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The Position of South Korea in East Asian Regionalization in the 21st Century

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Outline

- Introduction
- Balance of economic power in East Asia
- A role of Korea in shaping intra-regional trade
- Korea in intra-regional FDI flows
- Participation in regional production networks
- Conclusions and recommendations

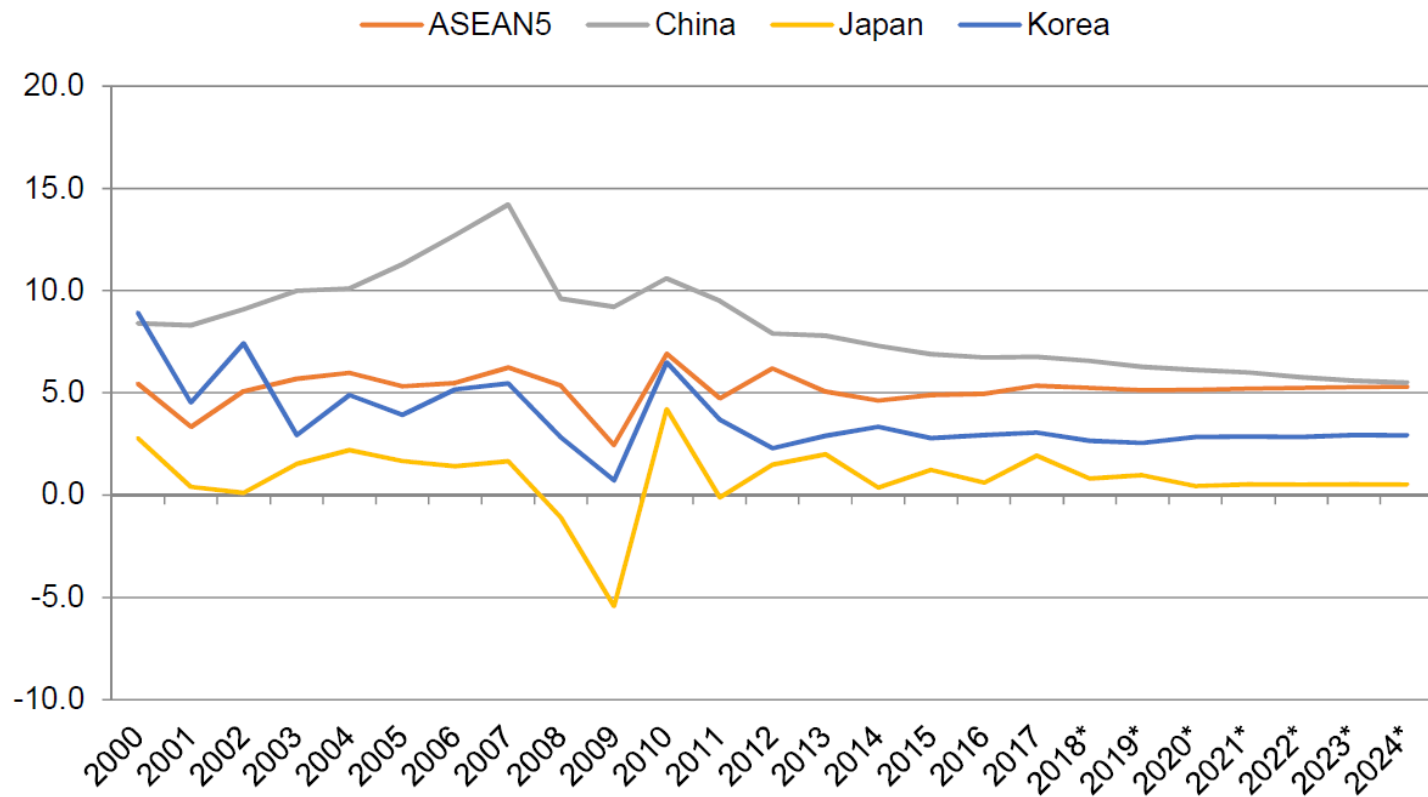


