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KOREA IN AFRICA

Between Soft Power and Economic Interests

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Summary

- Economic relations between South Korea (hereafter Korea)[1] and Africa began to develop in earnest from 2006, a year that marked a turning point with the launch of the “Year of Friendship with Africa” and “Korea Initiative for Africa’s Development”.
- Nowadays, although Korean aid flows to Africa are constantly increasing, it remains a second-tier economic partner for Seoul. Neither trade nor foreign direct investments (FDI) exceed 1.5% of Korean totals.
- In addition, economic relations between Korea and Africa are focused on a limited number of countries, but the priority partners for official development assistance (ODA) are not Korea’s main trade partners, nor the main recipients of Korean investments. So, a mercantilist explanation of Korean ODA is debatable.
- Korea is primarily, though not exclusively, drawn to Africa by the continent’s wealth of natural resources (oil, gas and minerals), and the structure of trade between the two parties reflects traditional North-South relationships (raw materials for manufactured products). As such, Korea does not really differ from other industrialized countries operating in Africa.
- Korea mainly emphasizes the uniqueness of its economic trajectory to appear as a different kind of partner, one that is more likely to contribute to the development of its African partners, but the reality is quite different.
- Firstly, the uniqueness of the Korean economy is also due to the legacy of the developmental state, which combines the interests of the state and businesses. Some practices inherited from this time remain very present, with an emphasis on the defense of national economic interests. Under these conditions, the effects of Korean actions are unlikely to be beneficial for the recipient countries, whose interests take second place.

1. In the remainder of the paper, “Korea” and “South Korea” are used interchangeably unless there is a risk of confusion.

- On the other hand, Korea continues to use ODA in Africa as an instrument of *soft power* to assert the uniqueness of its development experience, but the significant gap between the discourse and the reality of the Korean experience undermines the credibility of the discourse and its effectiveness. For instance, the “new villages” movement that Korea is looking to export to Africa is controversial. Its contribution to modernizing the countryside through empowerment is questioned and there is no guarantee that it could be easily applied to an African setting.
- Finally, some other factors are hindering Korea’s potential positive contribution. In particular, the repeated scandals and other operational failures by Korean actors, whether private or public, impact on the country's credibility on the continent. Likewise, the complexity of Korea’s aid policy structure and the variety of objectives pursued by the different actors (the Korea International Cooperation Agency [KOICA] and the Economic Development Cooperation Fund [EDCF] at the fore) do not facilitate the implementation of a consistent approach towards Africa.
- Given the still recent nature of its involvement in Africa, Korea is still at the learning stage. Measures recently taken by the Moon administration, like the establishment of the Korea-Africa Foundation, seem to be going in the right direction insofar as they should help to further Korean knowledge of Africa and encourage involvement by the private sector.

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Introduction[2]

Africa is often presented as the last emerging region that can offer promising opportunities for companies looking for new sources of growth. Yet, it is also an area where new power games are developing, and where competition is increasingly fierce, especially over the continent's rich endowment of natural resources. While attention tends to be focused on Chinese economic presence and influence in Africa, and to a lesser extent Japan, another Asian actor is looking to play a role in the region: namely South Korea. Since the mid-2000s, drawing on its own economic trajectory to promote an approach based on experience-sharing, the South Korean government has indeed launched various initiatives (Korea-Africa Forum, Korea-Africa Economic Cooperation Conference, Korea-Africa Industry Co-operation Forum), and the presence of Korean companies is increasingly visible in the region. In discourse if not in deed, competition with China has increased in the past few years, for instance in areas such as infrastructure and the development of smart cities.

This study provides an overview of economic relations between South Korea and Africa[3] and examines in detail the instruments used (both public – official development assistance – and private – direct investments) and the results observed. Beyond the figures, it will also delve into the objectives pursued by Korean actors and seek to identify the contours of a possible Korean strategy towards Africa. The exceptional (if not miraculous) nature of the Korean economic trajectory *theoretically* makes it a different actor from traditional donors, one that can make an appealing case for African countries. Yet, beyond the discourse on "sharing experience", it is necessary to examine the reality of aid, its intentions and its effects. Furthermore, in the logic of the mercantilist, developmental state, public support for sectors identified as potential growth drivers for private companies is a current practice in Korea, so public-private investment programs will attract particular attention. Finally, the study will concentrate on assessing Korea's positioning compared to the other emerging operator in the African arena, namely China.

2. This study is based on many interviews conducted in Korea during spring of 2019 with various Korean public actors (KOICA, ECDF, Korea-Africa Foundation), as well as Korean researchers and academics (KIEP, Ewha Woman's University, Korea University).
3. The last study on the same subject dates from 2014 (Darracq and Neville).

After a brief look at the past, which will describe how Korea became interested in Africa, the study will review the different forms of economic interactions (development assistance, trade, direct investment) before analyzing the motives behind the increasing involvement of Korean actors, both public and private, in Africa and highlighting the strengths and weaknesses of what may be Korea's African strategy.

Korea in Africa: from diplomacy to economics

An initial focus on diplomatic objectives

In the aftermath of the Korean War, Seoul's diplomatic priority was given to its relationship with the United States, leaving little room for dialog with other partners, *especially* with Africa, which was then in the process of becoming independent.

In the 1960s, Korea initiated a diplomatic offensive towards Africa in its search for support at the expense of its northern neighbor. At the time, South Korea practiced the so-called One Korea policy, which forced African countries to choose between Seoul and Pyongyang. Development aid was provided by Seoul in exchange for recognition as the sole legitimate representative on the peninsula, but the ideological proximity of many African countries to the communist regime in Pyongyang, and both the economic and military assistance provided by the latter to its African partners, made the task difficult. This ultimately led to the abandonment of the One Korea policy in 1973.

Relations with Africa remained underdeveloped due to geographic and ideological distance. In the midst of the competition with its northern rival for recognition by the United Nations, President Chun Doo-hwan visited four African countries (Kenya, Nigeria, Gabon and Senegal) in 1982, but the weak financial (and also human) capacity of South Korea at the time prevented it from developing a genuine strategy towards Africa. Finally, the two Koreas joined the United Nations (UN) at the same time on September 17, 1991. South Korea subsequently reduced its political, economic and security investment in Africa, especially after the fall of the Iron Curtain, as the former Soviet bloc countries were *theoretically* more promising partners (Kim, 2010).

At the end of the 1990s, co-operation with so-called Third World countries appeared to be the ideal way to diversify opportunities for the country's businesses, to enable development of its industrial structure, and to ensure its supply of natural resources, particularly energy. However, it would take another ten years for Seoul to turn more resolutely towards Africa. This was achieved in March 2006, with President Roh Moo-hyun's visit to three African countries (Algeria, Egypt and Nigeria). The purpose of the visit was threefold: to develop Korean *soft power* by extolling its development experience, to guarantee the security of the country's energy supplies, and to increase the market share of Korean construction companies that had started to gain a foothold in the Middle East and Algeria[4]. With this visit, the Korean president probably also pursued a more short-term diplomatic objective, namely obtaining the support of the greatest possible number of African countries for the candidacy of Korea's then-Minister of Foreign Affairs and Trade, Ban Ki-moon, as Secretary-General of the United Nations. The operation was successful, since he was elected in October 2006, largely due to African votes[5].

The year 2006 was marked by the launch of the "Year of Friendship with Africa", followed by "Korea Initiative for Africa's Development". The Korean government then promised to substantially increase the total amount of its development assistance to Africa, to share its development experience with its African partners, and to transfer technology in fields as diverse as agriculture and information and communication technologies.

The turning point of 2006 and the institutionalization of Korea-Africa relations

In the wake of the Initiative for Africa's Development, Korea established various mechanisms to guide and institutionalize its relations with the continent. The institutional structure of Korea-Africa relations is now organized around three regular meetings.

- The Korea-Africa Forum (KOAF), which must be held every three years under the auspices of the Ministry of Foreign Affairs (MOFA), aims to strengthen the partnerships and the sharing of development experiences. The first KOAF, held in Seoul in November 2006, brought 31 African countries together. As of the second forum (2009), the African Union became a co-organizer of the event along with the Korean MOFA. Two other forums would follow, in Seoul in 2012 and then in Africa (Addis Ababa) in December 2016. [6] KOAF is officially presented as an instrument in the competition with China and Japan (Kim, 2019).

