



Directions for RoK-ASEAN Supply-Chain Cooperation and the Public Sector's Roles

Korea Institute for International Economic
Policy

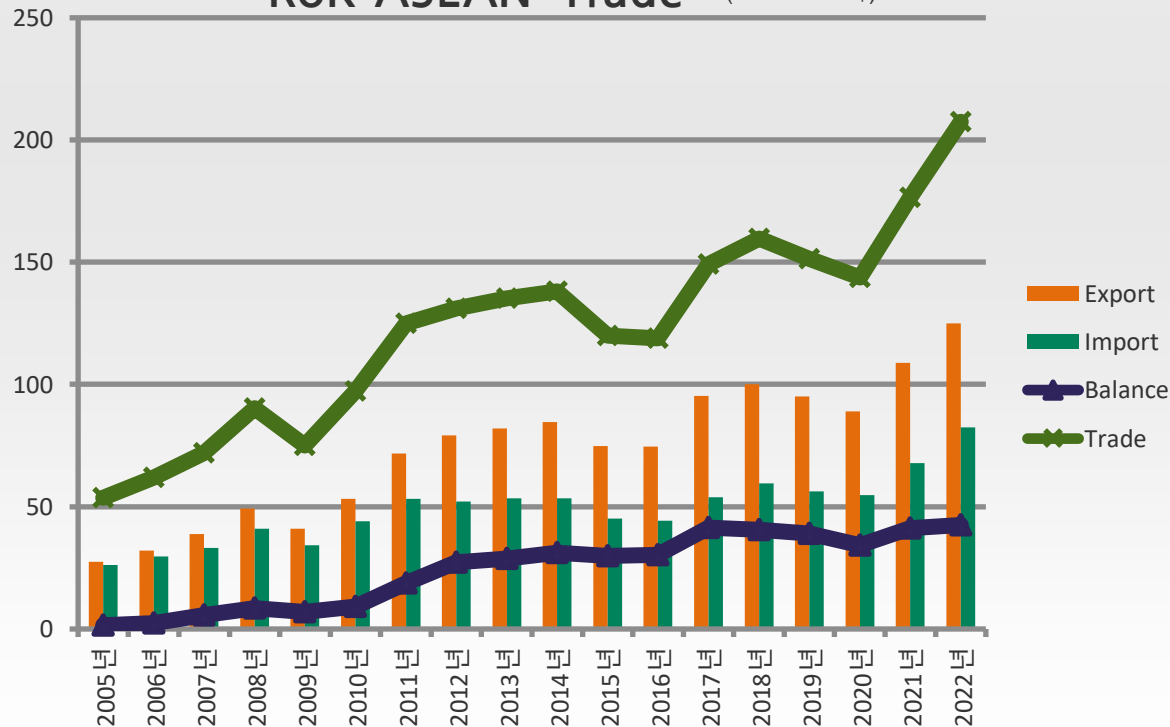
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Status of RoK-ASEAN Economic Cooperation

- RoK is actively enhancing trade and investment ties with ASEAN through various economic cooperation projects.
- Effective bilateral FTAs include : RoK-Singapore, RoK-ASEAN, RoK-Vietnam, RoK-Indonesia CEPA, RoK-Cambodia
 - RCEP, involving the participation of 10 ASEAN countries, is expected to reduce transaction costs and improve the investment environment by easing trade barriers.
 - The RoK-Philippines FTA has been signed, and RoK-Malaysia negotiations are underway.

Stable Production Network within East Asia

RoK-ASEAN Trade (unit: Billion \$)



RoK-ASEAN Trade

(Unit: Billion \$, Mil. ton, %)

| Year | Export | | | | Import | | | |
|------|--------|-------|--------|-------|--------|-------|--------|-------|
| | Amount | ratio | weight | ratio | Amount | ratio | weight | ratio |
| 16 | 74.5 | -0.4 | 37.8 | -6 | 44.3 | -1.6 | 74 | 5.6 |
| 17 | 95.2 | 27.8 | 39.1 | 3.6 | 53.8 | 21.4 | 76.6 | 3.5 |
| 18 | 100.1 | 5.1 | 40 | 2.3 | 59.6 | 10.8 | 75.1 | -1.9 |
| 19 | 95.1 | -5 | 43.1 | 7.7 | 56.2 | -5.8 | 65.3 | -13.1 |
| 20 | 89 | -6.4 | 36.6 | -15 | 54.8 | -2.4 | 58.4 | -10.5 |
| 21 | 108.8 | 22.3 | 37.3 | 1.7 | 67.7 | 23.5 | 54.8 | -6.3 |
| 22 | 124.9 | 14.8 | 42.3 | 13.5 | 82.5 | 21.9 | 63.9 | 16.8 |
| 23 | 26.4 | -19.0 | 10.1 | -10.4 | 21.0 | -0.6 | 19 | 21.3 |
| Jan | 8.3 | -19.4 | 3.3 | -5.6 | 7.1 | -0.9 | 6 | 23.9 |
| Feb | 8.4 | -16.3 | 3.5 | -2.3 | 6.9 | 9.9 | 6.8 | 35.4 |
| Mar | 9.6 | -21.1 | 3.3 | -21.3 | 6.9 | -9.1 | 6.3 | 7.2 |

