

# Beyond China and Japan, how has the strategic agency of emerging East Asian powers (specifically South Korea, India, and Vietnam) shifted in response to the US pivot, and what specific new bilateral agreements or trade routes with Middle Eastern states have they established between 2024 and 2026?

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## Executive Summary

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The strategic agency of South Korea, India, and Vietnam has shifted significantly between 2024 and 2026, moving beyond transactional diversification towards institutional multi-alignment and independent routing control in response to the US pivot and broader geopolitical fragmentation. This shift is evidenced by the establishment of numerous new bilateral agreements and trade routes with Middle Eastern states, embedding integrated industrial, technological, and financial mechanisms. These include defense research and development Memoranda of Understanding (MOUs), comprehensive economic partnership agreements (CEPAs), and Free Trade Agreements (FTAs) that have driven substantial increases in trade volumes and foreign direct investment.

## Key Findings

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### Strategic Agency Shifts Towards Institutional Multi-Alignment and Independent Routing Control

The strategic agency of South Korea, India, and Vietnam has evolved from simple trade balancing to structural resilience, characterized by institutional multi-alignment and independent routing control [8]. This approach, rather than mere transactional diversification, better captures their shifts in navigating post-2024 geopolitical volatility [8].

- **South Korea** transitioned from transactional arms sales to long-term institutional partnerships. A defense cooperation agreement with Saudi Arabia in February 2024 [11] was followed by a \$3.2 billion deal for the Cheongung II missile system [2]. This progressed to an institutional multi-alignment with a Memorandum of Understanding (MOU) on defense research and development signed on February 9, 2026, establishing a

framework for technology transfer and systems innovation aligned with Saudi Vision 2030 [13, 16, 17]. South Korea also aims to upgrade its Comprehensive Economic Partnership Agreement (CEPA) with India, with negotiations resuming in April 2026 [1, 2].

- **India** adopted a "multi-alignment" doctrine and an "Act West" policy, moving from diplomatic balancing to active structural resilience [8]. This involved expanding independent maritime security in the Arabian Sea and operationalizing local currency settlement systems (rupee-dirham) to reduce reliance on the US dollar [8]. India elevated transactional Gulf relationships into advanced security partnerships with joint military exercises and technology transfers [8]. The India-UAE CEPA pushed bilateral trade beyond \$100 billion by early 2026, with non-oil trade surging 19.7% to \$65 billion in 2025 [5, 8]. India also formalized broader regional integration by signing the Terms of Reference for an India-GCC Free Trade Agreement on February 5, 2026, and launching formal negotiations on February 24, 2026 [12, 19]. A comprehensive trade agreement with Oman was finalized in December 2025 [14].

- **Vietnam** institutionalized economic liberalization through a vast network of over 16 active free trade agreements as of 2026 [6]. Utilizing a "China Plus One" strategy, Vietnam secured institutionalized re-export hubs and technology transfers [6]. A Comprehensive Economic Partnership Agreement (CEPA) with the UAE, signed in late October 2024 and entering full force in February 2026, established the UAE as a re-export hub for Middle Eastern markets, driving a 17% increase in UAE-Vietnam trade in the first half of 2025 [5, 6]. The Vietnam-Israel Free Trade Agreement (VIFTA), in force in late 2024, reduced tariffs and focused on intellectual property protection and technology transfer for high-tech manufacturing and semiconductors [6].

## **Drivers: Direct US Policy Responses and Parallel Adaptations**

The strategic shifts are a combination of direct causal responses to US policy and parallel adaptations to broader geopolitical and economic fragmentation [3]. US actions, such as President Trump's revised tariff rates [2] and the 2026 US defense strategy [4], served as immediate catalysts. Simultaneously, "K-shaped globalization," supply chain restructuring, and Gulf capital outflows provided structural foundations for these new partnerships [3, 7, 8]. Gulf-Asia trade reached \$516 billion in 2024, outpacing trade with the West (\$256 billion) and fueled by Gulf sovereign wealth funds deploying 40% of their estimated \$56 billion to Asia in the first nine months of 2025 [7].

