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KOREA & SOUTH AFRICA:

Building a strategic partnership

Garth Shelton

July 2009

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Acronyms and abbreviations

AfDB	African Development Bank
ASEAN	Association of South East Asian Nations
CSIR	Council for Scientific and Industrial Research
DPRK	Democratic People's Republic of Korea
EPB	Economic Planning Board
EU	European Union
FDI	foreign direct investment
FTA	free trade area
G20	group of 20 countries
GDP	gross domestic product
GNI	gross national income
GNP	gross national product
ICT	information and communication technology
IGD	Institute for Global Dialogue
IMF	International Monetary Fund
IT	information technology
KDI	Korea Development Institute
KEPCO	Korea Electric Power Corporation
KIEP	Korea Institute for International Economic Policy
KOAFEC	Korea–Africa Economic Conference
KOSEF	Korea Science and Engineering Foundation
Kt	kiloton
LDCs	least developed countries
LNG	liquefied natural gas
MDGs	Millennium Development Goals
MOU	memorandum of understanding
Mt	megaton
NDC	National Defence Commission
NEPAD	New Partnership for Africa's Development
NGO	non-governmental organisation
NPT	Nuclear Non-Proliferation Treaty
NRF	National Research Foundation
ODA	official development assistance
ODA	overseas development assistance
OECD	Organisation for Economic Co-operation and Development
ONTA	Office of National Tax Administration
OPC	Office of Planning and Co-ordination
PCB	printed circuit boards
PGA	poly-gamma-glutamate
PKOs	peace-keeping operations
PPP	purchasing power parity
ROK	Republic of Korea
RSA	Republic of South Africa
SADC	Southern African Development Community
t	ton
UN	United Nations
UNIDO	UN Industrial Development Organisation
UNWTO ST-EP	United Nations World Trade Organisation Sustainable Tourism-Eliminating Poverty
WEP	wired equivalent privacy

Introduction – the rise of East Asia

Asia's rapid rise, led initially by Japan and the so-called 'Asian Tigers', is now being led by a rising China, with India close behind. This process of rapid wealth creation in the East is altering the global political and economic landscape. Asia's share of world gross domestic product (GDP) (measured in purchasing power parity [PPP]) now surpasses those of the United States and the EU combined. At the same time, Asia is now the world's fastest growing region, accounting for almost 50 per cent of global economic growth annually. By 2025, Asia is likely to be home to three of the world's five largest economies.¹ South Korea (Republic of Korea – ROK) is one of the Asian Tigers, and a key Asian economy which, from being one of the poorest countries in the world in 1950, has become the fourth largest in Asia and the 11th largest globally.² South Korea is widely regarded as one of the world's most dynamic and successful economies, which at times has grown faster than any other post-World War 2 economy.³ The ROK's transformation from a weak agrarian society to a prosperous and wealthy developed economy in less than 40 years is widely known as the 'Miracle on the Han River'.⁴

In an era of global financial crisis and shrinking economies, it has become more urgent and more important for South Africa's foreign policy to focus on international engagements that produce clearly defined commercial advantage in the national interest. Thus South Africa's post-Mbeki foreign policy should concentrate on an economic strategic pragmatism, which would refocus foreign policy on assisting economic growth and poverty reduction at home, while crafting the framework for South Africa's long term economic prosperity. The 'African agenda' and a commitment to the African Renaissance should remain the ideological policy driver, but should be complemented by a second level of international engagement, providing for a new, concentrated form of economic diplomacy.

A pragmatic engagement with the international community, based on an economic focus, would be intended to boost South Africa's trade and investment profile and provide new economic opportunity. Given the rise of Asia, such a policy would naturally have a strong 'look East' component, but would not be limited to constructive engagement with one particular region. To identify and promote comparative advantage, South Africa should seek economic strategic engagement with all key global integration frameworks and free trade agreement (FTA) sub-systems. South Africa has been slow to engage the East effectively, and take advantage of the dynamism which the Asian Tigers and China provide in an era of increased globalisation. An increased effort to understand better the positive synergies of strengthened political and commercial relationships with East Asia offers a rich agenda for new opportunity. This study attempts to open the window on Korea (both South and North) a little wider to offer an incentive for South Africa's increased engagement.⁵ It is hoped that more comprehensive and detailed studies will follow in order to provide a solid intellectual foundation for expanded engagement.

This paper focuses on four central themes in the evolving Korea–South Africa relationship. Firstly, South Korea’s economic development, with an emphasis on the Korean ‘developmental state’, is examined with a view to identifying processes and policies which could inform South Africa’s own development activities. Secondly, North Korea’s denuclearisation process is investigated and prospects for Korean unity discussed. Thirdly, South Korea’s African engagement is discussed, providing the framework for an analysis of Korea–South Africa relations. Lastly, South Korea–South Africa relations are investigated with a view to identifying and encouraging positive trends. It is argued that the ROK provides an ideal high-tech partner to assist South Africa in its own economic development, and could facilitate a positive and constructive engagement with the whole East Asian region. A framework for building a strategic partnership with Korea is proposed and the prospects for improved relations outlined.

The Korean miracle

A process of state led industrialisation, initiated in the early 1960s, has made the ROK one of the world’s leading exporters, and created a prosperous society with high levels of economic freedom, one of the highest living standards in the world, and a higher life expectancy than that of the United States. South Korea is one of the world’s biggest exporters, and is an acknowledged world leader in electronics, merchant ship building, automobiles, petrochemicals, and robotics. The ROK’s high-tech and innovative economy has produced more patents than most advanced industrialised nations. South Korea is now the world’s largest ship builder and one of the world’s biggest steel producers. It is a major exporter of goods and services throughout the world and ranks as the United States’ seventh largest trading partner. Many Korean corporations, such as Samsung, Hyundai-Kia, LG and SK, dominate key sectors of the global economy. Samsung itself has an annual turnover larger than the GDP of Argentina. In 2007, the Hyundai Kia group produced more automobiles than Mercedes-Benz and BMW combined, while LG is now one of the largest technology corporations in the world. Despite the global financial crisis, the ROK retains significant foreign reserves and is well positioned to maintain a significant economic growth rate, with forecasts suggesting that it will be one of the world’s top five economies by 2035.

Japan’s defeat in World War 2 ended Japanese colonial rule in Korea and opened the way for the establishment of a modern state.⁶ In terms of a UN arrangement, South and North Korea were divided at the 38th parallel, with a United States administration in the south and Soviet control in the north. Cold War animosity prevented a United States–Soviet agreement for unifying Korea, leading to the establishment of two separate governments in 1948, with each claiming to be the legitimate authority in both South and North Korea. Korea became the victim of Cold War ideological differences when the Korean War erupted on 25 June 1950. But, as Bruce Cumings points out, ‘the Korean war itself solved nothing except to make another war an impossible route to

reunification'.⁷ Moreover, the war undermined economic development in both the south and the north, and has left the country divided ever since.⁸

South Korea's political evolution since the Korean War has been characterised by variations among autocratic rule, democratic reform, and strongly democratic institutions. Nevertheless, South Korea has evolved into a vibrant and open democracy with broad freedoms for its population.⁹ The impressive political evolution has been accompanied by an 'economic miracle' which transformed South Korea from one of the poorest countries in the world, to one of the wealthiest, in less than 40 years. The 1988 Seoul Olympics marked global recognition of the ROK's economic success. Ban Ki-moon, the current secretary-general of the UN, was formerly South Korea's foreign minister. He was originally a career diplomat in that ministry, having served in numerous postings representing the Korean government. His election to the position of the world's top diplomat confirms South Korea's international status and prestige. Secretary-General Ban brings to the UN the Korean traditions of commitment and dedication, serving him in good stead to lead the organisation through difficult times.

Today, South Korea's political and economic status in Asia and the world is well established, while culturally the 'Korean wave' has become a regional phenomenon. The 'Korean wave' refers to the significant increase in South Korean culture in Asia and around the world over the past ten years.¹⁰ Korean TV programmes and music are now popular throughout Asia, especially in China and Japan. More recently, Korean cultural exports have become popular in parts of Europe and the Americas. Today, South Korea is one of the world's top ten cultural exporters, with Korean TV dramas such as *Autumn Fairy Tale*, *Winter Sonata*, and *Jewel in the Palace* immensely popular throughout Asia. Korean movies, music, and food have also grown in popularity along with South Korea's broadening commercial footprint. Increasingly, the 'Korean wave' is becoming part of the ROK's soft power as it expands its political and economic influence globally.

The Korean developmental state

A central feature of South Korea's engagement with Africa is to promote the Korean development model as a guide for Africa's economic development and industrialisation.¹¹ In the mid-1950s, Korea faced many of the same problems Africa now faces, and managed to craft a development strategy which transformed an agrarian society into a wealthy and highly developed nation.¹² Moreover, given the increased debate in South Africa on the issue of a 'developmental state', South Korea's economic experience is increasingly relevant.¹³ South Korea provides an excellent model of state intervention to promote rapid and sustained economic development. While not all the features of the Korean development model can, or should, be repeated in other developing countries, Korea nevertheless provides a good framework for other states facing similar challenges. Korea responded to massive unemployment with a labour intensive manufacturing process aimed at export markets, rather than domestic consumption. Although it

was a high risk option at the time, Korea was able to exploit global opportunities and avoid the limitations of relying on the much smaller local market.

The 'statist' approach contends that Korea's economic success was based on a direct and focused state intervention in the industrial development process. Although this perspective remains contested, it is widely accepted that government directed industrialisation was the key to Korea's economic miracle.¹⁴ Korea's unusually rapid export expansion over a relatively short period of time was achieved mainly because of the intervention of government through a number of five year plans, which promoted certain industries to develop effective export profiles. Although similar approaches have been tried in other countries, they have seldom been as effective as the case of Korea. The government itself acted as an entrepreneur to encourage investment in selected economic sectors, while, at the same time, it provided financial support to guarantee profits until industries themselves were stable and profitable.¹⁵ Without the government's effective intervention in the market, rapid industrialisation in Korea would have been impossible.¹⁶

The use of industrial policy to promote economic growth focuses on stimulating the supply side of industrial activity through strengthening international competitiveness, modernising industries, promoting the growth of industries that have a comparative advantage, and correction of market failures. This is achieved through appropriate and timely resource allocation by government.¹⁷ The Korean government selectively intervened to direct the allocation of resources to advance selected industrial processes. It also used other tools to achieve a positive outcome, such as taxes and subsidies, credit rationing, licensing procedures, and the establishment of public enterprises. At the same time, Korea emphasised an export led industrialisation process which required a global trade perspective. While Korea experienced an exceptionally rapid economic growth, it is important to note that the outcome produced a relatively equitable distribution of wealth. Iyanatul Islam and Anis Chowdhury contend that:

The Korean government has been the most interventionist among the East Asian NIEs [newly industrialising economies]. By means of planning, direct or indirect ownership and control of enterprises and financial institutions, [and] control of foreign exchange, the government has played a crucial role in adjusting the scale of the market and incentives, in pursuit of its desired economic and social objectives. The successive five-year plans since 1962 significantly influenced the private sector and changed the course and pace of Korea's economic development.¹⁸

In the late 1950s, observers did not expect Korea to become one of the world's most dynamic economies.¹⁹ Some even suggested that Korea would remain forever dependent on United States aid.²⁰ Since World War 2, the economy had been largely sustained by inflows of foreign assistance, and growth had been disappointing. After Park Chung Hee took control of the government in 1961, however, Korea's economic growth plan shifted away from dependence on the local economy towards an export led approach. The new policy was based on recognition of the poverty of Korea's resource base, and the

diminishing returns of a domestically focused strategy. In 1960, the Korean economy was based on mining and agriculture, with the manufacturing sector supplying simple consumer products. Exports constituted less than 3 per cent of gross national product (GNP), and consisted mainly of agricultural products such as seaweed and ginseng.

The government's institution of a strong export led approach, along with a support system and clear strategic direction, completely transformed Korea's productive base, and created one of the world's fastest growing economies.²¹ From an agriculture base, Korea moved towards a focus on manufacturing and exports, producing one of the most rapid structural economic transformations in human history. Key export industries established since 1960 include chemicals, electronics, automobiles, heavy electrical equipment and ships. Today, exports exceed 50 per cent of GNP, with manufactured products making up more than 90 per cent. The composition of Korea's exports have changed significantly since the 1960s. Originally, exports included simple plastic items, textiles, and wood products. As Korean manufacturers moved up the value chain, exports included steel products, electronics, and ships. Thereafter, Korea moved into automobiles and computers. Export performance indicated a rapid transformation of manufacturing processes as industrial capacity became more complex and diverse. By the 1980s, Korea had become one of the world's most competitive suppliers of a range of manufactured products.

Industrial policy

Korea's industrial policy emphasised encouraging exports and promoting infant industries.²² To promote exports, the government established a free trade regime, eliminating taxes for export inputs, while the exchange rate was managed to maintain alignment between domestic and international prices for comparatively advantageous production. The government assured the availability of finance by allowing exporters to borrow extensively. The banking system was converted to private ownership in the 1980s, but export financing remained in the hands of the central bank, under government guidance. Additional incentives intended to promote exports included direct tax reductions, preferential interest rates, and privileged access to import licences. While market forces responded well to government incentives, a system of export targeting was established to encourage corporate output. Contact between government and producers became close, with government departments setting export quotas and requiring appropriate corporate performance. Monthly trade promotion, corporate strategy seminars, and conferences attended by government and business provided the intellectual framework for advancing the process.

Export targets were set in consultation between government and business, while specific incentives were also simultaneously negotiated to achieve a mutually beneficial outcome.²³ Government's selective interventions encouraged some export items at particular times, either to develop new markets or to consolidate market share.²⁴ The

growth of exports over time was directly linked to the government's direct involvement in the allocation of investment finance and the careful management of incentives.

Korea's export focus has been complemented by government intervention to promote infant industries, with a strategy based on establishing 'temporary monopolies'. Early examples included cement, fertilisers, and petroleum refining in the early 1960s, followed later by steel, petrochemicals, ship building, capital goods, and, more recently, electronics and computers. Targeted industries received preferential access to short and long term credit, as well as reductions or exemptions of direct or indirect taxes. Infant industries were also accorded 'absolute' protection through export controls intended to ensure an adequate level of non-export sales, as well as an appropriate return on investment. This process was advanced through import quotas, or refusing an import licence for a product which could be produced locally. In addition, government insisted that infant industries export a growing proportion of production at global prices.²⁵ Selective export subsidies were applied to create the necessary incentive.

To develop industries, the government has often intervened to shape, or in some instances create, appropriate corporate structures. The outcome of this process produced Korea's *chaebols*, such as Daewoo, Hyundai, Samsung and a number of other large corporate conglomerates, which became very efficient producers and effective exporters.²⁶ Market opportunities and entrepreneurial initiative gave birth to these structures, but government intervention ensured their survival, growth, and long term success. The *chaebols* ensured the implementation of the government's export targets, while their size and capital formation enable them to advance the government's goal of developing heavy industry.²⁷ In terms of automobile manufacturing, the government has intervened on a number of occasions to reorganise the industry and promote increased production, or a new model of development. This has been advanced by facilitating changes in foreign partnership arrangements and reassigning licences.

Three of the largest Korean *chaebols* are Samsung, Hyundai, and the LG Group. Samsung is now South Korea's largest *chaebol*, and the largest conglomerate in the world, measured by revenue. The company consists of a number of international operations, including Samsung Electronics, the largest electronics manufacturer in the world; Samsung Heavy Industries, the second biggest ship builder in the world; and Samsung Engineering and Construction, a major international construction company. Samsung is the best known South Korean brand in the world, having overtaken Sony (Japan) as the world's leading electronics brand. The Samsung Group now has an annual turnover of more than US\$170 billion, and accounts for approximately 20 per cent of Korea's exports.

