

# Part II

## 4. Strengthened ASEAN Centrality and East Asia Collective Leadership

### vi. Collective Leadership in East Asia and ASEAN Centrality: Role of the Republic of Korea

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# Collective Leadership in East Asia and ASEAN Centrality: Role of the Republic of Korea

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## 1. Introduction

This study aims to explore the role of the Republic of Korea (henceforth, Korea) and present its implementation strategies in promoting East Asian economic integration, with the centrality of the Association of Southeast Asian Nations (ASEAN), by strengthening the collective leadership of major East Asian countries.

Recently, the external environment of East Asia has been changing dynamically, with the spread of protectionism centred on the United States (US), the geopolitical change caused by the rise of China and India, and the role of peace and security in the ASEAN region as global public goods. Given the changes in the external environment of East Asia, it is necessary to explore Korea's role and implementation strategy

for promoting trade and investment, cultural and people-to-people exchanges between Korea and ASEAN, and the East Asian economic community.<sup>1</sup>

ASEAN aims to build a peaceful, stable, and resilient community based on the centrality of ASEAN and to establish ASEAN as an outward-oriented region within the global community. Expanding the ASEAN community into the East Asian community requires the collective leadership and cooperation of Korea, China, and Japan. ASEAN envisages a highly connected, integrated economy that narrows the development gap.

The development gap for Cambodia, the Lao People's Democratic Republic (Lao PDR), Myanmar, and Viet Nam (CLMV) should be narrowed so that the economic conditions and development stages of ASEAN are both inclusive and resilient. This requires the major countries in East Asia to share collective leadership. The gap in economic development amongst the ASEAN member countries is not diminishing because it reflects the relatively slow realisation of the ASEAN community vision.

Starting in 1951 with the European Coal and Steel Community, it took almost half a century to achieve the European Union (EU). Economic integration has been taking place since the early 1990s through the North American Free Trade Agreement (revised in 2018 as the United States–Mexico–Canada Agreement) and MERCOSUR in South America. It is desirable to continue towards the completion of the East Asian economic community, centred on ASEAN since 1967, and the East Asian economic community is fully feasible.

To strengthen ASEAN's central role in forming the ASEAN community, there is a need for coordination amongst the leadership of middle powers.<sup>2</sup> Middle powers have a role to play in the greater East Asia collective leadership, unlike big powers such as the US and China. By strengthening political cohesion based on economic partnership, middle powers like Korea and Australia may create opportunities to demonstrate

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<sup>1</sup> This would include China, Hong Kong, Japan, Korea, and Taiwan.

<sup>2</sup> Korea, Australia, and New Zealand are assumed as middle powers.

collective leadership with the big powers. To realise the ASEAN single market and the economic community centred on ASEAN in the transformational ASEAN community, the East Asia collective leadership of Korea, China, and Japan should be determined on a preceding basis. To this end, this study presents four differentiated roles and three strategies for Korea.

## **2. Korea's Four Roles for the Formation of the ASEAN Community**

To realise the vision of the ASEAN community, the four roles of Korea can be grasped centred on (i) increasing trade; (ii) expanding investment; (iii) expanding cultural, people-to-people, and tourism exchange; and (iv) promoting political security on the Korean Peninsula.

### **(1) Increasing trade in East Asia to combat trade protectionism**

The recent rise in US trade protectionism has fuelled fears that it will spread around the world, causing trade retaliation in the EU and China. Korea is caught between the US and China in the current trade conflict. It should act as a buffer to prevent US–China trade conflicts spreading throughout East Asia. One way is to form a Northeast Asian economic region and try to bring the dependence on North America and the trade scale of the Northeast Asian economic region into balance. For example, Korea could play a role in activating the horizontal global value chain (GVC) of China–Korea–Japan. The existing vertical GVC combines the Chinese labour force, Korean manufacturing technology, and Japanese advanced source technology. A horizontal GVC, based on complementarity with ASEAN, would combine the innovative achievements of the Fourth Industrial Revolution with high value added – increasing the value-added trade volume of the Northeast Asian economic region.

Economic integration in Northeast Asia is promoted by the intra-regional division of labour and should involve a private-led bottom-up approach. International flows of goods, services, and factors of production in the private sector should lead to economic, social, cultural, environmental,

and trade developments. If the governments of China, Japan, and Korea construct institutions to coordinate such flows, Northeast Asia and ASEAN could eventually converge into a single economic region. If such an economic cooperation entity were to embrace the private sector and civil society, this would help overcome the limitations of a government-led institutional approach. Therefore, a pluralistic and comprehensive approach should be used to form a Northeast Asian community.