## **Durable Structural Realignments Through Integrated Mechanisms**

The newly signed agreements establish durable structural realignments by shifting from transactional trade to integrated industrial, technological, and financial partnerships [7, 8, 9].

- The February 2026 defense research and development MOU between **South Korea and Saudi Arabia** designates specific implementing bodies, including South Korea's Agency for Defense Development and Saudi defense research institutions, ensuring structural integration aligned with Saudi Vision 2030 [13, 17]. A supplementary government quality assurance agreement further institutionalizes these defense ties [18].

- The **India-UAE CEPA** has structurally insulated bilateral trade from dollar volatility by operationalizing a local currency settlement system (rupee-dirham) and integrating the Unified Payments Interface (UPI) [8]. This framework diversified the trade base, with non-oil trade constituting over half of the \$100 billion bilateral trade volume by early 2026 [8]. Sovereign wealth fund investments in Indian digital, renewable energy, and green hydrogen projects further cement this structural integration [8].

- The formal launch of **India-GCC FTA** negotiations in February 2026 covers a comprehensive scope including digital trade, intellectual property, and micro, small, and medium enterprise (MSME) cooperation, moving beyond simple goods tariffs [12]. While India recorded a \$64.81 billion trade deficit with the GCC in FY 2024-25 primarily due to energy imports, the FTA aims to rebalance this through broader industrial and service linkages [14, 19].

## **Vietnam's Hub Status: Success with Reliance Constraints**

Vietnam's new Middle Eastern CEPAs have successfully established it as a key manufacturing and logistical hub, though its reliance on foreign direct investment (FDI) and re-export dependencies ties its growth to broader supply chain shifts [6]. The UAE CEPA, in full force in February 2026, eliminated tariffs on Vietnamese exports, establishing the UAE as a re-export hub for Middle Eastern and North African markets [6]. This drove a 17% increase in UAE-Vietnam trade in the first half of 2025 [5]. The Vietnam-Israel VIFTA also prioritized technology transfer for high-tech manufacturing and semiconductors [6]. Total registered FDI in Vietnam reached nearly \$15.2 billion in the first quarter of 2026, a 42.9% year-on-year increase [6]. This hub status, however, is heavily dependent on FDI and its role as a re-export conduit for "China Plus One" strategies, constraining its long-term strategic autonomy [6, 7].

## **Enduring Structural Shifts Beyond Historical Precedents**

The 2024-2026 agreements mark a structural re-ordering beyond transactional oil diplomacy, embedding partnerships predicted to endure as permanent shifts [7, 17]. Unlike 1970s oil diplomacy or 2000s integration efforts, these agreements are "operational" and multi-dimensional [7, 17]. South Korea's shift to defense R&D partnerships [17], India's advanced security partnerships [8], and new CEPAs/FTAs focusing on non-oil trade, digital commerce, and supply chain resilience [6, 8, 12, 14] demonstrate this. Gulf-Asia trade reached \$516 billion in 2024, doubling Gulf-West trade (\$256 billion) [7]. Gulf sovereign wealth funds deployed 40% of their estimated \$56 billion to Asia in the first nine months of 2025 [7]. While regional conflicts pose vulnerabilities, such as the India-Middle East-Europe Economic Corridor's "Northern Corridor" being non-viable [7, 8], the overall pivot is considered a durable structural re-ordering [3, 7, 8].

### **India's Multi-Alignment Yields Highest Aggregate Return, Converging on FTA-Driven Diversification**

India's multi-alignment and "Act West" policy generate the highest aggregate return on strategic agency, producing \$178.7 billion in bilateral trade with the Gulf Cooperation Council (GCC) in 2024-25 and pushing India-UAE trade beyond \$100 billion by early 2026 [8, 14, 19]. This strategy secured deep structural financial integration, including local currency settlements and Unified Payments Interface (UPI) integration, alongside billions in sovereign wealth fund investments for digital and green energy projects [8].

