Thinking ASEAN

From Southeast Asia On Southeast Asia

+ INFOGRAPHIC

ASEAN ROUND-UP

ASEAN – South Korea Economic Relations: The Way Forward

Enhancing Trust-Building in ASEAN-Korea Relations

ASEAN Plus Three at Twenty: Perspective from Japan
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Dear readers:
Welcome to the March 2017 issue of the monthly Thinking ASEAN!

In the past few weeks, events in ASEAN’s neighbouring region - Northeast Asia - have dominated headlines. From the impeachment of South Korean President Park Geun-hye, to the holding of the 12th National People’s Congress in China, as well as the mysterious murder of Kim Jong-nam, the half-brother of North Korea’s Kim Jong-Un, in Malaysia, these are indeed interesting times.

The latter in particular, demonstrates implications on Southeast Asia, with the suspected involvement of an Indonesian and Vietnamese women in the murder as well as the subsequent diplomatic fallout between Pyongyang and Kuala Lumpur that have seen North Korea ban Malaysian nationals from leaving the country and Malaysia responding in kind.

It is in this sense, that this issue of Thinking ASEAN takes a closer look at Northeast Asia beginning with an article by Associate Prof. Haruko Sato, Osaka School of International Public Policy (OSIPP), Osaka University. Her article, entitled, ‘ASEAN Plus Three at Twenty’ explores the meaning of ASEAN Plus Three to Northeast Asia’s International Politics, as it marks its 20th anniversary this year. Writing primarily from a Japanese point of view, her article highlights the achievements of ASEAN Plus Three while at the same time points to the lingering distrust that remain.

Our second article comes from Ms. Dira Tiarasari Fabrian, an official at the Ministry of Foreign Affairs of the Republic of Indonesia. Entitled, ‘Enhancing Trust-Building in ASEAN-Korea Relations’ the article attempts to provide recommendations for a nuanced and meaningful future for ASEAN Korea relations, especially in light of increasing transnational challenges such as global warming and the refugee migration issue. Referring to the Indonesian proverb “tak kenal maka tak sayang” (you cannot love someone you are not familiar with), her recommendations focus on ways to improve the socio-cultural aspects of ASEAN-Korea relations.

Meanwhile, Ms. Fina Astriana, researcher at The Habibie Center examines the economic aspects of ASEAN-Korea relations, calling for more efforts to be done to utilize and maximise the benefits from the ASEAN-Korea Free Trade Agreement, not only by the governments but also by the business sectors themselves.

As usual, we present a short infographic that looks at some key indicators of ASEAN-Korea relation and a summary of the goings-on in selected countries from around Southeast Asia including the high-profile visit of Saudi Arabia’s King Salman bin Abdulaziz Al Saud to the region that includes stops to Malaysia, Indonesia, Brunei Darussalam, Japan and China.

Don’t hesitate to drop me a line at thinkingasean@habibiecenter.or.id if you have comments, input, or prospective submissions.

Happy reading!
Best regards from Jakarta

Thinking ASEAN is a monthly publication that aims to provide insightful, cogent and engaging perspectives on issues central to contemporary Southeast Asia and the ASEAN member states. It is a product of The Habibie Center, with the generous support of the Republic of Korea’s Mission to ASEAN.

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The Habibie Center was founded by Bacharuddin Jusuf Habibie and family in 1999 as an independent, non-governmental, non-profit organisation. The vision of The Habibie Center is to create a structurally democratic society founded on the morality and integrity of cultural and religious values.

The missions of The Habibie Center are first, to establish a structurally and culturally democratic society that recognizes, respects, and promotes human rights by undertaking study and advocacy of issues related to democratization and human rights, and second, to increase the effectiveness of the management of human resources and the spread of technology.
ASEAN Plus Three at Twenty: Perspective from Japan

ASEAN Plus Three at Twenty: Perspective from Japan

ASEAN Flag
Source: www.asean-agrifood.org

Haruko Satoh, is Associate Professor at the Osaka School of International Public Policy (OSIPP), Osaka University where she is currently working on an international research project on rethinking international politics in East Asia.
The past two decades since the Asian Financial Crisis in 1997 have been testing but interesting times for East Asian regionalism. There is no doubt that the financial crisis resulted in hastening the pace for establishing concrete mechanisms for regional cooperation and integration, much like giving flesh and bone to the “Asian Way” or what Funabashi Yoichi described as “Asian consciousness and identity.” ASEAN Plus Three, the forum that connects the ten ASEAN countries and the three Northeast Asian states, China, Japan and South Korea, was one such outcome — and arguably the most significant for the future of the region and for international politics.

Why? A simple answer may be that ASEAN Plus Three was grounded in a reality of growing economic interdependence between the East Asian countries that are also geographically and historically connected and culturally close. It was also the result of an incremental and informal process that took place as part of the region’s readjustment to the new post-Cold War realities, the rise of China being the most significant development. This is not to say that other important benchmarks in East Asian regionalism were founded on less credible rationale. The 1990s saw the birth of several regional forums, including APEC (Asia-Pacific Economic Cooperation), ARF (ASEAN regional Forum) and ASEAN (Asia-Europe Meeting), each addressing new needs and exploring new potentials for intergovernmental cooperation. APEC was crucial for the liberal order-countries to stay properly engaged. It should be remembered that Koizumi’s repeatedly visited Yasukuni Shrine, where the souls of the 14 Class-A war criminals of World War II are interred together with 2.6 million souls of the soldiers who fought in Japan’s modern wars since 1868.

