

## **Korea's cooperation<sup>1</sup> policy and its implications for development cooperation with Africa**

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One of the most prominent features in the area of development cooperation in the 21st century is the appearance of so-called emerging donors<sup>2</sup>. Especially, China's massive aid package combined with its determination to strengthen economic ties with recipient countries has resulted in traditional Western donors feeling anxious and even awe-struck. Under the circumstances, from time to time, other Asian countries feel that China receives most international attention, these countries such as Singapore, Thailand and South Korea (hereafter Korea) also deserve to be noticed, considering that their involvement can also bring about certain changes in development cooperation<sup>3</sup>. However, little research has been done on these countries. Against this background, the focus in this article will be on Korea's cooperation policy, especially towards Africa.

Korea has changed from a recipient to a donor country, and became a member of the Organisation for Economic Cooperation and Development/ Development Assistance Committee (OECD/DAC) in 2010. Especially, the country's approach towards Africa in terms of cooperation policy has been closely related to its economic interests. As a member of the OECD/DAC, Korea has to follow the guideline laid down by the international donor community. Since Korea's traditional development cooperation policy was not motivated by humanitarian or poverty reduction concerns, the country is now under pressure to maintain a balance between national interests and a sense of international duty.

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This article is organised as follows: First of all, the general characteristics of the Korean cooperation policy will be discussed. The country is on its way to craft strategies that will comply with international guidelines; however, several problems exist that need to be addressed in order to reach this goal of compliance with international norms. Secondly, Korea's development cooperation with Africa will be explored. Many analysts are likely to simplify the country's motivation, linking it to economic drivers. However, Korea has been struggling to position itself as one of rising powers or middle powers. Bearing this in mind, the motivation is probably more complex than a single economic factor. Then, the implications for African recipient countries will also be briefly discussed. Lastly, several suggestions will be made, not only to Korea but also to other emerging donors, traditional donors and recipient countries, in order to increase both the quantity of aid to Africa, and to improve the quality of development cooperation.

### General characteristics of Korean aid

Since 1982, there have been several cases of technical assistance provided by Korea. However, Korean aid began officially with the introduction of the Economic Development Cooperation Fund (EDCF) established by the Export-Import Bank of Korea in 1987 to support the economic growth of developing countries. EDCF has mainly provided soft loans to developing countries at a below-market rate of interest. In 1991, the establishment of the Korea International Cooperation Agency (KOICA) led to the advancement of Korean development cooperation. In sum, Korean aid has been deployed by these two major agencies. The Export-Import Bank of Korea provides EDCF loans, and KOICA provides grant aid and technical cooperation (Ministry of Foreign Affairs and Trade, 2011).

Recent literature on Korea and its aid policy mostly focuses on its unique status as rising from recipient to donor, there have been many debates and discussions about the Korean aid policy (Chun, Munyi and Lee, 2010; Cho and Kalinowski, 2012; Watson 2011). One of the main characteristics of the Korean aid policy is that, even though the country has contributed to multilateral aid through international organisations or institutions such as the United Nations, the Asian Development Bank (ADB) and the African Development Bank (AfDB), bilateral aid is greater than multilateral. In 2010, Korea provided US\$884.52 million of bilateral aid and US\$313.09 million of multilateral aid (Ministry of Foreign Affairs and Trade, 2011). The criticism of this pattern is that bilateral aid tends to provide tied aid and it can be associated with a donor country's self-interest (Saidi and Wolf, 2011:9). 'Tied aid' means that the recipient country is required to use part of the fund to purchase goods from companies in the donor country. This limits the impact on the recipient country's local economy in terms of job creation and technology transfer. In this context, Korea has been criticised and suspicions have been expressed regarding its motivation. From the perspective of recipient countries, there has been demand to end tied aid (Mark, 2011).

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Secondly, its official development assistance (ODA) has rapidly increased from US\$23.5 million in 1987 to US\$699.1 million in 2007 (KOICA, 2010). Despite this 30-fold growth in twenty years, many challenges still exist. According to Chun, Munyi and Lee (2010:792), first of all, the ODA/GNI ratio of Korea is the lowest among OECD/DAC members. The percentage of ODA/GNI in 2007 was only at 0.07%, i.e. one quarter of the average OECD/DAC levels. Even though the government set itself the goal of doubling its ODA by 2015, this will result in an ODA/GNI ratio of 0.25%, which is still below the average of other OECD/DAC countries and far behind of its target of 0.7% (OECD, 2010).

Thirdly, the country is urged to reduce the high proportion of concessional loans (Chun, Munyi and Lee, 2010:792). Korea should note that the efforts of the international community are to reduce debt, especially in Least Developed Countries (LDC). Even China now provides debt relief more willingly. There is another problem with Korea allocating its aid. Korea has granted loans not to the poorer recipients but

to middle income countries (Kang, Lee and Park, 2009:4). Considering that the international community's efforts to reduce the external debt burden of heavily indebted poor countries, Korea needs to harmonise its policy with the policies of the international community.

