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South Korea-ASEAN FTA

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With the inauguration of Ma Ying-jeou Government, economic relations across the Taiwan Straits have consolidated.¹ At this juncture, the most important event of Cross-Straits economic interactions is signing the economic cooperation framework agreement (ECFA) which will provide a long term mechanism to normalize and stabilize cross-Straits economic relations. High ranking officials from both sides have expressed their intention to conclude the ECFA by the first half of this year.² Moreover, our government has repeatedly promised that signing ECFA will end Taiwan's marginalization in the Asian economic integration. To allay some domestic concern over the ECFA, President Ma emphasizes that an ECFA would be a crucial lever that would allow Taiwan to sign FTAs with other countries.³ Hence, it is about time for us to think about our FTA strategy in the post-ECFA period. Ying-Hua Ku, a research fellow at Chung-Hua Institution for Economic Research, has made a good start by proposing to sign FTAs with ASEAN as a whole or individual ASEAN countries, Vietnam and Thailand are the two best targets, because these FTAs can make greatest contribution to Taiwan's GDP.⁴

Alternatively, so far, South Korea has concluded seven FTAs. Five of them already took effect (FTA with Chile took effect in 2004, the European Free Trade Association in 2004, Singapore in 2005, ASEAN in 2007, India in the form of Comprehensive Economic Partnership Agreement, CEPA, in 2010), while two are either to be formally signed (concluded negotiations with the European Union in October 2009) or to be ratified (FTA with the US signed in 2007, but has not been ratified yet).⁵ South Korea is now ahead of the game on FTA fever and in fact has emerged as a FTA hub in Northeast Asia. Learning South Korea's experience in FTA negotiations is certainly worthwhile for our future FTA talks.

¹ To-hai Liou, "Cross-Straits Economic Relations under Ma Yingjeou," *Journal of WTO and China*, Vol.1, No.1, 2010. (to be published)

² The Association for Relations Across the Taiwan Straits Chairman Chen Yunlin indicates that ECFA is supposed to be signed in May or June this year, "Two Associations plus ECFA Taiwan Stocks surge up to 7800," *The United Daily*, March 8, 2010, AA1.

³ "Interview: ECFA will help Taiwan catch up with Asia: Ma," *Taipei Times*, January 23, 2010, p. 3, <http://www.taipeitimes.com/News/taiwan/archives/2010/01/23/2003464220>

⁴ "Taiwan should try to sign FTA with Thailand and Vietnam," *Economic Daily*, April 23, 2010, <http://udn.com/NEWS/MAINLAND/MAI1/5554723.shtml>

⁵ http://www.fta.go.kr/user/fta_korea/kor_asean_1.asp?country_idx=14

Against this background, the purpose of this paper is to explore South Korea and ASEAN's respective motivations to sign their bilateral FTA, then to assess what has been achieved after the implementation of the FTA, and finally present the implications of South Korea-ASEAN FTA for Taiwan.

ASEAN motivations

Since late 2000, the proliferation of discriminatory free trade agreements (FTAs) has been the main trade-policy game throughout the Asia Pacific region.⁶ Failure of the Trade Organization (WTO) ministerial talks in Seattle in November 1999 and the inauguration of China's proactive FTA strategy were the driving forces behind the rapid spreading of FTAs in Asia.⁷ As Christopher M. Dent points out that "the FTA trend and ASEAN plus three framework have brought about an increasingly dense network of international economic agreements between the region's states" and in turn led to the development of East Asian regionalism.⁸ South Korea-ASEAN FTA is exactly the epitome of this fashion.

