

THE ECONOMICS OF (COUNTRY) CHOICE: SOUTH KOREA AND AID SELECTIVITY

Catherine B. Smart

Troy University

South Korea has increased its emphasis on aid outflows since it joined the Organisation for Economic Cooperation and Development (OECD). Although it aligns its aid program with most of the OECD's Development Assistance Committee (DAC) requirements, such as poverty reduction, South Korea diverges from the DAC model in significant areas. One of the most evident differentiations between South Korean aid practices and DAC norms is the ROK's decision to provide the largest share of its aid allocations to lower-middle income countries (LMIC), rather than least developed countries. This paper illustrates that South Korea's preference for LMICs is a function of its aid relationship with the DPRK (Democratic People's Republic of Korea, also North Korea), the ROK's perception of itself as an international actor, an emphasis on economic and regional relationships and its own development history.

Introduction

In the past fifteen years, South Korea has mounted a concerted effort to grow and legitimize its aid program. It has shifted from fundamentally mercantilist aid practices¹ toward a more internationalist focus on poverty reduction, environmentally conscious development and international cooperation.² Despite the stated goals of its Overseas Development Assistance (ODA) program, an examination of South Korean practices shows that the lion's share of the country's aid is allocated to lower middle-income countries (LMIC) rather than to the least developed countries (LDC).³ The disparity between its stated goals and

1 Mercantilist aid practices are defined as practices with primary economic benefit for the donor nation, e.g. by establishing or fostering favorable trade relationships, in order to enhance that country's economic competitiveness. Robert Gilpin, *Global Political Economy: Understanding the International Economic Order* (Princeton: Princeton University Press, 2001), 157.

2 "Korea's ODA at a glance: Striving Forward to Eradicate International Poverty," MOFAT, *ODA Korea*, <http://www.odakorea.go.kr/eng/include/glance.php> (accessed February 26, 2011).

3 An LDC is defined by the World Bank as a state with a GNI per capita income of less than dollars996 (2009 standards). "Country and Lending Groups," The World Bank Group, <http://data.worldbank.org/>

extant practice leads one to ask why South Korea does not focus more of its aid program toward LDCs. This paper seeks to demonstrate that South Korea's preference for aid allocations to LMICs is owed to five often interrelated factors: the country's aid relationship to North Korea, South Korea's perception of itself as an international actor, an emphasis on economic and regional relationships and its own development history.

Theoretical Framework and Terms

This paper situates Korea's selection of aid recipients within the recent shift in traditional aid priorities, from an emphasis on economic growth as a driver of development to a focus on poverty reduction.⁴ Contemporary texts in the field of aid selectivity tend to be comprised of either analyses of why donors select particular countries as recipients of ODA,⁵ or why donor countries should select particular types of state aid recipients, such as LDCs.⁶ A growing body of literature examines the differentiation between traditional and more emergent donors in an attempt to explicate changes in the prevailing culture of the aid regime.⁷ Using the Center for Global Development's (CGD) contention that aid to the poorest countries is more likely to reduce poverty than aid to wealthier states as a base assumption renders South Korea's choice to provide aid to countries with

about/country-classifications/country-and-lending-groups#Lower_middle_income (accessed February 27, 2011); Hisahiro Kondoh et al., "Diversity and Transformation of Aid Patterns in Asia's 'Emerging Donors,'" JICA-RI Working Paper. *Impact of Non-DAC Donors in Asia: A Recipient's Perspective*, October 2010: 21; Alf Morten Jerve and Hilde Selbervik, "Self-Interest and Global Responsibility: Aid Policies of South Korea and India in the Making," Chr. Michelsen Institute, September 2009: 12.

4 Paul Mosley, John Hudson, and Arjan Verschoor, "Aid, Poverty Reduction, and the 'New Conditionality,'" *The Economic Journal* 114, no. 496 (June 2004): 217.

5 See Alberto Alesina and David Dollar, "Who Gives Foreign Aid to Whom and Why?," *Journal of Economic Growth* 5 (March 2000): 33-63; James H. Lebovic, "Donor Positioning: Development Assistance from the US, Japan, France, Germany, and Britain," *Political Research Quarterly* 58, no. 1 (March 2005): 119-26.

6 See David Roodman, "An Index of Donor Performance," Vers. Working Paper Number 67. *Center for Global Development*, October 2009, http://www.cgdev.org/doc/CDI/2009/Aid_2009.pdf (accessed February 20, 2010); Jeffrey D. Sachs, *The End of Poverty: Economic Possibilities for Our Time* (New York: Penguin Group, 2005).

