsula. Lee Myung-bak's (2008-2013) "New Asia Initiative" emphasised diplomacy with all major economies in the world, including ASEAN.

¹⁴ South Korea normalised ties with the Soviet Union in 1990 and China in 1992. From 1989 to 1992, South Korea also normalised diplomatic ties with other communist countries in Eastern Europe. Young-Ho Kim, "Diplomatic achievement of the Republic of Korea and challenges in the twenty-first century", in Sung-Wook Nam et al., *South Korea's 70-year endeavour for foreign policy, national defense and unification*, 2019, pp. 87-119.

¹⁵ Jaehyon Lee, "Korea's new Southern policy towards ASEAN: context and direction", Jeju Peace Institute, <<http://www.jpi.or.kr/skyboard/download.sky?fid=4975&gid=7073&code=jpiworld>> (accessed 6 April 2020).

2.7 The Park Geun-hye administration (2013-2017) initiated “Korean Peninsula Trust Politik” and “Northeast Asia Peace and Cooperation Initiative” (NAPCI).¹⁶ Although ASEAN was invited to the NAPCI process, its participation in NAPCI was peripheral as an observer.

2.8 While relations with ASEAN from the Roh Moo-hyun to Park Geun-hye administrations had been deemphasised, the three administrations after Kim Dae-jung continued to work on cooperation projects with ASEAN. As a result, institutionalised bilateral partnerships continued to make progress (Table 1). Bilateral cooperation in a variety of areas has been launched through different kinds of dialogue and meeting.¹⁷

TABLE 1 MAJOR EVENTS IN ROK-ASEAN RELATIONS 1989-2019

Year	Types of partnership
1989	• ROK became ASEAN’s sectoral dialogue partner
1991	• ROK became ASEAN’s full dialogue partner
1994	• ROK joined ASEAN Regional Forum
1997	• First ASEAN-Korea Summit (held regularly)
2004	• ROK acceded to the Treaty of Amity and Cooperation in Southeast Asia (TAC) • Joint Declaration on Comprehensive Cooperation Partnership (to advance ASEAN-ROK relations in a more comprehensive and substantive manner) • First ASEAN Economic Ministers (AEM)-Korea Consultation (held regularly)
2005	• ASEAN-ROK Plan of Action (to promote political security, economic, social and cultural cooperation)
2007	• Entry into force of the ASEAN-Korea FTA on Trade in Goods
2009	• ASEAN-ROK Commemorative Summit • Inauguration of the ASEAN-Korea Centre • Entry into force of the ASEAN-Korea FTAs on Service and Investment
2010	• Plan of Action to Implement the Joint Declaration on ASEAN-Republic of Korea Strategic Partnership for Peace and Prosperity (2011-2015) • ROK’s participation in ASEAN Defence Ministry’s meeting plus (ADMM+) • Mekong-ROK Foreign Ministers’ Meeting
2014	• ASEAN-ROK commemorative Summit to celebrate the 25th Year of ASEAN-ROK dialogue
2012	• Establishment of the Mission of the Republic of Korea to ASEAN • Establishment of ASEAN-Korea security dialogue
2019	• ASEAN-ROK Summit to celebrate the 30th anniversary of ASEAN-ROK dialogue relations

Source: “Overview of ASEAN-Republic of Korea dialogue relations”, ASEAN, 30 August 2019, <<https://asean.org/storage/2012/05/Overview-ASEAN-ROK-Dialogue-Relations-as-of-August-2019.pdf>> (accessed 17 February 2019); ASEAN-Korea centre <https://www.aseankorea.org/eng/ASEAN/ak_overview.asp> (accessed 17 February 2020).

¹⁶ Lee, op.cit., 2019.

¹⁷ Lee, op.cit., 2019.

- 2.9 Apart from ROK-ASEAN joint cooperation projects, the Moon administration signed memorandum of understanding (MOU) individually with the 10 countries in ASEAN in a variety of areas for cooperation as well as construction projects after taking office in 2017.¹⁸
- 2.10 Although South Korea established diplomatic relations with India earlier than with ASEAN, bilateral relations were relatively underdeveloped. On one hand, India's closeness with the Soviet Union was seen by the United States and its allies with suspicion.
- 2.11 On the other hand, unlike South Korea's outward-looking export-oriented development, India adopted an inward-looking import substitution model of development. The contrasting development paths prevented both from developing close economic ties.¹⁹
- 2.12 India's economic reform and the launch of "Look East Policy" since 1991 have contributed to the progressive development of bilateral relations. Particularly after 2004, ROK-India relations have expanded quickly at both economic and strategic levels (Table 2).
- 2.13 South Korea's inclusion of NSP countries in its foreign policy did not change its fundamental policy objective over the last few decades---to dismantle North Korea's nuclear weapons programme, integrate the North into the global market economy and achieve peaceful reunification of the two Koreas.
- 2.14 The launch of NSP also reinforced the recognition of ASEAN as a focal point for great powers' advancement of their economic and strategic interests. NSP has strong synergy with China's belt and road initiative (BRI), India's Act East policy, Japan's Free and Open Indo-Pacific and US' Indo-Pacific policy.

¹⁸ Hoang Thi Ha and Glenn Ong, "Assessing the ROK's new southern policy towards ASEAN", *Perspective*, ISEAS-Yusof Ishak Institute, 3 January 2020, <https://www.iseas.edu.sg/images/pdf/ISEAS_Perspective_2020_7.pdf> (accessed 13 February 2020).