Chinese Premier Zhu Rongji actively proposed to the ASEAN to establish a FTA with China in November 2000. The main reason for ASEAN countries to accept China's proposal was economic. The inauguration of ASEAN Free Trade Area (AFTA) in 1992 attracted massive inbound foreign direct investment (FDI) for just a short of period. By 1995, ASEAN's main sources of inbound FDI such as Japan, Taiwan and South Korea shifted their focus of outbound FDI destination from ASEAN to China. With the outbreak of 1997 Asian financial crisis, ASEAN could no longer compete with China in attracting FDI. Furthermore, ASEAN countries, in particular those battered economies, relied heavily on China's promise not to depreciate *Reminbi* for economic recuperation. ASEAN perceptions of China thus turned to positive in the wake of the Asian financial crisis. Partly because of their positive image of China, partly because ASEAN countries realized that they could hardly compete with China in trade and FDI attraction in a short term or in a long run, not even as a group. As a result, ASEAN countries decided to engage China and to benefit from booming China market by accepting Chinese Premier Zhu Rongji's proposal to set up ACFTA.

Meanwhile, ASEAN is also afraid of enormous Chinese economic capacity and political influence. Three features of ASEAN foreign policy behavior can be identified. They are all related to ASEAN's decision to sign FTA with South Korea. First, ASEAN countries have always strongly asserted that ASEAN has to be in the driver's seat of the Asian multilateral mechanisms. Another major characteristic of ASEAN foreign policy behavior is that it constantly seeks counterweight against any big power domination in the region. The third feature is that the insistence on the

⁶ Ross Garnaut and David Vines, "Regional free-trade areas: sorting out the tangled spaghetti," *Oxford Review of Economic Policy* 2007 23(3):513.

⁷ To-hai Liou, "Asia's Response to China's FTA Strategy: Implications for Asian Economic Integration," *Journal of East Asian Affairs*, Spring/Summer 2007, p. 196.
http://www.inss.re.kr/app/board/view.act;jsessionid=049CCDBFDE9AA68D5E193D4FE2EC1D47?metaCode=en_m_pub&boardId=82ac7629036b792536928154

⁸ Christopher M Dent, "Taiwan and the New Regional Political Economy of East Asia," *The China Quarterly*, June 2005, p. 405.

ASEAN way is aimed to seek to engage the great powers in norm building.⁹ Hence, once ASEAN inked ACFTA with China in 2002, ASEAN countries have started to look for other potential FTA partners such as Australia, New Zealand, India, South Korea and Japan to balance China. Moreover, to remain in the driver's seat, ASEAN needs to get support from participating partners. A middle power like South Korea shares ASEAN's concern about big power domination. A FTA with South Korea can consolidate this like-mindedness. As for the Asean states, they mostly welcome more outside players in the region, particularly at a time when some have been worrying that China is becoming too important for their long-term comfort.¹⁰ Similarly, to engage a big power like China, ASEAN needs a supportive international community to build norms to constrain big powers' behavior. Reinforcing relations with South Korea through signing bilateral FTA can serve this function.

In addition to political motivations, ASEAN countries also have their economic motives to conclude a FTA with South Korea. With ASEAN plus one, ASEAN countries have become an attractive region for foreign investors as ASEAN countries are adjacent to the huge China market and some ASEAN countries' labor such as Vietnam, Laos and Cambodia is cheaper than Chinese counterpart. Given the risk of investing in China revealed by the SARS pandemic in 2003, foreign investors have carried out a "China-plus-one" policy of locating their production facilities and operating headquarters in Asian nations other than China.¹¹ Concerned about the commercial risks and growing costs of concentrating their entire Asian operations in China, many multinationals adopted a "China plus one" investment strategy, namely opening facilities in at least one non-Chinese Asian location in order to reduce production costs and to spread risks on overseas investments. Vietnam has become the second-choice nation for more and more companies.¹²

South Korean motivations

Economically, South Korea depended on foreign trade for 70 percent of GDP. With rapidly changing global economy characterized by the rising trend of forming RTAs and FTAs unfavorable to South Korea's exports, South Korea decided to promote FTA in 1998 and picked up Chile as the first country to conclude FTA in October 2002. South Korea did not initiate its FTA-oriented trade policy until President Kim Dae-jung came to power in 1998. Even though South Korea's FTA policy started quite early vis-à-vis other East Asian counterparts, its FTA negotiations very soon were in stalemate. By September 2003, among 145 WTO members, only South Korea and Mongolia did not have any FTAs taking effect. South Korean exporters, think tanks and media at the time worried that it would suffer economic loss in a fever of signing FTA all over the world. In particular, while the procrastination of South Korean National Assembly's ratifying its FTA with Chile, other Asian countries were expanding their exports via the newly signed FTAs. South