Balance of economic power in East Asia



Balance of economic power in East Asia

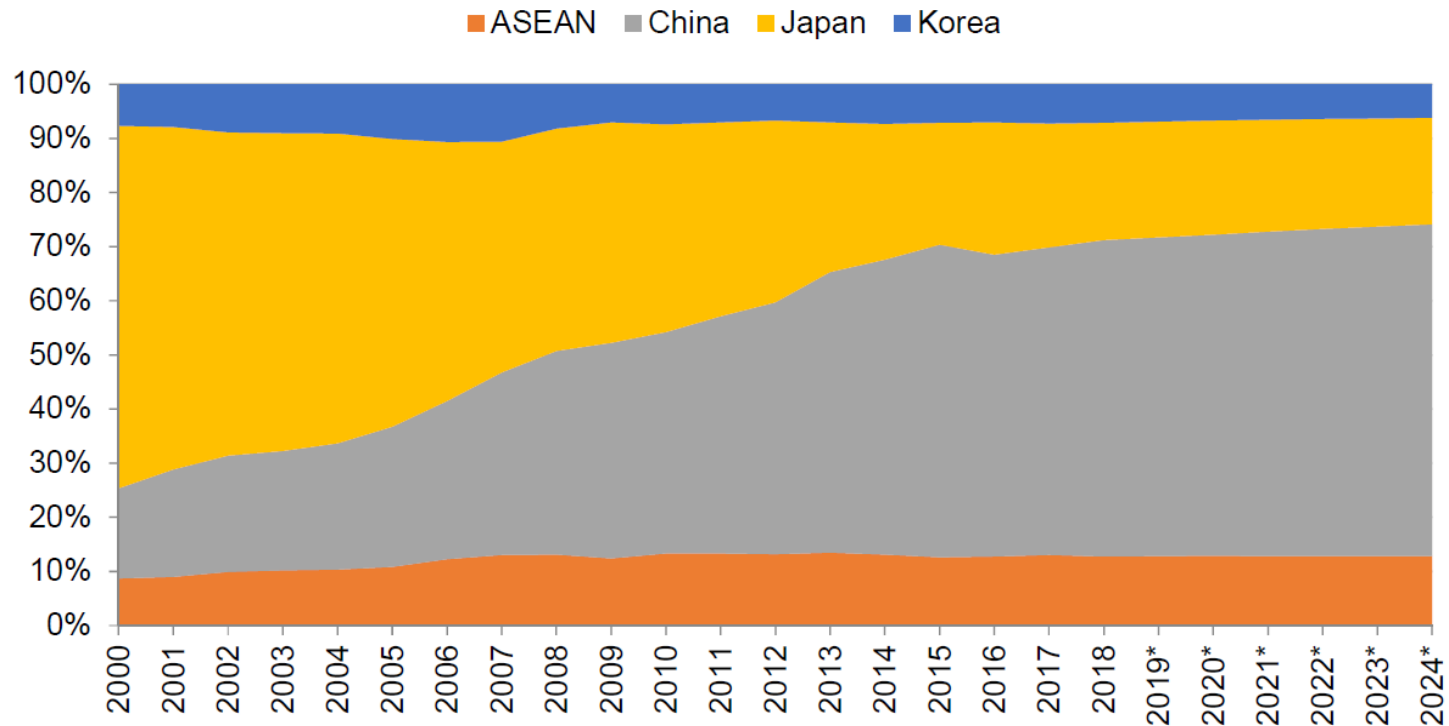
GDP growth in 2000-2024, %



Source: (IMF, 2019)



Share of intra-regional GDP, %

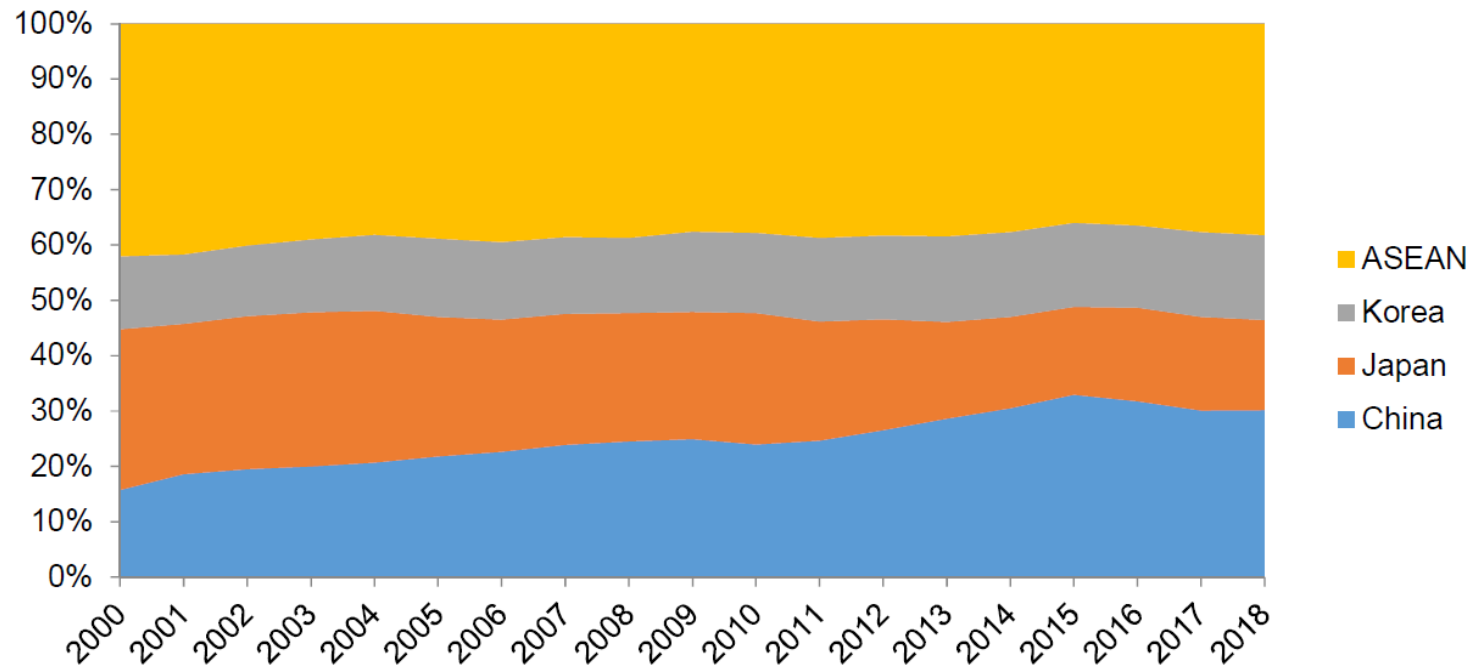


	2000	2018	2018/2000
ASEAN	8.7%	12.8%	4.0 p.p.
China	16.6%	58.5%	41.8 p.p.
Japan	67.0%	21.7%	-45.3 p.p.
Korea	7.7%	7.1%	-0.6 p.p.

Source: Own calculations based on (IMF, 2019)