¹⁹ Rajaram Panda, "India and South Korea Relations: Past and Future Trends – Analysis", 7 October 2012 <<https://www.eurasiareview.com/07102012-india-and-south-korea-relations-past-and-future-trends-analysis/>> (accessed February 2020).

TABLE 2 MAJOR PARTNERSHIP IN ROK-INDIA RELATIONS

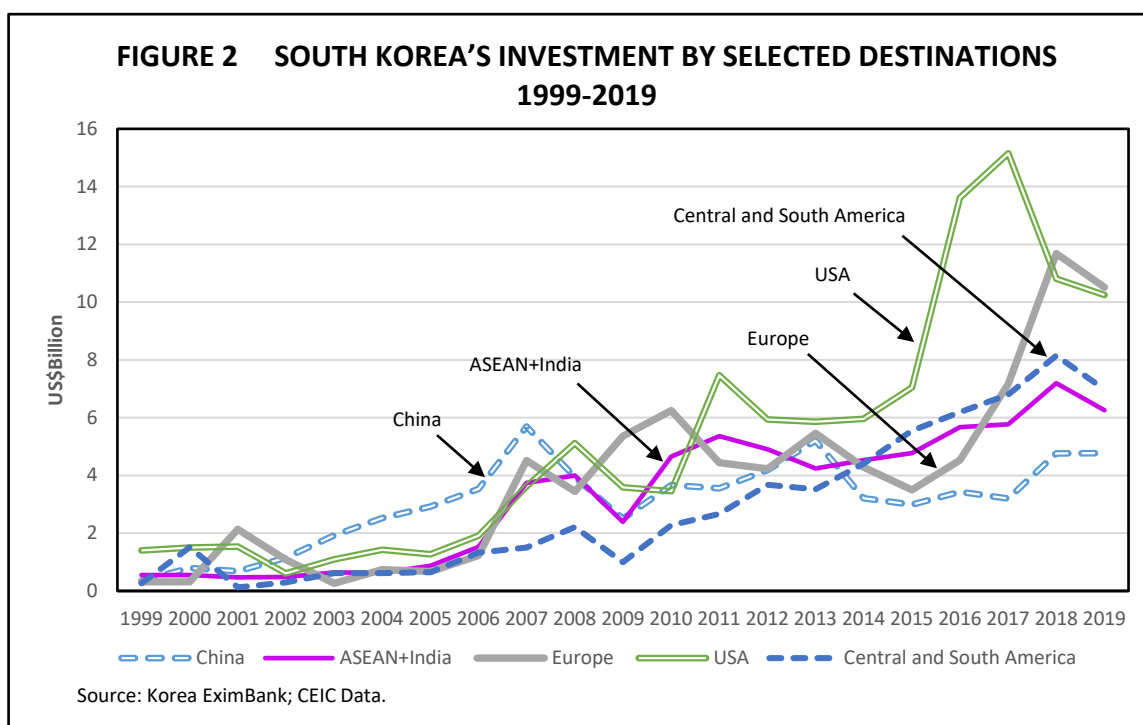
Year	Types of partnership
1973	<ul style="list-style-type: none"> • Establishment of ROK-India diplomatic relations
2004	<ul style="list-style-type: none"> • Establishment of ROK-India Long Term Cooperative Partnership • Agreement to establish a “dialogue on security and foreign policy”
2005	<ul style="list-style-type: none"> • MOU on cooperation on defence industry and logistics
2006	<ul style="list-style-type: none"> • Cooperation between the Coast Guard of the two countries
2007	<ul style="list-style-type: none"> • First ROK-India defence minister meeting • MOU on an exchange of defence-related experience and information, and exchange of visits by military personnel and experts • MOU on identifying futuristic defence technology and areas of mutual interest, and undertaking research and development works in both countries
2010	<ul style="list-style-type: none"> • Strategic Partnership • Comprehensive Economic Partnership Agreement went into effect
2015	<ul style="list-style-type: none"> • Bilateral relations upgraded to “special strategic partnership” (to secure and promote stability in the East Asian region) • Both agreed to strengthen cooperation in various fields such as manufacturing, information and communications technology (ICT), infrastructure, science and technology, and cultural exchanges

Source: Rajaram Panda, “India And South Korea Relations: Past And Future Trends – Analysis”, 7 October 2012 <<https://www.eurasiareview.com/07102012-india-and-south-korea-relations-past-and-future-trends-analysis/>> (accessed February 2020); and Ministry of Foreign Affairs (ROK) <http://www.mofa.go.kr/eng/wpge/_4903/contents.do#none> (accessed 17 February 2020).

Shifting South Korea’s Outward Direct Investment Away from China Prior to NSP

- 3.1 China was an important investment destination for Korean firms. However, with China’s wage hike, stricter rules on environment and labour protection after the early 2000s,²⁰ Korean manufacturers have started to shift their outward direct investment (ODI) from China to other countries.
- 3.2 Since 2007, Korean ODI in NSP countries, Europe and the United States has increased visibly while Korea’s investment in China has stagnated. The ODI in central and South America has started to grow clearly after 2012 (Figure 2).
- 3.3 The United States is the most important ODI destination from 2009 to 2019, followed by Europe, Central and South America and NSP countries. Korea’s ODI in the United States and Europe has particularly shown robust growth after 2015 (Figure 2).

