

Policy suggestion to Official Development Assistance of Korea towards sustainable development of developing countries in marine sectors

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ABSTRACT

This paper aims to assess major contributing factors to problems that developing countries are facing at the present time, and to suggest the way in which those factors are addressed to build Korean ocean policy towards developing world. Five types of economic failure found in developing countries were investigated to understand difficulties and needs of them, including poverty, state bankruptcy, financial difficulty, civil war, and structural transition. Those state failures could bring great socioeconomic impacts on Korean interests, such as national security, economic stakes, international crimes, infectious diseases, and resource wars. In conclusion, five bullet points that Korea needs to fully address in making international ocean policy are suggested: 1) focusing more on human and social assets; 2) protecting social and environmental problems; 3) streamlining assistance institution; 4) improving national image; 5) management based on sustainability. As a G-20 chairmanship nation in 2010, Korea should be serving a bridge between developed and developing world to make them better off the sustainable international cooperation in marine sectors.

Key words: Ocean policy, Sustainability, Developing country, Korea, Official Development Assistance (ODA)

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1. Introduction

Marine policy of Korea toward developing countries should be seen as an integral part of the overall cultural, political and economic relations and the industrialized nations' responsibility to address main root causes of the increasing gap between rich and poor countries. The developing countries' socio-economic problems are the result of high rate of human population growth, economic policies that fail to solve social problems and protect the environment and its resources, insufficient scientific knowledge, and weakness in institutional and legal systems. Narrowing the gap and improving the lives of people in the developing countries may now be perceived as being in the best interest of the industrialized states¹.

The consequences for Korea, however, of good or bad economic performance among poor countries go beyond direct economic returns. As a general outcome, economic failure abroad raises the risk of state failure as well. When foreign states malfunction, in the sense that they fail to provide basic public goods and services (health, education, courts, police, surveillance, and enforcement of natural resource sustainable rates of exploitation) for populations, their societies are likely to experience steeply escalating problems that spill over to the rest of the world. Failed states are seedbeds of violence, terrorism, international criminality, mass migration and refugee movements, environmental destruction, drug trafficking, and disease. Poor economic performance abroad has the potential to translate into state failure that, in turn, jeopardizes significant interests of developed countries. As Korea is increasingly interested in engaging more resources to help failed states, it will have to spend more time helping them achieve economic success to avert state failure. As many other developed nations, Korea has certain economic policy instruments at its disposal to help prevent state failure abroad.

The global foreign aid landscape is changing rapidly. For example, traditional donors such as Japan are no longer overwhelmingly dominant in terms of volume, and so-called "emerging donors" are becoming increasingly influential. Among these, China, India, Korea and Thailand are key funding sources of foreign aid to poorer nations. These emerging donors are significantly diverse among themselves and distinct from the traditional donors². Although a full-scale investigation of emerging donors has not to be introduced, a variety of opinions has already been represented. Non-democratic countries like China have begun to deteriorate development policy through their activist aid programs that seek only money, access to natural resources, and international votes without consideration of environmental integrity³. Emerging donors are also criticized for seeking their own narrow

1 Sachs, Jeffrey D., (2001) The Strategic Significance of Global Inequity, *Washington Quarterly*, Summer.

2 Sato, J. et al. (2011) "Emerging Donors" from a Recipient Perspective: An Institutional Analysis of Foreign Aid in Cambodia. *World Development*, Vol. 39, No. 12, pp. 2091-2104.

3 Naim, M. (2007) Rogue aid. *Foreign Policy*, March/April, pp. 95-96.

interests to the detriment of the development of the recipient countries. However, a more amiable opinion can be found that Chinese aid has strengthened trade links in Africa, thereby allowing improved growth in terms of trade and increasing both the export volumes and public revenues of recipient countries⁴. Thus, it is critical for Korea to have a strong strategic design of foreign assistance, not to follow the previous bad examples. Unfortunately, Korea had not designed any policy measures and strategic initiatives to deal with these problems for decades.

This study's major objective is to assess main factors that contribute to problems developing countries are facing at the present time and how they could affect marine-related Korean international policy toward this group of nations. Understanding difficulties and needs of the developing world is a key for successful economic and other relations at the time of growing globalization, demands for development, and increasingly urgent needs of coastal resources. The challenge is to define appropriate role for Korean marine policy that will enable the country to improve its relations and image in developing countries.

