

# South Korea-China Relations and the New Southern Policy: Some Reflections

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## Introduction

Over the years South Korea-China relations have grown exponentially, sometimes for the best and at other times for the worst. Historically, Korean history is entwined closely to that of the Chinese civilization. Given that both states were opposed ideologically, relations were almost non-existent during the Cold War. With the end of the Cold War in the early 1990s, economic and security considerations completely sidelined ideological ones in establishing relations between Seoul and Beijing in 1992. Regardless of whether it's a progressive or conservative government, South Korean leaders have viewed China as an opportunity as well as a threat that needs to be kept close. While this security alliance with the U.S. is the linchpin of Korea's stability, China is nonetheless a strategic partner for peace on the Korean Peninsula. South Korean policymakers recognize that Beijing is a conduit in furthering inter-Korean dialogues. Economically, South Korea's largest trading partner is China. In 2019 alone, a quarter of South Korean products worth USD136 billion ended up in China.<sup>1</sup>

Despite economic ties being significant, Seoul's approach to regional security continuously has irked China, particularly during the administration of South Korean president Park Geun Hye (2013-2017). In the face of repeated provocations from North Korean ballistic missiles and nuclear tests, in 2016, Park sought to increase military cooperation with Japan and other U.S. allies as well as deploy the US Terminal High Altitude Area Defense (THAAD) system to thwart potential North's missile launches. The US involvement became a given when Pyongyang repeatedly test launched ballistic missiles in 2017, endangering US military bases in South Korea. To South Korea and the US, THAAD is a defensive weapon that adds an additional layer of security against the North. Not surprisingly, currently a single battery is stationed in Seongju, North Gyeongsang, operated by the US army stationed in South Korea.

The move to deploy THAAD was not only criticized by North Korea but also by China and Russia, causing a deterioration in bilateral ties. Both Beijing and Moscow have repeatedly called for the removal of THAAD, especially missiles already installed within the unit. Beijing's main security concern is that the THAAD deployment would upset the strategic balance of East Asia. This perception is derived from China believing that US together with South Korea and Japan will form a trilateral security relationship to encircle Beijing. Beijing's fears such an arrangement could disrupt its long term military, diplomatic and economic interests in the East Asian region. More importantly, fielding an advanced BMD system in South Korea will allow the US to track China's missiles through the system's inbuilt advanced radar. On July 9, 2016, the *China Daily* explained Beijing's reluctance to accept THAAD,

*[I]t will not only escalate tensions on the Korean Peninsula, but also break the strategic balance and widen the trust deficit among the regional powers. . . . Washington is trying to drive a wedge between Beijing and Seoul, and reinforce the US-Japan ROK military alliance.<sup>2</sup>*

The above statement depicts how China is worried that the US will encroach into its sphere of influence through THAAD. To recoup its dominant position in East Asia, Beijing has invested much to advance its political diplomacy, foreign aid, and military diplomacy. During the Trump administration China did gain a lot of traction in the region as a result of Trump's "America First" policy. Reality is that the deployment location of THAAD has limited capabilities to monitor Chinese missiles DF-21 MRBMs bound for South Korea from areas such as Dengshahe, Laiwu, and Hanchang.<sup>3</sup> Threat of economic coercion became the Chinese way to force the South Korean government to halt the deployment of THAAD. The decisions to deploy THAAD resulted in severe economic retaliation by China towards South Korea.

### **The economic costs to South Korea**

In its retaliatory measures, China boycotted South Korean products and business which eventually saw a weakened bilateral economic ties in 2017. While many small and medium South Korea business suffered, two of the main victims were the tourism industry and the Lotte Group operating in China.

Since 2013, Chinese tourists have formed the largest source of foreign tourists to South Korea. Part of the attraction is due to the close proximity of South Korea shared historical cultural links as well as the development of *Hallyu* or Korean Wave. By 2016, number of Chinese

tourists visiting South Korea fell dramatically.<sup>4</sup> By March 2016, the Chinese government directed local travel agencies, many of them state-run, to halt trading in group travel packages to South Korea. Such bans on Chinese tourists who were famous for their shopping behaviour severely affected South Korean travel as well as retail industries. According to South Korea's National Assembly's Budget Office, China's boycott of tourism heading towards South Korea cost Seoul some 7.5 trillion won (\$6.8 billion).<sup>5</sup>