4. Interview with a Korean researcher, an expert on African issues, June 2019.
5. Seoul's announcement of a tripling of its African development assistance budget to bring it to $100 million by 2008 undoubtedly helped to convince African governments to support the Korean candidacy (Kim and Gray, 2016).
6. The postponement of this summit (initially scheduled for 2015) was due to various difficulties encountered in the country initially approached to host it (Angola) and then by the Ebola epidemic.

- The Korea-Africa Economic Co-operation Conference (KOAFEC), which is held every two years under the auspices of the Ministry of Strategy and Finance, is a permanent framework for co-operation between the African Development Bank (AfDB) and Korea. The purpose is to discuss opportunities provided for Korean private-sector companies by the African market and to further trade links. KOAFEC is now in its sixth round (the last conference was held in October 2018 in Seoul)[7]. These conferences are an opportunity to renew Korea's commitment to Africa: at the KOAFEC held in Seoul in October 2016, South Korea pledged to provide $ 5 billion in support to Africa over the next five years.[8]
- The Korea-Africa Forum for Industrial Co-operation (KOAFIC), under the auspices of the Ministry of Trade, Industry and Energy (MOTIE), has been an annual event since 2008. It brings together Ministers of Trade from the countries involved, but does not seem to be functioning properly. The last event was held in 2016.

As of 2006, official development assistance, mainly for Africa, became a key element of Korean foreign policy, regardless of the administration.

Although he was not from the same political party, President Lee Myung-bak (who came to power in 2008) built on his predecessor's momentum and visited Africa in 2011 (South Africa, Democratic Republic of Congo and Ethiopia). During his term of office, the objective of energy security was emphasized through what was called "resource diplomacy" (Kalinowski and Park, 2016). Furthermore, Lee launched his so-called "Global Korea" strategy, making official development assistance part of this vision of a Korea seeking to increase its international influence.

President Park Geun-hye (elected in 2013) in turn visited Africa in 2015 (Ethiopia, Kenya and Uganda) and continued on the same path, emphasizing the uniqueness of the Korean development model, particularly in terms of rural development. She was inspired by the "new villages" (Saemaul Undong) program initiated by her father, Park Chung-hee, in 1970 and sought to transfer this experience as part of development assistance, pushing for the establishment of such villages in Africa (more on this below). She also launched a new program called "Korea Aid" in 2016, whose objective was to provide healthcare, food support, as well as

7. The 2014 conference was postponed, by mutual agreement with the African Development Bank, because of the Ebola crisis in West Africa.

8. The support was distributed as follows: $4 billion for market-price funding from Keximbank, $1 billion in concessional loans and $20 million in grants for technical assistance and capacity building (KOAFEC Ministerial Conference Joint Declaration, October 27, 2016).

access to Korean media for isolated rural communities, particularly in Uganda, Ethiopia and Kenya.

After she was ousted from the presidency in 2017, her successor, Moon Jae-in, did not seem to want to give up on Africa[9] and one of the first important steps once in office was to confirm the establishment[10] of the Korea-Africa Foundation in June 2018. This agency, which comes under the Ministry of Foreign Affairs, is tasked with developing diplomatic relations with Africa, as well as dialog between the private and public sectors. Its establishment clearly reflects the government's desire to pay more attention to its relations with Africa.

Similarly, President Moon founded the Korea Overseas Infrastructure and Urban Development Corporation (KIND) in 2018, a government agency whose role is to foster public-private partnerships internationally and to support Korean companies at all stages of project implementation (planning, feasibility study, and profitability assessment). In July 2019, this agency opened an office in Nairobi, the fourth in the world and the first one in Africa.

In addition to financial flows (loans and grants), Korea provides aid through technology and knowledge transfer, organizing training missions and sending volunteers (World Friends Korea, organized on the US Peace Corps model).

9. Although its foreign policy priority clearly focuses on North Korea.
10. The project was under discussion before he came to power.

State of Korea-Africa economic relations

Korean development assistance in Africa

Given the low level of development in most African countries, bilateral relations between Korea and Africa primarily take place through development assistance programs.

The **Korean development assistance policy** is based on two separate instruments: firstly, the Economic Development and Cooperation Fund (EDCF) founded in 1987, and secondly the Korea International Cooperation Agency (KOICA) founded in 1991. The policy of concessional loans, which is the Ministry of Finance's responsibility, is implemented by the EDCF fund, managed by the Korean Import-Export Bank (KEXIM). The grants policy is set by the Ministry of Foreign Affairs and then implemented by KOICA. No less than 30 other ministries or state agencies are also involved in the official development assistance policy, mainly through the payment of small amounts or technical co-operation activities (OECD, 2008, summarized in Nicolas, Pajon and Seaman, 2014).

Korean official development assistance (ODA), which includes the amount of loans and grants awarded by EDCF and KOICA, has increased significantly since the beginning of the 2000s, when the country sought to assert itself on the international stage as a middle power. It multiplied tenfold over the course of roughly 15 years, going from $212.07 million in 2004 to $2.4 billion in 2017.[11] Korean ODA is overwhelmingly (around 70%) bilateral in nature. [12]

Furthermore, a major share of Korea's ODA is now dedicated to grants. Bilateral grants represented around 20% of total Korean bilateral ODA in the 1990s, but their share increased considerably over time, reaching almost 64% in 2017 (ECDF Annual Report, 2018).

Another characteristic of Korean ODA (whether it be loans or grants) is that it is largely tied, which means that the awarding of grants or loans is

11. Making South Korea the 17th donor member of the OECD's Development Assistance Committee (DAC).

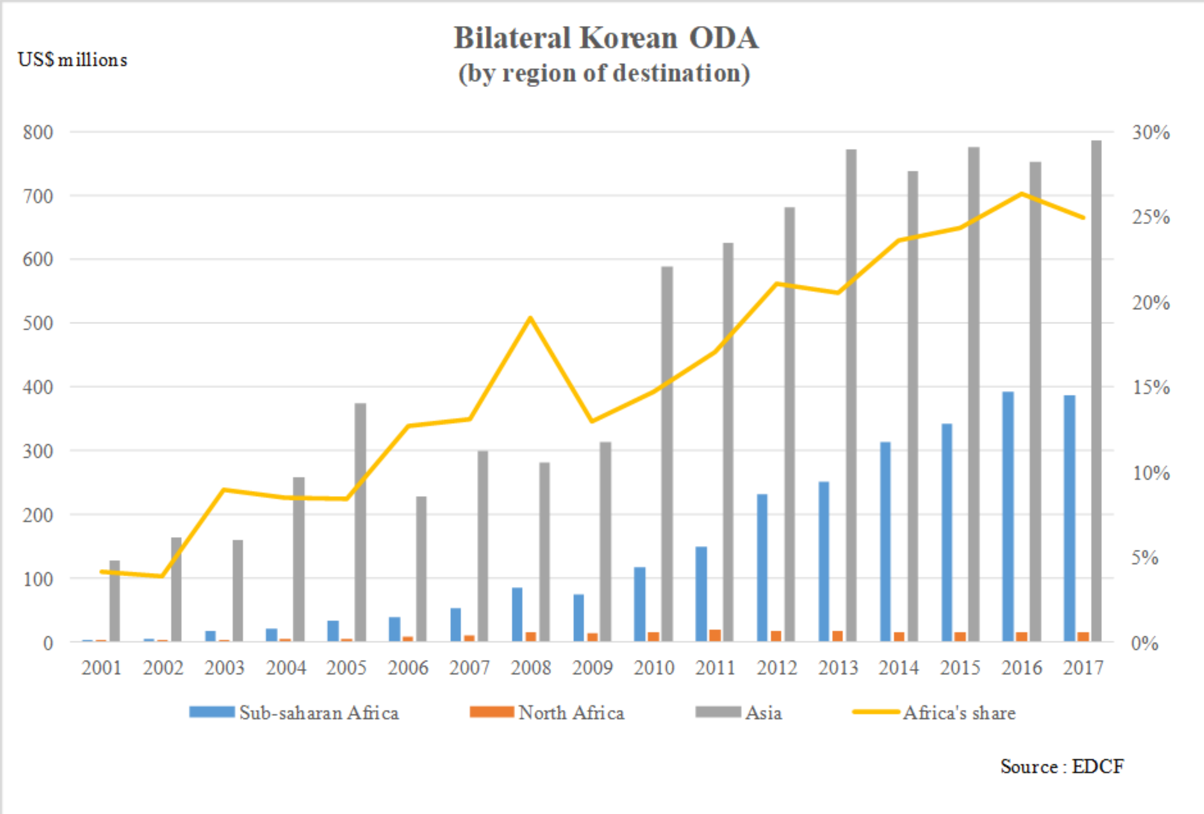
12. Multilateral assistance is directed to the World Bank, regional development banks and the Asian Infrastructure Investment Bank (AIIB).

often accompanied by the obligation to use Korean companies, or at least restrict the opening of calls for tender to Korean companies. Under pressure from the OECD's Development Assistance Committee (DAC), which Korea has been a member of since 2010, it has sought to gradually increase the share of untied aid from 24.7% in 2007 to 60% in 2015, before falling back to 56% in 2017.[13] The share of untied aid is 42.9% for loans and 88.3% for grants. Even though it has tended to decline, the share of tied aid remains greater in Korea than that observed in other OECD DAC-member countries (OECD, 2018).