⁹ Jürgen Haacke, "ASEAN's Diplomatic and Security Culture: a constructivist assessment," *International Relations of the Asia-Pacific*; 2003; 3:81.

¹⁰ John David Ciorciari, "The balance of great-power influence in contemporary Southeast Asia," *International Relations of the Asia-Pacific* 2009 9(1):157-196.

¹¹ Chang Hsi-mo, "The allure of China is fading for businesses," *Taipei Times*, Aug 01, 2005, p. 8, <http://www.taipetimes.com/News/editorials/archives/2005/08/01/2003265976>

¹² Dennis J. Meseroll and Kendall K. Turner, "Growing Pains in Vietnam," *Global Perspective*, November 25, 2008/Winter 2008 /Issue 53 <http://www.strategy-business.com/article/08411?pg=all>

Korea's export competitiveness was thus declining.¹³ In addition, with almost half of global trade being made through about 200 bilateral accords at the time, fighting for survival and avoiding being marginalized emerged as the primary motivations behind Roh Moon-hyun Government's proactive FTA strategy. If not participating actively in the globalization trend, "there is a great possibility of the entire country being marginalized by dropping out of the global competition."¹⁴ The Roh Moo-hyun government thus set up its 'FTA Promotion Road Map' in August 2003 and took the 'Simultaneous and Multilateral FTA Policy'.

Subsequent to its first FTA which was with Chile, the Republic of Korea (ROK) reached a FTA agreement with Singapore in November 2004.¹⁵ In fact, by 2005 conclusion of more FTAs became an urgent task for the Roh Moon-hyun Government with almost half of global trade being made through about 200 bilateral accords. At the time, more than 50 percent of global trade was undertaken between countries bonded by free trade deals. Given it concluded only two FTAs, South Korea was lagging far behind the trend. Furthermore, South Korea faced an urgent need to diversify its export markets. In 2004, China, the United States and Japan accounted for 45 percent of its exports, the highest concentration ratio ever. China took up 19.6 percent, the U. S. 16.8 percent and Japan 8.6 percent. South Korea's reliance on the three markets kept rising from 35.5 percent in 1998 to 44.7 percent in 2003. The excessive concentration of exports in these countries makes South Korea vulnerable to external shocks. Unexpected developments in these countries could cause a drastic fall in exports, which in turn could slow down the national economy.¹⁶ Against the background, South Korean President Roh Moo-hyun indicated in December 2004 that his country has to choose FTA in order to ensure overseas markets and the continuation of economic growth. South Korean major economic think tanks such as Korean Institute for International Economic Policy (KIEP) and Korea Institute for Industrial Economics and Trade (KIET) suggested that for expanding business opportunities and acquiring favorable position in overseas markets, South Korea must actively promote FTA negotiation with those countries with huge markets. As a result, South Korea was pursuing FTA negotiation with Japan, ASEAN and EFTA and regarded the U.S., China and the EU as primary targets to conclude FTA.¹⁷ For South Korea, FTA is viewed as a tool to create and enhance long-term market access opportunities for products and services.¹⁸

¹³ "Korea International Trade Association (KITA) KITA indicates that slow signing FTA affects Korea's export competitiveness in Asia," *Mooyok Ilbo*, September 22, 2003. To-hai Liou, "South Korea's FTA Strategy," *Foreign Trade Review*, April-June 2008, Vol. XLIII, No. 1, pp. 42-65. http://www.iift.edu/iift/papers_iift.asp

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http://english.president.go.kr/cwd/en/archive/archive_view.php?meta_id=en_infocus&category=160&id=e40eb62630495a32464e99ae

¹⁵ *Seoul Economic Daily*, April 17, 2005.

