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The Impact of Korea's New Southern Policy on The Political Economy Cooperation Between Indonesia and South Korea

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Abstract

South Korea is an East Asian country located on the Korean Peninsula. South Korea is one of the developed countries with a GDP (Gross Domestic Product) income of USD 1.693 billion in 2018. With a relatively high GDP, this makes South Korea considered to have influence in the Asian region, including Southeast Asia. One of South Korea's influences in Southeast Asia is the New Southern Policy inaugurated by South Korean President Moon Jae-In in 2017. The New Southern Policy is a policy that leads to cooperation between South Korea and Southeast Asian countries (ASEAN) and India. New Southern Policy in Moon Jae-In's government shows that South Korea needs to strengthen ties with neighboring countries, especially the Indo-Pacific region, including Indonesia. This policy has an impact on the cooperation between Indonesia and South Korea, especially in the economic and political fields. This makes Indonesia South Korea's main partner in implementing the New Southern Policy. With the New Southern Policy, it is believed that the relationship between the two countries will be closer considering that the two countries will continue to improve, given the met needs of each other and the uncertain global situation.

Keywords: Indonesia, New Southern Policy, South Korea

1 INTRODUCTION

The New Southern Policy, better known as the New South Policy, is a policy that leads to South Korea's cooperation with Southeast Asian Countries (ASEAN) and India. This

policy is a form of reducing South Korea's dependence on the United States, China, Japan, and Russia. Besides, this policy is also a form of protecting the South Korean economy from the impact of a trade war between the United States and China (Budiartie, 2018).

According to South Korea's Ministry of Foreign Affairs, the New Southern Policy aims to strengthen cross-economic, strategic, and social ties. At the 19th Korea-ASEAN Summit, President Moon Jae-in announced that one of the cores of South Korea's diplomatic policy is to deepen cooperation with Southeast Asia and India (Easley, 2018: 2).

South Korea's New Southern Policy was marked by President Moon Jae-in's first visit to Southeast Asia by visiting Indonesia on November 8 to 10, 2017. During the visit, the leaders of the two countries reached an agreement to improve the bilateral relations of the two countries with the status of "Special Strategic Partnership" (Kementerian Luar Negeri Indonesia, n.d). The status of the "Special Strategic Partnership" is a special strategic partnership in the hope that the two countries can jointly contribute to peace, security, and prosperity in the region and the world. With the special strategic partnership, it is hoped that the two countries will continue to cooperate more tangily in various areas including infrastructure development to realize the welfare of the two countries (Kedutaan Besar Republik Korea untuk Republik Indonesia, 2017).

The relationship and cooperation between Indonesia and South Korea are very close because it is supported by the complementary nature of the resources and the advantages that the

two countries have. In addition to the process of economic and political progress of the two countries, it opens up opportunities for cooperation between the two countries in various sectors that are increasingly wide open. Besides, Indonesia and South Korea also actively support each other in various forums - regional and international forums such as candidacies for international organizations (Kementerian Luar Negeri Indonesia, n.d).

2 FRAMEWORK

2.1 Interdependence

Interdependence or known as interdependence is one of the traits that can describe the relationship between countries and the international system at this time. Interdependence is a derivative of the perspective of liberalism found in the study of International Relations. Interdependent liberalism has the assumption that modernization will increase the level of interdependency between countries. Transnational actors are becoming increasingly important, military power is an instrument that is not absolute and prosperity is the dominant goal of the state. Complex interdependence will create a much more cooperative world of international relations (Perwita & Yani, 2005: 78).

An important theme in interdependence is the belief in free trade. Free trade has economic

benefits because it allows each country to specialize in producing potential goods and services for them. However, free trade also draws countries into a network of economic interdependence which means that the material costs of international conflicts are so great that war is something to avoid (Heywood, 2017: 115).