As part of the second phase of its medium-term ODA policy (2016-2020), Korea has set an objective of increasing the share of untied aid to 55% for loans and 95% for grants by 2020 in order to comply with the international community's recommendations.

In line with the overall increase in Korean ODA flows, **ODA flows to Africa** have been increasing since 2006, both in absolute and relative terms (see the graph below). As part of its commitment to support the international community's efforts to achieve the Millennium Development Goals, Korea significantly increased its payments to Africa, which is home to most of the heavily-indebted poor countries. Emphasis is specifically placed on poverty reduction and capacity building. KOICA is present on the continent through offices located in 15 African countries.

13. According to the EDCF's 2018 Annual Report.



been rather steadily increasing since 2006, with an exceptional spike in 2008 (due to a decrease in aid for Europe and Central and South Asia).

In accordance with the 2011-2015 Medium-Term Official Development Assistance policy, the Korean government had planned to allocate 25% of its grants and 20% of its concessional loans to its African partners. Although the objective has been achieved for loans – Africa received a little more than 20% of the total in 2016 –, this is not the case for grants, where the share for Africa has plateaued at 19% (OECD data).

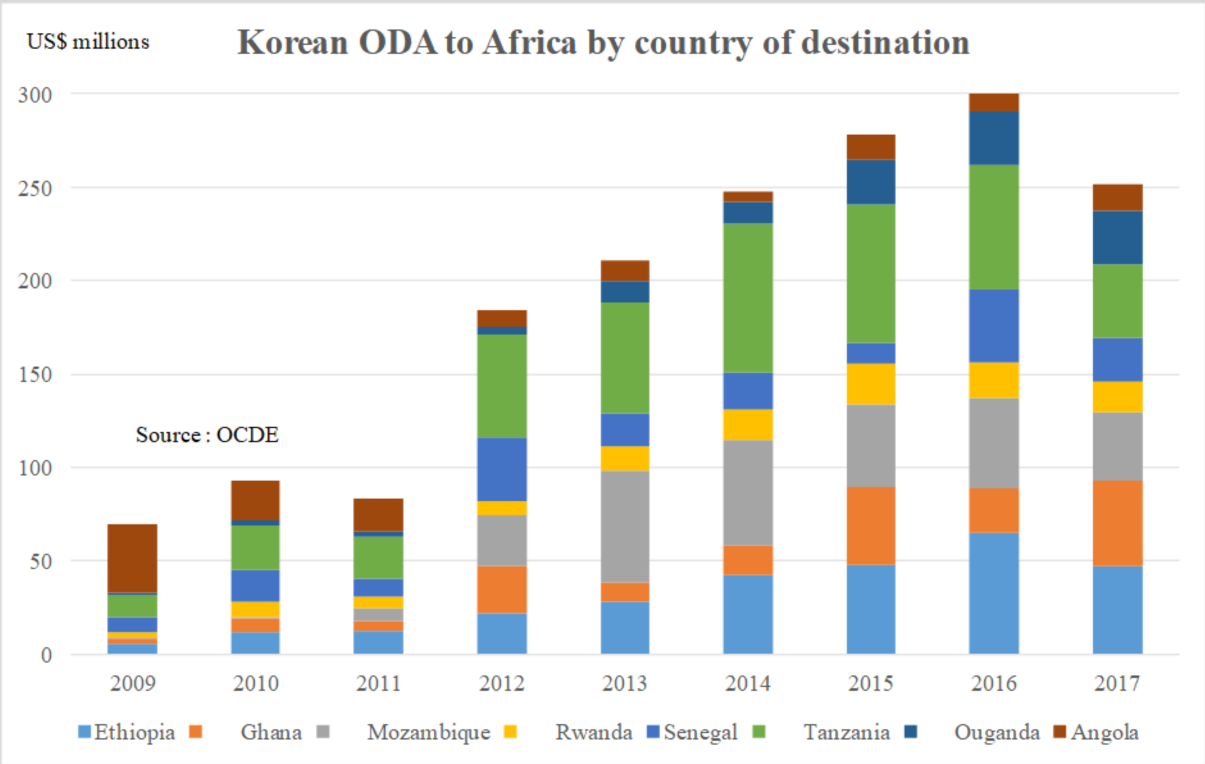
Furthermore, Korean ODA in Africa is focused (70%) on so-called priority partners – currently seven: Ghana (11.9% of total ODA for Africa in 2017), Rwanda (4.3%), Mozambique (9.5%), Senegal (6%), Ethiopia (12.2%), Uganda (7.5%) and Tanzania (10.2%)[15]. Three of these priority countries were even among the top ten recipients of Korean ODA (Ethiopia, Ghana and Tanzania) in 2017, where Southeast Asian countries (Vietnam, Myanmar, Cambodia, Laos and Indonesia) are traditionally most prevalent. Relative to overall Korean ODA, flows to these countries nevertheless remained marginal; each of these three main African countries received less than 3% of the total amount, as opposed to 11.2% for Vietnam, 4.6% for Myanmar and 4% for Cambodia.

14. The goal is to reach 50%.
15. This list of priority partner countries is reviewed every five years. The previous list included eight countries: Cameroon, Ethiopia, Ghana, Mozambique, Nigeria, DRC, Rwanda and Senegal.

Not unexpectedly, the share of grants vs loans depends on the recipient country's development level: the proportion of grants (75%) is higher than that of loans for Ethiopia, which is a low-income country, and smaller (22.8%) for Ghana, which is a lower-middle-income country. In the case of Tanzania (low-income country), both forms are more or less balanced.

The selection of the seven priority countries is considered opaque and does not seem to follow any particular logic.[16] Political considerations may have led to the designation of Ethiopia, which has maintained a longstanding special relationship with South Korea, due to the participation of Ethiopian battalions alongside South Korean troops during the Korean War.[17] The inclusion of middle-income countries in the list of priority partners cannot exclude the objective of market access. The generally held belief in Korea, that East Africa is politically more stable than West Africa, but also more accessible for linguistic reasons, also explains that most priority countries are situated in the eastern part of the continent. Finally, possessing oil or gas resources is the most plausible explanation, particularly for including Mozambique. Indeed, the increase in aid to this country occurred shortly before undertaking a major project to exploit offshore gas resources. Curiously, however, Angola does not appear on the list of priority countries, although it attracts a significant share of ODA flows to Africa (3.8% over the 2010-2017 period).

16. Interview with Korean researchers who are experts on development issues.
17. The fact that the headquarters of the African Union is situated in Addis Ababa may also have played a role.



Cameroon and the DRC, which until recently appeared on the list of priority countries, but which lost this status, also continued to attract a significant share of flows, with 6.6% and 3.8% of the total amount respectively in 2017.[18]

The DRC in particular featured prominently among recipients of grants awarded by KOICA in 2018 (with 14.4% of all aid paid to Africa, ahead of Rwanda, which was in second place with 12.6%). This ranking is probably explained by the funds paid out for the construction of the national museum for a total of more than $20 million.

For sub-Saharan Africa, aid was focused on public health, water supply, education and rural development, while for North Africa, the priority sectors were information and communication technology (ICT), administrative systems and industrial energy (KOICA Annual Report, 2018).

