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# **South Korea's New Southern Policy in Southeast Asia and India: Limitations and Opportunities**

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### Introduction

The intensifying strategic competition between China and the United States creates strategic and economic costs for other Indo-Pacific stakeholders. The 'trade war' launched by the Trump government has disrupted global supply chains and raised commodity prices, specifically in Asia. In combination with the disruptive effects of the COVID-19 pandemic and the associated focus on enhancing supply chain resilience, the growing unpredictability of Chinese domestic policy has motivated many multinational corporations (MNCs) to intensify their efforts to relocate supply chains out of China (Braw, 2023). As anti-China policies have become increasingly bipartisan in Washington, the Biden administration has largely continued Trump's trade policy toward China, including via the 2022 CHIPS and Science Act, which seeks to delink China from US-developed chip technology (The White House, 2022). This increased weaponization of supply dependencies reflects "*the geostrategic use of economic power*" (Wigell & Vihma, 2016, p. 606).

South Korea (ROK) is heavily exposed to these strategic dynamics. Seoul relies on China for much of its trade and manufacturing, with many South Korean multinationals establishing operations in China following the introduction of pro-market reforms from the late 1970s onwards. In 2020, China-bound exports accounted for 25.85% of the ROK's total exports while Chinese products made up 23.29% of South Korean imports (World Integrated Trade Solution, n.d.). The South Korean government has actively supported South Korean MNCs' supply chain diversification drive (Singh & Chaudhury, 2022) but China continues to occupy a central role for the South Korean economy. The trade dynamics are currently changing: in May 2022, South Korea registered a trade deficit with China for the first time in 30 years (Park, 2022). The market dependence on China creates significant exposure for the Korean economy while preventing Seoul from confronting China. Concurrently, South Korea continues to rely on the US for its security vis-à-vis North Korea. These "*standoff*" dynamics continue to characterize the geostrategic landscape in Northeast Asia (Diener et al., 2021, p. 103).

Its dual dependency on Beijing and Washington has motivated Korean attempts to diversify Seoul's strategic portfolio. In 2017, the administration of Moon Jae-in announced the New Southern Policy (NSP). The NSP is geared towards enhancing South Korea's economic, strategic, and people-to-people connectivity with the Association of Southeast Asian Nations (ASEAN)<sup>1</sup> and India. Following the outbreak of COVID-19 in early 2020, Moon rebranded the NSP as the NSP+, which put additional emphasis on infrastructure investment and pandemic responsiveness, primarily in public health cooperation and post-pandemic economic recovery (Botto, 2021). South Korean policymakers have been careful not to frame the NSP as

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<sup>1</sup> ASEAN currently has ten member states: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, and Vietnam. In November 2022, observer status was given to Timor-Leste. ASEAN also gave an in-principle agreement to make Timor ASEAN's eleventh member state.

a counter to China and China-sponsored projects, most notably the Belt-and-Road Initiative (BRI). The NSP looks to be continued by Moon's successor Yoon Suk-yeol (Snyder, 2022), whose recently published Indo-Pacific Strategy also emphasizes the need to diversify Seoul's networked relationships in the wider region (Singh, 2023). The NSP's tenets have consequently transcended the end of the Moon administration.

This paper seeks to assess the effects of the NSP on South Korea's relationships with ASEAN and India. The paper initially examines the strategic constraints generated by South Korea's position in Northeast Asia. After discussing the NSP's policy objectives, the paper then assesses the NSP's effects in Southeast Asia and India. The analysis shows that the NSP has been less prevalent in India, where structural issues and the ROK's prioritization of ASEAN have restricted a more significant expansion of the relationship. The paper finds that the NSP ultimately marks a continued attempt by South Korea to hedge between China and the US. While this creates political space for Seoul in non-traditional security domains, Seoul's inability to respond to more contentious security challenges, especially regarding China, prevents the NSP from marking a significant reformulation of South Korean foreign policy.

### **South Korea's regional neighborhood**

South Korea's strategic position and posturing has traditionally been shaped by its relationships with China, Japan, North Korea, the US, and Russia/the USSR. The end of the Korean War in 1953 led to close strategic and economic ties between Seoul and the US, including the continued US military basing. Today, 28,500 American troops remain stationed in the country in accordance with the Mutual Defense Treaty (Shin & Lee, 2021). The relationship with the US remains a key factor in South Korean foreign policy.

The US' potentially wavering commitment to its allies and treaty partners, however, has stoked anxieties of strategic abandonment in South Korea. The responsibility of costs for the US military presence in the country is regulated by the 1966 Status of Forces Agreement (SOFA), which has been amended several times since then, usually to increase South Korea's financial contribution to the US presence. The Trump administration repeatedly demanded for South Korea to heighten funding for the American presence and reportedly considered withdrawing some troops from the peninsula (Gordon & Lubold, 2020). The situation has restabilized under the Biden administration, which has also terminated limits on the range of South Korean missile technology, which will allow the quickly growing South Korean defense industry to develop modern missile technologies that can balance North Korea's growing strike capacity (Green, 2021). The US also remains heavily involved in the training of the ROK's armed forces and currently holds wartime operational control over the joint American and Korean forces. While fears of abandonment prevail, the US has remained indispensable for the ROK's security in the 21<sup>st</sup> century.

China, on the other hand, is crucial to South Korea's growth model as an import and export market. The launch of China's 'Reform Era' under Deng Xiaoping in the late 1970s translated into close economic relations with China. Since 1992, South Korea's exports to China have

increased 162-fold (Min, 2022). The Chinese market continues to play a key role for the ROK's heavily export-reliant growth model, with foreign trade currently accounting for 70.1% of the ROK's GDP (Santander Trade, 2022). Under President Roh Tae-woo, South Korea began to pursue the normalization of its diplomatic relations with Beijing from the late 1980s onwards, with normalization formally occurring in 1992. Since then, South Korea's China policy has been shaped by China's role in negotiations with Pyongyang, the trade and investment opportunities of the Chinese market, close historical and cultural ties, and the policy preferences of individual Presidents (Nilsson-Wright & Jie, 2021, p. 15). South Korea's dependency on trade renders it naturally vulnerable to disruptions in global supply chains. China's outsized importance for the ROK's economy simultaneously engenders a high degree of exposure to unilateral economic action by China.