²⁰ China enacted “minimum wage” in 2004 and “labour contract law of the People’s Republic of China” in 2008 to protect workers’ rights and improve welfare in the workplace.



- 3.4 Korea's extensive FTA might explain its growing and diversified ODI. South Korea has implemented FTA with Singapore in 2006, ASEAN in 2007, India in 2010, Europe in 2011, the United States in 2012, and Vietnam and China in 2015.²¹
- 3.5 When the NSP was announced in 2017, Korean ODI in NSP countries went up to US\$7.2 billion, from US\$5.8 billion in 2016. The investment slightly declined to US\$6.3 billion in 2019. In comparison, its ODI in China remained unchanged in 2018 and 2019 (Figure 2).
- 3.6 Despite the sluggish investment in China, the country remains Korea's most important overseas manufacturing production site. During the 2015-2019 period, China accounted for 29% of Korean ODI in manufacturing, followed by NSP countries' 25%, the United States' 14% and Europe's 12%.²²
- 3.7 Most of Korean ODI in NSP countries went to Vietnam. In the last decade, Vietnam received US\$17.8 billion of Korean firms' investment, followed by Singapore's US\$11.4 billion, Indonesia's US\$7.8 billion and India's US\$4.5 billion (Table 3).

²¹ Ministry of trade, industry and energy, Republic of Korea, <<http://english.motie.go.kr/en/if/ftanetwork/ftanetwork.jsp>> (accessed 19 February 2020).

²² Data source: CEIC Data.

**TABLE 3 BREAKDOWN OF SOUTH KOREA’S ODI IN ASEAN AND INDIA
2009-2019**

Unit: US\$ million

	Vietnam	Singapore	Indonesia	TMP	CLMB	India
2009	629.1	275.8	385.1	278.8	576.0	242.4
2010	882.5	416.2	927.5	1881.3	340.3	199.1
2011	1,056.3	1,046.8	1,298.7	956.1	543.0	456.1
2012	982.0	394.9	996.6	1,753.7	451.0	322.9
2013	1,152.1	553.2	455.5	1,064.3	664.6	346.6
2014	1,660.4	980.3	726.2	412.2	413.5	336.6
2015	1,612.5	1,458.2	699.0	323.3	314.0	365.3
2016	2,374.3	1,179.1	661.4	480.0	637.7	336.4
2017	1,973.2	1,052.1	676.5	1,080.3	475.9	516.3
2018	3,162.2	1,574.4	497.2	378.6	529.9	1,052.7
2019	2,318.2	2,470.8	465.0	360.8	304.6	340.0
Total	17,802.7	11,401.8	7,788.8	8,969.5	5,250.5	4,514.4

Note: CLMB refers to Cambodia, Laos, Myanmar and Brunei. TMP refers to Thailand, Malaysia and the Philippines.

Source: Korea Exim Bank

3.8 Some 46% of South Korea’s investment in NSP countries was in the manufacturing sectors from 2015 to 2019, followed by finance, insurance and real estate (23%). In general, financial service providers have relocated to the host region to meet their clients’ (manufacturing firms) demand for services.²³

3.9 Vietnam’s foreign investment promotion policy, political stability and relatively low wages are main reasons for the greater Korean investment in the country. In 2018, the minimum wages in Ho Chi Minh City was US\$172.8, lower than Shanghai’s US\$365.6 and Jakarta’s US\$256.1.²⁴

3.10 South Korea’s ODI is also a big contributor to Vietnam’s economy. Samsung alone accounted for almost a third of Vietnam’s GDP in 2018. In the same year, Vietnam accounted for 30% of Samsung’s total sales.²⁵

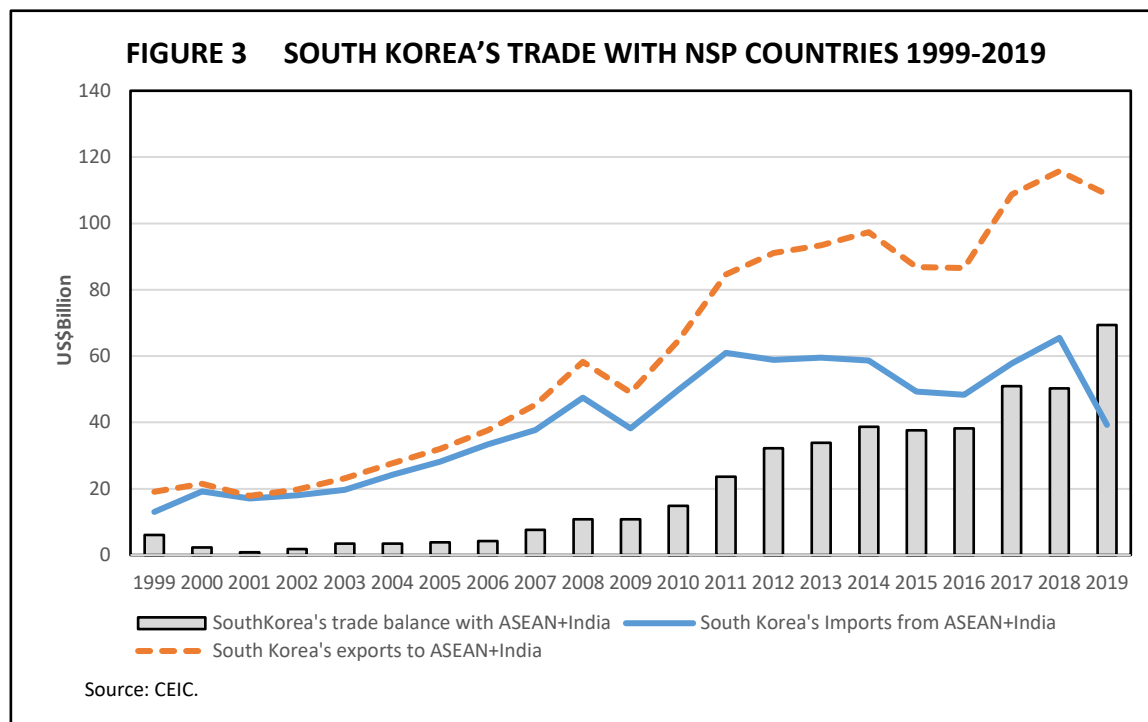
²³ Data source: South Korea Eximbank.