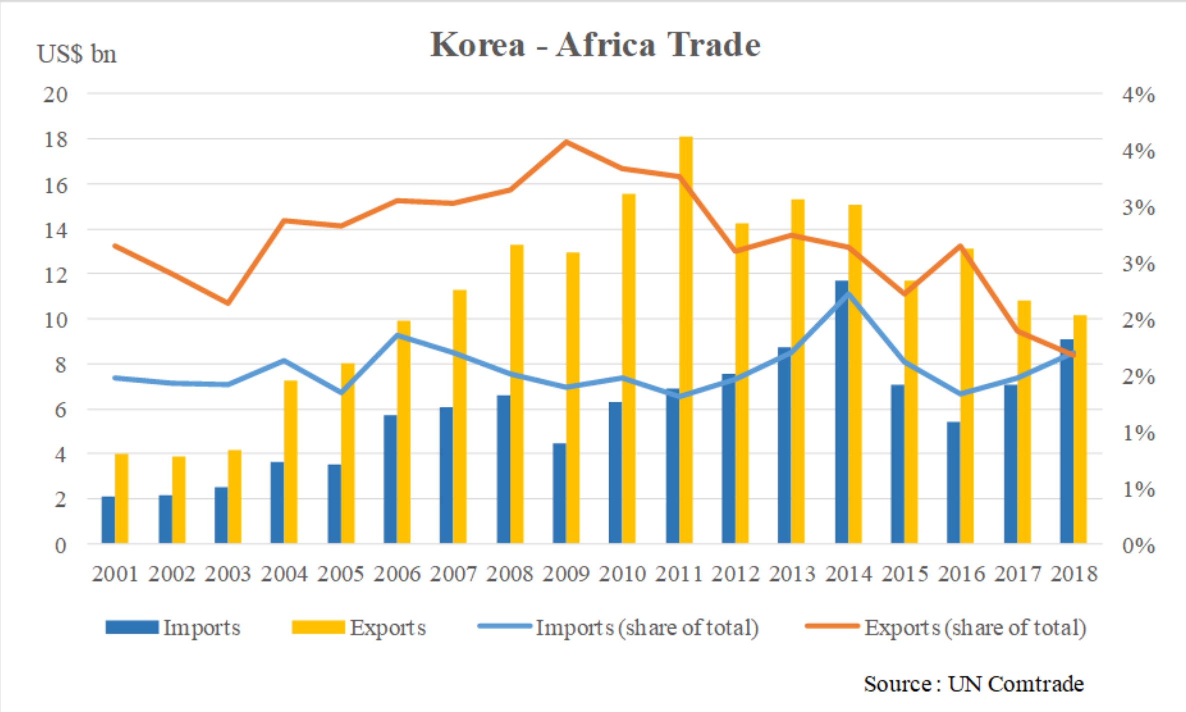
In terms of loan disbursements, Tanzania and Mozambique were among the top ten recipients on December 31, 2018, with respectively 4.8% and 3.3% of the total amount given by the EDCF.[19] But Angola, although not a priority, was in third place in Africa with 2.6% of the total loans disbursed.

18. EDCF figures, 2018.
19. EDCF Annual Report, 2018.

The loans, which most likely reflect the donor's strategic interests, mainly focused on infrastructure projects (transport and energy in particular). In terms of transport infrastructure, while the emphasis until recently was on road building, the trend is now in favor of funding transport systems, particularly involving ICTs. In addition, efforts are made to finance integrated projects and no longer solely infrastructure[20].

Korea-Africa trade

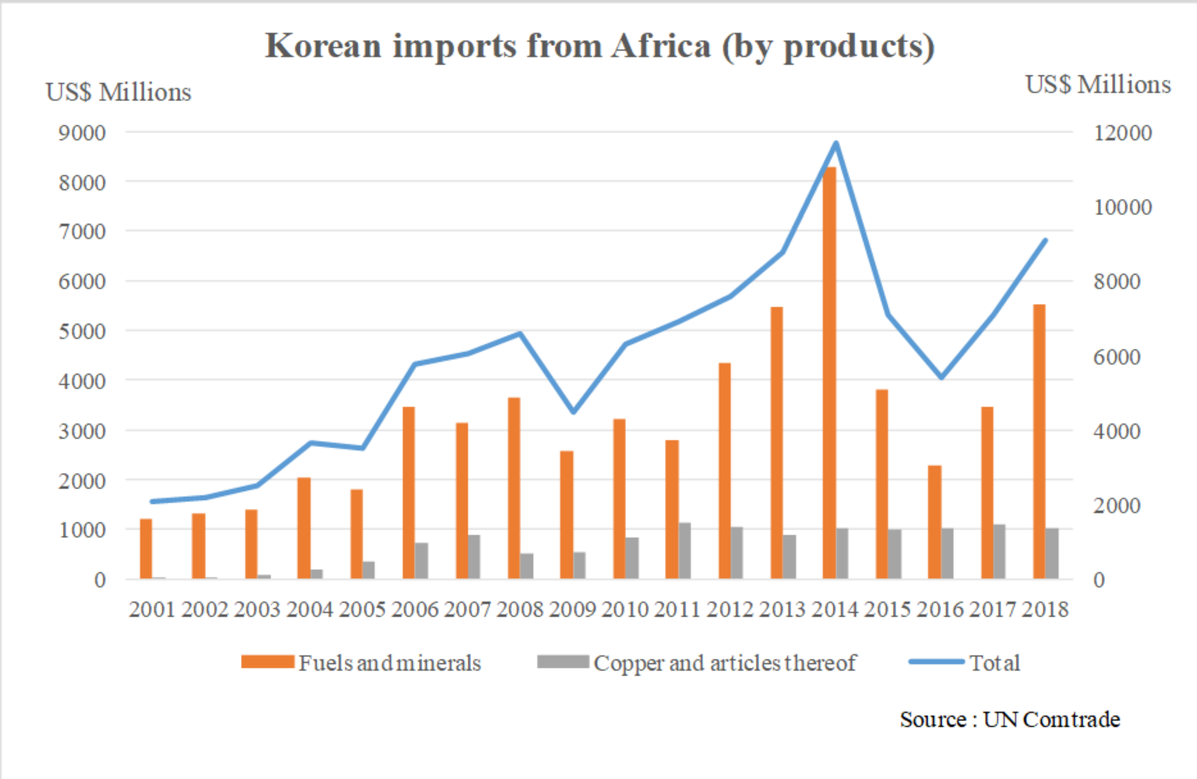
The trade dynamics between Korea and Africa contrast sharply with those observed with ODA. Although the flows tended to increase until the beginning of the 2010s, they have since slowed down, and more clearly so for exports than for imports. For the former, a peak was achieved in 2011 and for the latter in 2014. Korea remains in surplus vis-à-vis Africa, but its surplus has declined significantly.



African markets are not a major target and the continent's share in overall Korean exports has dropped from 3.5% in 2009 to 1.5% ten years later. The mercantilist explanation, that aid is intended to facilitate trade, does not generally seem to apply to Korea-Africa relations. Furthermore, there is no trade with countries receiving aid.

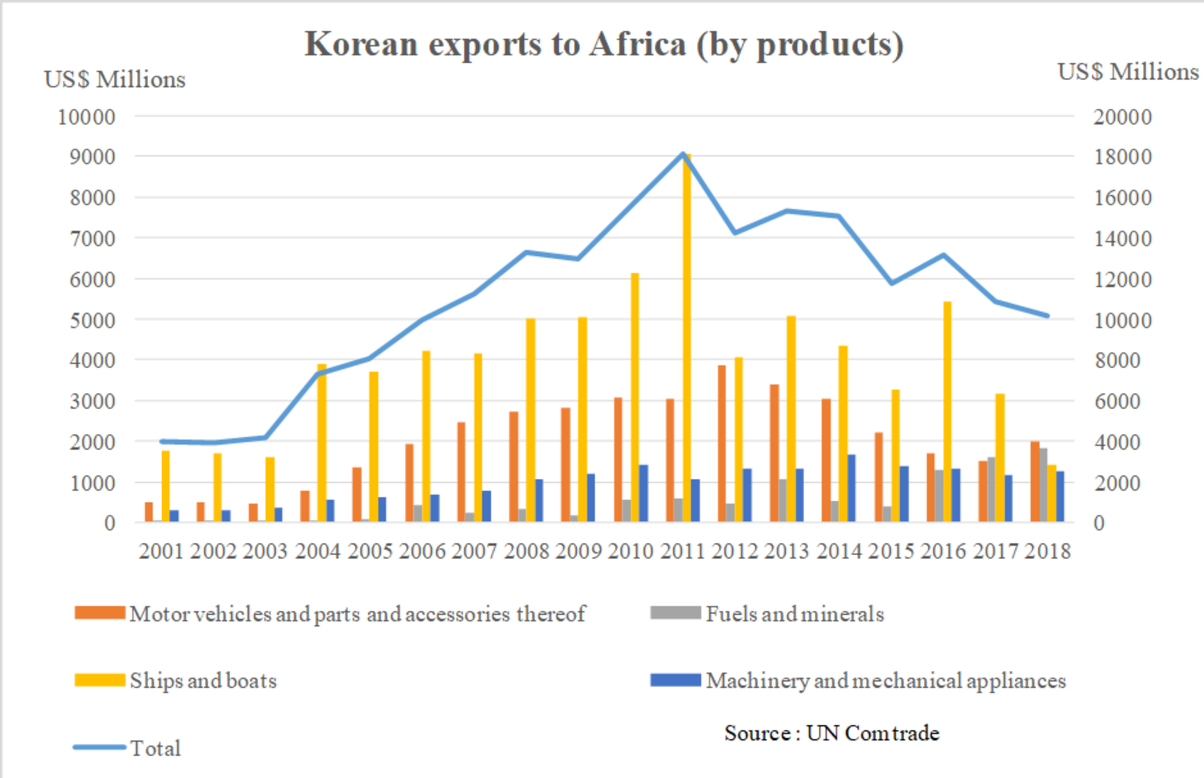
20. In the case of Senegal, for example, in addition to building a hospital, the EDCF is responsible for the associated services, the supply of equipment and training of hospital staff. Interview with EDCF representatives, June 2019.

