

South Korea and the European Union: A promising partnership for development cooperation?

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»» In 2010, the European Union (EU) and Korea began a new era of engagement by establishing a strategic partnership, which intends to strengthen bilateral dialogue and cooperation in regional and global affairs. The EU-South Korea Framework Agreement specifically commits the two parties to ‘strengthening cooperation in the area of [...] development assistance’.¹ As a new development donor and recent member of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD), Korea is reforming and scaling up its development assistance and establishing cooperation initiatives with traditional donors, including some EU member states. In this context, cooperation on international development appears to be a promising issue for the future agenda of the Korea-EU partnership.

KOREA’S EMERGENCE AS A DEVELOPMENT DONOR

Korea provides a rare example of a state that has successfully transformed itself from a poverty-stricken country to a flourishing industrialised nation within just a few decades.² While in 1962 Korea’s per-capita income was around US\$80, by 2013 it had

HIGHLIGHTS

- Korea’s membership of the OECD DAC has created new opportunities for collaboration with traditional development donors.
- Korea has established strong partnerships with EU member states on development.
- High-level commitments to development cooperation between the EU institutions and Korea should be translated into practical action.



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increased to more than US\$23,000. This experience has contributed to shaping the country's commitment and approach to development cooperation, including its interest in sharing lessons from its own development progress.

Korea first began to provide international development assistance in the 1980s. In 1987, it established the Economic Development and Cooperation Fund (EDCF) and in 1991, the Korea International Cooperation Agency (KOICA).³ During the period 1987-2000, Korea was a 'Janus' in international development cooperation, as it increasingly provided funds as a donor, while receiving itself development assistance from Western countries.⁴

Development Assistance Committee membership and related reforms

Korea became a DAC member in 2009. An important factor that motivated the Korean government to seek membership was the fact that Korea had received huge amounts of development aid from the international community in the early stages of its economic development. Korea's political leadership saw this as a means to pay back the international community for its support, while fulfilling its international responsibilities as a newly industrialised country.⁵ Korea's more proactive involvement in development cooperation can also be seen as an attempt to increase its profile and strategic position in East Asia, taking advantage of the current leadership vacuum in the region that has been created by growing rivalry between China and Japan.

DAC membership has triggered a number of important reforms in Korea's development

cooperation policy. In line with commitments undertaken during the membership negotiations, the overall development assistance budget has been increased;⁶ there is now greater emphasis on grants rather than on loans; the ratio of untied loans has been raised relative to tied loans;⁷ and the policy governance structure has undergone significant reforms.⁸ Among the measures taken, the adoption of the Framework Act on International Development Cooperation (hereafter Framework Act) in 2010 was particularly noteworthy. This provided the basis for the establishment, also in 2010, of the Committee of International Development Cooperation (CIDC) under the Prime Minister's Office (PMO) as a control centre for all development-related policies.⁹

But Korea's international development cooperation still faces a number of challenges and there is a long way ahead to reach the standards of other DAC members.¹⁰ Despite increases, in 2013 Korea's international development cooperation budget represented around 0.15 per cent of GNI, which is one of the lowest among DAC members. The DAC has recommended that Korea consistently increase its official development assistance (ODA) to reach 0.25 per cent of GNI by 2015.¹¹ Furthermore, Korean aid is highly fragmented, which reduces its impact. In 2012, the DAC recommended that Korea concentrate on fewer sectors and countries.¹² Korea's ODA also overly focuses on Asia, overlooking development needs in Africa and Latin America.¹³ Finally, despite reforms, Korea's aid governance system is still in need of improvements, particularly in terms of the division of competences for grant-type and loan-type ODA.



