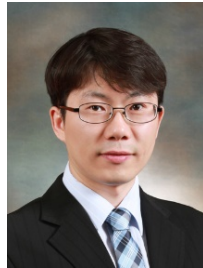


# Korea's Trade Policy in Evolving Indo-Asia-Pacific Geopolitical Landscape



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As the geopolitical importance of the Indo-Pacific has grown in recent years, major economies have released their own Indo-Pacific strategies. What is interesting is that the geographic scope of the strategies is slightly different from one another. This means that even though they use the same terminology, their meanings and interpretations may differ depending on each country's position.

In this regard, while the Indo-Pacific concept has recently emerged, some argue that the Asia-Pacific concept remains valid.<sup>1</sup> Let's compare the two concepts as they are commonly understood. Asia-Pacific covers Northeast Asia, Southeast Asia, Oceania, and the Southwest Pacific, while Indo-Pacific encompasses a broader region including the Pacific Ocean, the East African coast, the Indian Ocean, and especially India.

<sup>1</sup> Moon, Chung-in. 2023. "Asia-Pacific vs. Indo-Pacific: Paradigm Shift or False Choice?" *APLN.network*, Sep 28. Asia-Pacific Leadership Network.

While the Asia-Pacific concept is mainly used from an economic perspective, and there is a multi-lateral forum represented by the APEC (Asia-Pacific Economic Cooperation), the Indo-Pacific region is security-oriented and there are also fora such as QUAD (Quadrilateral Security Dialogue) and IPEF (Indo-Pacific Economic Framework), but they do not yet seem to be representative of the region.<sup>2</sup>

The two concepts share common characteristics. First, they are economically important. The Indo-Pacific region accounts for 65% of the world's population, 62% of global GDP, 46% of trade, and half of maritime transportation. The Asia-Pacific region accounts for one third of the world's population, more than 60% of global GDP, and nearly half of global trade.

The dynamic economic growth and demographics of these regions are expected to drive the global economy in the future as the strategic competition between the United States and China intensifies and global economic uncertainty increases. In addition, these regions have a high share of intra-regional trade, which has been led by market rather than institutional integration. They also have deep supply chain linkages and thus high network effects, where the more countries involved, the greater the effectiveness of cooperation.

Historically, we have seen the ups and downs of globalization and international cooperation. While divisions and de-globalization have been on the rise recently, we need to prepare for a future where economic integration, which is being actively discussed in the Asia-Pacific region, will extend beyond the Indian Ocean. That is why I have adopted the concept of the Indo-Asia Pacific.

There have been several discussions on economic integration in the Indo-Asia-Pacific region. The APEC adopted the Bogor Goals in 1994, which set out target years for achieving trade and investment liberalization in the region. The Beijing Roadmap adopted in 2014, provides a vision for the APEC's contribution to the realization of the Free Trade Area of Asia-Pacific (FTAAP).

Currently, the RCEP (Regional Comprehensive Economic Partnership), which involves ASEAN, Korea, Japan, China, Australia, and New Zealand, and the CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership), which includes Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam, are already in effect. The United Kingdom joined the CPTPP in July 2023 as the 12th member, and six other countries such as China, Taiwan, Ecuador, Costa Rica, Uruguay, and Ukraine have applied to join.

A new form of economic integration discussion, the IPEF, is also underway in the Indo-Pacific region. The IPEF was launched in May 2022 with 14 countries in the Indo-Pacific region, and the framework

<sup>2</sup> Javaid, Arfa. 2021. "What is the difference between the Indo-Pacific and the Asia-Pacific?" *Jagranjosh.com*, Feb 9. Jagran Prakashan Limited (JPL).

consists of four pillars: (1) trade, (2) supply chains, (3) clean energy, decarbonization and infrastructure, and (4) tax and anti-corruption, respectively. Canada is considering joining the IPEF.<sup>3</sup>

These economic integration discussions have evolved through competition and imitation. They differ in the degree of enforcement, the scope of the agendas, and the degree of openness. Many countries participate in multiple discussions at the same time, and new countries are joining agreements already in force or under discussion. In the long run, the various economic integration discussions will serve as stepping stones towards the formation of a larger Indo-Asia-Pacific economic community.

In this article, I would like to offer some policy suggestions for South Korea with a longer-term perspective and a focus on its role as a global pivotal state.

South Korea also launched its Indo-Pacific Strategy in December 2022 with the principles of inclusiveness, trust, and reciprocity. Inclusiveness means that South Korea's Indo-Pacific vision does not target or exclude specific countries. Its regional scope includes the North Pacific, Southeast Asia, South Asia, Oceania, and the Indian Ocean littoral from Africa to Europe and Latin America<sup>4</sup>. The challenges we face today cannot be solved without international cooperation. International issues such as health, climate change, and development must be addressed to ensure sustainable growth and development. We also need to address the opportunities and risks posed by AI technology and digital transformation. Our level of globalization seems to be declining, but global connectivity remains high. If we do not make sufficient efforts to resolve the complex crisis, its negative effects will be multiplied by global connectivity. In addition, we cannot solve the leakage problem without the efforts of the whole community. Therefore, it is desirable to design trade policies to bring more countries into the discussion.