An analysis of bilateral trade by sector shows that the nature of trade is indicative of North-South (and not South-South) relationships. The bulk of Korean imports from Africa are raw materials, and particularly oil (which, depending on the year, accounts for between 41% and 71% of all imports from the continent). On average, this product category represents around 60% of the total. In contrast, Korean exports are mainly made up of manufactured products.

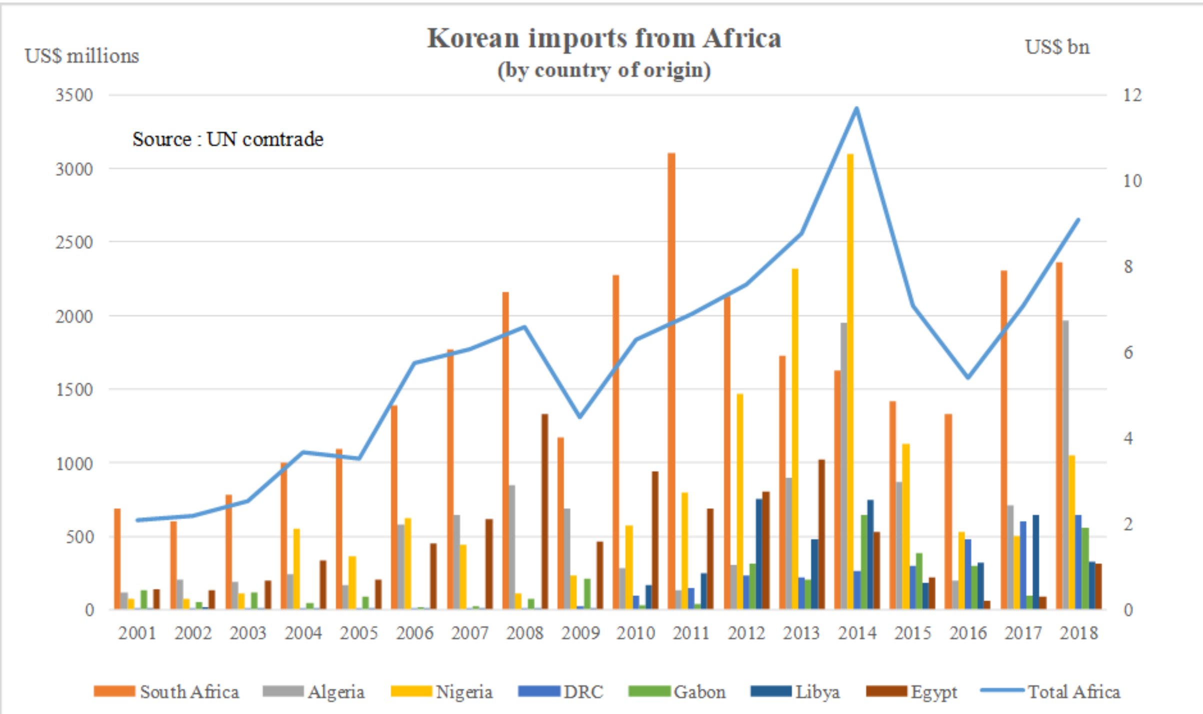


Just like imports, Korean exports to Africa are highly concentrated by sector. Above all, they tend to be dominated by ships and other floating equipment (this category accounted for up to 50% in 2011), although in recent years they seem to be more diversified. Three product groups now dominate, namely cars, fuels, and ships with about 20% each, ahead of machines and mechanical devices[21].

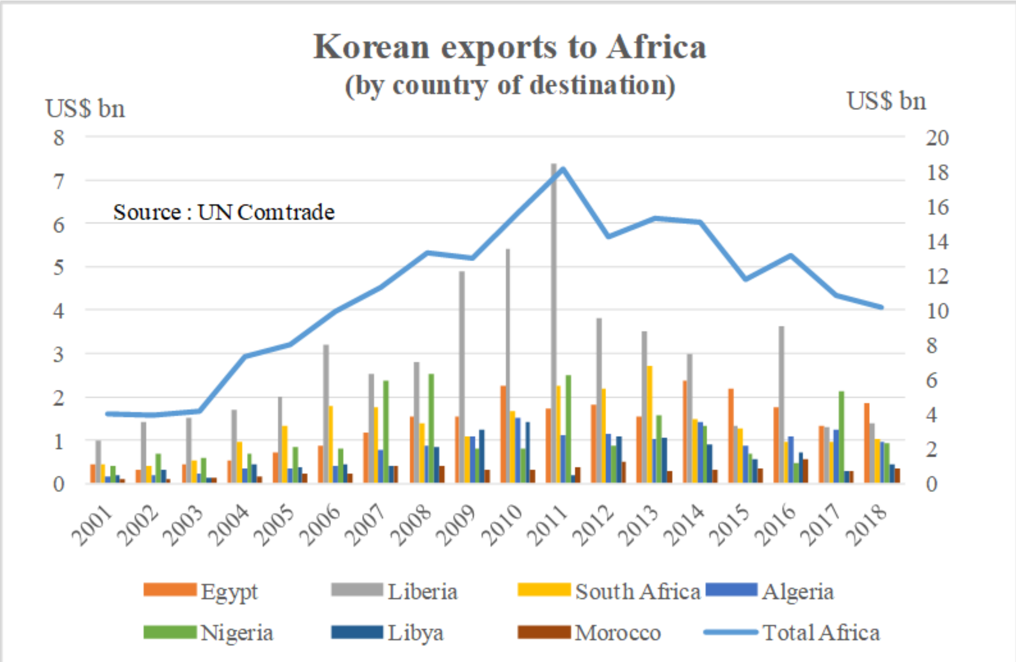
21. Samsung has 35% of the smartphone market in Africa (AfDB 2018 Horn of Africa).



The concentration of trade is also noticeable geographically. Since the beginning of the 2000s, almost without exception, Korea's leading African supplier has been South Africa, which mainly exports coal, iron ore and manganese products. The other suppliers are mainly oil- or gas-producing countries (Algeria, Nigeria, Gabon and Libya) or countries producing other minerals, such as copper or coal (DRC). Since 2011, Korean imports from Africa have mainly come from seven countries that together account for more than 70% of the total.



Similarly, Korean exports are focused on a small number of markets. The seven main recipient countries (Egypt, Liberia, Morocco, South Africa, Algeria, Nigeria, and Libya) received nearly 74% of Korean exports over the 2010-2018 period. For a long time, Liberia dominated because of sales of Liberian-flagged ships. Except for this country, Korea exports to the largest economies on the continent. Since 2011, its exports have tended to diversify, but the importance of the African market has on the whole decreased.