Although this was not the first time that a Japanese leader’s visit to Yasukuni Shrine had incited anger in Asian countries, Koizumi made the issue gain new heights of visibility by visiting the shrine every year and thereby risking regional isolation. The resulting diplomatic controversy in turn made the Yasukuni Shrine into a hotly contested domestic issue. As summit relations rapidly cooled, even on the fringes of ASEAN-related gatherings or APEC meetings, China finally cancelled the planned China-Japan-South Korea trilateral summit that it was to host in September 2006. This was in response to Koizumi’s earlier visit to the shrine on 15 August, the day Emperor Hirohito announced Japan’s defeat in 1945. Popular anti-Japan sentiment reached a peak during this period, as anti-Japan riots broke out in the final of the Asian Cup football match between China and Japan in 2004 and violent anti-Japan demonstrations broke out in major Chinese cities in 2005. Not surprisingly it was at this juncture that the association of Japanese businesses, Keidanren, expressed concern about the negative impact the Yasukuni visits was having on their economic interests in China. Ordinary Japanese began to question the wisdom of the visits, and even U.S. President George W. Bush, with whom Koizumi enjoyed good personal relations, was said to have cautioned him not to visit.

It is important here to have a sense of the distance the trilateral relationship has travelled in a relatively short span of time, despite still being weighed down by so much historical baggage with little progress on the front of post-war reconciliation. For, China, Japan and South Korea not only share a bitter history of war but also the post-World War II normalization of relations between them was hampered by the onset of the Cold War that divided Northeast Asia into two camps. This froze any meaningful interaction between these countries for decades. Japan and Korea normalized relations in 1965, China and Japan normalized relations in 1972, and finally China and Korea normalized relations in 1992, only after the Cold War ended.

As such, during the Cold War period China, Japan and South Korea followed different timelines in their respective domestic political consolidation and economic development: China was in the throes of revolution, Japan was essentially concentrating on economic growth, and South Korea was alternating between democratic and military rule for much of the Cold War period. Reconciliation was not high on the agenda, and in the meantime deep mistrust towards Japan became entrenched in the domestic politics of both China and South Korea, while Japan lapsed into amnesia about its Asian war past. Interestingly, history has become an explosive diplomatic issue between Japan and its former victims, China and Korea, in the years since the Cold War rather than during it, in part because time began to flow again between them with increased interaction, and memories of the war begged for political attention.

Even as global political tensions eased with the fall of the Berlin Wall in 1989, its effect was harder to notice in Northeast Asia. Japan had still to sign a peace treaty over World War II with Russia, China was all but isolated internationally because of the Tiananmen crackdown on students, and China and South Korea had not normalized relations yet. It is, therefore, not surprising that a tripartite gathering of China, Japan and Korea in the immediate post-Cold War years was a difficult (if not impossible) proposition. China—Japan and Japan—Korea track II dialogues had some history, but the China—Korea link was barely visible. And, they were tense and awkward affairs. For example, an early attempt to hold a trilateral meeting in
Tokyo by one of Japan’s prominent foreign policy think tanks was met by resistance. The idea was to hold a joint session with Chinese and Korean delegates who were already in Tokyo on separate bilateral talks.

This is not to say that the need for a tripartite gathering was not recognized, but in hindsight the idea was perhaps not as compelling as it was in 1997, for neither China nor Korea was on the same economic footing as Japan at the time. More importantly any Japanese initiative that was not backed by Tokyo’s willingness to concede an unambiguous position with regards to its wrong doings in the past war was never going to have much traction for China and Korea. Moreover, unlike the track II trilateral process between Japan, Russia and the U.S., where the U.S. was essentially offering a neutral platform for Japan and Russia to address their differences and pave the way to normalize bilateral relations, a trilateral between China, Japan and Korea did not have the benefit of a third party that could be trusted with the role of a mediator to facilitate dialogue among the three.

This is where ASEAN enters into the picture, emerging as an important facilitator of regional dialogue and frameworks.

**The ASEAN way of regionalism**

East Asia’s regional frameworks are multi-layered with no single over-arching structure that is easily identifiable as the mother of all regional frameworks. It does not have a Brussels, single market, let alone regional security architecture. For this reason the complex regional mechanism in East Asia has often been unfavourable regarded as unorganized and ineffective when compared to the European Union (EU) and the North Atlantic Treaty Organisation (NATO). A US official once quipped in private, “You have to start streamlining the multiple regional frameworks, as our Secretary of State can’t be expected to attend all these meetings”. This may be so, but institutional rationality alone does not drive Asian regionalism.

In fact, the multiple layers of formal and informal regional frameworks reflected the way in which regionalism developed around what might be called the ASEAN way of consensus building and non-interference in each other’s domestic affairs. Any process of ‘integration’ starts with the process of coordinating the varied and often conflicting national positions to form a common vision. While this may be the same for both East Asia and Europe the outcome so far has been different. The EU has developed as an institutional expression of a common vision, while East Asian regional frameworks, for all their shortcomings, so far have sought importance in the process of enhancing pragmatic and functional cooperation where possible; the regional states do not as yet stand on a common footing to pursue a more explicitly integrationist agenda in the EU model that would require regional states’ willingness to be subject to institutional discipline and some form of effective, political decision-making mechanism in place of consensus-based talk-shops. If the sense of community strengthened as a result it was fortuitous; if not, no one was forcing anything with any deadlines.

In fact, the stress on pragmatism, functionalism, and preference for consensus building, combined with the non-interference principle is not only central to ASEAN but also to the Northeast Asian states as well. Respect for national sovereignty is of utmost important to all nations in Asia, if only because they are relatively young as nation-states. But that has not obstructed the process of forging closer ties and the groundwork for cooperation between them, even when mutual suspicion is quite strong. What was missing in institutional discipline, East Asian states were able to compensate in pragmatic ways when the necessity for letting down their differences arose in times of crisis, such as during the SARS or avian flu epidemic.

As a result, cross-border investment and production networks within the region today are densely connected, so much so that the massive earthquake in Tohoku Japan and the massive flooding in Thailand in 2011 that hit hard some Japanese manufacturing network became a vivid
reminder to the region of their interconnectedness.

**Crunch time?**

Yet, at the moment the situation looks less promising. The political and security situation has deteriorated considerably compared to previous decade of ASEAN Plus Three, when China’s rise was largely an economic matter, and the future of its power regarded with a mixture of caution and optimism. But as the messy maritime disputes in the South China Sea demonstrate, it is no longer possible to separate security concerns between Northeast and Southeast Asia. There are multiple factors here at play, which are beyond the scope of this article to address. Suffice to say that the region has truly entered the phase of transition and realignment. China’s confidence (some say hubris) has been steering the country to challenge the existing post-war regional order of American making, and the region is experiencing its unsettling effect.