7 See Ngaire Woods, "Whose aid? Whose influence? China, emerging donors and the silent revolution in development assistance," *International Affairs* 84, no. 6 (2008): 1-17; Hisahiro Kondoh et al., "Diversity and Transformation of Aid Patterns in Asia's 'Emerging Donors,'" JICA-RI Working Paper. *Impact of Non-DAC Donors in Asia: A Recipient's Perspective*, October 2010. (accessed February 20, 2011); Alf Morten Jerve and Hilde Selbervik, "Self-Interest and Global Responsibility: Aid Policies of South Korea and India in the Making," Chr. Michelsen Institute. September 2009; Mosley, Hudson and Verschoor, "Aid, Poverty Reduction, and the 'New Conditionality,'" 217-243.

incomes well above the LDC level worthy of closer examination.⁸ This paper defines aid and ODA interchangeably as official donations (grants and government loans) to countries and multilateral organizations on the Organisation for Economic Cooperation and Development's (OECD) Development Assistance Committee (DAC) list of ODA beneficiaries. For aid to qualify as ODA, its primary goal must be to increase economic development and well-being in recipient countries; also, flows must be considered concessional (encompassing a minimum of 25% grants).⁹ Because binary associations are more readily indicative of a country's aid selectivity, this analysis is limited to an examination of South Korea's bilateral ODA relationships.

Traditional donors, defined as the members of the DAC, have developed an aid regime over the past 60 years that exercises increasing influence on donor aid practices. The mutually constitutive norms include the emphasis on the increasing quantity of aid as well as "poverty reduction, aid effectiveness and harmonization."¹⁰ The DAC model of aid is reinforced by documents such as the 2005 Paris Declaration on Aid Effectiveness and the Recommendations on Terms and Conditions of Aid,¹¹ the latter of which emphasizes efforts in support of LDCs. In contrast, emerging donors have introduced variations to the DAC orthodoxy on aid giving.¹² Donors such as China, India and South Korea maintain that growth is best achieved through a package of aid, foreign direct investment (FDI) and trade.¹³

The ROK Aid Model

Within this analytical framework, the ROK aid program manifests features of both DAC priorities and emerging donor reluctance to conform to aid regime norms.¹⁴ As with many post-conflict states, Korea received massive amounts of

8 Roodman, "An Index of Donor Performance," 16.

9 "Official Development Assistance – Definition and Coverage," OECD, http://www.oecd.org/document/4/0,3746,en_2649_34447_46181892_1_1_1_1,00.html (accessed March 1, 2011).

10 Kondoh et al., "Asia's Emerging Donors," 6.

11 OECD, "Development Co-Operation of the Republic of Korea: A DAC Special Review," *OECD Development Co-operation Directorate (DCD-DAC)*, August 8, 2008: 18, <http://www.oecd.org/dataoecd/53/50/42347329.pdf> (accessed February 27, 2011).

12 Kondoh defines non-DAC donors as those whose "... substantial influence and importance in the international community [...] is emerging," rather than as a temporal assessment. Kondoh et al., "Asia's Emerging Donors," 18.

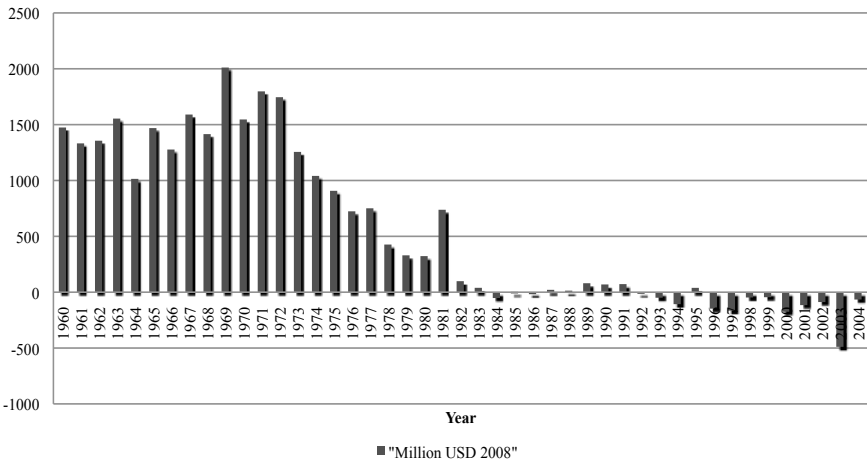
13 Sato, Jin, Hiroaki Shiga, Takaaki Kobayashi, and Hisahiro Kondoh, "How do 'Emerging' Donors Differ from 'Traditional' Donors? An Institutional Analysis of Foreign Aid in Cambodia," *12th Annual Conference of GDN*, Bogota, 2011, 7.

14 Kondoh et al., "Asia's Emerging Donors," 23.

foreign aid following the Korean War. Contrary to initial expectations, Korea prospered. A significant indicator of Korea’s development success is that the country became a net donor of foreign aid by 1995, the year that the country was removed from the World Bank lending list (Table 1). In 1996, Korea joined the OECD and became a net donor of aid the next year. The country’s consistent per capita growth led the OECD’s DAC to move Korea to the more developed Part II of its List of Aid Recipients. Korea was removed from the list completely in 2005 and was accepted as a member of the DAC in 2009.¹⁵

The ROK aid program is managed by two separate agencies. The Economic Development Cooperation Fund (EDCF), operated by the Ministry of Strategy and Finance (MOSF), is responsible for concession loans and interstate economic cooperation. The Korea

Figure 1: Republic of Korea Net ODA, 1960-2004¹⁶



International Cooperation Agency (KOICA), under the aegis of the Ministry of Foreign Affairs and Trade (MOFAT), manages grants with emphasis primarily on poverty reduction and humanitarian relief.¹⁷ At 0.10%, South Korea’s ODA/

15 “OECD Development Assistance Committee (DAC) Welcomes Korean Membership,” Organisation for Economic Cooperation and Development, 2009, http://www.oecd.org/document/50/0,3343,en_2649_33721_44141618_1_1_1_1,00.html (accessed February 26, 2011).