²⁴ Jung Suk-Yee, “South Korean companies increasing investment in Vietnam to utilize low labor cost”, *Business Korea* <<http://www.businesskorea.co.kr/news/articleView.html?idxno=31743>> (accessed 22 February 2020).

²⁵ Kim Eun-jin, “Samsung electronics accounts for 28% of Vietnam’s GDP”, *Business Korea*, 14 March 2019 <<http://www.businesskorea.co.kr/news/articleView.html?idxno=29966>> (accessed 22 February 2020).

ROK's Imbalanced Trade Relations with NSP countries

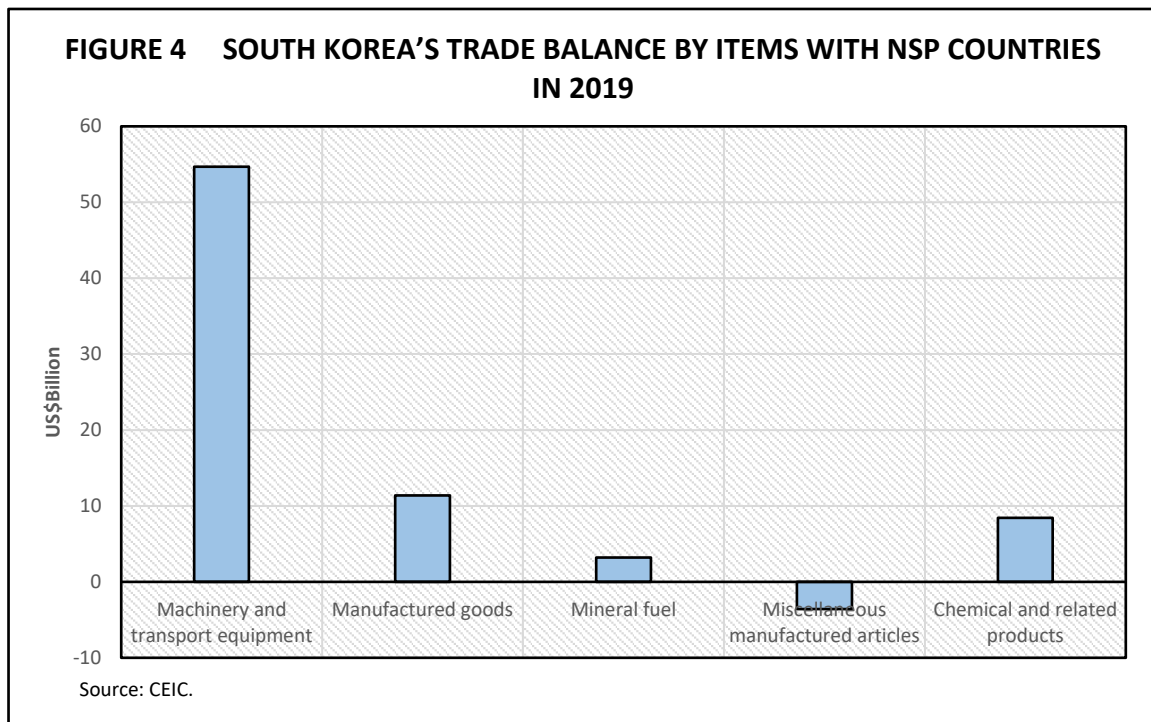
4.1 South Korea's trade with NSP countries has been growing gradually over the last two decades. In particular, after the global financial crisis in 2009, Korea's exports to the region were robust, but its imports were relatively slow (Figure 3).



4.2 The gap between Korea's exports to and imports from NSP countries has been enlarging since the implementation of the ASEAN-Korea FTA in 2007 and Korea-India economic partnership agreement in 2010 (Figure 3).

4.3 With exports substantially more than imports, Korea has consistently run a large trade surplus with NSP countries, swelling from US\$10.8 billion in 2009 to US\$69.4 billion in 2019 (Figure 3), a development largely driven by Korean firms' investment in the region. Korea supplied intermediate goods to Korean firms in these countries in exchange for manufactured and raw material goods.

4.4 South Korea ran especially large trade surplus with NSP countries in machinery and transport equipment, followed by manufactured goods and chemical products. It has trade deficit in miscellaneous products (Figure 4).