The Hyundai Motor Corporation is the biggest auto maker in South Korea, and the fifth largest in the world in terms of units sold. With a head office in Seoul, Hyundai operates the largest automobile manufacturing plant in the world, Ulsan, which has an annual output of 1.6 million units. Chung Ju-Yung founded the Hyundai group in 1947, and established Hyundai Motor Company in 1967. Since 1986, Hyundai has been selling cars in the United States, and by 1996 it had established a global market. In 2004,

sales reached almost US\$60 billion, making the company South Korea's second largest corporation. Hyundai vehicles are sold internationally in 180 countries through more than 5 000 outlets. Close to 4 million cars are now being manufactured and sold annually by Hyundai, making the company the fifth biggest auto manufacturer in the world.

The LG Group, specialising in electronics, mobile phones, and petrochemical products, is Korea's third largest *chaebol*. Active in 80 countries, subsidiaries include LG Electronics, LG Telecom, Zeneth Electronics and LG Chem. The company (known then as Goldstar) produced Korea's first transistor radio in 1959 and numerous other electronic products followed. Since the 1960s, LG has become famous for producing a range of products which are marketed internationally.²⁸

With a view to developing and shaping selected industries, the government has exercised control over inflows of foreign investment and technology. The evolution of these industries has also been shaped by government regulation, through limiting the emergence of competitors, and incentives to develop related lines of manufacture. The government has consistently promoted vertically integrated industrial development, while local content regulations have demanded an increasing share of input from local supply chains. To promote local supply chain development, the government has often nominated a limited number of companies to supply particular inputs to larger, export driven concerns. In a number of cases, private agents were not relied on to advance key elements of Korea's industrialisation process. In the areas of fertilisers, petrochemicals, and refined petroleum products, the Korean government established public enterprises to ensure success. At the same time, public enterprises were also expected to be internationally competitive. They have been managed as profit-seeking entities and have added significantly to government revenues. Some unsuccessful, but important, sector companies have been transferred to public ownership through debt repayment guarantees to ensure their long term survival.

Korea's economic policies have been specifically designed and intended to promote a comprehensive industrialisation process. The broad objectives have been to build a comparative advantage in targeted industries, and exploit a comparative advantage in internationally competitive industrial sectors. Government subsidies and incentives were provided in a generally free market environment, where prices and labour cost reflected supply and demand. Import protection provided a significant factor in promoting internationally competitive industries, while Korea's economic policy and planning as a whole provided the necessary framework and system of incentives to ensure success in global markets.²⁹ Government interventions were supported by free market institutions, which provided flexibility in resource allocation. Moreover, a number of very profitable large corporations emerged without government planning, or assistance. The free market provided the necessary and dynamic foundation for the success of governmental targeted interventions. Korea's policies ensured that businesses could be certain that their export efforts would be rewarded. The clear and measurable outcome of Korea's economic policy has been a massive increase in global exports over time, and

significant wealth creation for the Korean society as a whole.

Larry Westphal's insightful study of Korea's industrial policy offers the following five suggestions for other developing economies:

- government intervention must be driven by the goal of achieving international competitiveness through efficient production;
- information for building and judging comparative advantage must come from all appropriate sources;
- strategies must be altered, or fine-tuned, to reflect changing circumstances or new information;
- only a small number of industries should be targeted at any particular time, in order to ensure appropriate governmental support; and
- government intervention should not constrain the activities of well established industries, but should rather focus on the creation of new industries.

Westphal emphasises that the Korean model presupposes a total commitment of the political leadership to ensuring industrialisation, export focus, and economic development. Without political commitment, the economic model is unlikely to bear fruit.³⁰

Korea's success factors

Ezra Vogel's broader list of Korean economic success factors includes the following:

- unity – the ethnic and cultural unity of the Korean people has underpinned economic community and commitment;³¹
- a disciplined and motivated workforce – this has been complemented by a strong national consciousness and an intense national vitality;
- knowledge of other industrialisation processes – Koreans have a deep understanding of the industrialisation process, especially its development in Japan;
- efficient agriculture – land reform leading to increased production underpinned the industrialisation process;
- entrepreneurs – embodied in the *chaebol*, Korea has developed a strong and dynamic entrepreneurial spirit; and
- the small business sector – dynamic small businesses and manufacturers have complemented the larger and more internationally focused Korean corporations.

Vogel concludes by arguing that, in the case of South Korea, 'no nation has tried harder and come so far so quickly, from handicrafts to heavy industry, from poverty to prosperity, from inexperienced leaders to modern planners, managers and engineers'.³²

Korea achieved its economic success through a strong partnership between government and private enterprise. In this process, the Korean government acted as senior partner by selecting the appropriate development strategy and providing the required financial resources, along with decisive leadership and commitment. The government

displayed strong and effective leadership, supported by a centralised and hierarchical bureaucracy. A loyal, punctual, and hard-working population with a strong respect for authority provided the necessary input for a positive outcome. The government acted as a catalyst to unleash the entrepreneurial spirit of Korea's business elite, pushing economic growth to new heights. Political leaders were able to inspire commitment and hard work towards a better life for society as a whole. The government's carefully planned and sequenced development strategies, implemented through a close alliance with big business, provided the base for economic success. A number of comprehensive five year plans and a global perspective on trade and investment motivated the manufacturing sector to improve output and move into global markets.

During Korea's rapid industrialisation period, fiscal policy included a relatively small public sector, maintenance of a balanced budget, low taxes, the extensive use of tax incentives for investments, a reliance on indirect taxes, significant public savings, low spending on social services, and significant financial support for industrial development. Importantly, as economic growth accelerated, domestic savings increased, providing a solid foundation for future commercial expansion. Tax policy was designed to mobilise resources in support of the public sector, while at the same time facilitating ongoing investment in the private sector. The Office of National Tax Administration (ONTA) not only improved tax collection, but became a key instrument for monitoring business performance, and directing business towards the objectives of government planning. Exporters and heavy industries benefited extensively from tax incentives.³³

The Korean government provided policy direction and incentives for rapid industrialisation, through its own commitment to the process. At the same time, as Kwang Choi and Young Sae Lee point out:

For all the incentives to be correct, for the administrative arrangements guaranteeing access to those incentives to be efficient, and for the institutional mechanisms for adjusting those incentives to be effective, there had to be a strong political commitment to develop an able bureaucracy. This was precisely the case in Korea.³⁴

The Korean War and its resulting poverty impacted significantly on the Korean people, who sought an improvement in their standard of living. Consequently, Korea adopted a 'growth first' approach as its guiding principle. This in turn translated into the effective mobilisation of the Korean people into a dedicated and focused work force. The political leaders approached economic problems from a non-ideological standpoint, emphasising instead a pragmatic approach, aimed at achieving specific and clearly defined results.

To facilitate effective long term planning, Korea established the Economic Planning Board (EPB), which was responsible for developing policies to guide overall economic development. The minister of the EPB has also served as deputy prime minister with authority over both planning and budgeting, thus ensuring that plans were actually implemented. The Office of Planning and Co-ordination (OPC), under the prime minister, was responsible for monitoring the implementation of policy and the performance

of implementing organisations. Inputs into economic policy-making come from all government departments, organised business, and private experts, but the actual decision-making core has been a small group of high level government officials. Policies are discussed at the Economic Minister's Consultation Meeting, and, periodically, special ad hoc committees are established to address specific issues. The president chairs various meetings that contribute to economic policy formation, such as the Monthly Economic Review Meeting, the Trade Expansion Meeting, and the Quarterly Science and Technology Promotion Meeting. These are attended by senior policy-makers, business leaders and specialists, thus providing an effective mechanism for information sharing, co-ordination, and effective policy implementation.

Since 1945, all Korean governments have stressed the need to maintain an economy within which the private sector played a central role. Economic policy provided a comprehensive framework for economic growth, while the free market produced the necessary outputs. Government plans provided direction and incentives, with members of the private sector responding in accordance with their own capacity and free will. In this context, entrepreneurship was a key factor enabling business leaders to take advantage of government-created opportunities. Excessive governmental intervention at times proved to be problematic, tending to confirm that government planning is no substitute for market forces. At the same time, social and political stability was a critical factor in underpinning economic development. Highly educated and dedicated civil servants provided the development plans, but were not in any position to guide business leaders in day to day activities and decision-making. The combination of effective planning and entrepreneurship served as the formula for Korea's economic success. Export targets and policies were set by the government, but business leaders were part of the process, and where plans were not working, the government-business alliance could make the necessary policy adjustments, or changes. Thus, in effect, a broad collaborative effort between government and business, based on a common commitment to economic growth, formed the foundation of Korea's economic miracle.

Innovation, education, and management

Besides the critical role of government intervention in planning and directing Korean industrialisation, three other central contributory factors deserve special mention: technological innovation, education, and corporate management. At the early stage of industrialisation, Korean companies obtained technology through informal channels. Reverse engineering of imported products formed an important part of technical development, while companies relied on the absorption capacity of their staff to acquire new technology. However, the export emphasis of industrial policy forced companies to become more competitive through technical development. Consequently, Korean companies invested heavily in research and development (R&D), providing the foundation for long term competitive advantage and constant innovation.³⁵ In order to survive, export oriented

companies were required to innovate through technology, or face growing international competition. In 2007, the President's Office identified Korea's 'Top 10 new technologies', which are intended to form the foundation for future economic growth. New technologies included: large LNG carriers; six-cylinder diesel engine; micro projector; Kt-1 Ungbi training aircraft; advanced air conditioners; buffing technology; PCB production technologies; next generation plaster materials; molecular PGA and earth retention systems. (See table 1 for the global ranking of the ROK's electronics exports.)³⁶

Table 1: ROK electronics industry's export items

(Unit: million dollars)		
2006		
Ranking	Electronics product	Export amount
1	Integrated circuit	34 386
2	Wireless communication equipment	30 889
3	Flat display	14 522
4	Video/audio equipment	6 322
5	Computer ephemerals (input-output device)	5 717
6	Rotary equipment for home use	4 406
7	Passive and apparatus parts	3 872
8	Computer ephemerals (memory device)	2 297
9	Dry battery and storage cell	1 638
10	Semiconductor device	1 516
11	Electron tube	1 357
12	Wired communication equipment	997
13	Illuminating equipment	867
14	Heater/electric heater	743
15	Computer body	376

Source: Korea International Trade Association

The absorption and development of new technologies would not have been possible without a highly educated work force. T W Kang notes that one of Korea's key success factors has been 'low-cost labour combined with the Confucian emphasis on education A country without natural resources had to utilize its human resources to its maximum capacity – this combination allowed it to do so.'³⁷ The Confucian emphasis on education translates into a highly competitive system, within which only the best students are successful.³⁸ A centralised administration regulates the education process, emphasising mathematics, science, and technology. South Korea was the first coun-

try in the world to provide high-speed internet access to every school. Entrance to prestigious universities is a focus of dedication and self-sacrifice, but when successful, translates into important career prospects. College entrance requires participating in a highly competitive exam process which can open the way to prosperity; a poor result will mean a lower paying job with little prospect of economic advancement. At the same time, Robert Elegant points out that the 'Confucian tradition of equality of opportunity, joined with inherent egalitarianism, enabled Korea to make use of talent wherever it appeared'.³⁹

The management and corporate philosophy of Korean companies contributes significantly to overall positive economic performance. All major companies have a *sahoon*, which is a phrase, or slogan, that promotes the companies' most important values. At LG, for example, the word *inhwa* (harmony) is key to its management philosophy. Dae-woo promotes 'creativity, challenge, and sacrifice', while Samsung encourages 'respect for the individual, pursuit of technology, and empowerment'. United States companies tend to link corporate values to customer service, innovation, and product quality, but Korean corporate culture emphasises attitudes and behaviours that are expected of employees towards each other, the company, and society as a whole. Hyundai corporation's *sahoon* is intended to reflect the 'Hyundai spirit' and consists of the following: 'Create wisdom, Unyielding will, Indomitable driving force'. These words reflect the founder's belief that almost anything can be accomplished if people set their minds to it. The company handbook contains rules and requirements, company history, and corporate philosophy. All employees are expected to be fully committed to advancing the company's vision as outlined by senior management. The Hyundai corporate philosophy suggests that building a company and building a nation are interdependent. Commitment to the corporation and patriotism thus go hand in hand. A common feature of the corporate culture throughout Korea is a total dedication to work, group harmony, and a willingness to accept any challenge the corporation deems necessary.⁴⁰

North Korea – economic stagnation

In contrast to South Korea, the economic performance of North Korea, or the Democratic People's Republic of Korea (DPRK), over the past 30 years has been exceptionally poor. An economic system characterised by state ownership of production, self-sufficiency (*juche*), centralised economic planning, and an emphasis on military development has undermined the economic potential of the DPRK and prevented a repeat of the miracle witnessed in the ROK. The commitment to self-sufficiency has weakened economic performance, leading to widespread shortages. During the 1990s, economic inefficiencies, along with high military expenditures (approximately 20 per cent of GDP) and poor weather conditions, led to negative growth and insufficient food production.⁴¹ The government has introduced some reforms intended to stimulate production, but with lim-

ited impact, and food production remains a major problem.⁴² International sanctions, imposed in response to North Korea's withdrawal from the Nuclear Proliferation Treaty (NPT), have worsened an already difficult situation.

The DPRK's GDP per capita is estimated at US\$1 800 (PPP), compared to that of the ROK at US\$22 000 (PPP), resulting in two completely different economic profiles on the Korean peninsula. Negative growth rates and a refusal to participate in globalisation has undermined economic development for the DPRK, with little prospect for recovery in the short term.⁴³ Since the mid-1990s, the focus of the north has been on acquiring an effective deterrent capacity, intended to ensure long term regime survival.⁴⁴ Significant economic reform, based on the Chinese model, or a surrender of nuclear missile capacity would directly threaten the viability of the regime. Yong Soo Park suggests that 'North Korea's unique monolithic system of political control and policy making with individual power concentration is the biggest barrier to economic reform'.⁴⁵ Pyongyang has launched a campaign to transform the DPRK into a 'great, prosperous and powerful country' (*kngsong taeguk*) by 2012, an ambitious task, and largely unachievable without the lifting of international sanctions and North Korea's full integration into the global economic system.

The Six-Party Talks and denuclearisation

Questions relating to the health of North Korean leader Kim Jong Il have raised concerns about North Korea's ongoing denuclearisation process, as well as stability on the Korean Peninsula as a whole. Kim's sudden death could undermine international efforts to terminate North Korea's nuclear weapons programme, and produce an unstable government in the DPRK. Since April 2003, Beijing has hosted the Six-Party Talks (United States, China, Japan, Russia, and South and North Korea) in an effort to return North Korea to the NPT's safeguards framework. The early phases of the Six-Party Talks showed little flexibility on the part of either Washington or Pyongyang, with slow progress towards an outcome.⁴⁶ Given the complexity of finding a compromise among six competing national interests, in a process that includes up to 120 diplomats, negotiators, and their support teams in the room at any one time, the Six-Party Talks have proved to be a cumbersome conflict management tool (see table 2, outlining differing objectives). Rather, direct bilateral interaction between Pyongyang and Washington would be a simpler and most likely more successful process.

On 19 September 2005, the parties agreed to a process which would finally realise the denuclearisation of the Korean Peninsula. However, advancing implementation of the agreement was undermined by differences between the United States and North Korea over the exact quantity of weapons grade material produced. Further disagreement related to the insistence of the United States that Pyongyang make significant progress on disarmament before receiving concessions. To press home its point, the

United States forced the Banco Delta Asia Bank, in Macao, to freeze North Korea's accounts.