Source: KITA

Status of RoK-ASEAN Economic Cooperation

RoK-ASEAN Trade (Unit: Billion \$, Million ton, %)

| Year | Export Amount | Ratio | Export Weight | Ratio | Import Amount | Ratio | Import Weight | Ratio | Balance |
|---------------|---------------|--------------|---------------|-------|---------------|-------|---------------|-------|---------|
| `22.1 | 10.3 | 29.5 | 3527 | 44.8 | 7.2 | 35.8 | 4810 | 16.2 | 3.1 |
| `22.2 | 10.1 | 39.3 | 3533 | 41.1 | 6.3 | 30.7 | 4995.8 | 23.1 | 3.8 |
| `22.3 | 12.2 | 46.2 | 4156.5 | 55.4 | 7.6 | 31.9 | 5843 | 15.8 | 4.6 |
| `22.4 | 11.3 | 38.4 | 3601.7 | 26.6 | 6.8 | 16.3 | 4838.9 | 8.1 | 4.5 |
| `22.5 | 10.7 | 23.6 | 3546.6 | 11.8 | 6.6 | 25.8 | 5139.4 | 19.5 | 4.1 |
| `22.6 | 10.3 | 17.1 | 2982.9 | -4.2 | 6.1 | 12.5 | 4986.5 | 10.8 | 4.2 |
| `22.7 | 11.4 | 18.6 | 4272.5 | 19.6 | 7 | 20.8 | 5497.4 | -1.1 | 4.4 |
| `22.8 | 10.8 | 21.3 | 4031.1 | 50.6 | 7.8 | 37.4 | 6015.6 | 40.2 | 3 |
| `22.9 | 10.2 | 6.4 | 3570.3 | 11.4 | 7.6 | 31.1 | 5792.4 | 26.2 | 2.7 |
| `22.10 | 9.2 | -5.7 | 2748.1 | -18.9 | 6.6 | 14.3 | 4712.5 | 2.6 | 2.6 |
| `22.11 | 9 | -14.2 | 2904.2 | -20.7 | 6.2 | 7.6 | 5415.4 | 29.1 | 2.9 |
| `22.12 | 9.3 | -16.9 | 3416.5 | -15.1 | 6.8 | 3.6 | 5892.3 | 17.8 | 2.6 |
| `23.1 | 8.3 | -19.4 | 3331 | -5.6 | 7.1 | -0.9 | 5958 | 23.9 | 1.2 |
| `23.2 | 8.4 | -16.3 | 3451.4 | -2.3 | 6.9 | 9.9 | 6765.4 | 35.4 | 1.5 |
| `23.3 | 9.6 | -21.1 | 3272.7 | -21.3 | 6.9 | -9.1 | 6261.9 | 7.2 | 2.7 |

자료: 한국무역협회

RoK's Exports to ASEAN has declined since the second half of 2022

Status of RoK-ASEAN Economic Cooperation

ASEAN's Exports to World 2022(unit: Billion \$)

| Year | 22.1 | 22.2 | 22.3 | 22.4 | 22.5 | 22.6 | 22.7 | 22.8 | 22.9 | 23.10 | 23.11 | 23.12 | Total |
|--------------|--------------|--------------|--------------|--------------|--------------|--------------|------------|--------------|--------------|------------|--------------|--------------|--------|
| Singapore | 33 | 30.3 | 36.6 | 35.6 | 36.3 | 39.5 | 43 | 38.9 | 41.9 | 36.5 | 35.4 | 37.7 | 444.9 |
| Brunei | 0.4 | 0.4 | 0.6 | 0.5 | 0.4 | 0.6 | 0.6 | 0.5 | 0.5 | 0.6 | 0.5 | 0.6 | 6.3 |
| Cambodia | 4 | 2.6 | 3.4 | 3.7 | 4.3 | 4 | 4.4 | 4 | 4 | 3 | 2.7 | 2.8 | 42.9 |
| Indonesia | 19.9 | 16.6 | 20.6 | 19 | 21.5 | 22.3 | 22.1 | 21.6 | 21.1 | 18.6 | 19.6 | 18.9 | 241.9 |
| Laos | 0.7 | 0.6 | 0.7 | 0.6 | 0.8 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 0.7 | 8.3 |
| Malaysia | 23.9 | 21.2 | 26.8 | 25.5 | 27.4 | 29.8 | 28.8 | 28.1 | 26.9 | 26.6 | 26.4 | 26.3 | 317.7 |
| Myanmar | 2.9 | 2.4 | 3.5 | 2.9 | 3.2 | 3 | 3.2 | 3 | 2.7 | 2.8 | 2.6 | 2.5 | 34.9 |
| Philippines | 13.8 | 12.1 | 15.7 | 15.8 | 16.3 | 17.2 | 17.3 | 16.9 | 16.1 | 15.1 | 15.8 | 14.5 | 186.6 |
| Thailand | 23.7 | 20.8 | 26.1 | 25 | 25.6 | 27.3 | 26.4 | 25.3 | 24.4 | 22.5 | 23.3 | 23.4 | 293.8 |
| Vietnam | 30.8 | 25.3 | 32 | 33.5 | 33.7 | 32.4 | 31.6 | 30.8 | 31.7 | 30.4 | 30.4 | 31.1 | 373.7 |
| total export | 153.1 | 132.4 | 165.9 | 162.3 | 169.5 | 176.9 | 178 | 169.9 | 169.9 | 157 | 157.5 | 158.5 | 1950.9 |
| yoy | 19.8 | 18.5 | 19 | 17.7 | 25.8 | 28.7 | 28.8 | 28.7 | 22.5 | 10.4 | 2.4 | -3.8 | |

