

# 1

## South Korea and Asean: Strategic Partnership for Building an East Asian Community

Bong Ryull Yang and Norma Mansor

The 21<sup>st</sup> century is characterised as an era of globalisation and interdependence. In this era, the relations of South Korea and Association of Southeast Asian Nations (ASEAN) have progressed significantly. Since South Korea and ASEAN share some similarities, they sealed the relationship with the establishment of the Sectoral Dialogue Partnership<sup>1</sup> in 1989. Since then, the level of friendship and cooperation has seen a remarkable increase in terms of economic and cultural links.

The beginning stage of this development started with the establishment of the Sectoral Dialogue Partnership in 1989, leading to the Full Dialogue Partnership in 1991 that was elevated to a summit level in 1997. This summit led to the development of official mechanisms for cooperation in diverse sectors. These mechanisms were put into practice with the establishment of the Comprehensive Cooperation Partnership in 2004 wherein ASEAN- South Korea FTAs in commodity, service and investment were concluded. The First Commemorative ASEAN- South Korea Summit was held in Jeju Island, South Korea and the ASEAN-Korea Centre was established in Seoul as an intergovernmental organisation to promote exchanges between South Korea and 10 ASEAN member countries in 2009. After two decades, 2010 marked the maturation of the relationship with the upgrading of the Comprehensive Cooperative Partnership to the Strategic Partnership. From economic and socio-cultural areas, the cooperation has expanded into political and security areas.

In 2012, the first resident South Korean Ambassador was appointed to ASEAN. The ASEAN-South Korea Commemorative Summit, marking the 25<sup>th</sup> Anniversary of the ASEAN-South Korea Dialogue Relations that took place in Busan, South Korea on December 2014 is the most recent development

<sup>1</sup> The Sectoral Dialogue Partnership is the initial stage of the official relationship between ASEAN and its partner which will be gradually upgraded into the Full Dialogue Partnership, the Comprehensive Cooperative Partnership, followed by the Strategic Partnership.

symbolising the excellent status and immense potential of ASEAN-South Korea relations. The summit issued a joint statement acknowledging the deepening and broadening of the strategic partnership for peace and prosperity.

Meanwhile, within 25 years, trade volume grew to US\$135 billion and the mutual investment amounted to approximately US\$4 billion in 2013. Furthermore, there was a steady increase in the number of visitors traveling between ASEAN member states and South Korea, averaging more than five million people per year. In addition to the excellent status in economic fields, the cooperation expanded to political and security areas to address major global and transboundary challenges such as international terrorism, climate change and environment. Today, ASEAN is the second largest trading partner, one of the top five foreign direct investment (FDI) destinations for South Korea and the preferred destination for the largest number of South Korean visitors travelling overseas.

This chapter strives for an in-depth examination of the ASEAN-South Korea partnership in strategic, economic and socio-cultural areas and how they work together towards building an East Asian Community.

## **FORGING THE FAR-SIGHTED STRATEGIC PARTNERSHIP**

### **Sharing Strategic Interests between ASEAN and South Korea**

ASEAN and South Korea share inherent strategic interests to maintain peace and prosperity in East Asia. The joint statement of the 25<sup>th</sup> Commemorative Summit declared that ASEAN and South Korea agree that it is important to maintain sustainable peace and stability on the Korean Peninsula and in Northeast Asia. To this end, ASEAN and South Korea are committed to continue their efforts to achieve the early denuclearisation of the Korean Peninsula in a peaceful manner. North Korea's nuclear weapon development programme has been the most urgent security issue in the region since the early 1990s when their secret plan to develop nuclear weapons was first discovered. International efforts between the concerned parties to persuade North Korea to forgo their plans have been unsuccessful until now. For example, the Framework Agreement between the US and North Korea in 1994<sup>2</sup> was aborted and the Six Party talks<sup>3</sup> succeeded to produce the comprehensive agreement so-called '19<sup>th</sup> September Joint Statement',<sup>4</sup> which failed to be implemented. North Korea had conducted three nuclear tests since the first in 2006 and is estimated to possess about six

<sup>2</sup> The Geneva Agreement requires that North Korea freeze its nuclear reactor and related facilities in exchange for the provision of two 1,000 megawatts light water nuclear power plants.

<sup>3</sup> Six Party Talks have been the main vehicle to deal with the North Korean nuclear issue since the Bush administration in 2003. It consists of the US, China, Japan, Russia, North and South Korea. Its process has been stalled since 2009 when North Korea pulled out of it with UN Security Council Presidential Statement condemning North Korea's failed satellite launch.

<sup>4</sup> The 19<sup>th</sup> September Joint Statement agrees that North Korea should shut down its nuclear facilities in exchange for fuel aid and steps toward normalisation of relations with the US and Japan.

to 10 nuclear weapons (Baum 2015). If unchecked, North Korea will increase its stockpiles of nuclear weapons in the future. It is one of the most serious security concerns in which the international community including South Korea and ASEAN cooperate to resolve the issue with North Korea in a peaceful manner.

ASEAN and South Korea share similar geopolitical conditions. Southeast Asia is located in the crucial maritime line between the West and the East, particularly between Europe and China. Historically, this unique geopolitical feature in Southeast Asia often resulted in trials and subjugations by the major powers.

Since the early 15<sup>th</sup> century, colonial powers such as Portugal, Netherlands, England and France set up their own sphere of influence in Southeast Asia. In the Cold War era, the region was entangled in ideological and military conflicts between the US and the former Soviet Union. Only after the end of the Cold War was the region able to come together under the umbrella of ASEAN regardless of their diverse political systems to build a regional community based on the spirit of peace, cooperation and common prosperity.