Korea's multilateral role and international partnerships

In recent years, Korea has assumed an increasingly prominent role in multilateral discussions on development.¹⁴ For example, during the 2010 G20 Seoul Summit, held under Korea's G20 presidency, the country played an instrumental role in bringing 'development' onto the official summit programme and promoting the adoption of the 'Seoul Consensus on Development'. The consensus, with its strong focus on economic growth, represented a change from the traditional OECD DAC 'pro-poor' agenda and was championed by G20 emerging powers.¹⁵ In the run-up to the summit, Korean diplomats conducted extensive negotiations with leading G20 countries, as well as with the International Monetary Fund (IMF) and the World Bank, in order to secure an agreement.¹⁶ Likewise, as host of the Fourth High-Level Forum on Aid Effectiveness in 2011, Korea played a significant role in helping achieve an agreement among traditional donors and emerging economies on the language of 'common goals' but 'differential commitments', as well as promoting the inclusion of gender empowerment in the Busan Outcome Document.¹⁷

Since its accession to the DAC, Korea has increased its cooperation with other bilateral donors and has established development partnerships with a number of countries, including the United States, Japan and some EU member states. These partnerships have served to both upgrade Korea's own development policy framework and increase the effectiveness of its aid. The partnerships with some EU countries, such as Germany, are among the most far-reaching.

Korea's flagship Knowledge Sharing Programme

Among the various elements of Korea's international development cooperation, the Knowledge Sharing Programme (KSP) stands out as a unique policy instrument. Established in 2004, it is funded by the Ministry of Strategy and Finance (MOSF) and administered by the Korea Development Institute (KDI). It aims to share lessons from Korea's development experience – both successes and failures – with developing countries. The MOSF has designated around 50 developing countries in Asia, Africa and Latin America as partner countries and since its inauguration KSP has implemented around 135 projects. It encompasses a wide range of policy areas, ranging from trade and investment to infrastructure development, agricultural sector competitiveness and industrial policy.

In 2012, the Korean government launched under the KSP umbrella the 'Joint Consulting with International Organisations (IO)' initiative. It includes cooperation projects with international organisations, primarily regional and multilateral development banks such as the World Bank and the Asian Development Bank (ADB). The initiative is currently managed by the Korea EXIM Bank and aims to combine 'lessons drawn from Korea's development experience with IOs' development consulting expertise'.¹⁸

Korea-EU engagement on development

Korea-EU engagement on development has not yet gone beyond the high-level commitments established in the strategic partnership framework agreement. While Korea has engaged in policy dialogue and practical collaboration on development



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with various EU member states – including through Memoranda of Understanding (MOUs) and joint project implementation – so far there has been no concrete collaboration with EU institutions.

This is due to two main factors. First, in recent years Korea has focused more on the internal policy reforms required for DAC membership than on the need and potential for cooperation with the EU. Second, the size and importance of the EU as a donor has often not been sufficiently recognised in Korean policy circles.¹⁹

Korean collaboration with EU member states

Korea's collaboration with other donors, including EU member states, began mainly after Korea's DAC membership. Since then, Korea has developed a wide portfolio of cooperation activities with a number of EU countries, including Germany (2006), Denmark (2010), France (2011), and Spain (2012). The collaboration with Germany is the oldest and most advanced, and covers a wide range of areas, including Technical and Vocational Education and Training (TVET), trilateral cooperation, regional development and environment, Aid for Trade (AfT), research cooperation, and staff exchange. Both Germany and Spain are keen on strengthening trilateral cooperation programmes with Korea. For its part, cooperation with France focuses on basic human development goals, such as education, health, sanitation, poverty reduction and food security.

Korea also cooperates with some EU member states on sustainable development, climate change and environment. Together

with Denmark, Korea played an important role in setting up the Global Green Growth Institute (GGGI) as an inter-governmental organisation in 2011.

In 2010 German, French, Korean and Japanese development agencies formed a network for cooperation on development. This could be seen as part of European efforts to deepen partnerships with Asian regional actors in order to increase their collective impact both regionally and globally.

Korea's partnerships with EU member states have evolved from workshops and MOU-type declaration of intent to include pioneer cooperation projects in the areas of project/programme evaluation, human resource development and capacity building. These are sectors where EU member states and Korea have strong experience and can work in synergy, drawing on their respective expertise. Programme and project evaluation is also a sector where Korea can learn from European actors.

Korean engagement with EU institutions

There appears to be significant potential for greater Korean collaboration with EU institutions in the area of development, although the recent dialogue between the two partners on development (launched in 2012) has not translated into concrete action so far.