The East Asian economic community could be formed when the Southeast and Northeast Asian economic regions cooperate. By realising the economic integration of the two Koreas, the Korean Peninsula could become a bridge for Northeast Asian economic relations between China and Japan. The Korean Peninsula is a trade hub connecting East Asia and the Pacific Ocean. In the context of the formation of the Northeast and Southeast Asian economic regions, Korea must act to raise East Asia intra-regional trade dramatically.

## **(2) Expanding direct investment to promote mutual prosperity with micro, small, and medium-sized enterprises**

Korean companies could promote ASEAN investment by targeting countries and sectors not prioritized by China and Japan. To realise a highly integrated and cohesive ASEAN Economic Community (AEC), Korea as a GVC organiser can play a leading role in inducing and promoting ASEAN participation in GVCs.

To promote the business activities of micro, small, and medium-sized enterprises (MSMEs) in the AEC, a global network of multinational enterprises needs to be developed and GVC production processes need to be upgraded. Korea succeeded in export-oriented industrialisation based on the formation of the international division of production through the flying geese theory of economic development in East Asia in the 1970s–1990s. Japan was the lead goose and the other groups of countries followed it in a similar fashion to wild geese flying formations. Every decade from the 1970s to the 1990s, Japan led economic growth – followed by the newly industrialised economies (NIEs: Hong Kong, Korea, Singapore, and Taiwan); then ASEAN countries; and finally

China. By developing a functionally formed vertical production and division network in East Asia to serve as a new engine for economic growth, the production and division network should be upgraded to a complementary international production cooperation structure. Foreign direct investment of Korean multinationals in ASEAN spreads knowledge-based technology that creates high added value, and helps upgrade ASEAN MSMEs to enable them to produce high value-added products beyond agricultural and primary production.

To this end, the investment of multinational corporations should be invigorated in East Asia. Korea's multinationals organised GVCs mainly in Indonesia, Myanmar, and Viet Nam. ASEAN should participate in the GVCs organised by Korea, and Korea should participate in the GVCs organised by ASEAN. Most of all, through the invigoration of multinational enterprises' local business activities, mutual growth should be promoted by cooperating with large ASEAN and Korean firms, as well as SMEs in manufacturing and services.

### **(3) Expanding cultural, people-to-people, and tourism exchange to connect future generations**

Korea must liberalise the movement of human resources by harmonising border-crossing procedures in Korea and ASEAN in the same way as Europe's Schengen Agreement. Cultural exchange should be particularly promoted between ASEAN and Korea, focusing on the younger generation. The ASEAN–Korea youth exchange program and ASEAN Youth Camp are examples of annual youth exchanges based on a Korean initiative.

Korea could institutionalise the temporary movement of skilled workers through visa relaxation for science, technology, engineering, and mathematics (STEM) workers from ASEAN. Technical and vocational education and training could also be used to encourage Korean companies to contribute to the development of ASEAN workers' human capital. Korean companies could also organise internship programmes for ASEAN students and workers.

Korean provinces could establish sisterhood relationships with ASEAN regions and promote the exchange of young people (international students). In 2016, ASEAN students comprised 18% of the total number of international students in Korea, which was very low compared with the 58% share of ASEAN workers in Korea. Korea could contribute to the development of ASEAN human resources through the Korea–ASEAN international student exchange program. Faculty exchange programs could also be promoted.

**Table 1: People-to-People Exchanges between Korea and ASEAN**

ASEAN Nationals in Korea	Year	ASEAN	World	Share
Marriage migrants	2013	58,552	150,865	39%
	2014	59,242	150,994	39%
	2015	60,890	151,608	40%
	2016	62,492	152,374	41%
Students (D-2 & D-4 visas)	2013	7,702	83,471	9%
	2014	9,574	88,257	11%
	2015	12,445	98,144	13%
	2016	20,742	117,632	18%
ASEAN workers (E visas)	2013	171,937	308,564	56%
	2014	190,417	333,882	57%
	2015	196,534	339,102	58%
	2016	198,899	342,239	58%
<b>Total</b>	<b>2013</b>	<b>319,198</b>	<b>1,576,034</b>	<b>20%</b>
	<b>2014</b>	<b>392,814</b>	<b>1,797,618</b>	<b>22%</b>
	<b>2015</b>	<b>408,239</b>	<b>1,899,519</b>	<b>21%</b>
	<b>2016</b>	<b>440,681</b>	<b>2,049,441</b>	<b>21%</b>

ASEAN = Association of Southeast Asian Nations.