Balance of economic power in East Asia

Share of intra-regional exports, %



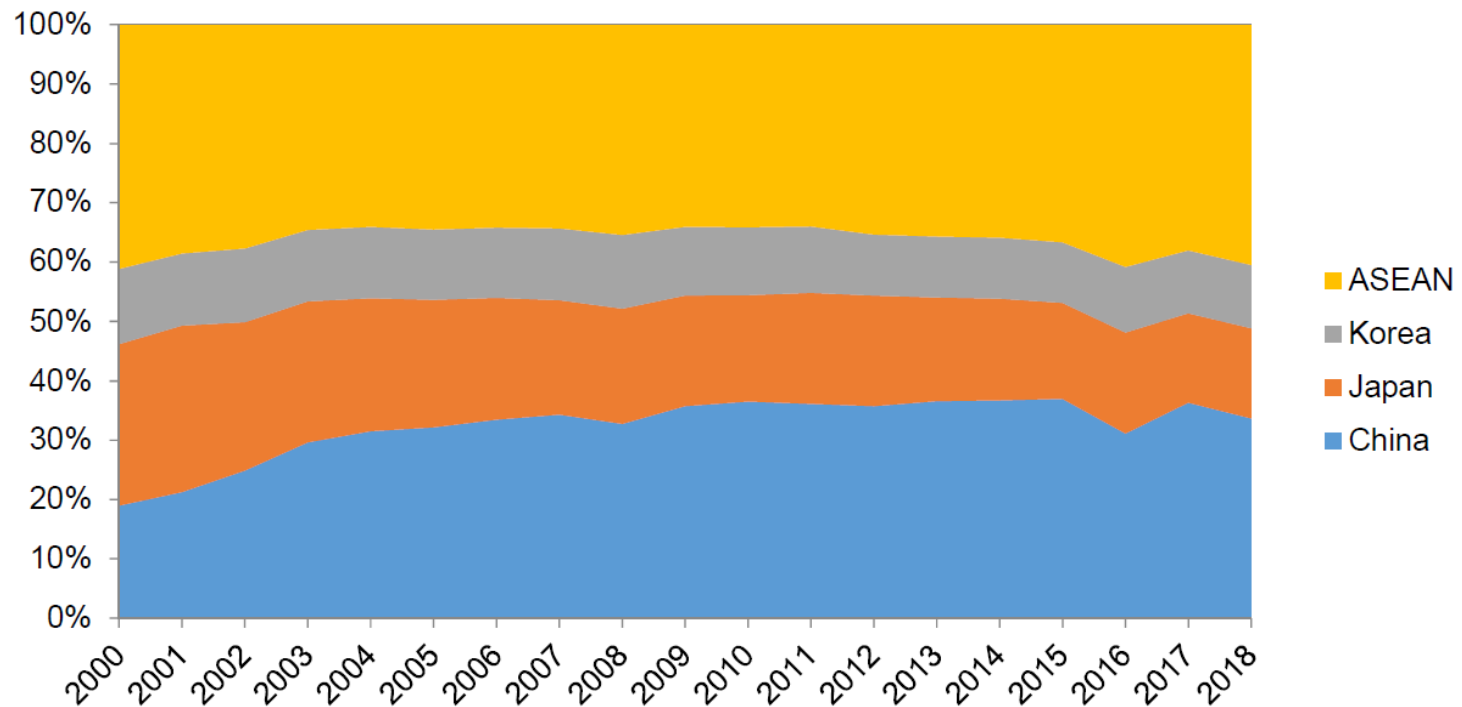
	2000	2018	2018/2000
China	15.7%	30.1%	14.4 p.p.
Japan	29.0%	16.3%	-12.7 p.p.
Korea	13.2%	15.4%	2.1 p.p.
ASEAN	42.0%	38.2%	-3.8 p.p.



Source: Own calculations based on (UNCTAD, 2019)

Balance of economic power in East Asia

Share of intra-regional imports, %



	2000	2018	2018/2000
China	21.1%	36.8%	15.8 p.p.
Japan	30.3%	16.7%	-13.6 p.p.
Korea	14.1%	11.6%	-2.4 p.p.
ASEAN	45.7%	44.4%	-1.3 p.p.

Source: Own calculations based on (UNCTAD, 2019)

Share of intra-regional FDI in and out stock, %

	In stock		Out stock	
	2001	2012	2001	2012
Korea	9.1%	8.1%	12.1%	13.8%
China	56.5%	33.6%	-	5.5%
Japan	1.4%	3.1%	53.0%	40.0%
ASEAN	33.0%	55.2%	34.9%	40.7%

Source: Own calculations based on (UNCTAD, 2014)



Main transformations in balance of economic power

- GDP
 - Significant differences in long-term GDP growth rates
 - Dynamic growth of China's position in East Asian GDP mainly at the expense of Japan
 - Declining position of Japan
 - Increasing role of ASEAN
 - Relatively stable share of Korea
- Trade
 - Increasing role of China in exports and imports
 - Decreasing role of Japan in exports and imports
 - Slightly better position of Korea in exports and worse in imports
 - Stable role of ASEAN in both exports and imports



Main transformations in balance of economic power (cont'd)

■ FDI

Incoming

- ASEAN is the biggest recipient of FDI within a region with tendency to attract more investments
- A share of China is decreasing significantly
- Japan has almost no meaning as a host for FDI
- Korea is not a very attractive location for intra-East Asian FDI with dropping share of intra in stock

Outgoing

- A dominant role of Japan is waning
- A position of ASEAN is growing
- China has just started to invest in East Asia
- Korea is more and more active direct investor in the region with rising shares

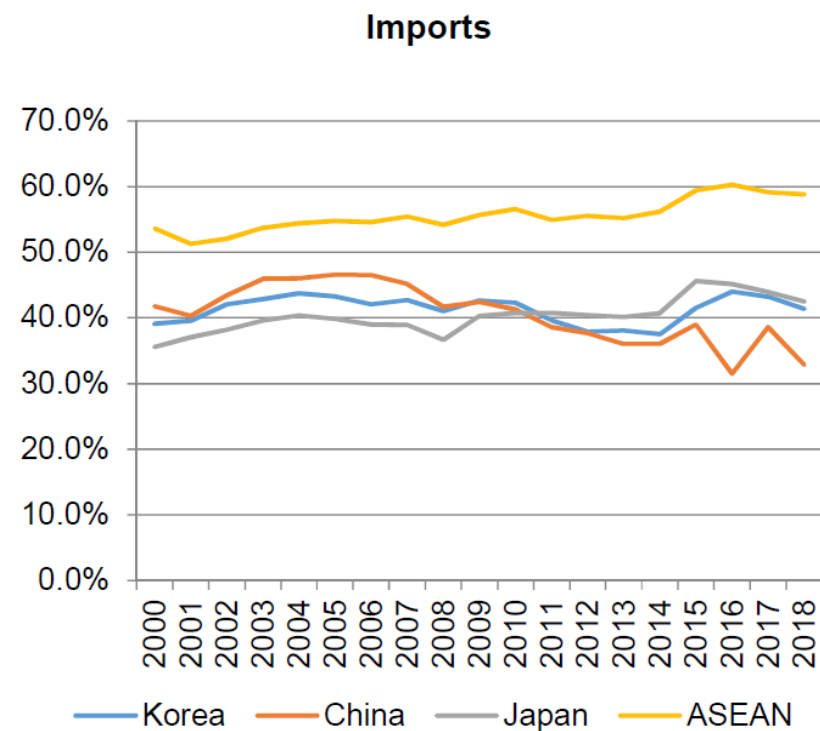
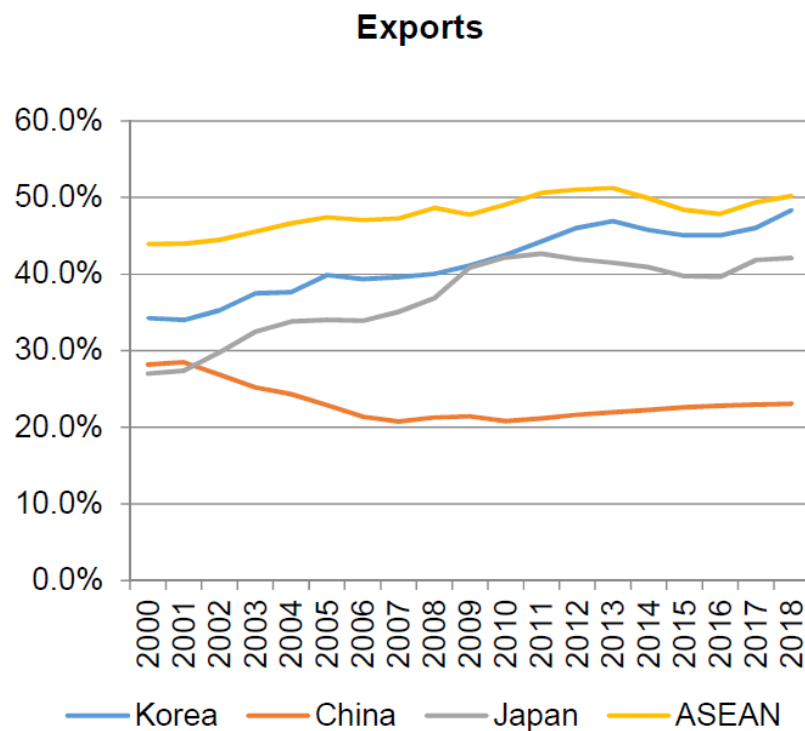