Source: IMF , Direction of Trade Statistics

**Decline
in
ASEAN's
export to
World
since the
last
quarter
of 2022**

Status of RoK-ASEAN Economic Cooperation in Trade

RoK-ASEAN Trade: Proportions by Economic Categories (Unit: %)

| Export | Primary | Consumption | Capital | Intermediate | etc. |
|---------|---------|-------------|---------|--------------|------|
| 2017 | 0.5 | 4.9 | 17 | 76.7 | 0.9 |
| 2018 | 0.5 | 5.2 | 13.6 | 79.7 | 0.9 |
| 2019 | 0.5 | 5.5 | 14.1 | 79.7 | 0.2 |
| 2020 | 0.6 | 5.4 | 13.2 | 80.6 | 0.3 |
| 2021 | 0.6 | 4.8 | 9.5 | 84.8 | 0.2 |
| 2022 | 0.6 | 4.5 | 8.4 | 86.4 | 0.1 |
| 2023.1q | 0.7 | 5.7 | 11.5 | 82.1 | 0.1 |

| Import | Primary | Consumption | Capital | Intermediate | etc. |
|---------|---------|-------------|---------|--------------|------|
| 2017 | 11.7 | 18.1 | 16.3 | 52.8 | 1.1 |
| 2018 | 12.1 | 18.8 | 14.5 | 53.4 | 1.1 |
| 2019 | 9.2 | 19.9 | 13.1 | 56.6 | 1.1 |
| 2020 | 7.3 | 19.7 | 16.7 | 55.1 | 1.2 |
| 2021 | 8 | 17.7 | 19.2 | 54.1 | 1 |
| 2022 | 11 | 16.2 | 16.8 | 55.1 | 0.9 |
| 2023.1q | 10.5 | 16.5 | 17.3 | 54.9 | 0.7 |

; Source: KITA

Major Trade Partners' Share in RoK's Total Trade(%)

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023.1q |
|-------|------|------|------|------|------|------|------|------|------|---------|
| ASEAN | 12.6 | 12.4 | 13.2 | 14.2 | 14.0 | 14.5 | 14.7 | 14.0 | 14.7 | 14.5 |
| US | 10.5 | 11.8 | 12.2 | 11.3 | 11.5 | 12.9 | 13.4 | 13.4 | 13.5 | 14.3 |
| China | 21.4 | 23.6 | 23.4 | 22.8 | 23.6 | 23.3 | 24.6 | 23.9 | 21.9 | 20.5 |

Status of RoK-ASEAN Economic Cooperation in Trade

RoK-Vietnam Trade

(Unit: Hundred Million \$ %)

| 구분 | 2016 | | 2017 | | 2018 | | 2019 | | 2020 | | 2021 | |
|-----------------------------|--------|-------------|--------|-------------|--------|-------------|--------|-------------|--------|-------------|--------|-------------|
| | Amount | Ratio | Amount | Ratio | Amount | Ratio | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| Trade Amount (Ratio) | 451 | 38.0 | 639 | 42.9 | 683 | 42.7 | 693 | 45.8 | 691 | 48.0 | 806 | 45.7 |
| Export (ratio) | 326 | 43.8 | 478 | 50.2 | 486 | 48.5 | 482 | 50.7 | 486 | 54.5 | 567 | 52.1 |
| Intermediate (ratio) | 264 | 81.1 | 364 | 76.2 | 394 | 81.1 | 402 | 83.4 | 415 | 85.4 | 496 | 87.5 |
| Import(ratio) | 125 | 28.2 | 162 | 30.1 | 196 | 33.0 | 211 | 37.5 | 206 | 37.6 | 239 | 35.3 |
| Intermediate (ratio) | 51 | 40.8 | 72 | 44.4 | 85 | 43.4 | 101 | 47.9 | 94 | 45.6 | 108 | 45.2 |

Note: Ratio refers to the proportion of each item in the total amount of trade between Korea and ASEAN ; Source:KITA

- Exports to Vietnam accounted for 54.5% of South Korea's total exports to ASEAN, and this result is due to South Korea exporting intermediate goods to utilize Vietnam as a production base
- We should focus on the overall trend of import amounts rather than the export proportion.
 - ✂ Recently, our companies frequently import intermediate goods and finished products produced and processed locally in Vietnam to assemble finished products in ROK.