Note: The total is the sum of marriage migrants, students, and workers.

Sources: Government of the Republic of Korea, Ministry of the Interior and Safety; and Korea Immigration Service.

The Korean Wave (Hallyu)<sup>3</sup> needs to be used to form a cultural common view between ASEAN and Korea. The success of Hallyu in China and Japan could be applied to ASEAN. To promote unity in diversity, intra-regional cultural identity needs to be created based on a cultural common view. Trade enhancement in the cultural content service sector could be used to create social and cultural communities.

To expand tourism exchange, visa waivers could be applied to East Asian nationals visiting Korea for up to 72 hours or transiting it en route to a third country. Such a visa exemption policy could start between Korea and ASEAN, and be expanded to include other countries in East Asia. A 'One Card–One Asia' project could also be implemented to travel throughout East Asia with a single transportation card. By integrating the East Asian public transport payment system into one standard, one transport payment card could be used for public transport throughout the region. The transit visa exemption and One Card–One Asia project could promote regional tourism and contribute to the formation of cultural consensus in East Asia.

#### **(4) Promoting peace and security on the Korean Peninsula through economic integration of the two countries**

Economic integration of the two countries on the Korean Peninsula could mark a paradigmatic shift for the proposed Korea–China–Japan free trade agreement. With the domino effect of economic integration, this could lead to integration of the Northeast Asian market based on inter-Korean economic integration. As a result, ASEAN and Northeast Asia could be formed into a single market.

Inter-Korean economic integration could change the unstable political landscape of Northeast Asia and contribute to peace and stability in the region. An inter-Korean economic community would promote the relaxation of tensions on the Korean Peninsula and establish a foundation for unification. The security confrontation in Northeast Asia appears to be a hegemonic confrontation between the US and China (e.g. the standoff

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<sup>3</sup> The increasing global popularity of Korean culture since the 1990s.

in the South China Sea). If China, Japan, and the US (the main parties to the conflict) support inter-Korean economic integration, and they and the middle-power nations (Korea and Australia) exercise collective leadership, such an economic integration body could contribute to creating a foundation for peace and stability. Hegemonic confrontations on Northeast Asian security are obstacles to economic integration. However, demand may increase for regional cooperation to resolve the instability caused by the confrontation. Economic integration and peace between the two countries on the Korean Peninsula could help alleviate the hegemonic confrontation between the US and China.

An inter-Korean economic community should be the centre of collective leadership practice to promote the ASEAN Vision 2040. Northeast Asian economic integration should be combined with Southeast Asian economic integration and serve as a catalyst to achieve East Asian economic integration. On the other hand, an inter-Korean economic community could suffer from teething problems and economic and political repercussions, as in the reunification of Germany, for reasons such as political security. To minimise this, countermeasures should be prepared. During the unification of East and West Germany, internal political and economic unrest was generated because of monetary unification, price reform, and real estate property ownership. Lack of understanding of the market economy system in East Germany caused considerable delays. North Korea is more restrictive than East Germany, and the gap between the two countries is greater than that of East and West Germany. Considering these points, two countermeasures could be suggested to minimise political instability in an inter-Korean economic community. First, Korea could help North Korea gradually become familiar with the market economy system by encouraging humanitarian assistance and economic exchange to open the North Korean society. Second, international organisations like the Asian Development Bank, other regional cooperation organisations, and the East Asia Summit (EAS) could support the economic integration of the two countries.

### 3. Three Major Execution Strategies

As the core partner of ASEAN plus six,<sup>4</sup> three major execution strategies for implementing the four roles that Korea must fulfil are proposed, focusing on (i) conclusion and effectuation of the Regional Comprehensive Economic Partnership (RCEP) based on Korea–China–Japan collective leadership, (ii) applying the Saemaul Undong Movement to the Greater Mekong Subregion (GMS) development project, and (iii) mutual prosperity of Korean and ASEAN firms.

#### (1) Conclusion and effectuation of the RCEP based on Korea–China–Japan collective leadership

As a preceding task of the formation of the AEC, Korea should lead the conclusion and effectuation of the RCEP.<sup>5</sup> Differences in the economic and industrial structure of the 16 member countries should be used as a tool to form a dynamic production and division network. Korea should also play a role in transforming competition and containment between China and Japan into reconciliation and cooperation. The function of the EAS needs to be enhanced. . On the other hand, economic integration based on the idea of a closed economic region, where a country is the centre of the world and the periphery is barbarian, should be avoided. Korea could apply its experience in developing free trade agreements to bring the RCEP to fruition.