¹⁶ "Free Trade with Chile: A Two-way Street," Commentary, *the Korea Herald*, April 1, 2005.

¹⁷ <http://www.fnnews.com/html/fnview/2004/1216/092013699613121300.html>

¹⁸ Won-Mog Choi, "Defragmenting Fragmented Rules of Origin of RTAs: A Building Block to Global Free Trade," *Journal of International Economic Law*, 2010 13(1):113.

One of South Korea's motivations to sign FTA with ASEAN was to get a strategically favorable position in ASEAN ahead of China and Japan by signing FTA so that South Korean companies could enjoy better business opportunities earlier than its Chinese and Japanese competitors. This motivation was further stimulated by signing the ASEAN-China FTA in 2002 and the inauguration of its early harvest program on July 1, 2005. ASEAN also actively pursued FTA with South Korea's major competitor Japan. Therefore, the South Korean government considered it important to secure the ASEAN market (ASEAN is Korea's fifth largest trade partner) by concluding a Korea-ASEAN FTA as early as possible.¹⁹ South Korean President Roh Moo-hyun reached an agreement with his ASEAN counterparts to set up an expert group and to engage joint study of the possibility of signing FTA during their summit in October 2003. Subsequently, the ASEAN-ROK Joint Declaration on Comprehensive Cooperation Partnership at the Korea-ASEAN summit in Vientiane, Laos in November, 2004 specified that both would begin official FTA negotiations from 2005 and plan to conclude an FTA within two years. The first round of official negotiations for FTA began in February, 2005, in Jakarta. The two heads of state have agreed to eliminate tariffs on at least 80% of the overall goods by 2009 through FTA negotiations. This liberalization schedule is a year or two faster than that of China or Japan, and is aimed at securing the ASEAN market.

Another driving force to facilitate the bilateral FTA negotiation from the South Korean side was the declining South Korea's export competitiveness in machinery and electronic products in ASEAN market vis-à-vis those of China and Japan. With zero-tariff, Chinese products vis-à-vis South Korean products would increase its competitiveness in the ASEAN market. Meanwhile, South Korean products would face fierce challenge from similar products manufactured by the ASEAN countries in China market for no-tariff on ASEAN products. According to a report on Analyzing Competitive Relationship of Sino-Japan-South Korea's Major Export Products in ASEAN in the Post-ACFTA Period by the Korea Trade-Investment Promotion Agency (KOTRA) in August 2005, South Korean products were in a very disadvantageous position since the initiation of ACFTA tariff phase-outs on July 20. With more overlapping of Sino-South Korean export items to ASEAN than Sino-Japanese export commodities to ASEAN, South Korean products in ASEAN suffered much more negative impact than Japanese ones. As a result, the KOTRA report suggested the Roh Moo-hyun government sign FTA with ASEAN as soon as possible.²⁰ In addition, South Korea was also concerned about the adverse impact of ACFTA on its China and ASEAN oriented exporters. A report released by South Korea's Ministry of Industry and Resources in August 2005 indicated that 180 items out of two hundred items that South Korea exported to China (accounted for 81% of its total exports) were competing with same products exported from ASEAN to China. Moreover, more than sixty items out of one hundred items that South Korea exported to Indonesia, Thailand, Malaysia and Philippines were competing with same products exported from China to those ASEAN countries.²¹

Assessing the implementation of the South Korea-ASEAN FTA

¹⁹ "First Round of Korea-ASEAN FTA Negotiations," February 23, 2005, <http://www.scoop.co.nz/stories/WO0502/S00613.htm>

²⁰ *Money Today*, August 16, 2005, <http://kr.mofcom.gov.cn/aarticle/jmxw/200508/20050800269252.html>

