

THE DEVELOPMENT OF THE REPUBLIC OF KOREA FOREIGN ECONOMIC COOPERATION POLICY (FROM THE MID-1980S TO THE EARLY 2000S)

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Abstract. *The goal of the foreign economic cooperation policy of the Government of the Republic of Korea is to reduce trade barriers and achieve export growth by expanding interests in areas of bilateral economic concern. Active expansion of foreign economic cooperation contributes to improving the country's image and enhancing the competitiveness of South Korean export products. In addition, the main directions of the South Korean government's policy on expanding foreign economic cooperation are, on the one hand, expanding measures to attract foreign companies and foreign capital to Korea, and on the other hand, encouraging the international investment activity of South Korean companies.*

Keywords: *expansion of foreign economic cooperation, expansion of international trade, improvement of industrial structure, mutual benefit between the two sides.*

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Introduction

Since the 1980s, the foreign economic cooperation policy of the Republic of Korea has undergone significant changes. Before the 1980s, the main foreign economic policy of the South Korean government was focused on attracting short-term and long-term loans as well as direct foreign investment to create an industrial base aimed at expanding export markets. Although within a short time the Republic of Korea transformed from an agrarian country into an industrial one and from a closed economy into an open one, before the 1980s its government did not pay serious attention to the development of a strategy for expanding foreign economic cooperation.

However, since the mid-1980s, the South Korean government actively pursued a policy of expanding foreign economic cooperation with the aim of enlarging the size of the economy, maintaining a balance of payments surplus, and developing cooperation with countries with transitional economies³. In particular, the Government of the Republic of

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³ A group of former socialist countries that began the transition from a centrally planned to a market economy mainly in the last decade of the 20th century. These primarily include the former Soviet republics and the countries of Central and Eastern Europe. In this article, the main focus is on Eastern Europe, the

Korea expanded its foreign economic cooperation policy in order to take a more active position regarding external trade frictions after its accession to the WTO in 1995. Moreover, the South Korean government developed a foreign economic cooperation policy aimed at expanding direct foreign investments oriented toward developing countries and entering new markets concentrated in Eastern European countries. That is, as the international influence of the South Korean economy expanded, ***the demand for foreign economic cooperation increased***. As a result, the main foreign economic policy of the South Korean government achieved an active transition from a policy of prioritizing the expansion of export markets to a policy of expanding foreign economic cooperation. ***Given this evolution, the article examines the main stages and priorities of South Korea's foreign economic cooperation policy from the mid-1980s to the early 2000s, highlighting the factors that shaped its transformation.***

Literature Review

To strengthen its position in the international community and overcome the global economic crisis, the Korean government actively pursued expansion of external economic cooperation. In addition, the Korean government is promoting external economic cooperation with developing countries to share its economic development experience and pursue mutual economic development. In particular, Korea needs to strengthen its external economic cooperation to expand new markets and secure stable resources and production raw materials. Kim, Haksu (1991) and Lee, Changyu (2016) studied the background of the Korean government's full-scale promotion of foreign economic cooperation policies. In particular, the study examined the background of the Korean government's policy of pursuing external economic cooperation with the Soviet Union and Eastern European countries. Moon, Jau (1999) studied the direction and implementation plan of the Korean government's foreign economic cooperation policy centered on advanced countries.

The Korean government's goal of external economic cooperation with advanced countries is to pursue the introduction of advanced industrial technologies and the advancement of industrial structures. Choi, Junyoung (2018) and Kim, Wonho (2019) presented research on the Korean government's foreign economic cooperation policy with developing countries. The Korean government's expansion of external economic cooperation with developing countries is very significant in terms of pursuing mutual economic development and interests. As protectionism intensifies worldwide and the global economic environment becomes increasingly uncertain, the importance of foreign economic cooperation policies is increasing.

Soviet Union, and China, where the South Korean government actively pursued a policy of foreign economic cooperation.

Methodology

This study employs a qualitative historical analysis based on official policy documents, governmental reports, and statistical data published by the Republic of Korea. The research relies on secondary sources, including academic studies, publications of the Korea Institute for Foreign Economic Policy, and international trade statistics from institutions such as KITA and the Bank of Korea. By combining document analysis with comparative review of trade and investment data between the mid-1980s and the early 2000s, the article identifies the main stages, priorities, and regional patterns of South Korea's foreign economic cooperation policy. The methodological approach is descriptive-analytical, aiming to trace policy evolution across three major groups of partner economies-developed countries, transitional economies, and developing countries-and to interpret the underlying economic and geopolitical drivers of these policy shifts.

