

South Korea in Africa – From arbitrary foreign policy to win-win ideology

Introduction

South Korea's involvement in Africa started with the establishment of diplomatic relations with Cote d'Ivoire in 1961. It took some time before the first embassy of an African country was installed in Seoul (Gabon in 1975), but gradually more followed. Although diplomatic relations with several African countries were forged in those early years, Africa did not play an intricate role in South Korea's international affairs during the Cold War. South Korea's primary goal in establishing diplomatic relations was its own political recognition. The first state visit by a Korean president to Africa in 1982 was a prime example of this policy. President Chun (1980-1988) visited Nigeria, Gabon, Senegal, and Kenya to gather support for South Korea's admission to the United Nations and to be recognized as a state. South Korea scrambled to get as many African nations on its side as possible, fearing that the wealthier North might beat it to the punch. This led to an irregular policy of responding to the whims of African leaders, rather than a systematic diplomatic approach.

After recognition of both the North and the South by the UN in 1991, South Korea's interest in Africa waned. The number of South Korean embassies and consulates in Africa fell as it shifted its focus to the newly independent countries of the former Soviet Bloc. It was not until the mid-2000s that South Korea began to take diplomatic relations with Africa seriously again, resulting in the second state visit by a Korean president to Africa in 2006. On his visit to Egypt, Nigeria, and Algeria, President Roh (2003-2008) discussed several trade and investment deals and pledged to increase Korea's official development assistance (ODA) to Africa threefold by 2008. Named Korea's Initiative for Africa's Development, these agreements kicked off Korea's resources diplomacy. Together with the initiation of two Korea-Africa Forums in 2006 – the triennial Korea-Africa Forum led by the Ministry of Foreign Affairs and Trade (MOFAT),¹ and the biennial Korea Africa Economic Cooperation Conference (KOAPEC) led by the Ministry of Strategy and Finance (MOSF) – it helped to systematically formalize and institutionalize Korea-Africa relations.

Former President Roh's successors built on this policy, particularly stressing that South Korea and

Africa are engaged in a 'win-win' partnership, whereby the former is deeply committed to contributing to the socio-economic development of the latter. President Lee Myung Bak's administration (2008-2013) actively sought to build an extensive network of pro-Korean policymakers, business leaders, and high-ranking public officials in Africa, as a means of enhancing South Korea's political and economic prestige. His official visit to Ethiopia in 2011 was presented as a concentrated effort to emphasize South Korea's role as a development partner. The two sides signed a Memorandum of Understanding on industrial cooperation in the textile and leather industries in which Korea vowed to share its substantial development knowledge and insights accumulated over the past half-century. Acting President Park Geun Hye (25 February 2013-) has continued this policy by dispatching special envoys to Algeria, Benin, the DRC, Madagascar, Morocco, and Togo in August 2013 as a means of developing deeper ties with all parts of Africa. Furthermore, the presidents of Mozambique and Uganda visited South Korea in May and June 2013, respectively, and President Park received the president of Cote d'Ivoire, resulting in the first ever bilateral meeting between the heads of state of the two countries. In January 2015, the Korea-Africa Future Strategy Center was founded to perform strategic research and build a professional network to facilitate the diplomatic, economic, and commercial affairs of Korean organizations and businesses that are interested in Africa.

Korea's place in Africa

As a resource-poor country, South Korea has a near total dependence on importing its energy and relies on fossil fuels for a staggering 85.6 per cent of its energy consumption. With 50 per cent of Korea's oil import coming from only two countries (Saudi Arabia and the United Arab Emirates), it is not surprising that South Korea worries about its energy security. Combined with an 80 per cent reliance on food imports, South Korea's interest in Africa as a source for food and diversification of its energy sources is evident. South Korea also looks towards Africa because its own domestic market has become saturated. This has resulted in Korea's economy becoming increasingly export-oriented with the heavy industrial sector playing a crucial part. Africa's emerging market, with its pressing need for major infrastructural development and its growing middle class, could potentially have a big role

¹ At the time of writing, the trade part has been omitted and the name is now Ministry of Foreign Affairs (MOFA).

in the growth of the Korean economy in the future. Lastly, South Korea has aspirations to be recognized as a prominent global power and therefore aims to gain a firm foothold among other global competitors, in what Korean policymakers see as a new 'scramble for Africa.'