The disconnect between the ROK's security relationship with Washington and its economic ties with China have been most prominently illustrated by the THAAD crisis in 2016/2017. In 2016, the administration of President Park Geun-hye, Moon's predecessor, permitted the stationing of US-provided THAAD (Terminal High Altitude Area Defense) missile batteries in South Korea. THAAD batteries are capable of shooting down ballistic missiles launched by the adversary in their terminal phase (Sankaran & Fearey, 2017). The THAAD deployment created additional protection for US military assets in Northeast Asia in the face of potential missile strikes by China and North Korea (Nilsson-Wright & Jie, 2021, p. 19). For China, the THAAD deployment stoked fears that the US would use the batteries to identify Chinese launches from bases in northern China (Ryall, 2022), including in a potential Taiwan contingency (Nilsson-Wright & Jie, 2021, p. 19).

In response to the THAAD deployment, China imposed a series of economic sanctions on South Korea. The sanctions regime included the cancellation of K-Pop concerts in China, a halt of traveling agencies selling tours to South Korea, an import ban on some Korean products, and targeted sanctions against selected South Korean companies (Botto, 2021, p. 8). By the time Moon (who had since been elected) started to resolve the dispute in late 2017, South Korean companies had registered a loss of 7.5 billion US\$. Although Moon upheld the THAAD deployment, his administration also announced a policy of 'three no's': there would be (1) no deployment of additional THAAD batteries, (2) no formal integration of South Korea into Washington's regional missile defense system, and (3) no formalized trilateral security partnership between Japan, South Korea, and the US (Nilsson-Wright & Jie, 2021, pp. 19-20). The THAAD crisis marked the first occasion in which China openly weaponized the South Korean reliance on the Chinese market. Crucially, Chinese sanctions were not a reaction to trade disagreements but to Seoul's relationship with Washington. The episode indicated that Seoul's capacity to delink its respective relationships would be limited.

At the same time, the American reaction also heightened Korean fears of abandonment. In the backdrop of ongoing tensions between the Park/Moon administrations and the Trump government, Washington did not meaningfully intervene on South Korea's behalf (Botto, 2021, p. 9). Much of the US media framed the situation as about Seoul essentially having to pick a side in the China-US competition. At the same time, Trump's belligerent rhetoric toward North

Korea (in August 2017, Trump had threatened that “*fire and fury*” would rain on North Korea if Pyongyang continued its threats) further stoked tensions on the peninsula. The American response to the THAAD crisis indicated South Korea's exposure to a potential abandonment by Washington amid the growing influence of protectionist sentiments in the US.

Today, South Korea continuously seeks to balance its relations with China and the US. Seoul joined the Beijing-led Asian Infrastructure Investment Bank (AIIB) in 2015 (Nilsson-Wright & Yie, 2018, p. 28) and is part of the Regional Comprehensive Economic Partnership (RCEP), which is likely to boost China's role as a rule-shaping actor (Ward, 2020). Moon also proved largely pragmatic in his policy towards Washington, emphasizing the security role of the US in Northeast Asia (Green, 2021). Simultaneously, Moon raised defense budgets, pushed for South Korean wartime operational control, undertook efforts to indigenize munition and fighter aircraft production, and developed plans that would allow South Korea to eliminate the North Korean leadership in the case of conflict (Nilsson-Wright & Jie, 2021, p. 20). South Korea is limited in its ability to openly support US-led initiatives due to the geostrategic realities it encounters, both regarding China's role as a mediator in inter-Korean negotiations and “being so close to China - both physically and economically” (Botto, 2021). Closer economic convergence with China would alienate the US, especially due to American concerns surrounding Chinese 5G and surveillance technology.

In sum, South Korean foreign policy remains defined by inter-Korean tensions and the dependencies on China and the US. Chinese economic coercion in 2016/2017 had a highly negative effect on South Korean public opinion regarding China while perceptions of the US largely remained positive. The South Korean defense community is also increasingly concerned over Chinese incursions into South Korea's air defense identification zone (ADIZ) (Dangwal, 2022) and China's increasingly hostile conduct in the Yellow Sea (Strating, 2021). There is ultimately a desire in South Korea to not just be a playball of competing powers but to pursue an autonomous foreign policy (Nilsson-Wright & Jie, 2021, p. 16). South Korean policy makers have repeatedly framed the ROK as a ‘middle power’, a preference derived from the ROK's relative size, geographical position, historical preferences for non-alignment, and strategic anxieties of being caught between China and the US. In practice, South Korea's strategic and economic relationships with both countries have led it to adopt an ambiguous strategy that is “*selectively opting for policies that alternatively or simultaneously involve cooperation (and occasionally conflict) with either or both partners*” (Nilsson-Wright & Yie, 2018, p. 16). Northeast Asia's geostrategic realities create conditions for Seoul that limit its foreign policy autonomy. As such, demands for South Korea to take a more active stance against China are likely to fall on deaf ears.

### **The NSP**

The NSP seeks to elevate the ROK's relationships with ASEAN and India. The notion of improving Seoul's economic and diplomatic ties with both parties featured prominently in Moon's electoral rhetoric (Lee, 2019). The NSP, unveiled in 2017 during a series of official visits to Southeast Asia, marks the first attempt to explicitly elevate the ROK's ties with

ASEAN and India to its relations with traditional key stakeholders (China, Japan, Russia, and the US) (Yoon, 2020). The Korean Ministry of Foreign Affairs has set up an ASEAN and Southeast Asian Affairs Office that is formally as significant as the China and Japan offices while upgrading the resources assigned to the diplomatic mission based at the ASEAN headquarter in Jakarta. The NSP has been accompanied by its north-directed counterpart, the New Northern Policy (NNP), which is focused on enhancing Seoul's engagement with Russia, Mongolia, Central Asia, and Eastern Europe (Reconnecting Asia, n.d.). Northward diplomacy has precedent in South Korean foreign policy, with Roh Tae-woo's signature "*nordpolitik*" in the 1980s also focusing on reducing inter-Korean tensions and diversifying trade relations (Young, 2005). As Lee (2018) observes,

*"The NNP and the NSP stem from a confluence of a unique set of geopolitical circumstances on the Peninsula. In reality, today's political moment in Northeast Asia bears striking resemblance to the climate of the 1970s in which Sino-American rapprochement brought about a shift from a bipolar U.S.-Soviet power structure in the Asia-Pacific to a more complex, multipolar dynamic".*

In practice, South Korea has prioritized the NSP (Botto, 2021). The NSP subsequently marks an attempt to signal South Korea's growing diplomatic and economic engagement beyond its immediate neighborhood and its historically prioritized regional geography.