The 2010 Framework Agreement²⁰ and the 2012 Summit Declaration could provide strong institutional and administrative underpinnings for such collaboration. The Joint Press Statement of the 2012 Korea-EU Summit Meeting identified international development as an important area for fu-



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ture bilateral cooperation, stating that ‘[...] the leaders agreed to conduct regular policy dialogue and to exchange information on their respective programmes and, where appropriate, to coordinate their engagement in-country to increase their impact on poverty eradication’. Since 2008, Korea and the EU have held three director-general-level policy consultations on development co-

operation. During the third such meeting held in March 2014, the two parties shared their experiences in development cooperation, explored synergies between their cooperation projects in developing countries, and discussed ways to cooperate on key international development issues, including the Busan Global Partnership and the post-2015 development agenda.²¹

Commitments to strengthen the Korea-EU partnership on development must be understood in the context of the upgrading of bilateral economic relations through the 2011 Korea-EU Free Trade Agreement (FTA). In fact, Korea was the EU’s first Asian FTA partner and is so far the only country in the world to have signed both a Strategic Partnership Framework Agreement and an FTA with the EU. This unique status provides a strong foundation for deepening bilateral cooperation in a variety of fields, including in international development cooperation. ‘Korea could have a special role on acting as a bridge between the traditional and the new emerging donors’.²² Adopting

such a mediating role is a strategic aim of the Korean government in relation to both the East Asian regional architecture (mediating between developed and developing Asia) and the global trade policy agenda (mediating between developed and developing trading nations).

AN AGENDA FOR THE FUTURE

High-level commitments, together with several MOUs between Korea and individual EU member states, are important foundations for strengthening Korea-EU cooperation in international development. The two partners must now identify how to work in complementary ways to avoid overlaps and duplications.

Trilateral cooperation could be an important modality for collaboration. Trilateral engagement in Asia, Latin America and Africa has the potential to combine the two partners’ respective regional expertise. Existing pilot projects being undertaken by Korea and Germany in Nepal and Mongolia could offer some useful lessons for future EU-Korea trilateral cooperation.

Given Korea’s own development experience through export promotion and the expertise of some EU member states in TVET, the EU and Korea could consider the development of trade-related infrastructure and human resources as a priority area for collaboration. Trade promotion, TVET and human resource development are among the most popular areas for support within Korea’s KSP. KSP benefits around 30 countries every year, with an average of 3-5 subject areas per project. KSP could thus provide a promising



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framework for EU-Korea engagement. EU participation could be carried out in a format similar to that of the Joint Consulting with International Organisations initiative and could take various forms. For example, EU institutions could participate in already existing country projects by sharing budgets, sending their own experts and providing regional expertise. Alternatively, the two parties could develop new joint projects.

Green growth and climate change, which are core issues of the post-2015 sustainable development agenda, could be another area for Korea-EU engagement on development. The EU and its member states have an excellent track-record in environmental protection. They also possess some of the most advanced green technologies. In contrast, Korea has only recently begun to develop its interest in this field. Korea's green growth initiative in the G20 Summit Meeting was well received and resulted in the

establishment of the Global Green Growth Institute (GGGI). The Green Growth Planning and Implementation (GGP&I), which constitutes one of core activities of the GGGI,²³ could be an excellent candidate for Korea-EU partnership in these fields.²⁴

Korea-EU engagement on development has so far been largely limited to working with individual member states. However, there appears to be significant potential for increased collaboration with EU institutions, building on Korea's experiences with EU member states. In order to realise this potential, policy commitments to dialogue and cooperation must be translated into action. This will require identifying a few strategic projects on which the EU and Korea can begin concrete collaboration.