North Korea responded with missile tests and then a nuclear weapons test in October 2006, strengthening its negotiating position with a show of force.⁴⁷

Table 2: Major priorities and bargaining chips, by country, in the Six-Party Talks with North Korea

Country	Priority	Bargaining chips
United States	Complete, verifiable, and irrevocable scrapping of nuclear weapons; non-proliferation; human rights; peace treaty	Guarantee security and regime; economic aid; normalised diplomatic and trade relations
North Korea	Guarantee security and regime; establish diplomatic relations with the United States and Japan; reunification with South Korea on own terms; peace treaty	Scrap nuclear weapons and missiles; reduce tensions along the de-militarised zone (DMZ)
South Korea	Set framework for peaceful resolution and prosperity on the peninsula; reunification; access to North Korean labour and markets, non-nuclear Korean peninsula; human rights; peace treaty	Economic support; energy; business investment
Japan	Scrap nuclear weapons programme and missiles; resolve abductions of Japanese citizens	Normalised diplomatic relations; economic support
China	Non-nuclear Korean peninsula; non-proliferation; continued influence on peninsula; weakening United States alliances with Japan and South Korea; peace treaty	Economic support; alliance support
Russia	Scrap North Korean nuclear weapons; non-proliferation; promote stability in North East Asia	Buffer diplomacy; energy assistance; business investment

Source: Adapted from: *The Seoul Economic Daily*, 22 August 2003, cited in Hong Soon-Jick, *North Korean nuclear crisis: prospects and policy directions*, *East Asian Review* 15(3), Autumn 2003, 31.

Following the nuclear test, the UN Security Council passed Resolution 1718, obliging all UN members to participate in a range of robust sanctions against North Korea. The confirmed nuclear status of North Korea encouraged Washington to intensify its bilateral and multilateral negotiations with Pyongyang. On 13 February 2007, the Six-Party Talks produced an agreement covering material aid as a reward for denuclearisation, as well as the prospect of full diplomatic relations between the United States and North Korea. The diplomatic tool to be employed was described as 'action for action', whereby Pyongyang would be rewarded after specific milestones along the road to denuclearisation were reached. The sequencing of this procedure, and the differing interpretations of what constituted fulfilment of an agreed action, have clouded the process, but progress has been made. A further complication to the effective functioning of the Six-Party process is a lingering tension between South Korea and Japan over Japan's claim to the Dokdo islands. Japan periodically claims sovereignty over what it calls the Takashima islands, but has no status in international law.⁴⁸ Differences provoked by Japan's claims have undermined relations with the ROK, and impact negatively on both the Six-Party Talks and regional co-operation.⁴⁹ China has long been considered

the key to resolving the North Korean issue, given its close economic relationship with Pyongyang. However, North Korea's nuclear and missile tests tend to confirm the suggestion that China's influence is limited. At the same time, Beijing retains a strong link with Pyongyang to promote its own long term interests on the Korean peninsula.⁵⁰

Some observers have suggested that North Korea depends on its nuclear weapons capability for regime survival, and long term denuclearisation is thus impossible. Others point out that United States hostility, especially former President George Bush's characterisation of North Korea as part of the 'axis of evil', lies at the heart of what North Korea sees as a nuclear deterrent against any possible United States military action. Washington's bellicosity has forced Pyongyang to intensify its military preparations to discourage a pre-emptive strike.⁵¹ Nuclear weapons are the DPRK's principle diplomatic bargaining chip, deterrent capacity, and source of domestic influence and power. Nuclear weapons underpin the North Korean regime, and empower it in both domestic and international affairs. Without nuclear weapons, the DPRK would attract little attention, nor would it be able to defend itself from external hostility.

North Korean leaders have stressed the desire to avoid the fate of Iraq and have pointed out that nuclear weapons could not be abandoned as long as Washington talked of 'regime change'. Thus the quickest way to a denuclearised North Korea would be for the United States to sign a treaty finally ending the Korean War, followed by diplomatic recognition, the lifting of sanctions, and full economic integration of the DPRK into the global community. Without Washington's hostility and the threat of an attack from United States military forces permanently based in South Korea, Pyongyang would have little reason, or incentive, to maintain a costly nuclear deterrent.

In May 2008, Pyongyang provided more than 18 000 pages of documents relating to its plutonium enrichment programme as a step towards fulfilling its negotiated undertakings. Washington responded with an announcement that it would provide North Korea with 500 000 tons of food aid. However, competition between Washington's hawks and doves weakened former United States chief negotiator Christopher Hill's ability to provide promised concessions and accelerate the bargaining process. The initial United States acceptance of North Korea's plutonium enrichment submission was questioned by the hawks, who sought additional information on the DPRK's alleged sale of nuclear technology to Syria. Moreover, a dispute over the exact quantity of weapons grade plutonium produced in North Korea became a stumbling block. Consequently, the United States delayed in removing North Korea from its list of state sponsors of terrorism, the agreed reward for Pyongyang's submission.

Last August, North Korea responded to Washington's delay by initiating a process to restart its Yongbyon nuclear reactor, which had been shut down on 27 June 2008. However, the United States responded quickly and agreed to remove Pyongyang from its terror list, thus opening the way for the DPRK to access International Monetary Fund (IMF) and World Bank loans. Removal from the United States list of state sponsors of terrorism constitutes a major breakthrough for the DPRK at the negotiating table,

and offers Pyongyang new opportunities for constructive international engagement. However, the DPRK's decision to announce an 'all-out confrontational posture' against South Korea, and the testing of a long-range missile on 5 April, has placed a new obstacle in the way of a productive negotiation process.⁵² North Korea's suggestion that its missile launch was in fact an attempt to place a satellite in orbit was largely irrelevant, given that success at the Six-Party Talks requires that North Korea freeze missile testing and stick to past agreements and undertakings. The Obama administration has made it clear that the DPRK must end missile testing, and fulfil promises to dismantle its nuclear weapons, before any normalisation of diplomatic ties can be discussed. Without a normalisation of relations with the United States, UN sanctions will not be lifted, and the DPRK will remain excluded from the world economy.

The question of verification

Some progress has been made in advancing North Korea's denuclearisation, but a completely verifiable termination of Pyongyang's nuclear programme is still a long way off. The process of verification is strongly contested by North Korea, especially the scope, timing, and extent of inspection procedures. Unannounced, on-site inspections are considered a threat to the DPRK's sovereignty, and remain anathema to the DPRK authorities. Pyongyang has sought a verification regime which covers only issues included in its written declarations, and is attempting to avoid intrusive inspections. The United States is pushing for a comprehensive inspection process, intended to uncover North Korea's alleged, but unannounced, uranium enrichment system. There remain many unanswered questions on the road to North Korea's full denuclearisation.

United States estimates suggest that Pyongyang has manufactured 40 to 60 kilograms of weapons grade plutonium, enough to build up to ten nuclear weapons, but North Korea is offering confirmation of material for approximately five weapons. A stockpile of an additional five nuclear weapons would provide a powerful long term military deterrent for North Korea. In addition, the United States has alleged that Pyongyang has operated parallel plutonium and uranium enrichment processes, but Six-Party Talks have only included plutonium enrichment. The suspected uranium enrichment and storage facilities remain outside the negotiations, and will remain there without a robust verification regime. North Korea's negotiating strategy thus appears to be based on sacrificing its plutonium-producing Yongbyon complex, while retaining a nuclear weapons stockpile and a capacity to continue producing uranium-based weapons grade material.⁵³ Solving the North Korean nuclear issue would thus require adequate security assurances for Pyongyang.⁵⁴ Professor Kim Sung-han has suggested that the DPRK's denuclearisation should be pursued with the long term aim of establishing a regional 'peace regime' which would provide Pyongyang with the necessary security assurance to pursue denuclearisation (see table 3). Observers have concluded that a successful

verification of North Korea's denuclearisation process would require an 'unprecedented level of co-operation' with the authorities in Pyongyang.⁵⁵

Table 3: Four-stage approach to denuclearisation and peace regime

	Six-Party Talks	US–North Korea relations	US–South Korea relations	Peace forum
1st stage: Shutdown	Formation of peace forum	Security guarantee	Resumption of food and fertiliser aid	Agreement on method of discussing a peace regime
2nd stage: Declaration of all nuclear facilities	Discussion of large-scale economic and energy aid	Removal of North Korea from the list of state sponsors of terrorism	Reopening of high-level inter-Korean talks	Debate on parties to peace pact and its contents
3rd stage: Verification	Large scale economic and energy aid	Lifting of economic sanctions against North Korea	Inter-Korean summit talks	Agreement on contents of peace pact
4th stage: Disablement (completion of nuclear dismantlement)	Endorsement of peace agreement; conversion to Nuclear Energy Agency security system	Normalisation of US–North Korea relations	Conclusion of peace agreement	US and China guarantee inter-Korean peace pact

Source: Kim Sung-han, *Achieving nuclear disarmament*, Korea Focus, Spring, 2007.

South Korea's President Lee Myung-bak has been critical of the previous ROK administration's so-called 'sunshine policy' towards North Korea, which has implied unconditional aid. The 'sunshine' approach was based on the assumption that through trade, aid, and dialogue, North Korea's leaders would open their economy, and gradually integrate with the global system and with South Korea. However, the approach appeared to have little positive impact on the DPRK, as Pyongyang proceeded to strengthen its military capacity, expand its missile stockpile, and test nuclear weapons. North Korea's economy remained depressed, with no poverty relief for the general population.

Thus, instead of sunshine, President Lee has proposed a policy of 'Denuclearisation, openness and 3000', which offers North Korea significant incentives to terminate all nuclear programmes, with full verification, and build its economy. The proposal envisages comprehensive ROK assistance to the North over a ten year period, intended to lift per capita income in the DPRK to US\$3 000 a year.⁵⁶ The success of the programme would depend on the south's ability to mobilise the north's human capital, and repeat its own economic miracle on a smaller scale.

The key elements of the south's proposal include: establishing an export oriented industrial structure; major educational programmes, intended to mobilise the North Korean people; the establishment of a US\$40 billion co-operation fund to finance economic development; co-operation in the fields of energy, transport, and communications

to upgrade the DPRK's existing systems; and the provision of welfare aid to improve the quality of life. The key to unlocking the plan for economic growth and prosperity is for the DPRK to fulfil completely the 19 September 2005, Six-Party Talks agreement, which committed Pyongyang to a verifiable termination of its nuclear weapons programme.⁵⁷ The rebuilding of North Korea's economy over a ten year period would make unification a realistic and affordable option. Thus North Korea has the option of a massive reward for denuclearisation, based on an achievable vision. The international community, South Africa included, should give full support to President Lee's plan for rebuilding the DPRK's economy. It offers a comprehensive long term solution to advancing Korean co-operation and building stability in North East Asia. Denuclearisation without rebuilding the DPRK's economy offers little incentive to Pyongyang, but Lee's approach offers both a guarantee of security, and a 'business model' for Korean prosperity in both North and South Korea. South Africa's long term foreign policy planning should include a dialogue with the ROK on how South Africa could contribute positively to the vision for economic reconstruction in North Korea. Through this, South Africa can contribute to promoting increased peace and stability in East Asia, and advance a comprehensive security framework for the region. This would create new economic opportunities, and new prospects for South African commercial engagement, which would advance South Africa's national interests.

Kim Jong Il's successor?

Kim Jong Il's periodic absence from public engagements over the past few months has forced the denuclearisation debate to include the questions of succession and regime stability. Beijing and Washington have begun discussions on possible joint action to stabilise North Korea in the event of a political meltdown. There is a common interest in preventing social collapse, but divergent national interests remain, with Beijing seeking the long term inclusion of a united Korea into China's north east economic development zone, while the United States seeks to maintain forward military bases on the Asian mainland in a divided Korea. Concern relating to Kim's health has been complicated by the north's launch of a long range Taepodong-2 intercontinental ballistic missile, designed to strike targets on the west coast of continental United States. While denuclearisation talks were in progress, the DPRK accelerated efforts to perfect long range missile systems capable of delivering nuclear warheads.

Late in 2007, Beijing sensed deterioration in Kim Jong Il's medical condition, and it has since been admonishing Washington to plan for a destabilising and unpredictable succession struggle in Pyongyang. Given that Kim has not named a successor, and his three sons are too young and appear unprepared for leadership, a power struggle among Kim's family members and the armed forces, possibly complicated by competition between conservative and reform factions within the military, is on the cards.⁵⁸

The contenders for power include Kim Jong-il's three sons, Kim Jong-nam (37), Kim Jong-chol (27), and Kim Jong-un* (25).

Their lack of preparation for leadership and minimal experience count against them, but their family connections provide a source of significant influence. None of Kim's sons has been groomed for leadership in the same way he was prepared under his father, Kim Il Sung.

Leading contenders in the armed forces include: Jo Myong-rok, Kim Jong Il's second in command of the military; Hyon Chol-hae, a frequent companion of Kim; Ri Myong-Su, also a close associate of Kim; and O Kuk-ryol, who is known as Kim's 'eyes and ears' within the armed forces. Within the North Korean Worker's Party, contenders for power include: Kim Yong-nam, nominally the country's head of state; and Chang Song-taek, the husband of Kim Jong Il's sister and a close confidant of Kim. Other contenders include three senior party members: Kim Il-chol, Choe Thae-bok, and Jon Pyong-ho.⁵⁹ Given the nature of the opaque North Korean political system, it is impossible to predict accurately the outcome of the expected power struggle, but three likely scenarios present themselves.⁶⁰

The first scenario, '**muddling through**', suggests that a post-Kim regime will be a collective leadership based on the existing *juche* (self-reliance) ideology, which will continue to engage in high risk diplomacy to extract concessions through the Six-Party Talks process, in the interests of regime survival. There will be no succession to a 'supreme leader' (*sooryong*); rather power will be vested jointly in the military and party leadership, while policy will be formulated by consensus. Little deviation from the existing political and security policies is expected in this scenario.⁶¹

The second scenario, the so-called '**regime collapse**' or 'power vacuum' scenario, predicts the disintegration of North Korea after Kim's death. This scenario suggests that a civil uprising will prevent a successor from exercising effective control over society, and building a new authoritarian structure. Although there are increasing signs of social discontent as a consequence of food and energy shortages, the general population appears unprepared and unmotivated to launch a national uprising.

The third scenario, '**systems change**', suggests a military takeover after Kim's death, followed by economic reforms and opening to the world, based on the Chinese model.⁶² There are divisions within the National Defence Commission (NDC), a committee of ten military leaders, in which the real power of the regime resides. Some senior military favour a continuation of existing policies, but the majority are believed to favour gradual, controlled economic reform, which would open North Korea to the world and induce economic growth.⁶³ There is a growing consensus among foreign observers that North Korea's long term prosperity depends on an economic reform process that will strengthen industrial capacity, food production, and poverty reduction.⁶⁴

Foreign observers are most concerned about the possibility of a regime collapse, which could mean a loss of control over nuclear weapons and related materials.

* Nominated as successor to Kim Jong Il as we go to print.

Kim's emphasis on the 'military first policy' (in terms of resource allocation) suggests that his rule is based on the acquiescence of the military, and even if he has health problems, support of the military will ensure his continued authority.⁶⁵ Without a clear successor, a scramble for power appears inevitable following Kim's death. However, based on my own interviews and observations in North Korea during September last year, as well as the record of the DPRK's effective social control system, meltdown, or systems collapse, now seems unlikely. Rather, a 'muddling through' period for another few years, followed by an accelerated economic reform programme, is the most likely outcome.

Unpredictability and uncertainty will increase over time as Kim Jong Il ages and his health becomes a more dependent variable: hence an increased need for dialogue and interaction with North Korea's leaders to encourage and facilitate a peaceful transition. Where the Six Parties are unable to maintain a secure communication channel, neutral but interested countries like South Africa could play a critical role in times of crisis, or extreme uncertainty. Whatever the outcome of a power transition, international actors should help promote a smooth transition of power while seeking to limit cause for instability, or crisis.