The NSP is based on three 'pillars': 'peace, prosperity, and people'. The Presidential Committee on the NSP, which is responsible for overseeing the coordination between relevant external stakeholders (such as South Korean MNCs and small and medium enterprises (SMEs)) and governmental ministries, administers the NSP within the government (Botto, 2021). According to the Presidential Committee (2019), the peace pillar aims to create "*a community that supports regional peace and security*" while the prosperity pillar seeks to achieve "*shared prosperity where our partner countries thrive together through mutually beneficial, forward-looking economic cooperation*". The people pillar strives toward a "*people-centered community that connects people to people and minds to minds*". The Committee Report further states that the NSP "*provides support for Korean companies to participate in infrastructure projects and make inroads into the manufacturing sector in the NSP target countries*", explicitly recognizes the importance of Korean popular culture, and views the NSP countries as "*promising markets for building a global open innovation platform for a joint response to the Fourth Industrial Revolution, including 5G, IT and smart cities*" (p. 5). These ambitions evoke an image of the NSP as a non-confrontational, flexible, pro-development policy.

The NSP seeks to expand on the growing economic presence of Korean companies in NSP countries. While MNCs such as Samsung and Daewoo have long established manufacturing operations throughout Southeast Asia (Studwell, 2013) and to a lesser degree in India, SMEs have found it harder to gain a market foothold. Much of the support to Korean companies has consequently focused on supporting SMEs, for instance through summits such as the Korea-South and Southeast Asian Business Coalition. This summit brings together government officials and business representatives to facilitate interactions ideally leading to investment by



SMEs in South and Southeast Asia (Botto, 2021, p. 12). Additionally, the newly created ASEAN and India Business Desk has been set up at the Korea Trade-Investment Promotion Agency (KOTRA) to facilitate the market entry of SMEs. The aim to facilitate a growing presence of South Korean companies in the wider Indo-Pacific marks a push towards supply chain diversification.

The Official Development Assistance program (ODA) has been key for structuring Seoul's investments abroad. Korean ODA targets are set by the Ministry of Foreign Affairs and the Ministry of Economy and Finance (Lumsdaine & Schopf, 2007). The ODA budgets continue to lay below the OECD guidelines on ODA, which propose the long-term target of 0.7% of the gross national income (GNI) of OECD members being allocated to ODA (OECD, n.d.). South Korea's current budget accounts for only 0.16% of the GNI (Watson, 2022). Yet, the ODA budget has risen significantly throughout the 21<sup>st</sup> century, growing from 212 million US\$ in 2000 to a high of 2.52 billion US\$ in 2019 (World Bank, 2023). The ROK has aimed to double its ODA commitments to NSP recipient countries by 2023 (Botto, 2021). ODA projects are administered by the Korea International Cooperation Agency (KICA, responsible for overseeing the implementation of ODA-funded projects) and the Export-Import Bank of Korea (KEXIM, responsible for managing ODA loans and grants). Infrastructure investments, especially in Southeast Asia, have been a major target for ODA activities under the NSP, including through public-private partnerships involving Korean companies. South Korea has also signed separate MoUs with all ASEAN member States bar Indonesia focused on digital innovation, investments in higher education, the protection of the Mekong, smart city development, and transportation networks.

The peace pillar's reluctance to address security concerns in NSP countries restrains its impact. The peace pillar has focused on non-traditional security threats, including climate change, cybercrime, and broader environmental security (Choe, 2021). The scope of this pillar is naturally limited by Seoul's unwillingness to take a more open stance on Indian-Sino tensions in the Himalayas (Chatterjee Miller & Harris, 2023), China's growing naval presence in the Indian Ocean (Baruah, 2022), and Chinese assertiveness in the South China Sea (McLaughlin, 2022). The NSP's approach towards regional security becomes harder to assess in its efficiency given that any engagement is bound to be fairly limited in scope, even rhetorically focusing on '*safety*' rather than '*security*'.

COVID-19 also brought a sudden halt to a wide range of interactions, limiting people-to-people contacts. This renders it harder to evaluate the people pillar of the NSP as mobility networks have been artificially restrained for much of the NSP's implementation period. The effects of the pandemic, in conjunction with the relatively novel changes in the ROK's internal diplomatic bureaucracy towards ASEAN and India, indicates that the long-term effects of the NSP are likely to take time for analysts to judge them in their effectiveness (Botto, 2021, p. 1). At the same time, the sheer breadth of NSP-linked projects has undermined the identification of the policy's key priorities. Analysts have thus criticized the NSP's "lack of clear priorities, its exclusive nature, and its overemphasis on economic and social issues, as well as the opaque assessment of the policy's impacts" (Suoneto, 2021).

Seoul has sought to address this vagueness and the associated criticism via the NSP+. The NSP+ specifically stresses pandemic responsiveness, public health, digital innovation, and digital infrastructure (Thuzar, 2021). The NSP+ also streamlined the peace pillar to focus on “transnational cooperation for the fostering of peace and safety” (Botto, 2021, p. 19). This emphasis on cooperation and capacity-building, especially regarding pandemic responsiveness and public health, marks a space in which South Korea can expand its diplomatic presence without upsetting either China or the US. The NSP+ has nevertheless not addressed the NSP’s vast scope, which limits assessments of the policy’s practical impact. While the NSP’s conceptual vagueness can ensure buy-in, it also reduces the degree to which the NSP can be viewed as a more ambitious reformulation of South Korean foreign policy.