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ENDNOTES

- ¹ See Article 2 of the 2010 EU-South Korea Framework Agreement.
- ² A. Marx and J. Soares, 'Korea's Development Cooperation Policy: Assessing Opportunities for European Union Collaboration in a New Global Development Cooperation Architecture', Paper presented in the conference 'EU-Korea Relations in a Changing World', November 2013.
- ³ EDCF manages loan-type development assistance and is supervised by the Ministry of Strategy and Finance, whereas the KOICA manages grant-type development assistance and is supervised by the Ministry of Foreign Affairs. See Government of the Republic of Korea, 'Memorandum for the DAC Peer Review: Republic of Korea', Seoul: Government of the Republic of Korea, May 2012.
- ⁴ It is reported that Korea had received a total sum of US\$12.6 billion by the time it graduated from being a recipient country in 2000.
- ⁵ S.H. Park, 'Quest for a stronger regional leadership and an upgraded global profile: Korea's opportunity in the crisis', in: *Asia Europe Journal* 9(2-4): 225–36, 2012.
- ⁶ Korea's ODA budget has increased by an annual average of 21.6 per cent since 2001, having reached approximately US\$1.6 billion in 2012. For more details, see Government of the Republic of Korea, 'ODA White Book: Opening a New Era of Happiness for All Humanity', Seoul: Government of the Republic of Korea, 2014.
- ⁷ Grant-type development assistance has increased from 30 per cent to 60 per cent of the total development budget. The share of untied loans has also continuously increased, having reached 36 per cent in 2011, but is subject to fluctuation. See Government of the Republic of Korea 2014, op. cit., p.90.
- ⁸ For a more detailed description of such policy efforts, see Government of the Republic of Korea 2012, op. cit.
- ⁹ Ibid.
- ¹⁰ A more detailed discussion can be found in OECD, 'Korea: Development Assistance Committee (DAC) Peer Review 2012', Paris: OECD, 2012.
- ¹¹ This was the commitment made by the Lee, Myung-Bak government when applying for DAC membership. See OECD, 'Development Cooperation of the Republic of Korea: DAC Special Review', *DCD (2008)7*, Paris: OECD, 2008.
- ¹² Korea has already begun reforms to better focus its ODA, including identifying 26 priority partner countries and reducing the sectors in which it works. For more details, see Government of the Republic of Korea 2012, op. cit.
- ¹³ The Korean government is attempting to address this challenge by designating several priority partner countries in Africa and Latin America; spending more of its budget on basic needs and on cross-cutting issues; and engaging more strongly in international partnerships. As a result, the share of ODA provided to Africa increased from 2.6 per cent in 2001 to 22.1 per cent in 2012. See Government of the Republic of Korea 2012 and 2014, op. cit.
- ¹⁴ Marx and Soares 2013, op. cit.
- ¹⁵ The Seoul consensus consists of eight pillars: infrastructure, private investment and job creation, human resources development, trade, financial services, G20 platform for knowledge sharing, resilience and food security, and governance.
- ¹⁶ G. Chin and J. Heine, 'Consultative Forums: State Power and Multilateral Institutions' in Currie-Alder et al (eds.), *International Development: ideas, experience and prospect* (Oxford: Oxford University Press, 2014).
- ¹⁷ H.S. Sohn, 'Busan High-Level Forum: From Dead Aid to Better Development?', New York: Council on Foreign Relations, 2011.
- ¹⁸ Cited from KSP, *Joint Consulting with International Organisations (IOs)*, Seoul: Ministry of Strategy and Finance of Korea, 2011, available at: <http://www.ksp.go.kr/pillars/jointmain.jsp>.
- ¹⁹ This may be due to (i) a strong orientation of Korea's policy cooperation with the United States and regional neighbours; (ii) a focus on traditional bilateral country-to-country cooperation; (iii) weak engagement by the EU institutions with the Korean Government, especially in the area of international development cooperation.
- ²⁰ The Preamble of the 2010 EU-South Korea Framework Agreement identifies 'development assistance' as one of the most important cooperation areas, while Article 27 of the Agreement is fully devoted to bilateral cooperation in this area.
- ²¹ Ministry of Foreign Affairs of Korea, 'Third ROK-EU Policy Consultation on Development Cooperation to Take Place (March 17, 2014)', *Press Release*, Seoul: Ministry of Foreign Affairs of Korea, 2014.
- ²² Marx and Soares 2013, op. cit.
- ²³ See the website of the GGGI: www.gggi.org.
- ²⁴ For more details on cooperation between GGGI and GTC-Korea, see <http://gggi.org/gggi-and-green-technology-center-korea-pledge-to-collaborate-on-green-growth-research/>.

The ESPO project on Development and EU Strategic Partnerships is kindly supported by the Ministry for Foreign Affairs of Finland.