Similarly, the Korean Peninsula has been a clashing point between continental and maritime powers. Conflicting interests of neighbouring powers such as the US, China, Japan and Russia occasionally caused the Korean Peninsula to be a theatre of military clashes. For example, in 1894 and 1905, Japan respectively won the war against China and Russia, which took place on the Peninsula and colonised the Peninsula. After the end of the Second World War, it was divided into two, leading to the establishment of two different governments in 1948. The democratic and free government in the south was named the Republic of Korea, while the communist government in the north was named the Democratic People's Republic of Korea. Since then, the Korean Peninsula has been divided. The Korean War broke out in 1950 and lasted for three years. It was a great calamity where more than one million Koreans were killed, among them 85 percent were civilians. Almost all infrastructure and manufacturing facilities were demolished. Furthermore, more than 10 million Koreans were separated, which still causes tragic humanitarian suffering.

After the confrontation and conflict during the Cold War, the year 2000 onward has marked an era of rapprochement and cooperation. The first Inter-Korean summit meeting was held in Pyongyang, the capital city of North Korea between President Kim Dae-Jung of South Korea and Kim Jong-il of North Korea wherein the historic agreement called the '15<sup>th</sup> June Joint Statement' was reached. The statement is a milestone turning the tide from old confrontation and conflict to new rapprochement and cooperation. The reunion of separated families took place and the Gaesung Industrial Complex was established about five kilometres north of the Demilitarized Zone. This joint industrial facility is a symbol of South-North Korean Joint economic cooperation. More than 120 South Korean firms including garment manufacturing, watch makers, among others, operate within the area. However, since 2010, South and North Korean relations have stalled.

Former president Kim Dae Jung described the peculiar geopolitical situation of the Korean Peninsula as akin to four bridegrooms competing with each other to woo a bride. To overcome this kind of strategic challenge, renowned American

historian Dr Paul Kennedy said that the Korean peninsula is like a baby elephant surrounded by four big adult elephants; without good balance, it is easily hurt.

Korea should learn from Belgium's experience. Belgium was the first victim of the military conflicts between Germany, France and England. Former French military and political leader Napoleon Bonaparte attacked Belgium on his way to conquer England in the early 19<sup>th</sup> century. In the First and the Second World War, Germany attacked Belgium on their way to occupy France. Despite the destruction associated with these attacks, Belgium has become a centre for European integration wherein the EU Parliament is headquartered.

The geopolitics of ASEAN renders a similar strategic challenge as that of the Korean Peninsula because the conflicting interests of super powers such as the US, China and Japan converge on the region. The similar geopolitical features between ASEAN and South Korea naturally bring them together to make joint efforts to formulate a kind of mechanism in East Asia that promotes peaceful cooperation and conflict management. Table 1.1 shows the size and population of ASEAN and South Korea. ASEAN's population is third after China and India, increasing to 625 million in 2013 from 542 million in 2003. The region's population grew at an average rate of 1.44 percent annually compared to China's 0.52 percent and India's 1.41 percent during the 10-year period.

Since the partnership was initiated under the visionary leadership of former president of South Korea Kim Dae Jung and former Malaysian Prime Minister Dr. Mahathir Mohamad (now Tun), the process has been ongoing to build an East Asian Community (EAC) since early 2000.

**Table 1.1: Size and Population of ASEAN and South Korea, 2013**

<b>Countries</b>	<b>Area (1,000 km<sup>2</sup>)</b>	<b>Population (million persons)</b>
Brunei	6	0.4
Cambodia	181	15.2
Indonesia	1,860	251.2
Lao PDR	237	6.7
Malaysia	330	29.6
Myanmar	677	55.2
Philippines	300	105.7
Singapore	1	5.5
Thailand	513	67.4
Vietnam	331	92.5
ASEAN	4,436	629.4
South Korea	100	50.2

Source: ASEAN Secretariat

## **Working Closely on Various Regional Cooperation Processes in East Asia**

The first outcome of the regional cooperation process is the East Asia Summit (EAS), which was held for the first time in Kuala Lumpur in 2005. It consists of 18 member countries including 10 ASEAN member countries, namely South Korea, China, Japan, the US, Russia and India. EAS is the leader-led forum for strategic dialogue and cooperation on political, security, economic and social issues of common regional concern. Because all major powers in the Asia-Pacific region are EAS members, it could play a pivotal role in maintaining peace and stability in the region if it works as originally planned. While its potential in that context has not fully materialised, ASEAN and South Korea should join hands to lead the forum towards achieving that purpose.

Another important regional mechanism in which ASEAN and South Korea closely work together is the ASEAN+3 (APT) process which consists of ASEAN members and China, South Korea and Japan. It began in 1997 when the Asian financial crisis swept the region to the brink of default. Realising the non-existence of self-sustainable regional mechanisms, helplessly bewildered Asian countries had come to the conclusion that a regional contingency formula was needed to prepare for a future financial crisis. Such was the background of the establishment of ASEAN+3. While various cooperative projects have been promoted, the most important outcome is the Chiang Mai Initiative Multilateral (CMIM). CMIM was a currency swap arrangement established among ASEAN member countries and China, South Korea and Japan in 2000. However, the initiative did not take off until the 2008 global crisis when ASEAN countries were faced with currency difficulties. Hence, in 2009, CMIM became a multilateral entity, whereby ASEAN countries contributed 20 percent while the remaining 80 percent were from three countries (16 percent by South Korea; 32 percent by China, including Hong Kong; and the rest from Japan). The CMIM came into effect on March 2010 with US\$120 billion. In 2012, it doubled in size to US\$240 billion.