Korea should pursue political and security cooperation based on the revitalisation of economic cooperation. The hierarchical order that underestimated China's neighbouring countries in the past and the notion of the dominance of Japan in other Asian countries have led to the confrontation of hegemony between China and Japan. On the other hand, Korea can propose forming an open community by pursuing unity in diversity. It is possible to reduce the possibility of conflict between China and Japan and foment coordination through collective leadership. Korea could contribute to the creation of an open community by inducing

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<sup>4</sup> Australia, China, India, Japan, Korea, and New Zealand.

<sup>5</sup> The RCEP is a free trade agreement between ASEAN and the plus six countries (Australia, China, India, Japan, Korea, and New Zealand).

Australia and New Zealand to mediate the possibility of a hegemonic conflict in the Asia-Pacific region as middle power nations.

Korea should pursue differentiated economic cooperation considering the characteristics of the various ASEAN countries. For example, it could strategically strengthen manufacturing capacity in Viet Nam, consolidate key industry cooperation in Indonesia, support building industrial bases in Myanmar, and secure a stepping stone in Malaysia for ASEAN market expansion.

## **(2) Applying the Saemaul Undong Movement to the GMS development project**

The Saemaul Undong Movement is a national movement developed in all villages throughout Korea and is an agricultural and rural policy. It is a mind reform and self-sustaining revolution centred on self-help, and a 'well-living' movement. It restores a 'can-do spirit' such as self-sustainment, self-help, and self-restoration; and builds collective confidence. The result has been an income revolution. The government's financial support for agriculture and rural areas has led to farmers' labour force participation. Farmers donated a portion of the proceeds of their labour to form community funds, which were invested in income-generating projects. Repeated investments have led to the continuous development of the Saemaul Undong Movement and a virtuous cycle.

The Saemaul Undong Movement Project – an important driving force of Korea's economic growth known as the miracle of the Han River – could be applied to the Mekong River development project to implement the 'Mekong River Miracle' project. Korea has implemented a knowledge sharing program in underdeveloped countries as part of its official development assistance. The Saemaul Undong Movement Project could also be applied to the GMS development project, focusing on human capital development for inclusive growth in ASEAN.

Such inclusive and sustainable economic growth may require self-motivated economic development and the use of human resources from

the less developed countries (CLMV) in the region. For self-directed participation and use of human resources in the region, it is necessary to educate the labour force, cultivate the human resources necessary for the region, and rearrange the regional human resources into the required areas.

The second Korea–Mekong Action Plan (Korea, 2017), proposed by Korea in 2017, specifies cooperation goals and projects on the three major visions of the Korea–Mekong Cooperation (ASEAN connectivity enhancement, sustainable development, and people-centred development) and the six priority cooperation areas (infrastructure, information and communication technology, green growth, water development, agriculture and rural development, and human resources development) under this vision. The collective leadership of China, Japan, and the US – centred on Korea – should be created to make a new breakthrough in Mekong River development and achieve the desired results.

The GMS could provide a successful example of inclusive growth in ASEAN, but the benefits of ASEAN regionalisation through the GMS have not been evenly distributed amongst the participating countries. The development gap amongst the partner countries has not improved and is likely to remain intact or deteriorate. The collective leadership of China, Japan, Korea, and the US, participating in the Mekong River development project, can be conducted in harmony and balance by harnessing the expertise of each country in various sectors. For example, along with the hydropower development project of Japan and the highway construction of China, Korea can apply lessons learned from the Saemaul Undong Movement to agricultural, rural, and village development projects in the CLMV countries of the Mekong basin. If ASEAN's underdeveloped countries successfully and self-directedly implement Korean-style Saemaul Movement, it will be a new catalyst for economic development in the Mekong region while maintaining ASEAN's centrality.

The GMS has been mainly conducted by the competent authority, the international financial institution, and the private enterprise. The Saemaul

Undong Movement could be carried out by the CLMV residents as the main body of development.

A partnership between the government, the community, and the market is necessary if the Saemaul Undong Movement is carried out on the Mekong River as part of official development assistance. Continued support is needed from the central government and top officials to foster and support on-site leadership. Various methods and innovations should be utilised. Preventive measures should be taken against community development failures.

