

Building Partnership with ASEAN and Korea's New Southern Policy: Views from India

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I. Introduction

The Association of Southeast Asian Nations or which is popularly known as ASEAN has become the world's largest economic powerhouse. Established in 1967 in Bangkok, integration over time has made ASEAN the world's most popular economic bloc.

With a combined population of about 650 million, ASEAN presents a regional GDP of about US\$ 3 trillion for the year 2019. Growing at an annual average of 5 per cent per annum, ASEAN has become the new hope of world reconstruction in the post-COVID-19. The beauty of ASEAN is that the ten ASEAN countries vary greatly by income and development level. In one hand, it has Myanmar and Cambodia, which are among the poorest countries, while, on the other, it has Singapore and Brunei, which are among the wealthiest nations. The dispersion generates interests among countries to stay together and

benefit from the growing regional neighborhood. Any partner country for that matter, therefore, gains when ASEAN itself has been growing on continuous basis having an attractive domestic market. More importantly, ASEAN occupies an excellent strategic location; both sides are surrounded by two great oceans of the world – the Pacific and Indian. Therefore, besides economic interests, strategic strengths have always attracted external partners to strengthen partnership with the ASEAN. Today, 10 member countries of ASEAN have over 10 dialogue (external) partners including Korea and India.

II. Korea's New Southern Policy: Building Bridges between North and South

Korea joined the ASEAN as sectoral partner in 1989 and became full dialogue partner in 1991.

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However, the partnership took six years to reach to the Summit level. Korea became ASEAN's Summit level partner in 1997 in Kuala Lumpur. Korea acceded to the Treaty of Amity and Co-operation in Southeast Asia (TAC) in 2004.

To strengthen the Korea-ASEAN partnership, Korean President Moon Jae-In announced the “New Southern Policy” in 2017. The new policy is built upon the “3 Ps” (People, Prosperity, and Peace) corresponding with the three pillars of ASEAN Community, with People-to-People connectivity placed at the center of the new partnership. In 2019, ASEAN and Korea celebrated the 30th Anniversary of ASEAN-Korea Dialogue Relations. In 2020, the Korean government unveiled the New Southern Policy Plus, particularly to elevate the relations to higher level with ASEAN and India.

Both the New Southern Policy (NSP) in 2017 and NSP Plus in 2020 aimed at deepening ties with Southeast Asia and India as Korea seeks to curb its excessive reliance on traditional trading partners like China, Japan and the United States. The NSP was launched during the Korean president's visit to Indonesia in 2017. The NSP aims to better connect Korea to the ASEAN countries and expand the economic engagements in South and Southeast Asia.

Under the NSP, Korea has undertaken fast-track development cooperation projects in the neighborhood. For example, Indonesia and South Korea signed a memorandum of understanding on a light rail transit (LRT) system in Jakarta, part of a series of pacts reported to be worth up to US\$ 1.9 billion. A number of South

Korean companies already have or are planning big investments in Indonesia. Steel giant POSCO has a multi-billion-dollar joint venture with Indonesia's Krakatau Steel, whereas Hyundai Motors has been setting up a car factory; and Samsung Electronics already assembles smart phones in the country. Korea has been investing heavily in Vietnam – one of the top three investors in the country. Samsung's mobile assembling plant in Vietnam is one of the world's largest plants. In a way, Korean brands such as Samsung, Hyundai, LG, etc. are household names in ASEAN.

In order to effect a complete overhauling of Korea's relations with ASEAN, Korea has set-up the ASEAN-Korea Centre (AKC) at Seoul in 2012. In 2019, its annual budget crossed US\$ 100 million, the highest among all dialogue partners of ASEAN. The AKC has undertaken very active and comprehensive programs since establishment.

One of the focuses of Korea's NSP is also to strengthen Korean soft power. Since introduction of the NSP, Korea's soft power has also grown in ASEAN countries. For example, Korean K-Pop is hugely popular among ASEAN countries, with long-established fan clubs and bands, like BTS, touring the Southeast Asian country. Another example is Indonesian Twitter accounts dedicated to Korean pop idols have around a million followers.

Besides, the NSP focuses on Korea-ASEAN exchanges of technology, heritage, the arts and people, and reinforcing cooperation on such areas as transportation, energy, water resources

and IT. To conclude, the NSP has been successful in building bridges between Korea and Southeast Asia.