The NSP attempts to reinforce the ROK’s position as a middle power, thus far focusing on ensuring and expanding supply chain security while not alienating China. As such, the NSP has focused on non-traditional issues such as healthcare, climate change management, and infrastructure provision while rhetorically emphasizing openness, inclusiveness, transparency, international norms, and ASEAN centrality (Nilsson-Wright & Yie, 2018, p. 27). An explicit signaling on more contentious regional issues has been missing. Even the NSP’s official terminology avoids addressing ‘security’ threats, discussing regional ‘safety’ and including a ‘peace’ rather than a ‘security’ pillar (Lee, 2019). The NSP has also not framed itself in competition with other regional initiatives such as the BRI or the Quadrilateral Security Dialogue (Quad), instead creating “*additional layers of cooperation, often parallel to those regional initiatives, to minimize the risk of being caught between the major powers’ competing priorities*” (Botto, 2021, p. 4). In practice, South Korea has sought to work with a variety of partners without exclusively endorsing one strategy.

This approach is consistent with South Korea’s broader foreign policy posture in the 21<sup>st</sup> century. Under President Roh Moo-hyun (in office between 2003 and 2008), South Korea sought to act as a regional balancer between China and the US, a stance that was criticized by South Korean conservatives and the US as seeking to weaken the ROK-US alliance and unilaterally strengthening Seoul’s strategic autonomy (Zhu, 2007). Lee Myung-bak (2008-2013) launched the ‘Global Korea’ initiative, which sought to upgrade the ROK’s role in international development, environmental policy, and global economic cooperation (Teo, 2018). Global Korea being not explicitly linked to any hard security issues made Lee less controversial than Roh. Moon’s NSP-based approach builds on the diplomatic trajectory of Lee: instead of explicitly formulating the ambition to enhance the ROK’s strategic autonomy, the focus on non-traditional security issues helps to carve out a space for a somewhat more independent foreign policy without alienating Beijing and Washington (Botto, 2021, p. 7). While this could bolster South Korea’s long-term interests, especially regarding supply chains, it does not insulate the ROK from the contemporary effects of growing China-US tensions.

The NSP’s ultimate effect and scope are naturally limited by the strategic constraints Seoul faces. Because of its trade ties with China, South Korea remains unwilling to take a stronger stance on the key security considerations of NSP recipient States. Reversely, inter-Korean



tensions are not likely to become key security interests for either ASEAN States or India given how preoccupied they are with the effects of the China-US competition. This structural gap between South Korea and the NSP recipient States in their security priorities and perceptions is unlikely to be bridged anytime soon. The peace pillar's minimalist scope indicates Seoul's awareness of this structural divergence. This divergence does not mean that South Korea's participation in wide-fledged security networks cannot be expanded in any other way. Southeast Asia has emerged as a key export market for South Korean defense manufacturers (Suoneto, 2021). The focus on non-traditional security threats can also bolster the broader regional resilience in terms of environmental security, disaster response, cybersecurity, and so forth (Botto, 2021, p. 10). In this context, the relationship diversification allows South Korea to establish a greater degree of decision-making space in these domains. Seoul's key security interests, i.e., its relationships with its regional neighbors and the US, however, are unlikely to be significantly altered. The restraints of South Korea's geostrategic environment in Northeast Asia subsequently inform the degree to which the NSP can operate as a more radical foreign policy reformulation.

### **The NSP in ASEAN and India**

Southeast Asia is a key space for the ROK's drive towards supply chain diversification as part of the NSP. For NSP recipient countries, investment into the domestic manufacturing sector, especially in emerging industries, is crucial to avoid the middle-income trap (Botto, 2021) in which developing economies fail to significantly advance their development due to rising costs and declining competitiveness (Griffith, 2011). The NSP's implementation has not been without challenges, with Korean policy prioritizing some Southeast Asian countries over others and significantly prioritizing ASEAN over India. This chapter examines the ROK's trade relationships with both ASEAN and India in the context of the NSP, what progress has been made so far, and what barriers remain in place.

### ***ASEAN***

South Korea has long-standing diplomatic and economic ties with ASEAN and regional States. Indonesia and Malaysia emerged as major outsourcing destinations for South Korean MNCs in the 1970s and 1980s as MNCs sought to capitalize on the lower regional labor and opportunity costs (Studwell, 2013). While Seoul initially focused on ensuring support from Southeast Asian countries on its diplomatic position towards Pyongyang, the ASEAN-ROK relationship now has come to encompass cooperation on non-traditional security issues, trade, public health, infrastructure, and people-to-people exchanges (Chongkittavorn, 2022). From the late 1990s onwards, the administrations of Kim Dae-jung, Roh, Lee, and Park enhanced the ROK's engagement with ASEAN to differing degrees, including through forums such as the East Asia Summit and the ASEAN+3 summits (Lee, 2019). In 2013, Seoul and ASEAN signed a bloc-wide comprehensive economic partnership agreement (CEPA) that liberalized the trade in services, reduced tariffs, and facilitated bureaucratic structures for improved FDI from South Korea (ASEAN, 2013). While improved relations with ASEAN have been following a longer trajectory (between 2001 and 2011, the bilateral trade volume tripled to 125 billion US\$ per year), the NSP created a diplomatic framework for the ROK's regional engagement. Moon

visited all ASEAN States within two years of the NSP's announcement while overseeing the organization of the ASEAN-Korea Commemorative Summit and the Mekong-Korea Summit, which were geared towards deepening economic ties (Yoon, 2020). He continued his regional visits during the pandemic, discussing pandemic control, post-pandemic recovery, and health cooperation (Suoneto, 2021). As discussed, Moon also introduced administrative changes in Seoul's ASEAN-related diplomatic infrastructure.