Korean unification?

South and North Korea are expected to travel a long road of economic integration before political unity can be realised.⁶⁶ Many ROK scholars cite German reunification as the blueprint for Korea. However, the rising potential financial cost of a unification process has led to a more cautious approach from pro-unification scholars. East Germany's economic condition was far better in 1989 than North Korea's is in 2009, and West Germany's capacity to integrate East Germany was greater than South Korea's present ability. Moreover, the German unification process was backed by strong popular support from both west and east, along with significant economic backing from the United States and global economic institutions such as the IMF and the World Bank. Korean unification through a voluntary process, the so-called 'soft landing approach', would be based on a more gradual process, as opposed to the German 'big bang approach'.

Significantly uplifting the North Korean economy would be a priority before any unification strategy could be attempted. Without a stable, growing, and vibrant economy in the north, the costs of unification for the south would be excessive. North Korea's GDP is estimated at US\$25,6 billion, compared to around US\$900 billion for the south. The costs of upgrading North Korea's post-unification infrastructure, including roads, railways, ports, and telecommunications, would be significant. Meeting North Korea's international debt obligations would be another major hurdle for the south, before the process of social integration could begin in earnest. The difficulties experienced by Germany are likely to be repeated in Korea with the integration of a socialist conditioned workforce into an incentive based free market system. Disparities in skills and

working conditions would also pose major challenges. (See table 4 for an overview of south–north differences).

Table 4: South and North Korea data, 2006

	SOUTH	NORTH
Population (million people)	48,3	23,8
Economic growth rate (%)	5,0	-1,1
GNI (\$100million)	8 873	256
GNI per capita (\$)	18 372	1 108
Exports (\$100 million)	3 254,6	9,5
Imports (\$100 million)	3 093,8	20,5
Coal production (million tons)	2,8	24,68
Power (100 million Kwh)	3 812	225
Rice production (million tons)	4,68	1,89
Fisheries (million tons)	3,03	0,92
Car production (10 000 units)	384,0	0,44
Steel production (million tons)	48,43	1,18
Cement production (million tons)	49,21	6,16
Railway length (km)	3 392	5 235
Road length (km)	102 061	25 544

Source: Bank of Korea

Until the mid-1970s, when the North Korean economy was showing positive results, unification was a feasible option for Pyongyang. At that time, the north developed a comprehensive framework for unification, which, in most scenarios, would have followed a victory by the DPRK on the battlefield.⁶⁷ The north envisioned a united Korea based on a *juche*-socialist ideology, linked to the Soviet bloc, under its control. However, by the 1980s, the south's economic success and effective military deterrent policy (backed by the United States) made unification under the north's control unattractive to citizens of the south. As the north's *juche* produced slower and slower growth, the south's economic performance accelerated, completely transforming the inter-Korean economic balance of power. Over time, the aging North Korean military equipment, without renewal from the collapsed Soviet Union or a reluctant China, has made victory on the battlefield for the north an ever-diminishing possibility.⁶⁸ A massive and decisive economic victory for the south, and a stalemate for both on any potential military battlefield, precludes the possibility of unification under Pyongyang's tutelage. Rather, unification will depend on the south's ability to sponsor the process, without undermin-

ing its own economic prosperity. The current global financial crisis, and South Korea's struggle to maintain global market share in high-tech exports, pushes any potential unification process further into the future.

It is now clear that the catalyst for national unification must depend on the will of the Korean people. A lack of information and independent consideration undermines public opinion in the north, while the south's main concern is economic. The high costs of a successful unification process would place an excessive burden on the taxpayers of the south. Over the longer term, the inevitable decay of the DPRK's military capacity and economic vitality would make unification a more attractive option for the north.⁶⁹

In the south, an aging population has pointed to the growing need for a more youthful labour force to reinforce future economic growth. Thus the mobilisation of the north's human potential becomes more attractive. A process of controlled labour migration from north to south could be the key to initiating the unification process and strengthening both economies. The general perception in the south is that unification cannot be rushed, but should rather follow an economic transformation in the north, making integration less costly. The long term future suggests a united Korea, with political and economic institutions largely mirroring those of the south, but, as many Koreans lament, 'unification is inevitable, but not imminent'. Until unification, the challenge for both south and north is to avoid a major confrontation which would threaten the survival of Korean culture, history, and civilisation.

South Korea, the world and Africa

South Korea is preparing to expand its global diplomacy to strengthen its international standing and promote increased exports world-wide. President Lee Myung-bak has declared his determination to undertake global shuttle-diplomacy to promote Korea's economic and political interests (see appendix). President Lee has outlined a thoughtful, convincing, and comprehensive plan to guide the next phase of South Korea's economic and political development. The focus is on further stimulating the ROK's economic development to strengthen Korea's role in the world, and enhance its international status. A key priority is to bring about a 'complete resolution' of the North Korean nuclear issue and create a 'new peace structure' on the Korean Peninsula.⁷⁰ President Lee has committed the ROK to strengthening the Six-Party Talks framework to facilitate the DPRK's denuclearisation, and the crafting of a regional security framework that will ensure lasting peace and stability in East Asia.

President Lee's innovative and creative incentive for the DPRK's denuclearisation promises to transform the Korean Peninsula into a new hub of economic development and prosperity. As a reward for dismantling nuclear weapons, the ROK is prepared to strengthen the north's economy and uplift significantly the per capita income of North Korean citizens. For the first time in ten years, a comprehensive, realistic, and practical

solution to the North Korean problem has been articulated. The international community should offer support to President Lee's bold initiative, and stand ready to assist in the comprehensive development of North Korea's economy. Through a disbandment of its nuclear programme, the DPRK has an opportunity not only to guarantee its own long term security, but also to strengthen significantly its economy and economic well-being.

In the Asian context, President Lee has outlined a dynamic plan to strengthen South Korea's alliances and economic partnerships. A revitalised ROK–United States alliance, along with expanded links with China and Japan, forms the foundation of South Korea's strategy to stabilise East Asia and boost economic growth. New commercial links with members of the Association of South East Asian Nations (ASEAN) and other Pacific nations are also on the cards, with the aim of broadening Seoul's trade and investment activities. Globally, the emphasis is on pragmatic economic diplomacy, which includes finalisation of the ROK–United States FTA, as well as accelerated FTA negotiation and agreement with a number of key economies. Along with the objective of strengthening the ROK's economy and global economic footprint, President Lee has committed the ROK to step up its contribution to implementing the Kyoto Protocol, promoting human rights, and combating global poverty and disease, while increasing overseas development assistance (ODA) to the developing regions of the world.

During his first year in office, President Lee has made good progress in advancing the ROK's global diplomacy. Lee has visited the United States, Japan, China, and Russia to craft new co-operative frameworks. He has led South Korea through the worst of the global financial crisis, and is positioning it for future growth and prosperity. The ROK is increasingly playing a key role in advancing global economic development, and will host the G20 meeting in 2010. President Lee is planning an extensive programme of global diplomacy to promote Korea's international role and build new commercial relations. The focus for 2009 is on Europe, Central Asia, and South East Asia, while Africa and Latin America are growing in importance.⁷¹

Korea's foreign ministry is to step up efforts to promote FTAs with key trade partners and new emerging economies. FTA partners on the agenda for 2009 include Australia, Peru, New Zealand, Turkey, and Columbia. In the post-Asian financial crisis period, FTAs have become a key instrument for Korea to build its global trade and investment profile. As a consequence of growing confidence in negotiating and implementing FTAs, the ROK's FTA policy has become more proactive and wide ranging. Moreover, difficulties in advancing the multilateral trade agenda have increased the importance of FTAs. All states seeking to grow their economies now see FTAs as the key to unlocking new markets and opportunities.⁷² Korea is seeking to forge comprehensive relations with key economies to facilitate increased trade, which will underpin the next phase of its economic growth.⁷³ Accessing critical raw materials before China's giant economy locks down global supply is the urgent driver for FTA expansion and African engagement. Korea has also identified the so-called '10 next-generation growth engines', which are intended to boost production and exports.⁷⁴

President Lee has emphasised that the ROK is ‘emerging as a responsible, leading nation, helping create a new international order’.⁷⁵ For many years, the ROK’s diplomacy has focused on the key regional powers – the United States, Japan, China, and Russia; and while Korea has strengthened relations with all under President Lee, a new, more expansive diplomatic agenda is evolving. President Lee participated in the first China–Korea–Japan summit in December 2008, and has been active in strengthening economic and political links within East Asia. A grand vision to link South Korea through the north to the major oil and natural gas reserves of Siberia is moving forward. Other priorities include strengthening the ROK’s links with Central Asia and South East Asia. Given that exports constitute over 40 per cent of the ROK’s GDP, increased global engagement and trade agreements are an urgent priority for Seoul.⁷⁶ Short term FTA priorities are with the United States, the EU, China, and India. The next phase of FTA negotiations will focus on the emerging economies, including South Africa.

Following the Asian financial crisis in the late 1990s, Korea reassessed its strategies for geo-economic management and long term growth. The ROK began to develop a broader global vision and a longer term strategy intended to ensure growth and prosperity.⁷⁷ The broader vision brought Africa to Korea’s attention, leading to interest in a distant continent. In 2006, former ROK President Roh Moo-hyun visited Africa, opening a new chapter in Korea–Africa relations. Roh’s mission was to initiate engagement with an emerging continent, which was beginning to draw Asian attention to its growing markets and raw material wealth. South Korea also registered the need to join the world’s industrialised economies in promoting and assisting Africa’s economic development. Consequently, Roh promised to triple Korea’s ODA to Africa, from US\$30 million to US\$100 million. In addition, President Roh outlined an assistance package for Africa consisting of the following four elements: technical training in Korea for 1 000 Africans; a major increase in health assistance to Africa; a step-up in helping Africa develop food security programmes; and assistance to Africa in the field of information and communications technology (ICT).

South Korea thus sought to broaden its diplomatic initiatives in Africa, and develop a new relationship with the continent. Given South Korea’s size, its engagement would naturally be unable to mirror that of Japan, or China’s African footprint, but it sought to promote a high impact interaction based on Korea’s economic and technical strengths. As with Japan and China, the foundation of Korea’s commercial engagement with the African continent is to access commodities, in exchange for technology and manufactured products (see tables 5 and 6). At the same time, the Korean government has encouraged its private companies to create mutually beneficial business models in their commercial engagement with Africa. Moreover, Seoul is looking for constructive long term relations with Africa, through which both can share expertise and benefit from commercial interaction. As a recently developing country, having industrialised over a relatively short space of time, South Korea has much to offer Africa by way of development know-how and technical achievement. Korean construction companies with

significant experience in the Middle East have been encouraged to move into Africa, and seek new opportunities. As foreign minister of South Korea, Ban Ki-moon provided impetus to the country's African initiative with visits to Algeria, Tanzania, Kenya, and Libya in 2005, and to Ghana and the Congo a year later. In 2006, the ROK's prime minister visited Senegal and South Africa.

Table 5: Main export items – Korea to Africa, 2005

	Amount (US\$m)	%	Growth
Ships and parts	3 653	58,9	0,9
Automobile	548	8,8	61
Petro-chemicals	393	6,3	14
Communication devices	326	5,3	91,8
Construction/mining equipment	65	1,0	78,9

**MTI 3 standards.*

Source: kit.net

Table 6: Main import items – Korea from Africa, 2005

	Amount (US\$m)	%	Growth
Crude oil	1 287	43,7	0,9
Copper	359	12,2	88,6
Gold & silver	149	5,1	-42,2
Food items	44	1,5	26,4
Iron ore	74	2,5	91,7

MTI 3

Source: kit.net

The ROK's new Africa diplomacy was boosted in 2006 with the visit of President Roh Moo-hyun to Egypt, Nigeria, and Algeria, the first official visit to Africa by a Korean president for 24 years.⁷⁸ The central objective of the visit was to strengthen economic co-operation, particularly in the field of energy. The visit resulted in a Korea–Nigeria deal to develop off-shore oil fields; a Korea–Egypt agreement to strengthen co-operation in information technology (IT), energy, and resources; and a Korea–Algeria agreement to develop commercial relations. While in Africa, Roh stressed Korea's commitment to assisting in the full integration of Africa into the global economy for common prosperity, and he undertook to support Africa's efforts to achieve the Millennium Development Goals (MDGs). For Korea, the long term objective was the development of African

markets through trade, aid, and assistance. Where investment conditions are attractive, Korean companies have undertaken to investigate options.

During Roh's visit to Egypt, the central theme of 'energy for technology' emerged as the guiding principle for Korea's interaction with Africa as a whole.⁷⁹ Africa's comparative advantage in oil reserves and raw materials provides an incentive for Korea to invest and provide advanced technology in return. Korea agreed to provide Egypt with an ultra-speed internet, mobile communications, digital multimedia broadcasting, and wireless broadband internet. Korean ICT would be mobilised to transform Egypt into the telecommunications hub for the Middle East and North Africa. In exchange, Korean companies are to expand involvement in Egypt's oil industry, as well as construct airports and petrochemical facilities.

In Nigeria, Presidents Roh and Olusegun Obasanjo concluded a deal providing for joint development of offshore oilfields. The agreement will provide Korea with more than 1 billion barrels of oil once deep water exploration is complete. The deal was based on a 'product sharing contract', which allowed a 60 per cent share for Korea of the identified oil field, in exchange for Korean deep water drilling technology. Part of the arrangement included the construction of a 2,5 million kilowatt power station by a Korean consortium. Korea also provided Nigeria with US\$1,7 million in grant aid to build a vocational training centre and assist with health issues. The oil project was expected to provide a foundation for increased Korean investment in Nigeria, and a strengthening of Korea–Nigeria relations. President Roh's visit also included a business forum at which both sides agreed to discuss ways to strengthen trade and investment.

President Roh's final stop in Africa was Algeria, where he held talks with President Abdelaziz Bouteflika with a view to building improved relations. Algeria's attraction included oil reserves of 9,2 billion barrels (the 14th largest in the world), and the world's seventh largest reserves of natural gas. Korean construction companies were invited to participate in Algeria's planned US\$60 billion infrastructure development and construction programme. Korean companies were also invited to contribute to Algeria's privatisation programme, intended to restructure more than 800 public enterprises.⁸⁰

The Korea–Africa Forum

At the first Korea–Africa Forum, held in Seoul on 8 November 2006, presidents from five African countries – Congo, Nigeria, Ghana, Tanzania, and Benin – participated, along with ministers from 25 African countries. The forum signalled Korea's intention to broaden and deepen its engagement with Africa. At a dinner to welcome African guests to Seoul, President Roh outlined Korea's African initiative as follows:

Korea plans to increase its ODA to Africa and do its part in assisting Africa in a variety of areas, including medical and health care system building, human resources

development, IT sharing as well as trade and investment promotion. In particular, we will actively help Africa build its information infrastructure and train its personnel as a means of boosting Africa's capacity for development. We are also fully committed to helping Africa achieve the UN Millennium Development goals (MDGs).

