

Opportunities and Challenges of Korean Development Cooperation

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Korea is a relatively new but very active global player in the field of development cooperation. Spending on official development assistance (ODA) increased from 750 million USD in 2005 to more than 1.7 billion USD in 2013. This is 0.13% of the Korean gross national income, still below the OECD development assistant committee (DAC) average of 0.4% (and far below the UN pledge of 0.7%). However, nobody beats Korea when it comes to growth rates in ODA that represents only a beginning of what Korea has to offer in support for developing countries.

The most valuable contribution of Korea to development cooperation is its successful rise from a poor and destroyed agrarian country at the end of the Korean War in 1953 to a fully industrialized OECD and G20 member at the beginning of the 21st century. Providing such an excellent case study is a significant contribution to the international community, particularly for government officials, scholars and students in the developing world. The Korean case offers many challenges to mainstream prescriptions for the successful development of getting fundamentals and institutions right, and then letting market forces work their magic. As one of the major recipients of development aid until the 1970s, Korea has shown that development cooperation works if it is embedded in a national development plan.

The success story of Korea provides immense credibility in the field of development. Korea is aware of its responsibility and is eager to become a “middle power” by claiming issue leadership in the field of development (vom Hau et al., 2012, Kalinowski and Cho, 2012). Korea successfully integrated development cooperation into the 2010 G-20 Seoul Summit agenda under the Seoul development

consensus. In 2010, Korea became a member of the OECD-DAC and in 2011 it hosted the High Level Forum on Aid Effectiveness in Busan. Korea is one of the countries that emphasized growth and “development effectiveness” compared to “aid effectiveness”. This welcomed addition (but not replacement) of the traditional aid agenda broadens the perspective of development cooperation to include more areas such as trade and investment policies. Experience with aid shows that the building of schools, hospitals and roads in developing countries must be integrated into national development plans that ensure their operation, staffing and maintenance.

Korea has clearly brought a new dynamic into the club of donor countries that have suffered from “donor fatigue” who have been criticized for the ineffectiveness, patriarchal and even neo-colonial tendency of their efforts (Easterly, 2006, Easterly, 2013). Like China, Korea explicitly challenged the Western approach to development cooperation based on a combination of aid for poverty reduction and support (as well as pressure) for market oriented institutional reform and good governance. The Korean government made package deals in which the economic interest of domestic businesses was balanced with the aim of economic development in the partner country instead of attaching a complicated conditionality for institutional reform vis-a-vis humanitarian aid. This close cooperation of government and business can be seen in the dependency of the Korean developmental state or the international extension of industrial policies (Kalinowski and Cho, 2012). This approach it does have merit however, it can be criticized as a problematic mixture of development cooperation and industrial policies. The Korean “package deal” approach does not follow the DAC preference for untied aid but is a blending of aid with broader trade and investment policies in the name of development effectiveness are not automatically less effective. There are few alternatives to close cooperation between government and business for a country like Korea that is committed to quickly improve its economic and political presence in the developing world. The success and failure of development projects depends on many different elements and it is important to empirically study Korean development projects to assess successes and problems.

When it comes to Korea’s relationship with developing countries most attention is paid to spectacular investment failures that were part of the “resource diplomacy” under President Lee Myung Bak (Resource Diplomacy Probe goes to Prosecutors, JoongAng Daily, January 5, 2015). Resource diplomacy was not limited to developing countries however, many of the projects were facilitated by development aid such as oil exploration in Iraq and Peru as well as Lithium mining in Bolivia that were facilitated by development aid. Peru and Bolivia are both focus countries of Korean ODA and Iraq used to be the largest recipient of Korean development aid. The intertwining of diplomacy and business with development aid functioning as a door opener creates many problems of collusion, corruption and waste of taxpayer’s money. The ongoing investigation in the National

Assembly will reveal more problems and hopefully produce the right institutions to better safeguard taxpayer's money. It is also equally important to take development effectiveness seriously and not just scrutinize losses for Korean taxpayers but understand how these projects effect development in the recipient country. In this sense even seemingly successful cases raise issues. For example, Korean state owned gas company KOGAS is invested of gas extraction and liquefying in Mozambique where a newly discovered gas field represents five years of Korea's gas imports (KOGAS Hits Jackpot off Mozambique, Korea Herald Sept 8, 2013). This might have been a successful investment for KOGAS however, it will most likely have little impact on the development of Mozambique. On the contrary, as we know from research on the resource curse (for a critical literature review see Rosser, 2006), revenues from resource extraction tend to end up in the pockets of a well-connected elite while squeezing out other sectors of the economy. However, we also have to see that in other sectors the packaging of development cooperation with foreign investment worked as well as the IT infrastructure projects in Rwanda. Korea Telecom will invest 140 million USD to deploy and operate a comprehensive high-speed broadband network (Ben-Ari, 2014). Rwanda is a resource poor and landlocked country. While it is not a democracy it has made major progress in increasing government efficiency and ranked 55 in the Transparency International CPI index, one of the least corrupt countries in Africa (in Africa only Botswana ranked higher). Its government has designed a national development plan based on a strong IT infrastructure and has reached partners to provide these services. We do not know if this plan will succeed in the end (just as the Korean government did not know if the heavy and chemical industrialization in the 1970s would succeed) however, the Rwandan government is strategically implementing development plans investing into the future and not selling non-renewable resources for short term rent.

The Korean development experience shows that national development plans should be the reference point for cooperation. Development projects not integrated into national development plans and negotiated with corrupt leaders are likely to fail even if they are carried out by established donors or new donors like Korea. Projects in the field of resource extraction are particularly vulnerable to these failures. Resource diplomacy in developing countries is generally problematic and not due to poorly negotiated deals, but due to their problematic effect on development. Projects that do not benefit the recipient country will also fail from a donor or investor perspective. If the Rwandan project succeeds it will open up a new market for Korean IT companies and mobile phone makers, but even if the project in Mozambique succeeds, it will only deplete natural resources and enrich a small elite (that will probably still prefer to drive Mercedes over Hyundai Genesis). The situation will be worse for Korea who will be locked into long term gas contracts amid decreasing renewable energy prices and international pressure to reduce greenhouse gas emissions.

Korea faces similar problems that established donors deal with. The successful development experience makes Korea an inspiring case to study but not automatically a better partner in development cooperation. A development effectiveness and “development mainstreaming” approach is needed towards developing countries based on the effects on development in all areas (not just ODA) that includes trade and investment. Korea is in a unique position to contribute its development experience to the further improvement of international norms and institutions codified in OECD-DAC rules. Unlike the West it has credibility in the field of development and unlike China (that invests substantially more in the developing world), Korea is not rejecting global norms of development cooperation but helping to improve them. Korea is an important player in shaping a future international development agenda. This role will also have profound positive impacts on Korean society as the country reaches a new level of global engagement.

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