A key part of the NSP in Southeast Asia has been the negotiation and upgrading of regional free trade arrangements. Since 2017, Seoul has signed a free trade agreement (FTA) with Cambodia, launched FTA negotiations with Malaysia and the Philippines, signed a CEPA with Indonesia, and upgraded the CEPA with ASEAN.<sup>2</sup> The expansion of FTAs has arguably been the most obvious effect of the NSP thus far. From an ASEAN perspective, the focus on trade and cultural collaboration, non-traditional security issues, and the rejection of a hegemonic outlook on regional order aligns with the ASEAN Outlook on the Indo-Pacific, which refutes the application of a zero-sum logic and seeks to ensure ASEAN centrality in the region (Nilsson-Wright & Yie, 2018, p. 26). Ultimately, ASEAN countries are eager to carve out maximum foreign policy autonomy and flexibility, both in relation to one another and non-ASEAN countries (Lee, 2019). This focus on non-security issues is reflected in the policy priorities identified by ASEAN and the ROK during the 2022 ASEAN-ROK dialogue: "digital economy; maritime cooperation; development of Micro, Small and Medium Enterprises; labor market; tourism; infrastructure; and narrowing the development gap" (ASEAN, 2022). The focus on multi-faceted cooperation, including an emphasis on trade, as a reflection of shared concerns regarding the economic and strategic effects of changes in the China-US relationship and create natural synergies between ASEAN and South Korea.

Seoul's relationship with Vietnam is of outsized significance in South Korea's broader economic relationship with the region. ASEAN is now the ROK's second-largest trading partner after China. Vietnam itself is the ROK's third-largest export market and the seventh-largest import market in 2022 (Korea Customs Service, 2023). In 2017, the NSP set out to reach an investment target of 200 billion US\$ of ASEAN-ROK bilateral trade to be reached by 2020, a target that was not met due to the market shocks of the pandemic (Botto, 2021). The degree of the ROK's economic interaction with ASEAN States differs significantly (see Figure 1).

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<sup>2</sup> South Korea has had separate FTAs in place with Singapore and Vietnam prior to the NSP.

**Figure 1: South Korea's trade volumes with ASEAN economies, 2016-2022 (in billion US\$)**

Country	2016		2017		2018		2019		2020		2021		2022	
	IMP	EX P	IMP	EX P	IMP	EXP	IMP	EX P	IMP	EX P	IMP	EXP	IMP	EXP
<b>Brunei</b>	0.71	0.06	0.79	0.06	0.61	0.06	0.40	0.07	0.21	0.08	0.12	0.04	0.29	0.04
<b>Cambodia</b>	0.29	0.57	0.26	0.60	0.31	0.66	0.33	0.69	0.31	0.56	0.34	0.62	0.40	0.64
<b>Indonesia</b>	8.28	6.60	9.57	8.40	11.16	8.83	8.81	7.65	7.59	6.31	10.72	8.55	15.73	10.21
<b>Laos</b>	0.02	0.12	0.02	0.09	0.03	0.08	0.03	0.07	0.04	0.04	0.04	0.07	0.08	0.06
<b>Malaysia</b>	7.50	7.53	8.71	8.04	10.20	8.99	9.27	8.84	8.89	9.07	10.45	10.10	15.25	11.47
<b>Myanmar</b>	0.45	0.76	0.46	0.57	0.53	0.53	0.59	0.63	0.46	0.60	0.44	0.36	0.62	0.38
<b>Philippines</b>	3.22	7.27	3.70	10.59	3.56	12.03	3.65	8.36	3.08	7.12	3.89	9.65	5.17	12.31
<b>Singapore</b>	6.80	12.45	8.90	11.65	7.97	11.78	6.66	12.76	8.43	9.82	10.69	14.14	10.34	20.21
<b>Thailand</b>	4.56	6.48	5.20	7.46	5.58	8.50	5.31	7.80	5.19	6.85	7.01	8.52	7.88	8.58
<b>Vietnam</b>	12.49	32.63	16.17	47.75	19.64	48.62	21.07	48.17	20.57	48.51	23.96	56.72	26.72	60.97
<b>Total</b>	44.32	74.47	53.78	95.21	59.59	100.08	56.12	95.04	54.77	88.96	67.39	108.77	82.48	124.87
<b>ASEAN-ROK trade volume</b>	118.79		148.99		159.67		151.16		143.73		176.16		207.35	

Source: Korea Customs Service (2023).

Figure 1 illustrates that the ROK's trading relationship with ASEAN is heavily driven by its strong economic ties with Vietnam. Alongside China and the US, South Korea has been one of Vietnam's key import and export markets (Nguyen & Mah, 2022). The Moon administration frequently prioritized Indonesia and Vietnam, signing an MoU with Indonesia on a Jakarta-based transit system worth 11.9 billion US\$ and pledging to increase Korean investments in Vietnam's transport infrastructure (Lee, 2019). Out of the 200 billion US\$ investment target, 100 billion US\$ had been earmarked for Vietnam alone (Botto, 2021). While there have also been generally positive trajectories in the cases of Malaysia, Indonesia and Singapore, the NSP

has not had an equally stimulating effect on South Korea's trade volumes throughout the region.

South Korean ODA has prioritized Vietnam as well. Most ODA have been concentrated on Southeast Asia, primarily via KEXIM-provided loans (see Figure 2).

**Figure 2: Main recipients of South Korean ODA, 2019 (in million US\$)**

Country <sup>3</sup>	Grant	Loan	Total
<i>Vietnam</i>	38.6	132.1	170.7
Bangladesh	12.8	99.5	112.3
<i>Philippines</i>	19.5	70.2	89.7
<i>Laos</i>	25.6	63.1	88.8
<i>Myanmar</i>	36.1	47.7	83.8
<i>Cambodia</i>	21.4	52.0	73.4
<i>Indonesia</i>	13.7	59.5	73.2
Tanzania	17.9	50.1	68.0
Senegal	14.2	43.4	57.6
Mongolia	13.6	42.2	55.9

Source: Lee (2019).

The ODA flows are not directly linked to the NSP, with ODA flows to ASEAN economies doubling between 2010 and 2019 to 472.8 million US\$ in 2019 (Botto, 2021, p. 13). ODA-funded projects have chiefly focused on sustainable rural development, infrastructure construction, education, and public health. It is notable that ODA flows have emphasized investments in the CLMV countries (Cambodia, Laos, Myanmar, Vietnam) that joined ASEAN in the 1990s. Reflecting the trajectory of the South Korea-Vietnam economic relationship, ODA flows also clearly indicate that the ROK's economic engagement with Vietnam is prioritized over that with other countries.