As part of the practical policy to expand foreign economic cooperation, the Government of the Republic of Korea established in 1987 the Foreign Economic Cooperation Fund for the development of capital cooperation with developing countries. On the other hand, the Government of the Republic of Korea promoted the expansion of ODA projects to provide direct support for the economic development of developing countries. In addition, in order to diversify technological cooperation with developing countries, in 1991 the Korea International Cooperation Agency was established, which actively promotes foreign economic cooperation policies oriented toward private companies.

Thanks to the implementation of the policy to expand foreign economic cooperation, the South Korean government achieved an expansion of these ties not only at the state level but also at the level of private entrepreneurship. It is worth noting that Korea's foreign economic cooperation partners began to expand from developed countries, such as the United States, Japan, and the EU, to developing Asian countries and northern socialist countries, such as the Soviet Union, China, and Eastern Europe.

As mentioned above, the main directions of the South Korean government's policy to expand foreign economic cooperation are divided into three categories. First, the main policy of the South Korean government's foreign economic cooperation with the United States, Japan, and the European Union was focused on ensuring sustained competitiveness in the export markets of developed countries. In general, maintaining the sustained competitiveness of export products in developed markets is directly related to the various economic policies of the governments of developed countries. For example, to ensure the competitiveness of export products in the U.S. market, it was necessary to expand direct investments. In order to protect its own market, the United States pursued a policy that involved increasing direct investment by foreign companies, using various methods of non-tariff barriers. For this reason, the main direction of the South Korean government's foreign economic cooperation policy with the United States was to promote trade expansion by increasing direct investment in the United States.

On the other hand, in order to ensure the competitiveness of South Korean export products in the European market, it was necessary to increase attention to labor and environmental issues. The EU countries adopted laws prohibiting labor exploitation on the basis of poor working conditions and minimum wages, and applied these laws to exporting countries. In addition, policies were introduced that legally prohibited price competitiveness of export products based on environmental pollution. For this reason, the South Korean government established a foreign economic cooperation policy consistent with the basic economic policies implemented by developed countries, with the aim of enhancing the competitiveness of export products in developed countries. The foreign economic cooperation policy of the South Korean government with developed countries had a positive impact on improving working conditions in the Republic of Korea and on environmental protection.

Second, the Government of the Republic of Korea pursued a policy of actively expanding foreign economic cooperation with transitional economies (or northern socialist countries), such as Eastern Europe, the Soviet Union, and China, in order to secure raw materials and energy resources, as well as to diversify the trade market. In particular, the promotion of policies to expand foreign economic cooperation with transitional economies served as an important factor in improving relations with North Korea and in establishing peace on the Korean Peninsula in the future.

Third, as the Republic of Korea acquired the status of a developing country in the international community after the 1980s. The need to expand foreign economic cooperation with developing countries increased. In the short term, the Republic of Korea had to compete with developing countries for trade expansion in the world market, while at the same time contributing to the expansion of foreign economic cooperation in the long term. In other words, despite the existence of competitive relations with developing countries in the sphere of foreign trade, the Republic of Korea was also interested in cooperating with them to promote mutual national interests. That is, the main foreign economic cooperation policy of the South Korean government with developing countries consisted of competition for the expansion of export markets in the world market and mutual cooperation for the purpose of sustainable economic development. For this reason, the South Korean government pursued an active foreign economic cooperation policy aimed at transferring the successful experience of the Republic of Korea's economic development to developing countries through cooperation with them (Kim Haksu, 1991).

In general, Korea's foreign economic cooperation with developed countries was largely determined by commercial interests, and therefore the main agent became the private sector. However, economic cooperation with transitional economies and developing countries took the form of cooperation led by the state sector, since it reflected the political will of the South Korean government. A more detailed look at the main directions of foreign economic cooperation in the three regions promoted by the South Korean government is as follows.

1. Foreign economic cooperation policy with developed countries aimed at maintaining trade markets and introducing advanced technologies for the development of the South Korean economy.

Foreign economic cooperation with developed economies such as the United States, Japan, and the EU was very important for the development of the South Korean economy. Tables 1 and 2 show trends in Korea's trade relations with developed countries. As shown in Tables 1 and 2, the average trade trend of the Republic of Korea with developed countries over six years from 1985 to 1990 was the same as in overall South Korean exports: the United States accounted for 34.7%, Japan for 18.8%, and the European Union for 12.8%.