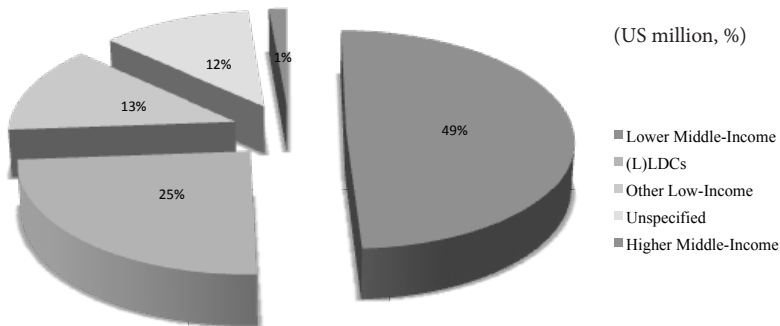
16 World Bank Group, 2010

17 “ODA Korea,” Ministry of Foreign Affairs and Trade, <http://www.odakorea.go.kr/eng/introduction/grants.php> (accessed February 19, 2011).

GNI ratio is relatively low in comparison to the DAC average of 0.31%.¹⁸ Korea intends to increase its ODA program to align with the United Nations’ Millennium Development Goals of 0.1% of ODA/GNI by 2010 and 0.25% by 2015.¹⁹

The largest portion of South Korea’s outward ODA is targeted toward regional recipients. More than 68% of ECDF disbursements and 32% of KOICA’s aid budget are allocated to Asian states.²⁰ The relative share of Korean aid to Asian states has diminished considerably in the past decade, dropping from 74% in 2002 to 41% in 2006. The decline in aid to Asia took place in the context of rising levels of aid to the Middle East during the Iraq War, as well as a deliberate shift toward Africa in Korean ODA policy. As a result, South Korean aid distributions to Africa rose 10% between 2002 and 2006 to 12.7%.²¹

Figure 2: Bilateral ODA by Income Group (Total Net ODA 2006)²²



Perhaps the most surprising feature of South Korea’s aid program is the country’s selection of recipients. Korea allocates roughly one quarter of its ODA budget to LDCs. However, its aid allocations to Lower Middle-Income Countries (LMIC) were nearly twice as high, comprising just under half of Korea’s entire aid budget.²³ As Table 2 illustrates, these numbers clearly demon-

18 “Net Official Development Assistance in 2009,” OECD, <http://www.oecd.org/dataoecd/17/9/44981892.pdf> (accessed February 27, 2011).

19 “ODA Korea,” MOFAT.

20 EDCF, “EDCF Annual Report 2007,” *EDCF*, 2008, http://www.edcfkorea.go.kr/eng/publications/report.jsp?st_code=5&nd_code=1 (accessed February 26, 2011):3; KOICA, “2007 Annual Report,” 2008, http://www.koica.go.kr/img/pdf/2008annual_e.pdf (accessed February 25, 2011), 11.

21 “ODA Korea,” MOFAT.

22 KOICA 2008

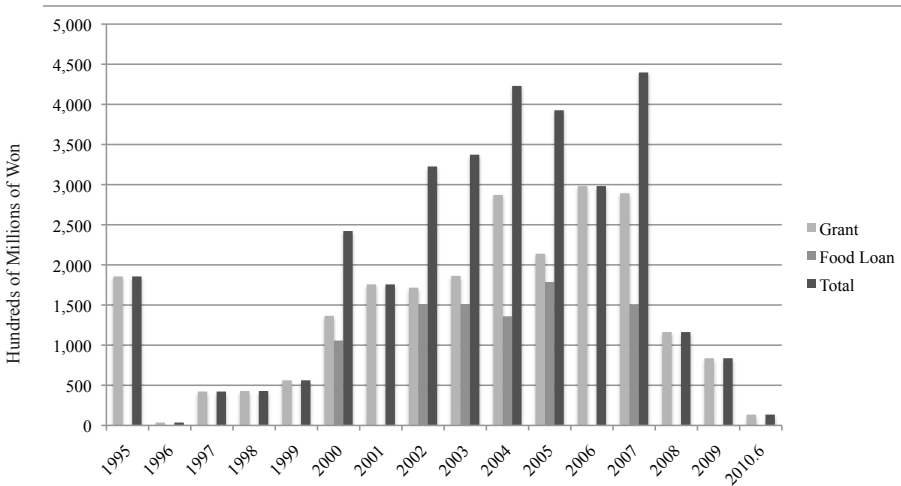
23 An LMIC is defined by the World Bank as a state with a 2009 GNI per capita income of 996-

strate that South Korea's choice to send aid to LMICs diverges from the DAC norm and policy of poverty reduction.²⁴

Explanatory factors

South Korea's ODA program is most heavily influenced by its particular set of internal circumstances. Of the myriad reasons that explain Korea's lack of aid to LDCs, pride of place must be accorded to the country's complex relationship with the DPRK (Democratic People's Republic of Korea, also North Korea). By most measurements of development (including

Figure 3: ROK aid to the DPRK²⁵



income, human development and economic efficiency), the DPRK is considered to be an LDC.²⁶ While grant and food aid to the DPRK has essentially terminated since the inauguration of conservative President Lee Myung-Bak,

3,945 dollars. World Bank Group, "Country and Lending Groups," *The World Bank Group*, 2011, http://data.worldbank.org/about/country-classifications/country-and-lending-groups#Lower_middle_income (accessed February 27, 2011).