Direct investments

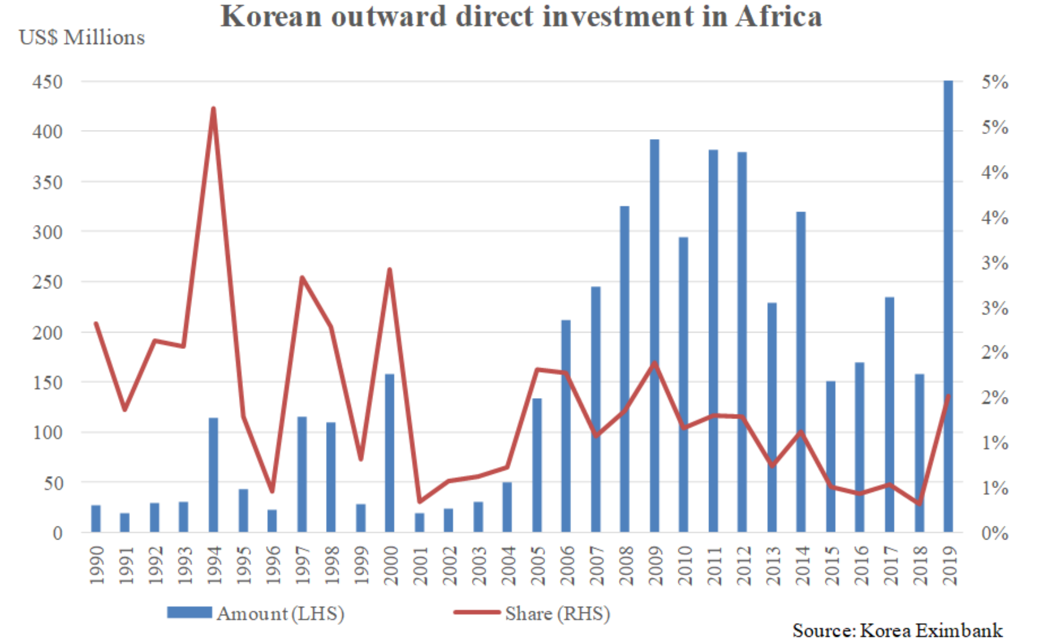
Korean direct investment abroad started to pick up again from the mid-2000s. The drive for companies to internationalize was relaunched a decade after the 1997-1998 financial crisis, which halted the wave of (likely ill-considered) foreign direct investment (FDI) to all recipients (Nicolas, 2001).

Direct investments in Africa experienced strong growth in the second half of the 2000s, before slowing down from 2014 onwards[22]. However, in relative terms, Africa remains a really insignificant destination (with just 1% of the total over the 2006-2018 period), particularly compared to Asia (39%), but also North America or Europe (respectively 25% and 17%).

Unlike what is observed in other regions of the world, the geographical distribution of Korean FDI in Africa suggests that they do not necessarily follow aid flows. The dynamics are markedly different and so is the geographical destination. In fact, over the entire 2006-2018 period, most of these investments were concentrated in one single country, Madagascar.

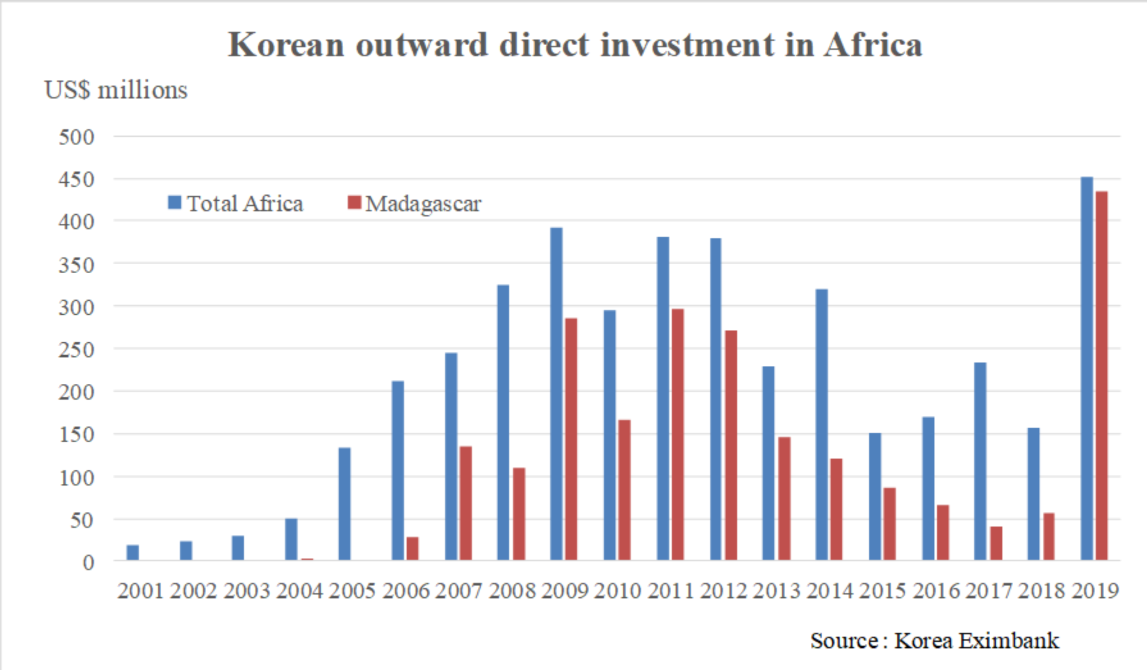
It is only in recent years (2014-2018) that there has been a trend towards rebalancing, with the emergence of Egypt and Morocco as recipients of Korean FDI. However, the sharp increase observed in 2019 is again attributable to a major investment in the mining sector (nickel) in Madagascar. The modesty of overall FDI flows also explains why a single major investment can drive the trend.

Korean outward direct investment in Africa



Source: Korea Eximbank

22. This slowdown in FDI is not however unique to Korea. The fall in FDI was particularly sharp for oil-producing companies.



Korean FDI is concentrated in the mining sector, in Madagascar of course, but also in Libya, Nigeria, South Africa, Algeria and even in Morocco. The concentration in the natural resources sector confirms what the structure of Korean imports from Africa suggested, namely that Africa is above all perceived as a source of natural resources.

The only countries that used to receive somewhat substantial Korean FDI in the manufacturing sector are South Africa, Egypt and Ghana. In recent years (since 2016), they have been joined by Ethiopia[23], Equatorial Guinea and Morocco.

However, the FDI statistics do not fully reflect the reality on the ground. Firstly, Africa is the recipient of many private investments in the manufacturing sector, but which are probably too small to show alongside the very capital-intensive investments made in the mining or oil sector, for example. Many consumer products (white goods – fridges, washing machines, etc. – and brown goods – televisions, computers – in particular) of Korean manufacture are frequently assembled on the spot and not imported (or at least not from Korea, but from production facilities in neighboring countries on the continent). For instance, Samsung and LG assemble television sets in factories in South Africa, and LG does the same for washing machines in factories in Sudan or in Egypt. In the automotive sector, Hyundai has a production facility in Sudan, and Hyundai and Kia have highly developed distribution networks across the continent. Just recently, Morocco has attracted automotive parts manufacturers supplying well-established car manufacturers that target the European market.

23. Korean textile companies are present in public industrial areas, like Bole Lemi or Adama near to Addis Ababa (Nicolas, 2017).

Furthermore, the presence of large construction groups is evident in many countries. Large construction companies are generally involved in government-supported infrastructure projects (*via* KOICA or EDCF), which is why their activities are not recorded as FDI.

South Korean engineering and construction companies have developed major projects in Africa. For example, in 2018 Samsung Heavy Industries built and equipped, on behalf of the French group Total, the largest floating production storage and offloading facility (FPSO) in the world, that will pump oil from the Egina offshore field in Nigeria, store it and discharge it into tankers. Daewoo Engineering and Construction, for its part, has completed various infrastructure projects (a highway in Ethiopia, a bridge over the Zambezi between Zambia and Botswana), and Hyundai Engineering and Construction has landed a contract to build a bridge over the Nile in Uganda.

In the telecommunications sector, the private company Korea Telecoms (KT), the country's largest telephone operator, developed in Rwanda the first 4G LTE (Long Term Evolution) mobile telephone network in Africa. 4G was launched in the country in 2013 and started to be marketed from November 2014 following an agreement between the government and KT. Through this network, 95% of Rwandans now have access to fast wireless and broadband services. This achievement, which occurred through the creation of a joint venture between KT and the Rwandan government, is another example of major involvement in Africa by a Korean private company, but which is not recognized as FDI.

The services sector has not been left behind, as Lotte Confectionery became the first company in the food sector to enter the African market in 2016 with operations in Kenya.