Roh concluded by expressing his hope that Korea and Africa would 'be able to enjoy a mutually beneficial partnership on the solid basis of friendship'.⁸¹

Korea's forum followed a similar format to that of East Asian rivals Japan and China, and confirmed Korea's interest in joining the new competition for markets and resources in Africa. Commentators have characterised Korea's new African interest as a form of 'pragmatic diplomacy', through which Korea seeks opportunity on an unfamiliar continent. As in the cases of both Japan and, especially, China, the policy drivers are access to oil and resources to feed the growing Korean economy. Ban Ki-moon has suggested that 'co-operation between Korea and Africa is very important in that it has boundless potentialities'.⁸²

Africa's resources provide the comparative advantage in engaging with Korea, while Korea is able to provide technology and manufactured products to African markets. Given the size of Korea's economy in comparison to that of Japan and China, aid to Africa will remain small, but, if carefully targeted, could be highly effective. Unlike those of Japan and China, Korea's Africa strategy would have to remain selective and specific, with a niche market approach, rather than a continent-wide engagement. Nevertheless, Korea has the capacity to become a key external player on the continent, able to contribute to Africa's economic development, while boosting its own prospects. Although South Africa is Korea's biggest African trade partner, Korea's interaction with Nigeria offers the model for Korea–Africa relations. Former President Obasanjo visited Korea six times, providing the foundation for a positive high-level dialogue which provided the foundation for a productive Korea–Nigeria relationship.⁸³

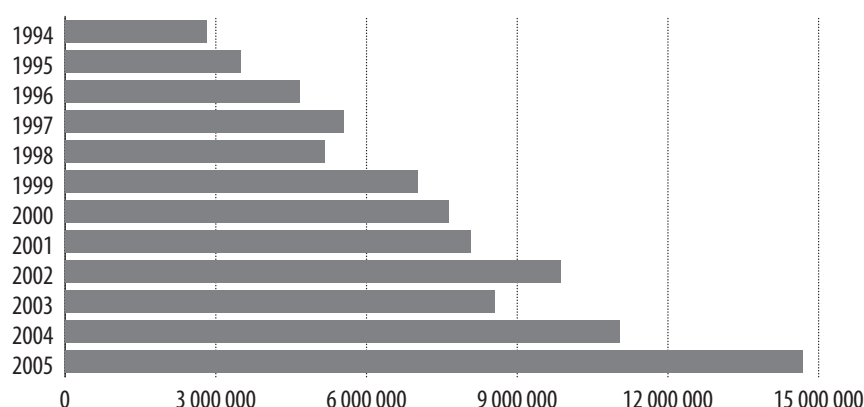
The Korea–Africa Forum produced the Seoul Declaration of November 2006, which was intended to lay the foundation for a 'framework of friendship, partnership and co-operation between Korea and African countries' (see appendix). Specifically, Korea offered its support for objectives of the New Partnership for Africa's Development (NEPAD) and the MDGs. Seoul thus sought to align itself with the African agenda, and help to promote good governance and economic development on the African continent. Korea also identified a number of key areas of potential co-operation which could underpin expanded co-operation. Its rapid industrialisation process offers Africa a model for its own economic development and prosperity. Rural development and human resource capacity building were also identified as areas for expanded co-operation. Korea's obvious strength in ICT offers numerous opportunities for co-operation with African countries.

The Korea–Africa Economic Conference (KOAPEC) provides a secretariat and programme through which financing for development projects in Africa can be chan-

nelled.⁸⁴ Financing is provided through the Korea Import–Export Bank and the Africa Development Bank. The process produced nine ODA agreements, totalling more than US\$750 million, concluded between Korea and a number of African countries.⁸⁵

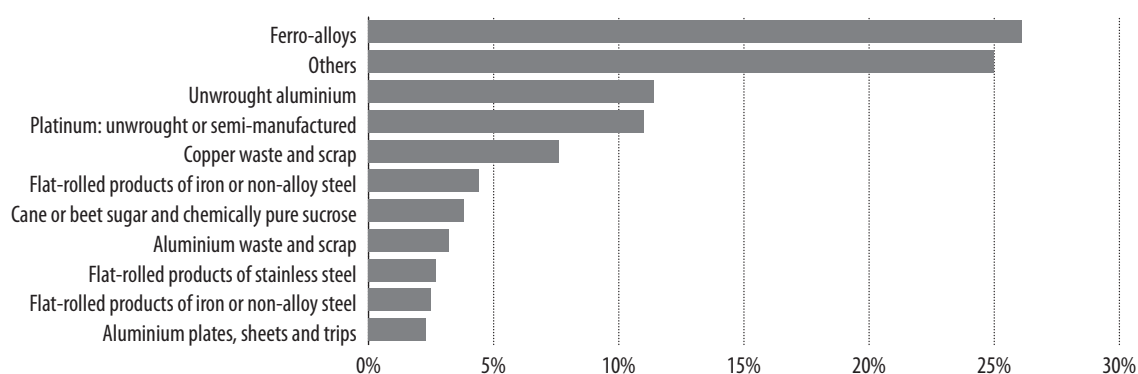
Korea's ODA is small in comparison to the overall size of its economy. Despite increases in ODA allocations over the past few years, Korea's ODA to gross national income (GNI) is still far below the average for member countries of the Organisation for Economic Cooperation and Development / Development Assistance Committee (OECD/DAC). There is thus significant room for improvement in the quantity of aid provided by Korea. At the same time, Korean ODA allocations are close to US\$800 million, and could have a significant impact if applied appropriately. The fine-tuning of Korea's ODA policy could have a very positive impact on many projects and programmes in Africa. Korea is presently developing a comprehensive non-governmental organisation (NGO) support programme, which is increasingly making a positive contribution to social and political stability in developing countries. In 2008, Korea supported 35 NGOs in Africa, and was active in 61 projects in 19 countries (see Regional Support 2008 below.) At the same time, there is a need for African leaders and institutions to engage Korea more energetically on this issue, and encourage Seoul to step up ODA allocations in Africa.⁸⁶

South Africa–South Korea Total Trade Imports & Exports



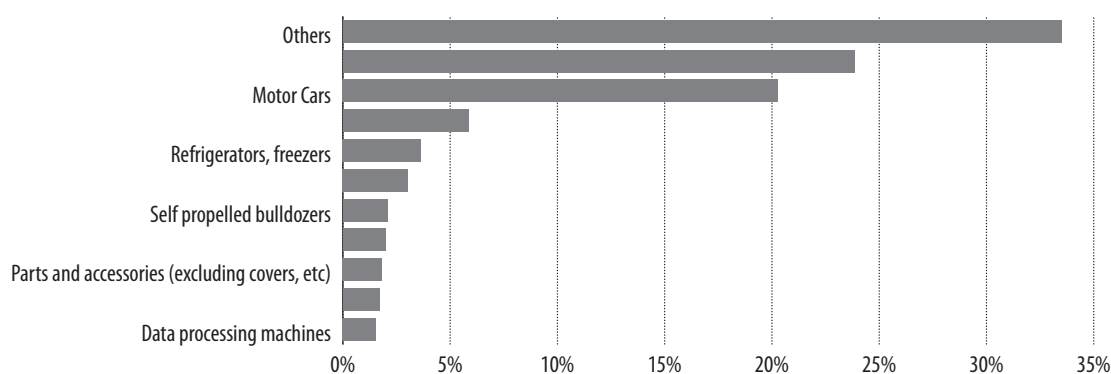
South African Trade Statistics

SA's Main export to Korea



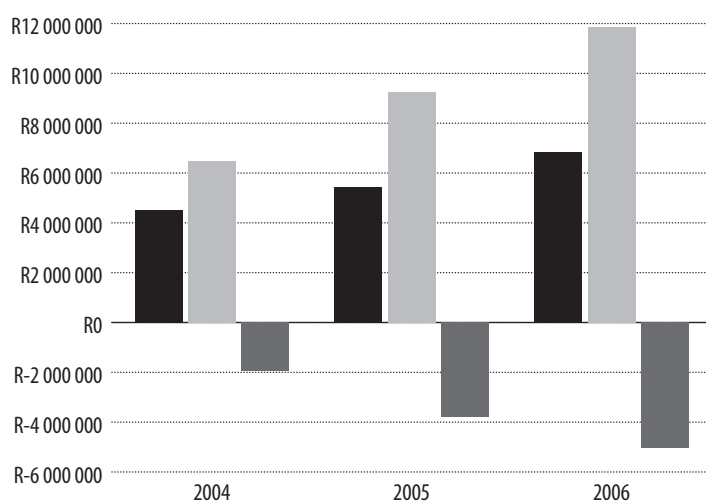
South African Trade Statistics

SA's Main Imports from Korea



South African Trade Statistics

Trade: RSA and South Korea (2004–2006) – (R'000)



Compiled by Economic Affairs and Regional Organizations

The Korea–Africa Forum committed Korea and the African participants to a ‘long term and mutually beneficial relationship’ intended to promote trade and investment. In addition, participants committed themselves to increased consultation and a broader interaction to improve understanding and mutual support in international affairs. The forum was followed by meetings in South Africa in 2007 and Morocco in 2008. Korea has sought to establish an ongoing dialogue with Africa to identify areas of common interest and concern. KOAFEC has also conducted a number of follow-up meetings, with a focus on funding projects in Africa. At the most recent meeting in Seoul during October last year, 26 African countries participated. The next KOAFEC ministerial level meeting is planned for 2010.

The KOAFEC meeting in 2008 produced an action plan identifying focus areas for Korea–Africa co-operation. Korea identified construction in Africa and resource development as priority areas where Korean companies have the expertise, experience, and capacity to engage Africa effectively. Korea’s strength in ICT offers Africa numerous opportunities for upgrading communications capacity. Related to this, Korea is able to offer advanced technical training at institutions in Korea (see table 7, summarising Korea’s initiatives on engaging Africa). Korea has also emphasised its willingness to share knowledge with Africa on agricultural and rural development, as well as Korea’s overall, very successful, economic development programme. In keeping with recent trends in the international arena, Korea has advocated co-operation in environmental protection through a ‘green growth partnership’.

The Korean Institute for International Economic Policy (KIEP) has provided guidance for Korea’s economic engagement with Africa. Its analysis offers insights into the drivers for Korea–Africa policy and the prospects for long term co-operation. KIEP has identified Africa as a huge opportunity in terms of resources and future market development. Africa’s resource base is identified as follows: oil, 9.5 per cent of global reserves; natural gas, 8 per cent; uranium, 20 per cent; bauxite, 32 per cent; gold, 40 per cent; phosphate rock, 42 per cent; diamonds, 60 per cent; manganese, 80 per cent; and gold, 88 per cent. Given Korea’s growth projections and growing need for raw materials, it cannot afford to ignore Africa. In addition, strong growth in Africa in recent years, along with positive economic and political reform, is opening African markets and creating increased potential for external involvement.

KIEP has noted that increased involvement in Africa by the United States, the EU, Japan, and China is creating new opportunity for other players. As Africa’s transport networks improve, new avenues for co-operation are emerging. The significant aid programmes provided by the United States, the EU and Japan will strengthen market forces across the continent and facilitate a stronger consumer drive in Africa. KIEP has predicted increased growth for Africa, diverse economic development, and, with continued political reform, significant prospects for commercial engagement with Korean corporations. However, in the short term, low GDP per capita ratios in Africa will undermine consumer spending, requiring continued international development assistance and

aid packages. Africa's comparative advantage will remain its wealth of commodities, which, if accessible, offer foreign investors significant prospects.⁸⁷

KIEP analysis indicates that (moderately priced) Korean products are capturing increased market share as that of (high-priced) Japanese products has decreased. China (with lower-priced manufactured products) has seen its market share grow significantly in recent years. Increasingly, Korea will be forced to compete with

Table 7: Korean initiative for African development

Item	Main contents
ODA	– Threefold increase of ODA (\$10 million) in three years – Focus on the countries with good governance
Development experience	– Invite 1 000 students from Africa in three years – Send volunteers and experts to Africa
Medical support	– Send medical staff, hospitals – Provide medical equipment, vaccines
Human resource development support	– Develop schools and ICT infrastructures. – Vocational training centre
Agri and fishery	– Agricultural technology transfer and support of agricultural infrastructure – Fishery and marine products technology support
Information technology	– IT training centre – e-government
Korea-Africa Forum	– Korea–Africa Forum among private sector, government and academic sector – Regular conference
Co-operation with multinational agencies	WEP, UN Industrial Development Organisation (UNIDO), AfDB
Trade promotion	No tariff, no quota for least developed countries (LDCs)

Source: Kim Ji-Hong, unpublished conference paper, KDI, 2006

China to win market share in the emerging economies of Africa. In terms of Korea's foreign direct investment (FDI), close to 35 per cent is located in Asia, and close to 20 per cent in North America. Africa receives less than 3 per cent of Korea's FDI, with the following countries the main targets: Algeria (19,2 per cent), Libya (13,7 per cent), Sudan (12,9 per cent), Nigeria (12,6 per cent), Egypt (12,4 per cent), South Africa (10,3 per cent), and Morocco (5 per cent). The rest is spread in small amounts across the continent. As the Korean global investment profile grows, Africa will become increasingly important. Moreover, unlike Japanese investors, Korean companies are willing to take on the challenge of high risk investment in Africa.

In terms of Korea's ODA, Africa accounts for less than 10 per cent of the overall budget. Almost 80 per cent of Korea's ODA goes to Asia, but over time Africa's importance is expected to increase as relations improve and trade increases. Overall, KIEP's prognosis for Africa is positive. Given good growth in recent years and increased liber-

alisation of African economies, Africa increasingly offers new opportunity for Korean investors. KIEP is seeking specific opportunity to provide support for Korea–Africa relations, and to provide a framework for enhanced interaction. For KIEP researchers, a key to improved relations would be enhanced scholarly exchanges to build the intellectual foundation for strengthened relations. Based on a sound co-operative framework, and supported by the necessary state-to-state agreements, KIEP foresees a significant growth in Korea–Africa relations in the years ahead.⁸⁸

Korea and South Africa

In July 1995, President Nelson Mandela visited the ROK on a mission to enhance South Africa's relations with Korea and consolidate diplomatic links in East Asia. Three years later Thabo Mbeki, then South Africa's Deputy President, visited Seoul to explore new opportunities for engagement. A range of official interactions have since continued, culminating in former Deputy President Phumzile Mlambo-Ngcuka's visit in May 2007. In June last year, South Africa's labour minister visited Korea to investigate vocational training programmes. Korea–South Africa policy consultative meetings (PCMs) have been held in 2004, 2005, and 2008 to advance relations and identify new areas of co-operation.

KIEP has identified South Africa as a key African partner for Korea, based on a number of factors. These include the size and sophistication of South Africa's economy, which they characterise as follows: South Africa's economy makes up approximately 25 per cent of Africa's GDP; South Africa's GDP is three times that of Nigeria; South Africa's GDP per capita is estimated at US\$10 000 (PPP); South Africa consumes 20 per cent of the continent's imports; and it produces 80 per cent of the continent's automobiles, 50 per cent of its electricity, and 40 per cent of its industrial output and mineral production. Long term economic forecasting for South Africa suggests that its economy has very significant growth potential, and is among 11 economies expected to show considerable potential over the next few years. (The other ten key emerging economies are identified as: Turkey, Iran, Egypt, Indonesia, Philippines, Vietnam, Pakistan, Bangladesh, Algeria, and Nigeria.) Moreover, South Africa's significant reserves of key raw materials make it an obvious economy of interest for all industrialised nations.⁸⁹

According to South Africa's Department of Foreign Affairs (DFA) assessments, there is potential for the following in the South Korea market: agro-processed goods, wine, automotive parts, jewellery, arts and crafts, pharmaceuticals, franchising, and chemicals. Given the dynamism of the Korean economy, and the disposable income of the average Korean citizen, there is clearly vast potential for improved market penetration.

Since 2004, Korea and South Africa have been working together to implement a science and technology agreement. In June 2005, the first Korea–South Africa Joint Committee on Science and Technology was held in Seoul. The committee agreed to establish a networking programme to expand interaction between Korean and South African scientists. Joint funding for new projects in the following fields was agreed

on: nano-technology, biotechnology, space science, astronomical research, hydrogen economy, fuel cells, and nuclear science. Related to this agreement, the Korea Science and Engineering Foundation (KOSEF) and South Africa's National Research Foundation (NRF) agreed to allocate funds to advance co-operation.