²¹ "Korea to Actively Cope with ACFTA," *Yonhap*, August 29, 2005 <http://kr.mofcom.gov.cn/aarticle/jmxw/200508/20050800325620.html>

South Korea-ASEAN FTA is South Korea's 4th FTA after Chile, Singapore, and EFTA. Unlike the previous three FTAs which were signed with minor economies, South Korea-ASEAN FTA can bring about substantive economic benefit for South Korea. With a population of about 580 million, the 10 ASEAN member nations account for 2.3 percent of global GDP (\$1.3 trillion as of 2007) and their imports of goods amounted to \$780 billion. The significance of this FTA is that this FTA is the first FTA that South Korea has concluded with one of its five largest export market. Furthermore, it could be used as a lever to get more big economies such as the US, EU, China and India to negotiate FTAs with South Korea.²² According to a KIEP report on information technology (IT) products and FTA in September 2005, if South Korea signed a FTA with ASEAN, its GDP could earn US\$18.2 billion, while exports increased up to US\$ 20.2 billion and imports up to US\$18.4 billion. In addition, South Korea's exports of IT products to ASEAN were expected to rise sharply.

South Korea and ASEAN completed their Framework Agreement on Comprehensive Economic Cooperation with the signing of the ASEAN-South Korea Investment Agreement in Jeju Island on June 2, 2009. The other agreements are Trade in Goods Agreement which was signed on August 26, 2006 and Trade in Services Agreement on November 21, 2007. South Korea and ASEAN member countries, with the exception of Thailand who is concerned about agriculture, particularly the deal's provisions on rice and livestock,²³ signed an agreement in May 2006 and took effect in 2007 to liberalize merchandise trade by 2010 as part of their free trade agreement pact. The two sides will eliminate tariffs on 90 percent of their imported goods by 2010, while reducing tariffs on another 7 percent of imports by 2016. Tariffs on the remaining 3 percent, which are mostly "sensitive" agricultural products, would be fine-tuned with individual countries and protected either with a gradual decrease in tariffs over a long period or by fixing a tariff rate quota. For South Korea, this included rice.²⁴ South Korea is expected to increase the value of its export to the ASEAN up to about US\$10 billion in medium and long term and increase trade surplus with the ASEAN by US\$6 billion. 100 products manufactured by South Korean companies in Gaseong industrial complex are regarded as South Korean products as long as 60% of raw material of those products comes from South Korea.

Currently, South Korea is the fifth-largest partner for ASEAN, while ASEAN is South Korea's third largest trading partner, only next to China (US\$ 168.3 billion) and EU (US\$ 98.3 billion), with two-way trade worth around US\$90 billion in 2008 (11-fold over the past two decades), up from US\$40 billion in 2003. With a trade surplus of US\$ 8.4 billion, South Korea's exports to ASEAN were at US\$49.3 billion, while its imports from the region at US\$ 40.9 billion. ASEAN's six largest economies, Indonesia, Thailand, Malaysia, Singapore, the Philippines and Vietnam, currently account for 90% of this trade. South Korea's trade with these six economies has more than tripled since 1999. In June 2009, South Korea-ASEAN summit on Jeju Island,

²² "FTA Negotiations need to expand from ASEAN to Central America," *Chosunilbo Daily*, December 12, 2005, http://chinese.chosun.com/big5/site/data/html_dir/2005/12/12/20051212000031.html

²³ http://www.bilaterals.org/rubrique.php3?id_rubrique=142

²⁴ "Korea, ASEAN sign FTA on goods," http://www.koreaherald.co.kr/SITE/data/html_dir/2006/05/17/200605170059.asp

the leaders agreed to raise bilateral trade volume to US\$150 billion by 2015 through a FTA.

FTA in services is expected to help Korean companies make a more stable entry into the ASEAN services market, while allowing them to hold shares in local companies. In parallel with these expanding economic ties, there has been a marked increase in socio-cultural interactions. The number of visitors traveling between ASEAN and South Korea now averages 4 million people annually. This makes ASEAN the second most traveled destination for South Koreans. More than 3.3 million South Koreans visited ASEAN countries in 2008, about triple the number in 1995. About 800,000 people from Southeast Asian states visited South Korea in 2008.