The strong ROK-Vietnam partnership is the result of the depth of the ROK's private sector presence in Vietnam. In 1991, Vietnam introduced structural market reforms that opened the country for FDI (Hayton, 2011). Since then, cheap labor costs, permissive FDI policies, and the geographical proximity to East Asia have made Vietnam a key investment target for South Korean MNCs (Chandna et al., 2022), including Samsung, LG, Hyosung, Hanwha, Hyundai,

<sup>3</sup> ASEAN member states are italicized.

CJ, and Lotte (Minh, 2022). Today, South Korean firms are the chief source of FDI in Vietnam, having invested over 80 billion US\$ in the country (Nguyen, 2022). With investments worth 18 billion US\$, primarily concentrated in manufacturing operations in northern Vietnam, Samsung is the largest investor (Luong, 2022). Sales in Vietnam made up 30% of Samsung's global revenue in 2018 while Samsung sales accounted for 28% of Vietnam's GDP that year (Botto, 2021, p. 23). Now, Vietnam has emerged as a preferred diversification destination for South Korean MNCs seeking to reduce their reliance on China-based supply chains (Onishi, 2020). In this context, geopolitical volatility drives supply chain diversification (Shih, 2020). Diversification has notably been a result of private sector activity (Pietrewicz, 2021), raising the question as to what exact role the South Korean government can actively play in pushing diversification towards Southeast Asia (Yoon, 2020). If diversification is driven by private sector activity rather than government policy, the NSP's practical effects on reshaping corporate behavior in a meaningful way may be somewhat limited.

People-to-people ties also inform the ROK-Vietnam ties. With 225,000 residents, the Vietnamese population in South Korea is the second-largest non-Korean group in the country after the Chinese (Botto, 2021, p. 25). There are also 170,000 South Koreans living in Vietnam. South Korea is the preferred destination for Vietnamese exchange students: out of all ASEAN foreign exchange students entering South Korea, 92% hail from Vietnam. Vietnam has emerged as a major tourist destination for South Koreans (Tai, 2019) and the global spread of the 'Korean Wave', including K-Pop and K-dramas, has found great resonance in Vietnam (VietNam News, 2020). Even here, however, the 'Korean Wave' is driven by private businesses and celebrities, making it unclear how the NSP fits into this picture (Botto, 2021, p. 17). While the NSP's role in this sociocultural dimension remains relatively ambiguous, people-to-people contacts heighten the exposure to respective national cultures and create a sense of cultural familiarity that can facilitate closer ties.

The key roles of the South Korean private sector and people-to-people exchanges in Vietnam raise doubts on whether Seoul can replicate this success elsewhere. In essence, the NSP seeks to place the diversification drive of South Korean corporations in a broader geopolitical context: the growing China-US competition and the linked (economic) volatility. In practice, many MNCs had already started reacting to this dynamic prior to the NSP. Much of the supply chain relocation will take time and significant financial investments, which the NSP may be able to support through financial and diplomatic aid. In Vietnam, permissive investment policies have enabled this development. Other Southeast Asian economies often do not provide the liberalized trade and investment policies, relatively stable governance, cheap labor, and low input costs that allowed South Korean MNCs to expand their presence in Vietnam (Botto, 2021, p. 24). The sociocultural dimension is also less present elsewhere. Regulatory differences, less robust present economic relations, and a lower degree of people-to-people contacts thus makes it unlikely that South Korean corporations can replicate their Vietnamese success in other regional countries. Yet, it will take more time to assess the NSP's effects on stimulating diversification towards other Southeast Asian economies, with COVID naturally inhibiting the NSP's scope.



The NSP's regional development highlights the policy challenges linked with its vague terminology. The NSP's subsummation of various policy areas fails to give the NSP a clear regional profile distinguishing it from Seoul's previous trade and ODA-driven approach. Yoon (2020) writes that the NSP's emphasis on inclusivity and comprehensiveness 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.

While the inclusivity gives the NSP flexibility, it also means that Seoul is not perceived as a more central strategic stakeholder. During the survey of a Singapore-based think tank, only 0.9% of Southeast Asian respondents selected South Korea as the actor in whom they "*have the strongest confidence to provide leadership to maintain the rules-based order and uphold international law*", with even Russia (2.5%), and New Zealand (6.7%) receiving more support (Tang et al., 2020, p. 20). By not taking a more open stance on key regional challenges, including in the NSP, South Korea fails to diversify its portfolio beyond the diversification of trade.

This does not mean that the NSP has failed in its objectives. The policy aims to place supply chain diversification in a larger geostrategic context and to shape and support corporate behavior in a way that is consistent with national security objectives, even if diversification was already occurring previously. Increased ODA budgets and an investment in projects deemed as serving the ROK's national objectives (i.e., regarding supply chains) can also be a key policy tool going forward. The establishment of a special ASEAN office and related forums also clearly signals the growing prioritization of the region. Ultimately, Korean policymakers are likely to accept that Southeast Asian countries do not view Seoul as a more reliable strategic partner as the natural outcome of the NSP's non-confrontational approach. In this context, the NSP achieves the objective of creating a framework for South Korea's engagement with the region without significantly upsetting regional security dynamics.

### ***India***

The India-ROK economic relationship has grown significantly since the early 1990s. In 1991, India introduced economic reforms that liberalized industrial licenses, made FDI policies more permissive, and corrected the Rupee's overvalued exchange rate (Mehra, 2021). These reforms allowed South Korean multinationals such as Daewoo, Hyundai, and Samsung to become early investors in India, with much of the South Korean FDI focusing on the car and telecommunications industry (Joshi, 2020, p. 47). Since then, South Korean MNCs have sought to capitalize on India's cheap labor costs and large domestic consumer market (Botto, 2021, p. 31). Today, the robustness of the Indian digital service industry and the market-leading role of South Korean MNCs in digital manufacturing creates a natural market complementarity, including in the development of 5G and AI technology. Additionally, South Korean corporations are expected to boost Indian manufacturing in terms of technology learning and output enhancement (Mukhopadhyay, 2020, p. 68). In 2021, the bilateral trade volume stood

at 22.7 billion US\$, out of which 15.6 billion US\$ were South Korean exports to India (Trading Economics, n.d.). The NSP seeks to boost the India-ROK trade volume to 50 billion US\$ by 2030 (Botto, 2021). Although not as central as ASEAN, India still marked the ROK's seventh-largest export market in 2020. Since the end of the Cold War, India and South Korea have thus significantly grown their bilateral economic ties.