Korean chairmanship of the G-20 Summit in 2010 represents an opportunity to bring the development issues to the forefront of global economic policy discussion, and Korea can serve as a bridge between the developed and developing worlds through its own experience and expertise.

2. Strategic significance of inequalities in economic and marine environmental management

At the time when Korea and many other industrialized countries enjoyed significant economic growth during last decades, many developing countries, particularly located in Africa, suffered an outright decline in welfare. Is there a "strategic significance" to global inequities in income levels and economic growth, and, if so, which policy might Korea pursue to address these strategic concerns? The similar question may be posed in regard to Korean ocean policy toward developing countries having in mind continuing deterioration of their marine and coastal environments and declining possibilities to produce food of aquatic origin for their growing populations. In many poor countries, in spite of great potential of their coastal resources, technological, economic and managerial capabilities to use them do not exist. In order to gain badly needed hard currency they export or allow for foreigners to exploit their marine resources, thus feeding and giving away jobs to the rich industrialized markets. As a result, malnutrition due to a deficit of food is deepening

⁴ Woods, N. (2008) Whose aid? Whose influence? China, emerging donors and the silent revolution in development assistance. *International Affairs*, Vol. 84, No. 6, pp. 1205-1221.

in the developing countries. Coastal lands in these countries are increasingly cleared of mangroves, invaded by urban sprawling growth and suffering of increased water pollution from land-based sources. Expanding aquaculture in many Latin American and Asian countries is export-oriented and serving industrial countries' markets that are indifferent what is the origin and social cost of imported seafood even if its production is affecting natural ecosystems in the exporting countries.

Korea's interests in successful economic growth abroad are multifaceted. Some of these interests are economic: the economic success or failure of developing countries determines the gains from trade and investment that Korea reaps in its economic relations with those countries.

3. Types of economic failure in developing countries

3.1 Impact of poverty

Poor countries are paradoxically too poor to achieve sustained economic growth. To attract foreign investment and technology so needed to assure growth there are minimum standards of health, education, and infrastructures, including ports, shipyards, processing and storage facilities, roads and utilities. In many impoverished countries (Sub-Saharan Africa, Indochina region, Bangladesh, Haiti, some Central American countries and others) these conditions cannot be met. High dependence of poor populations on timber used for cooking their food leads to increased pressures on mangrove forests that are also cut for smoking fish and other meats. Because population in hinterlands cannot find jobs, education and health care, there is an increased migration to the coastal zones where frequently the last resort job and source of food are coastal artisanal fisheries, low-paid port, and coastal tourism services-related employment. In many coastal developing countries the number of artisanal fishermen is already excessive as their pressures on fishery resources becomes unsustainable and leads to over exploitation and degradation of coastal ecosystems. Increasingly, the development of the off-shore oil and gas resources is seen by the coastal populations as an opportunity for them to gain additional benefits from foreign corporate contributions, such as taxes paid by international corporations to the local governments.

3.2 State bankruptcy

This situation occurs when the state cannot service its current foreign debts. Bankrupt states cannot provide basic public services, maintain troop loyalties, and use state revenues to buy off political opposition figures, or make budget transfers to keep allied parties or region within a governing coalition. Most telling examples of state failure are

financial problems of the West African countries including Guinea-Bissau, Guinea-Conakry, Sierra Leone and Liberia. Administrative workers of these states receive their salaries with a half year delay and this governmental failure causes frequent strikes and work stoppages in these states. It is also forcing state employees to corruption, stealing of state property, and distortions in the foreign donor-financed development projects.

3.3 Financial difficulties

It is a continued reversal of capital flows and the absence of short-term private-sector loans that leads to an increased contraction of the economy despite long-term solvency and generally adequate economic conditions. These crises affected Mexico (1995), Indonesia, Korea and Thailand (1997) and in certain cases (Indonesia) provoked dramatic regime change and internal violence. Lack of capital, in turn, affects investment and continuation of various marine projects initiated by industrialized nations as well as development of the coastal infrastructures and other projects funded both by the government as well as by the private sector. Repayment of excessive debts and foreign financial obligations causes the same type of problems.