Talks on regional-level cooperation between ASEAN and South Korea cannot be complete without addressing cooperation at the ASEAN Regional Forum (ARF). ARF is the only security forum in Asia, which ASEAN initiated in 1994 to foster constructive dialogue and consultation on political and security issues of common interest and concern, and to make significant contributions towards confidence-building and preventive diplomacy in the Asia-Pacific region.<sup>5</sup> Presently, 27 countries participate in the ARF process including the US, China, Russia, Japan, South Korea and North Korea.

From the Korean perspective, ARF is important in two ways. Firstly, both North and South Korea participated in the process of ARF. In this context, ARF could be instrumental in bringing both nations together to ease tension and come to terms with rapprochement and cooperation. The second is that ARF

<sup>5</sup> This is included at the first ARF Chairman's Statement in 1994.

could be similar to the European Organisation of Security and Cooperation (OSCE) type of security and cooperation in East Asia. The OSCE has 57 members and is the world's largest security organisation concerned with early warning, conflict prevention, crisis management and post-crisis management. It originated in 1975 as the Conference on Security and Cooperation in Europe held in Helsinki, Finland. This process brought together countries of the West and the East during the Cold War and contributed substantially to its end through the promotion of political and economic cooperation and improvement of human rights in the East. ASEAN and South Korea are interested in creating a region-wide security mechanism like OSCE in East Asia to primarily prevent conflict and manage crisis in a peaceful manner.

**Table 1.2: Summary of Key Events between ASEAN Member Countries**

Year	Key Event
1967	ASEAN was established by the five original member countries, namely Indonesia, Malaysia, Philippines, Singapore and Thailand
1976	The First ASEAN summit was held and Bali Concord I agreement reached
1978	First ASEAN-European Economic Community ministerial meeting held in Brussels.
1992	Removal of import taxes on selected goods among ASEAN member countries.
1994	Establishment of the ASEAN Regional Forum (ARF)
1997	First meeting of ASEAN with dialogue partners from China, Japan and South Korea.
2000	The establishment of CMIM to assist ASEAN and East Asian countries to defend their currencies and economies in times of crises.
2003	The Bali Concord II was reached to set up the establishment of the ASEAN Economic Community supported by three pillars; political and security cooperation, economic cooperation and socio-cultural cooperation.
2004	The ASEAN bloc and China sign the China-ASEAN Free Trade Accord to remove tariffs by the end of the decade
2005	First meeting of the ASEAN plus Six, also called the East Asia Summit, comprising ASEAN countries plus China, Japan, South Korea, India, Australia and New Zealand
2007	ASEAN bloc members agree charter to ratify for the formation of AEC
2008	Establishment of AEC
2011	Bali Concord III agreement

Source: ASEAN Secretariat

**Table 1.3: ASEAN and Other Economic Blocs, 2013**

	<b>ASEAN</b>	<b>EU</b>	<b>NAFTA</b>	<b>MERCOSUR</b>	<b>World</b>
Nominal GDP (US\$ billion)	2,406.5 (3%)	17,371.6 (23%)	19,883.2 (27%)	3,189.7 (4%)	73,982.1
Nominal GDP per capita (US \$)	3,908.7	34,281.2	47,981.70	11,294.10	10,384.10
Population (million persons)	615.7 (9%)	506.7 (7%)	473.6 (7%)	282.4 (4%)	7,124.50
Surface Area (1,000 km <sup>2</sup> )	4,326.1 (3%)	4,324.8 (3%)	20,199.4 (14%)	12,650.5 (8%)	148,940.00
Merchandise Trade (US\$ billion)	2,528.2 (7%)	11,620.8 (32%)	5,613.5 (15%)	837.8 (2%)	36,890.20

Source: ASEAN Secretariat

## MUTUALLY BENEFICIAL COMPLEMENTARY PARTNERSHIP

### Economic Relationship

Economic cooperation is the main driver to enhance friendly and cooperative relations between ASEAN and South Korea. The economies of ASEAN and South Korea are deeply complementary whereby ASEAN is rich in natural resources while South Korea is not. On the other hand, South Korea registered significant economic growth earlier than most ASEAN member countries<sup>6</sup>. The different stages of economic development have led to deeper and broader economic cooperation between them after South Korea's joining the production network in this region. Since the mid-1980s, Japan rapidly expanded its overseas investment and Official Development Assistance (ODA)<sup>7</sup> in this region, which made a decisive contribution to the establishment of the production network<sup>8</sup> with ASEAN member countries. South Korea joined the Newly Industrialising Economies (NIE)<sup>9</sup> in the late 1980s and has been rapidly expanding trade and investment in ASEAN.

<sup>6</sup> In East Asia, Japan led the economic growth thrust in 1950s and NIEs followed it. NIEs comprise South Korea, Singapore, Hong Kong and Taiwan. Some ASEAN countries and China were next to NIEs in this economic growth thrust in East Asia.

<sup>7</sup> ODA is provided by official agencies including state or local governments to promote the economic development and welfare of developing countries and is concessional in character and conveys a grant element of at least 25 percent according to the definition of DAC and OECD.

<sup>8</sup> The production network consists of the vertical production chains extended across the countries in the region. The network involves a large number of countries at different income levels. Cross-country differences in factor prices and other location advantages are effectively utilised in the formation of the vertical production chain.