Status of RoK-ASEAN Economic Cooperation in Investment

RoK's FDI

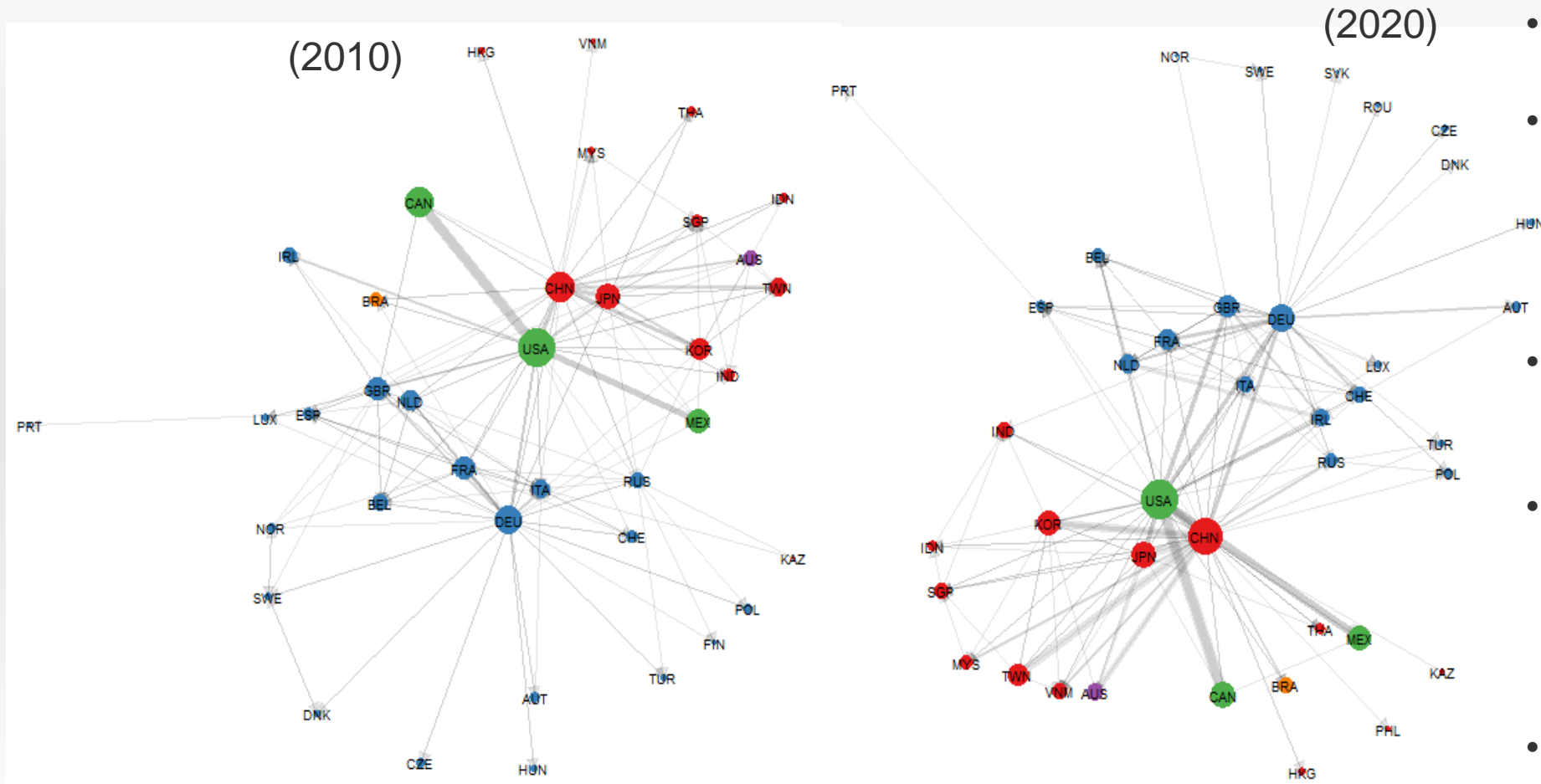
(Unit: EA, Million\$, %)

| Year | to World | | to ASEAN | | to Vietnam | | Proportion of ASEAN in World | | Proportion of Vietnam in ASEAN | |
|-------------|---------------------|--------------------|---------------------|--------------------|---------------------|--------------------|------------------------------|------------|--------------------------------|------------|
| | # New firms (total) | FDI Amount (total) | # New firms (total) | FDI Amount (total) | # New firms (total) | FDI Amount (total) | New firms | FDI Amount | New firms | FDI Amount |
| 2014~2017 | 13,065 | 144,594 | 3,997 | 19,256 | 2,369 | 7,663 | 30.6 | 13.3 | 59.3 | 39.8 |
| 2018~2021 | 11,630 | 218,284 | 3,855 | 32,017 | 2,327 | 12,336 | 33.1 | 14.7 | 60.4 | 38.5 |
| Changes (%) | -11.0 | 51.0 | -3.6 | 66.3 | -1.8 | 61.0 | | | | |

Source: KEXIM bank.

- Since 2015, RoK's FDI in ASEAN has exceeded its FDI to China.
- Since 2015, RoK's FDI in ASEAN has accounted for 17% of its total FDI, while its FDI in China has represented only 8% of the total.
- Although this share declined due to COVID-19 Pandemic, it still constitutes 11% of RoK's total FDI.
- Notably, with investment heavily concentrated in Vietnam, there is a corresponding concentration of trade in Vietnam as well.