Fourthly, more than 50% of Korea's aid has concentrated on Asia. Actually, regardless of geographical location, recipients are countries in which Korea takes a political or economic interest (Chun, Munyi and Lee, 2010:794). For example, from 2006 to 2008, Iraq was the country that received the most aid from Korea (Chun, Munyi and Lee, 2010:795). This is because of Korea's relations with the United States as the most important ally in the situation of confrontation with North Korea, and the maintenance of reciprocal relations with the United State is directly linked to its national security (Choi, 2011).

Lastly, even though Korea provided aid to a handful of countries in order to strengthen its national interests, aid was actually allocated to 114 countries according to data from OECD/DAC in 2008 (Chun, Munyi and Lee, 2010:794). Considering that Korea can only distribute a limited amount of aid in total, only a small amount of aid can be distributed to poor recipient countries. A higher volume does not automatically ensure that the aid will be effective. However, the country needs to prioritise the more needy countries in terms of aid allocation.

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These characteristics of Korean aid are often regarded as influenced by Japan. Kang, Lee and Park (2009:5) point out that the two countries share many aspects in terms of aid allocation such as "type, sector, region and income level of recipient countries". The Japan International Cooperation Agency (JICA) was a model for the establishment of the KOICA (Kang, Lee and Park, 2009:2). What should be noted in comparisons with Japan is that Japan was also criticised in the past because its aid policy had close linkages with its national interests, especially, related to new markets (see article by Cornelissen in this edition). Not only Japan but also other traditional donors used to use aid to secure political alliances or to win contracts in recipient countries (Kragelund, 2011:601). Korean aid is seen in the same context. However, this also shows that there is a possibility that this new OECD/DAC member country can be socialised following the philanthropical path of traditional donors.

#### **Korea's aid towards Africa and its motivation**

Recently, Korea has increased its aid to Africa through various mechanisms such as the Korea Africa Economic Cooperation (KOAFEC). However, these are still at the nascent level and have not yet drawn full attention at domestic and international level. Nevertheless, since there are many LDC concentrated in Africa, the country's increased aid to the continent is welcomed.

As already discussed, the amount of aid towards Africa reaches US\$100 million (Karuhanga, 2009). Korea's ODA toward Africa has increased since 2006 and now takes up 20% of the total ODA of Korea (Chun, Munyi and Lee, 2010:794). However, when it comes to the total ODA, Angola was the largest recipient in Africa from 2006 to 2008 and Angola is categorised as a middle income country (Chun, Munyi and Lee, 2010:795). The case of Angola shows again that Korea does not concentrate on

poverty reduction, as the international community would like. Since 2009, Korea's aid has been combined with the government's "resource diplomacy" and "pragmatic diplomacy", which highlight economic gains or the strengthening of diplomatic ties by strategically using aid. Korea's aid has been concentrated on only a few resource-rich countries on the continent<sup>4</sup>. Existing literature criticises this tendency, however, there is the counter-argument that these studies tend to oversimplify the motivation of Korea and other emerging donors such as China linking aid to the economic and resource issues (Alden and Large, 2011:25). Therefore it is crucial to explore deep-seated motivations. In the case of Korea, it will be possible to explore its motivation in connection with its aspiration to become acknowledged as a middle power.

Despite its increasing economic power, Korea has failed to become a regional leader. There are many reasons for this such as its security dependency on the neighbouring countries as well as the United States. Thus, Korea has had little leverage or ownership for shaping foreign policies (Kalinowski and Cho, 2012:3). In order to compensate for this and gain reputation, at first, Korea has kept on pursuing economic interests to consolidate its standing and the government turned to forms of resource diplomacy and pragmatic diplomacy. Also, Kalinowski and Cho (2012:4) argue that Korea has started being actively engaged with global issues. When it comes to ODA, the country was enthusiastic about becoming a member of OECD/DAC in 2010 since Korea had never been included in such global forum and global discussion before. The government (and the public) regard becoming a member of OECD and OECD/DAC as a symbol of increasing national power. Similarly, the hosting of G20 summit and the 4th High Level Forum on Aid Effectiveness held in 2011 show the country's aspiration.

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Korea achieved remarkable economic growth within a few decades after the Korean War in 1950 which left the country devastated. At the time Korea's GDP per capita was US\$ 70; Korea was often compared to development prospects in e.g. Ghana and elsewhere – and was mostly commented on as a basket case in these comparisons. Now Korea is categorised as one of high income countries.

In terms of aid, the country's slogan is to share the experience, which the country accumulated through its development. Korea has run Knowledge Sharing Programme and this is expected to become the basis of Korea's soft power. It can be seen as the diffusion of the Korean model of development (Kalinowski and Cho, 2012:2). This can be seen as well in the other emerging donor countries highlighting their own recipe of development.

Therefore, if one focuses on only Korea's aid combined with its economic interest, the perspective has limitations in explaining the increasing humanitarian assistance and the hosting of the G20 summit (Bae, 2010). It is important to understand the promotion of this Korean model and to combine it with the concept of a middle power. According to Cooper (1997), one of the distinctive features of a middle power country is that the country is likely to identify and position itself as having a unique type of power, just as the Korean government identifies its development model as successful, distinctive and transferable.