In October 2007, it was reported that two Korean power companies (Korea South East Power Corporation and Korea Western Power) had signed contracts for 1,25 million tonnes of South African coal. The supply of coal for electricity generation in Korea has long been a feature of South Africa–Korea relations, but new supply challengers have emerged in China. South African suppliers are thus required to contain costs to compete effectively in the ongoing supply of coal. Raw material producers in South Africa have comparative advantages in other areas, specifically market scarcity, which gives opportunity. In effect, the new interest from developing Asian economies (particularly China) in South Africa is directly related to South Africa's share of critical raw materials (see table 8).

Table 8: South Africa's mineral reserves, 2006

Commodity	Unit	Reserves	%	Worldranking
Alumino-silicates	Mt	51	37,4	1
Antimony	Kt	250	6,4	4
Chrome ore	Mt	5500	72,4	1
Coal	Mt	33814	3,7	7
Copper	Mt	13	2,0	14
Fluorspar	Mt	80	16,4	2
Gold	t	36000	40,7	1
Iron ore	Mt	1500	0,9	11
Lead	Kt	3000	2,1	7
Manganese ore	Mt	4400	80,0	1
Phosphate rock	Mt	2500	5,0	4
Platinum-group metals	t	70000	87,8	2
Silver	Kt	10	–	–
Titanium minerals	Mt	244	27,8	2
Uranium	Kt	298	1,6	4
Vanadium	Kt	12000	44,0	1
Vermiculite	Mt	10	40,0	2
Zinc	Mt	15	3,3	
Zirconium minerals	Mt	14	17,4	2

Mt=megaton, Kt=kiloton, t=ton

Source: Minerals Bureau

Table 9: Korea's FDI to South Africa

Thousand US\$	2003	2004	2005	2006	2007	2008	Total
FDI	196	123	26 697	5 983	29 397	21 942	168 845

Source: Korea Exim Bank

Table 10: Principal Korean investors in South Africa

Name	Number	Thousand US\$
Samsung Electronics (Samsung)	6	48 857
LG Electronics (LG)	4	42 407
Innoland Property	1	20 305
Daewoo Motors	4	18 255
Malesela Taihan Electronic Cable	2	14 100
Poschrome	2	10 050
Sinna Manufacturing	4	2 845
SJM Flex	3	2 249
Daewoo AMIC	2	2 327
ONSE Telecom	7	1 500
Ceragem	3	1 810

SOURCE: Korea Exim Bank

As tables 9 and 10 indicate, Korean investment in South Africa has grown, and there is potential for a further increase. An improved investment environment in South Africa would open the way for new Korean interests and investment.

In 2007, South Africa's Deputy President Phumzile Mlambo-Ngcuka paid a visit to Korea seeking to broaden and strengthen bilateral relations. She appealed for increased, but more balanced, trade, and encouraged Korea to become more directly involved in South Africa's skills enhancement programmes. Given Korea's high level of technical training, it is an ideal partner for South Africa in this area. Deputy President Mlambo-Ngcuka identified minerals beneficiation as an area of potential future co-operation, through which Korea could apply its technology to job creation in South Africa, while benefiting from increased importation of key minerals. She also appealed for more Korean investment in South Africa, increased tourism, more ICT involvement, and a greater use of South Africa as the 'gateway to Africa'. Given the good progress made on bilateral interaction (see list of agreements below), Korea and South Africa have laid a solid foundation for building a long term strategic partnership.

In September last year, the South Korean government agreed to provide US\$1 million to establish an Information Communications Technology Co-operation Centre (ITCC)

in South Africa. Korea and South Africa have signed a memorandum of understanding (MOU) to formalise a three-year partnership agreement on this project. The centre is intended to facilitate e-skills training and help to implement e-government and related research projects. It is also intended to promote information exchanges in the field of ICT. The 4th Korea–South Africa Policy Consultative Meeting was held in Seoul in December last year. It was agreed that bilateral co-operation is to be enhanced with a focus on the energy sector. Thus Eskom and Korea’s state-run electricity supply agency, KEPCO, are to expand discussions with a view to closer co-operation. Notes were exchanged on the energy, minerals, and electricity sectors. It was also agreed that an FTA feasibility study will be undertaken to identify the advantages of a Korea–South Africa FTA. The issue of direct flights is to be fast-tracked, while legal agreements, a visa waiver programme, and the expansion of culture and sports exchanges are to be discussed further. Korea discussed plans for the second Korea–Africa forum, seeking South Africa’s full participation and support for this event. In terms of ICT co-operation, there was some discussion on Korean participation in a traffic control centre in Johannesburg.

Korea–South Africa bilateral agreements

Signed agreements
Agreement on co-operation in the field of science and technology (February 2004)
Agreement on 30 days visa waiver (April 1998)
Agreement on air service between and beyond their respective boundaries (July 1995)
Agreement on the promotion and protection of investment (July 1995)
Agreement on the avoidance of double taxation and the prevention of fiscal evasion with respect to taxable income (July 1995)
Signed arrangements
MOU between the NRF and KOSEF (June 2005)
Arrangement for the implementation of the project for the upgrading of the SA national technical testing centre between the respective ministries of labour (<i>Indlela</i> project) (August 2002)
General agreement on scientific and technological co-operation between CSIR and Korea Institute of Science and Technology (28 August 1998)
Arrangement for trade and industrial co-operation between the Ministry of Trade and Industry of the RSA and the Ministry of Trade, Industry and Energy of the Republic of Korea (October 1997)
Agreement on small and medium enterprise co-operation between Ntsika Enterprise Promotion Agency of South Africa and the Small and Medium Industry Promotion Co-operation of Korea (October 1997)
MOU on small, medium and macro enterprises (July 1995)
Protocol on the establishment of diplomatic relations (December 1992)
Treaty of mutual legal assistance in criminal matters (2008)
Treaty on extradition (2008)

Korea–South Africa bilateral agreements (continued)

Pending agreements/arrangements
MOU on defence
Cultural agreement
MOU in the field of sport and recreation
MOU on co-operation in the fields of energy and mineral resources
Arrangement on nuclear safety regulations
Agreement on co-operation in the field of peaceful use of nuclear energy
MOU for co-operation in the field of employment

Crafting a strategic partnership

Thus, since President Mandela’s visit to South Korea in 1995, relations have shown good progress and a solid foundation for co-operation has been laid. However, from both sides, much more could be done to build a broader and more mutually rewarding relationship.

The following are suggestions for South Korea to enhance its African/South African footprint.

- Currently there are only 18 Korean diplomatic missions in 53 African countries. A broader representation would facilitate a more effective Korean engagement with the continent.⁹⁰
- Korea should work more closely with the AU in designing and implementing its Africa programmes.
- Interaction with African regional economic communities (RECs) would offer Korea a new dimension for ICT engagement, and would help support and promote African regional integration.
- Increased interaction with NGOs and multinational agencies in Africa could enhance Korea’s engagement with Africa.
- More active and productive secretariats for both the Korea–Africa Forum and KOA-FEC would be useful in driving the Korea–Africa agenda.
- A refocusing and expansion of Korea’s ODA to Africa, along with greater transparency on project outcomes, would be a positive development.
- More regular high-level visits by Korean officials to Africa would be helpful in attracting positive media attention and building a closer co-operative relationship.
- Korean diplomatic missions should increase assistance to Korean companies seeking trade with, or investment in, Africa. Given the challenges of doing business in Africa, Korean companies need extensive support.
- Within Korea, a professional research institute focusing on African studies would be helpful in building knowledge on Africa, and assisting both business and policy-makers.

- Korean government, business, and the media should increase efforts to inform the Korean people about Korean diplomacy in Africa, and Africa in general, with a view to building interest and support for expanded Korea–Africa relations.

The following are suggestions for South Africa to develop a rewarding strategic partnership with Korea.

- Full high level participation in future Korea–Africa Forum and KOAFEC meetings would help build Korea–Africa relations and Korea–South Africa relations.
- South Africa should take the lead in partnering with Korea for the second Korea–Africa Forum. It could play a key role in helping Korea craft an appropriate agenda to maximise benefits for both sides.
- The ROK provides the ideal access point for the entire East Asian region (including China). Korea is rapidly becoming the logistics hub for the region, enabling extra-regional countries to access a vast consumer market. (The expected future rail links from the south, through the north, to Russia and China, and across Russia to Europe, will open new market opportunities and growth prospects.)⁹¹
- South Africa and Korea could increase peace-keeping co-operation – Korea is presently involved in expanding its capacity to engage in peace-keeping operations (PKOs), with a view to facilitating rapid deployment to troubled areas worldwide. Rapid response PKO forces are to be increased to 2 000 by 2012. (Korea is the world's 10th largest donor to the UN.)⁹²
- South Africa should step up efforts to access Korean global market leaders by accessing Korean made products and advanced technologies. There are now 120 Korean made products which are global market leaders. Korea is also at the cutting edge of a range of new technologies which could enhance productive capacities and efficiencies in the South African economy.⁹³ For example, interaction with Korea's Osong bio-technology cluster could be supportive of research initiatives in South Africa.⁹⁴
- South Korea is ideally placed to assist South Africa in skills enhancement. South Africa should step up co-operation in this context.
- Minerals beneficiation is another area of importance. South Korea's technology could play a leading role in adding value and creating jobs in South Africa. Increased dialogue on this issue would be helpful.
- South Africa should seek Korea's involvement in a 'big project', such as power stations, major construction, ship-building or a regional ICT network. This would significantly boost relations, and open the way for accelerated positive growth in Korea–South Africa relations.⁹⁵
- The conclusion of a Korea–South Africa FTA would open the way for new, mutually beneficial trade and investment opportunities. An FTA would create the legal framework for a strategic partnership, and would be a strong encouragement for Korean investors to enter the South African market. The recently concluded Korea–Chile FTA has opened an array of unexpected new economic opportunities for both participants.⁹⁶

- South Africa should encourage the development of a comprehensive ICT network for the whole Southern African Development Community (SADC) region. Korea would be an ideal partner in this process.
- Increased business exchanges, seminars, and workshops to identify new trade and investment options would be helpful in creating new opportunities and co-operative networks.

A suggested plan for expanded and strengthened co-operation is outlined below. Key features include bringing the ‘Korean wave’ to South Africa, which would create greater interest in and awareness of Korea among ordinary South Africans. Moreover, a key factor would be direct air links to facilitate increased exchanges and new opportunities for constructive dialogue. The suggested plan emphasises growing grass roots support as well as top-down initiation.

Suggested plan for enhanced Korea–South Africa relations

1.	Cultural exchange	Bring the ‘Korean wave’ to South Africa. Increase cultural and sports events. Increase media coverage and public awareness of Korea in South Africa.
2.	Academic exchange	Step up academic and student exchanges. Hold seminars/conferences. Encourage debate and publication on Korean–South African issues.
3.	Establish direct air links	Increase business-to-business contact. Consolidate South Africa as the bridge to Africa. Consolidate Korea (Inchon) as the bridge to East Asia. Hold regular business seminars/events. Increase high level official exchanges. Boost tourism.
4.	Official working level	Increase working level contact with a view to promoting broader interaction. Conclude FTA feasibility study.
5.	Set up business forum	Increase business-to-business networking Promote two-way trade and investment.
6.	Regular bilateral meetings	Conduct regular high level exchanges. Build a constructive strategic partnership.

Conclusion – partners in development

Given its urgent need to combat poverty and unemployment, South Africa’s post-Mbeki foreign policy requires urgent adjustment towards prioritising and advancing national economic interests. To this end, a pragmatic and strengthened strategic integration with the fast growing economies of the East Asian region, especially South Korea, would be a major advantage. South Korea would be an ideal hi-tech partner in meeting South Africa’s challenge to grow its economy, create jobs, and strengthen participation in the

globalisation process. South Africa should step up dialogue and knowledge exchange on development issues with Korea, to build a more constructive development partnership.

Ideal and mutually beneficial ROK–South Africa partnerships could include those suggested below.

- **Skills enhancement programmes**

The ROK is a world leader in technical education and can assist South Africa in this area. (More than 30 000 foreign students now study in the ROK every year, while more than 150 000 Koreans study abroad.)

- **Minerals beneficiation**

The ROK would be an ideal partner in adding technical know-how to South Africa's rich mineral wealth. This would be a mutually rewarding process. (Korea's research spending ratio to GDP ranks fifth in the world.)

- **Job creation**

South Korea has vast experience in poverty relief and job creation. Korean financed manufacturing plants in South Africa, to supply the continent, provide massive opportunity.

- **Expand technology co-operation**

Build on existing agreements to enhance mutually beneficial technical co-operation. For example, the ROK has concluded detailed technology co-operation agreements with a number of countries. (Korea aims to become a global leader in technology and science by 2012.)⁹⁷

- **IT networking**

Korea's obvious strength in the IT industry offers prospects for a new SADC, or continent-wide, communications network.⁹⁸

- **FTA**

A South Korea–South African FTA would open up a vast range of new commercial possibilities. For example, the recently concluded ROK–Australia FTA study forecasts significant gains for both countries through increased trade. (Forecasts predict a 40 per cent increase in two-way trade) Moreover, a ROK–South African FTA would unlock potential for co-operation in other related areas, and lay the foundation for a positive and constructive long term bilateral relationship.

- **Innovation-led development**

Increased commercial dialogue with the ROK would open the way for strengthened engagement and the effective application of South Korea's innovation-led development process, a concept which would be helpful in strengthening South Africa's response to globalisation.

- **South African investment office in Korea**

Opening a dedicated investment office in Seoul would advance Korean investment in South Africa. For example, France has established an 'Invest in France agency' in Korea to boost Korean FDI. (The ROK's US dollar reserves are among the highest in the world.)⁹⁹

- **Invest in the ROK**

Invest Korea points out the advantages of investing in Korea as follows: talented human resources, one of the world's largest economies, excellent profitability, advanced IT environment, strategic location, top creativity in innovation, state-of-the-art infrastructure, world-class multinational companies, strong government support, and a stimulating lifestyle.¹⁰⁰

- **Develop an active ROK–South African chamber of commerce (South Korea has 94 trade organisations in 51 countries).**

A direct Johannesburg–Inchon flight is an urgent priority in building a more mutually beneficial relationship.¹⁰¹ This would facilitate increased exchange and more opportunity for dialogue.¹⁰² Building a strategic link with Inchon would also improve South Africa's access to the whole East Asian region, laying the foundation for a strong connection with one of the fastest growing regions in the world. The early conclusion of an FTA with Korea should be prioritised, as this would provide the catalyst for accelerated interaction, with enormous benefits for South Africa. Moreover, South Africa should move to link with key FTA zones, sooner rather than later, to avoid being left behind when the next phase of global growth begins. For a successful and rewarding outcome, the Korea–South Africa relationship should be managed at the highest level, with regular high level exchanges creating the driver for positive interaction.

