

## South Korea's New Approach to India

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**ABSTRACT** South Korea's Moon Jae-in government has adopted what it calls a “New Southern Policy”, and by most accounts, the strategy is aimed at strengthening the country's relations with India. What is the rationale for South Korea's current inclination towards India? This brief argues that the 'China factor' is playing a key role in this new approach: South Korea wants to diversify its foreign relations as it faces a dilemma over its economic dependence on China. For India's part, stronger ties with Seoul will enhance its strategic leverage in the Indo-Pacific region.

### INTRODUCTION

The importance of India in South Korea's foreign policy has risen in recent years. South Korean President Moon Jae-in's “New Southern Policy” (NSP) attached primacy to strengthening the country's economic and strategic relations with India, as well as the countries of Southeast Asia. It is the first time that South Korea has clearly designed a foreign policy initiative for India and officially documented it.<sup>1</sup> Immediately after President Moon assumed office in May 2017, he sent a special envoy to India;<sup>2</sup> it is an unprecedented

move that highlights his government's desire to shape a new paradigm in Seoul-New Delhi relations. Since then, a number of high-level official delegations have visited India.<sup>3</sup>

The South Korean government has also adopted an action-oriented approach to upgrade its engagement with India. For example, it has set up a state-run research centre on India and the ASEAN countries under the Korea National Diplomatic Academy (KNDA), which is tasked with laying a theoretical foundation for the Moon

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administration's policy vision to diversify its strategic partnerships across Asia.<sup>4</sup> Moreover, South Korean trade officials are implementing strategies to strengthen engagement with India's market. There are ongoing efforts to create a New Trade Order Strategy Office in the Ministry of Trade, Industry and Energy to intensify trade partnerships with India and the ASEAN countries.

President Moon's four-day visit to India in July 2018 – the longest by any leader of the two countries – demonstrates this crucial shift in Seoul's conduct of diplomacy. During that visit, President Moon emphasised that India was the main partner of his NSP and that his government will take all the necessary steps to deepen the strategic partnership.

There are two primary reasons for the shift in South Korea's outlook to India. One is that Seoul sees India and the ASEAN countries as new economic partners: by strengthening ties with these countries, South Korea intends to reduce its over-dependence on its traditional trade allies that are China and, partially, the United States. The other reason is that South Korea is making a subtle move to endorse the 'Indo-Pacific' geopolitical construct by aligning with India and the ASEAN countries without officially saying so. Central to this shift, however, is the mitigation of its China-related risks.

## **SEOUL'S 'RISING CHINA' DILEMMA**

There is a growing perception in South Korea that China's rise as an economic power is a 'threat' to it, rather than an opportunity.

China emerged as South Korea's biggest economic partner as their relations normalised after the end of the Cold War. South Korea's

trade and investment relations with China have increased manifold due to its economic liberalisation and the rise of China's economy. At the same time, its relations with the US and Japan—once the backbone of its economic growth during the Cold War – have declined because of the rise of American protectionism and the stagnation of the Japanese economy. In the early 1990s, South Korea's exports to the US and Japan constituted more than 55 percent of the total, while that to China was less than one percent.<sup>5</sup>

Indeed, the equations have changed over the past two-and-half decades. China has now emerged as South Korea's top export destination. It made up 26.6 percent of South Korea's total exports in the first half of 2018, higher than the 16.5 percent accounted for by the US and Japan combined. If its exports to Hong Kong are included, China's exports from South Korea rise to 34.4 percent. South Korea is the world's seventh largest exporter, with its economic growth depending heavily on export activities. China is also South Korea's top investment destination.

Such economic dependence was not a security concern for Seoul's policymakers until China began its path of "peaceful rise". The change began in the late 2000s with the controversy over the origins and legacy of the Koguryo dynasty.<sup>6</sup> South Korea's policymakers, and the people themselves, came to believe that Beijing's claim to a territory which was part of the ancient Korean kingdom reflected China's imperialist mindset.<sup>7</sup> Fuelling the dissatisfaction towards China was its stance on the 2010 Cheonan and Yeonpyeong incidents in which many South Koreans were killed by North Korea, and a few years later China's declaration of a new Air Defence Identification Zone (ADIZ) in 2013

which partly overlapped South Korea and Japan. Political observers in Seoul recognise that China's economic policy towards South Korea is driven by political interests as the former wants to use its economic relations to deal with the region's political issues.<sup>8</sup>

According to a survey conducted in 2006, 58.8 percent of South Koreans viewed China's economic rise as more of an opportunity, while about 41 percent considered it as a threat. By 2014, the situation had changed, with 71.9 percent of South Koreans viewing China's rise as a threat and only 18 percent seeing it as a positive development.<sup>9</sup>

The negative perception about China worsened when it targeted South Korea's business interests over the deployment of the US missile system THAAD (Terminal High Altitude Area Defence) in its territory.<sup>10</sup> China tried to exert pressure on Seoul to not allow such deployment and refused to believe that this was in its security interest vis-a-vis North Korea.<sup>11</sup> South Korean businesses in China were attacked and exports to China were curtailed. This made Seoul realise the need to diversify its trade destinations and look towards other partners such as India and the ASEAN countries.

