

# Korea's Development Cooperation with the Mekong Region

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## Introduction

A regional cooperation project centered on a long river way passing through several nations, in addition to ensuring agreement between the nations involved, requires cooperation from the international community as a whole. This is because of potential conflict that may inevitably arise during the course of such a project; the types of conflict that the states get involved in may not be able to resolve on their own. The Mekong's upper reaches is located in China, and five other developing nations of Southeast Asia are sharing its middle and downstream sections, which has made mutual agreement quite

difficult. However, due to the high demand for development in the region, those involved have continued to adjust their positions accordingly and cooperate with each other in spite of the difficulties involved in developing the Mekong region.

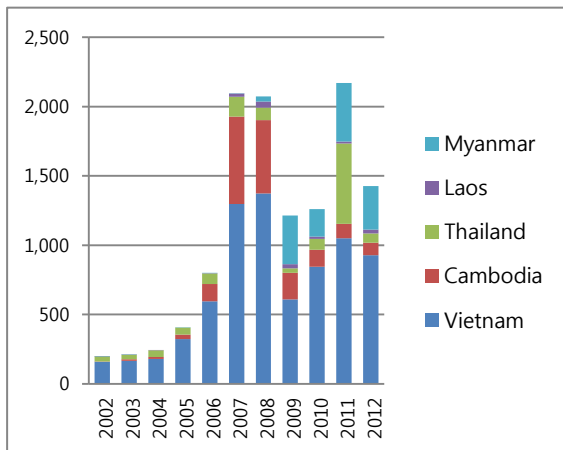
Support from multilateral development agencies and advanced nations have kept development moving forward up to this point, in terms of hardware infrastructure. Nations in the region have been active participants in the ADB-sponsored Greater Mekong Subregion (GMS) program that began in 1992, which resulted in rapid buildup of physical infrastructure in the region.

They are also cooperating through the Mekong River Commission (MRC) for projects to develop Mekong's water resources, and also bolster human capital in the region through the Mekong Institute (MI). Connectivity between different regions around the Mekong have been strengthened recently; to promote the flow of goods, services, investments, capital and labor that would expedite development in the region.

## Korea's Bilateral Cooperation with the Mekong Region Countries

Korea's bilateral cooperation with Mekong region countries is rapidly increased after Korea-ASEAN FTA in 2007.

**Figure 1. Korea's Annual Investments in the Mekong Countries (2002–2012, USD million)**

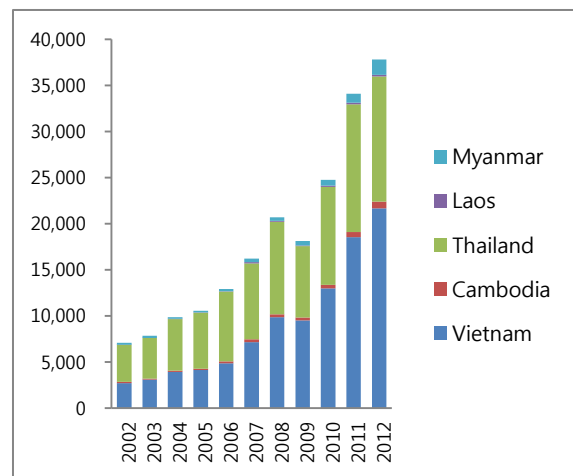


Source: Korea Eximbank: Foreign Investment Statistics.

Figure 1 shows Korea's annual investments in Mekong countries from 2002 to 2012, which demonstrates that there is a dramatic increase

in Korea's investments in 2007. Among Mekong countries, Vietnam is the first destination for Korea's investment, followed by Cambodia and Thailand. Recently, Korea's investment on Myanmar is increased due to its economic environment and openness to the world as well as the great progress in democracy.

**Figure 2. Korea's Trade Volume with the Mekong Countries (2002–2012, USD million)**

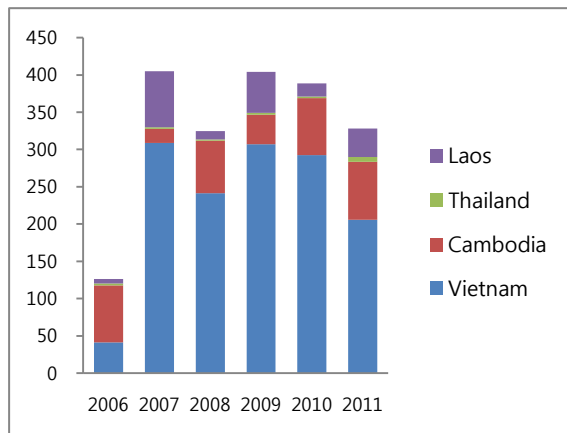


Source: Korea International Trade Association (KITA).