RoK-ASEAN Supply Chain Integration



- RoK and ASEAN are now integrated markets.
- A decline in global market demand affects RoK through its concentrations to ASEAN markets.
- Conversely, developments in Korean market can also influence ASEAN markets.
- Bilateral trades between the two regions moves in tandem through supply chains involving intermediate goods.
- Collaboration with reliable partners is of paramount important.

Supply Chain Restructuring: The Journey towards Diversification

- ◆ (China) While major Western countries including the US are checking China's Innovation capabilities by strengthening export control and investment screening. China is speeding up **the localization of high-tech technologies** as a solution.
 - The launch of Xi Jinping's third term and the emphasis on self-reliance of economy and technology
- ◆ (Western) Recognizing China as an unreliable competitor, the West is further expanding **government-led industrial policies** in high-tech and strategic industries
 - the US: CHIPS Act, Inflation Reduction Act
 - EU: Horizon Europe(2021-2027), IPCEI, European Chips Act, European Green Deal Industrial Plan, Temporary Crisis and Transition Framework
 - China: 「14th Five-Year Plan for National Economic and Social Development of the PRC」
- ◆ RoK-US Summit, RoK-Japan Summit, RoK-US-Japan Summit, G7 Summit, US-EU Trade and Technology Council, IPEF ⇒ Supply Chain restructuring and Cooperation

Vietnam's Imports: Navigating the Path to Diversification

- # of items imported from RoK with more than 50% market share in Vietnam import market : 193(2016) → 146(2020)
- # of items imported from China with more than 50% market share in Vietnam import market: 1,328(2016) → 1,795(2020)

- ◆ (2016) Vietnam imported 4,414 items based on 6 units of HS code
 - Out of these, 3,422 items were imported from Korea and 4,002 items from China.
 - # of imported items from RoK with more than 50% market share in Vietnam: 193
 - # of imported items from China with more than 50% market share in Vietnam: 1,328
- ◆ (2020) Vietnam imports 4,483 items based on 6 units of HS code
 - Out of these, 3,349 items were imported from Korea and 4,072 items from China
 - The number of items imported from Korea decreased over five years
 - # of items imported from RoK with more than 50% market share in Vietnam : 146
 - # of imported items from China with more than 50% market share in Vietnam : 1,795
- ◆ The supply chain linkage between RoK and Vietnam could pose potential risks..
- ◆ There is fierce competition in the Vietnamese market: and it's crucial to consider which industries have an advantage over China.

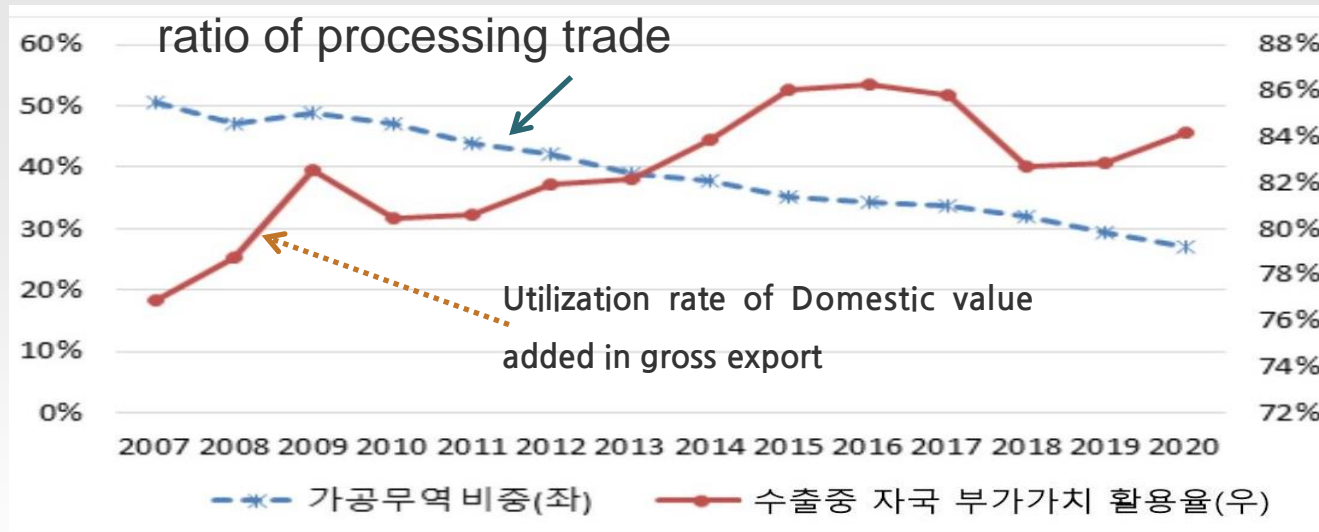
ASEAN's High Dependency on China: The Imperative for Diversification