24 Roodman, "Donor Performance," 19-20.

25 Ministry of Unification 2010

26 Choong Yong Ahn (ed), *North Korea Development Report 2002/03* (Seoul: Korea Institute for International Economic Policy, 2003), 46-51; World Bank Group, "Country and Lending Groups," *The World Bank Group*, 2011, http://data.worldbank.org/about/country-classifications/country-and-lending-groups#Lower_middle_income (accessed February 27, 2011).

South Korea has been a major donor to its impoverished northern neighbor for the entirety of its OECD membership. As Table 3 demonstrates, South Korea has provided aid (in the form of food, grants, loans, expertise and supplies in agricultural and medical fields) to the DPRK since 1995.²⁷

South Korea defines its state territorial jurisdiction as encompassing the entire peninsula, categorizing its economic interactions with the DPRK as domestic affairs to be handled by the Ministry of Unification rather than through trade or finance ministries. Therefore, because South Korea does not consider its expenditures for the DPRK as external, its aid to North Korea is not classified as ODA according to the DAC definition.²⁸ An assessment of 2007 South Korean external ODA flows that incorporates aid to North Korea would alter the former's aid allocations to \$1.2 billion, increasing its ODA/GNI percentage to 0.11%. Furthermore, inclusion of aid to the DPRK in its total allocations raises South Korea's share of aid to LDCs to 44.39%. The importance that South Korea confers on its aid efforts to the DPRK is also evidenced by the increasing aid quantities South Korea dedicates to the Philippines, which is home to a growing number of DPRK refugees.²⁹ Assessing aid volumes as a function of both international and, in this case, uniquely domestic conditions, offers a truer picture of South Korea's aid to LDCs and its commitment to poverty reduction.

The second reason that explains the selectivity of Korea's aid program is the country's desire to define itself as a middle power. Korea is acutely aware of its image in the world and has set itself the challenging goal to, "...commensurate with its economic capacity...seek to enhance its role and standing as a responsible member of the international community."³⁰ South Korea consistently seeks to increase its global standing through the successful application of soft power, such as campaigns to host high profile international events in a variety of fields. Korea's bid to secure the 1988 Olympic Games served as the opening salvo of efforts to raise the country's global image through international athletic competitions.³¹ Subsequent sports-as-diplomacy events include the 2002 FIFA World Cup and the upcoming 2011 International Association of Athletics Fed-

27 Ministry of Unification, "Humanitarian Cooperation," *Inter-Korean Affairs*, June 2010, http://eng.unikorea.go.kr/eng/default.jsp?pgname=AFFhumanitarian_assistance (accessed February 25, 2011).

28 MOFAT, "ODA Korea."

29 World Bank Group, "Country and Lending Groups;" Kondoh et al., "Asia's Emerging Donors," 44.

30 "MOFAT Policy Statement," *Ministry of Foreign Affairs and Trade*, 2010, <http://www.mofat.go.kr/english/political/tasks/index.jsp> (accessed February 23, 2011).

31 Jarol B. Manheim, "Rites of Passage: The 1988 Seoul Olympics as Public Diplomacy," *The Western Political Quarterly* 43, no. 2 (1990): 281-2.

erations World Championships in Daegu.³²

Far more indicative of an evolving South Korean engagement to amplify its weight in the international community are its efforts in the economic realm, which include increasing its importance as an aid donor. South Korea joined the World Trade Organization in 1995,³³ coincidentally the last year the country was a net recipient of ODA (Table 1). South Korea joined the OECD in 1996 and subsequently launched a lengthy and ultimately successful campaign to join the OECD DAC. Korea's influence in global economic matters was further validated when the 2010 G20 summit was held in Seoul.

Within this framework, however, South Korea is extremely cognizant of its limited choice of geopolitical options. It is resource poor, which makes it highly trade dependent and necessitates a deft touch in international matters. Moreover, although the relationship is often fractious, the alliance between South Korea and the United States looms large in the former's foreign policy. Its strategic importance to the global superpower imposes restraints on South Korea's independent political alternatives. Accordingly, South Korea takes care to define its influence in economic terms rather than in political or military ones.³⁴ Korea's pursuit of a "middle way" has been highly successful. As Ambassador of the Permanent Delegation of Korea to the OECD Hur Kyung-Wook stated at the Global Korea 2011 Symposium, "Nobody is afraid of Korea's rise."³⁵

The establishment of South Korea's ODA program is a continuation of its strategy to brand itself as a middle power. In fact, Korea's prime motivation for its aid program is a desire to increase its global influence.³⁶ The achievement of this goal is limited by the inconsistency between Korea's desire to increase its standing and the relatively small size of its ODA allocations, which has earned the country no small share of disapproval.³⁷ Despite such exhortations, a significant increase in Korea's ODA budget has not materialized. Moreover, if one considers that aid allocations to the DPRK virtually ceased in 2007, the Korean ODA program appears to be stagnating.