Korea's trade volume with Mekong region countries has been rapidly increased so that it reaches almost USD 37,818 million in 2012, which is shown in Figure 2. Vietnam is the Korea's biggest trade partner among Mekong countries after 2008, which is followed by Thailand, Myanmar and Cambodia.

Figure 3 shows that Korea's ODA to countries in the Mekong region has rapidly increased in 2007 and then its annual ODA ranges from USD 324 million to USD 405 million. Vietnam is Korea's biggest ODA partner among Mekong countries, which is followed by Cambodia and Laos.

**Figure 3. Korea's ODA to the Mekong Countries (2006–2011, USD million)**



Source: OECD Credit Reporting System.

## Han-River Declaration

In October of 2011, Korea announced its intentions for earnest participation in the development of the Mekong region through the first Korea-Mekong foreign ministers' meeting. During the meeting, Korea pledged active consideration to ASEAN connectivity, sustainable development, and people-oriented development in six major specific areas under the theme of “Han River Declaration of the Mekong-ROK Comprehensive Partnership for Mutual Prosperity”.

Korea also announced it would pursue several possible pilot projects such as the establishment of a transportation institute, water resources development with MRC, GMS capacity building on logistics and agricultural value chains in the context of ASEAN Integration with MI at the second Korea-Mekong foreign ministers' meeting in July of 2012.

At this point, Korea must formulate a basic strategy, direction of cooperation and measures for middle to long term cooperation in participating in the regional development.

## Enhancing Multilateral Cooperation

In this regard, the question of how we should look at Korea's participation in the development of the Mekong region is an important one. Countries comprising the region including Vietnam, Cambodia, Laos and Myanmar are already major cooperative partners receiving significant ODA from Korea. This means that if viewed solely from a bilateral standpoint, Korean involvement in these development efforts would create much overlap with pre-existing ODAs and would be, in essence, simple repetition.

However, the development of the Mekong region is actually a level-up, from bilateral to multilateral cooperation. The claim could be made that it constitutes Korea's first multilateral development project after Korea became a member of the OECD DAC. It should be noted that the Korean government and private sector will be involved together in various projects pursued by the Mekong regional bodies, which will serve to enhance Korea's potential capacity with respect to development.

In order to ensure continued development, private sector participation is indispensable along with cooperation between governments, for which programs that enable public-private partnerships must be created. In the middle to long term periods, Korea should take a leading role in the development of Mekong and come up with a system that would strengthen Korea's capacity for multilateral development cooperation. Moreover, the strategy for development cooperation in Asia must be established from the larger framework of Korea development cooperation.

## Overall Plans for Korea in Developing Mekong Region

This research thus proposes the following measures for cooperation, with respect to creating overall plans for Korea in developing Mekong region.

First, the Korea-Mekong foreign ministers' meeting must be elevated to summits, while simultaneously organizing economic ministers' meetings as an intermediate phase to enhance economic cooperation. Following its foreign ministers' meeting with the Mekong region countries in 2008, Japan subsequently elevated it to a meeting of economic ministers and eventually summits, which could serve as a point of reference.

Second, an ODA base for multilateral cooperation must be established. The Mekong sub-regional development was made possible by converting previously bilateral relationships into multilateral channels for cooperation. A firm foundation in the form of multilateral ODAs is vitally necessary for the continuation of such multilateral cooperation. The government-wide ASEAN Connectivity Task Force that was launched on September 2012 will focus on strengthening the connection between Korea and countries in the Mekong region. The Korean government ODA, set to be doubled by 2015 (relative to 2012) could be put to active use for the endeavor.

Third, all efforts should be expended for keeping the cooperation with donor states and regional cooperative organizations moving. The nature of each organization must be assessed and understood as well as the strategies of major donor states, to ensure amicable cooperation with those organizations and states. Korea should also seek to take leads in certain projects, circumstances permitting, and must

not shrink from taking advantage of diverse, pre-existing networks. This would contribute immensely to enhancing Korea's capacity for development in the long term.

Fourth, formulating an action plan for Korean engagement in development projects in the Mekong region is necessary. These engagements should take place separately in the six major areas of cooperation, instead of in an overarching manner. As these projects move forward, the so-called Korea Special Fund (KSF) needs to be set up, so that KSF should be spent for doing feasibility studies from the earliest stages of projects. This allows an accumulation of data as well as provides opportunities for Korean corporations. Also, the participation of the private sector should be encouraged by establishing joint public-private programs, which would include public-private partnerships (PPPs) and other diverse formats. To further stimulate exchange in the private sector, the 'Korea-Mekong Business Forum' should continue to be organized. Last but not least, a system should be arranged in a manner that would bring in more small and mid-size business into the fold. **KIEP**