As a relative newcomer, however, South Korea faces a number of significant obstacles in gaining a firm political and economic position in Africa. In terms of securing food and energy resources, South Korea has found that its own relatively modest economic resources and political power are no match for those of China, the United States, and some European and Gulf powers. Furthermore, because of their hunger for Africa's resources, South Korean firms have made some crucial mistakes, which caused South Korea to suffer considerable reputational damage. The two most prominent examples of this are the Korean National Oil Company's (KNOC) deal in Nigeria and Daewoo's embarrassing land-lease experience in Madagascar. In Nigeria, the KNOC was awarded the exploration rights to two offshore blocks by the then president of Nigeria, Obasanjo, but these were rescinded by his successor in 2009 on the grounds that the bidding process had been marred by irregularities and that the KNOC had failed to fulfil its contractual obligations. In Madagascar, the government awarded a 99-year land lease to Daewoo Logistics for almost half of Madagascar's cultivable area. The deal aroused such controversy in Madagascar (and abroad) that it resulted in violent protests and ended in a military coup, ousting then President Ravalomanana. His successor promptly nullified the agreement with Daewoo.

Despite this negative publicity, South Korea still has a reputation for being a model of development for Africa. Just like many African countries, South Korea has been through colonial rule, civil war, famine, and poverty. Under even worse conditions than many African countries, South Korea achieved industrialization and economic growth in a short period of time, culminating in the country becoming a G20 member. Its successful economic development is cited as a typical example against the logic that attributes the underdevelopment in Africa to the legacy of colonial rule. Thus, South Korea's development story is a compelling one for many African nations.

South Korea's model of modernization is also particularly appealing to African nations because the country is a medium state, a former colony of a major power, and a nation that was never a dominant power in its history. In addition, the Korean model of "development under dictatorship" (although not promoted as such by the Korean government) is used as an example to prove that the democratization and human rights protection that are demanded by the West as preconditions for economic development are, in fact, not very relevant to economic growth. That is why

especially those African countries under longstanding political leaders are very interested in South Korea's development experience; in particular, in the government-led development model of Korea of the 1960-70s, characterized by "industrialization" and the "New Community Movement" (*Saemaeul Undong*). This model, which sees rural development and modernization as key to breaking the poverty cycle, is considered an example.

Saemaeul Undong has already been exported to a number of African countries, including the DRC, Rwanda, and Uganda. Similarly, the Knowledge Sharing Program (KSP), launched by the MOSF in 2004, is an initiative that encourages partner countries to adopt the same methods that have produced South Korea's economic miracle. It is designed to share development know-how, assisting partner countries and working towards lessening the knowledge divide. Another skill transfer program is the Korea-Africa Food and Agriculture Cooperation Initiative (KAFACI). Established by South Korea's Rural Development Administration, KAFACI regards food security, agricultural industrialization, and sustainability as key elements of Africa's future prosperity. South Korean agricultural expertise is utilized to provide training and education for African agriculturalists. Many African countries are also eager to have technology exchanges with South Korea, a powerhouse in ICT, in such areas as e-government and construction of wireless broadband networks.

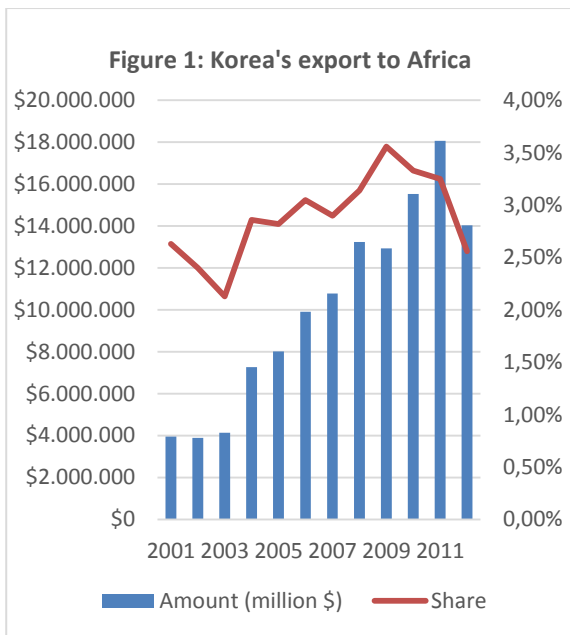
South Korea is aware that, if it is to be recognized as a prominent global power, it must increase its role in global peacekeeping operations (PKO). The Lee administration pledged to increase the size of South Korea's PKO forces – which ranked 36th, although Seoul was the 10th largest donor to the UN at the time – to 2,000 by 2012, which would rank it 10th worldwide. To reach that goal, South Korea has revised South Korean law to make PKO deployment easier and faster. The "Act on Participation in UN PKO" was enacted in 2010. This law allows the South Korean government and the UN to establish provisional agreements on matters related to the deployment of about 1,000 peacekeepers prior to the approval of the National Assembly. At the time of writing, South Korea is active in PKOs in Liberia (UNMIL), South Sudan (UNMISS), Sudan-Darfur (UNAMID), Cote d'Ivoire (UNOCI), and West Sahara (MINURSO).