Regionalism in East Asia has always had a weakness that make it vulnerable to a serious schism, such as one created when two influential powers, U.S. and China, compete for ideas about how the region may be organised. The undertones in this conflict of ideas are complex, reflecting the cultural as well as political diversity of the region itself. East Asia is home to several distinct cultural heritages. ASEAN countries are multi-ethnic, multi-cultural, and multi-religion and also share the legacies of Western colonization. Political systems also differ. China, Vietnam and North Korea are communist states, Myanmar has only recently shed military rule, and political modernization and liberalization is still an on-going process in many countries, including Indonesia, Malaysia, the Philippines, and Thailand.

Mutual suspicion and low level of trust are still a running theme in the relations among East Asian states, even though they are also able to coexist relatively peacefully. This paradox reflects a historical circumstance: most East Asian states were post-colonial (and young) and the San Francisco Peace Treaty that Japan signed with its former enemies was not comprehensive, and therefore post-war, Cold War East Asia had multiple dividing lines, some more prominent than others but when combined they make the region less ready for a regional framework comparable to Europe’s Organization of Security and Cooperation in Europe (OSCE) that addressed mutual security concerns and enhanced transparency between the rivaling camps as a confidence-building measure.

The post-Cold War situation presented another potential divide between those who had benefited from the international liberal order under American protection and those who were newcomers to this order, especially China and the four states (Vietnam, Laos, Myanmar and Cambodia in order of accession) that joined ASEAN in the 1990s. Today, the maritime disputes that have arisen as a result of China’s determination to claim sovereignty over the areas within its disputed nine-dashed lines in the South China Sea threaten to pull apart ASEAN.

How the region pulls through is a complex equation. It rests at the strategic level on relations between China and the U.S. on the one hand and China and Japan on the other. Yet, what is equally important in the long run in establishing a lasting peace in the region is ASEAN Plus Three, for which not only Japan’s reconciliation with China and Korea is of critical importance but also the survival of a coherent ASEAN as regional facilitator. There is no point in denying that the role of the U.S. is limited in this regard, as it does not really appear to be in the interest of the U.S. (rhetoric aside) to see the three major East Asian countries forge closer ties. As impossible as it may seem for today’s China, Japan and South Korea to change their zero-sum mindset when it comes to reconciliation, it is imperative for them to escape sooner than later the trappings of history if East Asian regionalism is to have any chance for survival.

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**Mutual suspicion and low level of trust are still a running theme in the relations among East Asian states, even though they are also able to coexist relatively peacefully.**
Enhancing Trust-Building in ASEAN-Korea Relations

The changing of the guard ceremony at the Gyeongbokgung Palace.
Source: Wikimedia Commons

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Introduction: The state of the world we are living in now

If one was to describe today's world in one word, it would arguably be: paradox. On the one hand, numerous events and activities can be witnessed, aimed at enhancing our understanding of one another. These include the many youth exchanges and interfaith dialogues taking place. Yet, unfortunately, the world is also witnessing more and more hate crimes, racism, and discrimination. Furthermore, as the world makes significant progress in a concerted effort to achieve the Sustainable Development Goals (SDGs), to slow down climate change, and to uphold human rights, we are also seeing more and more countries resorting to ultra-nationalism and populism. Examples include countries closing their borders to free trade and refugees, and falling prey to prejudices against foreigners and certain religious or racial groups.

The lack of trust among people seems to be on the rise these days and it leads to the many problems we currently face, such as refugee crisis and violent extremism. We need not look far for examples such as when U.S. President Donald J. Trump signed an executive order on January 27, 2017 to limit the entry of immigrants and refugees – as well as green card and valid U.S. visa holders – from several majority Muslim countries from entering the country; supposedly to keep "radical Islamic terrorists" out of the U.S. In the Netherlands, the Party for Freedom (PVV) is expected to lead the polls. The Party's leader and founder Geert Wilders, who is notorious for his anti-immigration and anti-Islam stance, recently stated that mosques are akin to Nazi camps and hence he will close all mosques in the Netherlands should he be voted into power.

Even in our very own region, there are still issues with trust among communities. Last year, some conservative Christian groups in South Korea protested in response to the government's intention to issue more Islamic-friendly policies, such as building halal food facilities, in order to cater to the increasing number of Muslim tourists in South Korea. Chun Shin-young, an immigration lawyer, also stated that prejudice towards outsiders results in the very low acceptance rate of non-Korean refugees even though South Korea is a signatory of the United Nations Convention relating to the Status of Refugees. Elsewhere, the Buddhist and Muslim communities in Rakhine State, Myanmar are still struggling to get along and Jakarta's recent local election on February 15, 2017 – tinted by religious and ethnic sentiments – has been labeled as "a test of tolerance" and shall remain so as a second round is scheduled for April 19, 2017.

In light of ASEAN's 50th anniversary, ASEAN Plus Three's 20th anniversary, and this year's ASEAN-Korea Cultural Exchange Year, the author is of the view that building trust could and should be prioritized in ASEAN-Korea relations, as a response to the increasing distrust that poses a challenge to global governance. Additionally, both ASEAN and South Korea wield soft power influence in the world, hence in the future, they could and should lead by example in fostering understanding among communities. Before discussing some ideas on how to foster that trust, it would be useful to start off by looking at the history of ASEAN-Korea relations.

ASEAN-Korea relations throughout the years

Relations between South Korea and the Southeast Asian region have, over the years, been cordial. In fact, diplomatic relations between South Korea and a number of Southeast Asian countries were established even before ASEAN was founded in 1967. For example, diplomatic relations between South Korea and the Philippines were established in 1949 while the Philippines was the fifth country to recognize South Korea. Furthermore, South Korea-Thailand and South Korea-Malaysia diplomatic ties were established in 1958 and 1960 respectively.