- ◆ ASEAN's **High Economic Dependency on China**
 - 2020 Share of ASEAN's Export by Region(%): EU(9.4), **China(15.7)**, US(15.2), Japan(7.2), Intra-ASEAN(21.3)
 - 2020 Share of ASEAN's Import by Region(%): EU(7.7), **China(23.5)**, RoK(7.7), Japan(7.8), Intra-ASEAN(21.2)
- ◆ ASEAN Exports to China : 2011(US\$140 bn), 2020(US\$218 bn)⇒ For 10 years US\$78 bn ↑
 - During the same period, GDP of China: \$7,500bn → \$14,700bn ⇒ For 10 years, \$7,200bn ↑
 - Thus every US\$100 of China's growth only produced US\$1 of export growth from ASEAN region
- ◆ ASEAN Imports from China : 2011(\$155bn), 2020(\$300bn.)⇒ for 10 years, \$145bn ↑
 - During the same period, the change in ASEAN GDP: US\$700bn ↑
 - Thus Every US\$100 of ASEAN GDP growth was accompanied by **US\$ 20 of imports from China**
- ◆ The growth of China's domestic market has not resulted in a large increase in exports to China because the marginal propensity of China to import from ASEAN is **so low**.
- ◆ **ASEAN needs diversification.**

China's Demand Stagnation or Decline: The Path to Diversification

- ◆ China has actively strengthened its Red Supply Chain through its industry promotion policy, \Rightarrow the self-sufficiency rate of intermediate goods (**Utilization rate of Domestic value added in gross export**) has risen \Rightarrow In the long run China's demand is expected to stagnate or fall.

China's ratio of Processing Trade and Domestic Value added in gross export



Source : CEIC, ADB-MRIO .

Supply Chain Diversification Direction: ASEAN RVC

- ◆ ASEAN-oriented strategy of the US, China, and Japan (?)
 - Formally, it seems to place a high value on ASEAN..
 - China (internalization of supply chain), Japan (emphasizing domestic production), and the United States (emphasizing reducing dependence on certain countries)



“You asked the question – you said, could Vietnam play a role in replacing a dependence on China? I wouldn’t frame the question that way, Will. I would say that I think many of us have learned over the last few years that it’s not advantageous for any one country to be overly dependent on a particular partner or particular supply chain. So.... Vietnam has benefited from that trend, and I think for good reason, because Vietnam has many advantages as a trading partner. But I think diversification is the word that I would focus on. It’s not just Vietnam, but I think many other partners.”

Supply Chain Diversification Direction: ASEAN RVC

⇒ higher degree of vertical integration and intra-ASEAN connectivity

Cambodia RVC

| | Foreign Value Added | | | Domestic Value Added | | | GVC participation (a+d) | RVC Participation (c+f) | RVC ratio (c+f)/(a+d) |
|------|---------------------|-------------------|------------------|----------------------|-------------------|------------------|-------------------------|-------------------------|-----------------------|
| | total (a=b+c) | Outside ASEAN (b) | Inside ASEAN (c) | total (d=e+f) | Outside ASEAN (e) | Inside ASEAN (f) | | | |
| 2007 | 26.7 | 25.8 | 0.9 | 10.1 | 8.3 | 1.8 | 36.8 | 2.7 | 7.3 |
| 2010 | 24.2 | 23.4 | 0.8 | 10.7 | 8.9 | 1.8 | 34.9 | 2.7 | 7.6 |
| 2015 | 24.6 | 23.7 | 1.0 | 11.1 | 8.1 | 3.0 | 35.8 | 4.0 | 11.1 |
| 2016 | 24.3 | 23.2 | 1.1 | 12.0 | 8.2 | 3.8 | 36.4 | 5.0 | 13.7 |
| 2017 | 24.2 | 23.1 | 1.1 | 12.6 | 8.5 | 4.2 | 36.9 | 5.3 | 14.4 |
| 2018 | 30.8 | 29.0 | 1.7 | 12.4 | 9.6 | 2.8 | 43.2 | 4.6 | 10.6 |
| 2019 | 33.1 | 30.6 | 2.5 | 7.4 | 4.2 | 3.3 | 40.5 | 5.3 | 14.3 |
| 2020 | 36.8 | 34.3 | 2.4 | 9.5 | 6.9 | 2.5 | 46.2 | 5.0 | 10.8 |
| 2021 | 31.8 | 29.0 | 2.8 | 15.3 | 3.8 | 11.5 | 47.1 | 11.4 | 30.5 |