Endnotes

- 1 IMF, *Finance & Development*, June 2006.
- 2 'Korea' is the English version of Koryo, a kingdom established on the Korean peninsula in AD 918. Korea was subjected to numerous Chinese invasions and extended periods of occupation. In the 13th century Korea became a satellite state of China, following which it adopted a largely Chinese political system and a Confucianist social order. Given its geographic location, Korea has long been at the centre of political contestation for power in East Asia. China, Russia, and Japan have, at various times, sought to exercise full control of the Korean peninsula. Following Japan's victories in the Sino-Japanese War (1894–1895) and the Russo-Japanese War (1904–1905), Korea became a protectorate of Japan, and later, in 1910, Japan annexed Korea, ending Chinese control. Japan's colonial rule was repressive and exploitative, but laid the foundation for Korea's later industrialisation. See Arthur Cotterell, *East Asia, from Chinese Predominance to the Rise of the Pacific Rim*, Part III, New York: Oxford University Press, 1993, 189–323.
- 3 K Ogoura, Korea: past, present and future, *Korea*, January 2009.
- 4 The Han River runs through Seoul, the ROK's capital city, the centre of economic development, and home to almost 25 per cent of Korea's population.
- 5 In the late 1990s, the East Asia Analytical Unit of the Australian Department of Foreign Affairs and Trade conducted two major studies (*Korea – Implications for Australia* and *Australia and North East Asia*), which formed the foundation for new policy options, which have since led to a major expansion of Australian–Korean relations. The studies specifically identified options for expanding engagement, and proposed a new framework for increased trade and investment.
- 6 See Ki-balk Lee, *A New History of Korea*, Seoul: Ilchokak, 1984, chapter 16.
- 7 B Cumings, *Korea's Place in the Sun*, New York: Norton, 1997, 457. Cumings argues that another Korean war would be 'catastrophic' for both sides, and would have no rational objective.
- 8 For a comprehensive account of the Korean War, see M Hastings, *The Korean War*, London: Pan Books, 1987.
- 9 See A Naham, *Introduction to Korean History and Culture*, Seoul: Hollym, 1998, chapter 12.
- 10 The 'Korean wave' is also known as *Hallyu* – from the Korean word referring to this process.
- 11 See Shin Won-yong, The role of the state in Korean economic development: implications for African countries, Korea–Africa Institute, Yongsan University, Korea, 2007.
- 12 Chun Seung-Hun, Spiritual modernisation and rural development – applicability of Korea's development to Africa, unpublished conference paper, 2007. Dr Chun suggests the following for accelerating agricultural development in Africa: farmers must be encouraged to be self-motivated; farmers must have sufficient land; competition among farmers promotes production; and 'farm leaders' are important in motivating workers and increasing output.
- 13 See, for example, C Machethe, Developmental state: meaning, relevance and implications for rural development in South Africa; B Turok, What is distinctive about SA's developmental state; and N Magketla, Developmental state: concepts and structures, all in *New Agenda* 28, 2007, 13–54.
- 14 Neoclassical economists contend that the market, and not the government, played the key role in Korea's economic development. Free market advocates remain sceptical about the claim that a government can be more effective than the market in promoting development. In support of this view, the World Bank suggested that Korea's successful development was directly related to free market principles and motivated by a number of key factors, including: the efficient allocation of inputs, a neutral incentive policy programme, international competition, competitive markets, a stable macroeconomic environment, and a high investment in education and health. The 'statist' view contends that Korea's economic development was 'government pushed'. World Bank, *The East Asian Miracle, Economic Growth and Public Policy*, New York: Oxford University Press, 1993. See, for example, Daniel Pinkston, The evolution of South Korea's rural institutions: the political economy of export promotion and market protection, *Journal of East Asian Studies* 7, 2007,

- 61–92; Alice H Amsden, *Asia's Next Giant: South Korea and late industrialization*, Oxford: Oxford University Press, 1989; R Wade, *Governing the Market: economic theory and the role of government in East Asian industrialisation*, Princeton: Princeton University Press, 1990; L Jones and I Sakog, *Government, Business and Entrepreneurship in Economic Development: the Korean case*, Cambridge, MA: Harvard University Press, 1980; R Luedde-Neurath, *Import Controls and Export-Orientated Development: a reassessment of the South Korea case*, Boulder, CO: Westview Press, 1986; M Porter, *The Competitive Advantage of Nations*, New York: The Free Press, 1990; S Smith, *Industrial Policy in Developing Countries: reconsidering the real source of export-led growth*, Washington: Economic Policy Institute, 1991.
- 15 Yoon Heo contends that the Korean government played a 'pivotal role' in Korea's economic development. See Yoon Heo, Development strategy in Korea re-examined: an interventionist perspective, *The Social Science Journal* 38, 2001, 217–31.
 - 16 The World Bank argued that Korea was successful in developing a 'market-friendly view', which allowed effective government intervention while at the same time promoting, and not stifling, entrepreneurship. Thus, in Korea's case, the World Bank admitted that the development process did not fully conform to the neoclassical model, which postulates that government should perform only four functions to promote growth: invest in people; provide a competitive climate; keep the economy open to international trade; and maintain a stable macroeconomy. Further than this, governments are likely to do more harm than good, according to the World Bank. See World Bank, *The East Asian Miracle*. See also David Lim, Explaining the growth performances of Asian developing economies, *Economic Development and Cultural Change* 42(4), 1994, 829–44.
 - 17 Franco et al defined industrial policy as 'the sum of a nation's efforts to guide and shape business activities to foster economic growth. Thus, its concerns are with the long term structural integrity and growth of a country's industrial base.' The central components of industrial policy include industrial targeting, upgrading industrial structure, and industrial organisational policy. See S Franco, A Eguren, and D Baughman, *Korea's Experience with the Development of Trade and Industry: Lessons for Latin America*, DDI Policy Seminar Report, Washington DC: World Bank, 1988.
 - 18 Iyanatul Islam and Anis Chowdhury, *Asia-Pacific Economies*, London: Routledge, 1997, 167. Taiwan also made extensive use of government intervention to support industrialisation processes.
 - 19 D Ekbladh, How to build a nation, *Wilson Quarterly*, Winter 2004.
 - 20 See William McCord, *The Dawn of the Pacific Century*, London: Transaction Publishers, 1993, 35–6.
 - 21 See Edward Chen, *Hyper-growth in Asian Economies*, New York: Holmes & Meier, 1989, chapter 6.
 - 22 See Choong Soon Kim, *The Culture of Korean Industry*, Arizona Press, Tucson, 1992, chapter 7.
 - 23 Often export targets were in fact exceeded.
 - 24 According to Stephen Smith, export incentives in Korea included a wide range of tools, such as: periodic devaluation; preferential access to imports required for production; tariff exemptions; tax breaks; domestic indirect tax; lower direct tax; accelerated depreciation; import entitlement; monopoly rights; subsidised interest rates; preferential credit; reduced public utility taxes and transport rates; export insurance and guarantees; free trade zones, industrial parks and export zones; public enterprises; export sales promotion; technology upgrading; and specific export targets. See Stephen Smith, *Industrial Policy in Developing Countries: reconsidering the real sources of export-led growth*, Washington DC: Economic Policy Institute, 1991.
 - 25 See Sejong Institute, *Korea's Economic Diplomacy: survival as a trading nation*, Seoul, 1995.
 - 26 A *chaebol* is a uniquely Korean organisational structure. The term *chaebol* means 'fortune cluster' or 'fortune grouping', and in practice translates into a family-led business conglomerate made up of many diversified companies. There are now more than 50 *chaebols* in Korea. The ten largest are: Hyundai, Samsung, LG, Daewoo, SK, Ssangyong, Kia, Hanjin, Lotte, and Hanwha. The basic characteristics of a *chaebol* include family ownership and control over the corporate management structure; a strong entrepreneurial spirit, which drives corporations continually to seek new business opportunities; paternalistic leadership; centralised planning; and close co-operation with government. The size of the *chaebols* has allowed them the ability to diversify into both related

- and unrelated industries. For a detailed overview of Korea's *chaebol* system, see Amsden, *Asia's Next Giant*. See also Kae Chung and Chong Lee Hak, *Korean Managerial Dynamics*, New York: Praeger, 1989.
- 27 For an overview of the role of the *chaebols* in developing Korea's economy, see Jose Campos and Hilton Root, *The Key to the Asian Miracle*, Brookings Institute, Washington, 2004, 63–70.
 - 28 See www.lg.co.kr/korean/about/overview.jsp.
 - 29 Policy towards non-targeted industries in the non-exporting sector has generally amounted to benign neglect.
 - 30 Larry Westphal, Industrial policy in an export-propelled economy: lessons from South Korea's experience, *Journal of Economic Perspectives* 4(3), 1990, 56–8. See also Paik Nak-chung, How to think about the Park Chung Hee era, *Korea Focus*, May–June 2005; Han Young-woo, History of the Republic of Korea: a review of causes and effects, *Korea Focus* 16(3), 2008.
 - 31 See Suzanne Han, *Notes on things Korean*, Seoul: Hollym, 2005.
 - 32 Ezra Vogel, *The Four Little Dragons: the spread of industrialisation in East Asia*, Cambridge, MA: Harvard University Press, 1991, chapter 3.
 - 33 There are numerous studies on how Korean companies benefited from tax incentives.
 - 34 Kwang Choi and Young Sae Lee, The role of the Korean government in industrialisation, in Chung Lee and Ipei Yamazawa, *The Economic Development of Japan and Korea*, Praeger, New York, 1990, 65.
 - 35 See Sungchul Chung, Excelsior: the Korean innovation story, *Global Innovation*, Fall 2007.
 - 36 Ro Ji-woong, Korea's top 10 new technologies, *Korea Review*, Seoul, February 2008.
 - 37 T W Kang, *Is Korea the Next Japan*, London: MacMillan, 1989. Kang's list of success factors for Korean economic development includes the following: highly skilled, but low cost labour; big-business orientation; limited population growth; and a focus on technological innovation.
 - 38 See Gilbert Rozman, *The East Asian Region: Confucian heritage and its modern adaptation*, Princeton: Princeton University Press, 1991, chapter 2. In terms of the neo-Confucian vision of a moral order, it was argued that man could be perfected. Education, based on a neo-Confucian moral curriculum, was the means through which perfection could be attained.
 - 39 Robert Elegant, 1990, *Pacific Destiny*, New York: Headline Books, 1990, 99.
 - 40 Hyundai's core values include the following: 'Look to the future and initiate change; Practice optimistic and positive thinking; Show initiative and accept responsibility for your actions; Continuously improve through self-development; Strive to be diligent and frugal; Endeavour to be honest and courteous; Value mutual trust and co-operation; Provide world-class service to our customers; Preserve the environment and Serve our nation and Society.' The central feature of Hyundai's corporate culture is a complete preoccupation with hard work, dedication to the company, and long hours. The commitment to hard work is based on a strong Confucian value system which permeates Korean society. At the same time, the commitment to work is expressed collectively instead of individually as in the West, thus constituting a powerful element in corporate success. See Richard Steers, *Made in Korea: Chung Ju Yung and the rise of Hyundai*, New York: Routledge, 1999, 210–8.
 - 41 The so-called 'military first' policy has created a relatively strong military capacity in the DPRK, but has frustrated overall development. See Chin Hui-gwan, Ten years of Kim Jong-il rule: assessments and prospects, *Korea Focus* 15(4), 2007, 110–8.
 - 42 Obstacles to successful economic reform include: international sanctions linked to the DPRK's withdrawal from the NPT; political sensitivity over ownership; lack of entrepreneurship; isolation from the global economy; and poor communication with regional states and the global community generally. See Lee Dong-hwi, Reform and opening North Korea's economy: evaluation and prospects, *Korea Focus* 15(2), 2007.
 - 43 D Nanto and E Chanlett-Avery, *The North Korean Economy: leverage and policy analysis*, CRS Report for Congress, Washington DC, 2008.
 - 44 See M O'Hanlon and M Mochizuki, *Crisis on the Korean Peninsula*, Washington DC: Brookings Institute, 2003. O'Hanlon and Mochizuki suggest that the DPRK's main strategy is to keep the

- south 'hostage' to a major military attack, while it tries to negotiate concessions from the United States. Nuclear weapons strengthen Pyongyang's ability to deter the United States and enhance its hostage strategy.
- 45 Yong Soo Park, The political economy of economic reform in North Korea, *Issues and Studies* 44(4), December 2008.
 - 46 For a detailed account of North Korea's nuclear programme, see J Wit et al, 2004. *Going Critical: the first North Korean nuclear crisis*, Washington DC: Brookings Institute, 2004. The authors admit that the key to denuclearisation of North Korea remains unclear. A mixture of sticks and carrots over an extended period of time has produced only minimal results, despite the hardship suffered by the Korean people. Perhaps the limited perceived time frame is insufficient for a final outcome. A much longer negotiating period, measured in decades, rather than years, may be more appropriate. See also L A Niksch, North Korea's nuclear weapons programme, Issue brief for Congress, Washington DC: Congressional Research Service, 2003.
 - 47 The DPRK has sufficient knowledge and capacity, and the will, to continue its nuclear weapons development programme for the foreseeable future. This gives Pyongyang a powerful retaliatory capacity and significantly increases the risks for any military engagement. Interview, Kim Tae-woo, Vice-President, Korea Institute for Defence Analyses, Seoul, 3 September 2008.
 - 48 See Dokdo Research Institute, *Dokdo is Korean territory*, Seoul, 2008. See also S Naito, 2008. *Territorial Issue Between Japan and Korea: case of Takeshima/Dokto*, Tokyo: Sinkansya, 2009.
 - 49 Yonap New Agency, Japan's claims on Dokdo disproved, *Korea Focus* 17(1), 2009, 10.
 - 50 See Yongho Kim and Myung Chul Kim, China in the North Korean quagmire: rethinking Chinese influence on North Korea, *Issues and Studies* 44(3), 2008.
 - 51 North Korea's actions have largely been a reaction to the Bush administration's hardening of its approach. Pyongyang has felt the need to strengthen its deterrent capacity. Interview, Prof Kim Taehyun, International Studies, Chung-Ang University, Seoul, 3 September 2008.
 - 52 Yun Duk-min, Pyongyang's brinkmanship no longer effective, *Korea Focus*, Spring, 2009.
 - 53 Interview Prof Hyun In-Taek, Director, International Relations Institute, Korea University, Seoul, 2 September 2008. Given the difficulty in convincing the DPRK to give up its weapons, many ROK scholars are advocating a compromise position which allows for the DPRK's integration into the global community without total verification.
 - 54 G Chang, *Nuclear Showdown: North Korea takes on the world*, New York: Random House, 2006. Gordon Chang convincingly argues that no one has the 'right formula' to talk North Korea out of its nuclear weapons.
 - 55 L V Sigal, Efforts for a nuclear-free North Korea are bearing fruit, *Global Asia* 3(2), 2008, 53–7. Despite the difficulties in convincing Pyongyang to give up its nuclear weapons, Sigal counsels against a more confrontational approach, which he believes would be counterproductive.
 - 56 Presently North Korea's per capita GDP is estimated at US\$500.
 - 57 Yoon Duk-min, Initiative for 'Denuclearisation, Openness and 3000': tasks and prospects, *Korea Focus*, Summer 2008. Andrei Lankov contends that the DPRK will not accept President Lee's plan, as this would require giving up all nuclear weapons and terminating its socialist- *juche* system, which would undermine the authority and legitimacy of the government. According to Lankov, North Korea cannot give up its nuclear weapons, as these are the foundation of the regime's power and longevity. Rather than accepting Lee's offer, he predicts that the north will continue to try leveraging its nuclear and missile capacity while surviving day to day economically. Only a major leadership change would offer the possibility of a new direction for the north. See A Lankov, 2008, Korea's not eye-to-eye on vision 3000, *Policy Forum Online*,
 - 58 It was announced on 2 June 2009, as this paper was being prepared for publication, that Kim Jong-il had named his youngest son, Kim Jong-un, as his successor.