As a result, these three regions together accounted for 66.3% of the Republic of Korea's total exports. In addition, among total imports of the Republic of Korea from 1985 to 1990, imports from the United States accounted for 23.5%, imports from Japan for 29.3%, and imports from the EU for 11.1%. As a result, these three regions accounted for 63.9% of Korea's import market. These trade data clearly show that the United States, Japan, and the EU are the Republic of Korea's main trading markets.

Table 1. Dynamics of export volumes of the Republic of Korea with developed countries (mln. USD)

	1985	1986	1987	1988	1989	1990	1985-90 (%)
USA	10,754	13,880	18,310	21,404	20,639	19,360	34.7
Japan	4,543	5,426	8,437	12,004	13,457	12,638	18.8
EU	3,250	4,320	6,597	8,132	7,394	8,844	12.8
UK	913	1,034	1,525	1,951	1,861	1,750	3.0
W. Germany	979	1,242	2,002	2,368	2,368	2,849	3.9
France	316	543	880	1,070	894	1,119	1.6
Italy	184	319	552	733	681	750	1.1
Etc.	407	611	749	1,007	1,159	1,086	1.2
Total export	30,283	34,715	47,218	60,696	62,377	65,016	100.0

Source: Korean trade statistics (<https://stat.kita.net/stat/world/trade/CtrImpExpList.screen>)

Table 2. Dynamics of import volumes of the Republic of Korea with developed countries (mln. USD)

	1985	1986	1987	1988	1989	1990	1985-90 (%)
USA	6,489	6,545	8,758	12,757	15,911	16,942	23.5
Japan	7,560	10,869	13,657	15,929	17,449	18,574	29.3
EU	2,970	3,320	4,610	6,042	6,492	8,410	11.1
UK	566	454	722	915	923	1,226	1.7
W. Germany	979	1,216	1,799	2,074	2,624	3,284	4.2
France	442	706	784	1,135	87	1,223	1.8
Italy	218	310	537	638	85	1,170	1.3
Etc.	1,239	1,201	1,437	2,009	2,563	3,040	4.0
Total import	31,136	31,584	41,020	51,811	61,465	69,844	100.0

Source: Korean Trade Statistics (<https://stat.kita.net/stat/cstat/peri/tot/TotTotalList.screen>)

As shown in Table 3, in the trade sector, the share of the Republic of Korea in exports and imports with developed countries was dominant, whereas Korea's direct investments in Japan and the EU, with the exception of the United States, were very minimal. Korea's outward foreign direct investment began in earnest after the mid-1980s. As shown in Table 3, the total volume of the Republic of Korea's outward direct investment from 1986 to 1990 amounted to USD 2,294 million, of which USD 715 million was invested in the United States, accounting for 27.6% of the Republic of Korea's total investment. On the other hand, the amount of investment in Japan was USD 30 million, which accounted for 1.7% of the total investment, while in the EU it was USD 162 million, or about 5.7% of the Republic of Korea's total investment. In particular, as shown in Table 3, if one looks at Korea's investment in major countries prior to the integration of the EU market at the end of 1992, the United Kingdom recorded USD 69 million, equivalent to 2.4% of the total investment, while the remaining investments in Germany, France, and Italy remained at very insignificant levels. Figure 1 shows the volume of foreign direct investment of the Republic of Korea in developed countries from 1985 to 1990.

Table 3. Volume of the Republic of Korea's Foreign Direct Investment in Developed Countries (mln. USD)

	1985	1986	1987	1988	1989	1990	1985-90 (%)
USA	92	58.5	167.7	92.9	153.8	242.1	27.6
Japan	20	2	1.3	6.5	10.2	10.8	1.7
EU	11	5.6	6.8	18.8	18.4	112.1	5.7
UK	3.1	0.1	4	10.6	7.4	47.3	2.4
W. Germany	5	3.3	2.4	2	0.9	3.8	0.6
France	2	0	0.1	1.2	1.5	2.8	0.3
Italy	0	0	0	0.2	0.2	0.4	0.03
Etc.	56.1	0.7	3.4	0.6	4.7	10.9	2.6
Total investments	626.4	172	397.2	212.9	492.5	1,019.7	100.0