A role of Korea in shaping intra-regional trade





East Asia in exports and imports of EA's countries, %



Source: Own calculations based on (UNCTAD, 2019)



Korea's main trade partners in East Asia, %

		2000	2010	2018
China	Exports	31.4%	57.7%	54.4%
	Imports	21.2%	39.7%	48.0%
Japan	Exports	34.8%	13.9%	10.3%
	Imports	52.7%	35.7%	24.6%
ASEAN	Exports	33.9%	28.4%	35.3%
	Imports	26.1%	24.6%	27.4%

Source: Own calculations based on (UNCTAD, 2019)





Bilateral trade balance of Korea with East Asian partners, %

	2000	2010	2018
East Asia	-1.5	22.4	74.8
China	5.7	45.3	54.9
Japan	-11.4	-36.1	-24.3
ASEAN	4.2	13.2	44.1
Brunei	-0.5	-1.5	-0.6
Cambodia	0.1	0.3	0.3
Indonesia	-1.8	-5.1	-2.3
Laos	0.0	0.1	0.1
Malaysia	-1.4	-3.4	-1.4
Myanmar	0.3	0.3	0.0
Philippines	1.5	2.3	8.4
Singapore	1.9	7.4	3.8
Thailand	0.4	2.3	2.9
Vietnam	1.4	6.3	28.8

Source: Own calculations based on (UNCTAD, 2019)





Product breakdown of Korean exports/imports to EA

	Exports			Imports		
	2000	2010	2018	2000	2010	2018
[0] Food and live animals	3.0%	1.3%	1.2%	3.8%	2.6%	3.2%
[1] Beverages and tobacco	0.2%	0.2%	0.3%	0.1%	0.1%	0.1%
[2] Crude materials, inedible, except fuels	1.8%	1.6%	1.3%	3.7%	4.2%	3.1%
[3] Mineral fuels, lubricants and related materials	11.1%	9.8%	7.7%	11.8%	11.0%	6.9%
[4] Animal and vegetable oils, fats and waxes	0.0%	0.0%	0.0%	0.2%	0.3%	0.3%
[5] Chemicals and related products, n.e.s.	12.3%	14.8%	15.2%	9.3%	12.7%	11.7%
[6] Manufactured goods	20.4%	14.5%	12.7%	14.7%	19.4%	16.9%
[7] Machinery and transport equipment	43.6%	42.9%	51.4%	46.0%	38.9%	43.8%
[8] Miscellaneous manufactured articles	6.9%	14.5%	10.0%	9.9%	10.5%	13.8%
[9] Commodities and transactions, n.e.s.	0.6%	0.4%	0.1%	0.3%	0.2%	0.1%

Source: Own calculations based on (UNCTAD, 2019)





Rank of Korea as trade partner for EA countries, %

	Export		Import	
	2000	2018	2000	2018
Brunei Darussalam	6	6	2	3
Cambodia	5	5	8	5
Indonesia	3	5	3	4
Laos	6	5	7	5
Malaysia	3	6	4	5
Myanmar	4	8	6	4
Philippines	2	2	4	4
Singapore	6	5	5	5
Thailand	5	5	5	8
Viet Nam	3	2	6	3
China	2	1	2	2
Japan	2	2	2	2

Source: Own calculations based on (UNCTAD, 2019)



Role of Korea in exports/imports of product groups in EA

Share in EA exports

[5] Chemicals and related products, n.e.s.	
	2000 2018
Korea	20.3% 21.3%
China	10.1% 21.9%
Japan	37.2% 21.3%
ASEAN	32.5% 35.5%

[6] Manufactured goods	
	2000 2018
Korea	20.1% 13.2%
China	18.7% 45.3%
Japan	34.2% 16.7%
ASEAN	27.0% 24.8%

[7] Machinery and transport equipment	
	2000 2018
Korea	12.1% 18.4%
China	9.7% 29.6%
Japan	36.0% 18.9%
ASEAN	42.3% 33.1%

[8] Miscellaneous manufactured articles	
	2000 2018
Korea	8.6% 12.9%
China	44.4% 46.4%
Japan	22.2% 12.0%
ASEAN	24.8% 28.7%

Share in EA imports

[5] Chemicals and related products, n.e.s.	
	2000 2018
Korea	14.6% 11.9%
China	33.6% 39.7%
Japan	11.3% 11.5%
ASEAN	40.5% 36.9%