Korea's aid program reflects the nascence of its self-perceived iden-

32 "IAAF World Championships Daegu 2011," *International Association of Athletics Federation*, 1996-2009, <http://www.iaaf.org/wch11/index.html> (accessed February 18, 2011).

33 "Trade Profile: Korea, Republic of," *WTO*, 2009, <http://stat.wto.org/CountryProfile/WSDBCountryPFView.aspx?Language=E&Country=KR> (accessed February 26, 2011).

34 Jerve and Selbervik, "South Korea and India," 62.

35 Kyung-Wook Hur, "East Asia in a Reshaping World Order and the Role of Korea," Paper presented at the Global Korea 2011 Symposium, Seoul, Korea, February 24, 2011.

36 Jerve and Selbervik, "South Korea and India," 2.

37 United Nations Radio, "Ban Ki-moon met South Korea's Leaders in Seoul," *United Nations Radio*, July 7, 2008, <http://www.unmultimedia.org/radio/english/detail/36559.html> (accessed March 1, 2011).

tity. South Korea donates small quantities of ODA, but to a large number of recipients. This wealth spreading indicates the aspiration to maximize the influence associated with being an aid donor despite the limitations associated with a diminutive aid budget.³⁸ Similarly, the South Korean selection of generally wealthier aid recipient countries reflects its desire to establish beneficial economic partnerships rather than establish itself as a leader in the ODA field. For South Korea's purposes, up to this point the fact itself that it was a donor country was the important part. In sum, Korea's experience as an influential donor is inchoate and not yet developed to the degree that aid effectiveness (e.g., aid targeted toward DAC norms) is as important a policy goal as aid per se.

Third, as the previous section suggests, maintaining an economic relationship with aid recipients is important to South Korea. From the outset of its aid program, Korea has used ODA as a tool to secure resources by establishing bilateral aid, trade and investment relationships with developing countries.³⁹ Korea unmistakably considers future business relationships when selecting recipients for ODA.⁴⁰ Therefore, the establishment of reciprocal economic arrangements is an important facet of the South Korean aid strategy.⁴¹ As late as 2008, 98% of South Korea's aid remained tied, a conditionality that requires recipients to use received loans and grants toward purchasing Korean products and services. Additionally, the fact that Korea views giving aid to a country as a precursor to a future economic relationship is borne out by the robust linkage between Korean ODA and FDI.⁴²

South Korea's emphasis on beneficial economic liaisons leads it to devote attention to states that are developed enough to support its brand of industrialization-fueled growth. This attention extends to South Korea's aid program as well. Evidence that Korea sees LMICs as beneficial trade partners is found in the narrowing of its aid program to emphasize relationships with "priority partner" states. Although the reduction of aid recipient countries is taking place ostensibly in an effort to provide a clearer focus for, and more effective distribution of, Korean ODA, it is impossible to overlook the dearth of the poorest nations among the revised list. Of the 19 states that Korea has identified as priority

38 Alesina and Dollar, "Who Gives Foreign Aid," 42.

39 Jerve and Selbervik, "South Korea and India," 8, 19.

40 Eun Mee Kim and Jai S. Mah, "Patterns of South Korea's Foreign Direct Investment Flows into China," *Asian Survey* 46, no. 6 (December 2006): 897.

41 EDCF, "Annual Report 2007," 7.

42 Bokyeong Park and Hong Sik Lee, *Does Korea Follow Japan in Foreign Aid? Relationships between Aid and Foreign Investment*, Working Paper Series Vol. 2008-08, The International Centre for the Study of East Asian Development, Kitakyushu, Japan, 2008: 19.

partners, 13 are LMICs.⁴³

The self-interested character of South Korean ODA also keeps with academic literature on the subject of donor aid allocation. According to Alesina and Dollar, the strategic interests of the donor country feature prominently in decisions to allocate aid.⁴⁴ These interests also include economic considerations. Additionally, there is some theoretical support that favors trade relationships over aid.⁴⁵ These views lend some credibility to South Korean aid practices.

Despite empirical support which demonstrates that Korea's nationalist ODA practices are not unusual, the mercantilist tenor of its aid program has not gone unnoticed by the international community. In addition to United Nations Secretary General Ban Ki-Moon's call for South Korea to increase its aid volume and assume more leadership in the field of ODA issues, international academics, journalists and leaders publicly encourage Korea to take on greater responsibility.⁴⁶ As President of the French Institute of International Relations Thierry de Montbrial insists, "(...) as a medium-sized power (South Korea)... can, and has, the will and the readiness to contribute resources. South Korea is in a prime position to play an increased role."⁴⁷ Although more recent Korean aid agency documents reflect an awareness of DAC priorities of aid effectiveness, poverty reduction and sustainable development, the process of change has been slow.⁴⁸

Closely related to the economic relationships is the fourth factor that influences Korea's choice of aid recipients: the regional focus of its aid program (Table 4). This regional emphasis owes much to the significance that South Korea attaches to its role in Asia.