Korean conglomerate Lotte Group which sold land that hosts THAAD become another victim of China's retaliation. Despite having invested 8 trillion won (\$9.6 billion) in China from 2004 onwards, the Group Lotte inherited an operating loss of 140 billion won between 2016 and 2018 due to the THAAD fallout.<sup>6</sup> This is because the conglomerate faced angry boycott campaigns and regulatory crackdowns by Chinese authorities, annihilating its businesses in China. The boycott saw 112 Lotte stores shut down for frivolous reasons.<sup>7</sup>

THAAD became a key issue in South Korean presidential elections held in May 2017 after Park Geun Hye was impeached due to a corruption scandal. At first President Moon Jae In who replaced Park was not in favour of THAAD but with increasing North Korean provocations throughout 2017, he had no choice but to support it. With frequent negotiations and promises by the Moon government, the THAAD standoff eventually ended and relations moved forward at the end of 2017. Nonetheless, THAAD still exists in South Korea and Beijing remains opposed to it. A year later Chinese companies' direct investment in South Korea surged 240 percent, amounting to \$2.74 billion, up 238.9 percent from 2017 after China reduced its investments by 60 percent.<sup>8</sup>

### **New Southern Policy**

The boycott prompted the Moon government to find solutions that will avoid the Korean economy to be too dependent upon China. As a result the South Korean government decided to expand and invest in its neighbourhood diplomacy. In doing so, the New Southern Policy (NSP) emerged as a way to advance South Korea's economic and political ties with the Southeast Asian region and India.

To make it more convincing, the Moon government initiated the 'New Southern Policy' in 2017 by proclaiming that the Association of Southeast Asian nations (ASEAN) and India were at par with the four major powers—the US, China, Russia and Japan. This policy shift

allowed the institutionalization of ASEAN and India as key allies in South Korea's foreign policy. According to Professor Choe Wongi the Head of the Center for ASEAN-India Studies at the Korea National Diplomatic Academy (KNDA), the NSP is "the most successful and active foreign policy program under the Moon administration."<sup>9</sup> Choe Wongi suggests that the NSP was introduced to minimize the risks of being trapped in the dilemma of US-China strategic competition. In addition he stressed that economic cooperation with Southeast Asia and India is the underlying reason for a realignment in South Korea's foreign policy.<sup>10</sup> Basically, ASEAN, India and South Korea are important countries in the region and their partnership provides a balance in the midst of geopolitical rivalry between the United States and China. However it must be noted that South Korea's interest in Southeast Asia and India is far from a new consideration. What is new is that the Moon government now acknowledges that ASEAN and India are powers that South Korea needs to cooperate with strategically in order to survive regional instability caused by US and China. As Andrew Yeo, a Professor of Politics at the Catholic University of America observes,

*By relying more on ASEAN's export market and expanding trade and investment with countries such as Vietnam, Indonesia, Malaysia, the Philippines, and Thailand, Seoul can reduce the risks of Chinese economic coercion and U.S.-China trade friction.<sup>11</sup>*

South Korea has shown its commitment towards ASEAN in multiple ways. Between 2017 and 2019, Moon Jae In managed to visit all ten Southeast Asian countries. In addition, the Korean government took steps to create the presidential Committee for the New Southern Policy and the ASEAN Bureau within the Korean Foreign Affairs Ministry. Likewise, the ASEAN- Korea Cooperation Fund was increased to US\$14 million in 2019 and the Korean Mission to ASEAN saw an increase of staff.<sup>12</sup>

Economically, trade and investment ties are booming. Korea is ASEAN's fifth largest trading partner. In contrast, ASEAN is Korea's second largest trading partner.<sup>13</sup> South Korean investments in ASEAN include manufacturing, logistics, and shipbuilding. Since ASEAN members are keen to embrace Industrial Revolution 4.0, future South Korean investments will be expanded to cooperation in the financial, information and communication, digital, biotechnology sectors as well as constructing smart cities.<sup>14</sup> In the current pandemic era, Korea has already provided US\$5 million under the "Enhancing the Detection Capacity for COVID-19 in ASEAN Countries" project to help ASEAN

states with molecular testing kits and equipment, personal protective equipment and many other medical supplies.<sup>15</sup> With the announcement of New Southern Policy Plus (NSPP) in November 2020, Korea-ASEAN relations are expected to advance in seven sectors. During the launch of the new strategy in November 2020, Moon highlighted seven areas that will be given emphasis under the NSPP. They are – “comprehensive health and medical cooperation to tackle the COVID-19 pandemic; sharing Korea’s education and human resource development models; promotion of cultural exchanges by utilizing *hallyu* content; developing mutually beneficial trade relations and investment; cooperation in the development of farming and urban infrastructure; cooperation in future industries; and cooperation in non-conventional security.”<sup>16</sup>