Thailand RVC

| | Foreign Value Added | | | Domestic Value Added | | | GVC participation (a+d) | RVC Participation (c+f) | RVC ratio (c+f)/(a+d) |
|------|---------------------|-------------------|------------------|----------------------|-------------------|------------------|-------------------------|-------------------------|-----------------------|
| | total (a=b+c) | Outside ASEAN (b) | Inside ASEAN (c) | total (d=e+f) | Outside ASEAN (e) | Inside ASEAN (f) | | | |
| 2007 | 26.4 | 23.5 | 2.9 | 15.6 | 13.0 | 2.6 | 41.9 | 5.4 | 13.0 |
| 2010 | 25.2 | 21.6 | 3.6 | 14.8 | 11.4 | 3.3 | 40.0 | 7.0 | 17.4 |
| 2015 | 21.4 | 18.4 | 3.1 | 14.7 | 12.2 | 2.5 | 36.2 | 5.6 | 15.5 |
| 2016 | 19.9 | 17.1 | 2.8 | 15.0 | 12.4 | 2.7 | 34.9 | 5.5 | 15.7 |
| 2017 | 20.7 | 16.6 | 4.1 | 15.8 | 12.3 | 3.6 | 36.6 | 7.7 | 21.0 |
| 2018 | 25.8 | 22.7 | 3.1 | 15.9 | 13.7 | 2.2 | 41.7 | 5.3 | 12.7 |
| 2019 | 23.2 | 19.4 | 3.8 | 12.8 | 10.1 | 2.8 | 36.1 | 6.6 | 18.3 |
| 2020 | 23.3 | 19.6 | 3.7 | 12.0 | 9.3 | 2.7 | 35.3 | 6.4 | 18.1 |
| 2021 | 27.4 | 22.2 | 5.2 | 12.6 | 9.0 | 3.6 | 39.9 | 8.7 | 21.8 |

Laos RVC

| | Foreign Value Added | | | Domestic Value Added | | | GVC participation (a+d) | RVC Participation (c+f) | RVC ratio (c+f)/(a+d) |
|------|---------------------|-------------------|------------------|----------------------|-------------------|------------------|-------------------------|-------------------------|-----------------------|
| | total (a=b+c) | Outside ASEAN (b) | Inside ASEAN (c) | total (d=e+f) | Outside ASEAN (e) | Inside ASEAN (f) | | | |
| 2007 | 10.7 | 9.3 | 1.4 | 23.2 | 18.3 | 4.9 | 33.9 | 6.3 | 18.6 |
| 2010 | 11.8 | 10.5 | 1.4 | 20.7 | 16.7 | 4.0 | 32.6 | 5.4 | 16.6 |
| 2015 | 9.0 | 8.0 | 1.0 | 21.4 | 15.2 | 6.2 | 30.4 | 7.2 | 23.6 |
| 2016 | 8.3 | 7.3 | 0.9 | 23.2 | 15.9 | 7.3 | 31.5 | 8.2 | 26.1 |
| 2017 | 8.5 | 7.6 | 0.9 | 24.6 | 17.4 | 7.2 | 33.2 | 8.1 | 24.4 |
| 2018 | 10.7 | 8.2 | 2.5 | 27.4 | 16.5 | 10.9 | 38.1 | 13.4 | 35.2 |
| 2019 | 12.7 | 9.7 | 3.1 | 19.3 | 7.7 | 11.6 | 32.0 | 14.6 | 45.7 |
| 2020 | 8.5 | 5.9 | 2.6 | 20.8 | 9.8 | 10.9 | 29.2 | 13.5 | 46.3 |
| 2021 | 7.8 | 5.3 | 2.5 | 27.8 | 9.9 | 17.9 | 35.6 | 20.4 | 57.3 |

Vietnam RVC

| | Foreign Value Added | | | Domestic Value Added | | | GVC participation (a+d) | RVC Participation (c+f) | RVC ratio (c+f)/(a+d) |
|------|---------------------|-------------------|------------------|----------------------|-------------------|------------------|-------------------------|-------------------------|-----------------------|
| | total (a=b+c) | Outside ASEAN (b) | Inside ASEAN (c) | total (d=e+f) | Outside ASEAN (e) | Inside ASEAN (f) | | | |
| 2007 | 30.6 | 26.6 | 4.1 | 8.9 | 7.3 | 1.5 | 39.5 | 5.6 | 14.2 |
| 2010 | 36.5 | 33.0 | 3.5 | 9.6 | 8.4 | 1.3 | 46.1 | 4.8 | 10.4 |
| 2015 | 31.3 | 28.9 | 2.4 | 10.9 | 9.8 | 1.2 | 42.2 | 3.6 | 8.4 |
| 2016 | 38.5 | 35.5 | 3.0 | 9.4 | 8.7 | 0.7 | 47.9 | 3.8 | 7.8 |
| 2017 | 36.9 | 33.4 | 3.5 | 9.6 | 8.8 | 0.8 | 46.5 | 4.2 | 9.1 |
| 2018 | 39.4 | 37.1 | 2.2 | 11.3 | 10.3 | 0.9 | 50.6 | 3.2 | 6.3 |
| 2019 | 41.6 | 39.0 | 2.6 | 7.7 | 6.6 | 1.1 | 49.3 | 3.7 | 7.4 |
| 2020 | 41.7 | 39.5 | 2.2 | 6.9 | 5.9 | 1.0 | 48.6 | 3.2 | 6.6 |
| 2021 | 46.8 | 43.5 | 3.3 | 5.8 | 4.9 | 0.9 | 52.5 | 4.2 | 8.0 |

Supply Chain Diversification: ASEAN Integration

- ◆ ASEAN Member States strive to become key nodes in supply chains.
 - Singapore : Strengthening the IP system
 - Indonesia: Simplifying laws and regulations (Omnibus Act)
 - Philippines: Revised Foreign Direct Investment Act, Revised Public Service Law
 - Vietnam: Various Industrial policies
- ◆ Intensifying Competition within ASEAN to become a key node
 - ➔ Impeding economic integration efforts
 - ➔ Formation of an ASEAN Regional Coordination Organization needed to respond to supply chain restructuring.