43 The 13 LMICs are Angola, Egypt, Guatemala, Indonesia, Iraq, Mongolia, Pakistan, Paraguay, the Philippines, Sri Lanka, Uzbekistan, Vietnam and Yemen. OECD, "Korea: A DAC Special Review," 11; World Bank Group, "Country and Lending Groups."

44 Alesina and Dollar, "Who Gives Foreign Aid?," 47.

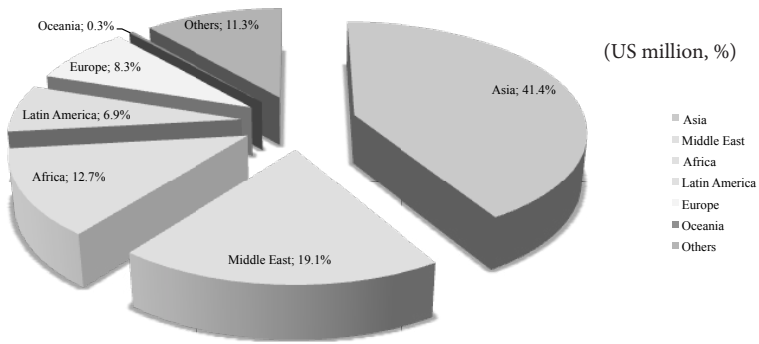
45 However, trade in the latter analysis is posited as open. Christopher S. Adam and Stephen A. O'Connell, "Aid versus Trade Revisited: Donor and Recipient Policies in the Presence of Learning-by-Doing," *The Economic Journal* 114, no. 492 (January 2004): 169.

46 OECD, "Development Co-Operation of the Republic of Korea."

47 Thierry de Montbrial, "East Asia in a Reshaping World Order and the Role of Korea" (paper presented at the Global Korea 2011 symposium, Seoul, Korea, February 24, 2011).

48 MOFAT, "ODA Korea."

Figure 4. Bilateral ODA by region (Total Net, 2006)⁴⁹



In addition to its aspiration for recognition as a global player, South Korea continues to pursue opportunities to display its economic prowess in regional affairs as well. South Korea increasingly defines itself as part of an East Asian economic bloc, seeking to capitalize on the growing significance of the region in the world economy.⁵⁰ An increased Asian regional identity carved from a similarity of development experiences and setbacks and enhanced by trade organizations and multilateral lending is often presented as an alternative to external (western) influence. As one of the strongest economies in the region, South Korea aims to position itself as a leading actor within the framework of rising Asian influence.⁵¹

The heavy concentration of South Korean aid in Asia is closely related to high regional trade interdependence and volume.⁵² In other words, Asia is the locus for a sizeable portion of South Korea's economic activities. The regional focus of South Korea's international relationships is readily evident in its trade data. East Asian countries (Japan and China) comprise approximately one third of Korea's imports and exports.⁵³ The influence of Korea's regional economic relationships manifests itself even more strongly in the trade statistics of the country's Asian economic partners. Behind China and Japan, South Korea is generally the third or fourth largest trade partner of most East Asian states.⁵⁴

49 KOICA 2008

50 Hur, "East Asia in a Reshaping World Order."

51 "East Asia in the World: Prospects and Challenges," *Global Korea 2011*, Seoul: KIEP, 2011, 1-111.

52 Kondoh et al., "Asia's Emerging Donors," 22.

53 WTO, "Trade Profile: Korea, Republic of."

54 Christopher M. Dent, *East Asian Regionalism* (New York: Routledge, 2008), 44.

Outward flows of Korean FDI also indicate strong regional attachments. According to UNCTAD assessments, in 2000 Korea invested more than 40% of its FDI to the Philippines, Vietnam and Indonesia—each of which is an ASEAN LMIC with whom South Korea also has a significant aid relationship.⁵⁵ Although China has supplanted ASEAN countries as the primary destination of South Korean FDI in the last decade, South Korea's investment in East Asian states continues to grow.

Largely because of its East Asian economic relationships, South Korea has focused its aid donor program on regional development projects.⁵⁶ These ventures are undertaken both bilaterally and in cooperation with multilateral organizations such as the OECD and the Asian Development Bank (ADB). Much of this aid involves infrastructure development projects in the Greater Mekong Sub-region. To that end, Korea has signed a Memorandum of Understanding with the ADB and offered loans to Vietnam.⁵⁷