Multiple economic objectives and limits of *soft power*

ODA is the main instrument of Korea's strategy in Africa. Admittedly, Korean ODA responds to humanitarian concerns – particularly the desire to reduce poverty – but also undeniably contributes to the pursuit of national political and economic interests (improvement of the country's image on the international stage, search for business opportunities for its companies, search for energy security, etc.). This aid – still largely tied – may help large Korean companies get access to some government contracts (specifically construction contracts), but it may also, to a lesser extent, contribute to securing the country's access to oil and gas resources in particular.

At the same time, it is also designed as a *soft power* instrument, allowing the country to set itself up as a model for the developing world, starting with Africa, but also to assert itself on the international stage as a responsible and committed middle power that also requires the support of African countries.

The quest for natural resources

Until the start of the 2010s, Korea practiced what was called "resource diplomacy", in which consortia between state-owned companies, state-controlled companies, and private companies were the main actors. The purpose of this strategy, implemented by President Lee Myung-bak, was to avoid going through the market by concluding agreements with the governments of resource-rich countries, enabling Korean operators to acquire, explore, exploit and distribute the resources in question. Despite active support by the government[24], this strategy did not have the desired success. For example, the state-owned Korean National Oil Corporation (KNOC) has never managed to obtain exploration licenses in Angola, Equatorial Guinea, or even Gabon, whereas in Nigeria its access to two offshore oil blocks was stopped (the signed agreement was eventually revoked) due to the breach of certain contractual obligations.

24. Which notably involved a huge increase in the budgets of state-owned companies; that of KNOC increased 17 times between 2005 and 2011, for example (Kim, 2012, p. 300).

Now, although resource diplomacy (as defined in the Lee Myung-bak era) is no longer on the agenda,[25] the goal of energy security continues to underlie the Korean presence in Africa, and it is also the focus of its ODA. The choice of some priority countries confirms this: Mozambique, Tanzania and Uganda are particularly rich in oil and gas resources.

The state-owned company KOGAS is involved in a project to build and operate a floating oil platform off the coast of Mozambique. The increase in aid granted to Mozambique is probably not unrelated to the success of the operation. However, ODA can only provide indirect support for concluding contracts with governments of resource-rich countries. Due to the obligations imposed by its DAC membership, Korea cannot use its ODA explicitly for this purpose.

As indicated above, interpreting Korean ODA in Africa as an extension of a mercantilist strategy also does not seem relevant, as trade volumes between both parties are low. Furthermore, the main recipients of Korean ODA (Ethiopia, Ghana, Mozambique, Rwanda, Senegal, Tanzania and Uganda) do not match the main commercial partners (Egypt, Liberia, Togo, South Africa, Algeria, Nigeria and Libya).

However, what is indisputable is, first, that Korean imports from Africa are largely dominated by raw materials, particularly oil, and, secondly, that Korean companies are investing mainly in the natural resources sector in Africa. Therefore, Africa is primarily seen by Seoul as a reservoir of resources. We are far removed from the discourse about the uniqueness of Korea as a development partner rather than an aid supplier (Schwak, 2019b, p. 107). Lastly, Korea's behavior is basically no different from that of other economies and donors.

25. The losses associated with this policy would have amounted to 3,400 billion wons, or $3.1 billion. Source: S. Mundy, "South Korea Resource Drive Undone by Scandal", *Financial Times*, April 12, 2015.

The legacy of the developmental state: defending Korean companies

The links between the private sector and the state in the context of ODA policy were particularly important during Lee Myung-bak's presidency. Although they have become somewhat weaker, they still remain real. The continued policy of tied aid in Korea confirms this. The state provides support for companies to obtain government contracts, with the EDCF lending to foreign governments to finance infrastructure projects that are subject to calls for tender reserved for Korean companies. This practice also suggests that private interests are taken into account when defining the assistance policy (Schwak, 2019b, p. 111).

Support policies for Korean infrastructure exporters are part of the tradition of state interventionism and follow a logic of industrial policy. They draw on the legacy of the mercantilist developmental state, but now prefer to support the competitiveness of local companies on the international market.

These policies are at the intersection of two political approaches, namely:

- The desire to find growth drivers abroad, when local demand for infrastructure is petering out and the local market is largely saturated.
- The desire to exploit comparative advantages gradually developed by local companies and which provide them with an undisputed competitiveness in terms of expertise.

In this context, Africa is perceived as a promising market where companies can expand at a time when the domestic market is stagnating.

The building and engineering sector, or more generally infrastructure, is one of the sectors actively supported by the Korean authorities. In addition to infrastructure "exports", Korean companies are also looking to export their technical expertise, mainly in industrial projects in the oil sector (refining and storage), gas and petrochemicals, electricity generation, and water processing. The policy of promoting infrastructure exports is supported at the highest level of government (president).

In the engineering and construction sector, however, Chinese competition is particularly stiff nowadays, which could impact Korean companies' prospects. Whether they will manage to reproduce in Africa the success that they experienced in the Middle East is an open question. Whereas six Korean firms were among the top 20 global companies in the sector in 2011, less than ten years later (2018), only one managed to maintain its place (Hyundai Engineering and Construction, which only ranked 20th); three other firms were among the top 40 global companies (GS Engineering and Construction – 31st place; Samsung C&T – 35th place; Daewoo Engineering and Construction – 40th place).[26] In contrast, seventeen of the forty largest companies are Chinese.

Korean heavy industry companies are nowadays struggling somewhat in Africa. The support methods have changed and public-private partnerships (PPP) are now the preferred method. Furthermore, the targeted sectors have also changed and emphasis is now placed on ICT-related investment.

Recent *smart city* development projects in Africa are an example of this new direction. However, according to some analysts, these projects are in reality just another way of selling Korean expertise in construction and public works.[27] Beyond infrastructure, projects now include a number of services (traffic management, including signaling).[28] By way of illustration, a memorandum of understanding was signed in February 2019 between a Korean software development company, SR Post, and Kampala Capital City Authority (KCCA) to look at the conditions for developing various initiatives related to the *smart city* concept (traffic management, parking, e-governance, etc.). However, there are some significant limitations to exporting these models, which depend on local conditions, for example the irregularity of the electricity supply.

Development experience: a tricky advantage to exploit

Sharing experience is a key argument in Korean ODA discourse. Indeed, it should be remembered that South Korea had a GDP per capita comparable to or even lower than that of many African countries at the end of the 1950s. At the time of Ghana's independence in 1956, both countries had a GDP/capita of around $500. Sixty years later, South Korea's GDP is in the region of $25,000, whereas Ghana's (still considered a success story in sub-Saharan Africa) is $1,650 (the average GDP/capita in Africa fluctuates around $1,000). Therefore, Korea's economic success is put forward as an example to follow and its rapid trajectory from a country receiving aid to that of a donor country gives it strong legitimacy.

26. More information at: www.enr.com.

27. Interview with Korean researchers, June 2019.

28. This is particularly the case of the Intelligent Traffic System development project for Nairobi, which had a loan from EDCF for a total of $120 million in 2018.

The discourse about the uniqueness of Korean economic success is mainly supported by the Ministry of Strategy and Finance (MOSF) as part of the so-called Knowledge Sharing Programme, established in 2004 and led by the Korea Development Institute (KDI). By the same token, President Park Geun-hye defended the idea that Korea could serve as a bridge between developed and developing economies.

At the 4th Organization for Economic Cooperation and Development (OECD)/United Nations Development Programme (UNDP) forum on aid effectiveness, held in Busan in 2010, KOICA's President said there were several things that Korea could share with the world, particularly the "new villages" (Saemaul Undong) movement. This movement was launched by President Park Chung-hee's government in 1970 to modernize the countryside by empowering rural communities to become the creators of their own development. It was based on the three principles of diligence, self-help and co-operation. The movement was then associated with the green revolution in rice production. Indeed, besides helping to lift rural areas out of poverty, it was also about enabling them to produce and meet the food needs of the then-booming urban population.

This movement has become a trademark for Korea and its development experience. Although, the program's political motives and its impact on the country's economic development have remained controversial, Lee Myung-bak's administration established it as a key element of Korean success.

KOICA largely contributed to the development of the international movement by launching the "Global Saemaul Undong" movement in 2013. This campaign to export the Korean model would grow under the Park administration and receive the support of various international organizations such as UNDP or AfDB. The first project was launched in Ethiopia. Several projects were then set up in Rwanda, Uganda, and Kenya, and villages are currently in development in Côte d'Ivoire, DRC and Tanzania. The Saemaul Undong Foundation is present in various African countries to help people diversify their sources of income and contribute to community development.