## PIVOT TO INDIA

South Korea's choice for India is best explained in the words of Trade Minister Kim hyun-chong who said, "India is a country that has no sensitive issues with us geopolitically, so has little risk of its economic cooperation wavering due to external factors. China, for example, created serious problems for our country over the THAAD issue, but with India there are no such variables."<sup>12</sup>

In 2017, the country's trade with India stood at US\$20 billion, while that with China was 14 times higher at US\$281 billion (see Table 1). During President Moon's 2018 visit to India, he urged the business communities of both sides to raise the trade volume to US\$50 billion in the next 10 years.<sup>13</sup>

The South Korean companies in India, such as Samsung, LG Electronics and Hyundai Motor, are undertaking expansion activities. During President Moon's visit, he and Prime Minister Narendra Modi inaugurated Samsung's refurbished factory in Noida which is expected to be the company's largest mobile phone production unit anywhere in the world. The LG Electronics, which has two manufacturing units

**Table 1: South Korea's Top Trading Partners in 2017 (in US\$ billion)**

Country	Total Trade	Imports from South Korea	Exports from South Korea
China (including Hong Kong)	281	181.2	99.8
United States	119.3	68.6	50.7
Vietnam	64	47.8	16.2
Japan	81.9	26.8	55.1
Taiwan	33	14.9	18.1
India	20	15.1	4.9

Source: Author's calculations based on data from the South Korean Ministry of Trade, Industry and Energy (MOTIE).

in India, also wants to make India its export hub. That China's shadow loomed over this decision was made clear by LG Electronics' Managing Director in India Ki Wan Kim who said in New Delhi, "The main reason for the company to explore making India an export hub is due to tension prevailing between South Korea and China".<sup>14</sup> Meanwhile, Hyundai Motor, whose China sales plunged by 60 percent in 2017 as a result of the Chinese ire at the deployment of THAAD missiles,<sup>15</sup> plans to expand its manufacturing capacity in India by 50,000 units.

Several new South Korean companies are also entering India. For instance, Kia Motors has signed an MoU to invest about US\$ 1.1 billion, which was later enhanced to US\$ 2 billion, to build its first factory in Andhra Pradesh. The Lotte Group, which was the main target of the Chinese retaliation strategy last year,<sup>16</sup> has discussed a proposal to invest US\$ 3-5 billion in the next five years. Seoul is also pushing its small and middle-scale companies to enter India in view of tough challenges they are facing in China.<sup>17</sup> Seoul has recently shown its willingness to partner with India's flagship initiatives such as 'Make in India', 'Skill India', 'Digital India', 'Start-up India' and 'Smart Cities Mission'.

Other measures being taken by the Moon administration include setting up a New Trade Order Strategy Office, as well as pushing to conclude the emerging regional trade mechanism called Regional Comprehensive Economic Partnership (RCEP) agreement in which India is a member. It is raising the number of regional branches of its trade agency KOTRA (Korea Trade Investment Promotion Agency).<sup>18</sup> The India-South Korea Comprehensive Economic Partnership Agreement (CEPA), signed in 2009, is being revived and the Ministry

of Trade has held a number of meetings with their Indian counterparts to review its progress.<sup>19</sup> The Moon-Modi summit of July 2018 finalised the 'Early Harvest Package' that would lead to an upgrade of the CEPA engagement.

In addition, the Moon administration has decided to establish the Korea-India Future Strategy Group and the India-Korea Centre for Research and Innovation Cooperation (IKCRI). The latter is expected to provide an institutional framework for cooperation based on research, innovation and entrepreneurship.

For its part, the Indian government is taking measures to enhance South Korean investment. It has created, for example, a 'Korea Plus' mechanism under the Department of Industrial Policy & Promotion (DIPP) to boost the presence of South Korean companies in India. Prime Minister Modi highlighted its significance at the India-Korea business summits held in New Delhi in 2017 and 2018.<sup>20</sup> Various events and campaigns have been organised to create awareness amongst the Korean firms. India is receiving numerous business proposals, that it now plans to upgrade the 'Korea Plus' initiative into a 'Korea Square' mechanism.<sup>21</sup>

## **DEEPENING STRATEGIC PARTNERSHIP**

The new approach of South Korea also puts an emphasis on enhancing its strategic relationship with India. During his India visit, President Moon stressed that India was now his country's "key partner" in the region and that India should be treated as a major power.<sup>22</sup> India also looks at South Korea as an indispensable partner in its Act East Policy (AEP). The two countries are now working towards a new diplomatic mechanism in the 2+2 format. Once it is operationalised, South

Korea would become the third country to hold such a dialogue with India, after Japan and the United States.

In addition, South Korea's Ministry of Foreign Affairs is setting up a special team tasked with the responsibility of overseeing the country's engagements with India. Work is underway to energise its foreign ministry units and missions for the south Asian region.<sup>23</sup> Several new initiatives are being taken to foster closer people-to-people ties through youth exchange programmes, internships, and facilitation of tourism and business through simplified visa procedures.