III. ASEAN: A Common Connector between Korea and India

ASEAN is a region where Korea's New Southern Policy (NSP) meets with India's Act East Policy (AEP) – both are initiatives to strengthen the

country's economic and strategic engagements with their immediate and extended neighbors.

While the Korean government unveiled the New Southern Policy in 2017, the Indian government introduced the Act East Policy (AEP) in 2014, which is an updated version of the Look East Policy. While India's AEP is aimed to strengthen partnership for development with the neighbors in the east, the NSP aims to do the same for Korea's Southern neighbors. ASEAN is the common region where NSP and AEP intersect.

Table 1: Engaging with ASEAN: Korea and India

Categories	Korea	India
ASEAN's Dialogue Partner since	1989	1992
Annual Summit	Yes	Yes
Major focus as on 2020	3Ps (People, Peace, Prosperity)	3Cs (Culture, Connectivity, Commerce)
FTA with ASEAN in goods, services and investments	Yes	Yes
Connectivity program (physical and people to people)	Yes	Yes
Investments driven by	Private multinationals	Private multinationals
Plan of Action (PoA)	Yes	Yes
Special funding (e.g. ASEAN+ fund)	Yes	Yes
Special COVID-19 measures	Yes	Yes
RCEP member	Yes	No
Indo-Pacific vision	No	Yes
BRI member	Yes	No

Source: Author's own based on secondary sources.

Under the AEP, India's relation with ASEAN has witnessed phenomenal rise in recent years. Table 1 briefly presents the broad contour of engagements with ASEAN. Both Korea and India undertook ASEAN-specific COVID-19 measures and offered medicines, health-related gears, and consultations. India even has provided vaccines to some of the ASEAN countries such as Myanmar. However, there are differences as well. For example, Korea is a member of the RCEP and

India has withdrawn from it. On the other hand, India is one of the leading countries in Indo-Pacific and came out with the Indo-Pacific Oceans Initiative (IPOI), whereas Korea is yet to take a call on Indo-Pacific. At the same time, Korea is a partner of the China-led BRI, but India did not join the BRI. What follows is that while both have similarities in approach, at the same time, they show complementarities and collaboration opportunities.

Korea is the 5th largest trading partner of ASEAN and India is 11th largest. Both Korea and India are also FTA partners of ASEAN. The ASEAN-Korea Trade in Goods Agreement entered into force in June 2007, the ASEAN-Korea Trade in Services Agreement entered into force in May 2009, and the ASEAN-Korea Investment Agreement entered into force in June 2009. In the case of India, the ASEAN-India Trade in Goods Agreement entered into force in January 2010, whereas the ASEAN-India Services and Investment Agreements came into force in 2019. The FTAs have facilitated the rise of bilateral trade between Korea and ASEAN as well as India and ASEAN. Korea's trade with ASEAN has expanded from US\$ 97.29 billion in 2010 to US\$ 109.43 billion in 2019. On

the other hand, India's trade with ASEAN has increased from US\$ 52.70 billion in 2010 to US\$ 80.06 billion in 2019 (Table 2). While Korea has maintained its trade surplus with ASEAN between 2010 and 2019, India's trade deficit with ASEAN has expanded during the same period. ASEAN and India are presently renegotiating the bilateral FTA. The opportunity is that the global shares of bilateral trade have not gone up, both in the cases of India and Korea with ASEAN, thus leaving enough scope for further expansion of trade between them. Investment flows between them have also remained robust. While Korea and ASEAN have relatively dense value chain linkages, the same is yet to happen between ASEAN and India.

Table 2. Trade with ASEAN

	Export		Import		Total	
	2010	2019	2010	2019	2010	2019
	(US\$ billion)					
Korea	53.20	95.18	44.10	56.24	97.29 (10.91)	109.43 (10.47)
India	23.02	34.30	29.68	57.05	52.70 (9.19)	80.06 (9.95)

Note: Data in parentheses present share in the world.
Source: Calculated based on DOTS, IMF

Korea's FDI in India and ASEAN has reshaped the global value chains, undoubtedly. Samsung's world's largest mobile phone manufacturing facility is located in Noida in India. Like ASEAN, Korean companies like Hyundai, Samsung and LG have also become popular brands in India. Similarly, these are the major companies investing in ASEAN, particularly in Vietnam.