Source: Statistical Yearbook of Foreign Direct Investments of the Bank of Korea (<https://www.data.go.kr/data/3040164/fileData.do>)

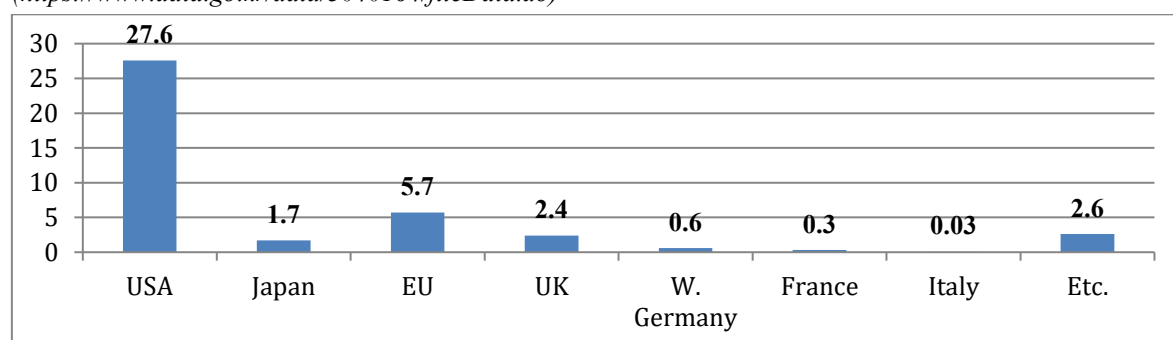


Figure 1. Volume of the Republic of Korea's Foreign Direct Investment in Developed Countries (1985-90, %, mln. USD)

Source: Statistical Yearbook of Foreign Direct Investments of the Bank of Korea (<https://www.data.go.kr/data/3040164/fileData.do>)

The Government of the Republic of Korea selected two main policy goals in implementing its long-term policy of foreign economic cooperation with developed countries. First, in order to enter and expand into the markets of developed countries, the South Korean government promoted a policy of improving the quality of export products. The Republic of Korea faced the problem of increasingly strict import restrictions by developed countries to protect their own markets. For the expansion of exports to developed countries, improving the quality of South Korean export products became an urgent task. Therefore, the actual foreign economic cooperation policy of the South Korean government consisted in promoting the transition from labor-intensive export products to capital-intensive and high-tech products as a means of enhancing the international competitiveness of export products in developed markets.

Second, the South Korean government needed to expand foreign economic cooperation with developed countries for the development of its industrial structure. In particular, the Government of the Republic of Korea facilitated the expansion of foreign economic cooperation with developed countries for the development of the heavy chemical, electronic, and semiconductor industries, which form the foundation of the South Korean economy. The results of Korea's industrial structure development policy led to the expansion of export markets in developed countries and the improvement of export product quality. Consequently, the South Korean government had to respond effectively to the protectionist tariff policies of developed countries in order to expand developed markets, and at the same time promote close economic cooperation for the purpose of introducing advanced technologies to foster the development of high-tech industries in the Republic of Korea.

The importance of the export markets of developed countries for the South Korean economy can be summarized as follows. First, the markets of developed countries are the largest consumers of the Republic of Korea's main export products. Even if the Republic of Korea seeks to expand trade with transitional economies and developing countries in order to diversify its export markets, it cannot replace the developed markets, which are the main markets for Korea's export products. In particular, products of the heavy and chemical industries are the principal export items of the Republic of Korea. Exports of heavy and chemical industry products increased from USD 120 billion in 1996 to USD 170 billion in 1999. Since the structure of Korea's export products was concentrated in heavy chemical industry products, its main export markets had no alternative but to be developed countries.

Second, in order for the Republic of Korea to achieve the status of an advanced industrial structure, its export products needed to secure competitiveness specifically in developed markets. For Korean industry to reach the level of a developed country, export products had to possess solid international competitiveness. To achieve this goal, South Korean export products had to be tested and recognized for their quality in developed markets. If Korea's main export items were not recognized for their quality in developed markets and did not secure international competitiveness, they would have no choice but to remain as medium- and low-priced export products. If the structure of exports of medium- and low-priced products persisted, the Republic of Korea would fall behind the export

drive of developing countries and ultimately remain outside the developed-country markets. In this case, there was a risk that the Republic of Korea would lose its international competitiveness and remain at the level of a middle-income economy. This economic phenomenon is known as the “middle-income trap”.