Political and Diplomatic Relations

Meanwhile, the relationship between South Korea and ASEAN as a regional organization was established as early as 1989 with the initiation of sectoral dialogue relations. Two years later, South Korea became a full dialogue partner of ASEAN. Since then, ASEAN-Korea relations have flourished. In 1994, South Korea joined the ASEAN Regional Forum (ARF) and ten years later, it acceded to the Treaty of Amity and Cooperation (TAC) – which sets up the rules of the game in conducting relations in the Southeast Asian region.

ASEAN-Korea relations have significantly flourished since 2009 when President Lee Myung-bak launched his “New Asia Initiative” (NAI) that aimed to intensify South Korea's relations with its regional neighbors in the Asia Pacific – beyond East Asia, Europe, and the United States, and beyond economic cooperation. Other frameworks of cooperation between ASEAN and South Korea include the East Asia Summit, ASEAN Plus Three Meetings, and the ASEAN-Korea Center (2009).

Trade and Investment

Trade relations between South Korea and ASEAN have also increased significantly over the years. In 1990, two-way trade between South Korea and ASEAN reached USD 10.34 billion from a meager USD 2.62 billion in 1980. By 2015, ASEAN-Korea trade amounted to USD 119.9 billion, which means ASEAN ranked as South Korea's second largest trading partner after China. This positive development led the two sides to agree to a two-way trade target of USD 200 billion for 2020. In terms of FDI, South Korea has invested USD 4.2 billion in ASEAN (from South Korea's total of USD 27 billion in FDI), which places ASEAN second after the U.S. as an FDI destination.

Tourism and People-to-People Contacts

In 2014, 31.2% of a total of 16.1 million Korean overseas visitors travelled to Southeast Asia – placing Southeast Asia as the top travel destination for Koreans. Moreover, the fourth largest group of foreign visitors in ASEAN is from South Korea. Also, more and more Southeast Asians are visiting South Korea and in 2014, 1.79 million ASEAN people travelled to South Korea – the third largest group of people visiting the country after the Chinese and Japanese.

People-to-people contacts between ASEAN and South Korea have been increasing as well. Many scholarships have been offered by the Korean government for ASEAN students and more Korean students can be found studying in Southeast Asia as well. Additionally, there is an ASEAN-ROK Cooperation Fund that currently amounts to USD 81 million for people-to-people exchanges, trade, investment, technology transfer, and human resource development. In light of the ASEAN-Korea Cultural Exchange Year that will be marked this year, efforts have also been made to simplify the visa process for Southeast Asian nationals as well as to increase the number of scholarships, promoting student and faculty exchanges, and joint research in higher education between South Korea and ASEAN. The future of ASEAN-Korea relations looks
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be underestimated. The population of

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680.88 million people, which

the third largest in the world,

after China and India. At the same time,

the combined GDP of South Korea and

ASEAN amounts to US$ 3,820.45 billion,

which would make it the fourth largest

economy (after the United States, China,

and Japan) in 2015.

ASEAN and South Korea are also

renowned actors when it comes to soft

power. The Korean Wave phenomenon

(hallyu) is spreading worldwide and non-

Korean speakers are now singing Korean

songs and watching Korean movies. The

familiarity with Korean culture not only

leads to more people watching Korean

movies but also to more people buying

Korean products, eating Korean food, and

travelling to South Korea. Complementing

this with South Korea’s economic prowess

and important role on the international

stage as a member of large international

organizations, such as the G-20, OECD, and

MIKTA, in addition to having had a Korean

serving as the UN’s Secretary General, we

can imagine the scope of influence that

South Korea has on the global stage.

On the other hand, ASEAN is also a very

active player on the world stage. ASEAN

has not only worked hard on its internal

consolidation, but it has also contributed

to the setting of regional norms, as can

be seen from the ASEAN Declaration on

Zone of Peace, Freedom, and Neutrality

in 1971 and the TAC in 1976, in which

31 countries have acceded to, including

the United States, China, Russia and

the European Union. Many ASEAN-led

initiatives such as the East Asia Summit

(that now includes the United States,

Russia, and China) and the ASEAN Regional

Forum (in which both South and North

Korea are members) serve as platforms

for many global and regional powers to

meet and discuss matters of common

interests as well as to solve regional

and global problems. Therefore, a strong

cooperation between ASEAN and South

Korea in fostering understanding could

hopefully influence other countries and

contribute to better global governance.

In this regard, there are three aspects that

need to be strengthened in ASEAN-Korea

relations in order to increase mutual trust

between the two societies: awareness,

education, and inclusiveness.

An Indonesian proverb says “tak kenal

maka tak soyang” (you cannot love

someone you are not familiar with). Being

acquainted is the essence of trust since

it is easier to trust someone you have

met before. Therefore, raising awareness

and increasing people-to-people contacts

among the peoples of ASEAN and South

Korea is vital. ASEAN needs to promote

more of its ASEAN branding to South

Korea and export more cultural products

(such as movies, television programs, and

songs). The objective is to raise awareness

about Southeast Asia, not only on the

different countries that constitute it

but also on the region as a whole along

with ASEAN as the established regional

organization. While hallyu has become a

worldwide phenomenon, ASEAN does not

yet have the luxury that South Korea has.

Even within Southeast Asia, the level of

ASEAN awareness is still low. Even though

Southeast Asian culture is becoming more

and more popular in South Korea, the level

of awareness and knowledge on Southeast

Asian countries, as well as news from the

region, and ASEAN as an organization is

still relatively low. Nickkhun’s membership

in the famous Korean boyband “2PM” has

generated more interest towards Thailand

among Koreans. In addition, Sandara

Park’s previous work in the Philippines

has also raised people’s awareness about

the Philippines, and the recent trend of

Vietnamese brides in South Korea has

also made Koreans more familiar with

Viet Nam. However, knowledge of other

ASEAN countries such as Lao PDR

and Brunei Darussalam, as well as the

works of ASEAN needs to be increased.

It is therefore ASEAN’s opportunity to

promote Southeast Asia and the regional

organization in South Korea more through

various events and cultural showcases,

including possibly an ASEAN-Korea pen-

pal program.