Prior to the NSP, New Delhi and Seoul sought to boost their ties through a CEPA that came into force in 2009. The CEPA abolished 93% of tariffs on South Korean imports from India while eliminating 75% of Indian tariffs on South Korean imports (Botto, 2021, p. 30). The agreement further covers trade in services and regulates investment, competition, and intellectual property rights. The agreement came at a time when India sought to rid itself of the protectionist label that had characterized Indian trade relations until and throughout much of the 1990s (Mukhopadhyay, 2020, p. 59). A 2018 additional to the agreement led to the further removal of tariffs. The CEPA had an initially stimulating effect on bilateral trade, which grew by 70% between 2009 and 2011 (Joshi, 2020), and marked a concerted attempt to significantly elevate economic ties.

Now, however, trade relations are stagnant and characterized by growing Indian trade deficits. While India's exports to South Korea are primarily made up of raw materials and intermediate goods, including iron, steel, cereals, and naphtha (Joshi, 2020), the ROK's India-bound exports are more diversified and involve *“higher-value intermediate and finished goods, including highly sophisticated technological products”* that Indian producers have thus far largely been unable to compete with (Botto, 2021, p. 30). High added-value imports from South Korea include automotive parts, telecommunications equipment, iron products, refined petroleum products, base lubricating oil, nuclear reactors, mechanical appliances, and electrical machinery and parts (Joshi, 2020). This inequity in traded goods has led to a growing Indian trade deficit (see Figure 3).

**Figure 3: India-ROK trade balance since the signing of CEPA**

Year	Indian exports to ROK	ROK exports to India	Indian trade balance
2009	4.141	8.013	-3.871
2010	5.674	11.434	-5.760
2011	7.893	12.654	-4.760
2012	6.920	11.922	-5.001
2013	6.180	11.375	-5.195
2014	5.274	12.782	-7.507
2015	4.240	12.029	-7.789

2016	4.189	11.596	-7.407
2017	4.947	15.055	-10.107
2018	5.884	15.606	-9.721
2019	5.565	15.096	-9.531
2020	4.900	11.937	-7.036
2021	8.056	15.603	-7.547
2022	8.899	18.874	-9.975

Source: Korea Customs Service (2023).

This deficit has been a growing concern for Indian policymakers. The two countries will hold the tenth talks about upgrading the CEPA in 2023, during which Indian representatives have pledged to seek to make the CEPA more equitable in its outcomes (Business Standard, 2022). Support for South Korean FDI nevertheless remains strong, including through the 'Korea+' platform (Singh & Ray Chaudhury, 2022). Such initiatives operate in the context of a largely stagnant economic relationship, especially from India's perspective.

It is worth noting that Southeast Asia and especially Vietnam occupy a much more central role in South Korea's trading partnerships beyond Northeast Asia. In 2021, South Korea exported goods worth 108.77 billion US\$ to ASEAN, with 60.9 billion US\$ worth of goods going to Vietnam alone (Korea Customs Service, 2023). In comparison, the Indian market is significantly less important for Korean businesses. Despite the positive development of the India-ROK economic relationship, especially prior to 2011, India thus occupies a comparatively marginal role in Seoul's historical approach towards NSP recipient countries.

This marginality is also reflected in the distribution of ODA funds. South Korea was accepted as an official Indian ODA partner in 2016 (Ministry of Finance, Government of India, 2022), with future investments likely focusing on infrastructure development (Botto, 2021). So far, however, investments have been limited. In 2020, India received only four million US\$ in ODA from South Korea, compared to the 157 million US\$ for the Philippines and 113 million US\$ for Bangladesh respectively (DCR Donor Profiles, 2023). The small ODA sums are a result of the Indian bureaucracy favoring development aid from the EU, Japan, Russia, the UK, and the US (Botto, 2021). Seoul's relatively recent entry on the Indian development market results in a lack of cooperative frameworks that lead to ODA being provided via NGOs and UN programs rather than on a bilateral basis. The process is further complicated by the fact that KICA, the agency responsible for ODA project implementation, does not yet have an official presence in India. South Korea's ODA approach is furthermore grant- rather than loan-based (unlike that of, for instance, Japan), with India signaling a preference for loans over grants. Administrative differences and a relative lack of mutual exposure has resulted in development ties remaining

relatively underdeveloped. While this may change as times goes on, it restrains cooperation in the present.

Unlike in Southeast Asia, South Korea's relationship with India has been largely stagnant due to underlying structural and institutional issues (Botto, 2021). South Korean corporations in India are frequently set up as wholly owned subsidiaries rather than joint ventures, reducing the Indian participation in the firm and limiting the firms' ability to navigate India's bureaucratic landscape, for instance regarding land rights. Bureaucratic hurdles also raise opportunity costs for South Korean SMEs, restraining their presence in India (Mukhopadhyay, 2020, pp. 68-69). While these are issues that primarily exist on the Indian side, South Korea has clearly prioritized its NSP engagement with ASEAN over that with India. In comparison with ASEAN, where the NSP-private sector relationship is somewhat unclear, South Korea's engagement with India arguably needs more government activity to enable meaningful cooperation (Yoon, 2020). Through the NSP, South Korea can seek to harmonize regulatory frameworks that create space for the South Korean development and private sector, especially SMEs, to establish a presence in India. While it is unlikely that the success observable in Southeast Asia will be replicated, this can still boost diversification.