<sup>9</sup> NIEs comprise Korea, Singapore, Hong Kong and Taiwan. In Asia, Japan was the first to industrialise in the 1950s, followed by NIEs in the 1970s and some ASEAN members such as Malaysia in the 1980s.

Table 1.4 shows the economic indicators of ASEAN+3 for 2014. The ASEAN region is set to become a major global economic force, with the combined GDP of member states' economies growing by 4.6 percent in 2014 compared with 5.2 percent in 2013 and with the global growth of 3.4 percent. Between 60 percent and 70 percent of GDP in ASEAN economies grew faster than the global average (Figure 1.1). They also account for six percent of the world economy (3.2 percent in nominal terms). Most ASEAN economies are heavily dependent on trade. Removal of trade barriers and enhancement of trade facilitation are among the most important and earliest economic integration initiatives that ASEAN has been pursuing which lead to more open economies and increase in trade performance.

In 2014, the member states' annual GDP growth ranged from five to eight percent, namely, Lao PDR (by 8.5 percent), Myanmar (by 8.2 percent), the Philippines (by 7.2 percent) and Cambodia (by 7.4 percent) and recorded the highest GDP growth among the 10 ASEAN countries. GDP per capita of the member countries and South Korea varied, ranging from \$37,000 to less than US\$1,000 in 2014. South Korea, Singapore and Brunei posted a GDP per capita above US\$20,000 while Myanmar and Cambodia's GDP per capita stood at less than US\$1,000. The GDP per capita in Indonesia, Malaysia, the Philippines and Thailand ranged from US\$1,500 to US\$7,000.

**Table 1.4: Key Economic Indicators of ASEAN and South Korea, 2014**

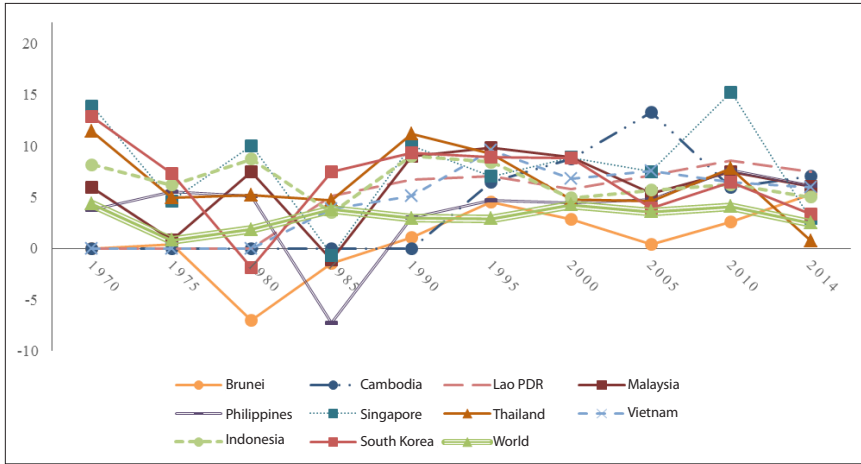
Country	Annual GDP growth (%)	GDP per capita (US \$)	GDP* (US\$ billion)	Imports of goods and services <sup>a</sup>	Exports of goods and services <sup>a</sup>
Brunei	-1.75	24,554.09	10.10	4.16	5.30
Cambodia	7.36	711.16	10.72	7.43	7.28
Indonesia	5.58	1,787.50	449.14	140.67	160.18
Lao PDR	8.52	774.11	5.09	2.35	1.90
Malaysia	4.73	7,057.48	207.95	171.48	186.23
Myanmar	8.24	n/a	n/a	n/a	n/a
Philippines	7.18	1,594.82	155.61	70.57	64.89
Singapore	4.44	37,491.08	202.42	383.32	444.64
Thailand	2.89	3,415.37	230.37	182.46	189.39
Vietnam	5.42	1,028.63	92.28	84.85	80.87
South Korea	3.31	24,565.56	1,238.69	531.35	653.57

<sup>a</sup>Constant 2005 US\$ billion

Source: World Bank Development Indicators, 2015



**Figure 1.1 Real GDP Growth of Selected Countries (Annual percent)**



\*Data from Myanmar is not available  
 Source: World Bank Development Indicators, 2015

ASEAN is the second largest trading partner for South Korea while South Korea is the fifth largest trading partner for ASEAN. In 2013, trade volume was approximately US\$135 billion and is set to exceed US\$150 billion in 2015. Its growth rate between 2009 and 2013 was remarkably rapid at 80 percent.

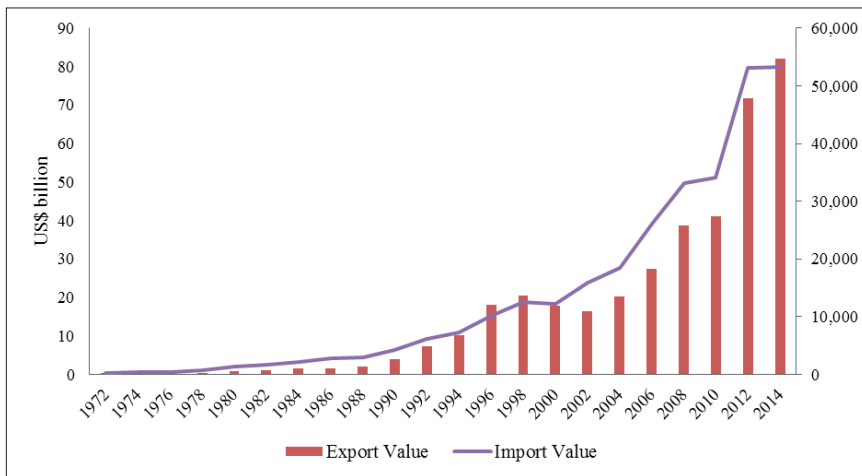
**Table 1.5: South Korea’s Major Trading Partner**