South Korea's defense-technology integration yields highly concentrated strategic returns, shifting from transactional arms sales to long-term partnerships, including a \$3.2 billion missile export deal in February 2024 and a February 2026 MOU with Saudi Arabia for joint defense research and development [2, 17].

Vietnam's manufacturing-FTA approach yields rapid capital inflows and export growth. The CEPA with the UAE drove a 17% trade increase in the first half of 2025 [5, 6], and, coupled with the VIFTA, fueled a 42.9% year-on-year surge in foreign direct investment to nearly \$15.2 billion in the first quarter of 2026 [6].

These distinct strategies indicate a converging model for emerging powers, as all three nations are actively diversifying economic and strategic partnerships away from traditional blocs in response to US trade policies and global supply chain fragmentation [2, 3, 9]. They uniformly utilize FTAs and CEPAs as primary instruments to anchor geoeconomic ties [6, 8, 12, 14], and are leveraging Gulf sovereign wealth funds and prioritizing supply chain resilience [7, 8].

## Specific Bilateral Agreements (2024-2026)

South Korea, India, and Vietnam established the following specific bilateral agreements with Middle Eastern states between 2024 and 2026:

- **South Korea and Saudi Arabia**
- **February 2024:** Agreement on defense cooperation [11].
- **February 9, 2026:** Memorandum of Understanding (MOU) on defense research and development cooperation, covering defense technology research, systems innovation, and future-oriented defense capabilities [13, 16, 17].
- **Undated (2026):** Government quality assurance agreement to strengthen defense cooperation [18].
- **Undated (2024-2026):** New Oil and Gas Cooperation Agreement [15].
- **In force since September 2025:** Free Trade Agreement with the Gulf Cooperation Council (GCC) [15].
- **Active through 2024-2026:** Standing liquified natural gas supply agreement between Kogas and Rasgas [15].
- **India and the United Arab Emirates (UAE)**
- **Active early 2026:** Comprehensive Economic Partnership Agreement (CEPA), driving bilateral trade beyond \$100 billion and covering non-oil trade, digital infrastructure, renewable energy, and green hydrogen [8].
- **India and the Gulf Cooperation Council (GCC)**
- **February 5, 2026:** Terms of Reference (ToR) for an India-GCC Free Trade Agreement (FTA) were signed [12, 14, 19].
- **February 24, 2026:** Formal FTA negotiations were launched, covering trade in goods, customs procedures, trade in services, digital trade, sanitary and phytosanitary (SPS) measures, intellectual property rights, and micro, small, and medium enterprises (MSMEs) [12].
- **India and Oman**
- **December 2025:** Comprehensive trade agreement finalized [14].
- **Vietnam and the United Arab Emirates (UAE)**
- **Late October 2024 (signed), February 2026 (full force):** Comprehensive Economic Partnership Agreement (CEPA), Vietnam's first FTA with an Arab nation, establishing the UAE as a re-export hub for Middle Eastern and North African markets [6].

- **Vietnam and Israel**
- **Late 2024 (in force):** Vietnam-Israel Free Trade Agreement (VIFTA), reducing tariffs and focusing on high-tech manufacturing, agricultural technology, and semiconductors [6].
- **Vietnam and Saudi Arabia**
- **Undated (2024-2026):** Five strategic agreements signed to strengthen industrial and investment ties [20].

## **New Trade Routes and Logistical Corridors**

South Korea, India, and Vietnam expanded Middle Eastern trade via defense partnerships, port modernization, and re-export hubs, with trade volumes increasing by 15% to 19.7%.