Korea's presence in the African continent can be beneficial in the context that more development aid can go to more countries (Kragelund, 2011:604). Even though at the moment it is seen that only a few countries benefit, Korea's own experience in transforming its economic structure from agriculture to manufacturing can be a positive model for Africa. Kang, Lee and Park (2009:16-17) figured out that Korea's aid, which is criticised as combined with trade and investment, is actually correlated to FDI inflow; and arguably, investment is what African countries need the most. Kang, Lee and Park (2009:17) argue that public aid alone cannot result in a visible difference in a recipient country.

### **Suggestions for stakeholders in the development cooperation in Africa**

It should be noted that Korea's aid flow has implication not only for the recipient country, but also for other traditional donors. There are several issues which must be coordinated.

Firstly, as discussed in the section of general characteristics of Korean aid, Korea should rectify some problems in terms of ODA/GNI ratio, high percentage of loans and tied aid. If it wants to follow the OECD/DAC mainstream, the country has to focus more on poverty reduction. It urgently needs to craft its own framework that strikes a balance between international guidelines focusing on humanitarian aspects and the social development of recipient countries, and its pursuing of soft power.

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Even though Korea has its own experience of development and wants to transform this into soft power, it is likely to overlook the characteristics of the recipient countries themselves. For example, Korea has transplanted its New Village Movement in several African countries such as DRC (Borowiec, 2011). However, the programme in Korea was run under the authoritarian regime in the 1960s and cannot be directly applied to Africa. It will be also important for Korea to cooperate with regional organisations and traditional donors, as well as to share their know-how in the area of development cooperation.

Secondly, traditional donors should avoid segregating donors into emerging donors versus traditional donors. It is understandable that they argue that the emerging donors' approach can undermine the interests of the international community highlighting good governance and social development of recipient countries. However, not only Kim and Lightfoot (2011:712) question the effectiveness of the existing framework for aid which was designed by the DAC members, mainly Western countries. Actually, African countries can be expected to perceive emerging donors to be more capable in their delivery of aid. That is why these new donors are welcomed by Africa and other recipient countries. Instead of dividing into two sides and treating newly emerging countries as a threat, it is essential to incorporate this new group into an overarching framework. It is high time to design an *inclusive* framework to incorporate emerging donors as well as various actors such as NGOs and businesses<sup>5</sup>.

Many emerging countries are criticised for giving aid at the expense of good governance, human rights and environmental issues of recipient countries. In the past, Japan was also criticised because of its hesitation to intervene in the domestic affairs of recipient countries. Only since 2003 has the country taken steps towards the



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harmonisation of aid (Jerve, 2007:1). Many argue that countries like Korea follow the example of previous traditional donors (Kim and Lightfoot, 2011:714). This means that it could also be possible for them to follow a new path by socialising other newly emerging donors.

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Lastly, the presence of emerging countries in Africa is strong, but these countries have focused on Asia and Latin America as well. Kragelund (2011:600) argues that actually Africa is not the primary focus of these emerging donors. We cannot overlook historical and geographical closeness when discussing this aid allocation pattern. However, since emerging donors' aid is combined with economic (self-)interests, and countries outside Africa have generally shown better performance in the past, this concentration of allocation can also be understood as having gone for the more successful recipient.

It should not be overlooked that the actual impact and outcome of aid depends on the political economic context of African countries. Actually, aid is still the 'second-best' solution as Manning (2012) suggests. African countries' aspiration of development should be combined with aid then it can produce a visible outcome primarily through their own national development goals.

#### End Notes

<sup>1</sup> In this article, cooperation policy will cover humanitarian aid, grants or loans as well as financial assistance such as investment.

<sup>2</sup> Considering that China and Korea have provided aid since the 1960s and 1980s respectively, it is not appropriate to call these countries emerging donors; however, considering their rapidly increasing aid volume and its impact in recent years, this article uses the term 'emerging donors' to form a contrast with 'traditional donors'.

<sup>3</sup> There are about 40 Singapore companies with investments and projects across Africa. Singapore has strengthened its economic cooperation with African countries. Most importantly, among the ASEAN countries, Singapore is the largest investor in Africa. In 2011, even in the midst of the global recession, Singapore-Africa trade reached US\$8.4 billion. Singapore has moved rapidly and is gaining in the race against other Asian countries (Redfern, 2010). Thailand is another emerging commercial partner in Africa (Freemantle and Stevens, 2012).

<sup>4</sup> The Middle East used to be the major supplier of oil. However, the unstable geopolitics of the Middle East have negatively affected Korea's macro-economy as the country relies heavily on fossil fuel. Therefore, oil imports from African countries help reduce over-reliance on a particular country or region.

<sup>5</sup> In this regard, the 4th High Level Forum on Aid Effectiveness was expected to take radical steps emphasising the links between aid and other forms of development finance from emerging donors. Even though it is evaluated as having broadened the scope of discussion including by bringing South-South cooperation into the discussion of how to make aid more effective, it has failed to bring the OECD/DAC members and emerging donors into the aid framework (Alden and Sidiropoulos, 2012).

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