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# The new Korean Asiatism

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According to the World Bank and the International Monetary Fund, South Korea was ranked 15<sup>th</sup> in the world's economy in 2010 and was predicted to move up to 13<sup>th</sup> place in 2011, owing to a catch-up effect, its dynamism and South Korean economic and cultural diplomacy, which have yielded much success for some years now. Some of these aspects have been to the detriment of France, as was the case in Abu Dhabi in 2009, when a consortium, led by the Korea Electric Power Corporation (KEPCO), won a contract that was worth more than 20 billion dollars to build nuclear reactors. South Korea has today claimed the status of medium-level power and is determined to be influential in international affairs. South Korean foreign policy has long been managed in the interests of national conglomerates. It is now trying to break free of this and instead aims to present the country as a spokesperson for the less advanced Asian, African and Latin American economies, as a leader overseeing the integration between North-East and South-East Asia, as well as being the driving force in strengthening North-East Asian economies.

## SOUTH-EAST ASIA, A LAND OF CONQUEST

In 2007, South Korea and the Association of South-East Asian Nations (ASEAN) signed a free trade agreement on investments in 2009. The same year also saw the setting up of the “Association of South-East Asian Nations of South Korea” whose aim is to promote economic and socio-cultural cooperation. In 2010, in connection with the ASEAN summit in Hanoi, a joint declaration, “Association of South-East Asian Nations of South Korea” for a strategic partnership was adopted. The latter came with a plan of action from 2011 until to 2015, covering the

development of economic and cultural ties, whilst strengthening the dialogue and partnerships in matters concerning security. At the same time, the President of South Korea suggested creating a structure allowing the Ministers of Economy from five of the Mekong countries (Myanmar, Cambodia, Laos, Thailand and Vietnam) and their Korean counterparts to regularly meet to implement cooperation programmes. This was part of the strategy initiated in March 2009 and named the “New Asia Initiative”, which aims to develop a country’s relations beyond its usual boundaries (the United States, the European Union and North-East Asia).

The free trade agreement between Korea and ASEAN has propelled exchanges between these countries. A year after its implementation, exchanges between Korea and ASEAN had already increased by 23%. Vietnam came out on top. Its country’s exportations to South Korea soared by 16.3% in 2009 and 35.2% in 2010. Vietnam and Indonesia are negotiating bilateral agreements on free trade in addition to the one signed with ASEAN, to further increase their trade with Korea.

ASEAN is today the third destination for South Korean investments. Since 2010, it has become the second largest economic partner country for trade (approximately 100 billion US dollars). Between 1990 and 2007, this has increased 5.5 times over.

In 2010, ASEAN represented over 11% of Korea’s trade with the rest of the world. The rise in labour in China and the breakdown of Sino-Korean relations since the inauguration of President Lee Myung-bak should help increase the share of ASEAN in matters of trade with South Korea.

## ECONOMICS IN POLITICS

Investors target priority countries in order to build a strong foundation before breaking into neighbouring markets. 98% of the investments are thus focused on six countries that include Indonesia, Vietnam, Thailand, the Philippines, Malaysia and Singapore. With a total of 29.5%, Indonesia is the preferred country of accumulated direct Korean investment in ASEAN. The archipelago is followed by Vietnam with 23.5%. Vietnam’s share in Korean exportation almost doubled between 1995 and 2010, increasing from 7.6% to 12.5%.

In Indonesia, Korea’s influence was reinforced in 2010 with Posco’s commitment to invest 2.7 billion US dollars to build a steel mill. The tyre manufacturer, Hankook, announced plans to invest 1.2 billion US dollars into building the factory. The motor company, Hyundai, is also negotiating

to build a factory. The volume of trade with Indonesia has doubled in five years from 10 billion dollars in 2004 to almost 20 billion dollars in 2009.