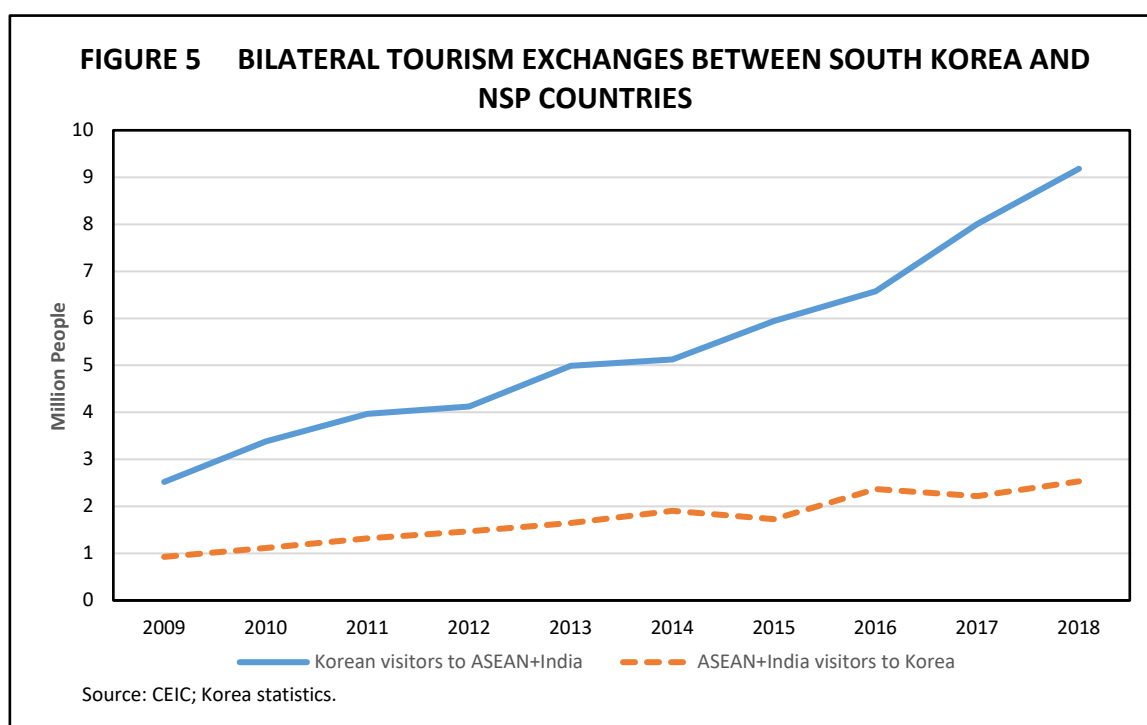
- 4.5 ROK's trade with NSP countries is overwhelmingly concentrated in Vietnam. In 2019, Vietnam accounted for 43% of ROK's exports to and 53% of its imports from all NSP countries due largely to the massive Korean ODI in the country.²⁶
- 4.6 South Korea's advocacy for greater trade exchanges through NSP has overlapped with the promotion of trade between countries in Regional Comprehensive Economic Partnership (RCEP) in recent years. However, neither NSP nor RECP can drive more trade exchanges as Korea has already had bilateral FTAs with ASEAN and India.
- 4.7 India may have doubt about intensifying trade relations with Korea through the NSP. India withdrew from RCEP chiefly due to its concerns about the growing trade deficit with South Korea.
- 4.8 ROK may not be able to divert its trade reliance on China through NSP. China-based Korean firms' demand for key components and intermediate goods from South Korea remains strong. South Korea's imports of industrial goods from China have also increased visibly in the last decades.

²⁶ Data source: CEIC.

4.9 Another difficulty for ROK to reduce its trade dependence on China is ASEAN’s close trade ties with China. China is ASEAN’s largest trading partner. Vietnam is especially dependent on industrial goods from China.

Promoting Tourism Exchanges

5.1 The intensifying economic relations have promoted Korean visitors to NSP countries, rising from 2.8 million in 2009 to 9.2 million in 2018 (Figure 5).



5.2 Vietnam is the most popular tourist destination for Korean tourists, accounting for nearly 38% of Korean visitors to NSP countries in 2018. The greater number of visitors to Vietnam is an evidence of the business-driven tourism (as Vietnam is Korea most important ODI destination and trade partner).²⁷

5.3 Korean visitors to Vietnam have started to rise since a decade ago. With 3.5 million visitors in 2018, South Korea was Vietnam’s second largest source of inbound tourism, after China’s 5 million.²⁸

²⁷ Data source: CEIC; *ASEAN Statistical Yearbook 2019*.

²⁸ Data source: *ASEAN Statistical Yearbook 2019*.

- 5.4 South Korea-Vietnam tourism relations are facing challenges after the sudden outbreak of COVID-19 in Korea. Vietnam has cancelled the “visa waiver programme” for Korean visitors, particularly those from Daegu and North Gyeongsang province, since 29 February 2020.²⁹
- 5.5 Despite the larger population, visitors from NSP countries to Korea rose slowly from less than 1 million in 2009 to 2.5 million in 2018 (Figure 5).
- 5.6 In 2019, though NSP countries ranked second (15% of total visitor arrivals) for Korea’s inbound tourism, it was still far behind China’s 34%.
- 5.7 Visitors from Thailand is Korea’s largest source of inbound tourism among NSP countries. In 2019, 571,610 Thai tourists visited Korea, followed by 553,731 from Vietnam and 503,867 from the Philippines.³⁰
- 5.8 Despite the K-Pop wave in many ASEAN countries, South Korea is still a less attractive destination for ASEAN visitors. Japan topped the ISEAS survey as the most favoured tourism destination for ASEAN, registering 26.2% of total respondents versus South Korea’s 4%.³¹
- 5.9 Migrant workers from Southeast Asian countries form an importance source of inbound tourism to Korea. In South Korea, there are 214,000 migrant workers from Thailand, Vietnam and the Philippines,³² comprising largely illegal migrant workers.