Year	2009	2010	2011	2012	2013
1	China (140.9)	China (188.4)	China (220.6)	China (215.0)	China (228.9)
2	EU (78.8)	ASEAN (97.3)	ASEAN (124.9)	ASEAN (131.1)	ASEAN (135.3)
3	ASEAN (75.0)	EU (92.2)	Japan (108.0)	Japan (103.1)	EU (105.1)
4	Japan (71.1)	US (90.2)	EU (103.1)	US (101.9)	US (103.5)
5	US (66.6)	Japan (92.4)	US (100.7)	EU (99.3)	Japan (94.0)

Unit: US\$ billion  
 Source: Trade Statistics, Korea International Trade Association (KITA)

Figure 1.2 clearly shows that trade between ASEAN and South Korea started to pick up in the middle of the 1990s. Trade in the ASEAN region is dependent on a few commodities, with the top 20 import and top 20 export commodities constituting more than half of ASEAN imports and exports. The top five import and top five export commodities represent around one-third of ASEAN imports and exports. ASEAN imports of the top 10 commodities are highly concentrated from a few major trading partners. South Korea is a very important export market for Brunei at 16 percent and a key import supplier for Vietnam at 16 percent (ASEAN Trade Report 2014). More than 75 percent of ASEAN exports to South Korea consists of intermediary textile products and woven fabrics.

**Figure 1.2: South Korea's Trade with ASEAN, 1972 – 2014**



Source: Trade Statistics, KITA

Investment is another indicator for robust economic relations between ASEAN and South Korea. The first South Korean FDI in ASEAN was made by the South Korean Development Corporation to develop forests in Indonesia in 1968 (Leong 2007). Investments from South Korea to ASEAN began to increase in the late 1980s to 1990s. However, the amount was relatively minimal. In 1985, the total FDI made by South Korea to ASEAN was only US\$16.1 million. The figure began to increase over the years, with US\$254.1 million in 1990 reaching US\$415.1 million in 1995. In 2013, South Korea's total investment in ASEAN amounted to US\$3.8 billion, which was the third largest after the US and China. Its growth throughout the years can be considered fairly remarkable. Compared with that, in 2005, its growth rate was approximately 78 percent. About 15 percent of South Korea's total FDI during the 10-year period from 2003 to 2013 went to ASEAN. In 2013, South Korea was the eighth biggest investors in ASEAN after Japan, Netherlands, UK, China and the US. This growth may be due to the liberalisation policies in the host countries towards FDI as well as the comparatively lower wages in ASEAN.

**Table 1.6: South Korea's FDI to ASEAN**

Year / Destination	2009	2010	2011	2012	2013	Accumulated (2003-2013)
ASEAN	2,126	4,404	4,928	4,423	3,791	29,184
Total	20,420	24,468	27,591	25,119	24,053	193,469
Percentage	10.4	18.0	17.9	17.6	15.8	15.1

Unit: US\$ million

Source: Export-Import Bank of South Korea

These investments drove the export performance of the ASEAN member states. Tables 1.7 and 1.8 show the export and import profile of ASEAN member states.

**Table 1.7: ASEAN Top 10 Export Products\*, 2013**

Rank	HS Code	Products	Value	Share
1	85	Electrical, electronic equipment	259,228	20.9
2	27	Mineral fuels, oils, distillation products, etc.	225,407	18.1
3	84	Boilers, machinery etc.	138,045	11.1
4	15	Animal, vegetable fats and oils, cleavage products	43,348	3.5
5	40	Rubber and articles thereof	42,733	3.4
6	87	Vehicles other than railway, tramway	40,027	3.2
7	39	Organic chemicals	39,324	3.2
8	29	Plastics and articles thereof	36,568	2.9
9	99	Commodities not elsewhere specified	35,064	2.8
10	90	Optical, photo, technical, medical, etc. apparatus	31,886	2.6
Top 10 Major Products			891,630	71.7
Others			351,147	28.3
Total			1,242,777	100

\*Data from Myanmar is not available and excluded from total

Source: PC-TAS (International Trade Centre)

**Table 1.8: ASEAN Top 10 Import Products, 2012**

Rank	HS Code	Products	Value	Share
1	27	Mineral fuels, oils, distillation products, etc.	269,494	22.4
2	85	Electrical, electronic equipment	235,758	19.6
3	84	Boilers, machinery etc.	159,766	13.3
4	72	Iron and steel	43,202	3.6
5	87	Vehicles other than railway, tramway	41,346	3.4
6	39	Plastics and articles thereof	39,023	3.2
7	71	Pearls, precious stones, metals, coins, etc.	28,493	2.4
8	90	Optical, photo, technical, medical, etc. apparatus	27,507	2.3
9	29	Organic chemicals	25,840	2.1
10	73	Articles of iron or steel	24,012	2.0
Top 10 Major Products			894,441	2.0
Others			310,508	25.8
Total			1,204,949	100

\*Data from Myanmar is not available and excluded from total  
Source: PC-TAS (International Trade Centre)

To name a few large and successful South Korean investment cases in Southeast Asia, the first is Samsung Electronics Co.'s Malaysian investment. Since it started from the late 1980s, the total accumulated amount of investment reached US\$2 billion, which is one of the largest among foreign investments in Malaysia. Its manufacturing complex is located in Seremban, Negeri Sembilan. A gas development project in Myanmar initiated by Daewoo International in 2000 is another case in point that has succeeded in detecting huge gas reserves in Shwe gas fields located off the coast of Myanmar. It started to produce gas in 2013, sending it to China through a series of subsea and overland pipelines. Samsung Electronics is another huge investment in Vietnam producing approximately 60 percent of mobile hand phones of the total Samsung mobile phone production and accounts for some 25 percent of Vietnam's total exports.