The discourse about the exemplary nature of the Saemaul Undong movement is highly questionable. Firstly, it seems very much an exaggeration to attribute Korean development success, even in its agricultural sector, to this movement. The conditions that prevailed at the time obviously played a crucial role. Furthermore, the fact that it was imposed by a dictatorial regime is also problematic. Be that as it may, putting this experience forward as a model is highly debatable.

Furthermore, exporting this movement to Africa is now associated with the scandal that led to President Park's impeachment. Her personal adviser and confidant, Choi Soon-sil, used this program to divert funds for personal gains, directly undermining the program's image and its exemplary nature as a consequence. However, surprizingly, President Moon Jae-in very recently (October 2019) sought to defend and maintain this program, without even changing its name.[29]

Beyond the example of rural development, the export of the Korean model to African countries is largely a deception. Indeed, there is a substantial difference between the model that is supposed to be exported and the reality of Korean development. For example, the recommendations focus on promoting small and medium enterprises (SME)[30], whereas Korean economic development has mainly occurred through large horizontal conglomerates (*chaebols).* More generally, the emphasis is placed on private sector development, while Korea is an example of a developmental state, where the state plays a crucial role at the expense of the private sector.

A final question is whether Korean engagements in African countries really stand apart from those of traditional donors, and whether they effectively contribute to recipient countries' development. Indeed, nothing is less certain. Since Korean ODA actually favors the defense of the country's national interests (by supporting its own companies, particularly *via* tied aid), it is likely to have limited positive effects on recipient countries, to the extent that the donor's interests take precedence. For example, in Mozambique, we can legitimately wonder if, by encouraging the realization of mega projects in the oil sector through its state-owned company, KOGAS, Korea is not acting at the expense of local economic diversification and probably the country's development. Likewise, forcing the Rwandan government to use Korean companies and subcontractors in developing the 4G network, South Korea is reducing the opportunities for developing backward linkages with local industry, which are essential in initiating a virtuous circle.

29. "With spread of the Saemaul Undong, we are helping developing nations get confident of affluence by sharing our experience in economic development. […] Going forward as well, [we] will continue support, as a responsible middle-power nation in the international community, so that the global community can be rich all together", quoted by Yonhap News Agency, October 29, 2019. More information at: https://en.yna.co.kr.
30. See Schwak, 2019a, p. 7.

Turning ODA into an instrument of Korean diplomacy

Korean ODA in Africa has been widely exploited from the beginning to support certain objectives of Korean diplomacy. Winning the support of Africa's more than 50 countries can be extremely valuable in various elections in international bodies. Indeed, Korea is seeking to play a more active role on the international stage and to increase its influence in the UN system in particular. As noted earlier, the election of Ban Ki-moon as Secretary General of the United Nations in 2006 was the result of an active campaign in Africa, supported by a marked increase in aid disbursements. Similarly, it was after having announced the launch of a vast assistance plan of $60 million for Africa at the 4th KOAFEC that Korea managed, thanks to African countries' votes, to tip the balance in its favor to have the Secretariat of the Green Climate Fund located in Songdo (Kim, 2013).

Repeated scandals: Korea's tarnished image in Africa

The exercise of Korean *soft power* in Africa has experienced many difficulties and Korea's image has suffered over the past decade from various scandals. The first of these concerns Daewoo's land grabbing in Madagascar. In 2008, Daewoo Logistics obtained a 99-year lease for some 1.3 million hectares in Madagascar[31] in order to grow maize and oil palm, whose production was intended for the Korean market. The land was granted free of charge to Daewoo in exchange for the promise of creating jobs and helping to develop infrastructure in the country. The agreement sparked an outcry, leading not only to its cancellation, but also to the ousting of the then Malagasy president. This unfortunate episode considerably tarnished Korea's image.

Subsequently, various scandals have been linked to the management of Korea's aid program, in particular. Firstly, at the height of implementing "resource diplomacy", Lee Myung-bak's administration found itself embroiled in a financial scandal involving several civil servants at the Ministry of Foreign Affairs and Trade (MOFAT), including the former Korean ambassador to Cameroon. Indeed, they had deliberately increased the share price of the mining company, CNK Global, which had obtained a concession in a diamond mine in Cameroon, by exaggerating the production potential. The goal was to pocket the surplus capital gains (Schwak, 2019b, p. 115).

31. Which represented almost half of the country's arable lands.

However, the scandals did not stop with President Lee Myung-bak's departure. More recently, Korea's image suffered further in Africa with a new scandal related to President Park, focusing on the Korea Aid program. President Park's advisor and confidant behind the scenes, Choi Soon-sil, was accused of taking advantage of the privileged status conferred on her by her closeness to the president to have large sums (more than €17 million) paid by large companies[32] to various associations that she chaired, including the Mir Foundation and K-Sports, which were involved in the Korea Aid program. The director of KOICA, who refused to fund Choi Soon-sil's associations, was replaced by one of Choi's associates (Kim, 2019, p. 2056).

Furthermore, Korea was accused in 2013 of illegal fishing in West African waters, which led the European Union to threaten to put Korea on the list of countries prohibited from exporting fish to the European market (Darracq and Neville, 2014).

Despite these various episodes that impacted on Korea's reputation, there are still grounds for optimism, which are due to Korea's good brand image in the ITC sector and to the very strong reputation of Korean brands in general. According to the last *Brand Africa 100* ranking, Samsung and LG are among the top ten most admired brands in Africa (occupying second and tenth place respectively).[33]

As much is now made of *smart development*, as attested by the Deputy Prime Minister and Minister of Strategy and Finance, Kim Dong-yeon's speech at KOAFEC in October 2018, Korea appears particularly well placed to position itself in this area on the continent.

32. Samsung, Lotte, Hyundai, Daewoo.
33. More information at: www.brandafrica.org.

Conclusion

The Korean authorities' and companies' interest in Africa is still a recent phenomenon and the presence of these actors on the continent remains limited, and in any case incommensurate with that of its two Asian rivals, Japan and China. Even in sectors like construction and public works, where it had comparative advantages until recently, Korea is unable to compete with China, for example.

Therefore, the only way for Seoul to stay ahead in Africa is to assert its difference and its uniqueness. It has tried to do this by playing both on the unique nature of its own economic development experience and on its closeness to African countries. However, this strategy very quickly reached its limits. Firstly, it remains debatable whether some of the solutions, which may have started the country's economic success, really did play such a role (for example, this is the case of the new villages movement). Furthermore, it is not certain they are really relevant to the African context. Finally, there can be a significant difference between the advice given and the reality of policies observed in Korea. In other words, sharing experience is an appealing discourse that it is nevertheless difficult to convert into concrete and relevant recommendations.

Moreover, the discourse on sharing experience with African partners struggles to conceal other objectives very directly related to Seoul's economic interests. Far from being engaged in a win-win relationship with its African partners, Korea is pursuing the same objectives as other industrialized countries (search for raw materials and promoting its companies' activities). In the end, the assertion of a fundamental difference in the Korean approach to Africa is not really convincing. The difference between the stated exemplary nature and the succession of scandals and other acts of corruption related to some companies', or even the Korean government authorities', activities in Africa only makes things worse.

To be fair, the still-recent nature of Korea's involvement in Africa may suggest that it is still in the learning stage and that it will learn from its mistakes. However, achieving this requires at least two things: Korea would need to have a sufficiently solid knowledge base on Africa, and the institutional system dealing with African issues, particularly *via* aid, would need to operate in the best possible manner. None of these conditions has been met to date. Firstly, the level of knowledge about Africa is notoriously low in Korea and the number of researchers working on this region is still very limited. Furthermore, the large number of mechanisms established and the administrative fragmentation in implementing an Africa policy are major obstacles. The plethora of ministries involved (Ministry of Strategy and Finance [MOSF], Ministry of Foreign Affairs [MOFA], Ministry of Trade, Industry and Energy [MOTIE]) and the tensions that can exist between them due to the variety of their objectives, makes defining a coherent strategy particularly difficult.

It is still too early to know whether the new Moon administration will be able to correct this. The recently-established Korea-Africa Foundation, could, however, be an essential instrument to defining a new Korean strategy by helping to develop expertise on Africa and encouraging the development of new channels for interaction with African partners.

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