2.2 International Cooperation

International cooperation is a series of relations between countries on behalf of its citizens to meet the needs of its citizens and the national interests of their country. International cooperation can be bilateral, regional, and multilateral cooperation to address ongoing issues or emerge issues. Cooperation can be done with the negotiations conducted by the country concerned.

International cooperation in general arises due to the international life covering various fields such as economics, politics, socio-cultural, ideology, and so on. The main issue of the concept of cooperation is the fulfillment of personal needs, where the beneficial outcomes of both parties will be obtained through cooperation rather than trying to fulfill their interests by trying alone. Therefore, continuous interaction, the development of communication, and transportation between countries can facilitate communication to achieve the objectives of cooperation. (Dougherty & Pfaltzgraff, 1997:419-420).

3 RESEARCH METHOD

The methodology used in the study “The Impact of Korea’s New Southern Policy on the Political Economy Cooperation between Indonesia and South Korea” uses a qualitative method that is descriptive-explanative. This type is a study that describes and explains research (Gulo, 2000).

This research in its collection data uses existing past research and also uses secondary data such as papers, journals, papers, books, data from the internet and so on that will be incorporated into the bibliography (Sarwono, 2006: 123).

In the paper “The Impact of Korea’s New Southern Policy on the Political Economy Cooperation between Indonesia and South Korea”, the level of analysis used to analyze the country level.

4 RESULTS AND DISCUSSION

The President of the Republic of Korea, Moon Jae-in announced in November 2017 a new policy aimed at improving relations with Southeast Asian countries, as North Asian economies seek to minimize their dependence on China and the United States. The policy is known as the New Southern Policy which aims to better connect South Korea with the Association of Southeast Asian Nations (ASEAN) and expand

the influence of Asia's fourth largest economy in the region (Whiteside, 2017).

New Southern Policy focuses on the so-called "3P Community". 3P Community stands for People, Prosperity, and Peace community. People-centered values are governed by the ASEAN Constitution and the basic principles embraced by the current government, emphasizing that "society is the main one", this is in line with the New Southern Policy's policy of pursuing a "people-centered community". Also, to build a prosperous society, the South Korean Government seeks opportunities with greater regional trade and shared prosperity through revised agreements in the Free Trade Area of Asia Pacific and ASEAN (FTAAP) and comprehensive Economic Partnership Agreement (CEPA) (Kwak, 2018: 2).

The New Southern Policy also aims to expand the scope of cooperation in the new region and at the same time to maintain its relationship with the United States and China. This is done by South Korea so that its foreign economic policy can maximize profits by diversifying its trading structure. Therefore, the vision of the New Southern Policy can be summarized as a strategic foreign policy that pursues practical interests in addition to its four traditional major diplomatic partner countries such as the United States, China, Japan, and Russia

and the new southern region based on a balanced form of diplomacy (Kwak, 2018: 2).

The New Southern Policy established by President Moon Jae-In strongly prioritizes the values and principles of cooperation and peace. This is demonstrated by the commitment of the two countries to creating regional peace. One of them is that Indonesia supports the creation of peace on the Korean Peninsula. This was demonstrated by the formation of a joint contingent of South and North Koreans at the 2018 Asian Games held in Jakarta and Palembang (Aditya, 2018).

Indonesia is an important partner for South Korea. This was conveyed directly by South Korean Foreign Minister Kang Kyung-wha. Kang Kyung-wha also stated that Indonesia is at the center of the New Southern Policy. Not only is it central to the New Southern Policy, but Minister Kang Kyung-Wha also stated that Indonesia is an absolute partner for South Korea (Pramudyani, 2019).

Indonesia and South Korea's relations have improved since an agreement to improve the bilateral relations of the two countries from the level of "strategic partnership" to a "special strategic partnership" in November 2017, Indonesia-South Korea's total trade in 2018 continued to increase by US\$ 18.57 billion or up 12.58% from the previous period. The

composition of the bilateral trade value of the two countries consists of Indonesia's exports to South Korea amounting to US\$ 10.35 billion, Indonesia's imports from South Korea amounting to US\$ 8.22 billion, with a trade surplus of US\$ 2.13 billion for Indonesia (Kementerian Luar Negeri Indonesia, n.d).