In this profound trend of robust economic cooperation, two things are noteworthy. One is the conclusion of ASEAN-South Korea FTAs to expedite and facilitate economic cooperation. ASEAN-South Korea FTA in commodities was concluded in 2006, followed by FTA in Services and in investment in 2007 and 2009, respectively. At the Commemorative Summit Meeting in Busan in 2014, an agreement was made to further liberalise and improve the ASEAN-South Korea FTA by 2015 to increase the mutual trade volume up to US\$200 billion by 2020. The other noteworthy point is South Korea's contribution to the formation of the

ASEAN Community. South Korea has made contributions of US\$57 million as an ASEAN-South Korea Special Cooperation Fund and provided US\$2.13 billion as grants or commercial loans from 1990 to 2012. ASEAN members are in diverse stages of economic development. South Korea has exerted her utmost effort to assist the economic development for some developing ASEAN member countries. Among others, the establishment of the ASEAN Innovation Centre was agreed at the 2014 Commemorative Summit Meeting to improve the innovative capability of ASEAN countries, maximise human capital development in ASEAN and improve the competitiveness of small- and medium-sized enterprises.

### **People-to-People Exchange**

Another peculiar phenomenon illustrating the rapidly-growing relations between ASEAN and South Korea is the people-to-people exchange. Three areas are especially outstanding. The first is tourism. Visitor numbers have been increasing exponentially and doubled to 6.5 million from 2009 to 2013. Southeast Asia is the top tourist destination for South Koreans while South Korea is emerging as an attractive tourist destination for East Asia. For example, Kota Kinabalu is one of the most popular destinations for South Korean honeymooners and it is interesting to observe that more and more people living in ASEAN are visiting South Korea in winter to enjoy winter sports like skiing.

To illustrate this further, Tables 1.9 and 1.10 show tourists travelling between South Korea and ASEAN countries. In 2013, 32.4 percent of South Korean tourists visited ASEAN countries, which registered an increase of 19.7 percent since 2007 (Table 1.9). Thailand and Philippines received the highest number of South Korean visitors annually, followed by Vietnam and Malaysia. Meanwhile, the share of visitors from ASEAN to South Korea has also seen an increase from 9.7 percent in 2002 to 12.8 percent in 2013. The majority of tourists from ASEAN countries are from the Philippines, Thailand, Malaysia and Indonesia.

The second area is education and human development. South Korea has increased scholarships and promoted student and faculty exchanges and joint research in higher education with ASEAN. South Korea has also increased opportunities for ASEAN students for technical and vocational education. To this end, the international college student exchange programmes, the ASEAN-South Korea Academic Exchange program and the ASEAN Millennium Leaders College Student Exchange Program have been initiated. The ASEAN- South Korea Scholarship for South Korean Studies Programme has been ongoing since 2010.

Table 1.11 shows the number of South Koreans living in ASEAN countries and the flow of South Korean students into ASEAN institutions of higher learning. Table 1.12 depicts the total number of students from ASEAN studying in South Korea. While the percentage share of ASEAN students relative to those from other origins fluctuated over the years, the actual number of students from ASEAN countries registered a substantial increase from 158 in 1990 to 14,961 in 2013. Half of them are from Brunei.

**Table 1.9: South Korea's Outbound Travel by Destination Country**

Destination	2007	2008	2009	2010	2011	2012	2013
Brunei	3.8	17.5	1.6	1.7	1.7	4.3	4.3
Cambodia	329.9	266.5	197.7	289.7	342.8	411.5	435
Indonesia	337.2	331.4	260.3	296.1	320.1	303.9	324.6
Lao PDR	13.1	18.1	17.9	27.3	26.6	53.8	53.8
Malaysia	224.9	367.5	227.3	264.1	263.4	284	274.6
Myanmar	13.8	12.4	12.5	18.9	20.2	34.8	34.8
Philippines	653.3	611.6	497.9	740.6	925.2	1,031.2	1,165.8
Singapore	480.1	435.7	284.6	379.3	414.9	345.2	471.8
Thailand	1,083.7	889.2	618.2	805.4	1,014.3	1,169.1	1,308.7
Vietnam	475.4	449	360.1	495.9	535.7	700.9	748.7
ASEAN	3,615.2	3,398.9	2,478.1	3,319	3,864.9	4,338.7	4,822.1
World	13,325.0	11,996.1	9,494.1	12,488.4	12,693.7	13,737.0	14,846.5
<b>Percentage Share (%)</b>	27.13	28.33	26.10	26.58	30.45	31.58	32.48

Unit: 1,000 people

Source: ASEAN Tourism Database

Nationality	2002	2004	2006	2008	2010	2012	2013
Brunei	0	1	1	1	1	2	2
Cambodia	1	2	4	7	7	19	21
Indonesia	57	62	63	81	95	149	189
Lao PDR	0	0	1	1	2	3	6
Malaysia	56	94	90	84	114	178	208
Myanmar	31	29	41	51	58	68	63
Philippines	211	213	248	277	297	331	401
Singapore	71	85	88	96	113	154	175
Thailand	73	103	129	161	261	387	373
Vietnam	20	34	46	76	90	107	117
ASEAN	520	623	711	835	1,038	1,398	1,555
World	5,347	5,818	6,155	6,891	8,798	11,140	12,176
<b>Percentage Share (%)</b>	9.73	10.71	11.55	12.12	11.80	12.55	12.77