At the same time, the two countries have been strengthening their partnership in areas of defence. In July 2010, they signed a Memorandum of Understanding for developing of a fifth generation fighter plane (KF-X). In 2006, they had already signed a strategic partnership agreement, in which thirty-two points addressed the issues of political dialogue, defence, scientific cooperation and technology transfer that was completed by a new agreement at a ministerial level and signed in May 2011. Korea has already provided two Makassar ships to the Indonesian Navy, as well as ten amphibious ships and two modernised Cakra submarines. The Indonesian army has also planned to buy sixteen training T-50 aircrafts.

#### THE SPOKESPERSON FOR LESS ADVANCED ECONOMIES

Korea is trying to position itself as a new spokesperson and model for developing countries. In 2009, the country became a member of the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD), illustrating its entry into the leading donor countries. President Lee Myung-bak has pledged to triple the Korea's Official Development Assistance (ODA) by 2012, increasing it from a GDP of 0.09% to 0.25%. Over 40% of the ODA is set aside for South-East Asia and Central Asia, the two key areas of the "New Asia Initiative". The focus is on providing Korean equipment, with the aim of opening new business opportunities. The Korean Overseas International Cooperation Agency also works with many non-governmental organisations, especially through the "KOICA-NGO" programme. These organisations bring about invaluable field experience and can provide important advice to companies in the area.

Interest in South-East Asia does not just involve the ODA, investments, trade and cultural exchanges. These exchanges have risen sharply under the leadership of the Korean Foundation and the impact of the Korean Wave (music, cinema and series).

Immigration and emigration are also on the rise. Between 2003 and 2009, the number of Korean expatriates has more than tripled from 94,840 to 286,330.

Faced with an ageing population, Korea is calling for more and more foreign labour to work in its factories. In 2010, there were approximately 550,000 foreign workers, who came from Indonesia, Vietnam, the Philippines and China. Not wanting to follow Japan's example, Korea took

the risk of opening its country and receiving migrant workers. In a society that is not used to being in contact with foreigners, not to mention a land from which people emigrate, this opening raised much discussion, but is unlikely to be questioned.

#### A STEP TOWARDS THE REST OF THE WORLD

South-East Asia is playing its role as an interface between the major Asian countries. The question for South Korea is to know what role it could play. South-East Asia benefits from the largest labour margins to experiment with new instruments of power, but it is not the only one. China faces a possible political and economic transition in which it does not already have all in the ins and outs.

India is seeking to join the Asian regional institutions while continuing to emerge as an economic, demographic and political power. Today, Japan finds itself marginalised, but is attempting to assert its strategic independence beyond its alliance with Washington. The question of Japan's development is all the more important now that the country has the capacity to make choices that could potentially unsettle the region. Having lost interest in South-East Asia for about ten years, the United States is trying to influence the region again, and if its capabilities are reduced, they are still very much present. In 2009, the military conflict between China and the United States over the South China Sea and Beijing's ambiguous attitude towards North Korea resulted in strengthening the alliance between the United States, Japan and Korea. Russia also expressed interest to find its feet again in a region from which it almost disappeared after the fall of the USSR. With roughly 35% of the total of direct investments, the economic weight of the European Union in the region is far from insignificant. The key element of the Korean strategy is that South-East Asia continues to be the government's power laboratory, as well as that of South Korean companies in their desire to influence world affairs. Mechanisms that were put into place in the region already exist in Latin America and Africa. Concerned about China's increased power, South Korea is seeking to establish not only economic, but also political and strategic relationships.

Korean direct investment in ASEAN countries (source: Korea Eximbank).

<b>Country</b>	<b>Number of established companies</b>	<b>Cumulative amount (1968/2009) in US dollars (per million)</b>
Burma/Myanmar	53	96.8
Brunei	7	2
Cambodia	475	1,319.8
Indonesia	1,132	3,240.8
Laos	47	110.2
Malaysia	474	1,241.4
The Philippines	1,072	1,112.9
Singapore	358	2,536.6
Thailand	534	1,057.3
Vietnam	1,728	4,867.6
<b>TOTAL OF ASEAN</b>	<b>5,880</b>	<b>15,685.5</b>