Third, since developed markets have strong purchasing power and diverse consumer preferences, the main markets for South Korean export products had to be based in developed countries. In general, trade in industrial goods is more active between countries with high income levels. For this reason, in order for South Korean export products to gradually move toward high quality and high prices, they had no alternative but to base their products in developed markets with high income levels. To enhance competitiveness in developed markets, the study of subtle changes in purchasing power and consumer preferences in developed countries became an important variable in the development of South Korean export products (Moon Jauu, 2016).

The Government of the Republic of Korea also established a policy of expanding support for corporate R&D investments with the aim of expanding markets in developed countries and supporting the development of creative and specialized export products. Thus, developed markets played an important role not only as an export market for the Republic of Korea, but also as a supplier of advanced technologies and means of production for the industrial development of the South Korean economy.

2. Policy of Foreign Economic Cooperation with Transitional Economies for the Purpose of Securing Energy Resources and Diversifying Trade Markets.

The policy of foreign economic cooperation of the Republic of Korea with transitional economies represented cooperation that was oriented more toward politics and diplomacy than toward economic reasons. In February 1988, the South Korean government officially established diplomatic relations and economic exchanges with transitional economies, but the ultimate goal was to establish stability and peace on the Korean Peninsula by indirectly expanding exchanges with North Korea through cooperation with socialist countries. The countries with which the Republic of Korea established diplomatic relations were socialist states of Eastern Europe, such as Hungary, Czechoslovakia, and Poland. Following this, a policy was established to expand diplomatic and economic cooperation with the Soviet Union and China, both of which had direct relations with North Korea.

From an economic point of view, the Republic of Korea's policy of expanding foreign economic cooperation with transitional economies could bring the following benefits. First, the Republic of Korea is a country lacking in energy resources and raw materials for production, which are key factors in industrial development. Therefore, it was important to provide the opportunity to secure necessary energy resources on a stable basis through joint development of essential resources in the framework of economic cooperation with transitional economies. Second, it served as an opportunity to improve Korea's trade structure, which had been oriented toward the United States, Japan, and the EU, as well as to diversify its export markets. Third, in particular, the expansion of economic cooperation with the Soviet Union contributed to the introduction of fundamental science and technology, as well as advanced military

industry technologies, which the Republic of Korea needed. Therefore, the Republic of Korea's foreign economic cooperation with the Soviet Union was of great importance at a time when it was difficult for Korea to transfer advanced military industry technologies from developed countries. In particular, the fundamental science and technologies provided by the Soviet Union made a significant contribution to the production of new products and the increase of exports by South Korean private companies. It is also true that technological cooperation in the high-tech military industry of the Soviet Union had a considerable influence on the development of heavy industry in the Republic of Korea. Specifically, foreign economic cooperation between the Republic of Korea and the Soviet Union largely facilitated the modernization and globalization of South Korea's defense industry.

Fourth, above all, the Republic of Korea's policy of expanding economic cooperation with the Soviet Union was based on securing energy resources through joint development of natural resources. In particular, economic cooperation in the Soviet Far East and Primorye was of great significance to the Republic of Korea. Economic cooperation between the Republic of Korea and the Soviet Union was focused on projects for forest development, coal and oil extraction, as well as the development of gas fields. In other words, this was foreign economic cooperation oriented toward the development of raw materials and energy resources needed in the Republic of Korea, such as crude oil, gas, and timber (Lee Changyu, 2016).

As shown in Tables 4 and 5, if we look at the trends in the Republic of Korea's exports and imports with transitional economies, the following can be noted. As shown in Table 4, in the total volume of exports of the Republic of Korea, the average value for the four years from 1987 to 1990 was 2.4% to China, 0.4% to the Soviet Union, and 0.4% to Eastern European countries, for a total of about 3.5%. Furthermore, according to Table 5, China's share in the Republic of Korea's total imports was 2.8%, the Soviet Union's share was 0.5%, and Eastern European countries' share was 0.2%, amounting to only about 3.5% of total imports.