Unit: 1,000 people

Source: Korea Tourism Statistics (KTO)

**Table 1.11: Total South Koreans Overseas, 2013**

Country	Green-card holder	Resident	Student
Brunei	4	115	7
Cambodia	-	4,307	57
Indonesia	814	38,401	664
Lao PDR	6	960	167
Malaysia	50	11,490	2,450
Myanmar	-	2,035	48
Philippines	785	55,974	31,316
Singapore	2,267	14,867	3,039
Thailand	114	17,098	2,735
Vietnam	-	83,668	2,330
Total	3,002	222,942	38,349

Source: Overseas South Koreans' Status (Korea Ministry of Foreign Affairs and Trade)

The third phenomenon that demonstrates the growing relations between ASEAN and South Korea is cultural exchange. *Hallyu*, the Korean wave is the most conspicuous and is part of the worldwide Korean cultural pop culture phenomenon. PSY's Gangnam Style was a big hit worldwide with over 1.6 billion YouTube views. *Hallyu* reminds me of many delightful but somewhat embarrassing moments during my diplomatic service in Kuala Lumpur as Ambassador of South Korea to Malaysia from September 2007 to August 2010. It was delightful to witness the love for South Korean films and pop songs among South-East Asian people, especially youngsters, but it was also embarrassing because most of the questions they asked me were of South Korean films or dramas and many of the actors and K-pop singers were unfamiliar to me.

This unique trend is also true in other East Asian countries and plays a positive role towards enhancing awareness and closer bonds between South Korea and ASEAN. According to the survey titled "Southeast Asian Perceptions of Korea" by the South Korea Institute of Southeast Asian Studies in 2011 (Park 2011), *Hallyu* was rated positive, exceeding the neutral point in all member countries of ASEAN. According to the paper titled "The Korean Wave in Southeast Asia: An Analysis of Cultural Proximity and the Globalisation of Korean Cultural Products" since the late 1990s (Suh, Cho and Kwon n.d.) *Hallyu* has been introduced to Vietnam, then Thailand, Malaysia and Indonesia. The order of entry of cultural genre was dramas, movies and popular music. The provision of the programmes by the South Korean government initiated *Hallyu* by breaking the cultural barrier between the two countries and paved the way for other cultural products while the cultural marketing of South Korean companies provided the momentum for growth, enabling South Korean cultural products to be firmly rooted in Vietnam.

**Table 1.12: Number of Students from ASEAN studying in South Korea**

Country	1990	1995	2000	2005	2010	2013
Brunei	79	164	443	1,221	5,748	7,511
Cambodia	0	0	5	41	265	345
Indonesia	7	10	32	54	527	962
Lao PDR	0	0	0	16	85	83
Malaysia	65	115	51	241	609	714
Myanmar	2	6	65	81	229	292
Philippines	2	7	126	78	482	583
Singapore	1	2	2	5	67	279
Thailand	2	5	39	48	400	432
Vietnam	0	19	12	616	3,005	3,760
Total from ASEAN	158	328	775	2,401	11,417	14,961
World	803	1,487	5,628	26,677	106,874	81,847
Percentage Share (%)	19.7	22.1	13.8	9.0	10.7	18.3

Note: The term 'students' refers to elementary-middle high schoolers, language trainees, college and higher education.

Source: South Korea Immigration Service Statistics (South Korea Immigration Service)

The entry path of South Korean cultural products in Malaysia significantly differs from other Asian countries such as China, Japan and Vietnam. The entry was relatively late compared with other countries in the region and the initial response was not agreeable. Only since 2000 have South Korean TV dramas and movies become popular among Malaysians followed by South Korean popular music. The South Korean cultural products which gained popularity in China, Taiwan and Hong Kong were transferred to Kuala Lumpur through overseas Chinese trading networks. In 2002, *Hallyu* began in Malaysia with a big hit by the South Korean TV drama, *Winter Sonata*, followed by *Jewel in the Palace* and *the Autumn in my Heart*. Nowadays, K-pop leads *Hallyu* in Malaysia. Since TVXQ performed for the first time in Malaysia in 2006, K-pop stars such as Rain, Super Junior and Wonder Girls have become wildly popular.

A two-way flow is important in people-to-people exchange. One-sided exchange tends to result in rapid cooling off. In that sense, the South Korean government proposed at the 25<sup>th</sup> Commemorative Summit last year to establish an ASEAN Culture House to enhance understanding of ASEAN and Southeast Asian culture in South Korea. The South Korean government will be in charge of the infrastructure while ASEAN countries will provide the cultural content.



## **TOWARDS BUILDING AN EAST ASIAN COMMUNITY (EAC)**

Regionalism has been on the rise globally since the late 1980s. The first mover was Europe. Directly after the end of the Second World War, Europeans worked towards integrating Europe because they were tired of a nation state system which caused unprecedented catastrophes in Europe with the previous two world wars. The first entity was the European Coal and Steel Community (ECSC). It was formally established in 1951 with the Treaty of Paris, signed by six European countries: France, West Germany, Italy, Belgium, the Netherlands and Luxembourg. The treaty was to create a common market for coal and steel among its member states. The ECSC was the first regional organisation based on the principles of supranationalism. The ECSC was first proposed by French foreign minister Robert Schuman in 1950 as a way to prevent further wars between France and Germany. From this market integration of two minerals, the seeds of integration of the whole economy of Europe were sown.