If ASEAN is important in South Korean foreign policy, India has a special place in the country’s strategic calculations. South Korea’s relations with India goes beyond economics as historical linkages dates back to the 13 century as highlighted in the “SamgukYusa” or “The Heritage History of the Three Kingdoms”. In modern times, the NSP complements India’s “Act East Policy” (AEP) formerly known as “Look East Policy.” India’s “Look East Policy” was launched in 1992 to foster closer relations with Northeast Asia and ASEAN. Growing bilateral ties has seen Korean trade and investment ties expand over the years, more so after the initiation of the Comprehensive Economic Partnership

Agreement (CEPA) in 2010. To better coordinate policies and conduct diplomatic activities to strengthen networks with India and ASEAN, the Korean National Diplomatic Academy (KNDA) established the Center for ASEAN and Indian Studies within its Institute of Foreign Affairs and National Security in February 2018.<sup>17</sup>

According to the India –South Korea trade and economic statistics, posted by the Embassy of India in Seoul, under the NSP, Korea-India ties have flourished.<sup>18</sup> Some of the figures and information are as follows. Between 2017 to 2019 Korean foreign direct investments to India has grown from US\$514 million to US\$1,053 million. As of 2020, India is Korea’s 21st biggest source for imports and 7th biggest export market. According to KOTRA and Korean Exim Bank, Korean investment are mainly in the manufacturing, wholesale and retail trade, financial and insurance activities and electricity, gas, steam and water supply. Most Korean investments are concentrated in Delhi, Chennai and Pune. Some of the major Korean chaebols operating in India include Hyundai Motor Group, Samsung Electronics and LG Group. During Moon Jae In’s visit to India in July 2018, he pledged to increase bilateral trade to US\$50 billion by 2030.<sup>19</sup> Recognizing the importance of supporting

India's infrastructure development, Korea was also keen to support India's flagship initiatives, including 'Make in India', 'Skill India', 'Digital India', 'Start-up India' and 'Smart Cities'.<sup>20</sup> While there are challenges in South Korea-India ties the fact that both Moon and Modi are keen to expand bilateral relations bodes well for the future.

## **Conclusion**

During its launch the NSP was introduced being centered around 3Ps: People, Prosperity, and Peace. To date the NSP is successful in forging prosperity through economic ties. In terms of "people", it can be said that tourism as well as the Korean wave have connected South Korea to the Southeast Asian region and India. However when it comes to "peace" the NSP as a concept is problematic. Although, South Korea seems to be trapped between the US and China, the security aspect of the NSP is hardly ever discussed with ASEAN or India. Chinese assertiveness in Southeast Asia as well as tension ridden China-India relations have never been part of the discussion under the NSP. The closest that the Moon administration has come to supporting security issues is by endorsing the ASEAN Outlook on the Indo-Pacific (AOIP). It is well known that China views the Indo Pacific strategy as containment policy. Beijing believes that the strategy aims to safeguard US leadership and interests in the region by containing China.

As it is well known, the Moon administration endorsed the Free and Open Indo Pacific (FOIP) strategy during the Trump administration, with the understanding that it complements the NSP. To this end, the NSP assists in cooperation in energy, infrastructure and development, digital economy, and so on. However, contentious security issues like maritime contention and cooperation have hardly been emphasized under the NSP. If the South China Sea dispute reaches a critical point, the question remains to what extent South Korea would respond as it needs to be judicious not to sidestep China. What if ASEAN member look towards South Korea to procure maritime items like that of ships and submarines?<sup>21</sup> As India is an integral component of the NSP, how would South Korea react if India - China rivalry reaches a crisis point. Against this backdrop, at least in the security realm the NSP as well as the NSPPremains inadequate as the focus is more on improving economic relations rather than consolidating security cooperation between South Korea, ASEAN and India against a rising China.

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