The Korean wave or Korea fever has also brought South Korea and ASEAN closer. It refers to the significantly increased popularity of South Korean culture around the world since the 21st century, especially among the Net Generation. It began with the export of Korean TV dramas such as *Autumn Fairy Tale*, *Winter Sonata*, *Dae Jang Geum*. The growing success of Korean dramas was soon matched by Korean movies, popular music, food, fashion and language. As a result, South Korea is now one of the world's top ten cultural exporters. The Korean wave has been a big hit in Malaysia, Philippines, Thailand Vietnam as well as Myanmar. Korean Wave has brought a huge fortune for South Korea. Thanks partly to the "Korean wave," foreign brides from poorer Asian countries like Vietnam flock to marry South Korean men in the countryside, where there is a shortage of young women of marriageable age. Asian migrant workers toil in farms and factories in South Korea, doing the menial work many South Koreans shun.

In the sphere of investment, mutual investment between ASEAN and South Korea has increased year by year, amounting to US\$6.8 billion in 2008 - a five-fold increase from 2004. ASEAN now is South Korea's second largest destination for overseas investment. South Korean investment in the region was worth US\$5.86 billion in 2008, with Vietnam one of the largest beneficiaries due to its low-cost base and skilled labor.. The ASEAN is also Korea's crucial energy partner, second top foreign investment destination, and also second top foreign construction market. A Comprehensive Korea-ASEAN FTA concluded in June 2009 when the two sides signed an investment pact, together with a bilateral goods and trade agreement took effect June 1, 2007, and another on the service sector did so May 1 2009. The Investment Agreement is to facilitate and encourage investments between South Korea and ASEAN countries. For example, according to MITI, South Korean investments in Malaysia in the manufacturing sector amounted to US\$55.5 million in 2008 and US\$325.2 million in 2007. Malaysia's investments as in South Korea, as reported by Bank Negara Malaysia, was US\$16.7 million in 2008 compared with US\$6.9 million in 2007.²⁵

Another important tool of South Korea's diplomacy to ASEAN is its official development assistance (ODA) which has been steadily growing from US\$212.1 million in 2000 to US\$797 million in 2008.²⁶ In 2007, South Korea's ODA totaled US\$699 million. The major share of bilateral assistance was channeled to the Asian

²⁵ "Asean-Korea FTA On Investment Signed," *Bernama*, June 2, 2009, http://www.bilaterals.org/article.php?id_article=15196

²⁶ http://www.devstud.org.uk/aqadmin/media/uploads/4ab794a073393_SA1-heejinlee-dsa09.pdf

region (60.8 percent), including Southeast Asia, followed by Africa (14.2 percent) and Latin America (11.1 percent). South Korea's ODA to ASEAN From 1997-2007, ASEAN was the largest destination for South Korea's overseas development assistance in cumulative terms and US\$719 million was disbursed to the region. In 2007, 25.8 percent of South Korea's bilateral official development assistance was disbursed to Southeast Asia. Cambodia is South Korea's second-biggest ODA recipient. Indonesia, Vietnam, the Philippines and Laos follow Cambodia in the recipient list. Closer cooperation with major ASEAN ODA recipients will increase the effectiveness of Korea's development assistance to them and will enhance Korea's image among ASEAN people, thus contributing to South Korea's soft power. ASEAN members took a 35.9 percent share of the soft loans in cumulative terms, amounting to US\$1.2 billion. From the total budget, 9.8 percent was allocated for Vietnam as the top recipient of the Economic Development Cooperation Fund with 17 projects amounting to US\$450.8 million. Korea, as an IT-industry leader, has recently been participating in regional efforts to narrow the digital divides in Southeast Asian countries by building IT centers, transferring IT technology, and consulting on related policies. The technical cooperation focused on transferring knowledge is the most effective assistance an emerging donor with relatively limited resources can provide. The technical assistance in the establishment of the stock exchange market in Vietnam is a good example for capacity building as well as knowledge transfer.