²⁹ Ahn Sung-mi, “Some 200 South Koreans forced into isolation in Vietnam”, *The Korea Herald*, 1 March 2020 <<http://www.koreaherald.com/view.php?ud=20200301000213>> (accessed 4 March 2020).

³⁰ Data source: CEIC.

³¹ Tan, S M, et al, *The state of Southeast Asia: 2020*, ISEAS-Yusof Ishak Institute, Singapore, 2020.

³² Teeranai Charuvastra, “2 Thai workers returning from Korea suspected of having coronavirus”, Khaosod English, 3 March 2020 <<https://www.khaosodenglish.com/politics/2020/03/03/2-thai-workers-returning-from-korea-suspected-of-coronavirus-infection/>> (accessed 4 March 2020); Gia Chinh, “Vietnamese workers in South Korea under coronavirus scrutiny”, *VN Express International*, 23 February 2020 <<https://e.vnexpress.net/news/news/vietnamese-workers-in-south-korea-under-coronavirus-scrutiny-4059226.html>> (accessed 4 March 2020); and Genalyn Kabiling, “Pinoy OFWs in South Korea treated as equals of local labor”, *The Nation’s Leading Newspaper*, 3 June 2018 <<https://news.mb.com.ph/2018/06/03/pinoy-ofws-in-south-korea-treated-as-equals-of-local-labor/>> (accessed 4 March 2020).

As of July 2019, 370,889 (15% of total) foreigners who stayed in Korea were illegal workers, 40% of whom were undocumented foreigners from Thailand.³³

- 5.10 Visitors from ASEAN countries may rise further as Korea plans to ease travel restrictions for citizens from Vietnam, the Philippines and Indonesia. At present, Korean visas are necessary for visitors from most ASEAN countries except Singapore, Thailand and Malaysia.³⁴
- 5.11 Given the still relatively low per capita income of most NSP countries, Korea's promotion of leisure travel from NSP countries may have its limit and visa deregulation may give rise to illegal activities in Korea.
- 5.12 Overall, the greater exchanges in cultural and education tourism may be helpful to expand Korea's soft power presence in the region. However, South Korea and NSP countries are unlikely to replace China's importance in their inbound tourism.

South Korea's Security Cooperation with NSP Countries

- 6.1 South Korea is planning to enhance security cooperation with NSP countries, including promoting more frequent high-level exchanges, building a peaceful Korean Peninsula, enhancing cooperation in defence industry, engaging in collective response to anti-terrorism and cyber and maritime security, and ensuring better resilience to regional contingencies.³⁵
- 6.2 ASEAN is an ideal platform to engage North Korea. Some ASEAN countries have maintained communication channels with North Korea and are neutral mediators as

³³ Nam Kyung-don, "Nearly 15% of foreigners in S. Korea illegal immigrants", *The Korea Herald*, 21 October 2019 <<http://www.koreaherald.com/view.php?ud=20191021000885>> (accessed 18 March 2020).

³⁴ "Korea planning relaxed visa rules for ASEAN members", *Econo Times*, 28 January 2020, <<https://www.econotimes.com/Korea-Planning-Relaxed-Visa-Rules-for-ASEAN-Members-1573287>> (accessed 18 March 2020).

³⁵ "Direction for promoting the New Southern Policy", Presidential Committee on New Southern Policy, <<http://www.nsp.go.kr/eng/policy/policy02Page.do>> (accessed March 20 2020)

evidenced by Singapore and Vietnam's roles as hosts for the North Korea-US Summit.³⁶

- 6.3 North Korea has been part of ASEAN-based ARF since 2000. ARF's goal is to foster dialogue and consultation on political and security issues, and make significant contributions towards confidence-building and preventive diplomacy in the region.
- 6.4 Nevertheless, South Korea and ASEAN do not share the same security concerns. South Korea's major security concern is North Korea whereas ASEAN countries are more concerned with the South China Sea issue. Without sharing common security threats, it is unlikely for both sides to identify critical issues for cooperation.³⁷
- 6.5 According to ISEAS' survey, South Korea is the least preferred strategic partner for ASEAN (1.8% in favour of South Korea), after Japan (31.7%), the EU (20.5%), China (20.3%) and Australia (9.5%).³⁸
- 6.6 Unlike the North Atlantic Treaty Organisation, there has been no security alliance between any Asian countries. Several countries in the region have individual security treaty with the United States (eg. the Philippines, South Korea, Thailand and so on). As security alliance is not a tradition in this region, it is difficult for South Korea to initiate a security network with NSP countries.
- 6.7 Despite the differences in security interests, South Korea did make progress in security cooperation with NSP countries. ROK (together with China, India, Japan, New Zealand, the United States, Australia and Russia) has been engaging in ASEAN Defence Ministry's meeting regularly since 2010.