Aid practices, combined with the volume of trade between South Korea and its Asian neighbors, support the assertion that Korea applies its economic influence to enhance its standing as a regional economic power by interacting most with more developed LMICs rather than impoverished states.⁵⁸ Asian LMICs that receive ODA from South Korea include Mongolia, Vietnam, Sri Lanka, Pakistan, the Philippines and Indonesia.⁵⁹ An examination of Korean outward ODA recipients by agency indicates that two of the four highest disbursements of EDCF loans are Asian (Sri Lanka and the Philippines, both LMICs). Similarly, KOICA reports reveal that Iraq (an LMIC) has received the highest percentage of aid (17.3% of the agency's total budget in 2007) since 2003. Four of the next top five KOICA aid recipient countries are Asian: Sri Lanka, Vietnam, Indonesia and Cambodia. Of these, all but Cambodia are LMICs.⁶⁰

Finally, while the preceding four factors might lead to the perception that South Korea's ODA program is motivated solely by self-interest, one must also consider the importance of South Korea's own experience as an aid recipient in its assumptions about development. As this paper has discussed, South Korea experienced rapid development in significant areas. Indeed, South Ko-

55 Kim and Mah, "Patterns of Korea's FDI to China," 895; Kondoh et al., "Asia's Emerging Donors," 21.

56 EDCF, "Annual Report 2007," 10, 13-14; KOICA, "Annual Report 2007," 18.

57 "Korea, Australia and ADB Provide \$1.65M for Viet Nam, Cambodia Road Improvements," Asian Development Bank, 2007, <http://www.adb.org/media/articles/2007/12307-mekong-roads-improvements/default.asp?p=vienews> (accessed February 26, 2011).

58 WTO, "Trade Profile: Korea, Republic of."

59 World Bank Group, "Country and Lending Groups."

60 EDCF, "Annual Report 2007," 14; KOICA, "Annual Report 2007," 19-24.

rea's transition from indebted postwar country to economic powerhouse has been the topic of considerable scholarly debate. As a result, it sees its model as one that can be utilized by other developing states.⁶¹ South Korea aims to employ "...its limited financial resources effectively in areas where Korea has a comparative advantage," emphasizing its "...unique experience of developing from one of the poorest countries in the world to one of the most economically advanced."⁶²

In keeping with contentions that economic growth is necessary for development,⁶³ the ROK has built its aid program on the premise that progress in all areas obtains from industrialization. The South Korean exemplar lends considerable credence to this line of reasoning. The expansion of the Korean economy was accompanied by a concomitant rise in a number of human development indicators, such as income equality.⁶⁴ Among its contemporary late industrializing states, South Korea stands out as a remarkable success story. The South Korean trajectory of development based on rapid industrialization therefore serves as the cornerstone of its own machinations as an aid donor. The Korean belief in the efficacy of its development history translates to an emphasis on loans and infrastructure building in its aid (and investment) practices, as these elements were key to its own rapid economic growth. South Korea also underscores a tripartite combination of aid, trade and investment in the structure of its ODA agenda.⁶⁵

That South Korea's ODA program has evolved in many ways to replicate its own development experience also contributes to the tendency to direct its efforts toward countries that possess adequate initial conditions in their societies and state structures. Differently stated, South Korea seeks to establish relationships with states that resemble its own early years of development. Suitable state characteristics include *inter alia* higher urbanization levels and a more developed middle class.⁶⁶ Korea's preference for advantageous preconditions for its aid selection is borne out by Palmer, Wohlander and Morgan's assessment

61 EDCF, "Annual Report 2007," 4.

62 "Our Mission: Making a Better World Together," *KOICA*, 2008. <http://www.koica.go.kr/> (accessed February 28, 2011).

63 Atul Kohli, *State-Directed Development: Political Power and Industrialization in the Global Periphery* (New York: Cambridge University Press, 2004), 2-3.

64 Gary Gereffi, "Rethinking Development Theory: Insights from East Asia and Latin America," *Sociological Forum* 4, no. 4 (1989): 506.

65 Alf Morton Jerve, "Asian Models for Aid: Is There a Non-Western Approach to Development Assistance?" CMI Report 2007:12, Chr. Michelsen Institute, Oslo, 2007: 7.

66 Dani Rodrik, Gene Grossman and Victor Norman, "Getting Interventions Right: How South Korea and Taiwan Grew Rich," *Economic Policy* 10, no. 20 (April 1995): 75-7.

that improved recipient state capacity results in higher aid contributions.⁶⁷ It is thus not surprising that South Korea seeks to invest in relatively more developed LMICs.

Comparative Aid Selectivity

The relative newness of Korea's experience as an aid donor, combined with the evident endorsement of its progress by the OECD DAC, leads one to question whether South Korea is unique among emerging donors, particularly in Asia. Korea touts its status as the first country to move from the ODA recipient list to membership in the DAC and only the second Asian country ever to become a member.⁶⁸ The visibility of the South Korean aid program is undoubtedly high when weighed against emerging donors, as is the country's public embracement of DAC norms. Nevertheless, Korea is relatively overt about expressing its desire to gain from economic linkages as part of its ODA strategy.⁶⁹ While the behaviors of other emerging donors are less explicitly self-interested, many such states also seek economic and geopolitical advantages from their ODA practices. For example, India ties its aid program to its foreign policy priorities by seeking to establish beneficial relationships with its neighbors.⁷⁰ China places considerable value on trade and investment as part of its development package.⁷¹ The aid strategies of each of these states bear resemblance to South Korea's own ODA program.