New Asia Initiative

In March 2009, South Korean President Lee Myung-bak pointedly chose Indonesia, Australia and New Zealand as the destination for his first overseas tour. South Korea was able to initiate negotiations for bilateral FTAs with Australia and New Zealand as a result of the trip, and further step up ties with Indonesia. During his trip, President Lee Myung-bak introduced the New Asia Initiative (NAI) aimed to forge stronger relationships with its regional partners. The focus of this new initiative is to recognize the significance of relationships with Asian neighbors and endeavor together to make a difference in the world in accordance with the government's ultimate goal of Global Korea. President Lee's fledgling initiative is to enhance Seoul's role in Asia. The New Asia Initiative is expected to start with renewed vigor for buttressing relations with Southeast Asia, where Seoul's presence lags far behind that of China and Japan. "By strategically aligning with ASEAN, Seoul can maximize its position as a middle power and have more room to maneuver in negotiating with Tokyo and Beijing," said Kim Kee-seok, a professor of political science at Kangwon National University. The NAI is designed to reflect the reality of regionalization of the world economy,²⁷ the accelerating Asian regionalism and rising China. The ultimate goal of the NAI lies in expansion of South Korea's diplomatic horizons and enhancement of its international standing.

The NAI also shows South Korea's determination to keep a balance in its regional relations. This is a complex equation given Seoul's security dependence on the United States, the importance of China — now its largest trade partner — and its crucial but troubled relationship with Japan. Adding friends in Southeast Asia expands its influence and fine tunes its balancing act. As for the Asean states, they

²⁷ "Seoul seeks to broaden diplomatic horizons," *The Korea Herald*, March 30, 2010, <http://www.koreaherald.com/specialreport/Detail.jsp?newsMLId=20090601000112>

mostly welcome more outside players in the region, particularly at a time when some have been worrying that China is becoming too important for their long-term comfort. South Korea's desire for influence in the region has also had a constructive impact on Asean itself by pushing trade and financial agreements between Asean and the three northeast Asian countries, which otherwise could well have foundered on Sino-Japanese rivalry.²⁸ Ten leaders of the ASEAN and South Korean President Lee Myung-Bach had a two-day summit in June 2009 in the Jeju island to mark 20 years of dialogue.²⁹ In the summit, President Lee proposed three ways of cooperation between the two sides: expansion of trade and investment, more exchanges in culture and tourism, and higher cooperation in green growth. At the meeting, six ASEAN companies introduced 11 promising projects worth a total of \$6.29 billion to 200 Korean companies. The projects include a new and renewable energy project in the Philippines, a port construction project in Vietnam, and a ferry project in Indonesia. On the sidelines of the summit, a two-day CEO Summit got under way yesterday to vitalize exchanges among business leaders from Korea and ASEAN. About 700 corporate executives are expected to gather for the historic ASEAN-Korea CEO Summit organized by the Korea Chamber of Commerce and Industry under the theme "Change, Challenge, and Collaboration for Asia's Prosperity.

South Korea is seeking both stronger economic ties with Southeast Asia and diplomatic backing against North Korea. During the South Korea-ASEAN summit in Jeju Island in June 2009, President Lee urged Thai Prime Minister Abhisit Vejjajiva to "actively cooperate for the denuclearization of the Korean Peninsula at the ASEAN level." President Lee also held an earlier summit with Philippine President Gloria Arroyo at the presidential office in Seoul, where urged North Korea to promptly follow a U.N. Security Council resolution and return to the six-party talks. The two leaders also agreed to closely cooperate to ensure a peaceful resolution of North Korea's nuclear crisis. In a joint press statement concluding the ASEAN-Korea Commemorative Summit on Jeju Island in June, President Lee Myung-bak and the leaders of 10 Southeast Asian countries jointly condemned North Korea's series of nuclear and missile tests. They said, "The denuclearization of the Korean Peninsula through the resolution of the North Korean nuclear issue in a peaceful manner is essential in maintaining peace and stability of the Asia-Pacific region." They also expressed full support for the resumption of the six-party talks. "The leaders expressed their desire that the ASEAN Regional Forum can contribute towards an enduring peace and stability on the Korean Peninsula. They encouraged all concerned parties to actively pursue this objective," the statement said. This is the first time that the 10 Southeast Asian countries have raised a unanimous voice on North Korea.