³⁶ Nurliana Kamaruddin and Aaron Denison Deivasagayam, "Great power rivalries push South Korea and ASEAN closer", *East Asian Forum*, October 26, 2019, <<https://www.eastasiaforum.org/2019/10/26/great-power-rivalries-push-south-korea-and-asean-closer/>> (accessed February 12, 2020).

³⁷ Lee, op.cit., 2019.

³⁸ Tan, S M et al., *The state of Southeast Asia: 2020*, ISEAS-Yusof Ishak Institute, Singapore, 2020.

6.8 Indian Prime Minister Narendra Modi’s visit to Seoul in February 2019 was considered a push towards a special strategic partnership between the two countries, yielding several agreements for cooperation including combating trans-border and international crimes.³⁹

6.9 Apart from dialogues, South Korea and some NSP countries may find common interest in security through arms sales. NSP countries accounted for over half of South Korea’s total arms sales from 2015 to 2019 (Table 4).

**TABLE 4 SOUTH KOREA’S ARMS EXPORTS TO NSP COUNTRIES
2015-2019**

Unit: US\$ million

	2015	2016	2017	2018	2019	Total 2015-2019
India	0	0	0	26	190	216
Indonesia	3	0	160	160	86	409
Malaysia	0	0	37	37	0	74
Philippines	33	36	132	0	72	273
Viet Nam	0	0	60	60	0	120
Thailand	0	0	0	292	71	363
Myanmar	0	0	0	0	90	90
Subtotal (NSP countries)	36	36	389	575	509	1,545
South Korea’s total arms exports	101	479	751	1,066	688	101
NSP countries as % of Korea’s total arms exports	35.6	7.5	51.8	53.9	74.0	50.1

Note: A “0” indicates that the value of deliveries is less than 0.5 million.

Source: Stockholm international peace research institute.

6.10 South Korea is also emerging as a key source of arms imports for certain NSP countries. For example, Korea accounted for a respective 30% and 20% of total arms imports for the Philippines and Thailand from 2015 to 2019.⁴⁰

³⁹ Abhijit Singh, “India-South Korea strategic relations: shared imperatives, common goals”, *Observer Research Foundation*, 7 February 2020 <<https://www.orfonline.org/expert-speak/india-south-korea-strategic-relations-shared-imperatives-common-goals-61133/>> (accessed 19 March 2020).

⁴⁰ Data source: Stockholm international peace research institute.

NSP after COVID-19

- 7.1 South Korea may have difficulty achieving its targets in trade, investment and tourism exchanges with NSP countries in 2020 due to the outbreak of COVID-19 across several countries in the world.⁴¹ As of 16 April, there were more than 2 million COVID-19 cases the world over, with 45,509 cases in South Korea and NSP countries.⁴²
- 7.2 During the first three months of 2020, Korea's total year over year (YOY) exports and imports dropped by 1% and 1.6% respectively. However, its exports to (up by 5%) and imports from (increased by 4%) ASEAN countries have remained relatively resilient compared to those with its major trading partners.⁴³
- 7.3 China and other Asian countries are making efforts to resume their manufacturing production. However, the weak demand, due to the escalating pandemic in Europe and United States, may cast a shadow on global trade exchanges.
- 7.4 South Korean firms' heavy investment in Vietnam has restrained its production flexibility during COVID-19. Korean investors suffered after Vietnam government's cancellation of visa waiver programme for Korean visitors and suspension of flights between the two countries.
- 7.5 Several countries have put travel restrictions on visitors to and from South Korea. In the first two months of 2020, visitors from NSP countries declined by 9% compared to the same period in 2019. South Korea's total tourism revenue declined by 9% during the same period.⁴⁴

⁴¹ Before the outbreak of COVID-19, South Korea expected to increase trade with ASEAN+India from US\$181.4 billion in 2018 to US\$200 billion in 2020 and the number of visitors from 11.7 million in 2018 to 15 million in 2020.

⁴² Data source: Worldpmeter <<https://www.worldometers.info/coronavirus/>> (accessed April 8 2020).

⁴³ During the same period, South Korea's exports to North America declined by 35%, EU by 3%, China by 8% and Hong Kong by 39%. Its imports from North America declined by 28%, China by 7% while imports from Europe increased by 2%. Data source: CEIC.

⁴⁴ Data source: CEIC.

- 7.6 Nevertheless, COVID-19 brings new investment opportunities such as in COVID-19 medical treatment, health care, virus test kits and long-distance video conference equipment.
- 7.7 South Korea is also praised for its use of high technology to contain the virus spread in the country. It could help NSP countries combat against COVID-19 through the adoption of technology.
- 7.8 Long-distance communication through the internet became particularly important during the COVID-19 outbreak when social distancing is encouraged. ISEAS' survey showed that ASEAN countries have high confidence in South Korea's Samsung to build 5G internet infrastructure network in the region.⁴⁵
- 7.9 South Korea is able to exercise its creative diplomacy and reinforce relationship with NSP countries amid its uncertain relations with China and long-term hostility with Japan.
- 7.10 South Korea's NSP aligns with India's Act East Policy (AEP) launched since 2014 in their aim to further relations with Asian countries. A broader cooperation and coordination in policies between the two countries may help to enhance the effectiveness of NSP.
- 7.11 South Korea and NSP countries may also find the need for greater and deeper cooperation amid the growing conflict between the two global powers. US-China tension has heightened after a Chinese diplomat promoted a conspiracy theory that the US military could have brought the COVID-19 to China.⁴⁶
- 7.12 Another important impetus for greater cooperation is the fear of China's power rise. Around 84%-85% of respondents in ASEAN are concerned about China's growing

⁴⁵ ASEAN countries voted in favour of South Korea's Samsung countries for building 5G internet infrastructure network (38.5%), ahead of China's Datang Telecom, Huawei or ZTE (24.6%), Sweden's Ericsson (15.2%), US' Altostar, Cisco or Qualcomm (13.4%) and Finland's Nokia (8.3%). Tan, S M et al., *The state of Southeast Asia: 2020*, ISEAS-Yusof Ishak Institute, Singapore, 2020.