The second principle is trust. South Korea will pursue cooperation based on strong mutual trust. I think that COVID-19 brought about an era of mistrust, and it is urgent to restore mutual trust. Divisive situations existed before COVID-19, but they did not lead to the serious conflicts and unrest. However, at the beginning of the COVID-19 pandemic, we saw the international community break into unorganized confusion instead of systematic cooperation. Self-serving nationalist policies have gained high political support around the world, further accelerating de-globalization and greatly increasing fears about global supply chains. To restore trust, we need to build an order based on universal values and principles. The international community can start by working together on issues that need to be addressed collectively. If necessary, we can work at multiple levels, issue by

<sup>3</sup> Kim, Jongduk. 2023. "A Sneak-peek into the 'First-of its-kind' Indo-Pacific Economic Framework: Korea's New Opportunities and Challenges." KIEP Opinions, no. 269. Korea Institute for International Economic Policy.

<sup>4</sup> Office of the President, Republic of Korea. 2022. "Indo-Pacific Strategy for Freedom, Peace and Prosperity." <https://www.president.go.kr/newsroom/press/HC81lhZw> (in Korean)

issue. The more complex the agenda, the more time it will take to coordinate the positions of the participating countries. It would be desirable to narrow the agenda by forming coalitions with like-minded countries on an issue-by-issue basis.

The third is reciprocity. It is the pursuit of mutually beneficial cooperation because engagement that benefits all parties is the most sustainable and effective. Reciprocity can be achieved through cooperation based on each country's comparative advantage. Korea has shared the fruits of its FTA policy with partner countries. According to the KIEP's study, Korea's FTAs have increased both exports and imports with its partners, due to both intensive margin, which is the increase in exports and imports of already traded goods, and the extensive margin, which is the participation of new goods or new firms. Specifically, the value of Korea's exports increased by about 11.85%, the number of items exported by about 3.56%, the value of Korea's imports by about 18.65%, and the number of items imported by about 7.1%. Moreover, with the expansion of the FTAs, the value of Korea's exports increased by about 15.84%, the number of items exported by about 2.72%, the value of Korea's imports by about 27.25%, and the number of items imported by about 6.34%. FTAs have also facilitated bilateral investment. An analysis of the impact of FTAs on inward and outward foreign direct investment (FDI) between Korea and 180 countries from 2005 to 2017 showed that outward FDI increased by about 79.14% and inward FDI increased by about 45.21%<sup>5</sup>. The study provides evidence that Korea's FTA policy has been mutually beneficial. In the future, Korea should continue to pursue trade agreements with countries in the Indo-Asia-Pacific region and seek mutual benefits based on its comparative advantages in various fields such as technology, culture, international development cooperation, people-to-people exchanges, and so on.

Finally, I would like to suggest that South Korea take an interest in the APTA (Asia-Pacific Trade Agreement). The APTA is an agreement open to all developing countries that are the members of the UN ESCAP (United Nations Economic and Social Commission for Asia and the Pacific). The current members are India, Sri Lanka, Bangladesh, Laos, China, and Mongolia, as well as Korea. It is noteworthy that the APTA composed entirely of developing countries including both India and China, the two largest economies in the region.

In October 2019, South Korea declared that it would no longer claim preferential treatment as a developing country in the future negotiations. Although this announcement may spark a debate on South Korea's membership in the APTA, it is desirable for South Korea to maintain its membership to avoid undermining the interests of APTA members who already enjoy preferential treatment from South Korea. Considering Korea's economic size and its international role, some experts have

<sup>5</sup> Cho et al. 2019. "Fifteen Years of Korea's FTA: Achievements and Policy Implications." KIEP Policy Analyses, no. 19-17. Korea Institute for International Economic Policy. [https://www.kiep.go.kr/gallery.es?mid=a2030300000&bid=0001&list\\_no=2442&act=view&act=view&list\\_no=2442&cg\\_code=](https://www.kiep.go.kr/gallery.es?mid=a2030300000&bid=0001&list_no=2442&act=view&act=view&list_no=2442&cg_code=) (in Korean)

suggested the introduction of the GSP (Generalized System of Preferences) for developing countries. If it is not easy to introduce the GSP, Korea can consider the possibility of using the APTA as an agreement to provide unilateral preferences to least developed countries.

Also, the APTA can also be used as a forum for cooperation to support the development of trade rules for developing countries in the Asia-Pacific region. Currently, there are fora such as the US-EU TTC (Trade and Technology Council) that discusses trade rules led by developed countries, but there is not enough opportunity for developing countries to reflect their interests. In order to raise the level of the APTA to that of the IPEF or the RCEP, it is important to include technical assistance and capacity building support for developing countries. Based on Korea's experience and comparative advantage, Korea should identify areas where it makes contributions as a global pivotal state and reflect them in its trade policy. [KIEP](#)