3.4 Civil wars and public unrest

Civil wars are the result of the state failure and are direct contributors to the collapse of the social systems, local economies, and rational management of the coastal resources. In the Persian Gulf over 6-8 million barrels of oil were spilled, killing 15,000-30,000 sea birds and contaminating mangroves and coral reefs⁵. Catastrophic oil or other chemical spills are only some of the direct effects to the marine resources. Degradation of the coastal resources as a result of overpopulation and malnutrition is also a concern. As a result of poor governance and public unrest, it is very frequent that the coastal resources cannot be properly allocated and protected. Some segments of the coastal population are claiming more direct benefits for them to be delivered by foreign corporations exploiting these resources. There are rampant illegal and pirate fishing operations in the 200-mile Exclusive Economic Zone and territorial waters of poor developing countries and flourishing clandestine exports of seafood and prohibited products. These originate from protected or endangered species like marine mammals, turtles and other protected marine organisms. The collapsed states cannot control their borders and this allows drug smuggling and transfers of illegal migrants⁶. Wars also result in massive emigration of affected

5 Vanasselt, W, (2004), The Collateral Damages of War. November/December 2004, Vol. 2, No.10

6 Kaczynski, V.M, Djassi, S. (2006) Illegal activities in marine Protected Areas: The Case of Guinea-Bissau, West Africa, paper presented during International Conference on Economic Globalization and Environmental Policy, Warsaw School of Economics, Warsaw May 24-25, 2006.

populations from one country to another and flight of trained specialists from war engulfed countries and subsequent inability of governments to negotiate agreements on conditions that would assure rational resource use by foreign operators. The war-torn and cash-starved countries accept frequently unfair access conditions of foreigners to their coastal resources. These agreements provide very few benefits to the local populations and further degrade marine resources.

Violent secessionist movements are statistically much more likely if the country has valuable natural resources. Examples include Aceh (Indonesia), Biafra (Nigeria), Ivory Coast, Sri Lanka, Philippines, Cabinda (Angola), Katanga (ex-Congo), and West Papua (Indonesia).⁷

3.5 Crisis caused by structural transition

Systemic transitions in many developing states and post-Soviet bloc countries destabilize societies in many ways. Transition from communism in Eastern Europe and Russia, recovery from war (especially from defeat), transition from colonial rule to state sovereignty, from authoritarian rule to democracy, and succession struggles after the collapse of a long-standing regime (for example, the fall of Suharto after 32 years in power in Indonesia) are good examples. The CIA study found that the most dangerous political condition leading to future state failure was a state in transition. "Partial" democracies are more likely to fail than authoritarian or fully democratic regimes. The Russian marine living resource deterioration and outright decimation in certain seas took place during the transition period, and even today the Russian Far East fishing industry is unable to recover from the total collapse of valuable Okhotsk Sea and Bering Sea fish and invertebrate stocks after collapse of the Soviet Union.

4. Impacts of state failure on Korean strategic interests

4.1 National security

Nearly in all cases of US military interventions abroad since 1960 have taken place in developing countries that previously experienced a case of state failure. In many cases, the linkages from economic collapse to state failure to the US military engagements could not be clearer in such cases as Vietnam, Haiti, Panama, Lebanon, Somalia, Yugoslavia,

⁷ Bannon, I. and Collier P., (2003). *Natural Resources and Conflict: What We Can Do?* In: *Natural Resources and Violent Conflict: Options and Actions*, The World Bank, Washington, D.C.

Colombia, and presently Afghanistan and Iraq. Security considerations include rebel activity, terrorist attacks, sea-piracy, illegal sea migration, arms proliferation, and drug trafficking.

4.2 Economic stakes

Korea has significant economic stakes in developing world that are jeopardized by the state failure. The total Korean foreign direct investment was US\$ 19.4 billion in 2009 of which 33 % is placed in developing countries. About 72 % of Korean exports go to the developing countries (2009) and it is quickly growing⁸. However, business operations are heavily affected by host-country instability, poverty, and corruption. The volume of fish imports in 2008 from developing countries (excluding China and Russia) was equal to 52% of total imports⁹. Korean fishing operations mostly in the 200 mile Exclusive Economic Zone of the developing countries produced at least 650 thousand metric tons in 2008, i.e. over 35% of the total Korean catch.¹⁰

4.3 International crime and drug smuggling

The state failure is both the cause and consequence of international criminality, at-sea piracy, money laundering and international drug trafficking. Failed states are easy prey for criminal groups, terrorists, pirates and mafias (Yemen, Indonesia, Columbia, Russia, Sierra-Leone, Guinea-Bissau and others). The diamond trade by the guerilla groups in Sierra-Leone helped terrorist organizations such as Al-Queda to raise funds to support their terrorist activities in many European and Asian countries as well as in the United States.