Seoul has signalled to New Delhi that it would like to collaborate in maintaining peace and stability in the region. Both, President Moon and Prime Minister Modi recognise the link between prosperity and security, and during their talks have reaffirmed the significance of freedom of navigation and unimpeded lawful commerce. In a signal to China's growing unilateral action in the maritime sphere, both leaders are supporting initiatives for the peaceful resolution of conflicts in the region through dialogue, underlining the centrality of sovereignty and territorial integrity in accordance with the universally recognised principles of international law.

South Korea has demonstrated its desire to cooperate with India to secure the sea lines of communication (SLOCs) in the Indian Ocean. The navies of the two countries have held a joint drill in the Indian Ocean with a fleet of South Korean warships visiting Mumbai in October 2017. This was followed by a joint exercise between the coast guards of the two countries in April 2018 in Chennai.

Although Seoul has not openly endorsed

the emerging 'Indo-Pacific' concept due to its apprehension that China might retaliate through economic measures, it believes that it will gain from a US-led security system in Asia and an India-centric Indo-Pacific region.<sup>24</sup> South Korea officially announced in June 2018 that, "South Korea-US security alliance remains unchanged despite the rapidly changing security situation and Seoul will strengthen its cooperation with USINDOPACOM, which is responsible for the Indo-Asia-Pacific region."<sup>25</sup>

South Korea is exploring ways to become a part of the Indo-Pacific construct. There have been a number of conferences and seminars in which South Korea's leading scholars and diplomats have discussed the country's role in the Indo-Pacific era.<sup>26</sup> India's role in the region and its relations with South Korea are also highlighted in these gatherings, both official and non-official. Seoul also recently agreed to explore a tripartite partnership with New Delhi for the development of capacity building programmes in Afghanistan.

As a member of the Nuclear Suppliers Group (NSG), South Korea has supported India's bid for membership. A 'Vision Document' released after the 2018 summit recognised New Delhi's contribution and commitment to the global non-proliferation efforts and stressed that India's membership to NSG would further strengthen the regime. This is an important development as China continues to oppose India's entry into the NSG.

Seoul is also seeking to strengthen relationships in the strategic sectors, including the defence and civil nuclear industries. This was evident during the South Korea defence minister Song Young-min's visit to India in August 2018.<sup>27</sup> Both the countries are now

working towards implementing the India-Korea civil nuclear deal signed during the Manmohan Singh regime. They held talks in Mumbai in November 2014,<sup>28</sup> followed by another one between India's Department of Atomic Energy (DAE) and South Korea's Ministry of Science and ICT in January 2016 in Daejeon.<sup>29</sup> These talks were attended by top officials from both sides.

All these changes in the bilateral engagements have undoubtedly brought about a noticeable shift in India's approach to the Korean peace process. From a policy of strategic isolation, India has moved to strategic engagement. The Korean security-related issues have gained wider attention in India's new regional posture in Asia. These issues are being highlighted in Indian policymakers' speeches and New Delhi's joint statements with other countries such as the US, Japan and the ASEAN countries.<sup>30</sup>

India's Minister of State for External Affairs General VK Singh's visit to Pyongyang in May 2018 – a minister-level visit after a gap of almost 20 years – underlined India's growing engagement with issues in Korea. At the Delhi summit two months later, Prime Minister Modi declared that, “India is also a stakeholder in the peace process. We will do our bit to ensure peace in the Korean Peninsula”.<sup>31</sup>


Seoul believes that India can play an influential role in the Korean peace process, as South Korea's deputy minister for foreign affairs Enna Park stated in New Delhi earlier this year.<sup>32</sup>

## CONCLUSION

India's significance for South Korea is growing primarily because of the latter's deepening

strategic dilemma with China – its largest economic partner. South Korea's shifting perception about its economic engagement with China has influenced Seoul's strategy towards other Asian powers. Against this background, policymakers in Seoul see India as a crucial partner and their government is taking various steps to upgrade ties under their new policy framework called the NPS.

India needs to take advantage of this opportunity. South Korea can be a major economic partner in India's economic growth. After all, South Korea, which is Asia's fourth largest economy, has become one of the fastest growing economies in the world in recent years. South Korean companies are expanding and looking for new investment opportunities in emerging economies. They consider a rising India a good destination for their investment-related activities. Whereas existing South Korean companies in India are expanding their businesses, a large number of new companies are seeking to enter the India market as soon as possible. India must use this opportunity to enhance the presence of South Korean companies in India.

India should also pay particular attention to developing its strategic relations with South Korea. Such engagement with Seoul will also enhance New Delhi's strategic leverage, especially in the Indo-Pacific region. As India is facing pressure from China in South Asia due to the 'string of pearls' strategy, India should design a similar type of strategy in East Asia. In this regard, New Delhi must nurture its relations with Seoul just as it has done with Tokyo in recent years. India and South Korea, two leading democracies in Asia, are natural partners and should closely work together to foster peace and stability in the region. 

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