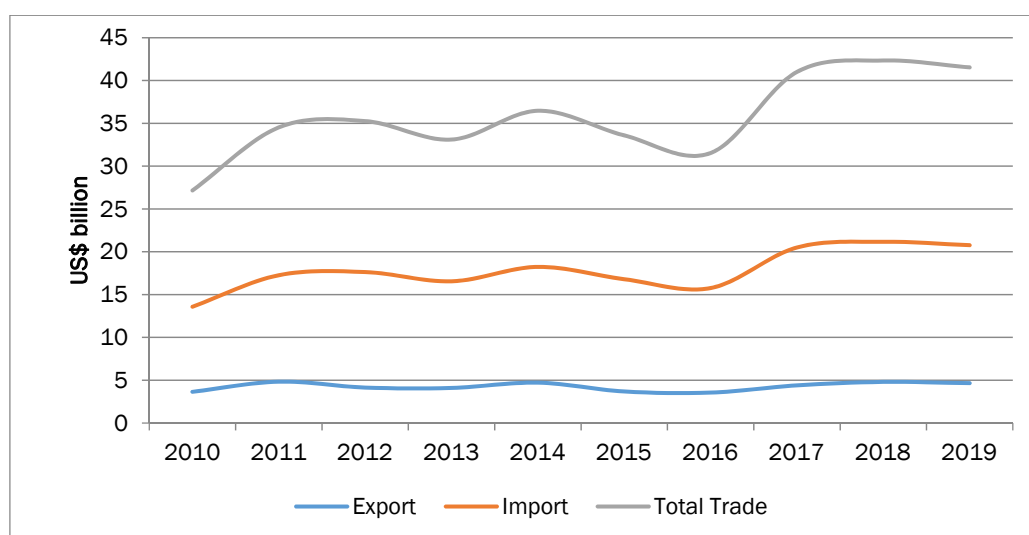
IV. India's Act East Policy: A Game Changer

In 2014, India's Act East Policy (AEP) was unveiled at the 12th ASEAN-India Summit, held at Nay Pyi Taw, Myanmar. In his Opening Statement at the 12th ASEAN-India Summit, the Indian Prime Minister said: "A new era of economic development, industrialization and trade has begun in India. Externally, India's Look East Policy has become the Act East Policy." Started

with a fresh vigor in 2014, AEP has indeed gained a new momentum while engaging with the east. Since then ASEAN-India engagement has become deeper and new dimensions have been added with the relationship. Down the line, ASEAN-India partnership has scaled new heights. India has not only developed strong bilateral relations with countries like Indonesia, Myanmar, Singapore, Vietnam, etc., but also steered a number of programs and projects such as the MGC, the Trilateral Highway, etc., and is

actively contributing to the success of several regional initiatives such as ASEAN, EAS, BIM-STEAC, MGC, IORA, among others. India and Korea signed a CEPA in 2009, one of the best and rewarding FTAs signed by India. India and Korea are also partners in G20, members of EAS, and many such international initiatives. Korea is an indispensable partner in India's Act East Policy. India's bilateral trade with Korea has remained static at US\$ 20 billion since 2017 (Figure 1).

Figure 1: India's Trade with Korea



Source: Drawn by author based on IMF DOTS.

India's AEP aims to build economic relations, cultural relations and strategic relations with countries in the eastern neighborhood; and to develop and strengthen the connectivity, particularly through Northeast India. AEP has three distinct dimensions: culture, commerce and connectivity (3Cs). It has several strategic objectives: (i) strengthening infrastructure linkages; (ii) facilitating trade, investment and tourism; (iii) developing human resources; and (iv)

protecting the environment and promoting the sustainable use of shared natural resources. Besides physical and people-to-people contacts, AEP is also designed to promote digital connectivity. Under the AEP, India is committed to working closely with the Southeast and East Asian countries with a view to bringing the relationship to new heights. Therefore, India's AEP and Korea's NSP have many similarities in approach.

India's engagement with ASEAN has expanded rapidly. The AEP has placed emphasis on India-ASEAN cooperation in India's domestic agenda on infrastructure, manufacturing, trade, skills, urban renewal, smart cities, Make in India and other initiatives. Connectivity projects, cooperation in S&T and people-to-people contacts could become a springboard for regional integration and prosperity. India's Act East Policy and major thrust on connectivity presents an opportunity to connect with Korea's NSP.