- 59 See B Branford, *Who will succeed North Korea's Kim Jong Il?*, BBC News, , accessed 26 January 2009.
- 60 For a detailed debate on the various Korean scenarios see: Nautilus Institute, 2005, *A Korean Krakatoa? Scenarios for the peaceful resolution of the North Korean nuclear crisis*, www.nautilus.org.
- 61 Informed observers in the ROK consider the 'muddling through' option as the most likely. Given the effective control of the ruling elite, and their continued interest in 'muddling through' rather than adopting a high risk reform path, this appears to be the most likely option. Interview Suh Jae Jean, President, Korea Institute for National Unification, Seoul, 1 September 2008.
- 62 Paul French has suggested that dissatisfaction among the military is widespread, but suppressed. Continued shortages and deprivation impact negatively on military morale, while the military leadership contemplates a future which will produce greater economic growth and an improved standard of living. See P French, *North Korea: the paranoid peninsula*, New York: Palgrave, 2005, chapter 12.
- 63 A significant number of senior military personnel in the DPRK are considered to favour a controlled, China-style economic reform programme. This would revitalise the economy, while the ruling elite, with military backing, retain full control. Interview Yeo In-kon, Director, Korea Institute for National Unification, Seoul, 1 September 2008.
- 64 See Chung-in Moon, *Understanding Regime Dynamics in North Korea*, Seoul: Yonsei University, 2000.
- 65 Jun Bong-geun, Scenarios for power change in North Korea, *Korea Focus* 16(4), 2008.
- 66 See Michael Dobbs-Higginson, *Asia Pacific: its role in the New World Disorder*, London: Mandarin, 1993, 272.
- 67 See R Grinker, *Korea and its Futures*, New York: St Martin's Press, 2000. See also Sang-Woo Rhee, *Security and Unification of Korea*, Seoul: Sogang University Press, 1982. Sang-Woo argues that North Korea's best option was unification through initiation of a revolutionary war that would undermine the government of the south, leading to state collapse.
- 68 There is now a widespread feeling in South Korea that the ROK can defend itself, and no longer has any need for a military alliance with the United States. South Korea's industrial capacity and economic wealth is sufficient to produce an effective deterrent. At the same time, North Korea's overall military capacity has been in decline for a significant period of time, and without an economic revival is unlikely to improve significantly. See Lee Sook-Jong, *The Transformation of South Korean Politics: implications for United States-Korean relations*, Washington DC: Brookings Institute, 2004.
- 69 Given a rapidly declining economy, whether the DPRK can maintain an effective conventional war-fighting ability is increasingly in question. A lack of adequate equipment maintenance and combat platform upgrading suggests that over time the regional balance of power (outside the realm of a nuclear weapons exchange) will shift decisively in favour of the ROK, with or without the United States alliance. Interview Prof Lee Geun, Seoul National University, 1 September 2008.
- 70 Lee Myung-bak, Message to the world, *Korea Policy Review*, February 2008.
- 71 *Korea*, A first full year for president Lee, March 2009.
- 72 See Lee Seungjoo and Koo Min Gyo, South Korea's multi-track FTA strategy: moving from reactive to pro-active, 2006, <http://www.allacademic.com>.
- 73 In this context, Korea is primarily seeking increased interaction with Brazil, Russia, India, and China. A good relationship with these key economies is crucial for Korea's longer term growth. See Mishra S, *Korea Policy Review*, April 2007.
- 74 These are: digital TV/broadcasting; LCD displays; intelligent robots; future autos; next generation semiconductors; next generation mobile communicators; intelligent-model home networking; digital content/SW solutions; next generation batteries; and bio-medicines. Under the encouragement and direction of the Korean government, these technologies are expected to provide the founda-

- tion for future growth in the ROK. See Choi Yong-jae, Government launches project next generation growth engines, *Korea Policy Review*, April 2007.
- 75 Quoted in Ko Hye-ryun, *Korea*, February 2009.
- 76 IT solutions form a central element in the ROK's export drive. Recent successful exports include: Kazakhstan – IT postal service system; Azerbaijan – intelligent transport system; Mongolia – IT system; Indonesia – national crime information centre; China – automated fare collection system; India – automated fare collection system.
- 77 Moon Chung-in and Kim Taehwan provide a good overview of the ROK's reactions and policy adjustments following the Asian financial crisis. See Moon Chung-in and Kim Taehwan, South Korea's international relations: challenges to developmental realism?, in Samuel Ki, *The International Relations of Northeast Asia*, London: Rowman, 2004.
- 78 In 1982, ROK President Chun Doo-hwan visited Africa to enhance Korea's diplomatic effort and make new friends on the continent.
- 79 China's central theme in interaction with Africa focuses on 'resources for construction', where Africa provides oil and raw materials in exchange for Chinese road and railway construction.
- 80 Ban Ki-moon, The present and future of Korea's diplomatic policy towards Africa, *Korea Policy Review*, April 2006.
- 81 President Roh Moo-hyun, 8 November 2006. Quoted in *Dynamic-Korea.com*, at <http://www.dynamic-korea.com>, accessed 4 October 2007.
- 82 Quoted in *My Africa*, Africa: Korea seeks better ties, at.
- 83 Chung Yeon-uk, No bragging for Korea's African initiative, *Korea Focus*, Spring 2006.
- 84 KOAFEC engages in a number of activities designed to promote Korea–Africa co-operation. Regular consultative meetings drive the process. See KOAFEC home page, <http://www.koafec.org/en/about/k>.
- 85 Korea's ODA is dispensed through the Korea International Co-operation Agency (KOICA) which is essentially a centralised organisation designed to implement and monitor Korea's international assistance programmes. KOICA's programmes focus on: human resource development; poverty eradication; promotion of market economies and free trade; capacity building and administrative development; assisting in protecting the environment; and assisting women in development. See KOICA home page, <http://www.labfrontier.com/koica>.
- 86 See Park Heung-soon, Status of Korea's foreign aid and tasks ahead, *Korea Focus*, Spring 2007. Park advocates a greater co-ordination of Korea's ODA; increased contributions to come in line with OECD averages; more grants and fewer loans; a new aid strategy; more aid to NGOs; long term assistance programmes in selected countries; and increased popular support for ODA.
- 87 Interview with Wook Chae, President, KIEP, Seoul, 30 August 2008.
- 88 Interview with Park Bokyeong, KIEP, Seoul, 30 August 2008.
- 89 Park Young Ho, Perspectives on Korea–Africa economic co-operation, KIEP unpublished conference paper, Seoul, 2007.
- 90 See Lee Han-gyu, A new infrastructure for Korea's Africa diplomacy, *Korea Focus*, Winter 2006.
- 91 Kim Kyung-suk, Turning the Korean peninsula into a northeast Asia logistic hub, *Korea Focus* 15(2), 2007. See also Chang Young-Tae, Korea's strategic plan to be a northeast Asian logistics hub, *Korea Observer* 34(30), 2003, 437–60.
- 92 See Jeong Hyeon-ji, *Korean Policy Review*, February 2008.
- 93 See Ro Ji-won, Korea's top 10 new technologies, *Korea Policy Review*, February 2008.
- 94 Lee Ji-yoon, *Korea Policy Review*, April 2008, 26–7.
- 95 Interview Ambassador Kim Han-soo, ROK Ambassador in South Africa, 19 March 2009.
- 96 Ibid. See also Ambassador Adolfo Carafi, Chilean Ambassador in Seoul, interview in *The Korean Post* 21(8), 2008.
- 97 See *Korea Policy Review*, Korea aims to be top science, tech powerhouse by 2012, December 2007.
- 98 See Kim Dong-soo, Command and control of Korea's main industries, *Business Korea*, September 2008.

- 99 As Dr Sakong Il, chairman of South Korea's National Competitiveness Council, points out: 'In this age of globalisation unless you attract foreign investment, you cannot really win in the global stakes.' Quoted in *Invest Korea Journal* 26(2), The economic presidency, 2008.
- 100 Invest Korea, Ministry of Commerce, Industry and Energy, at <http://www.mocie.go.kr>.
- 101 In 2007, the *Global Traveller* magazine selected Incheon as the best airport in the world.
- 102 The prestigious magazine *Air Transport World* has named Korea's Asiana Airlines as 2009 Airline of the Year.

Appendix A: Seoul Declaration November 2006

1. We, the participants of the ‘The 1st Korea–Africa Forum’ held in Seoul on 7 to 9 November 2006, acknowledge that the forum laid the foundation for a framework of friendship, partnership and cooperation between Korea and the African countries.
2. We recognize that the African countries, equipped with the potential for full growth and development, and dynamic Korea need to bolster inter-regional cooperation as a way to respond to the fast-changing global environment, including the increasing interdependence of nations in this rapidly globalizing world.
3. Having in mind the importance of solidarity as a fundamental value to international relations in the 21st century, we reaffirm the importance of implementing the Millennium Development Goals (MDGs) adopted in 2000 and call on all the development partners to actively contribute to the efforts of the African countries in achieving their goals.
4. In this context, we highly appreciate ‘Korea’s Initiative for Africa’s Development’ declared by President Roh Moo-hyun during his visit to African countries in March 2006 and the Korean Government’s announcement to increase its aid budget including the tripling of Official Development Assistance for African countries by 2008.
5. We welcome the Korean government’s commitment to assist the African countries in human resource development by inviting 1,000 trainees within the following three years and share its development experience with Africa. Appendix We also welcome the Korean Government’s commitment to provide full support for the African countries in pursuing objectives of the New Partnership for Africa’s Development (NEPAD) such as poverty reduction, and in addressing problems in key priority areas including water, agriculture, health, education, science and technology ICT, and good governance.
6. We also recognize that collaborative programs should proceed from Africa’s own initiative for its development, along with cooperation of international partners such as Korea.
7. We acknowledge the need to establish long-term and mutually-beneficial relationship by promoting trade and investment between Korea and Africa.
8. We also acknowledge that the Korea–Africa Forum will not only establish a close economic partnership but also play a vital role in promoting mutual understanding among people from various cultures and reaffirm our commitment to fostering closer ties in the areas of mutual interest.

9. We agree that the Korea–Africa forum should be held regularly to serve as a mechanism for substantive cooperation.

Seoul, Republic of Korea

November 8, 2006

Appendix B: Korea's initiative for Africa's development

The government and the people of the Republic of Korea,

With a vision that world peace and common prosperity of the 21st century should be realized together with the African countries,

Seeking to achieve this objective by greatly expanding cooperation in the humanitarian field, such as poverty reduction as well as assistance for economic and social development of Africa,

Desiring to play a full part in the international endeavour to achieve the U.N. Millennium Development Goals,

Will take an initiative for cooperation and support in various fields as follows:

1. **By the year 2008, Korea will triple the overall amount of development assistance to Africa.**
 - To this end, Korea will substantially increase the budget for grant aid and will give priority to countries practising good governance in the allocation of the increased aid.
 - In addition, Korea will strive to secure innovative resources for development based on broad public support on this issue.
2. **Korea will increase opportunities to share with the African nations its own experiences in overcoming poverty and underdevelopment within a short period of time.**
 - Over the next three years, Korea plans to invite a total of one thousand African people to receive training in Korea in order to help bolster Africa's human resources development.
 - Korea will also sharply increase the number of volunteers dispatched to Africa to carry out regional development activities.
 - Korea will assist African nations in establishing their own development plans. As part of this effort, Korea will organize workshops on the Korean economy and development-related topics. In addition, Korean experts will be dispatched to Africa.

3. **Korea will expand programs to reduce the child mortality rate, improve maternal health, and eradicate disease including HIV/AIDS, malaria and tuberculosis in Africa.**
 - To this end, more medical teams will be dispatched to Africa. Also projects such as hospital construction and medical equipment improvement will be carried out to support the development of Africa's basic public health infrastructure.
 - To help eradicate disease spreading in underdeveloped countries, especially those endemics in the African region, Korea will support vaccine development programs including those by the International Vaccine Institute (IVI).
4. **Korea will contribute to the development of human resources in Africa by extending support for Africa's basic and vocational education.**
 - Efforts to improve basic and information-oriented education of African people will be made through providing schools as well as constructing information and communication technology (ICT) infrastructure for schools.
 - In addition, Korea will support vocational training by setting up vocational training centres and providing training programs for African instructors.
5. **Korea will expand its assistance in the agricultural and fishery fields, in an effort to relieve Africa's food shortage and to promote the primary industry.**
 - Korea will cooperate with the New Partnership for Africa's Development (NEPAD) and support its 'Comprehensive Africa Agriculture Development Program'.
 - Korea will strive to improve Africa's agricultural productivity as well as its rural income by sharing Korea's agricultural technology as well as assisting the construction of rural infrastructure.
 - Korea will support the sustainable use and development of fishery resources through technical assistance in fishery and aqua-culture.
6. **By sharing Korea's cutting-edge ICT with African nations, Korea will contribute toward bridging the Digital Divide in Africa.**
 - Korea will expand the invitation of trainees and the dispatch of Korea volunteers in the ICT sector.
 - Korea will also provide other assistance such as in construction of IT training centres and supporting e-government projects.
7. **'Korea-Africa Forum,' a consultative body of government officials, academic scholars and civilians, will be established and developed to serve as a regular consultation channel between Korea and Africa.**
 - In addition, a 'Korea-Africa Economic Cooperation Forum' will be held to promote the economic cooperation between Korea and Africa in various ways.

8. **Through cooperation with relevant international organizations, Korea will work toward improving the expertise and efficiency in the activities for African development.**
 - Joint projects will be pursued with international organizations such as WFP, UNIDO and UNWTO ST-EP.
 - Korea will increase partnership with the African Development Bank (AfDB).
9. **To improve the trade capacity of African nations, Korea will expand trade with the investment in Africa.**
 - Market access will be expanded for products of duty-free and quota-free imports from the least developed countries (LDCs).
 - Korea will extend support for African nations to improve their trade capacity by increasing contributions to the Integrated Framework (IF) for LDCs and by expanding its own training programs on WTO trade rules and regulations.
 - Exchange among business people will be encouraged through various programs, such as the dispatch of missions to promote trade and investment.
10. **This initiative will be pursued with an emphasis on strengthening Africa's ownership over its development.**
 - To this end, Korea will conduct joint projects with African regional organizations such as the AU and NEPAD with a view to supporting Africa's self-help efforts for development.

Appendix C: Together we shall open a road to advancement

Address by President Lee Myung-bak at the 17th Inaugural Ceremony (extract)

The Republic of Korea will take a more positive stance with a greater vision and carry out global diplomacy under which we actively cooperate with the international community.

Transcending the differences in race, religion, and wealth, Korea will befriend all nations and peoples. Respecting the universal principles of democracy and market economy, we will take part in the global movement for peace and development.

We will work to develop and further strengthen traditional friendly relations with the United States into a future-oriented partnership. Based on the deep mutual trust that exists between the two peoples, we will also strengthen our strategic alliance with the United States.

We will attach importance to our policy towards Asia. In particular, we will seek peace and mutual prosperity with our close neighbours, including Japan, China and Russia and promote further exchange and cooperation with them.

In order to ensure that our economic engine runs smoothly, we will work to acquire

a safe and stable supply of resources and energy. Moreover, we shall take the lead in environment-friendly international cooperation.

As befitting our economic size and diplomatic capacity, our diplomacy will contribute to promoting and protecting universal values.

Korea will actively participate in UN peace-keeping operations as well as enlarge its official development assistance (ODA).

By emphasising the importance of cultural diplomacy, we will work to allow Korea to communicate more openly and easily with the international community. Our traditional culture, when coupled together with our technological prowess, will no doubt transmit to the world an image of a more attractive Korea.

Unification of the two Korea's is the long-cherished desire of the 70 million Korean people. Inter-Korean relations must become more productive than they are now. Our attitude will be pragmatic, not ideological. The core task is to help all Koreans live happily and to prepare the foundation for unification.

As already stipulated in my Initiative for Denuclearisation and Opening up North Korea to achieve US\$3,000 in Per Capita Income, once North Korea abandons its nuclear program and chooses the path to openness, we can expect to see a new horizon in inter-Korean cooperation.

Along with the international community, we will provide assistance so that we can raise the per capita income of North Korea to US\$3,000 within 10 years. That, I believe, will both benefit our brethren in the North as well as be the way to advance unification.

Together, the leaders of the two Korea's, must contemplate what they can do to make the lives of all 70 million Koreans happy and how each side can respect each other and open the door to unification. If it is to discuss these issues, then I believe the two leaders should meet whenever necessary and talk openly, with an open mind. Indeed, the opportunity is open.

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