[6] Manufactured goods	
	2000 2018
Korea	13.4% 13.3%
China	29.8% 20.6%
Japan	19.9% 13.3%
ASEAN	36.9% 52.8%

[7] Machinery and transport equipment	
	2000 2018
Korea	12.3% 9.8%
China	18.4% 38.9%
Japan	18.5% 12.9%
ASEAN	50.9% 38.5%

[8] Miscellaneous manufactured articles	
	2000 2018
Korea	11.1% 13.8%
China	9.5% 28.5%
Japan	57.3% 29.7%
ASEAN	22.1% 28.0%

Source: Own calculations based on (UNCTAD, 2019)



Main tendencies in trade

- EA's growing importance for Korean exporters and importers
- Growing trade surplus with EA
 - Japan has a long-standing trade surplus over Korea
- Changes in geographical structure of Korea's merchandise trade
 - growing dependence on China for both exports and imports
 - decreasing dependence on Japan (exports and imports), although still ¼ of imports within EA comes from Japan
 - growing share of ASEAN in exports and imports
 - growing concentration of Korean trade within EA
- Strong concentration of trade on selected product groups in exports and imports





Main tendencies in trade (cont'd)

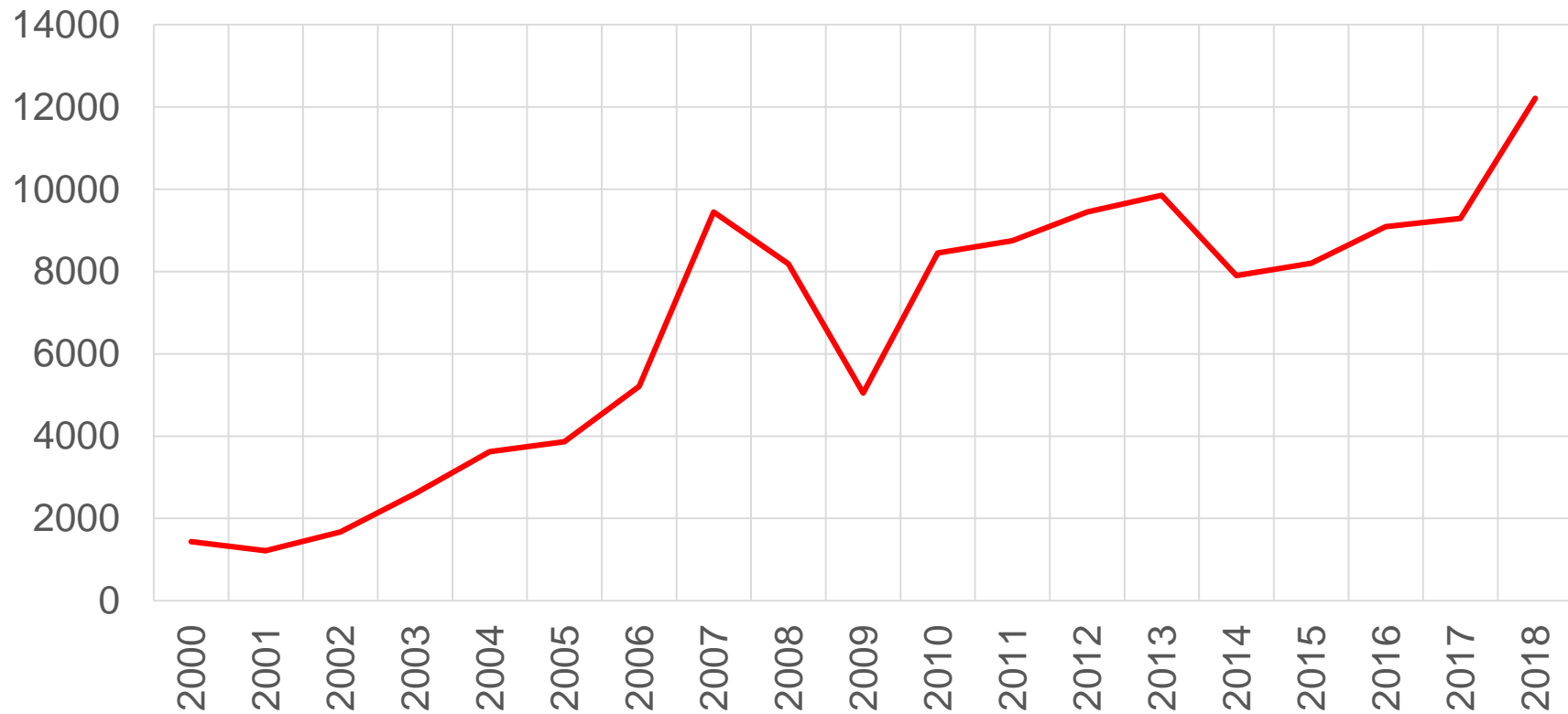
- Increasing significance of Korea in intra-EA exports and decreasing significance in intra-EA imports
 - share in exports similar to that of Japan (14.4 and 16.3 respectively)
- Korea is highly ranked as major trade partners for major EA economies
 - 2018: 1st export market and 2nd import market for China
 - 2018: 2nd export market and 2nd import market for Japan
- Strong concentration on selected product groups within EA
 - position of Korea is relatively strong in exporting products from SITC5 group (21.8% in 2018), SITC7 (18.4%)
 - on import side position of Korea is relatively weaker then on export side



Korea in intra-regional FDI flows



Korean FDI in East Asian countries, USD million



Source: Own calculations based on (Korea Eximbank, 2019)