Similarities to Korea's pursuit of national interests are not only found among emerging donors but they are also visible in established DAC country ODA practices. Despite the harmonization efforts proclaimed by the Paris Declaration, traditional donors continue to pursue self-interested goals through their aid programs as well. Lebovic makes a strong case that Great Britain, France and Germany respectively emphasize economic concerns and trade partnerships in the formation of their aid donation programs.⁷² Furthermore, the ROK's dis-

67 Glenn Palmer, Scott B. Wohlander and T. Clifton Morgan, "Give or Take: Foreign Aid and Foreign Policy Sustainability," *Journal of Peace Research* (2002): 23.

68 MOFAT, "Korea's Accession to the OECD Development Assistance Committee (DAC)," *MOFAT*, November 30, 2009, <http://news.mofat.go.kr/newspaper/articleview.php?master=&aid=2493&ssid=23&mv id=722> (accessed March 1, 2011); "EDCF Policy," *EDCF*, 2010, Korea's Accession to the OECD Development Assistance Committee (DAC) (accessed March 1, 2011).

69 EDCF, "Annual Report 2007," 10.

70 Jerve and Selbervik, "South Korea and India," 9.

71 Ngairé Woods, "Whose Aid? Whose Influence? China, Emerging Donors and the Silent Revolution in Development Assistance," *International Affairs* 84, no. 6 (2008): 11.

72 James H. Lebovic, "Donor Positioning: Development Assistance from the US, Japan, France,

tribution of a small aid budget across a substantial number of recipients bears similarities to the ODA programs of Australia and Italy.⁷³

The aforementioned comparisons notwithstanding, the greatest parallel in Korea's aid program choices (including its selection of recipient countries) is found in the example of Japan during the 1970s and 1980s. During this period, the Japanese aid model was shaped "...primarily by economic considerations and alliance maintenance."⁷⁴ South Korea's prioritization of trade, its simultaneously beneficial and conflicted relationship with the US, as well as its regional affiliations indicate striking parallels to the Japanese experience of recent decades. Most importantly, Japan devoted the largest quantity of its ODA budget to LMICs. In 1985-1986, for example, the share of Japanese ODA devoted to LMICs was 53%, while the portion dedicated to LDCs was 21%. Korea's average data for 2002-2006 are nearly identical for its country income allocations: 52% to LMICs and 24% to LDCs. During this latter period, Japan liberalized its aid regime to bring the program somewhat more in alignment with DAC averages, decreasing its aid percentages to LMICS to 39%. Although the reduction was not accompanied by a contemporaneous rise in aid allocations to LDCs,⁷⁵ Japan serves here as the best example of a future road map for South Korea to follow in order to increase the effectiveness (e.g. poverty reduction efforts) of its aid program.

Conclusion

Since it became an aid donor in 1987, South Korea's selection of recipients has been based principally on the criterion of economic advantage. The country's prioritization of beneficial economic relationships in its aid allocations supports the theory that the perceived strategic value of the recipient state is the decisive factor governing aid distribution.⁷⁶ Recently, South Korea has shifted the focus of its ODA program toward more humanitarian goals, which is likely to result in a movement toward DAC norms such as poverty reduction. Korea has the opportunity to bring further international focus to its aid practices in

Germany, and Britain," *Political Research Quarterly* 58, no. 1 (March 2005): 123.

73 Roodman, "Donor Performance," 3.

74 Richard Grant and Jan Nijman, "Historical Changes in US and Japanese Foreign Aid to the Asia-Pacific Region," *Annals of the Association of American Geographers* (1997): 36.

75 Japanese ODA to LDCs dropped 5 percentage points to 16%. Park and Lee, "Does Korea Follow Japan?" 4, 24.

76 Stephen Kosack and Jennifer Tobin, "Funding Self-Sustaining Development: The Role of Aid, FDI and the Government in Economic Success," *International Organization* 60, no. 1 (Winter 2006): 224.

2011, when the OECD's Fourth High Level Forum on Aid Effectiveness will take place in Pusan.⁷⁷ However, a combination of domestic constraints (a conservative administration, conflicting goals of its internal aid agencies and the disproportionately large influence of big businesses) and international factors (the 2008 economic downturn and an increased sense of East Asian regionalism) will likely result in a continuation of the same selectivity trends in South Korean outward ODA for the near future.

Ultimately, Korea's rise in economic stature will not come without associated responsibilities. This includes increased leadership as an aid donor. The traditional aid model faces considerable competition from emerging donors, particularly in Asia. Among these newly influential donors, South Korea is uniquely situated both financially and experientially to effect change in the traditional *modus operandi* of ODA. Pressure is growing both within Korea and internationally to increase South Korea's emphasis on poverty reduction through increased allocations to LDCs, as well as enhance the aid volumes and aid practices commensurate with the country's influence in the economic realm.⁷⁸ Whether, and how, South Korea chooses to do so will have significant repercussions on aid strategies throughout the world.

PEAR

77 OECD, "DAC Welcomes Korean Membership."

78 KIEP, "East Asia in the World: Prospects and Challenges."