⁴⁶ Tanner Brown, "Inside China's campaign to blame the US for the coronavirus pandemic", *Market Watch*, 15 March 2020 <<https://www.marketwatch.com/story/inside-chinas-campaign-to-blame-the-us-for-the-coronavirus-pandemic-2020-03-15>> (accessed 16 March 2020).

economic and political clout in the region. On the other hand, ASEAN is not confident of US leadership in promoting free trade and maintaining rule-based international order according to ISEAS' survey in 2020.⁴⁷

7.13 South Korea will have to implement the NSP with caution due to the political diversity in the region. A good 54% of ASEAN people disapproved of Myanmar government's treatment of the Rohingya minority whereas the majority of Myanmar people (42%) supported it.⁴⁸ South Korean aid to either the Rohingya community or the Myanmar government could trigger a backlash.⁴⁹

7.14 Policy continuity is key to Korea's engagement with NSP countries. Korea's domestic politics, economic development and evolving powers relations in the region after COVID-19 are critical factors for the sustainability of its NSP.

⁴⁷ Tan, S M et al., *The state of Southeast Asia: 2020*, ISEAS-Yusof Ishak Institute, Singapore, 2020.

⁴⁸ Ibid.

⁴⁹ Nurliana Kamaruddin and Aaron Denison Deivasagayam, "Great power rivalries push South Korea and ASEAN closer", East Asia Forum, 26 October 2019 <<https://www.eastasiaforum.org/2019/10/26/great-power-rivalries-push-south-korea-and-asean-closer/>> (accessed 23 March 2020).

ANNEX 1 SOUTH KOREA'S COOPERATION PROJECTS WITH ASEAN UNDER NSP

3Ps	Categories	Cooperation projects in detail
People	Raise Awareness	<ul style="list-style-type: none"> • Launch projects to raise awareness and promote mutual understanding: providing support to ASEAN studies in Korea and Korean studies in ASEAN • Establish the ASEAN Studies Centre in Korean universities and research institutes, and strengthen networks and cooperation with ASEAN Studies Centre in ASEAN* • Initiate project to build a network of ASEAN-Korea think tanks and facilitate exchange* • Establish a regular ASEAN-Korea Forum at the international level • Designate the ASEAN-Korea Day
	Cultural Exchange	<ul style="list-style-type: none"> • Organise joint cultural projects by the ASEAN Culture House in Busan and ASEAN Cultural Centre in Bangkok
	Capacity Building	<ul style="list-style-type: none"> • Arrange people-to-people exchanges, human resource development and capacity building projects • Strengthen youth exchange projects to cultivate future leaders
	People-to-people Exchanges and Migration	<ul style="list-style-type: none"> • Simplify visa process for ASEAN nationals visiting Korea • Improve the Employment Permit System and protect basic rights of multi-cultural families and migrant workers
Prosperity	Enterprise Support	<ul style="list-style-type: none"> • Establish a capacity building centre and R&D centre for the fourth industrial revolution technologies • Promote projects to support small and medium-sized enterprises • Commence projects to promote economic and industrial policy research institutes
	Connectivity	<ul style="list-style-type: none"> • Expand the ASEAN Connectivity Forum organised by the ASEAN-Korea Centre (in cooperation with ADB, World Bank, AIIB, ESCAP and so on)
	FTA	<ul style="list-style-type: none"> • Accelerate FTA negotiations (RCEP, upgrading AKFTA, and bilateral CEPA with Indonesia, Malaysia etc.)
Peace	Future Vision	<ul style="list-style-type: none"> • Establish the ASEAN-Korea Eminent Persons Group to suggest future visions and directions
	Mutual Understanding	<ul style="list-style-type: none"> • Establish peace parks or memorial centres in Indochina in line with the DMZ Peace Park in Korea to symbolise the peace and prosperity of ASEAN and Korea • Remove mines and explosives and rehabilitate the community for this project
	Regional Security	<ul style="list-style-type: none"> • Strengthen cooperation on non-traditional security and transnational issues

Note: * - A state-run research centre for ASEAN-Indian studies was opened under Korea National Diplomatic Academy on 1 February 2018. ASEAN-Korea financial cooperation centre was established in Indonesia to improve ASEAN and Korean firms' financial accessibility.

Source: Kim Young-Sun, "30 years of ASEAN-Korea relations: What are the future directions of the New Southern Policy", Seoul National University Asia Centre, <<http://diverseasia.snu.ac.kr/?p=2675>> (accessed 14 February 2020); Sungil Kwak, "A view from South Korea", *The Asan Forum*, 7 January 2020 <<http://www.theasanforum.org/a-view-from-south-korea-3/>> (accessed 12 February 2020).