Geographical structure of Korean FDI in East Asia

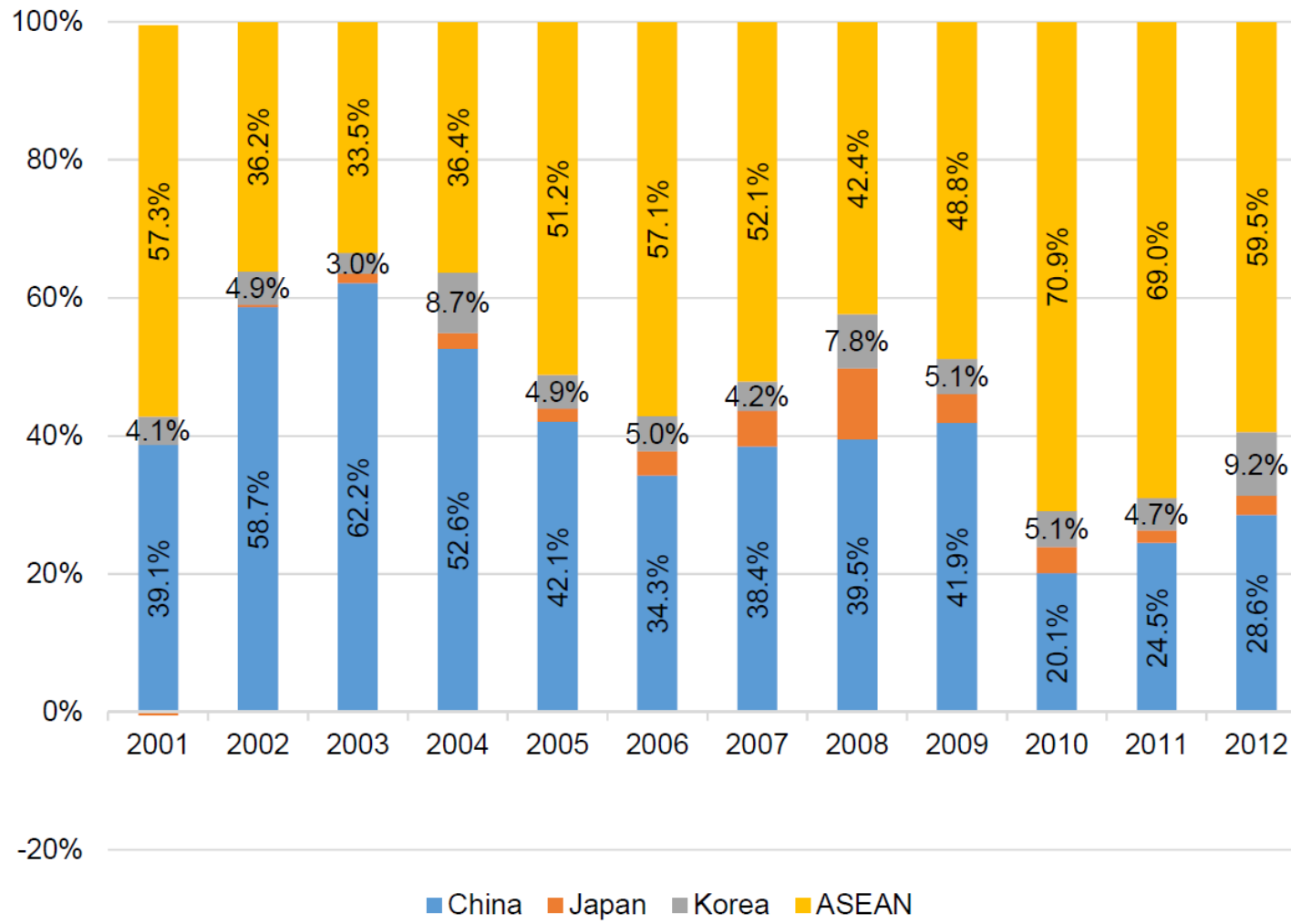
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Brunei	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cambodia	0.3%	0.5%	0.2%	0.4%	0.4%	0.8%	2.4%	6.7%	6.5%	3.8%	1.4%	1.2%	1.0%	0.8%	0.8%	0.5%	2.4%	1.5%	2.3%	1.3%
China	55.5%	56.1%	68.9%	74.0%	69.7%	75.7%	67.8%	60.3%	48.1%	49.5%	43.4%	40.6%	44.3%	52.8%	40.7%	36.4%	37.8%	34.4%	39.0%	38.6%
Indonesia	8.3%	15.5%	5.1%	3.6%	1.9%	3.0%	3.7%	3.3%	6.7%	7.6%	11.0%	14.8%	10.5%	4.6%	9.2%	8.5%	7.3%	7.3%	4.1%	5.1%
Japan	7.2%	7.7%	4.7%	2.1%	14.2%	4.1%	4.8%	5.6%	5.4%	8.0%	4.0%	3.3%	7.2%	7.7%	6.3%	9.9%	3.6%	8.9%	10.7%	6.1%
Laos	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	0.3%	0.5%	0.6%	0.2%	0.2%	0.3%	0.7%	0.5%	0.3%	0.6%	0.6%	0.3%	0.2%
Malaysia	2.4%	1.8%	3.7%	1.8%	1.9%	1.5%	1.2%	1.7%	4.4%	2.4%	18.5%	1.9%	7.7%	4.6%	1.7%	0.7%	2.2%	4.4%	0.9%	0.5%
Myanmar	0.7%	0.5%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.4%	7.0%	2.3%	4.8%	3.5%	5.2%	4.0%	3.0%	4.0%	3.0%	1.7%	1.4%
Philippines	10.1%	6.5%	1.7%	0.6%	0.5%	1.1%	1.2%	1.2%	2.6%	2.6%	2.8%	2.4%	9.9%	4.6%	1.2%	1.9%	1.8%	6.1%	1.4%	0.6%
Singapore	8.2%	3.7%	3.5%	9.2%	5.0%	3.3%	5.9%	5.5%	7.1%	5.5%	4.9%	12.0%	4.2%	5.6%	12.4%	17.8%	13.0%	11.3%	12.9%	24.6%
Thailand	2.4%	2.7%	2.2%	1.6%	1.3%	1.5%	1.4%	1.5%	1.1%	0.6%	1.0%	6.7%	0.9%	1.5%	2.3%	1.3%	1.2%	1.1%	0.8%	0.5%
Vietnam	5.0%	5.1%	9.7%	6.7%	5.1%	8.9%	11.5%	13.9%	17.0%	12.5%	10.4%	12.1%	10.4%	11.7%	21.0%	19.7%	26.1%	21.2%	25.9%	21.1%

Source: Own calculations based on (Korea Eximbank, 2019)