4.4 Environmental degradation

Tropical deforestation, overfishing, soil erosion, loss of biodiversity and long-term climate change are caused in part by population pressures in poor agrarian regions and failed governance that lead to clear cutting of forests, pollution and illegal occupation of lands. Environmental regulations in failed states are generally not enforceable or are easily corrupted (Ivory Coast, Guinea-Bissau, Guinea-Conakry, Cambodia, Russia, Indonesia, South Africa, Columbia).

8 Website of KEXIM (Korea Export & Import Bank) Overseas Economic Research Institute. Data available at http://keri.koreaexim.go.kr/05_invest/01_statistics/investTotal_year.jsp (in Korean)

9 Korean Ministry of Food, Agriculture, Forestry and Fisheries (MIFAFF), 2008, Fisheries Export -Import Statistics (in Korean)

10 Website of Korea Overseas Fisheries Association. Data for 2008 available at <http://www.kosfa.org/data1/data1.asp> (in Korean)

4.5 Infectious diseases

Many poorest countries, especially societies with state failure, are subject to horrific conditions of disease. The disease is both a cause and consequence of economic and political failures. Collapsed states lack the financial and institutional means to deliver vital public health services. Disease burden and spread of multi-drug resistant strains across international borders are cause of destabilization in whole regions. Between 2000 and 2020, 68 million people will die of HIV/AIDS, 55 million of them in Sub-Saharan Africa¹¹. Ignorance, superstition, a refusal by too many governments to face the facts, and plain embarrassment combine to make it hard to respond to the crisis.

4.6 Resource wars and conflicts

Conflicts over valuable resources, including fish and other coastal natural assets become an increasingly prominent feature of the global landscape. Often intermixed with ethnic, religious, and tribal antagonisms, such conflicts have posed a significant and growing threat to peace and stability in many areas of the world. The discovery of off-shore oil and gas in Africa added a new dimension to this violent panorama: from that point on, major outside powers acquired interests of their own. For example in the Caspian Sea, five nations: Azerbaijan, Iran, Kazakhstan, Russia and Turkmenistan are disputing the rights to undersea reserves¹². As a result, these coastal states are unable to manage valuable sturgeon and other living resources that are in the state of nearly total extinction.

5. Marine policy challenges for Korea

5.1 Foreign aid as a policy tool

There is an absence of policy framework for translating Korean interests in foreign economic performance into marine policy actions and addressing preventable or remediable cases of foreign economic failure. These actions must include Korea's marine policy initiatives as this country's foreign assistance was very modest and has mostly targeted countries not in a poverty trap and poorly timed (usually too late). To address poverty trap, a large-scale and sustained aid transfers from Korea and other rich countries targeted on the crises in health, education and basic infrastructures will be highly advisable.¹³

11 State of the World Atlas, The Penguin. Seventh Edition, p. 112-113

12 Klare, Michael T. (2002), *Resource Wars: The New Landscape of Global Conflict*, A Metropolitan/Owl Book.

13 Sachs, Jeffrey, D. (2005), *The End of Poverty: Economic Possibilities of Our Time*. Penguin Press.

Industrialized countries did nothing significant to help the poorest of the poor in Africa to break out of the poverty trap. However, there is an urgent need to address the poverty, state bankruptcy and other maladies affecting societies and economies of the developing World.

State bankruptcy can be dealt with outright cancellation of external debt. In case of illiquidity, the postponement or timeout on debt servicing might be appropriate. Continuing hemorrhaging of debt service payments during liquidity crisis can cause an extremely sharp collapse of economic output (East Asia in 1998 - as an example).

The crisis of transition can be solved by providing help in crucial moments that are expected to prevent the collapse or attract political forces to the reform program. Foreign assistance should build signals of the long-term durability of the new government.

Korea has never wielded foreign assistance as an effective instrument of its foreign policy. The Government plans to spend 0.25% of GNP¹⁴ in foreign assistance that in 2009 equals to 0.09 % of GNP, or US\$ 802 million¹⁵ but most of this aid was “tied”¹⁶ and only small percent in assistance was directed to poorest countries. Although Korea increased recently its ODA (Official Development Assistance) to Africa, doubling its support to the region through “Korea’s Initiative for Africa’s Development,”¹⁷ the consequences of this stringency are undermining the long-term vital interests of Korea. There is an urgent need to rebuild country’s national capacity to support economic development abroad particularly helping sub-Saharan Africa to escape from poverty trap that leads to a downward spiral of disease, falling living standards, and increased conflict during past 20 years.