Second, education plays a very important

role in widening people’s horizon and

scope of knowledge. Hence, on top of

more student and researcher exchanges

– such as the ASEAN-ROK Academic

Exchange Programme that has been

ongoing since 1999 as part of the ASEAN

University Network (AUN) program

with ASEAN’s Dialogue Partners – there

needs to be more subjects on ASEAN

and South Korea in schools. In the

Chairman’s Statement of the 17th ASEAN-

Republic of Korea Summit in 2015, the

exchange programs and curriculum

development cooperation on gender and

women’s studies between ASEAN and

South Korea were acknowledged by the

leaders. However, it would be difficult

to expand the scope of the studies. Also, an

AUN-Korea cooperation that entails

joint regional research projects among

researchers, professors, and students in

ASEAN and South Korea, as well as

credit transfers among universities in

South Korea and ASEAN, are expansions

of cooperation that could be further

explored.

Last, incentivizing the people of ASEAN

and South Korea to contribute to a

more cordial relationship between the

two parties would lead to more trust

by the people because they know that their

voices are heard. Last year, the ASEAN-

Korea Centre organized the first ASEAN-

Korea Academic Essay Contest that

intended to highlight the youth perspective

on ASEAN-Korea partnership. A common

thread in the papers written by ASEAN

and Korean youths is the important role

that the society in general and the youth

in particular play in fostering a stronger

and sustainable relationship between and

among countries. Other competitions

that have positive multiplier effects

could also be convened and at least two

competitions come to mind. First, a short

movie competition that aims at promoting

mutual understanding and cultivating

a sense of shared consciousness. The

entertainment and culture industries

exert a strong influence in the society.

Many people’s first exposure to the United
Even within Southeast Asia, the level of ASEAN awareness is still low. Even though Southeast Asian culture is becoming more and more popular in South Korea, the level of awareness and knowledge on Southeast Asian countries, as well as news from the region, and ASEAN as an organization is still relatively low.

Tackling the challenges of global governance requires a combined effort from every nation on earth, and it is too big an issue to elaborate and solve in a single article. However, one can always start from oneself. Littering can be a case in point. We cannot expect a clean earth if only some of us stop littering, but it does not mean that we should litter just because everyone else does it. ASEAN-South Korea relations have always been cordial but it does not mean that there are no rooms for improvement. South Korea still needs to learn a lot about ASEAN and vice versa, especially with regards to enhancing familiarity and trust. There is more to South Korea than just K-Pop and way more to ASEAN than just its geostrategic position on the map. It is time to make the relationship and the level of awareness more balanced. Until the day we can face each other with sincere smiles and without negative stereotypes, then our task is not yet done.

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ASEAN – South Korea Economic Relations: The Way Forward

Busan-Gimhae Light Rail Transit 1000 Series EMU at Gimhae International Airport Station Westbound
Source: Wikimedia Commons

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South Korea began sectoral dialogue relations with ASEAN in 1989, later becoming a Full Dialogue Partner a few years later in 1991. Since then, cooperation between the two sides has expanded to cover a wide range of issues from political-security, socio-cultural, to the economy. The 13th ASEAN-ROK Summit in 2010 marked a new elevated relations between ASEAN and South Korea from that of comprehensive cooperation to a strategic partnership. A few years ago, in 2014, ASEAN and South Korea celebrated the 25th Anniversary of ASEAN-Republic of Korea Dialogue Relations.

At the 18th ASEAN-ROK Foreign Ministers’ meeting in 2015, the ASEAN-ROK Plan of Action 2016-2020 was adopted to further deepen ASEAN and South Korea's strategic partnership. Furthermore, the ASEAN-ROK relationship is based on the so-called 3SP's: (1) Shared Peace in political and security area; (2) Shared Prosperity in economy; and (3) Shared Progress in socio-cultural area. In the area of economy, many initiatives have been agreed and implemented. Nevertheless opportunities to improve the current economic relations remain.

**ASEAN – South Korea Trade Relations**

The trade volume between ASEAN and South Korea has risen significantly from USD 8.2 billion in 1989 to USD 119.9 billion in 2015. 1 South Korea ranks as ASEAN’s fifth largest trading partner after China, Japan, the European Union (EU), and the United States. Meanwhile, ASEAN has become South Korea’s second largest trading partner after China, surpassing the US, the EU and Japan.

ASEAN and South Korea’s trade relations became closer after the implementation of the ASEAN-Korea Free Trade Area (AKFTA) which was based on three major agreements: (1) the ASEAN-Korea Trade in Goods Agreement that came into force in June 2007, (2) the ASEAN-Korea Trade in Services Agreement that came into force in May 2009, and (3) the ASEAN-Korea Investment Agreement that came into force in June 2009.

Aside from the AKFTA, South Korea stands to benefit from the ASEAN Economic Community (AEC). The AEC will allow South Korean companies based in the Southeast Asian region to have better access to the large ASEAN market and to enjoy significant tariff reductions in the region. Furthermore, it will also allow South Korean companies to be a part of the regional supply chain.

However, the current downturn in the global economy may hamper trade relations between ASEAN and South Korea. Regardless of the significant increase in trade volume between them over the past few decades, it should be noted that a moderate decrease was witnessed in 2013 after reaching USD 135 billion. The future of international trade for the coming years remains gloomy especially when advanced countries continue to face stagnation while China experiences its own economic slowdown. The situation may worsen as a result of rising protectionism and anti-globalization sentiments. Taking into account these developments, ASEAN and South Korea will likely struggle to expand trade volume and meet the target of USD 200 billion by 2020 as agreed by the leaders during the 2014 Commemorative Summit.