- **South Korea** established new defense and technology logistical corridors with Saudi Arabia, including a \$3.2 billion missile export deal in February 2024 and a defense research and development MOU in February 2026 [2, 13]. The Premier Alliance, a vessel-sharing agreement between Hyundai Merchant Marine, Ocean Network Express, and Yang Ming, became active on February 9, 2025, covering Asia-Middle East routes to enhance network reliability and routing control [10, 12].
- **India** expanded direct India-Arabian Peninsula connectivity initiatives, including port modernization at Jebel Ali and the laying of submarine cables [8]. To bypass Red Sea shipping disruptions, India utilized alternative ocean-air transport routes, such as Maersk shipping goods to Dubai and then to European airports [7]. While the India-Middle East-Europe Economic Corridor (IMEC) faced headwinds with its Northern Corridor deemed non-viable due to regional conflicts [8], direct trade volumes surged: India-UAE non-oil trade increased by 19.7% to \$65 billion in 2025 [5], and overall India-GCC bilateral trade reached \$178.7 billion in 2024-25 [14, 19].
- **Vietnam** established the UAE as a strategic re-export hub for broader Middle Eastern and North African markets following the implementation of its CEPA [6]. This logistical expansion contributed to a 17% increase in UAE-Vietnam trade during the first half of 2025 [5]. Bilateral trade flows between the Gulf and Southeast Asian nations (ASEAN) rose nearly 15% in 2024 [7]. Vietnam focused on bilateral trade agreements rather than operationalizing specific new shipping alliances or logistics corridors for independent routing control [21].

## Financial Value and Strategic Assets Secured

- **South Korea:** Secured a \$3.2 billion contract in February 2024 to export its Cheongung II missile system to Saudi Arabia [2]. The February 9, 2026, MOU on defense research and development cooperation established a framework for long-term technology transfer, systems innovation, and industrial cooperation [13, 16, 17].

- **India:** The India-UAE CEPA pushed bilateral trade beyond \$100 billion by early 2026, with non-oil trade constituting over half of the total [8]. India launched formal FTA negotiations with the GCC on February 24, 2026, covering a bilateral trade volume that reached \$178.7 billion in 2024-25 [12, 14, 19]. The provided research does not specify exact tariff reduction percentages for India's Middle Eastern agreements.

- **Vietnam:** Manufacturing hubs saw total registered foreign direct investment (FDI) reach nearly \$15.2 billion in the first quarter of 2026, a 42.9% year-on-year increase [6]. This surge is supported by Gulf capital flows, with Gulf sovereign wealth funds deploying 40% of their estimated \$56 billion to Asia in the first nine months of 2025 [7]. Abu Dhabi's sovereign wealth fund ADQ partnered with the Vietnamese government investment arm in 2025 to explore direct investment opportunities [5].

## Implications

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The strategic shifts of South Korea, India, and Vietnam demonstrate a clear reorientation of emerging East Asian powers towards institutionalized, multi-aligned partnerships with Middle Eastern states. This indicates that these nations are actively building structural resilience against global geopolitical and economic volatility, rather than merely engaging in opportunistic trade. The emphasis on defense R&D, local currency settlements, and comprehensive FTAs suggests a long-term commitment to diversifying supply chains and securing national interests beyond traditional alliances. For stakeholders, this implies a more complex, multipolar global trade and security environment where emerging powers exert greater strategic agency through formalized, multi-dimensional engagements. The success of these new corridors and agreements will likely encourage similar diversification efforts from other emerging economies.

## Limitations and Caveats

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The provided research offers detailed insights into specific agreements and trade figures but does not consistently provide percentage increases in trade volume or cargo capacity

for all new routes compared to pre-2024 levels for South Korea. While the India-Middle East-Europe Economic Corridor (IMEC) was identified as a significant initiative, its full operationalization was on hold due to regional conflicts as of May 2026 [1, 3], indicating that some planned routes face considerable geopolitical hurdles. Additionally, while Vietnam's reliance on FDI and re-export dependencies is noted as a constraint on long-term strategic autonomy [6, 7], the full extent of this limitation and potential mitigation strategies are not detailed. The exact tariff reduction percentages for India's CEPA/FTA deals are also not specified in the findings.

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