The new approach in the Korean marine policy toward the developing countries should consider, between other countries, the following challenges.

5.2 Food security

Despite seriousness of food security threats in poor countries, little was done in increasing their capabilities to improve the use of their coastal living resources for the benefit of the local populations. The Korean marine policy should include this issue as an important agenda item for the nearest future.

5.3 Marine and coastal environmental deterioration

Through trade and overseas operations, Korea contributes to the accelerated deterioration of the coastal and ocean resources in some developing countries. The Korean

14 “Korea to increase dev. aid for Bangladesh”, The Daily Star, Dhaka, Vol. XX, No. 223., August 28, 2010

15 Korea’s role in global development, The Brookings Institution, No. 36, August 28, 2010

16 Tied aid means it must be used to procure goods and services from the donating country.

17 The Brookings Institution, ditto

imports of environmental products are not restricted (with few exceptions like tuna-dolphin interactions, turtles and few other species) by the damage this trade is generating in exporting countries. The country impacts other ecosystems by the importation of products and raw materials from developing countries. While Korea has stopped a number of damaging practices that affect Korean environment at home, the country is still benefiting from the continuation of those same practices carried out by foreign companies overseas. In short, Korea is either buying or degrading other people's environments and then consuming them by Korean consumers. Korean new marine policy should address and prevent these negative tendencies.

5.4 Using marine resources as an engine of growth in coastal countries

Marine and fresh water resources in developing countries have a great potential as an engine of economic growth, employment, and a source of food for the local populations. In spite of declining agricultural and industrial growth and increasing number of the poor in Africa and other continents, there are grounds for at least some cautious optimism. One main reason is that among the leadership and governments of the African continent and outside donors that support them (the World Bank, UNDP, International Monetary Fund, African Development Bank and others) there is growing awareness of this potential. Korea should support projects leading to increased coastal countries' capabilities to take advantage of their marine and coastal resources.

5.5 Population growth and resource depletion

Rapid growth of population and migration to the coastal areas throughout entire Sub-Saharan region are associated with increased demand for seafood, space and other coastal resources. This contributes to depletion of the ocean and coastal living resources caused by intensifying fishing (particularly by the foreign fleets), disappearance of the mangrove forests, urban pollution, poor sanitation, and declining quality of water. If not addressed by governments and civic society at large, such environmental deterioration takes place wherever human beings congregate in large numbers, suggesting that problems will become even more of a challenge in the future as urbanization continues and coastal urban areas grow in population and size. Important marine policy objective is to design precautionary measures that coastal states of Africa must take to prevent these negative trends.

5.6 Transformation of Korean cooperation policy toward the developing countries

Marine policy of Korea should act in concert with the substantial transformation of the West's policy toward poor developing coastal states such as those situated in

Sub-Saharan Africa. It should promote joint sub-regional initiatives in this regard to the international cooperation in marine resource use and improvement of the investment climate that is needed for foreign companies to integrate their typical offshore activity with the coastal states' economies. These policy reforms should be combined with the change of orientation from pure business approach in relations with the coastal developing countries to more active participation in the reform programs of the coastal states. There is a need for increased responsibility of foreign operators in protection and sustainability of exploited marine resources in the coastal waters of the developing countries.

6. Conclusions and recommendations

Korea's economic interests in developing countries are focusing on natural resources such as water, air, fish, forests, minerals, sources of energy, and foodstuffs. It also includes human and social assets – from worker commitment to community support – as well as economic resources, such as a license to operate, a receptive marketplace, and legal and economic infrastructure.

Contemporary social and environmental problems affecting developing countries are creating risks and opportunities for Korea that fundamentally change the playing field and require a new marine policy for the Government, individual firms, industries, and business itself.

The new marine policy approach towards the developing countries and a concept of aid for the coastal states needs to be re-evaluated and streamlined as it is currently fragmented (approximately 30 Korean institutions are in charge of implementing of ODA programs).

Korean aid policy will improve an image of the country in the developing World contributing to the private sector's profitability, higher shareholder value and its favorable social, human, and environmental impacts in developing countries.

Korean companies can become more profitable by applying the new concept of cooperation with the developing coastal states that foresees elimination or reduction of any illegal activity in their coastal waters, integration of investments with the local economy and social-economic programs that benefit local populations.

The new policy concept of corporate sustainability when working in the developing country environment allows to compare the behavior and business ethics of Korean corporations running business in highly industrialized activities in emerging economies in the world.

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