Trade

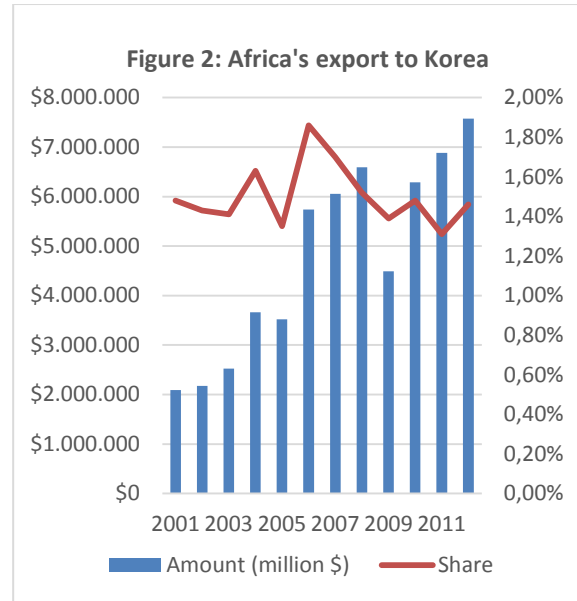
South Korea has been expanding its export to African countries rapidly over the last 20 years. According to the UN Comtrade database, in 2013 South Korea exported a total of US\$15 million to Africa, more than 10 times the volume in 1990. However, the relative share of African countries in South Korea's export has re-

remained somewhere between 2 and 4 per cent between 2001 and 2012. Its biggest exporting partner in Africa was Liberia (23 per cent), followed by South Africa (17 per cent) and Nigeria (10 per cent). However, it is important to note that Liberia has a tremendous amount of trade volume because South Korea, like other countries, applies a "Flag of convenience" business practice: Korean ships are registered as Liberian to reduce operating costs and avoid regulations that would apply if the ships were registered as Korean. So with Liberia excluded, South Africa is the biggest trade partner of South Korea.

The number of South Korean companies currently engaged in the region remains far below the ambitions of the Korean government. The principal hurdle facing South Korean businesses is the difficulty that they encounter in identifying appropriate local clients. A prevailing lack of information concerning both potential local partners and business culture in African markets has been identified as a significant stumbling block by possible investors. In addition, South Korean businesses also grumble about widespread corruption and ineffective local administrations, both of which act as deterrents to conducting business in Africa.



South Korea's share in Africa's export market is growing, yet still small; in 2013, 29 countries in Africa exported to South Korea, amounting to just 0.7 per cent of the total export of US\$2.8 billion (down from 1.45 per cent a year before). The biggest exporter was South Africa (44 per cent), followed by Egypt (25 per cent). The most important commodities included "Mineral fuels, oils, distillation products, etc. (HS 27)," which amounted to 46 per cent, followed by iron and steel (HS 72) with 10 per cent.



FDI

South Korea's investment in Africa has been increasing dramatically since 2005, but has not yet reached the level of its competitors. In 1987, Korea's FDI outflow to Africa was a total of US\$ 0.1 million, growing to more than US\$ 350 million in 2013. Libya used to be one of the biggest receivers of FDI by South Korea, but its share dramatically dropped from US\$ 13.6 million to a mere US\$ 1.74 million due to its civil war and the collapse of the Qaddafi regime in 2011. After the civil war, South Korean enterprises, including Daewoo E&C, Shinhan E&C, and Hyundai E&C, tried to revive their construction projects for a time. However, due to continued fighting between factions in Libya, Korean companies decided to evacuate their personnel in 2014 and the current situation of these projects is unknown.

After the fall of Qaddafi, South Korea's FDI policy shifted and in 2012 the biggest African FDI receiver was Madagascar (US\$ 270.141 million) followed by Mozambique (US\$ 22.949 million). The mining sector in these countries received the biggest investment. In Madagascar, a South Korean consortium consisting of the Korea Resources Corporation, Daewoo International, and STX, made an investment in the Ambatobe Nickel Mine, which has become commercially operational.

ODA

South Korea's history of giving developmental aid dates back to 1987, when the Economic Development Cooperation Fund (EDCF) was established, which is managed by the Ministry of Finance. The EDCF's first loan was made to Nigeria for its train car modernization project. In 1991, the Korea International Cooperation Agency (KOICA, managed by the Ministry of Foreign Affairs) was established, a governmental agency

with a sole purpose to grant aid, building a regular assistance system for a more effective and systematic operation for South Korea's Official Direct Aid (ODA). Because these two ministries manage ODA, South Korea's ODA is often referred to as a "two-pillar system."