The low utilization of FTA has also become a hurdle for both sides to expand their trade since only a few companies are utilizing it. As of 2013, the ratio of AKFTA utilization for South Korea’s export to ASEAN stood at only 38%. 2 Some Korean companies have argued that tariff liberalization in AKFTA has only been done partially and that the tariff schedule is relatively complex. Moreover, the low utilization of FTA can be attributed to the lack of awareness among the business sector and the practical difficulties with regard to the administrative process found under the AKFTA. 3 Hence, from the perspective of South Korean companies, it is hard for them to gain benefit in the FTA without the proper information and knowledge on the agreement. 4

Leaders must address these issues in order to maximize the potential benefits of the AKFTA. The utilization of FTA will only be improved if the private sector’s involvement in the FTA is high. This can only occur if the private sector is well-informed of the economic incentives and benefits that the AKFTA brings. At the end of the day, it is the business sector that drives the economic activities and hence their involvement is critical. In this regard, the role of the ASEAN-Korea Business Council (AKBC) that was launched in December 2014 is important to further strengthen cooperation between private sectors – as well as the micro, small, and medium enterprises or MSMEs – in ASEAN and South Korea. Although the AKBC has only been in existence for 2 years, it should seize the timely opportunity to play a bigger role in improving business ties among private sectors in ASEAN and South Korea.

**ASEAN – South Korea Investment Relations**

ASEAN is South Korean’s second largest investment destination after the US. Foreign Direct Investment (FDI) from South Korea has tripled from USD 1.5 billion in 2008 to USD 4.5 billion in 2014. 5 Among all ASEAN Member States, South Korean FDI is mainly concentrated in Indonesia, Singapore and Vietnam which accounts for 63% of total South Korean FDI in the region in 2015.

The rise of South Korea’s outward FDI to ASEAN has been accompanied by the expansion of Korean businesses in the region. The number of South Korean companies that have been established in ASEAN has risen rapidly over the years. Many South Korean multinational companies such as LG, Lotte Group, Hyundai, and Samsung now have a heavy presence in the region. The motivations of these companies to actively expand their businesses in ASEAN are varied. Korean manufacturing companies are attracted by the low wage cost found in ASEAN since it is relatively costly to produce products in their home country. Meanwhile some South Korean companies investing in extractive industries are seeking to secure access to natural resources since ASEAN is known as a resource-rich region. Infrastructure companies are also interested in investing in ASEAN to increase their market share and win contracts. 6 In addition, market-seeking is also one of reasons South Korean companies have expanded their business since ASEAN is home to 630 million people with a growing middle income class.

Despite the growing interest of South Korean companies in the region, South Korean FDI is still relatively smaller when compared to other ASEAN Dialogue Partners. South Korea is ASEAN’s fifth biggest investor after the EU, Japan, the US, and China in 2015. 7 In addition, when compared to its nearest neighbour, Japanese companies have already been in the region long before South Korean companies entered the region. For example, Japanese companies such as Honda, Toshiba, and Sumitomo already have a strong market share in ASEAN as a result of establishing themselves much earlier. Therefore, South Korean companies should also seize the timely opportunity to play a bigger role in expanding business ties among private sectors in ASEAN and South Korea.
companies need to make more efforts in order to penetrate ASEAN markets.8

On the other hand, while ASEAN is an important investment destination for South Korean companies, the Association and its Member States still need to ensure that it provides a good investment climate that allows South Korean companies to expand their business in the region. Some Member States are known to have complicated bureaucracies and regulations that discourage foreign companies from investing in the region.

Furthermore, the ASEAN-Korea Investment Agreement should also be seen as an opportunity for ASEAN companies themselves to invest and expand their businesses in South Korea because currently ASEAN FDI to South Korea is rather limited. While many South Korean companies have strong presence in the region, it is hard to find ASEAN companies opening their branches in South Korea. Only a few ASEAN-based companies have opened branches in South Korea, such as Indonesia’s Bank Negara Indonesia (BNI), Singapore’s DBS bank, and Thailand’s Doi Chaang Caffe.

ASEAN – South Korea Development Cooperation

One of the greatest challenges facing ASEAN is the development gap found between the ASEAN-6 (Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore and Thailand) and the CLMV countries (Cambodia, Lao PDR, Myanmar, and Viet Nam). In order to overcome the problem, ASEAN launched the Initiative for ASEAN Integration (IAI) at the 4th Informal Summit of ASEAN leaders in 2000 and adopted the Hanoi Declaration on Narrowing the Development Gap for Closer ASEAN Integration in 2001.

In implementing the initiative, ASEAN does not work alone, instead inviting Dialogue Partners and international organizations to support programs under the IAI. As an ASEAN Dialogue Partner, South Korea is no exception in supporting ASEAN to narrow the development gap.

Between 2003 and 2007, South Korea has contributed USD 5 million to support 5 IAI projects. This was followed by South Korea’s commitment to contribute a further USD 5 million each for the IAI for the period of 2008 – 2012 and 2013 – 2017.9

In addition to that, South Korea is one of ASEAN’s aid donor. In terms of official development assistance (ODA), Southeast Asia received the largest share of Korea’s ODA in cumulative terms from 1987 to 2013 amounting to USD 2.56 billion. The importance of the region is also seen in Korea’s 2016-2020 Mid-term ODA Strategy where the Korean Committee for International Development Cooperation (CIDC) has selected 24 priority partner countries including six ASEAN Member States, namely Cambodia, Indonesia, Lao PDR, the Philippines, Myanmar and Viet Nam.10

However, South Korea’s contributions lag behind other major donor countries such as Japan and China in terms of presence in the region and the size of the development assistance. South Korea’s “four great power diplomacy” which focuses on the US, China, Japan, and Russia has meant South Korea tends to neglect its attention from the Southeast Asian region for some period of time. When it finally realized the importance of the region and started paying greater attention, Japan and China has already become a massive player in the region, including through their development assistance.

Although other Dialogue Partners have made bigger contributions to ASEAN, it should not be seen to make South Korea any less important for ASEAN. South Korea can play an important role by sharing its knowledge and experience in economic development. It managed to transform itself from a poor country with GDP per capita of only USD 64 after the Korean war to become a member of the OECD (Organisation for Economic Cooperation and Development). South Korea’s transition from ODA beneficiary to aid donor has proven that Korea’s development policy is one that is worth learning from. Though some adjustments are needed due to the different economic and political situations found in Southeast Asia, South Korea’s development story is arguably one of greater value when compared to other Dialogue Partners. In other words its successful development story can be a good lesson learned for ASEAN Member States, especially those facing the middle income trap problem like Indonesia, and/or struggling with their economic development.