Korea in intra-regional FDI flows

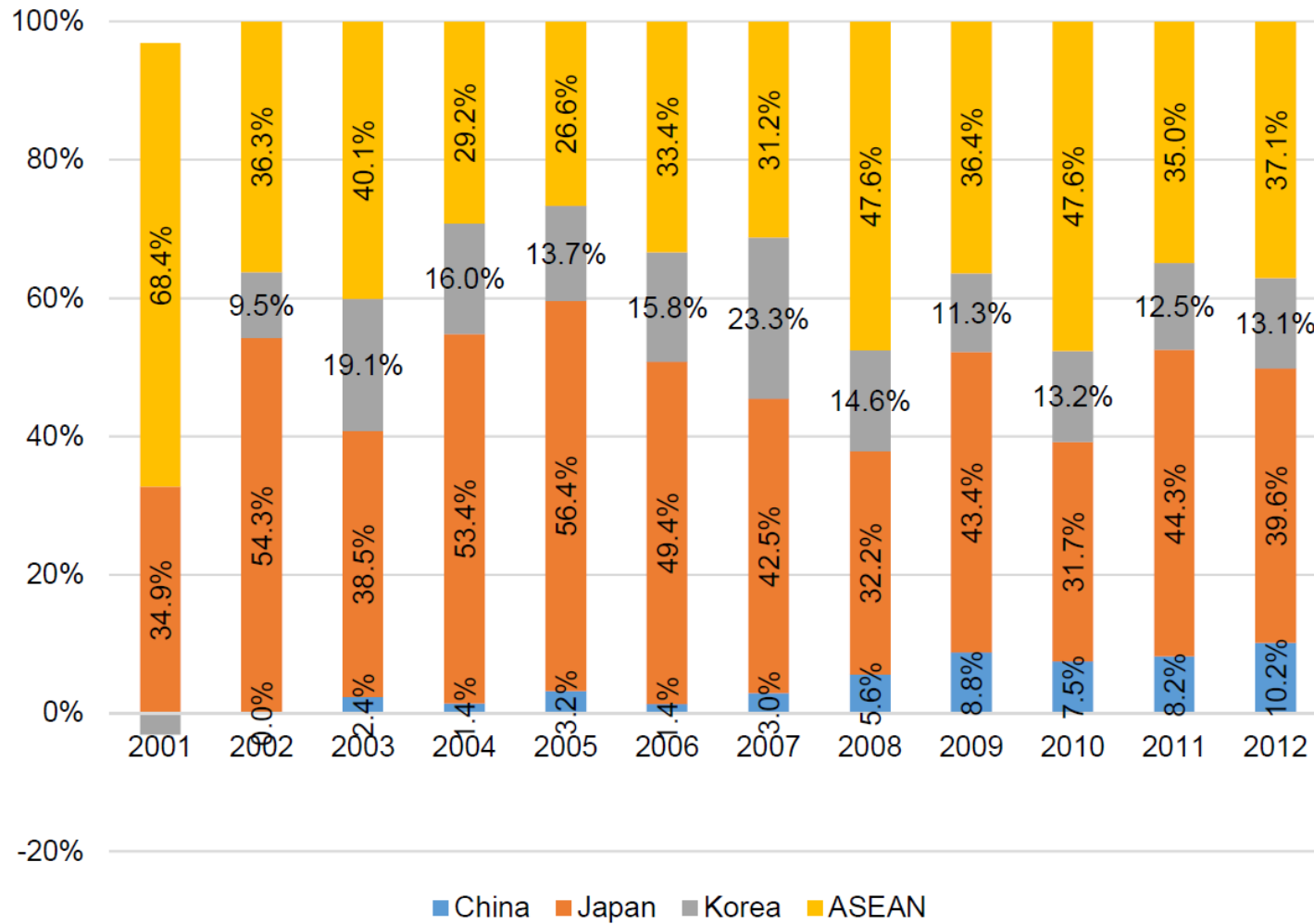
FDI inflows from East Asian countries to East Asia in 2001-2012, %



Source: Own calculations based on (UNCTAD, 2014)

Korea in intra-regional FDI flows

FDI outflows from East Asian countries to East Asia in 2001-2012, %



Source: Own calculations based on (UNCTAD, 2014)

Importance of Korea for EA countries in FDIs

China

- Relatively high fluctuation of incoming FDI from Korea
 - 2000: Japan 40.2%; ASEAN 39.3%; **Korea 20.5%**
 - value 7.3 USD billion
 - 2017: Japan 27.2%, ASEAN 42.3%, **Korea 30.6%**
 - value 12 USD billion
- Majority of Chinese outward investment was directed to ASEAN
 - 2004: ASEAN 73%; Japan 7.4%; **Korea 19.6%**
 - value 205.8 USD million
 - 2017: ASEAN 89.9%; Japan 4.1%, **Korea 6%**
 - value 10.9 USD billion



Importance of Korea for EA countries in FDIs

Japan

- Relatively stable share of Korea in Japanese FDI out stock within EA

- 2000: China 23%; ASEAN 66%; **Korea 11.1%**
 - value 37.9 USD billion
- 2018: China 31.6%; ASEAN 58.4%; **Korea 10%**
 - value 391.8 USD billion

- Relatively significant increase of Korea in Japanese FDI in stock within EA

- 2000: China 0.6%; ASEAN 98.7%; **Korea 0.7%**
 - value 656 USD million
- 2018: China 5%; ASEAN 85.3%; **Korea 9.7%**
 - value 37.4 USD billion



Importance of Korea for EA countries in FDIs

ASEAN

- Relatively low importance of Korea for ASEAN as investor among EA countries
 - 2010: ASEAN 44%; Japan 35%; China 9.4%; **Korea 11.6%**
 - value of yearly inflow 37.1 USD billion
 - 2018: ASEAN 39.3%; Japan 33.9%; China 16.3%; **Korea 10.5%**
 - value of yearly inflow 62.4 USD billion



Main tendencies in FDI flows

- EA is of relative importance for Korean corporations (on average 1/3 of total Korean FDI flows go to EA)
- Increasing share of Korea in intra-regional outflows and decreasing in inflows
- Initial domination of China as main destination for Korean outgoing FDI decreases gradually, and Singapore and Vietnam become more attractive markets for Korean corporations
- Sector breakdown shows that majority of investments is located in manufacturing (for developing countries) and services (for more developed countries)