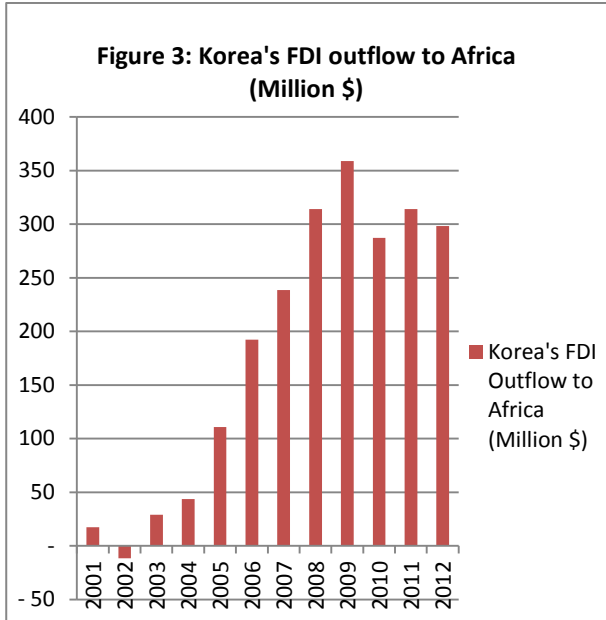
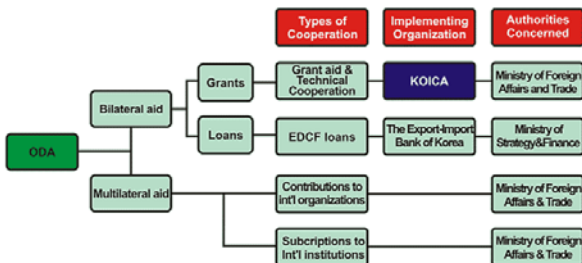
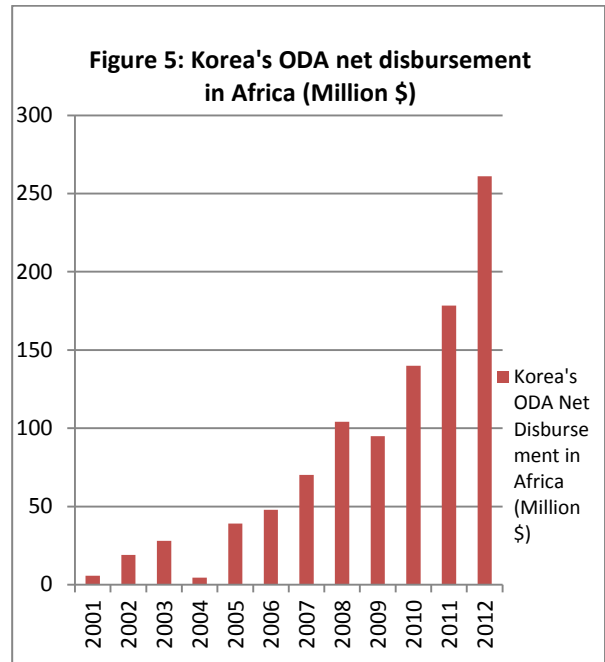


Figure 4: ODA organization overview



Since the establishment of the EDCF, South Korea has typically used ODA as a lever to further the interests of the country's companies, with the intention of securing favourable access to resources and tenders for major infrastructure projects. However, since South Korea became a member of the OECD Development Assistance Committee (DAC) in 2010, this policy has increasingly been criticized by the other members. South Korea's proportion of untied bilateral aid was 33 per cent at the time of entry to the DAC, significantly lower than the DAC average of 76 per cent. South Korea has come under increasing pressure to conform to the DACs standards to favour grants over loans, provide ODA to countries with very low levels of development, and to untie aid. In response, it has strived to untie 75 per cent of its bilateral aid by 2015. Furthermore, Seoul is currently also reviewing its priority partner countries and planning to provide

more aid to the least developed, most fragile countries (for example, Mali) in the coming years.



Conclusion

Although South Korea started bilateral affairs with African nations solely for its own recognition as a state, over time it has developed a more thought out policy on African affairs. Having the reputation of being a model of development for Africa helps Korea in dealing with African nations, but its own relatively modest economic resources and political power are no match for its competitors. In order to increase its number of partners in Africa, Korea tries to market its *win-win philosophy* the best it can; selling its unique history to position itself as an equal partner instead of a potential colonizer. Although there is a genuine interest in doing business with Africa, it is still just a small percentage of Korea's total trade. The knowledge gap in Korea concerning both potential local partners and business culture in African markets must be addressed before trade between Africa and Korea is able to flourish in the future.

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