The Way Forward

Taking into account the issues mentioned above, collective efforts from both ASEAN and South Korea are needed in order to deepen economic cooperation. Leaders should work closely together to ensure that the AKFTA is able to be fully utilized by both sides. In order to improve its utilization, private sector and MSMEs must be aware of the benefits from the existing trade and investment cooperation. Therefore, leaders must more actively promote the AKFTA to private sectors and MSMEs. Having said that, the responsibility of providing information about the FTA should not be the government’s alone but also other stakeholders such as academics and business associations.

Figure 1. FDI Flows in ASEAN, by selected economies and regions, 2015 (Millions of USD)

Source: ASEAN Secretariat (2016)
Moreover, as the regulator who set up the framework, leaders need to ensure that trade and investment between ASEAN and South Korea will be beneficial for both sides. While there will always be a surplus and deficit in any trade relationship, leaders need to promote equal benefits. The AKFTA should not only be seen as an opportunity for South Korean businesses to enter the ASEAN market but also as an opportunity for ASEAN companies to penetrate the South Korean market. It is important for ASEAN leaders to encourage their private sector as well as SMEs to actively expand their businesses in South Korea. In relation to this, the role of the ASEAN-Korea BAC (Business Advisory Council) is also important to further strengthen business relations between the business sectors in ASEAN and South Korea. It should also be used as a platform for the business sector to voice their concerns and aspirations to the leaders in order to have policies that could support the business activities in ASEAN and South Korea.

In general, South Korea should create a better strategy and make more efforts in strengthening economic ties with ASEAN Member States. With Japan being one of ASEAN’s largest sources of ODA and China being ASEAN’s largest trading partner, it should find ways to make its economic cooperation “stand out” among the East Asian countries. Although the South Korean government has decided to give more focus on socio-cultural issues in ASEAN, it should be done without neglecting economic cooperation. South Korean government needs to prove that it is still a reliable economic partner.

From ASEAN’s point of view, in order to have closer economic engagement with South Korea, ASEAN should prove that the region is still an attractive and favourable place for South Korean’s trade and investment. However, ASEAN should improve its business climate by developing infrastructure and reducing complex regulations. It will be beneficial for ASEAN to further deepen its relation with South Korea since ASEAN needs to diversify its economic interdependence.

In the end, ASEAN and South Korea’s economic cooperation should go beyond a “good and steady economic relations”. Amidst the rise of protectionism, global economic slowdown, and anti-globalization sentiments, economic relations should be based on the interest and needs of both South Korea and ASEAN. In addition to that, shared prosperity should also become a strong foundation for economic cooperation between ASEAN and South Korea for the years ahead.

Endnotes
7 ASEAN Secretariat (2016a), op. Cit.
Booming Myanmar Gets a Crash Course in Capitalism

March 8th, Bloomberg Asia

Myanmar’s economy is among the global pacesetters in terms of growth. By most other measures, it’s one of the laggards -- a legacy of five decades of isolationist military rule. The optimism that greeted the Southeast Asian country’s opening up to the world has been tempered by economic realities, even after Aung San Suu Kyi’s party formed a new government last year. Poverty persists, real growth has slowed and the currency has tumbled as foreigners defer their investment plans.

Why it matters?

As Myanmar further ventures into the territory of a modern capitalist economy, they are now facing the many hurdles that come with the terrain. Yet, due to Myanmar’s somewhat late start, they can learn many things from the achievements and failures of fellow ASEAN neighbors. If Aung San Suu Kyi’s government does not repeat the same mistakes that other countries have made, it is not inconceivable that Myanmar’s economy may catch-up to the heights of the global economy at least as quickly as other countries. They have already made an impressive running start, with 2015’s GDP growth coming in at a very respectable eight percent and the World Bank projecting them to grow at an average of seven percent for the next three years. With all due respect to Myanmar, however, the accuracy of a developing country’s data - one that only recently opened to international scrutiny, no less - statistical precision somewhat aside, if Myanmar truly wants to become a modern and globally-integrated economy without having to go through the upheaval that befell almost all other capitalist economies, one sector in particular has to be reformed in a way that would then deliver sustainable economic prosperity: finance.

With a GDP per capita of around US$1200 (nominal, at current exchange rates), Myanmar is still one of the poorer countries in ASEAN, with at least a quarter of the population living below the national poverty line (if one uses the World Bank’s poverty line, it may be closer to forty percent). As more villagers take the journey of moving to the city for better-paying employment, those cities are also struggling to take on this rapidly rising influx, resulting in around forty percent living in shanty-towns. And although industrial production has grown at twelve percent a year, Myanmar’s economy is still heavily reliant on agriculture (absorbing seventy percent of the workforce) and extractive industries such as mining and forestry. Not to mention the relative immaturity of the agricultural sector in Myanmar renders it more vulnerable to the many natural disasters that affect the region, such as Cyclone Komen in 2015, resulting in the destruction of crops and higher inflation. In short, the newly-minted civilian government with a Nobel laureate as its de facto head has to get cracking.

Statistical precision somewhat aside, if Myanmar truly wants to become a modern and globally-integrated economy without having to go through the upheaval that befell almost all other capitalist economies, one sector in particular has to be reformed in a way that would then deliver sustainable economic prosperity: finance. With only around fifteen percent of the adult population owning a bank account, ninety-five percent of workers receiving their wages by cash, a banking sector with assets less than a third of yearly GDP, and only four companies listed on its year-old stock market, Myanmar’s financial sector maybe as close to a tabula rasa an economy can get and therefore it would serve Myanmar well to reform the sector before it becomes too unwieldy to do so.