Conclusion

South Korea and ASEAN have a strong economic complementarity. The developing nations of ASEAN obviously need the capital, advanced technology, skill sets and financial expertise from Korea. In return, along with cheaper labor and other costs for Korean companies investing in the region, ASEAN can also offer South Korea its expanding marketplace which has the potential to offset decreasing

²⁸ "South Korea Rising," *The New York Times*, October 23, 2009 <http://www.nytimes.com/2009/10/24/opinion/24iht-edbowring.html>

²⁹ "Editorial: Materializing the New Asia Initiative," *Hankyung*, <http://www.hankyung.com/news/app/newsview.php?aid=2009053125241<ype=1&nid=103&sid=011710&page=1>

consumer sales prospects in the West. South Korean Motivations Resource-poor South Korea is eyeing abundant raw materials from ASEAN, which includes resource-rich countries like Indonesia, Malaysia and Brunei -- all producers of crude oil and natural gas. South Korean companies are developing natural resources such as crude oil, natural gas, timber, rubber etc. in Indonesia, Malaysia and Vietnam. ASEAN has strategic importance for South Korea. One of the crucial tasks that Korean foreign policy has to handle is energy security for sustainable economic growth in the midst of growing international competition for energy resources. sustainable economic growth For this, geographically close and resource-rich ASEAN countries such as Indonesia (natural gas, petroleum and timber) and Myanmar (natural gas) deserve utmost priority in Korea's strategic approach. South Korea's biggest trading partners in Asean are Singapore (\$30 billion in 2008) and Malaysia (\$15 billion), but trade with Vietnam and Thailand are catching up, reported the newspaper. The growth in trade has been so rapid in recent years that ASEAN is now South Korea's third-largest trading partner, after the EU and China, surpassing the US and Japan.

The South Korean government has also used more than US\$700 million of economic aid over the past decade to help alleviate poverty, build institutions and impart technical training in Southeast Asia as part of its goal to close the wide development gap between the relatively well-off members and the less-developed members of the group.³⁰ With the global downturn hitting Western demand for its exports, Seoul is looking increasingly to a relatively more resilient Southeast Asia. With enhanced economic relations with ASEAN, South Korea can increase its bargaining chips in the forthcoming FTA negotiations with Japan and China. South Korea's desire for influence in the region has also had a constructive impact on Asean itself by pushing trade and financial agreements between Asean and the three northeast Asian countries, which otherwise could well have foundered on Sino-Japanese rivalry. To raise Korean profile on world stage South Korea has played a bridging role between developing countries like those in ASEAN and more developed countries at the G20 Summit April 2008. South Korea's effort to convey the voice of developing countries at the G20 was hailed by ASEAN countries. South Korea is going to be the host of G20 in 2010.

To meet rapidly changing international environment and the challenges of the 21st century, Korean nationality proves its competitiveness. Koreans are ambitious and energetic. They act swiftly, decisively and strategically. Its swift and decisive action helps the nation grasp strategic advantage and rise to the world horizon. Economic Combat Team is already set up. Current South Korea's three top leaders (President Lee Myung-bak, Prime Minister Chung Un-chan and ruling Grand National Party Chairman Chung Mong-joon) all have strong economic background.

³⁰ "ASEAN AND SOUTH KOREA FTA Posted a Perfect Fit," http://www.business-in-asia.com/asia/korea_fta.html