Table 4. Dynamics of Comparative Export Volumes of the Republic of Korea with the USSR, China, and Eastern European Countries (mln USD)

	1985	1986	1987	1988	1989	1990	1985-90 (%)
Soviet Union	0	0	67	112	208	519	0.4
China	683	668	813	1,700	1,438	1,580	2.4
Eastern Europe	0	0	102	126	271	541	0.4
Total export	30,283	3,4715	47,281	60,696	62,377	65,016	100.0

Source: *Statistics of Exports and Imports by Countries and Regions* (<https://stat.kita.net/stat/world/trade/CtrImpExpList.screen>)

However, a new turning point occurred when the South Korean government offered the Soviet Union an economic cooperation package worth 3 billion USD for the normalization of diplomatic relations between the Republic of Korea and the Soviet Union, concluded in 1990. Subsequently, in 1990, South Korea's exports to the Soviet Union reached 500 million USD, while imports from the Soviet Union also amounted to 400 million USD. Since trade volume between the Republic of Korea and the Soviet Union exceeded 900 million USD, the trade between the two countries rapidly increased and surpassed 15 billion USD in 1996. Meanwhile, South Korea's total trade volume with China grew from 4 billion USD in 1991 to

105 billion USD in 1995. As a result, the share of South Korea's trade with transitional economies increased from 3.5% in 1990 to 12% in 1995 (Lee Changyu, p. 13).

Table 5. Dynamics of Comparative Import Volumes of the Republic of Korea with the USSR, China, and Eastern European Countries (mln. USD)

	1985	1986	1987	1988	1989	1990	1985-90 (%)
Soviet Union	0	0	133	178	392	370	0.5
China	605	615	673	1,387	1,707	2,268	2.8
Eastern Europe	0	0	46	89	118	213	0.2
Total export	31,136	31,584	41,020	51,811	61,465	69,844	100.0

Source: *Statistics of Exports and Imports by Countries and Regions* (<https://stat.kita.net/stat/world/trade/CtrProdImpExpList.screen>)

On the other hand, as shown in Table 6, direct investment by the Republic of Korea in transitional economies was minimal. The main factors behind this were the lack of investment information and political instability in transitional economies. Figure 2 also shows the dynamics of comparison of the volume of FDI of the Republic of Korea with the USSR, China and Eastern European countries.

Table 6. Dynamics of Comparative Volumes of FDI by the Republic of Korea with the USSR, China, and Eastern European Countries (mln. USD)

	1985	1986	1987	1988	1989	1990	1985-90 (%)
Soviet Union	0	0	0	0	0.5	0.5	0.1
China	0.1	1.8	6	5.4	12	22.1	2.3
Eastern Europe	0	0	0	0	46.5	1.5	3.2
Total export	626,4	172,0	397,2	212,9	492,5	1,019.7	100.0

Source: *Current status of foreign direct investment of the Republic of Korea*

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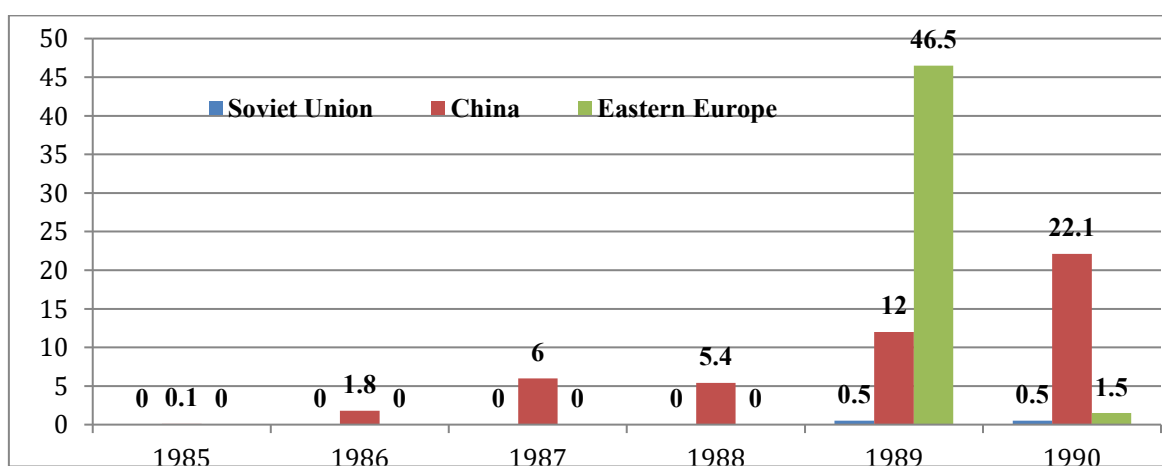


Figure 2. Dynamics of Comparative Volumes of FDI by the Republic of Korea with the USSR, China, and Eastern European Countries (mln. USD)