Quoted from the website of the Ministry of Foreign Affairs of the Republic of Indonesia, the value of South Korean and Indonesian non-oil and gas trade in the period January to November reached US\$ 15.18 billion. This was an increase of 9.40% compared to the previous year. The trade value in this period is a surplus from the Indonesian side with a value of US\$ 2.13 billion. The trade value of the two countries consists of South Korea's exports to Indonesia of US\$ 8.21 billion and imports of US\$ 10.34 billion (Kementerian Luar Negeri Indonesia, n.d).

Then, in the field of investment, the two countries agreed on a memorandum of understanding with a potential investment of US\$ 6.2 billion (Office of the President's Staff of the Republic of Indonesia, 2018). Quoted from the Press Release of the Capital Investment Coordinating Board or Badan Koordinasi Penanaman Modal (BKPM), President Joko Widodo's visit to South Korea in 2018 resulted in 15 MoUs and six 32 business to business

investment commitments between the private sectors of Indonesia and South Korea, as well as a memorandum of understanding between BKPM and Hyundai Motor Company. There are 15 memorandums of understanding and 6 investment commitments (Badan Koordinasi Penanaman Modal, n.d).

In November 2019, Indonesian President Joko Widodo visited Busan to attend the ASEAN-ROK Commemorative Summit 2019. In the meeting, Indonesia and South Korea agreed to several co-operations, one of which is related to investment. Some of the investments coming into Indonesia are an investment from Hyundai Motor worth US\$ 1.5 Billion and the Government of Indonesia is also encouraging the realization of investment from LG Chem engaged in the lithium battery industry and LG International which is planned to invest in the field of food and beverage and internet of things (IoT) engaged in information and technology (Mahardika, 2019).

In 2020, Indonesia and South Korea's relationship with the New Southern Policy continue amid the pandemic situation around the world. This was confirmed by South Korea's Ambassador to ASEAN, Lim Sung Nam, where he said that society is the most important aspect of the New Southern Policy, where everyone is currently suffering from the Covid-19 pandemic (Suswanti, 2020).

Considering Indonesia as a key partner in South Korea's New Southern Policy and the close bilateral relationship between the two countries. South Korea assists in handling the COVID-19 pandemic by prioritizing Indonesia as the country to export equipment needed to control the COVID-19 pandemic (Kurnia, 2020).

5. CONCLUSSION

The New Southern Policy, better known as the New South Policy, is a policy that leads to South Korea's cooperation with Southeast Asian Countries (ASEAN) and India, except Indonesia. South Korea's New Southern Policy has had an impact on improving political-economic cooperation between Indonesia and South Korea. The impact of the implementation of the New Southern Policy in Indonesia is to increase the status of the partnership of the two countries that were formerly "strategic partnerships" into "special strategic partnerships", encourage South Korean companies to develop businesses and investments in Indonesia, and continue to increase and expand investment and trade relationships to achieve the trade target of US\$ 30 Billion by 2022.

The implementation of the New Southern Policy in Indonesia led to improvements in several sectors of Indonesia's political-economic

cooperation with South Korea. In the trade sector, Indonesia and South Korea increased trade in 2018 by US\$ 18.57 Billion or up by 12.58%. In the investment sector, the two countries produced a memorandum of understanding of US\$ 6.2 Billion in 2018. And the last sector is the political sector, both countries are committed to creating regional peace. Indonesia supports the creation of peace on the Korean Peninsula, as Indonesia has diplomatic relations with North Korea.

In 2020, Indonesia's relationship with South Korea under the New Southern Policy continues by focusing the public as the most important aspect in the handling the COVID-19 pandemic and making Indonesia a top priority in the export of the COVID-19 test equipment.

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