The bedrock of any modern banking system is a developed interbank market, i.e. a market for banks to lend to each other. An interbank market is required for banks to be able to refinance their credit and for monetary policies to work effectively; the creation of such a market would need the introduction of some standard financial instruments such as repurchase agreements (commonly known as REPO) and swaps. Another way in which the sector can be reformed is to deregulate some of the more cumbersome rules that impede the proper allocation of and access to credit, e.g. the obligatory use of collateral and a one-year maturity limit on loans. Yet another reform which should be considered is a more specialized banking system; state-owned banks should focus more on giving credit to government-related policies and priorities, which would enable private banks to take on more commercial activities - which can be specialized further. These are just a few of the many ways in which the banking sector can and should be reformed, the Basel Core Principles - which are the international standard for supervising banks to ensure solvency - are another set of rules that may be implemented to modernize Myanmar’s banking system.

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Asean round-up
Saudi Arabia is Redefining Islam for the World’s Largest Muslim Nation

March 2 2017, The Atlantic
https://www.theatlantic.com/international/archive/2017/03/saudi-arabia-salman-visit-indonesia/518310/

When Saudi Arabia’s King Salman landed in Indonesia on Wednesday, he became the first Saudi monarch to visit the world’s largest Muslim-majority country since 1970. Officials in Jakarta had hoped the visit would help them strengthen business ties and secure US$25 billion in resource investments. That’s largely been a bust—as of Thursday, the kingdom has agreed to just one new deal, for a relatively paltry US$1 billion.

But Saudi Arabia has, for decades, been making investments of a different sort—those aimed at influencing Indonesian culture and religion. The king’s visit is the apex of that methodical campaign, and “has the potential to accelerate the expansion of Saudi Arabia’s cultural resources in Indonesia,” according to Chris Chaplin, a researcher at the Royal Netherlands Institute of Southeast Asia. “In fact, given the size of his entourage, I wouldn’t be surprised if there will be a flurry of networking activity amongst Indonesian alumni of Saudi universities.”

Why it Matters?

The pomp-filled nine-day visit to Indonesia by Saudi Arabia’s King Salman (along with his 1,500-strong entourage and five-hundred-ton cargo) was Indonesia’s most publicized visit by a foreign leader in recent memory. During his visit, the Saudi king oversaw the signing of at least eleven agreements, including cooperation in the security, trade, investment, and religious sectors. Although many in Jakarta had hoped that the King’s visit would have brought more concrete investment deals, the US$1 billion deal shouldn’t be considered paltry either, especially considering the fact that the Saudi Arabian economy isn’t quite as strong as it had once been. The currently low oil prices (partly due to the strategic decisions of the Saudi’s themselves) have rendered oil revenues in their country severely decreased and have thus forced them to cut back on government spending.

The octogenarian king’s visit was widely viewed as beneficial to both Saudi Arabia and Indonesia. For Saudi Arabia, strengthening ties with Indonesia, one of Asia’s more robust economies with an increasingly strong demand for oil, is of utmost importance, especially given that the developed world has become less and less dependent on Saudi’s black gold. The current US administration has also made America a less attractive investment destination for many Middle Eastern investors, and thus they are now made to be more willing to diversify to more hospitable countries.

And Indonesia may be as hospitable as it gets for Saudi investors; Indonesia’s thirst for foreign investment aside, as the country with the largest Muslim-population, many Indonesian have an almost instinctive respect towards the Saudis. And even if there weren’t that many investment deals struck during the King’s visit, the Indonesian government is more than willing to entertain the Saudi’s as long as they can maintain or even raise the Hajj quota that Indonesia receives. Even though Indonesia receives the largest quota by far of any country (221,000 in 2017), there are still many Indonesian’s who have to wait for years to make the pilgrimage to the Islamic holy land.

But business aside, the main act of King Salman visit was to promote a more moderate Islam. During his meetings with leaders of Indonesia’s major Islamic organizations, the monarch stressed that a more tolerant and moderate Islam is crucial in the fight against radical extremists who lack the “respect of a country’s sovereignty”. Yet, despite such commendable rhetoric from its head, one of the last remaining absolute monarchies in the world has not given any indication that he intends to reduce the promotion of a conservative brand of Islam that his kingdom proselytizes; there have even been plans for new campuses of the Saudi-funded Islamic and Arabic College of Indonesia to be built in other large cities in Indonesia.
INFOGRAPHIC

ASEAN - SOUTH KOREA RELATIONS IN NUMBERS

South Korea’s Trade with ASEAN

<table>
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<tr>
<th>Year</th>
<th>Trade Value</th>
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<td>2013</td>
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<tr>
<td>2014</td>
<td>138.2 Billion USD</td>
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<tr>
<td>2015</td>
<td>119.9 Billion USD</td>
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</table>

FDI South Korea to ASEAN in 2015

- 27 Billion USD (Total)

ASEAN Country visitors in 2014 are from South Korea

- 31%

Inbound travel to South Korea in 2015 are from ASEAN

- 12%

ASEAN Residents in South Korea

- 408,736

ASEAN Students

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<td>2013</td>
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<td>2014</td>
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ASEAN Workers (E-9 Visa)

<table>
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<tbody>
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<td>158,445</td>
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<tr>
<td>2014</td>
<td>165,764</td>
</tr>
<tr>
<td>2015</td>
<td>196,266</td>
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</tbody>
</table>

Source: KITA, Korea Eximbank, KNTO, ASEAN Secretariat, Ministry of Security and Public Administration Republic of Korea
The ASEAN Studies Program was established on February 24, 2010, to become a center of excellence on ASEAN related issues, which can assist in the development of the ASEAN Community by 2015. The Habibie Center through its ASEAN Studies Program, alongside other institutions working towards the same goal, hopes to contribute to the realization of a more people-oriented ASEAN that puts a high value on democracy and human rights.

The objective of the ASEAN Studies Program is not merely only to conduct research and discussion within academic and government circles, but also to strengthen public awareness by forming a strong network of civil society in the region that will be able to help spread the ASEAN message. With the establishment of ASEAN Studies Program, The Habibie Center aims to play its part within our capabilities to the ASEAN regional development.

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