V. Enhanced Partnership for ASEAN and the Way Forward

India has upgraded its relations to strategic partnership with Indonesia, Vietnam, Malaysia, Japan, Korea, Australia, Singapore and ASEAN and forged close ties with all countries in the Asia-Pacific region. Further, apart from ASEAN, ASEAN Regional Forum (ARF) and East Asia Summit (EAS), India has also been actively engaged in regional fora such as BIM-STEC, ACD, MGC and IORA.

The Northeast India has been a priority in India's AEP. AEP provides an interface between Northeast India and the ASEAN region. Some of the major projects include the Kaladan Multimodal Transit Transport Project, the India-Myanmar-Thailand Trilateral Highway Project and its extension to Cambodia, Lao PDR and Vietnam, etc. Korea may be invited to join some of the connectivity projects between India and ASEAN. Korea, India and ASEAN can join

hands in infrastructure development projects in ASEAN as well as in Northeast India.

Under the AEP, Northeast India has the potential to become a major investment destination. Other areas of cooperation are health, tourism, agriculture-allied sectors, connectivity, environment, etc. In agriculture and allied sectors, there are vast opportunities in trade with livestock, horticulture, fishery, agro-processing sectors or natural resource areas. For example, bamboo can create a value chain in the region as Northeastern states since neighboring countries have cultural affinities with Northeast India. Bamboo shoots have high potential that can create sustainable value chain by developing a bamboo network between ASEAN, Korea and Northeast India.

To conclude, engaging with Korea and ASEAN for Northeast India would be highly paying in terms of development of value chains, connectivity and technology. This would also reinforce India's cultural connect with Korea for Northeast Indian states where Korean TV serials, K-Pop, K-Drama etc. are equally popular. In a way, the Korean cultural wave has been spreading in India's Northeast since the late 1990s. K-pop and Korean drama had their biggest breakthrough in India amid the pandemic.

What more can Korea and India do together for ASEAN under the AEP and NSP? Both the countries can undertake joint connectivity and agriculture projects in CLMV; public health; restoration of heritage in Southeast Asia; tripartite travel and tourism, particularly in the areas of cultural heritage; digital linkages, to mention

a few. Besides, both can offer unique trade facilitation solutions in customs, logistics and e-commerce. To start with, Korea and India may agree to join ASEAN's Customs Transit System (ACTS). ACTS allows single transit across all ASEAN countries with a single customs declaration. Another project could be restoring cultural heritage in Cambodia, Vietnam, Lao PDR and Myanmar. It would be a perfect match when ASEAN-Korea-India (AKI) trilateral cooperation provides further momentum to global trade and growth through shared value chains and faster delivery in the post-COVID-19 period.

Korean President Moon has called India “a central pillar of Republic of Korea's (ROK) new southern policy.” Both leaders have realized the importance of the synergy between India's Act East Policy and Korea's New Southern Policy, and have decided to explore tripartite partnership for development such as in ASEAN or Afghanistan. This innovative idea offers new prospects for India-Korea-ASEAN cooperation in many areas.

Next Round of Collaboration: Indo-Pacific-India and Korea look forward to working together in ASEAN. Under the NSP, Korea has announced India a key partner for cooperation. To explore new markets and economic opportunities, Korea and India are collaborating in areas ranging from maritime security, terrorism, cultural ties to the most important aspect of trade. India's Act East now envisages as Act Indo-Pacific. Post-COVID-19, the Indo-Pacific initiative may gain higher momentum, and, therefore, trilateral partnership between India, Korea and ASEAN is seen as the key to the Indo-Pacific

Initiative. However, this will depend on how the three coordinate their activities and design a common program to drive the Indo-Pacific in collaboration with other partners.

VI. Concluding Remarks

To conclude, both Korea and India have made phenomenal progress in integrating with ASEAN over time. However, the potential of the partnership is yet to be fully unlocked. What Korea and India need is a joint vision to add new momentum to the bilateral partnership as well as Indo-Pacific. Here comes the need for collaboration between the two countries under their respective AEP and NSP.

In the pursuit of the new southward strategy, Korea may come out with its own Indo-Pacific Vision, which will then lead the partnership to another higher level. **KIEP**