The Initiative for ASEAN Integration and the ASEAN Mekong Basin Development Cooperation as well as the World Bank, Asian Development Bank, Organisation for Economic Co-operation and Development, and GMS donors (e.g. Korea, Japan, and Australia) could form panels to guide the miracles of the Mekong River through collective leadership. Information sharing and lack of mutual trust, which were the problems of the past, could be solved through a demonstration of collective leadership and the experience of self-sustaining success of ASEAN countries. In addition, development success cases for the realisation of the common goal of agriculture, rural, and human resources development could also be identified and used as an example for community development. It is possible to promote collective leadership by reflecting the Samael Undong Movement on the agenda of ASEAN Plus Three<sup>6</sup> or the EAS and by realising Korean proposals in advance. This could lead the project to narrow the development gap by creating success stories like the Saemaul Undong Movement and Korea's economic development.

### **(3) Mutual prosperity of Korean and ASEAN firms**

Korean companies are successfully participating in GVCs and Korea is growing as a GVC organiser. It is necessary to identify cases where Korean companies have applied international best practices and standards, and apply them to ASEAN. In addition, technical assistance and the inflow

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<sup>6</sup> China, Japan, and Korea.

of industrial labour should be promoted to upgrade industrial capacity and productivity for ASEAN's less developed countries (e.g. CLMV). The opportunity to acquire skills through ASEAN industrial employment in Korea needs to be presented. Workers in ASEAN's underdeveloped countries could learn skills in Korea and become skilled workers through industry–academia–partnership activities and return to their home countries. This would enable them to cultivate techniques and cognitive skills to support the core role of GVCs.

Based on the leadership of Korea's innovative global corporations, the global production division network in ASEAN and East Asia could be shaped. To expand trade in services that used as inputs in manufacturing, it is necessary to liberalise the barriers of multinational corporations within the scope of agreement between East Asia and ASEAN countries. The ASEAN start-up ecosystem should be activated by linking large Korean corporations with ASEAN youth venture start-ups. A large Korean company could discover and nurture youth venture businesses in ASEAN and participate in their growth. An accelerator that selects feasible young venture start-ups and supplies the driving force could link the angel investment of large Korean companies with ASEAN venture entrepreneurs. For example, Korean-style accelerators such as the Plug and Play Tech Centre could identify ASEAN youth venture start-ups and build an ASEAN venture start-up ecosystem based on investment by Korean large corporations.

## **4. Conclusion**

This study presents Korea's four major roles and three strategies for the formation of an ASEAN community. Its four roles – increasing trade in East Asia to combat trade protectionism; expanding direct investment to promote mutual prosperity with MSMEs; expanding cultural, people-to-people, and tourism exchange to connect the future generations; and promoting peace and security on the Korean Peninsula through the economic integration of Korea and North Korea – are presented. The three strategies for the four goals are proposed as follows: conclusion and effectuation of the RCEP based on Korea–China–Japan collective leadership; applying the Saemaul Undong Movement to the GMS development project; and mutual prosperity of Korean and ASEAN firms.

Korea is one of the few countries in the world that has succeeded in economic development in one generation. It is the world's 10th largest economy and 5th largest exporting country, having achieved successful economic growth from the same low economic development level as the underdeveloped countries of ASEAN. Thus, Korea can share its experience so that ASEAN can develop along a similar path.

ASEAN can play a key role in the economic integration of East Asia. For example, we can consider the case of flying geese economic growth in East Asia. From the 1970s to the 1990s, Japan, NIEs, and China acted as the lead geese while other groups of countries followed it in a similar fashion to wild geese flying formations, and the East Asian international division of production was developed functionally. Until now, ASEAN has managed to supply industrial raw materials and primary products. However, by 2040, ASEAN could become the centre of the world economy – not based on the comparative advantages of the first industry- and labour-intensive production as in the past, but as ASEAN achieves the fourth industrial revolution, it should move towards high value-added knowledge-based industry. By 2040, Japan, China, and other countries – especially Korea – should practise their collective leadership so that East Asia as a whole can function as a pioneering growth engine for economic integration through ASEAN.

In the political and security sectors, differences in historical perceptions could be a negative factor for local community collective leadership. Korea can induce shared responsibilities for China and Japan that otherwise have different positions. India, Australia, and New Zealand could also be involved. Political solidarity could be pursued based on the proactive completion of economic integration. If functional integration in the private sector and fundamental economic structure is precedented, the collective leadership of Korea, China and Japan could be shared based on economic integration. By realising a collective leadership system in East Asia focused on ASEAN, ASEAN and East Asia could avoid the hegemony of central powers and achieve mutual development and peace in the region. Collective leadership could solve deteriorating trade relations and friction between the US and China by promoting East Asian economic integration around the ASEAN community. Japan and China would receive the ripple effects of the economic understanding achieved

on the Korean Peninsula. This can be achieved through the cooperation of Korea with ASEAN.

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