Main tendencies in FDI

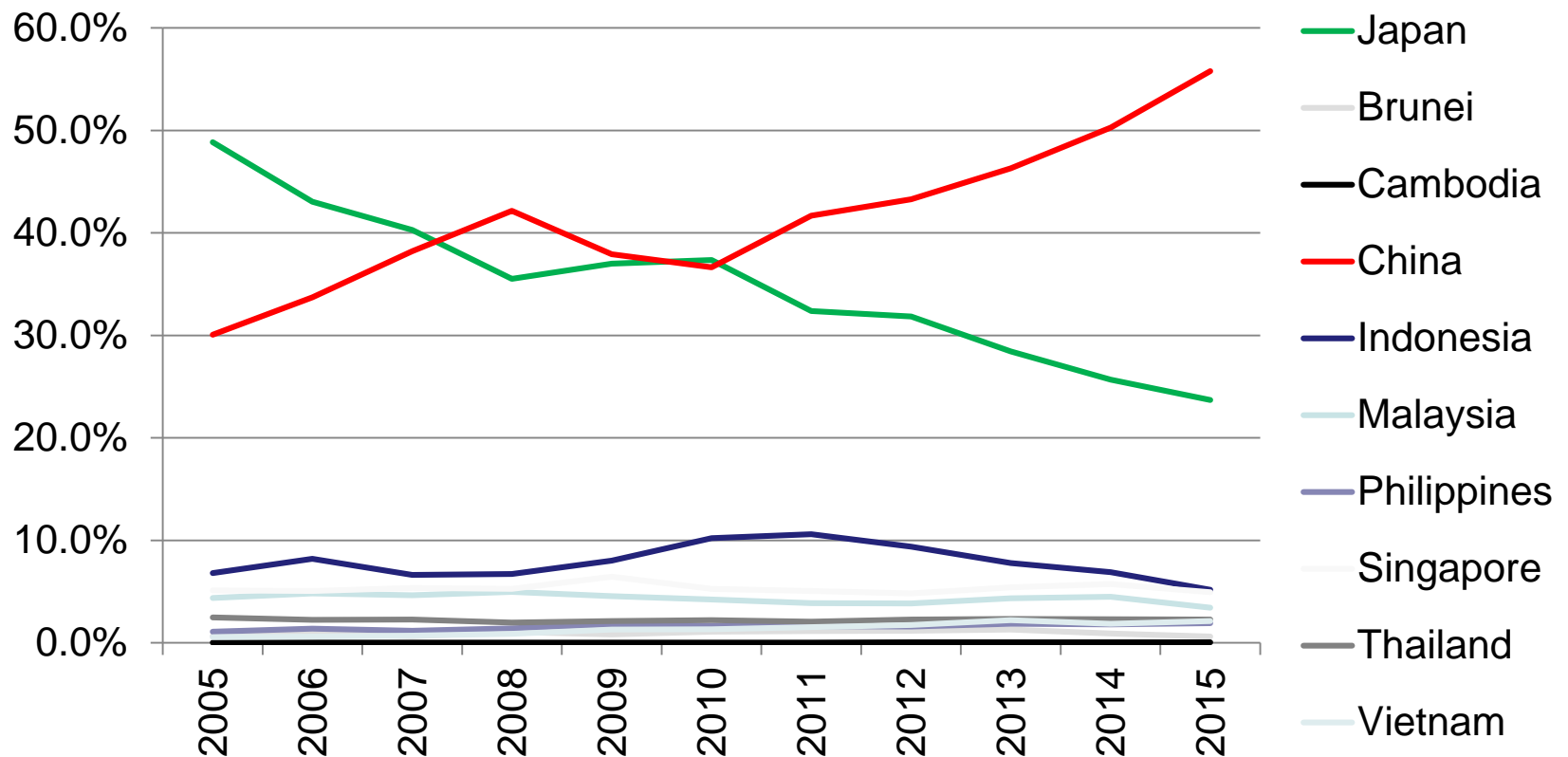
- For individual EA countries a significance of Korean FDI varies
 - For China a role of Korean incoming FDI grows while Korean market is less and less interesting for Chinese TNCs
 - For Japan a role of Korean incoming FDI is of no importance while Korean market shows relatively low significance, although growing
 - For ASEAN a role of Korean incoming and outgoing FDI is similar with 10-11% share, which should be assessed as relatively low



Participation in regional production networks



East Asian countries as a source of FVA in Korean gross exports, 2005-2015, %



Source: Own calculations based on (OECD, 2019)



Korea as FVA source for gross exports of East Asian countries, 2005-2015, %

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Japan	17.2	15.7	15.6	12.8	12.6	12.6	12.4	12.8	12.1	12.0	11.6
Brunei	8.2	3.7	3.6	7.6	8.5	7.8	9.8	4.3	4.1	6.1	7.6
Cambodia	9.9	9.8	11.5	8.7	8.7	10.5	7.7	8.2	6.2	5.9	6.2
China	30.4	29.9	30.6	27.5	29.5	28.6	28.4	30.6	33.9	34.5	36.4
Indonesia	10.1	9.2	9.3	10.5	9.7	10.8	12.7	12.1	11.9	12.1	10.3
Malaysia	11.7	12.2	12.1	9.2	10.2	11.0	8.6	9.1	9.6	9.3	8.8
Philippines	12.0	15.0	14.1	10.9	13.2	13.8	12.1	11.4	12.6	11.2	11.2
Singapore	8.4	8.5	14.8	11.3	8.8	9.7	9.2	10.9	9.6	9.2	8.9
Thailand	9.2	9.7	9.6	8.6	9.4	9.5	8.6	8.3	8.8	8.3	7.5
Vietnam	18.3	17.4	16.2	14.7	16.2	16.9	16.3	17.4	18.9	17.7	18.7

Source: Own calculations based on (OECD, 2019)



Conclusions and recommendations

- In East Asia there is an ongoing process of economic transformations.
- Korea is a medium-sized economy with high economic potential – these features determine its position in East Asian regionalization.
- By now, Korea has benefited from developing ties within EA partners.
- Korea seems to be overly dependent on selected markets and focused on limited number of sectors/industries.
- There is a need for diversification.
- There is a need for skillful economic policy.



Thank you!

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