Source: *Current status of foreign direct investment of the Republic of Korea*

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In particular, the Republic of Korea not only expanded trade with transitional economies, but scientific and technological cooperation also played an important role. After 1985, the Republic of Korea not only developed scientific and technological cooperation with the Soviet Union but also gradually expanded cooperation with Hungary, Czechoslovakia, and Poland, extending collaboration in the fields of fundamental science and chemical technology. In fact, in December 1990, an agreement was reached on the transfer of 281 advanced technologies from the Soviet Union through the signing of a scientific and technological cooperation agreement between the Republic of Korea and the Soviet Union. Moreover, thanks to the conclusion of an agreement between the two countries, scientific and technological cooperation was advanced in various areas, such as joint scientific research supported by the government and the expansion of cooperation with private research institutions. It is evident that the foreign economic policy of the South Korean government, aimed at export diversification and technology introduction, achieved significant results in the expansion of foreign economic cooperation with transitional economies. As a result, the Republic of Korea's foreign economic cooperation policy with transitional economies made a major contribution to the country's industrial development. Ultimately, the South Korean government's active pursuit of foreign economic cooperation with transitional economies became an important factor in establishing stability and peace on the Korean Peninsula in the long term.

3) The main policy of the Republic of Korea's foreign economic cooperation with developing countries was the improvement of industrial structure and the diversification of trade markets.

Since the mid-1980s, fundamental changes have occurred in the industrial structure of Korea. The main industries of the Republic of Korea shifted toward heavy chemical, electronic, and semiconductor industries. The industrial structure of the Republic of Korea began to transform from labor-intensive industries such as textiles, clothing, and footwear to capital- and technology-based industries. Due to these changes in Korea's industrial structure, labor-intensive industries were forced to relocate to developing countries. In other words, the textile, clothing, and footwear industries of the Republic of Korea came to be regarded as declining sectors. Due to high production costs and the loss of international competitiveness, the South Korean government actively promoted the relocation of labor-intensive production to China and Southeast Asia. That is, the Republic of Korea sought to expand foreign economic cooperation and improve its industrial structure by transferring labor-intensive industries, which were losing their comparative advantage, to developing countries. In the end, foreign economic cooperation between the Republic of Korea and developing countries created opportunities to promote industrialization on the part of the developing countries. In particular, South Korea's foreign economic cooperation policy pursued mutual benefit and common prosperity by transferring the experience of standardized industrial development in labor-intensive manufacturing industries (Choi Junyoung, 2018).

While the Republic of Korea needed to relocate labor-intensive industries abroad, developing countries experienced a growing demand for the development of manufacturing

industries. In other words, the mutual need for foreign economic cooperation between the Republic of Korea and developing countries was fulfilled. The main driving force of the Republic of Korea's policy of foreign economic cooperation with developing countries was the policy of cooperation in the field of economic development, aimed at utilizing the labor force and resources of developing countries through the transfer of South Korean capital and industrial technologies.

Foreign economic cooperation of the Republic of Korea in the field of foreign direct investment with developing countries, which began in earnest after the mid-1980s, can be divided into the Middle East, Asia, Central and South America. Direct investments of the Republic of Korea in the Middle East were mainly directed at the development of oil resources, while direct investments in Asia, Central and South America were mostly aimed at relocating labor-intensive industries. Table 7 shows the status of foreign direct investment of the Republic of Korea in developing countries. As shown in Table 7, the scale of direct investments in the Asian region increased, averaging 23.3% of Korea's foreign direct investment over the five years from 1985 to 1990. The Middle East accounted for 10.4%, and Latin America - 5.9%.

Table 7. Status of Foreign Direct Investment of the Republic of Korea in Developing Countries, 1985-1990 (mln. USD)

	1985 (Cumulative until 1985)	1986	1987	1988	1989	1990	1985-90 (%)
Asia	98.5	5.2	129.8	35	114	298.6	23.3
Central and South America	59	2.4	4.5	9.9	58.9	36.3	5.9
Africa	12.1	0.05	0.6	1.5	8	26.8	1.7
Middle East	41.4	76.1	71.4	41.6	31.6	40.3	10.4
Etc.	24.8	0.9	2.2	2.8	17.8	21.7	2.4
Total export	626.4	172	397.2	212.9	492.5	1,019.7	100.0

Source: Kim Wonho (2019, p. 25)

Among Asian countries, the main destinations for Korea's direct investment were Indonesia, Thailand, Malaysia, and Hong Kong, while in Central and South America they were Panama, Costa Rica, and Mexico. Since Korea's outward direct investment, which began in the mid-1980s, was still at an early stage, South Korean companies had not yet engaged in significant overseas expansion. However, as overseas expansion in labor-intensive industries, including textiles and footwear, accelerated after 1990, Korea's policy of expanding foreign economic cooperation with developing countries began to be actively pursued.

