

Korea's New Southern Policy: Progress, Problems, and Prospects

By Yoon Ah Oh

Korea's New Southern Policy (NSP) of the Moon Jae-in government is the country's first diplomatic initiative focused on Southeast Asia and India. Previously, Korea's Asia initiatives were either Northeast Asia-focused or encompassed all of Asia. The NSP aims to elevate Korea's ties with Southeast Asia and India to the level of its ties with the United States, China, Russia, and Japan — the four countries that have traditionally been most important to Korea.

Despite high levels of economic ties and people-to-people exchanges, Korea's relations with Southeast Asia and India receive disproportionately less recognition, both within Korea's foreign policy hierarchy and in the public's view. The NSP seeks to change that by coming up with a presentable foreign policy brand. The primary significance — and perhaps the most important contribution — of the NSP is to grant Korea's relations with Southeast Asia and India belated political recognition which is proportional to these regions' importance. The actual efficacy of the NSP continues to be debated, but now Korea has something to point to in a competitive field of regional diplomacy in East Asia. This is consequential.

Expanding cooperation with Southeast Asia and India in trade, investment and tourism is important to Korea, given their economic dynamism and large populations. In addition, Korea's unusually high levels of trade and overseas production dependence on China has made it urgent to seek diversification to NSP partner countries as production costs and geopolitical risks rise in China. In the realm of diplomatic and security cooperation, the NSP has continued Korea's tradition of seeking the support of Southeast Asia and India for its North Korea policy. The fact that all Southeast Asian countries maintain diplomatic relations with North Korea provides them unique resources and perspectives to play a role, as evidenced by US-North Korea Summits in Singapore, 2018, and in Vietnam, 2019.

Similar to many other East Asian regional initiatives, the NSP emphasizes peace, mutual benefits, and people-to-people exchanges. It proposes three pillars: peace, prosperity, and people, and identifies 16 key areas of cooperation ranging from terrorism response to tourism promotion to cooperation in "smart" technologies. Since its announcement in 2017, NSP has produced several intermediate outcomes largely in the form of expanded diplomatic engagement. President Moon visited all ten Southeast Asian countries within two years, which was never done by any of his predecessors. The ASEAN-Korea Commemorative Summit and Mekong-Korea Summit held in Busan in 2019 provided an opportunity to further cooperation that had been agreed to at individual bilateral summits.

Perhaps the most important intermediate outcome is the expansion of Korea's diplomatic resources on Southeast Asia and India. Specifically, the Korean government created an ASEAN and Southeast Asian Affairs Bureau within its Ministry of Foreign Affairs at the same level as the China and Japan Bureaus. It has also upgraded and enlarged Korea's ASEAN mission in Jakarta. Such a reallocation of government resources would have been difficult to execute without the support from the NSP. Korea is also scheduled to sign a free trade agreement (FTA) with Indonesia in 2020 and is currently negotiating FTAs with the Philippines and Malaysia while talks to upgrade FTAs with ASEAN and India are under way.

Yoon Ah Oh,
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Evaluating the *real* outcome of the NSP, however, is a challenge. The strengths of NSP are also its weaknesses. Its pursuit of comprehensiveness and all-inclusive engagement makes it difficult to set priorities or decide on trade-offs between areas of cooperation. The lack of a clear priority or a framework leads to a lack of strategic planning and execution. This creates risks of simply reclassifying already-existing programs or projects under the banner of the NSP without new directions or realignment.

Some of the few measurable goals of the NSP are to expand Korea's trade with Southeast Asia to US \$200 billion by 2020 and with India to \$50 billion by 2030. These trade goals show another set of challenges faced by the NSP. First, some see the trade goals as less inspiring, at least with regard to Southeast Asia, given a partial motivation of the NSP is to move the center of Korea's bilateral cooperation with Southeast Asia away from its current focus on the economic domain. Second, perhaps more importantly, Korea's trade with Southeast Asia was already on a strong upward trend long before NSP was launched. This raises a question on the scope of the trade goal's real impact. Third, the intense period of growth came to a halt in 2019, in the third year of the NSP, when Korea's trade with Southeast Asia contracted by 5.3% from the previous year and recorded only \$151 billion, largely due to the adverse global economic environment. With global trade set to see a sharp contraction as a result of the COVID-19 pandemic, it is simply unrealistic to expect the bilateral trade volume to increase by staggering \$49 billion this year. A silver lining is that Korea's trade with the region may rebound rapidly in the post-COVID-19 era as the pandemic accelerates global supply chain realignment out of China that highly favors Southeast Asia.

Going forward, one of the key challenges for the NSP is to clearly identify what a policy does and what role the Korean government should play. Assessing policy impacts of the NSP would require an examination of two factors. The first is whether the outcome would not have happened in the absence of the NSP. A second and more important factor is whether the outcome could not have been achieved without the government. This is more critical to Korea's policy toward Southeast Asia, which is the *de facto* pivot of the NSP. The rapid expansion of Korea's economic engagement with Southeast Asia in the past two decades has been driven by Korea's private sector. The Korean government of course has facilitated the development, notably by signing FTA with ASEAN in 2006 and with Vietnam in 2015, and providing information and financial assistance to Korean firms entering Southeast Asian markets. However, it was Korea's large manufacturing firms establishing production bases in the region, especially in Vietnam in late 2000s, that radically transformed bilateral flows of trade and foreign direct investment (FDI). This pushed up Southeast Asia as Korea's second largest export market and FDI destination, largely concentrated in Vietnam. The Korean government has been successfully riding along with these developments but now it needs to decide on what should be left to the private sector and what could be taken up by the government.

Ties with India, however, may require more activism from the Korean government. Economic cooperation between Korea and India has been stagnant since 2010 despite the India-Korea FTA signed in 2009. The economic size of India is comparable to that of Southeast Asia, but Korea's trade with India in 2019 is only about 14 percent of its trade with the latter. Korea's people-to-people exchange with and public exposure to India is considerably limited compared to Southeast Asia. The NSP can thus have a larger impact by addressing such a serious gap. One of the key roles the government can play is to support greater public and business understanding of India's potential as Korea's key partner. It could be done through more investment in diplomatic resources and public diplomacy with India.

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