The NSP shows a degree of connectivity with India's Act East Policy (AEP), which seeks to strengthen India's strategic and economic linkages with East and Southeast Asia. Introduced under Prime Minister Narendra Modi, the AEP aims to create a framework for regional infrastructure investment, also to provide a counterweight to the BRI. South Korea's focus on improving its ODA programs in the wider Info-Pacific, including in South Asia, creates a natural synergy with the AEP (Kesavan, 2020). Modi has described South Korea as an "*indispensable partner*" in the AEP (Botto, 2021, p. 28). In 2015, the two countries elevated their ties to a 'special strategic partnership' to reflect this convergence (Joshi, 2020). Similar to the NSP, Indian policymakers have been careful to not frame the AEP as a direct counter to the BRI - yet, reducing dependencies on China and providing an alternative to China for the region's developing economies clearly play a key role. South Korea's engagement with the AEP is consistent with Seoul's support for parallel visions of regional order without openly opposing the BRI.

An area in which India-ROK ties have made slow but notable progress is the defense relationship. The India-ROK joint commission for bilateral relations (including the respective Foreign Ministers) began meeting regularly in 1996 alongside meetings between the Defense Ministers and National Security Advisors (Kesavan, 2020). When signing the CEPA in 2009, New Delhi and Seoul also signed an MoU for cooperation in defense cooperation and logistics before raising relations to a 'strategic partnership' in 2010 (which was then raised to the 'special strategic partnership' in 2015) (Joshi, 2020, pp. 47-48). A 2019 visit of Defense Minister Rajnath Singh to Seoul yielded additional commitments to reciprocal naval logistical support and enhanced educational exchanges for naval staff, following on India's establishment of similar arrangements with countries such as Australia, Japan, and the US (Singh, 2020). This agreement was accompanied by agreements surrounding infrastructure development and combating transnational crime in February 2019. Although direct military cooperation has been

limited, there is a clear push to bolster defense ties in areas that are non-confrontational toward China.

A key component of this has been the growing cooperation in the defense-industrial sector. India initially began purchasing defense equipment from South Korean defense companies in 2005 (Singh, 2020). The South Korean defense industrial sector is rapidly growing and now sells arms worldwide, with Southeast Asia being a particularly key market for armored vehicles and training aircraft (Green, 2021). In the wake of the signing of the strategic partnership by President Lee and Prime Minister Singh, the co-development of defense technologies was made a policy priority. This has since been augmented by frameworks focusing on the co-development and cooperation of military hardware, enhanced intelligence collaboration, and enhanced cyber and space cooperation (Rajagopalan, 2021). Such initiatives aim to establish India as a manufacturing hub for South Korea's defense industry, with Defense Minister Singh suggesting that "*India offers tremendous business opportunity to Korean defense industries in India with liberalized licensing regime, attractive FDI provisions, [and a] strong and skilled industrial work force*" (Rajagopalan, 2019). Improved cooperation in this field can enhance India's capacity to build diversified defense relations that would make India less reliant on Soviet/Russian legacy equipment in the long run.

The conceptual synergy between the NSP and the AEP and improved defense relations ultimately do little to distract from the NSP's lack of success in India. South Korean ODA in India is negligible and trade volumes have stagnated. Some of this is the outcome of institutional hurdles that prevail in India and limit the success of India's free trade relationships with other countries. While the NSP rhetorically focuses on India alongside ASEAN in its notion of a multipolar regional order, the NSP's emphasis has been on Southeast Asia. For Indian policymakers, concerns regarding trade deficits prevail. While the NSP has potential for enhanced cooperation, greater dynamism and buy-in from both sides is required to transcend the current trajectory of stagnation.

## Conclusion

The NSP ultimately marks a signaling attempt towards NSP recipient countries that can have beneficial effects for the South Korean private sector and NSP countries. Yet, the NSP remains restricted in its scope by Seoul's inability and unwillingness to openly alienate China. The policy is defined by the attempt to carve out autonomous spaces for South Korean foreign policy in the 21<sup>st</sup> century, an approach that is broadly consistent with previous foreign policy doctrines. With the contest between Beijing and Washington heating up, the need for supply chain diversification will grow in the coming years. The NSP can provide a framework for this development, especially in India, where South Korean engagement has been relatively limited in comparison to ASEAN. In Southeast Asia, South Korean policy could more explicitly focus on prioritizing other countries besides Vietnam. The NSP will also remain shaped by external factors, with the pandemic significantly curtailing the policy's rollout and investment policies elsewhere playing a key role in shaping a more or less permissive investment environment for South Korean corporations.



South Korea's reluctance to occupy a more norms-based position is unlikely to be tenable in the long run. Confidence in Seoul in recipient countries remains limited and the policy's practical impact will likely continue to be limited if it does not at least try to address larger geopolitical issues. If this shift does not happen, the NSP will likely remain a largely bilateral framework that makes piecemeal, bilateral progress but does not meaningfully advance South Korea's larger strategic position (Botto, 2021). Botto notes that the breadth of the NSP's scope creates an impression of the NSP as a "generalized increase in attention to India and ASEAN countries rather than a unified strategy to rebalance South Korean diplomacy and advance common goals" and that "Seoul needs to enhance the NSP's branding, clarify its strategy, and establish a few core, landmark projects under that brand to communicate how the policy adds value" (p. 37). Nilsson-Wright and Jie (2018) also highlight that the long-term effects of the NSP are yet to be seen given that the economic partnership with China remains a structural condition of Korean policymaking. Yet, the enhanced engagement with Southeast Asia in particular marks a continued willingness and ability to pursue a somewhat autonomous foreign policy (even if autonomy remains limited in key sectors).

The NSP ultimately does not mark a transformational reconfiguration of South Korean foreign policy but is characterized by historical-strategic continuity and a growing willingness to consider questions of trade and supply chains in a broader geostrategic context. Large expectations surrounding the NSP and radical transformations in Seoul's strategic posture are likely to be disappointed for the time being given the respective relations with Beijing and Washington. However, this ultimately does not mean that South Korea cannot play a more active and meaningful role in the Indo-Pacific, especially in non-traditional security areas. The NSP and NSP-inspired policies can partially function as a framework for this.

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