In particular, the textile and footwear industries of the Republic of Korea were classified as declining industries, and there arose a need to relocate production abroad. As a result, the relocation of Korea's declining industries overseas naturally led to the expansion of foreign economic cooperation and bilateral trade with developing countries. Moreover, the expansion of industrial cooperation with developing countries played an important role in Korea's industrial restructuring from labor-intensive industries to high-

tech and service sectors. Table 8 and 9 show the dynamics of the Republic of Korea's exports and imports to developing countries.

As shown in Table 8, from 1985 to 1990, Korea's exports to developing countries accounted for 14.7% of the total volume to Asia, 2.9% to Latin America, 1.4% to Africa, 4.2% to the Middle East, and 0.2% to other regions. Overall, Korea's share of exports to developing countries was 23.4%. As shown in Table 9, Korea's imports from developing countries also accounted for 21.6% in total, with Asia representing 10.8%, Central and South America 3.1%, Africa 0.5%, the Middle East 6.9%, and other regions 0.3% during the same period.

Table 8. Dynamics of Exports of the Republic of Korea to Developing Countries, 1985-1990 (mln. USD)

	1985	1986	1987	1988	1989	1990	1985-90 (%)
Asia	4,140	4,300	5,710	8,641	9,944	11,299	14.7
Central and South America	1,079	907	1,226	1,601	1,740	2,104	2.9
Africa	647	442	503	754	921	915	1.4
Middle East	2,043	1,823	2,149	2,621	2,030	2,009	4.2
Etc.	31	49	74	114	134	128	0.2
Total export	30,283	34,715	47,281	60,696	62,377	65,015	100.0

Source: Kim Wonho (2019, p. 27)

Table 9. Dynamics of Imports of the Republic of Korea to Developing Countries, 1985-1990 (mln. USD)

	1985	1986	1987	1988	1989	1990	1985-90 (%)
Asia	3,926	3,162	4,435	5,388	6,509	7,637	10.8
Central and South America	1,859	1,258	1,184	1,442	1,544	1,726	3.1
Africa	396	174	90	154	242	363	0.5
Middle East	2,986	1,941	2,670	2,890	3,933	5,295	6.9
Etc.	71	90	212	165	187	160	0.3
Total export	31,136	31,584	41,020	51,811	61,465	69,844	100.0

Source: Kim Wonho (2019, p. 29)

In particular, the Republic of Korea's commitments to ODA increased after it joined the OECD as a member in March 1995. As a result, Korea's economic cooperation, based on mutual trust with developing countries, expanded through ODA programs. Thus, the main policy of Korea's foreign economic cooperation consisted of economic cooperation focused on energy resources such as oil and liquefied petroleum gas with Middle Eastern countries, as well as cooperation focused on raw materials such as timber, minerals, and fishery resources with Asian countries. Since Korea faced the problem of an absolute shortage of natural resources, securing diversified sources of resource supply became an important task of its foreign economic cooperation policy. To this end, expanding economic cooperation with developing countries was an important foreign economic policy for the stable and continuous industrial development of Korea.

Conclusions

The Republic of Korea is the only country to have gained independence from Japanese occupation that has successfully transitioned from being an international aid recipient to a donor country. Therefore, the Republic of Korea is actively expanding its foreign economic cooperation alongside its economic development. The scope of its foreign economic cooperation is expanding to include investment and technical support in manufacturing, services, and the financial sector, while cooperation under the Korean Official Development Assistance program is also improving. It is anticipated that the model for changing and improving the Republic of Korea's foreign economic cooperation policy will be useful in shaping foreign economic policy for developing countries.

The Republic of Korea has achieved industrialization and economic liberalization despite a lack of significant natural resources and the virtual absence of an industrial base due to civil war. Indeed, the Republic of Korea's achievements in economic development are considered an unprecedented success worldwide. This is why the Republic of Korea's economic development experience is increasingly attracting the attention of the international community

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