The region-wide economic integration entity called the European Economic Community (EEC) was created by the Treaty of Rome in 1957 and signed by the same six countries. It began as a customs union, having evolved into a single market, next into EU in 1994 and finally, a monetary union in 1999. Today, EU is not only a regional economic body, but also a politically integrated entity to fulfil a dream of the "United States of Europe" though it faces a grave challenge after the 2008 global economic crisis.

There is no such regional integration entity in East Asia, however, ASEAN exists in the sub-regional level. Its process has been slow and strenuous. ASEAN started as a security-oriented regional association and has grown into a mover and shaker to play a central role in East Asia. Since its inception in 1967, ASEAN has made every effort to establish the ASEAN Community by 2015. It has three pillars: ASEAN Political-Security Community (APSC), ASEAN Economic Community (AEC) and the ASEAN Socio-Cultural Community (ASCC). APSC envisages three key characters: a rule-based community of shared values and norms; a cohesive, peaceful, stable and resilient region with shared responsibility for comprehensive security; and a dynamic, outward-looking region in an increasingly integrated and interdependent world. The key character of AEC is as a single market and production base, a highly competitive economic region, a region of equitable economic development and one that is fully integrated into the global economy. Finally, ASCC envisages the following characteristics: human development, social welfare and protection, social justice and rights, ensuring environmental sustainability, building the ASEAN identity and narrowing the development gap. If integrated economically, politically, and socially as envisioned, ASEAN has huge potential. It has over 600 million people and its labour force is the world's third largest. It will emerge in 2050 as the world's fourth largest economy. As ASEAN Chair in 2015, Malaysia should bear the responsibility of propelling ASEAN to emerge as a community as the way forward for Southeast Asia.

While ASEAN has concentrated on its own integration, there have been strenuous efforts in East Asia for region-wide cooperation. It started with

launching Asia-Pacific Economic Cooperation (APEC) in the late 1980s. When the financial crisis swept East Asia in 1997, ASEAN leaders invited leaders of China, Japan and South Korea to its annual ASEAN Summit Meeting in Kuala Lumpur on December 1997. It was the first ASEAN+3 Summit meeting. The financial crisis gave impetus to the region to formulate its own regional cooperation mechanism. At the following ASEAN+3 summit meeting in Hanoi in 1998, the South Korean president Kim Dae Jung proposed to set up the 'Vision Group' with the primary purpose to study how to strengthen regional cooperation. According to the final report submitted to the 2002 APT summit meeting, creation of the East Asia Summit (EAS) and the agreement of East Asia FTA were the most important proposals in the long-term basis. EAS was officially launched in 2005 and has proposed the formation of the Regional Comprehensive Economic Partnership (RCEP) in 2012 to promote free trade in East Asia.

Further to it, a report by the East Asia Vision Group II (EAVG II) proposed an approach based on three pillars to promote community building in East Asia. The first is a political-security pillar. To that end, the report proposes prioritising cooperation to promote good governance, strengthen the rule of law and promote and protect human rights through policy dialogue and capacity-building activities. The EAVG II further proposes to strengthen policy dialogue and capacity-building activities in the political and security area and to enhance security cooperation such as non-traditional security issues particularly on counter-terrorism, cybercrimes and maritime security. The second is the economic pillar. The EAVG II proposes to establish the East Asia Economic Community (EAEC). EAEC will be composed of four key elements: (1) single-market and production base; (2) financial stability, food and energy security; (3) equitable and sustainable development; and (4) constructive contribution to the global economy. The establishment of the Regional Comprehensive Economic Partnership (RCEP) is the key element to create a single market and production base. Negotiations on RCEP started in 2012 by ASEAN+ 3, India, Australia and New Zealand to create a kind of regional FTA in East Asia. It aims to finalise negotiations by 2015. Regarding financial stability and food and energy security, recommendations are made to explore the possibility of establishing an East Asia monetary fund and the expansion of local currency bond market. For the equitable economic development of the region, the setting-up of a possible East Asia Infrastructure Investment Fund is recommended.

The third pillar is socio-cultural. In this area, human resource development is emphasised because the global economy is rapidly transforming itself into a knowledge-based digital economy. Human development in East Asia aims for extended life expectancy and a higher standard of living. East Asia's caring and sharing society will emphasise the value of sustainable development, strengthened social protection and closer cooperation within the region in various social policies, disaster and natural resources management as well as food and health issues. East Asia will respect human rights of all genders, ages, nationalities and physical ability and expect multinational cooperation to act in

socially responsible ways. The cultural heritage of East Asia should be preserved and promoted, while attempts at cultural innovations should be encouraged and pursued. East Asia should strive to become a cultural and heritage centre in the 21<sup>st</sup> century. In this regard, it is quite encouraging that the South Korean government has made an investment of around US\$800 million to build the Asian Culture Complex in Gwanju City, the centre of the Southwestern Korean Peninsula. It is a cultural facility promoting the creation and production of new cultural content through the collection and research on Asian cultural assets.

The follow-up to the EAVG II report will be submitted to the 18<sup>th</sup> APT Summit which was held in Kuala Lumpur, Malaysia in late 2015. The final report will provide a detailed blueprint for building an East Asian Community by 2020 as envisaged at the Vision Group II report. There is still a long way to go to realise an East Asia Community, but as the South Korean proverb goes, a journey of a thousand miles begins with a single step. ASEAN and South Korea together with other EAC should do their utmost to realise the formation of an East Asian Community to promote peace and prosperity in the region.

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