Supply Chain Diversification: Collaborating with Trusted Partners

- ◆ (RoK's Position) RoK is the only country that has grown in the existing rule-based free trade order
 - Strategic partners to build an open, inclusive regional order
 - Geographical Adjacencies and Korean Wave Fever
 - Demonstrating high economic cooperation through direct investment led by private companies.
 - It has competitive edge in high-tech industries such as soft power, ICT, display, semiconductor, secondary battery, etc.

We must work diligently to bolster **trust** between the two regions.

Q32 If ASEAN were to seek out “third parties” to hedge against the uncertainties of the US-China strategic rivalry, who is your preferred and trusted strategic partner for ASEAN?

| Country | Australia | | The European Union | | India | | Japan | | Republic of Korea | | The United Kingdom | |
|-------------|-----------|-------|--------------------|-------|-------|-------|-------|-------|-------------------|------|--------------------|-------|
| | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 |
| ASEAN | 10.3% | 9.3% | 40.2% | 42.9% | 5.1% | 11.3% | 29.2% | 26.6% | 6.8% | 3.2% | 8.4% | 6.8% |
| Brunei | 20.8% | 8.3% | 30.2% | 54.2% | 0.0% | 6.7% | 20.8% | 19.2% | 9.4% | 6.7% | 18.9% | 5.0% |
| Cambodia | 6.2% | 1.5% | 48.1% | 79.9% | 9.9% | 6.0% | 13.6% | 9.0% | 8.6% | 0.0% | 13.6% | 3.7% |
| Indonesia | 10.7% | 7.4% | 40.5% | 38.8% | 3.8% | 9.9% | 31.3% | 36.4% | 6.9% | 4.1% | 6.9% | 3.3% |
| Laos | 4.5% | 16.8% | 36.4% | 42.1% | 2.3% | 13.1% | 47.7% | 18.7% | 6.8% | 1.9% | 2.3% | 7.5% |
| Malaysia | 5.9% | 10.5% | 49.6% | 31.5% | 6.7% | 12.9% | 23.0% | 27.4% | 6.7% | 4.8% | 8.1% | 12.9% |
| Myanmar | 6.3% | 12.2% | 46.0% | 14.8% | 1.7% | 21.7% | 26.6% | 39.1% | 11.4% | 1.7% | 8.0% | 10.4% |
| Philippines | 19.0% | 7.1% | 34.5% | 33.3% | 3.0% | 4.0% | 34.5% | 39.4% | 1.8% | 4.0% | 7.3% | 12.1% |
| Singapore | 9.9% | 18.3% | 39.2% | 38.9% | 5.0% | 10.6% | 35.1% | 25.5% | 5.9% | 1.9% | 5.0% | 4.8% |
| Thailand | 8.5% | 6.3% | 41.9% | 42.4% | 7.7% | 16.0% | 25.6% | 21.5% | 6.8% | 6.9% | 9.4% | 6.9% |
| Vietnam | 11.1% | 4.4% | 35.4% | 52.9% | 11.1% | 11.8% | 33.3% | 29.4% | 4.2% | 0.0% | 4.9% | 1.5% |

Source: ISEAS, The State of Southeast Asia 2023

Supply Chain Diversification in the Era of Climate Change

- ◆ Climate change needs to be recognized as an economic challenge intertwined with supply chains rather than solely an environmental issue.
 - Generating Interest in Carbon Reduction and Clean Energy Transformation
 - There is a direct impact on the global supply chain due to initiatives like the U.S. IRA or the EU's Carbon Border Adjustment (CBAM) aimed at addressing climate change
 - ① The U.S. is set to provide substantial incentives for clean energy production and investment through IRA.
 - ② The EU is introducing the Core Raw Materials Act (CRMA) and the Net-Zero Industry Act to secure a supply chain of key mineral raw materials essential for clean energy within the region.

Supply Chain Stability: Public and Private Sector Roles

- ◆ Foreign supply-side shock preparedness + RoK-ASEAN technology and supply chain cooperation
- **Ensuring a Resilient Supply Chain:**
 - The objective is to secure a stable supply chain.
 - This entails maintaining resilience against external shocks.
 - Achieving this requires strong public-private partnerships involving parliament, government, and businesses, maximizing "constrained efficiency."
- **Roles of Key Stakeholders:**
 - **Parliament:** Establishing a system for ensuring a stable supply chain, including intellectual property rights protection and the safeguarding of strategic materials and high technology.
 - **Government:** Setting up monitoring and stockpiling systems while upholding institutional transparency.
 - **Enterprise:** Building a stable procurement structure aligned with the company's capabilities, emphasizing that unconditional diversification is not the solution.
- **Building Trust Across Regions:**
 - Multi-layered efforts are essential to strengthen trust in both regions.
 - Eg) Regular exchanges between the Korea-ASEAN Parliament and the formation of a council of lawmakers can facilitate this trust-building process.
- **Creating an Inclusive Society:**
 - Forming a "Society" that includes parliaments, businesses, and civil society organizations from both regions and nurturing it as an international organization.



Thank you!